

DIVERSIFYING VIRGINIA'S ECONOMY: STRATEGIES AND RESULTS



House Appropriations Committee Retreat

November 18 - 19, 2014

Martin Briley, President & CEO

VIRGINIA ECONOMIC
DEVELOPMENT PARTNERSHIP

YESVIRGINIA.ORG

Virginia 
YesVirginia.org
BEST STATE FOR BUSINESS

Context:

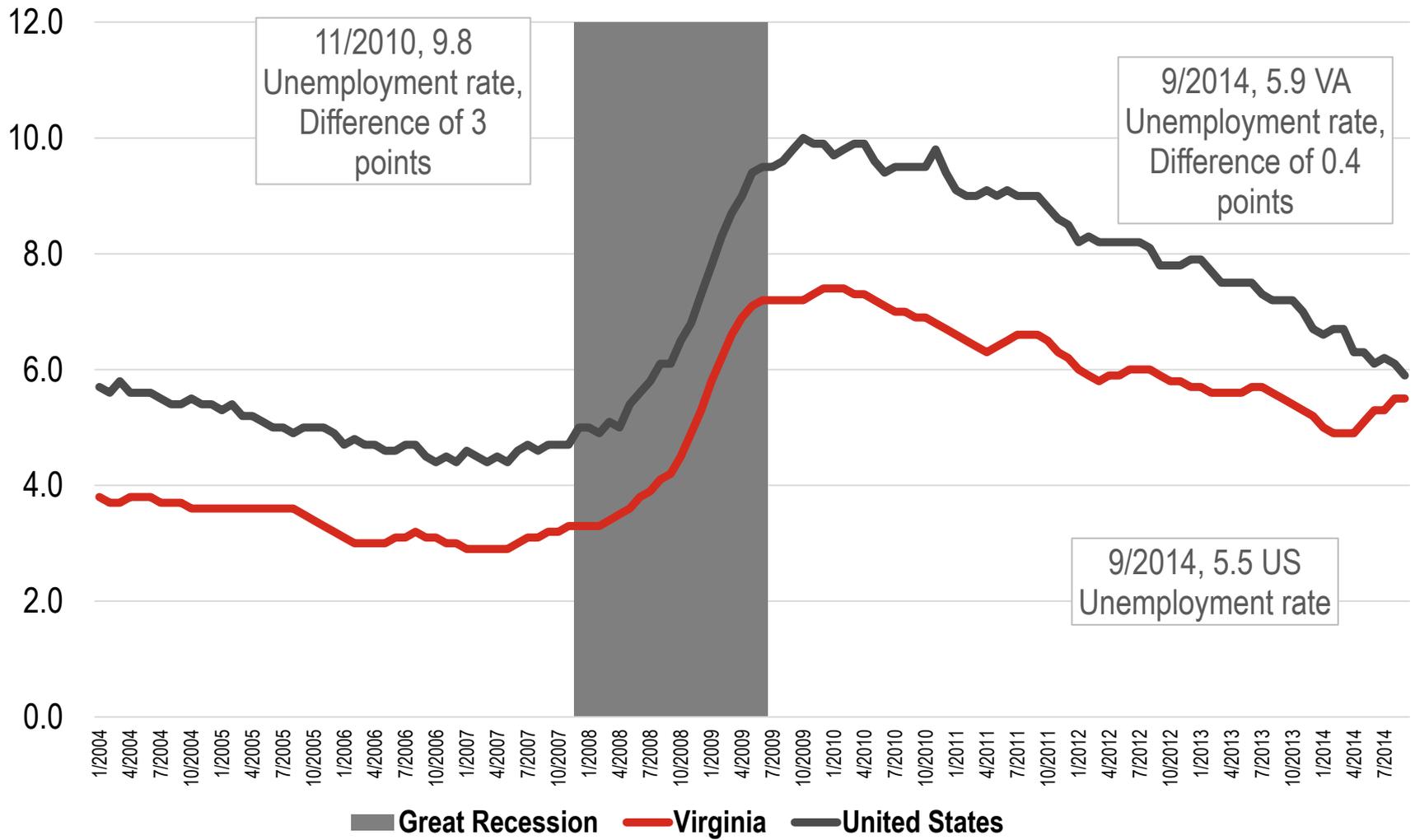
COMMONWEALTH AT THE CROSSROADS

Pre-Recession

Upside:

- VA consistently ranked #1 in prominent business rankings
- Unemployment 2 points below national average
- Ever-increasing federal government spending

