

# **Manassas Park City Economy: Its Recent Trends and Near-Term Outlook**

**Prepared for**

**The City Of Manassas Park  
Office of the City Manager**

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## **Introduction**

The economy of Manassas Park City has been shaped by the city's small geographic size and its juxtaposition relative to the much larger and more complex economies of surrounding jurisdictions. The evolution of the city's economy has been affected more strongly by external forces than by its own localized comparative advantages. Still, the internalization of the region's economic forces and the strengthening of locally based market conditions will be the principal determinants of the city's future economic vitality.

The analyses presented herein will trace the growth and changing sectoral structure of the city's economy over the past decade and distinguish between externally-dependent and internally-generated growth. These analyses will provide the basis for estimating the value of the city's gross city product—its "GDP"—and for projecting its growth going forward over the next five years. A further objective of this analysis is to establish the basis for monitoring the city's economic performance on an on-going basis. To this end, tracking indicators will be identified and their recent trends will be evaluated.

## **Demographic Profile**

Manassas Park City has undergone substantial population growth and change over the last decade. The magnitude and pace of this population gain have had important impacts on the city's economy—its performance and in shaping its future. The basic dimensions of the city's population change are outlined in Table 1. The resident population experienced more than a fifty percent gain during the nineties, growing faster than all but a small number of other Washington area jurisdictions. In comparison, the US population increased 13.1 percent and the Commonwealth of Virginia gained 14.4 percent. Locally, the Washington metropolitan area experienced population gains of 16.8 percent during the nineties while Fairfax County (inclusive of Fairfax City and Falls Church) registered a population gain of 18.4 percent and Prince William County's population increased 31.0 percent. Among the nearby jurisdictions, only Loudoun County's population experienced faster growth (99.5%) than Manassas Park.

In addition to an absolute gain in the number of city residents, this rapid population growth is reflected in some changes in its age structure and ethnic composition. As the population gains were largely a result of households moving in (rather than by births), the proportion of the population that is considered school age did not change while the proportion age 65 years and older increased. The working-age population (19-64) grew slightly slower than the overall population. As a result, while all age groups experienced gains, these gains were relatively in proportion to the age distribution existing in 1990 with the exception of the age group 65-years old and older that grew faster than average.

Table 1

## Demographic Trends in Manassas Park City, 1990-2000

Characteristics	1990	2000	Change	% Change
Total Population	6,734	10,290	3,445	52.8
18 and younger	2,092	3,431	1,339	64.0
65 and older	249	442	193	77.5
Labor Force Age	4,393	6,657	2,264	51.5
% of Population	65.2	64.7		
Educational Attainment				
% with 12 years or more	70.4	76.4		
% 4 years college or more	7.9	20.3		
Number of Households	2,182	3,254	1,072	49.1
Persons per household	3.09	3.16		

Sources: U.S. Census Bureau, GMU Center for Regional Analysis

Other demographic comparisons help to further describe the city's population. The adult population increased its levels of educational attainment over the decade, although these levels continued to lag the state average. Household size increased slightly in contrast to the area's other jurisdictions that were experiencing slowly decreasing numbers of persons per household. For the metropolitan area, average household size declined from 2.68 to 2.66 persons over the decade while in Fairfax County household size decreased from 2.77 to 2.75 persons. The percentage of white population declined while the percentage of Black and other minorities, especially Hispanics, increased. In fact, where the Black population outnumbered the Hispanic population in 1990, by 2000 the number of Hispanics residents was one-third greater than the city's Black population.

The demographic changes occurring during the nineties appear to have continued more recently although the pace of growth has slowed slightly. Between 2000 and 2001, the city's population is estimated to have increased to 10,589, for a 2.9 percent gain. At that rate, the city was growing at just twice the rate for the Commonwealth of Virginia. The city's population continued to have a slightly higher proportion of younger persons and a smaller proportion of older persons than the state. The ethnic composition of the population (e.g., 15% Hispanic vs. 4.7% for Virginia) helps explain its age structure and continuing above-average growth rate. With emigration becoming a major source of population growth, the city's above-average household size and age profile is likely to persist over the coming decade.

## Economic Profile of City Residents

The economy of Manassas Park City is the composite of the output of its residents and their local consumption spending and the output of the businesses and government activities located within the city limits. Because of the city's small geographic size, its economy is more dependent on the importation of income by its residents commuting out to work in other jurisdictions than on its indigenous business base. The economic characteristics of city residents are presented in Tables 2, 3 and 4.

