

# VEDP 2.0: 2017 RECAP AND FUTURE OPPORTUNITIES TO POSITION VIRGINIA AND ITS REGIONS FOR HEALTHIER GROWTH

January 17, 2018

Briefing for House Appropriations Subcommittee for  
Commerce, Agriculture, Natural Resources and Technology



**VIRGINIA ECONOMIC  
DEVELOPMENT PARTNERSHIP**

# TOPICS FOR TODAY'S DISCUSSION

- Overview of JLARC- and GA-driven reforms at VEDP in 2017
- Five transformational goals for Va., VEDP (and how to achieve them)
- Priority initiatives FY19-20 biennium
- Custom workforce initiative (Georgia/Louisiana model)
- The case for marketing Virginia for business
- Q&A

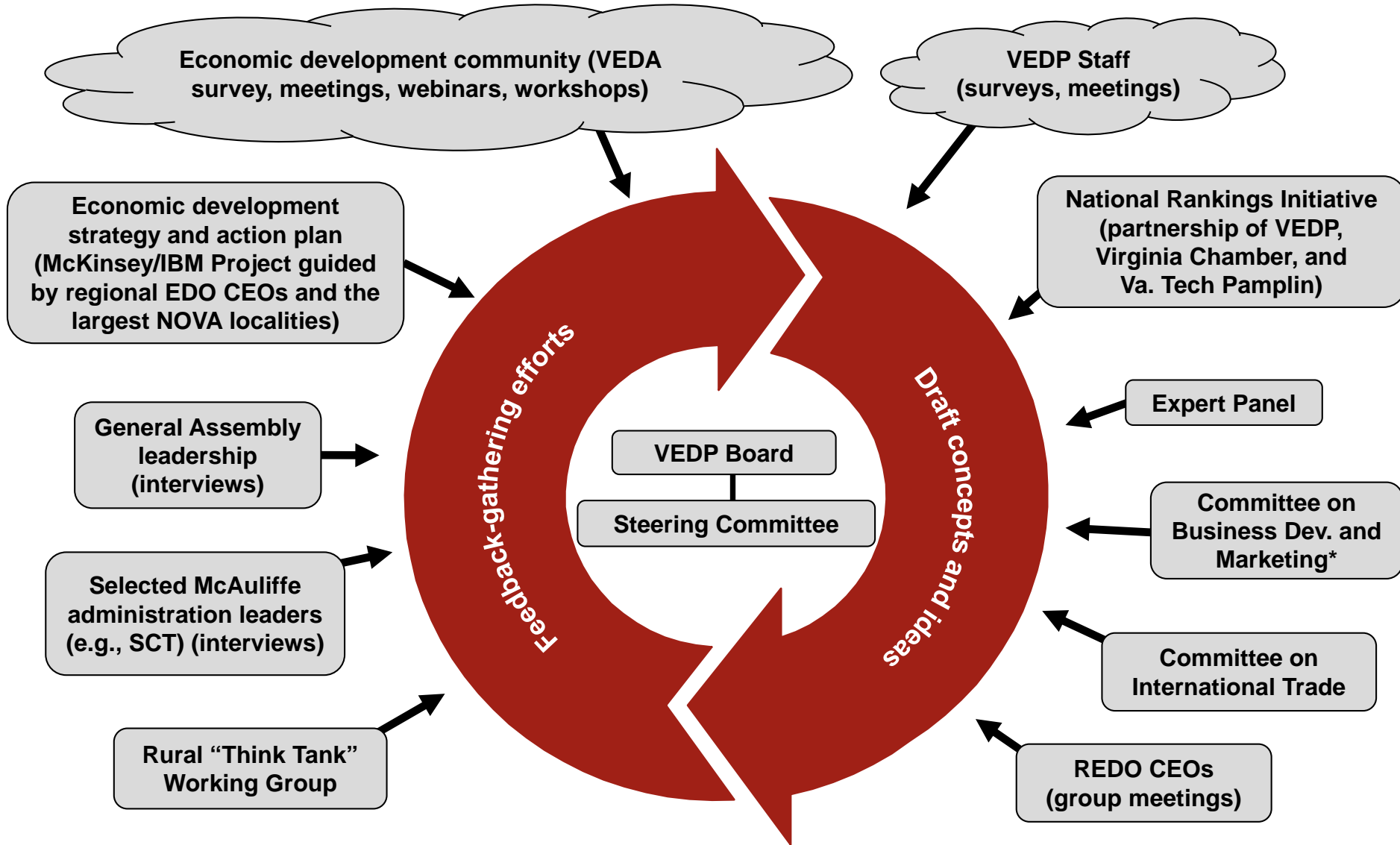
# OVERVIEW OF JLARC- AND GA-DRIVEN REFORMS AT VEDP