UNEMPLOYMENT 2+ POINTS BELOW NATIONAL AVERAGE



Pre-Recession

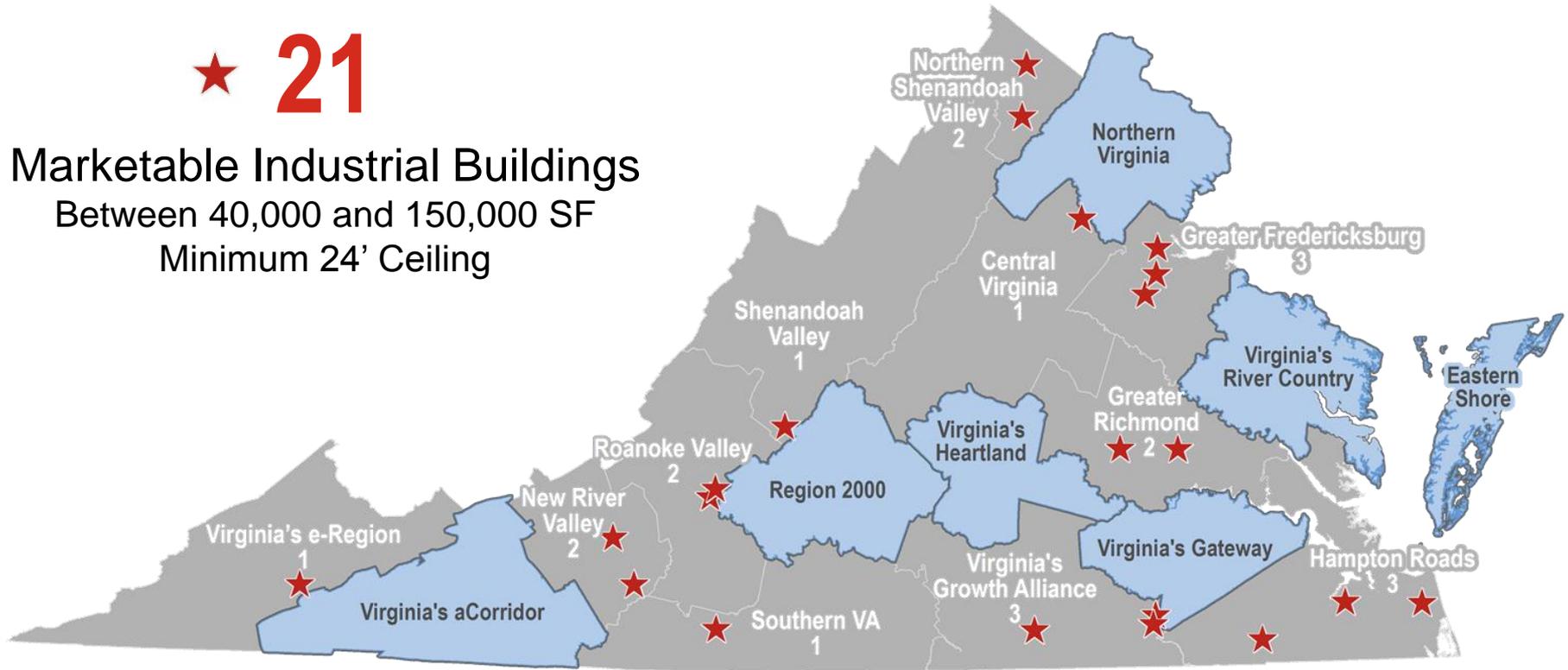
Downside:

- Super-charged, debt-laden US economy
- National outsourcing of jobs
- VA's reliance on publicly-funded jobs
- VA's shovel-ready sites & marketable buildings absorbed
 - Inventory of 250+ acre sites has shrunk from approximately 8-10 in 2007 to 3 that are engineered and ready to go in 2014

DECREASING INVENTORY OF MARKETABLE INDUSTRIAL BUILDINGS

★ 21

Marketable Industrial Buildings
Between 40,000 and 150,000 SF
Minimum 24' Ceiling



■ 7 Regions

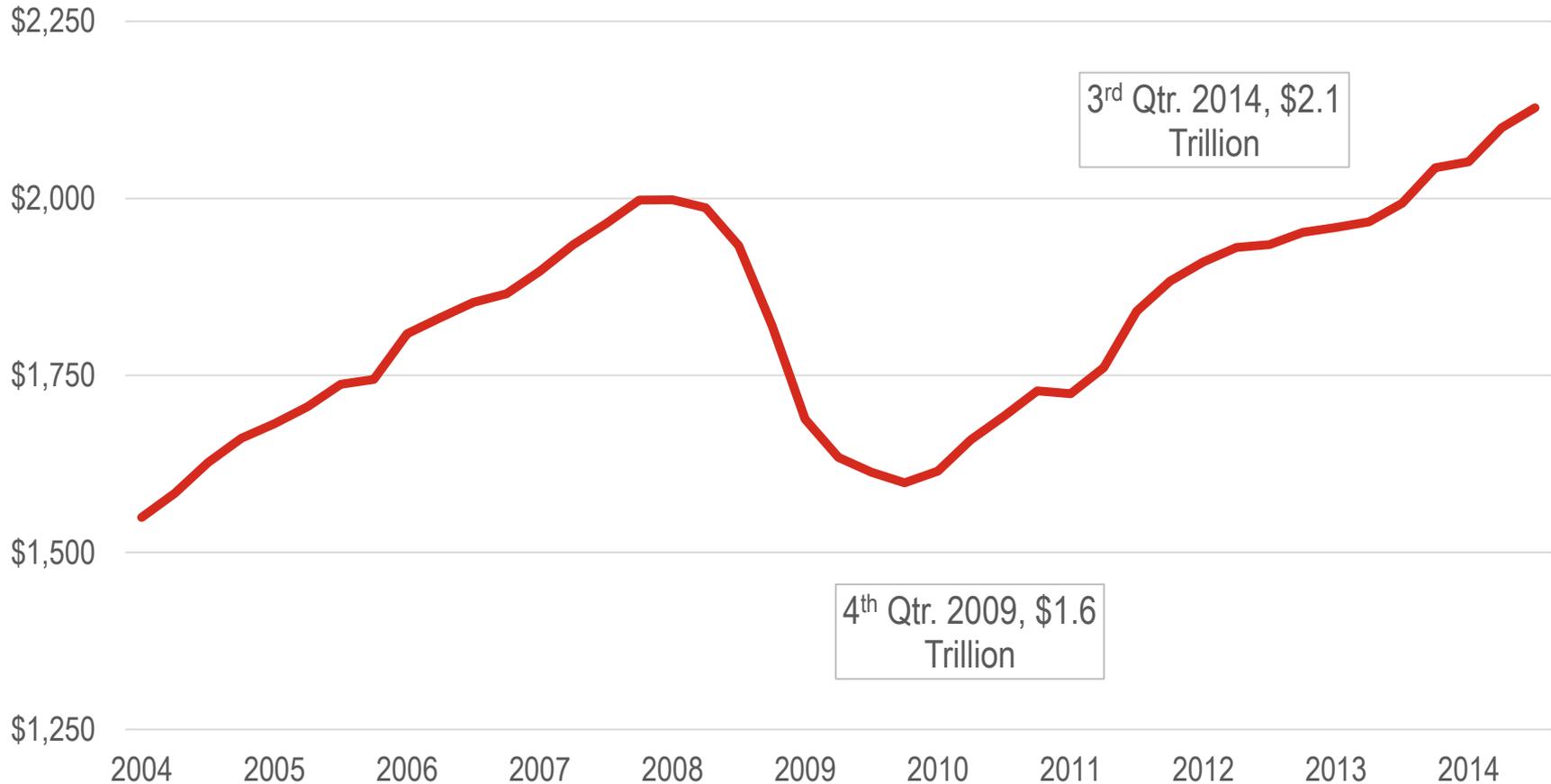
Currently with no inventory
that meet this criteria