Table 2

Economic Profile of Manassas Park City Residents, 1990-2000

Characteristic	1990	2000	Change	% Change
Labor Force*	3,866	5,638	1,772	45.8
Employed	3,692	5,513	1,821	49.3
Unemployed	174	125		
% Unemployed	4.5	2.2		
<b>Males</b>				
Labor Force	2,141	3,126	985	46.0
Employed	2,031	3,066	1,035	51.0
Participation**	89.5	86.8		
<b>Females</b>				
Labor Force	1,725	2,512	788	45.7
Employed	1,661	2,447	786	47.3
Participation Rate	71.4	71.8		
Median HH Y***	\$48,530	\$60,794	\$12,264	25.3

Sources: U.S. Census, GMU Center for regional Analysis

\*Civilians either working or seeking work

\*\*percentage of residents 18 years old or older in the labor force

\*\*\*Household income expressed in inflation adjusted 2000 dollars

The resilience of the city's economy derives from both the diversity of the employment structure available to its resident work force and the structure of the city's economic base. The rapid growth of the city's population and resultant expansion of its workforce (Table 3) supported its rapid increase in household incomes; that is, more residents were employed in better paying jobs in 2000 than in 1990. With unemployment declining through most of the decade, even when the regional economy slowed after 2000,

unemployment among city residents remained low by historic standards. It is notable that the city's labor force and the number of employed persons did not decline in any year during the current business cycle. Also important is the job growth achieved so far in 2003 as the regional economy began its slow expansion. Through the first six months of 2003, unemployment declined and the pace of job increase accelerated; compared to 2002 when employment increased 0.6 percent, employment has grown by 1.5 percent over the first half of 2003.

Table 3

Labor Force Trends of Manassas Park City Residents  
1993-2003

Year	Total	Employed	Unemployment Rate
1993	3933	3845	2.2
1994	4034	3910	3.1
1995	4072	3980	2.3
1996	4477	4306	3.8
1997	4462	4371	2.0
1998	4166	4095	1.7
1999	4247	4193	1.3
2000	5556	5512	0.8
2001	5669	5601	1.2
2002	5766	5635	2.3
2003*	5840	5718	2.1
10-year change percent	1907 48.5	1873 48.7	

Sources: Virginia Employment Commission, GMU Center for Regional Analysis. \*average through first 6 months.

Over the decade of the nineties the city's labor force increased rapidly in parallel with the city's population growth but, because of the population's age structure, the percentage of residents in the labor force did not increase quite as fast as the city's overall population. Still, with improving economic conditions in the region during the nineties, unemployment declined. Additionally, labor force participation rates for females increased slightly increasing the number of two-worker households.

These labor force trends, combined with the sectoral shift of jobs from lower to higher value-added work (Table 4), boosted real household incomes. Median household income

(adjusted for inflation) in Manassas Park City grew 25.3 percent over the decade (1989-1999) in comparison to the Washington metropolitan area's gain of 13.8 percent for the same period.

The almost 50 percent increase in number of employed city residents permitted the sectoral mix of their jobs to change faster over the decade than the normal evolution of the region's economy. While goods-producing sectors (construction and manufacturing) continue to reflect a disproportional share of the resident's jobs (more than double the share for the metropolitan area), two important shifts among the service-producing jobs (trade, services, FIRE) are notable. The share of residents working in trade (both wholesale and retail) declined while the share of residents working in services increased dramatically. This shift of jobs away from the more seasonal and lower wage sectors to the faster growth sectors characterized by higher wages is reflected in the sharp gains in resident household income during the nineties.

Table 4  
Sectoral Distribution of Employed Manassas Park City Residents  
1990 and 2000

Sectors	1990		2000	
	Number	Percent	Number	Percent
Construction	695	18.8	948	17.2
Manufacturing	332	9.0	207	3.8
Transportation	212	5.7	353	6.4
Communications*	141	3.8	320	5.8
Wholesale Trade	149	4.0	155	2.8
Retail Trade	681	18.4	754	13.7
FIRE**	153	4.1	364	6.6
Services	1050	28.4	2079	37.7
Other	42	1.1	11	0.2
Government	237	6.4	322	5.8
Totals***	3692	100.0	5513	100.0

Sources: U.S. Census, GMU Center for Regional Analysis

\*includes utilities; \*\*finance, insurance and real estate; \*\*\*percentages do not sum to 100 due to rounding of component percentages.