- Focus on improving governance, efficiency, effectiveness, coordination, and accountability, as well as strengthening incentives administration
- Charge to ensure that VEDP addresses all of its statutory duties
- Appointment of new Board, including changes in ex-officio membership (e.g., addition of money committee staff directors, chair of GO Virginia state board, and CEO/executive director of the Virginia Port Authority)
- Appointment of Committee on International Trade and Committee on Business Development and Marketing to advise the Board
- Required creation of a biennial Strategic Plan, annual Marketing Plan, and annual Operational Plan
- Creation of a dedicated Division of Incentives and internal audit function
- Imposition of a variety of new reporting requirements
- Nearly all of the JLARC recommendations (25 of 27 under VEDP control) were substantially implemented by year-end 2017

# IN 2017, VEDP SUBSTANTIALLY IMPLEMENTED NEARLY ALL NEW PROVISIONS IN THE CODE OF VIRGINIA

- Organization of new VEDP Board and its two advisory committees
- Appointment of internal auditor, with an annual work plan
- Development of biennial strategic plan with participation of partners
- Development of annual operational plan and annual marketing plan
- Creation of Division of Incentives, along with due diligence and monitoring/reporting
- Board approval of any incentive agreement extensions (MEI to approve second extensions)
- Completion of a variety of procedures and reporting requirements
- Establishment of Board subcommittee to review VEC information to assist with verification of employment and wage claims

# OUR NEW 5-YEAR (FY19-23) STRATEGIC PLAN HAS BEEN CRAFTED WITH EXTENSIVE STAKEHOLDER ENGAGEMENT

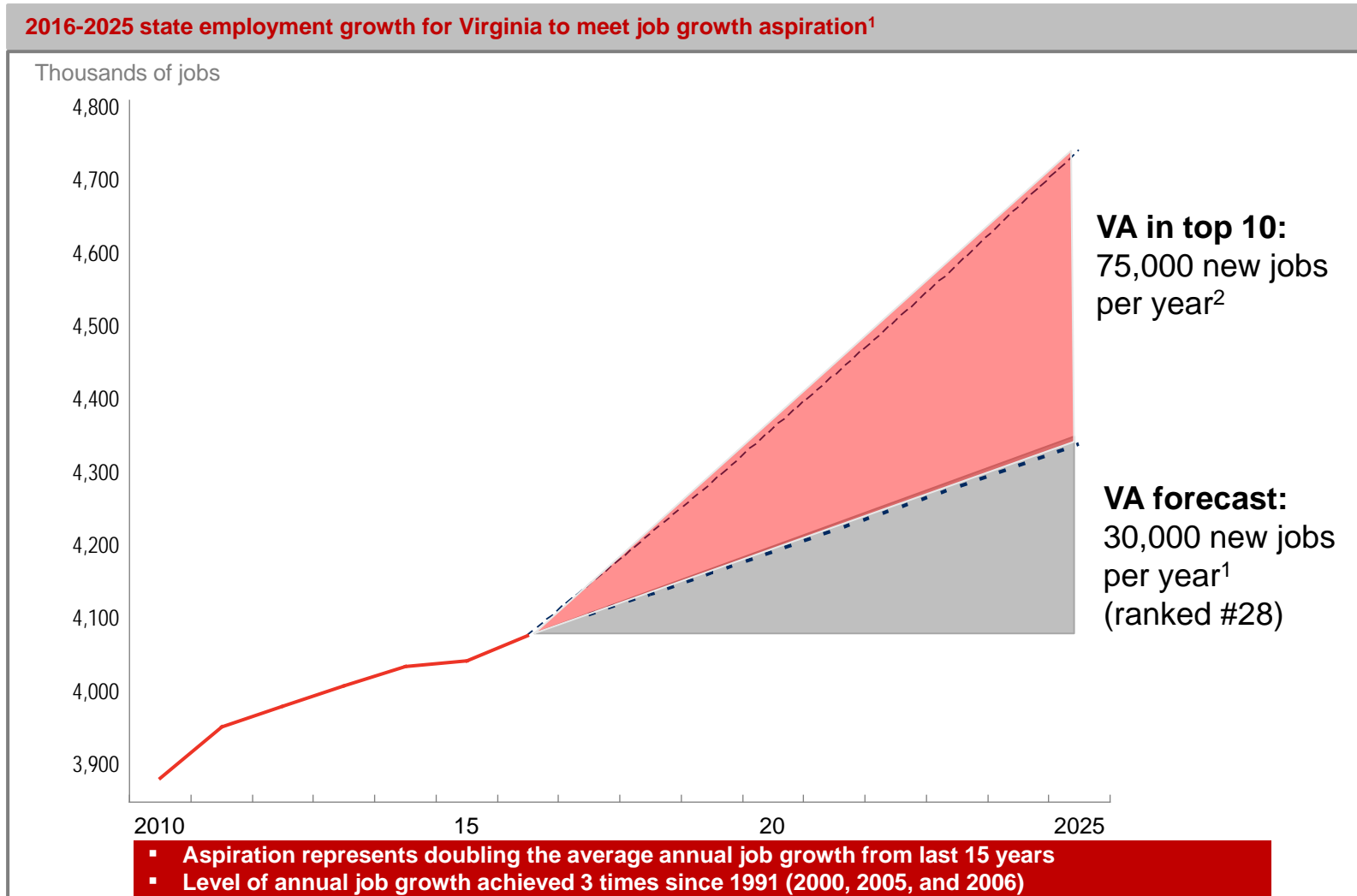


\* With timing of committee appointments and Amazon HQ2-related scheduling challenges at VEDP, this committee was not consulted as extensively as some of the other groups