Post-Recession

Upside:

- US firms increasing capital investments
- Perception/reality of US as sound investment:
 - Narrowing labor cost differentials, intellectual property protection, domestic energy production and lower costs, increasing costs to move goods overseas, in-sourcing
- Premium placed on knowledge-based occupations
- Cash-laden corporate balance sheets

US FIRMS INCREASING CAPITAL INVESTMENT



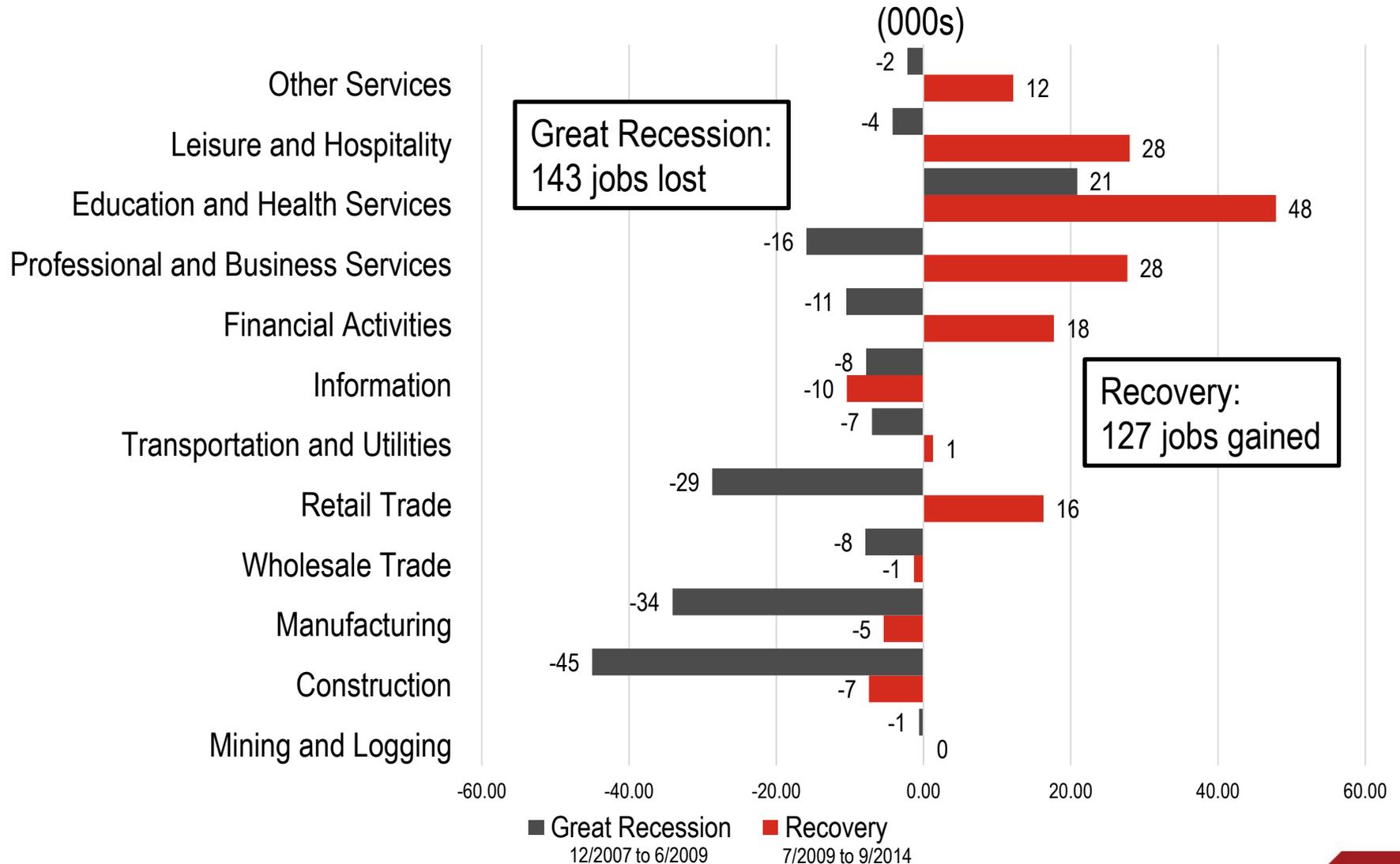
Source: Bureau of Economic Analysis, Nonresidential Real Private Fixed Investment, Billions of Chained (2009) Dollars