This sectoral employment pattern of the city's residents does not describe the city's economic base. Rather, the city's economy is a reflection of the jobs located within the city limits and the value of their output largely determines the city's gross city product—the value of goods and services produced locally. The city's economic base is analyzed in the following section.

## Manassas Park City's Economy

Because of the city's small size the data describing its employers is much more limited than the data describing its residents. The latter derive from the U.S. Census (as presented above) while local employment and income data for the activities located within the city rely on employer surveys conducted at their place of operation. These employment and income data are readily available for counties and states but independent cities are often not reported separately from their surround county. In the case of Manassas Park City, its economic data are included with Prince William County, as are economic data for Manassas City. The only detailed source of employer-based jobs and income data is provided by annual The County Business Patterns (2001) report. These reports are available for years back to 1994 (although sector definitions have changed) but they only report private sector jobs. The most recent profile of the city's employment base is presented in Table 5 below.

Table 5

### The Private Sector Employment Structure in Manassas Park City, 2001

Major Sector	<u>Jobs</u>		Average Salary	Number of Establishments
	Number	%		
All Covered Jobs*	3838		\$36,562	222
Private Sector	3365		37,125	216
Percent	87.7			97.3
Major Sectors-Private	2962		\$36,421	182
Construction	1717	58.0	39,719	73
Manufacturing	143	4.8	38,573	10
Wholesale Trade	250	8.4	32,928	11
Retail Trade	306	10.3	35,245	22
Transportation	7	0.2	28,571	5
Professional/technical	84	2.8	43,012	13
Administrative	190	6.4	29,584	14
Hospitality**	153	5.2	11,412	6
Other	112	3.8	\$34,613	28

Sources: U.S. Department of Commerce, County Business Patterns, 2001  
 GMU Center for Regional Analysis; \*jobs that qualify for unemployment  
 insurance and for which employers without tax and social security payments;  
 \*\*includes restaurants

The City's private sector job base is significantly dominated by the construction and trade sectors. Together, these categories accounted for more than three-quarters of the at-place jobs in the city (excluding the public sector). And, this domination appears for have increased over the nineties. In 1998, the construction sector accounted for 57.3 percent of all private sector jobs located in the city while the retail sector (wholesale and retail) accounted for 17.0 percent and, in 1994, construction accounted for 55.4 percent of the city's job base.

As the private sector has been the principal source of job growth in Northern Virginia over the past decade, this concentration has important implications. Construction activity is generally more cyclically sensitive than other sectors and retail trade jobs tend to grow slowly as their expansion is closely linked to population growth and increases in purchasing power. Professional/technical jobs include most of the technology-intensive, knowledge work that has fueled the growth of the Washington metropolitan area since the early 1980s. These jobs have the highest average salaries and experienced the fastest growth rates during the nineties. But in the city, professional/technical jobs constituted only 2.8 percent of the city's private sector jobs in 2001.

The structure of the city's economy, as detailed in Table 5, is still dominated by its historic locational advantages overlaid by the emergence of a residentially-dependent service base (retail, restaurants, personal services) driven by the city's rapid population growth since 1990. Absent from this employment base are the non-residential serving professional, technical and managerial services that export information and knowledge-based services to regional, national and international customers. The growth of these activities, which tend to be high value-added and high wage, have been the basis for rapid economic growth in Fairfax County and more recently in Loudoun County and are just beginning to drive economic growth in Prince William County. For city residents to access these kinds of jobs and other types of jobs not found in the city's small employment base, they have had to commute out to neighborhood jurisdictions. These commuting patterns confirm the importance of these neighboring county economies as sources of income for Manassas Park residents and for the city's economic health.

### **Commuting Patterns In and Out of the City**

While city residents have been successful in finding higher quality jobs located in non-local employment centers, this employment pattern has resulted in above-average time spent in commuting. The 2000 Census documented these commuting patterns and calculated the average travel time for the metropolitan area at 32.8 minutes and 35.7 minutes for Manassas Park; Virginia residents' average time commuting (one-way) was 27.0 minutes. The principal destinations and originations of commuters residing and working in Manassas Park are presented in Table 6.

Nine percent (507) of the city's resident workers worked within Manassas Park and constituted 18.7 percent of the city's employment base (jobs located in the city). This means that 91 percent of the city's residents who were employed commuted to jobs in

other jurisdictions. Of the city's out-commuters, 91 percent worked elsewhere in Virginia with the largest percentages working in Fairfax County, Prince William County and Manassas City. Combined, jobs in these three jurisdictions employed 65 percent of Manassas Park residents who were employed at the time of the Census in 2000.