# WITH INPUT FROM GA LEADERS, ADMIN., AND STAKEHOLDERS, WE CRAFTED FIVE TRANSFORMATIONAL GOALS FOR VIRGINIA, VEDP

- 1. Robust State Job Growth:** Over the next several years, position VA to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the US
- 2. Every Region Wins:** Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment, median earnings)
- 3. Best State for Business:** Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average in top 3-5)
- 4. Top State EDO:** Reestablish VEDP as one of America's premier state EDOs (to help accomplish the top three transformational goals)
- 5. Super Collaborator:** Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP)

# VA NEEDS TO AT LEAST DOUBLE BASELINE EMPLOYMENT GROWTH EXPECTATIONS TO BE AMONG THE TOP 10 STATES



1 Historical trends based on CAGR 1990-2015; forecast trends based on CAGR 2015-2025

2 Top 10 represents the average forecasted growth rate of the top 10 US States from 2015-2025

Source: BLS, Moody's Analytics (forecast as of June 2017)

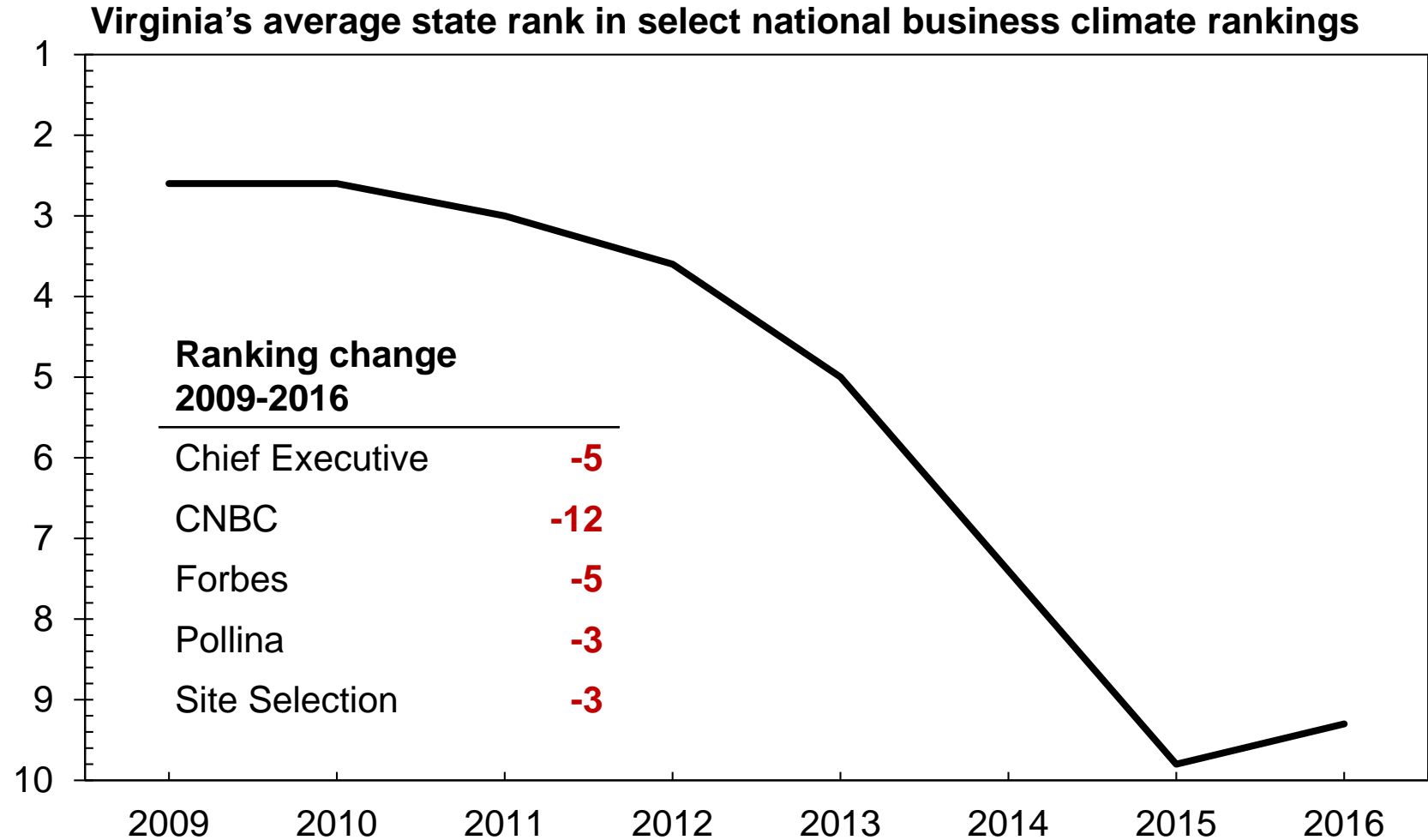
# VIRGINIA'S HISTORICAL GROWTH PATTERNS HAVE BEEN UNEVENLY DISTRIBUTED ACROSS REGIONS