Post-Recession

Downside:

- US Downsized private and public workforces
- Aggressive moves by competitor states
 - Business-friendly policies & regulations, Increased marketing efforts, Enhanced incentive packages & programs
- Fewer economic development projects in the marketplace, creating intense global competition
- No longer rely on accolades and rankings
 - Just last week, Virginia fell to No.4 in the Forbes Best States for Business study (Virginia had previously never ranked lower than No. 2)
 - Dropped from No. 1 in 2011 to No. 8 in 2014 in CNBC's Top States for Business
- Anemic job creation

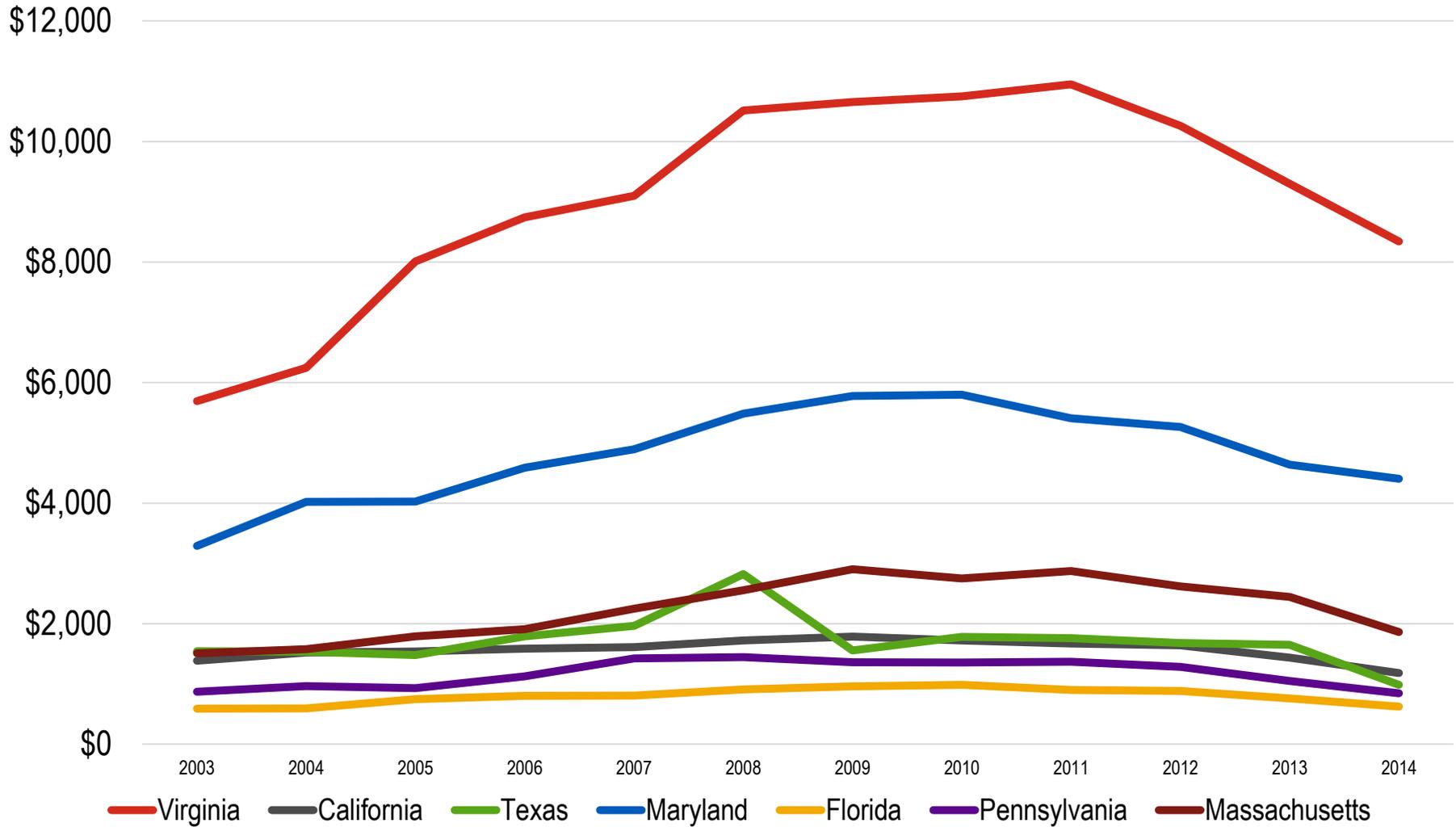
VIRGINIA JOB CREATION (12/2007-9/2014)