Table 6

Commuting Patterns of Manassas Park City Residents  
And Job Holders Working in the City, 2000

	<u>Destinations For City Residents</u>		<u>Workers Commuting to the City</u>	
	Number	%	Number	%
Totals	5503		2714	
Maryland	188	3.4	120	4.4
District of Columbia	311	5.6	71	2.6
Virginia	5004	91.0	2523	93.0
Manassas Park	507	9.0	507	18.7
Fairfax County	1964	35.7	334	12.3
Prince Wm County	974	17.7	923	34.0
Manassas City	662	12.0	283	10.4
Loudoun County	251	4.6	38	1.4
Fairfax City	239	4.3	6	0.2
Arlington	175	3.2	27	1.0
Fauquier County	47	0.8	67	2.5
Stafford County	-	-	55	2.0
All Other Virginia	185	3.4	283	10.4

Sources: U.S. Census, GMU Center for Regional Analysis

The residential pattern of job holders working in (commuting into) Manassas Park City in 2000 differed from the out-commuting pattern of city residents. The relative importance of Fairfax and Prince William Counties as a source of workers for jobs located in Manassas Park was the most different with Prince William County supplying one-third of the city's workers, nearly double the number filled by city residents.

These commuting patterns have important economic implications. Because of the number and nature of jobs in the city and that the number and qualifications of resident workers are not well matched, the city's economy is more dependent on the transfer of earnings from outside the city than are the larger more diversified economies of the surrounding jurisdictions. This mismatch between city-based jobs and the employment profile of city residents is not new or unusual for suburban economies that are undergoing an urban transition. What this pattern suggests, as seen in other Northern Virginia jurisdictions with more developed economies, is that the city's economy today

will not be its economy of tomorrow. And, this transition will accelerate over the coming decade with more advanced and productive types of businesses displacing existing ones; that is, this economic transition will not be a smooth progression of change filling in developable parcels but rather will be a more uneven and dramatic progression of change with older goods-producing uses being displaced by higher value-added service-producing businesses.

### **Manassas Park's Gross Regional Product**

While the data describing the value of the work done within the city's economy and the income and consumption spending patterns of city resident are limited, an estimate of the city's total value of goods and services—gross city product (GCP)—has been attempted. This estimate reflects the relationship between the earnings of city residents (regardless of where they are employed) and the commuting patterns of the workers living in the city or commuting daily to the city to work. This residential income adjustment enables the value of work performed by non-city residents to be credited to the city economy and the value of the work performed by city residents working in other jurisdictions to be excluded from the calculation of the city's GCP. Additionally, the non-labor contributions to the city's economic output were estimated based on sectoral data for similar adjacent jurisdictions and prorated to the job mix in Manassas Park. These calculations were made for 1990 and 2000 in constant 2000 dollars. Based on this approach, the city's GCP for 1990 (in 2000\$s) was estimated to equal \$82.868 million and the GCP in 2000 (in 2000\$s) was estimated to total \$165.371 million for a 10-year real gain of 99.6 percent. This compares favorably to the 38.0 percent GRP gain in the Washington metropolitan area over this same 10-year period.

### **Tracking Indicators**

The most valuable economic indicators for tracking the performance of the city's economy are those that both measure an important determinant of the economy's health and also are released in a timely fashion sufficient to alert decision makers to important changes or turning points in the prevailing performance trend. At the city level, monthly data that provide indicative information about the economy's performance are limited to labor force data (by place of residence) and initial claims for unemployment insurance (also by place of residence). These two indicators provide important evidence regarding the labor market conditions impacting the city's residents regardless of where they work geographically. However, these indicators do not provide accurate information regarding the performance of the city's economy—its employment base and income stream.

Retail sales tax collections and building permits issued by number and value provide useful indicators for current consumer spending patterns and of business confidence but do not permit any aggregate measurement of the city's overall economic performance. This can only be tracked annually based on job and payroll information but with a lag of from one to two years depending on the schedule of information being released by the US

Bureau of Economic Analysis. Hence, an estimate for GCP can be made at this time for 2001 but actual data for the current period is not available so estimates for 2002 depend on statistical methods building from information on the performance of the Northern Virginia economy and the economies of some of its larger jurisdictions. The risk inherent in this approach should be obvious based on Manassas Park's small size and specialized and unusual economic structure.