Region	Employment CAGR, 2006-2011, %	New jobs, k	New jobs, %	Employment CAGR, 2011-2016, %	New jobs, k	New jobs, %
<b>Northern Virginia</b>	1.3%	81.5	104%	0.9%	60.4	44%
<b>Rest of Virginia</b>	0%	-2.8	-4%	0.6%	75.6	56%
Greater Williamsburg Partnership	0.6%	2.3	3%	0.8%	3.1	2%
Central Virginia Partnership for Economic Development	0.6%	4.5	6%	1.0%	8.0	6%
New River Valley Economic Development Alliance	0.5%	2.1	3%	0.7%	3.1	2%
Greater Richmond Partnership	0.4%	9.0	11%	1.6%	41.8	31%
The Lynchburg Regional Business Alliance	0.2%	1.2	2%	-0.1%	-0.6	0%
Hampton Roads Economic Development Alliance	0.1%	3.8	5%	0.4%	14.1	10%
Roanoke Regional Partnership	0.1%	0.6	1%	0.2%	1.2	1%
Virginia's Growth Alliance	-0.1%	-0.3	0%	-0.2%	-0.6	0%
Fredericksburg Regional Alliance	-0.1%	-1.0	-1%	1.0%	8.4	6%
Shenandoah Valley Partnership	-0.2%	-2.8	-4%	0.5%	6.4	5%
Northern Neck Chesapeake Bay Region Partnership	-0.5%	-1.1	-1%	-0.6%	-1.4	-1%
Virginia Coalfield Economic Development Authority	-0.7%	-2.9	-4%	-3.1%	-11.2	-8%
Middle Peninsula Economic Development Resource Organization	-0.8%	-1.7	-2%	0.2%	0.4	0%
Virginia's Industrial Advancement Alliance	-1.1%	-4.8	-6%	0%	0.1	0%
Virginia's Gateway Region	-1.3%	-4.3	-5%	0.7%	2.2	2%
Southern Virginia Regional Alliance	-1.5%	-7.3	-9%	0.1%	0.5	0%
<b>Total</b>	<b>0.5%</b>	<b>78.7</b>	<b>100%</b>	<b>0.6%</b>	<b>135.9</b>	<b>100%</b>

Source: BLS; Moody's Analytics; McKinsey analysis



# SINCE 2010, VA'S AVERAGE RANK IN NATIONAL BUSINESS CLIMATE STUDIES HAS DROPPED ABOUT SEVEN SPOTS



Source: Chief Executive magazine, CNBC, Forbes, Pollina Corporate Real Estate, Site Selection magazine

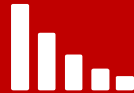
# VIRGINIA'S DROP IN MAJOR BUSINESS CLIMATE RANKINGS CAN BE TIED TO THREE MAIN FACTORS

## Business Costs



New rankings of some business costs (e.g., tax burdens on new investment) place Virginia in a relatively negative light

## Economic Climate & Growth



With federal sequestration and Virginia's reliance on federal spending, Virginia experienced a slowdown in growth

## Perceptions of CEOs



CEO perceptions of Virginia's business climate declined modestly after 2009

Source: Published rankings methodologies and VEDP analysis

# THREE BROAD APPROACHES CAN BE UTILIZED IN COMBINATION TO GET VIRGINIA BACK ON TOP



## Policy Improvements

Example: Lower the effective tax burden for new, capital-intensive manufacturers



## Programmatic Initiatives

Example: Create a world-class, turnkey, customized workforce recruitment and training incentive



## Marketing/Branding Programs

Example: Position VA as the leading state brand for target industry sectors, place a national spotlight on the rural VA opportunity, and highlight VA's alluring business climate

**These broad approaches also will enable faster employment growth, further bolstering Virginia's rankings**

# THREE TYPES OF STRATEGIES HAVE BEEN DEVELOPED TO ACCOMPLISH THE FIVE TRANSFORMATIONAL GOALS

**A**

## **Cultivate target industry growth clusters**

- Push new boundaries as a U.S. leader in information technology
- Assemble a world-class transportation and logistics hub
- Position Virginia's manufacturing base to be future ready
- Create bus. services and ops. centers of excellence (e.g., HQs)
- Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies (e.g., unmanned systems, genomics, personalized medicine)