SEQUESTRATION

- New economic challenge—lackluster tax revenues
- Impacts have yet to be fully realized
- Revenue loss impacts the entire Commonwealth
 - Hampton Roads and Northern Virginia are particularly hard hit
- Virginia must take proactive steps to diversify the economy and soften the blow

FEDERAL SPENDING BY TOP STATES PER CAPITA

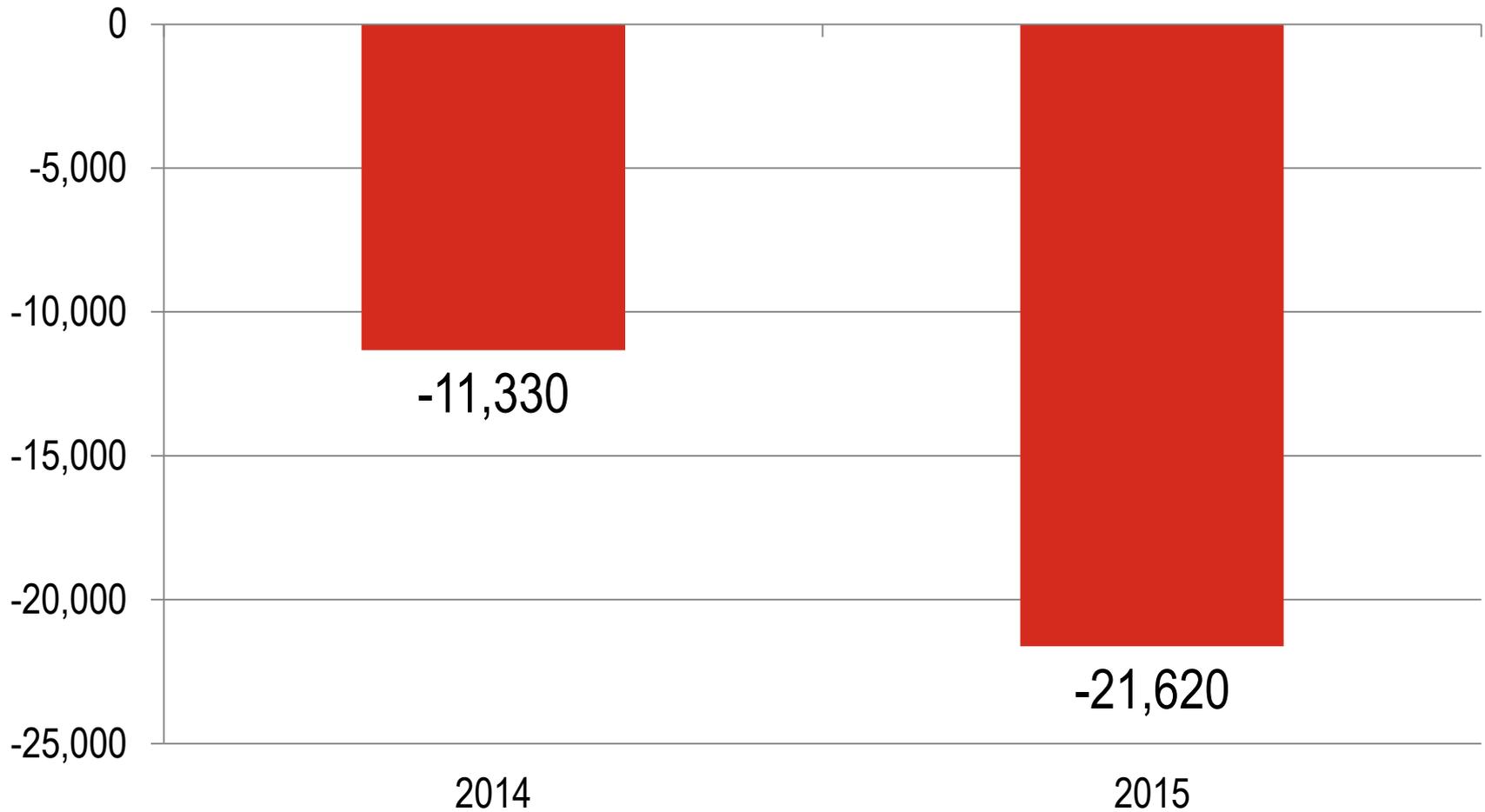


FEDERAL PRESENCE

- 19 Military Installations
- 100+ Federal Facilities
- NG 540+ Federal Leased or Owned Properties
- ◆ 65+ Unique National Guard Facilities
- 25,000+ Federal Contractors



ESTIMATED DIRECT JOB LOSSES IN VA DUE TO FEDERAL SPENDING CUTS



Source: Chmura Economics & Analytics - 2014

Recalibrating VEDP

- Reorganization and repurpose of resources
- Restructure marketing campaign
- Greater board involvement
- Increase activity with other Virginia departments and entities
- Unprecedented collaboration with and among each of the Commonwealth's higher education institutions
- Reintegration of Virginia Jobs Investment Partnership (VJIP)