The city's labor market indicators for 2003 have shown improvement compared to 2002. As a mid-year, unemployment has declined from 2.3 to 2.2 percent and is below Fairfax County's rate of 2.4 percent and significantly better than the Washington area rate of 3.7 percent that is the lowest among major metropolitan areas and compared favorably to the national rate of 6.4 percent in June.

Initial claims for unemployment insurance measure the current trend in lay offs. Lower initial claims point to improvement in the labor market. Initial claims in Manassas Park in January of 2003 totaled 25 and by June they were down to 9 but totaled 105 over the year's first six months. This value for the year's first six month actually represents a gain of 14.1 percent over the same period in 2002 when initial claims totaled 92.

As the city's economy depends on the performance of the economies in adjacent jurisdictions (approximately 70 percent of the city's working residents working in Fairfax and Prince William Counties including their independent cities but excluding Manassas Park), the performance of these two counties provides a reliable basis for tracking the city's economy in the current period and for projecting its near-term outlook.

### **Manassas Park City's Current Economic Performance and Near-Term Outlook**

The economic forecast for Manassas Park City is presented in Table 7 along with corresponding projections for adjacent and encompassing jurisdictions. These projections for the Washington metropolitan area, Northern Virginia and Fairfax and Prince William Counties reflect the most recent income and output data available from the Bureau of Economic Analysis (U.S. Department of Commerce). The inputs to the calculation of gross regional product are revised annually with 2001 being the most current year and estimated for the actual current year and projected from that date forward. As a result, the base numbers will change for 2002 and 2003 as these data are revised next year and these revisions may change the forecast slightly for the out years. Still, these values represent close approximations of the value of goods and services generated in the area and provide a basis for projecting economic growth in Manassas Park.

The projections for the city's economic growth show that it is expected to grow faster than the economies of nearby counties partly because its base is small (resulting in higher percent change) and, as a result, the economy is likely to change more as it grows yielding higher growth rates. The location of one new medium-size business with above-

average output can distort the city's economic growth trend. Hence, these projections should be used as indicative of growth in the absence of major external stimuli.

The growth pattern is also important. Growth estimates for 2003 show that substantial improvement is expected this year compared to 2002 and projections for 2004 show it to have the highest expected growth rate for the forecast period. After 2004, growth rates will remain strong going forward but are expected to slowly diminishing in the out years. This is the same pattern projected for the Washington area and for the national economy.

Table 7

The Economic Outlook of the Washington Metropolitan Area,  
Northern Virginia and Counties Adjacent to Manassas Park, 2000-2008  
(in millions of 2003 dollars)

Year	WPMSA*	NVA	Fairfax	Prince William	Manassas Park	
					\$	% change
2000	\$251.369	\$111.25	\$58.414	\$7.873	\$0.176	
2001	257.487	115.00	60.843	8.306	0.184	5.50
2002	260.998	119.40	62.203	8.677	0.191	3.35
2003	271.692	124.21	65.158	9.185	0.202	5.70
2004	283.393	129.93	69.200	9.972	0.216	6.94
2005	295.090	135.71	72.775	10.644	0.228	5.96
2006	305.076	143.14	75.862	11.272	0.240	5.10
2007	315.012	151.75	78.911	11.923	0.252	4.86
2008	\$324.457	\$160.41	\$81.811	\$12.557	\$0.263	4.50

Sources: NPA Data Services, Inc.; GMU Center for Regional Analysis

\*Washington Primary Metropolitan Statistical Area

Manassas Park City's economic outlook is for continuing strong growth. The basis for this forecast is: (1) the strength of the Northern Virginia and Fairfax and Prince William economies that employ 91 percent of the city's resident who are in the workforce; (2) the historic above-average growth rate of the city's economy; and (3) the accelerating restructuring of the city's business base that will experience the substitution of higher value-added activities and jobs for ones that are less productive and lower wage. This latter dimension of the city's economic future is the most variable and the least predictable.

The long-run outcome will be a dramatically different economy than the economy that developed over the past several decades and at present continues to dominate local business activity. As the economy transitions from a goods-producing base to a professional and technical services-base, a new economy that will be quite different from

the past will emerge. When this happens and it could happen within a short period (less than ten years), the city's economy will have a substantially different sectoral structure and generate significantly greater income and jobs that in turn will make the city an even more attractive place to live with concomitant upward price effects on housing and land with concomitant positive effects the city's revenue base.