**B**

## **Improve VA's economic competitiveness**

- Strengthen Virginia's human capital development engine
- Assemble an ample, strategic portfolio of project-ready sites and buildings across Virginia
- Rigorously assess and steadily improve Virginia's state, regional, and local economic competitiveness
- Leverage public-private partnerships to strengthen Virginia's digital infrastructure (i.e., broadband)
- Place a special focus on achieving growth in Virginia's rural regions and small metros

**C**

## **Enhance VEDP's capabilities**

- Cultivate world-class execution at VEDP
- Implement robust marketing/branding, lead generation, and site consultant cultivation programs
- Strengthen and expand business and international trade development programs
- Become a national leader in incentives administration

# VEDP BUDGET PROPOSALS TO INCREASE JOB GROWTH AND IMPROVE RANKINGS (1 OF 2)

JLARC recommendation

Strategy type (and priority)	Initiative	Impact	FY19 budget request (\$M)	FY20 budget request (\$M)
1	<p>Enhance VEDP's capabilities</p> <p><b>Incentives Division establishment</b></p> <ul style="list-style-type: none"> <li>Establish 4-person team</li> </ul>	<ul style="list-style-type: none"> <li>Fully implement code and JLARC recs without shrinking existing, positive-ROI programs</li> <li>Ensure that incentives are deployed without undue risk to taxpayers while effectively monitoring and reporting performance</li> </ul>	\$0.6	\$0.6
2	<p>Enhance VEDP's capabilities</p> <p><b>Internal Audit function establishment within VEDP</b></p> <ul style="list-style-type: none"> <li>New function reports to Board</li> </ul>	<ul style="list-style-type: none"> <li>Fully implement code and JLARC recs without shrinking existing, positive-ROI programs</li> <li>Board has engaged DHG as internal auditor</li> </ul>	\$0.3	\$0.2
3	<p>Enhance VEDP's capabilities</p> <p><b>VEDP talent management program</b></p> <ul style="list-style-type: none"> <li>Invest in training and professional development to enhance staff effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>Routine skills training will significantly improve VEDP staff efficiency and effectiveness, including addressing areas cited by JLARC</li> <li>Talent management programs will help VEDP achieve transformational goals, incl. becoming one of America's most effective state EDOs</li> </ul>	\$0.1	\$0.2
4	<p>Improve VA's economic competitiveness</p> <p><b>Turnkey workforce solution</b></p> <ul style="list-style-type: none"> <li>Launch customized, turnkey workforce recruitment and training incentive program to secure high-quality economic dev. projects</li> </ul> <p style="text-align: center;"><b>VBC</b></p> <p><b>Blueprint Va.</b>   <b>VEDA Priority</b></p> <p><b>Rural Priority</b>   <b>RDO Priority</b></p>	<ul style="list-style-type: none"> <li>VA will transform from being unranked for workforce dev. programs to having a top-five program within three years, top 1-3 within 4 years</li> <li>VA's perception-based business climate rankings will materially improve</li> <li>Rural Virginia will have greater econ dev success</li> </ul>	\$4.7	\$8.2
5	<p>Enhance VEDP's capabilities</p> <p><b>Robust marketing, lead generation, and site consultant cultivation programs</b></p> <ul style="list-style-type: none"> <li>Invest in sharing VA's story nationally with C-level execs and site-selection consultants</li> </ul> <p><b>Blueprint Va.</b>   <b>VEDA Priority</b></p> <p><b>Rural Priority</b>   <b>RDO Priority</b></p>	<ul style="list-style-type: none"> <li>Advantages of investing in VA generally, for our target sectors, and for rural opportunities will become considerably more well-known by C-level executives and site consultants across the US</li> <li>VA will experience a substantial increase in leads across its target industry sectors (hundreds more)</li> <li>Virginia's perception-based rankings will materially improve</li> </ul>	\$9.5	\$9.5