VEDP's

FISCAL YEAR 2014 RESULTS

Results for VEDP-assisted projects in FY2014

- 183 VEDP-assisted projects
 - More than 15,000 new announced jobs
 - \$5.19 billion new announced capital investment
- New state revenue for Virginia
 - Estimated \$280 million after five years and \$620 million after 10 years
- New local revenue across Virginia
 - Estimated \$276 million after five years and \$612 million after 10 years
- VEDP Return on Investment, per \$1 spent:
 - 5 years: \$9.00
 - 10 years: \$17.81

FY14 VEDP-ASSISTED ANNOUNCEMENTS BY REGION



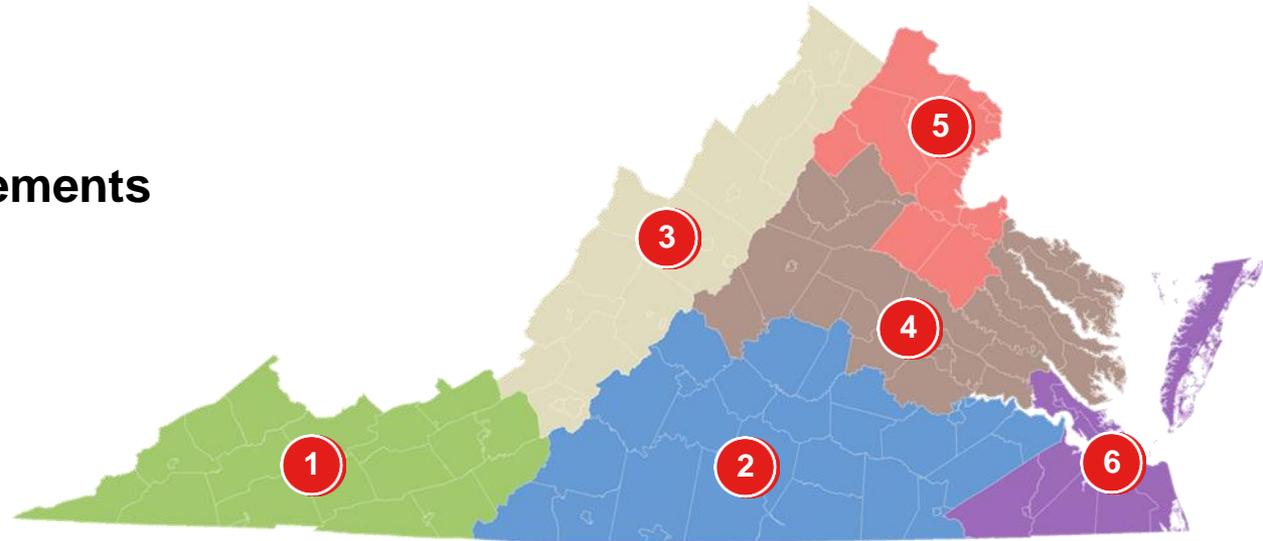
15,029 Jobs



183 Announcements



\$5.19 Billion



	1 Southwest VA	2 Southern VA	3 Valley	4 Central VA	5 Northern VA	6 Hampton Roads
Jobs	1,063	1,690	1,152	4,711	5,590	823
Capital Investment	\$90 Million	\$736 Million	\$217 Million	\$2.57 Billion	\$1.36 Billion	\$218 Million
Announcements	18	33	24	31	65	12

VEDP

STRATEGIES FOR FY2015 & BEYOND

New Virginia Economy

Governor McAuliffe's Administration: "The Five Pillars"

1. Growing Strategic Sectors

- Proposed VEDP Deliverables: Define priority sectors; Build-out geographic capacities; More in-depth sector research; Empirically-driven marketing; Key corporate and high-growth outreach; Expand communication and coordination with allies; Form industry "SWAT" teams

2. Enhancing Infrastructure

- Proposed VEDP Deliverable: Develop and Fund Public/Private Partnership Mega-Site Program

New Virginia Economy

Governor McAuliffe's Administration: "The Five Pillars"

3. Promoting Competitive Business Climate

- Proposed VEDP Deliverables: Develop new brand; market regional attributes; Increase exports; Build collaborative partnerships; Benchmark against competitors; Protect competitive taxation, fair regulatory system, business-friendly laws and leadership; maintain sufficient and relevant incentive programs