# VEDP BUDGET PROPOSALS TO INCREASE JOB GROWTH AND IMPROVE RANKINGS (2 OF 2)

Strategy type (and priority)	Initiative	Impact	FY19 budget request (\$M)	FY20 budget request (\$M)
6 Improve VA's economic competitiveness	<b>Sites and building portfolio</b> <ul style="list-style-type: none"> <li>Expand VBRSP and explore means to attract private capital</li> </ul> <div style="text-align: center;"> <span style="background-color: #90EE90; padding: 2px;">RSN Platform</span>  <span style="display: inline-block; margin-right: 10px; background-color: #ADD8E6; padding: 2px;">Blueprint Va.</span> <span style="background-color: #FFB6C1; padding: 2px;">VEDA Priority</span>  <span style="display: inline-block; margin-right: 10px; background-color: #FFD700; padding: 2px;">Rural Priority</span> <span style="background-color: #FFFF00; padding: 2px;">RDO Priority</span> </div>	<ul style="list-style-type: none"> <li>VA will have a stronger portfolio of development-ready sites across different site archetypes and regional locations, helping to address the #1 reason VA loses manufacturing projects</li> </ul>	\$1.2	\$1.7
7 Enhance VEDP's capabilities	<b>Int'l. trade program expansion</b> <ul style="list-style-type: none"> <li>Expand effective, oversubscribed programs</li> </ul> <div style="text-align: center;"> <span style="background-color: #ADD8E6; padding: 2px;">Blueprint Va.</span> </div>	<ul style="list-style-type: none"> <li>VEDP will be able to increase enrolled companies from ~320 each year to ~500 companies, resulting in at least 5-10K additional trade-supported jobs over the next decade</li> </ul>	\$1.8	\$1.8
8 Improve VA's economic competitiveness	<b>Economic Development Innovation &amp; Research Fund</b> <ul style="list-style-type: none"> <li>Leverage 3<sup>rd</sup>-party expertise to develop strategies to capture complex opportunities</li> </ul>	<ul style="list-style-type: none"> <li>VA will develop more sophisticated approaches to economic development, with greater success resulting in more lead generation and project announcements</li> <li>Use of the fund will generate significant ROI for VA through greater effectiveness on complex, high-impact projects</li> </ul>	\$1.8	\$1.8
9 Enhance VEDP's capabilities	<b>Project Development &amp; Special Opportunities Fund</b> <ul style="list-style-type: none"> <li>Leverage 3<sup>rd</sup>-party expertise for project-specific site preparation efforts in high-impact projects</li> </ul>	<ul style="list-style-type: none"> <li>VA will significantly improve the quality, speed, and sophistication of its responses to RFPs, which will be particularly helpful in winning high-impact (typically transformational) economic development projects</li> </ul>	\$1.5	\$1.5
10 Enhance VEDP's capabilities	<b>VEDP Business Retention &amp; Expansion (BRE) program expansion</b> <ul style="list-style-type: none"> <li>Expand BRE staff by 10 to reach many more companies</li> </ul>	<ul style="list-style-type: none"> <li>Funds will allow the BRE program to cover 3-5K targeted firms on a regular basis (i.e., at least one site visit every two years), resulting in additional economic development project wins each year, incl. sophisticated supply-chain opportunities</li> </ul>	\$0.5	\$1.4

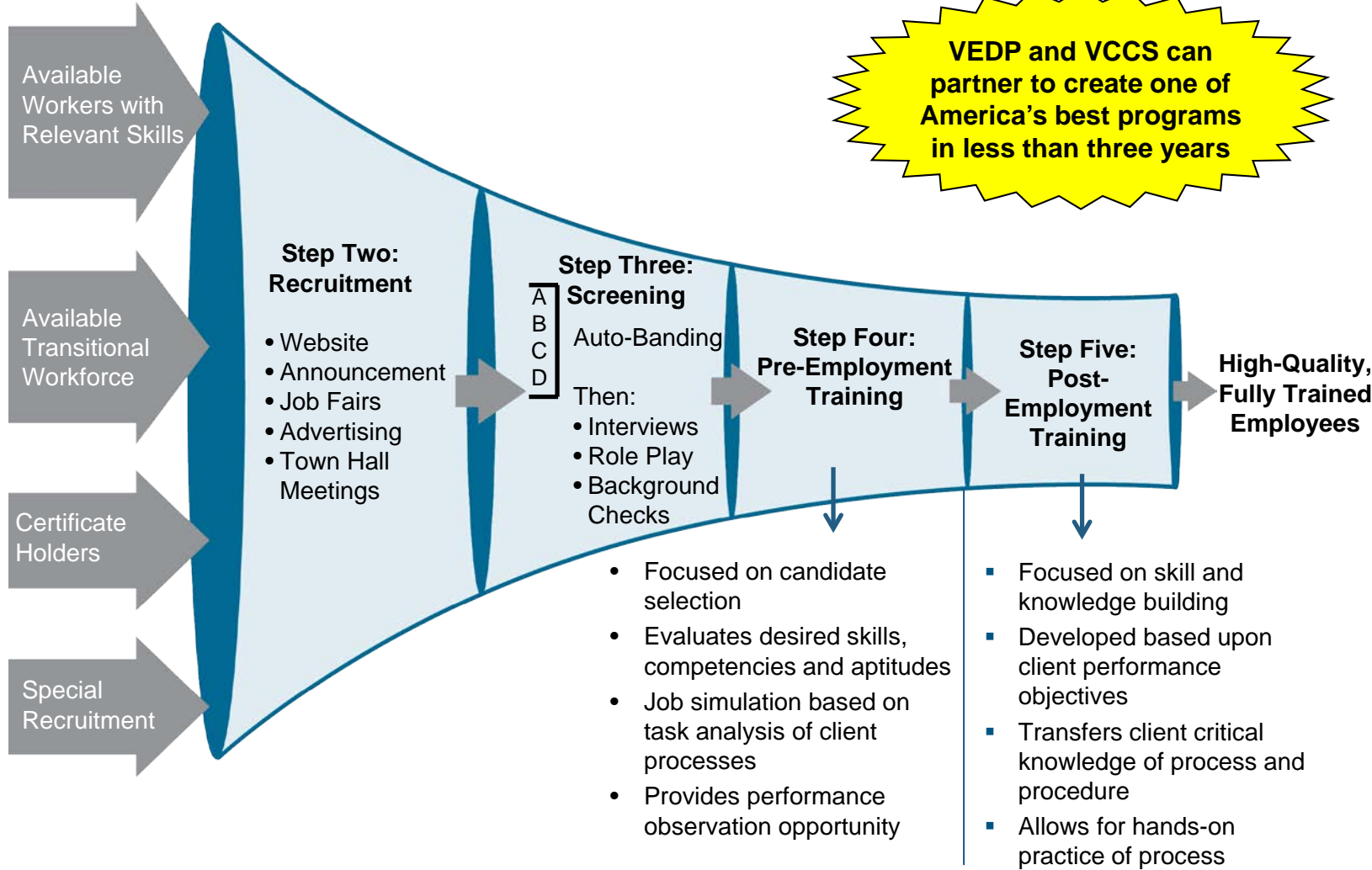
**Total proposal:**

# TOP-RANKED STATE WORKFORCE DEVELOPMENT PROGRAMS (GA, LA) OFFER FULLY CUSTOMIZED, TURNKEY SOLUTIONS

**VEDP and VCCS can partner to create one of America's best programs in less than three years**

## Step One: Business Analysis

- Interviews with client subject matter experts
- Documentation of existing operations to be replicated (if applicable)
- Development of customized workforce plan



Every project is delivered by a mix of full-time employees (roughly one-third) and specialized contractors (roughly two-thirds) who are assembled to meet the needs of the particular client

# WITH NO THIRD-PARTY MKTG. BUDGET, VA NOW RANKS OUTSIDE THE TOP 10 STATES FOR BUSINESS (AND BEHIND TOP COMPETITOR STATES) IN EVERY NATIONAL SURVEY OF BUSINESS EXECES

Top competitor states      Virginia ranking

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<i>Area Development</i> magazine "Top States for Doing Business"	GA	SC	TX	TN	LA	AL	IN	NC	MS	OH	VA	FL	NY	OK	MI
<i>Chief Executive</i> magazine "Best and Worst States for Business"	TX	FL	NC	SC	IN	NV	TN	GA	AZ	WI	OH	UT	CO	IA	VA
DCI (survey rank for business climate) "Winning Strategies"	TX	FL	GA	SC	NC	CA NY		TN	OH	NV UT		IN	CO	VA	AL
<i>Site Selection</i> (rank for Executive Survey) "Top U.S. Business Climates"	TX	SC	GA	TN AL		NC	FL	AZ	OH IN NV		MS		KY VA OK		

Source: *Area Development*, 2017; *Chief Executive*, 2017; Development Counsellors International (DCI), 2017; *Site Selection*, 2017; VEDP analysis