4. Nurturing Sustainable Entrepreneurial Environment

- Proposed VEDP Deliverables: Develop high growth firm strategy

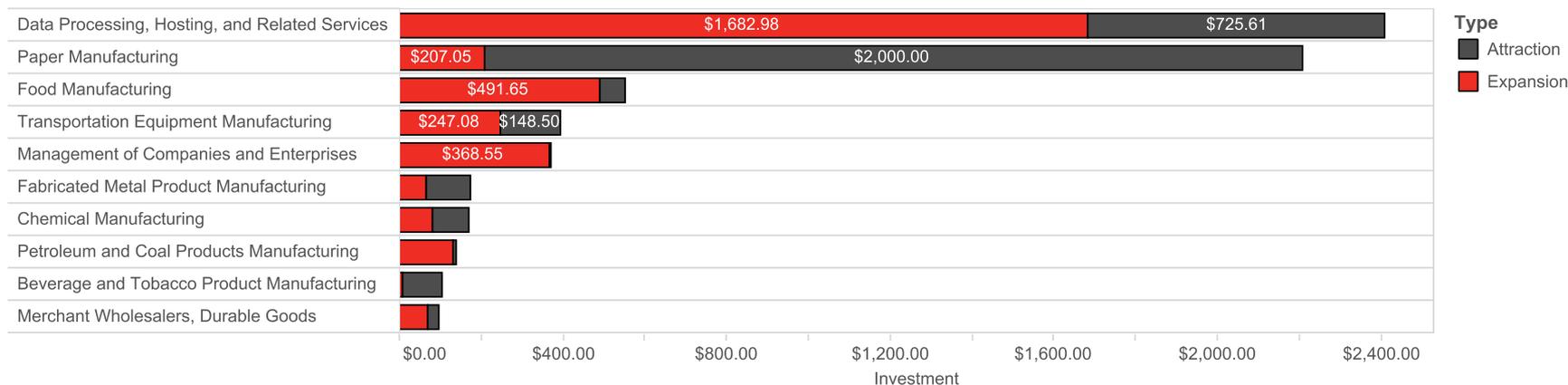
5. Equipping Workforce

- Proposed VEDP Deliverables: Integrate VJIP and establish as delivery portal; leverage and champion higher education partnerships

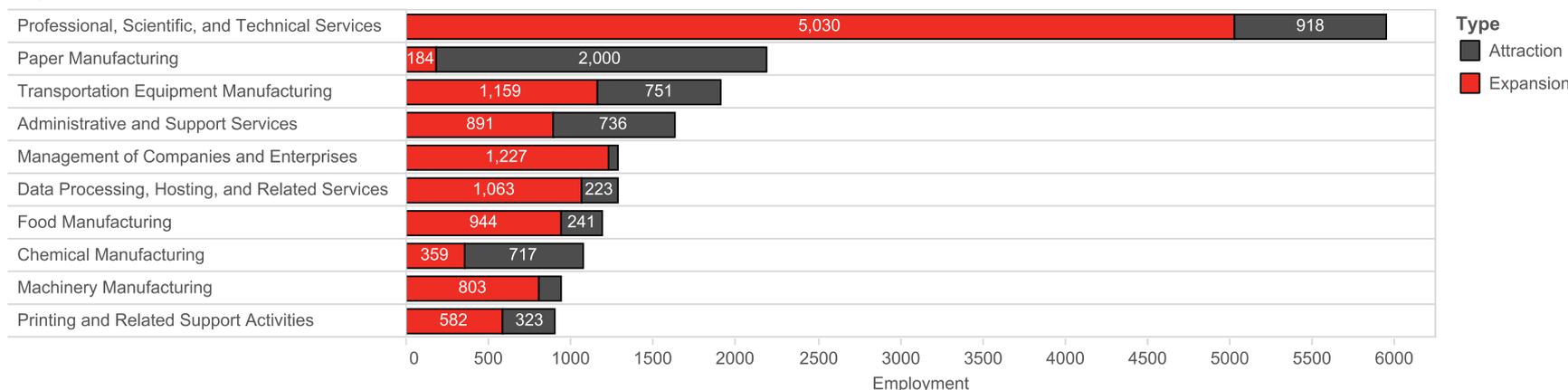
VEDP-ASSISTED LEADING INDUSTRY SECTORS (2013-2014)

331 announcements resulting in \$7.2 billion capital investment and future creation of over 27,000 jobs

Top Sectors (Capex)



Top Sectors (Jobs)



Advanced Manufacturing

- Advanced materials
- Aerospace
- Agribusiness & Food Processing
- Transportation Equipment

Information Technology

- Cyber Security
- Data Centers
- Modeling & Simulation
- Systems Integration Design

Life Sciences & Medical Technology

- Bio-Technology & Life Sciences
- Medical Devices
- Personalized Medicine/Health IT
- Pharmaceuticals

Corporate Headquarters & Operations Centers

Professional & Business Services

- Federal Contracting
- Financial Services
- Process Management

Transportation, Distribution & Logistics

- Logistics, Supply Chain Management & Support
- Maritime & Port-related
- Trucking and Warehousing