# TARGETED THIRD-PARTY MARKETING INITIATIVES WILL IMPROVE PERCEPTIONS AND INTEREST IN VA AS A BUSINESS DESTINATION

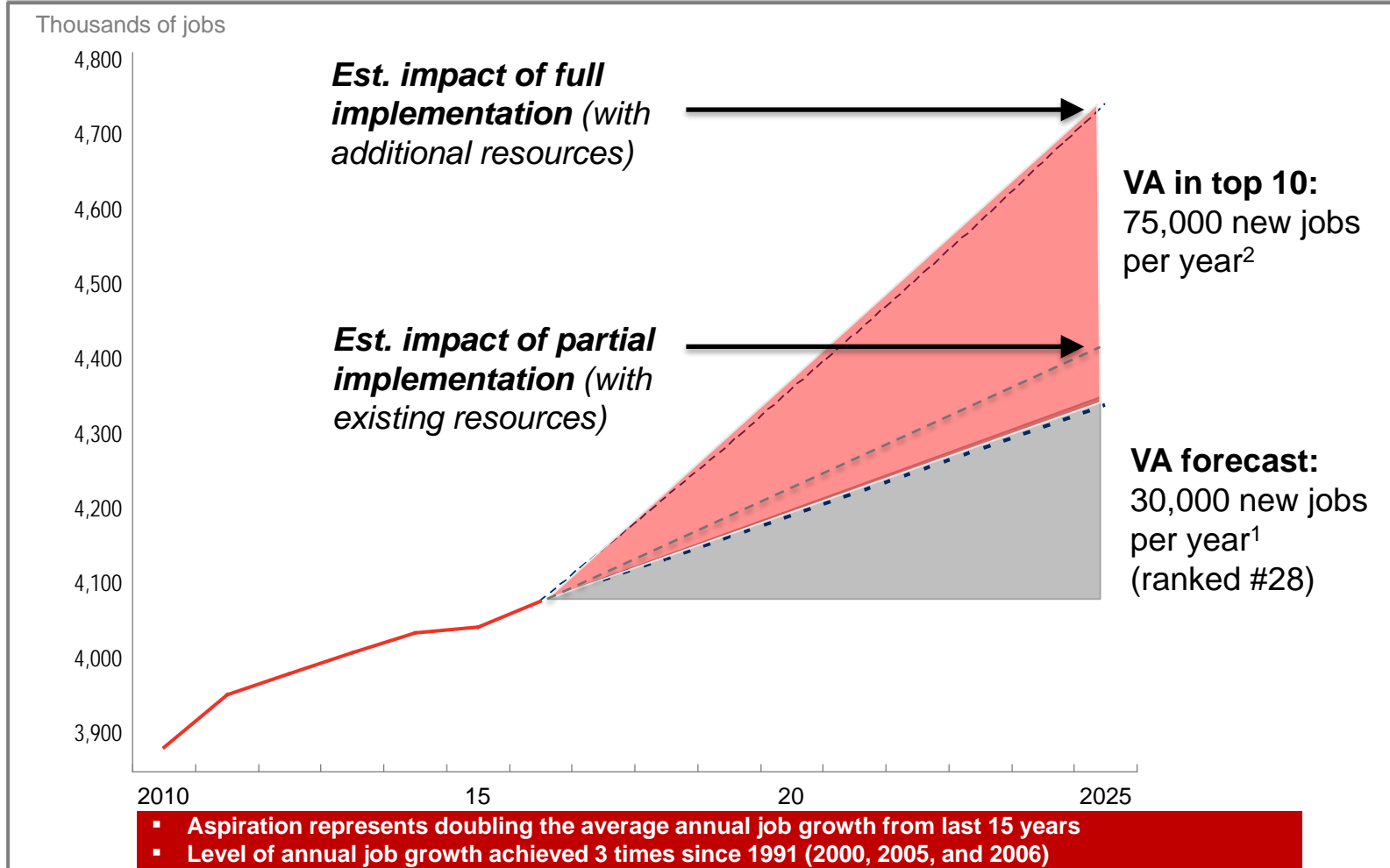
Strategy	Focus				\$3M Budget (\$ million)	\$5M Budget (\$ million)	\$10M Budget (\$ million)
	General Executive Perceptions	Rural Virginia	Target Industries	Site Consultants			
Create best-in-class print and online marketing materials to articulate advantages for business for each of the Commonwealth's target sectors and regions	High	High	High	Medium	.75	.75	2.0
Leverage creative, paid marketing placements to increase awareness and improve perceptions of VA among C-level executives and top site selectors	High	Medium	Medium	Medium	0	1	1.5
Strategically place paid media to raise the profile of rural VA as a business destination	Medium	High	Medium	Medium	0	.25	1
Develop and place messaging to position VA as a business location of choice for target sectors	Medium	Medium	High	Medium	0	.5	1.25
Sponsor and host events and conferences to raise awareness of VA's advantages for business	Medium	Medium	High	High	.75	1	1.75
Host FAM tours for site selectors and industry media to experience VA first hand and cultivate earned media	Medium	High	High	High	1	1	1.75
Utilize direct mail (e.g., <i>Va. Economic Quarterly</i> ), email, and social media to communicate with core targets and influencers about VA's business climate strengths	Medium	Medium	High	High	.5	.5	.75
<b>Impact within three years (annual)</b>							
VA will become perceived as one of the top states for business in the US (based on surveys of C-level execs and/or top site consultants)					Top 5-7	Top 5	Top 3
VA will secure more high-quality leads per year in targeted traded industry sectors, at least 25% of which will be focused on rural communities					150 leads (above current)	300 leads (above current)	700 leads (above current)
VA will secure more high-quality announcements each year creating at more high-wage direct jobs annually					7-10 projects 1,500 jobs	20 projects 3,000 jobs	50 projects 7,500 jobs

## **ADDITIONAL STEPS REQUIRED TO ACHIEVE THE FIVE TRANSFORMATIONAL GOALS FOR THE COMMONWEALTH**

- Complete assessment of VA's site inventory (compare to what is required for success); then present funding models to close gaps
- Develop funding model to close human capital development gaps necessary to support VA's growth in IT (e.g., CS expansions)
- Refine cost estimates for public/private partnership model (e.g., incentives) to achieve near-ubiquitous broadband coverage for the Commonwealth – essential for rural prosperity
- Develop transformational projects matrix for MEI consideration
- Complete options to enhance state/local tax competitiveness

# TRANSFORMATIONAL EMPLOYMENT GROWTH RATE CAN BE ACHIEVED WITH FULL IMPLEMENTATION OF THE ECONOMIC GROWTH STRATEGY

2016-2025 state employment growth for Virginia to meet job growth aspiration<sup>1</sup>



<sup>1</sup> Historical trends based on CAGR 1990-2015; forecast trends based on CAGR 2015-2025

<sup>2</sup> Top 10 represents the average forecasted growth rate of the top 10 US States from 2015-2025

Source: BLS, Moody's Analytics (forecast as of June 2017)