Special Focus

- Energy
- Federal Operations

VIRGINIA'S RESEARCH ASSETS CREATE NEXT-GEN AEROSPACE TECHNOLOGIES



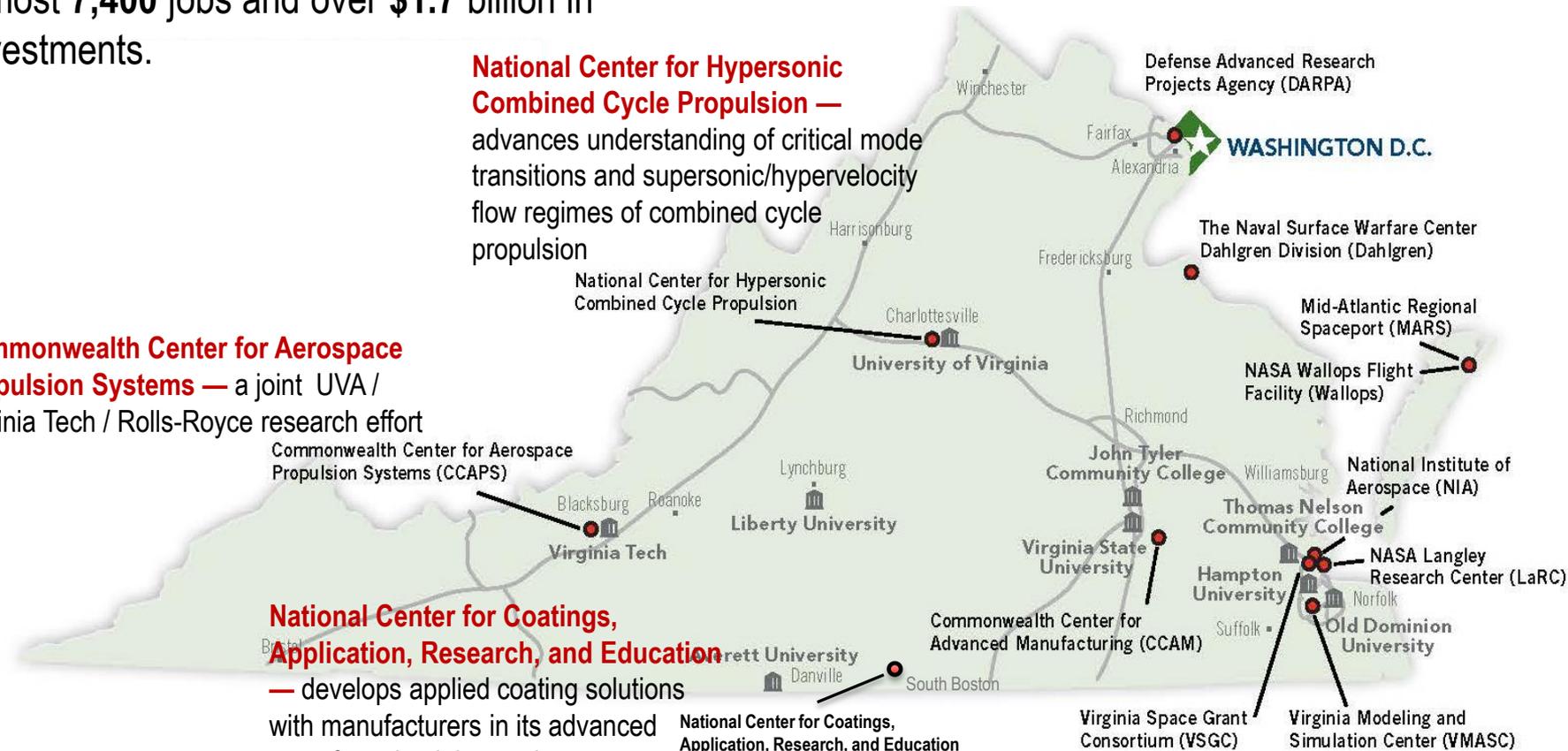
There are **255** aerospace firms employing **30,300** people, which creates a direct economic output of **\$7.2** billion. In the past ten years, **67** aerospace industry companies have announced almost **7,400** jobs and over **\$1.7** billion in investments.

National Institute for Aerospace — conducts research and awards advanced degrees in aerospace engineering through a partnership with nine universities

Commonwealth Center for Aerospace Propulsion Systems — a joint UVA / Virginia Tech / Rolls-Royce research effort

National Center for Hypersonic Combined Cycle Propulsion — advances understanding of critical mode transitions and supersonic/hypervelocity flow regimes of combined cycle propulsion

National Center for Coatings, Application, Research, and Education — develops applied coating solutions with manufacturers in its advanced manufacturing laboratories



National Center for Hypersonic Combined Cycle Propulsion

University of Virginia

Commonwealth Center for Aerospace Propulsion Systems (CCAPS)

Virginia Tech

Liberty University

National Center for Coatings, Application, Research, and Education

Defense Advanced Research Projects Agency (DARPA)

WASHINGTON D.C.

The Naval Surface Warfare Center Dahlgren Division (Dahlgren)

Mid-Atlantic Regional Spaceport (MARS)

NASA Wallops Flight Facility (Wallops)

National Institute of Aerospace (NIA)

NASA Langley Research Center (LaRC)

Old Dominion University

Virginia Space Grant Consortium (VSGC)

Virginia Modeling and Simulation Center (VMASC)

Commonwealth Center for Advanced Manufacturing (CCAM)

Virginia State University

John Tyler Community College

Thomas Nelson Community College

Hampton University

Norfolk

Suffolk

South Boston

Liberty University

VEDP'S PROPOSED NEXT STEPS

- **Virginia Branding and Marketing Strategy**
 - Get the story out more consistently and broadly
 - Develop a unified Virginia brand identity and market outreach strategy
 - Coordinate all Virginia assets in the marketplace
 - Request a funding increase of \$5MM (year-1) and \$10MM (year-2)
- **Governor's Opportunity Development Fund**
 - Critically underfunded
 - In the very near future, lack of funding will jeopardize viability of deals
- **Going Global Defense Initiative**
 - \$1.5MM federal grant
 - 160 defense companies, fully subscribed, in Fiscal Year 2014
 - 10 Southwest VA, 5 Southern VA, 2 Valley, 9 Central VA, 93 Northern VA and 41 Hampton Roads
 - Replaces DOD revenue streams for our defense companies, preserves jobs, and minimizes state tax revenue declines