

# UPDATE ON THE VIRGINIA ECONOMIC DEVELOPMENT PARTNERSHIP (VEDP)

House Appropriations Committee  
October 16, 2017

Stephen Moret  
President & CEO



**VIRGINIA ECONOMIC  
DEVELOPMENT PARTNERSHIP**

# TOPICS FOR TODAY'S BRIEFING

- VEDP's top priorities for 2017
- Update on VEDP's strategic planning process
- Aspirational goals for Virginia and VEDP
- Strategies to accomplish those goals
- Priority GA proposals
- JLARC implementation update
- Launch of Division of Incentives
- Next steps
- Q&A



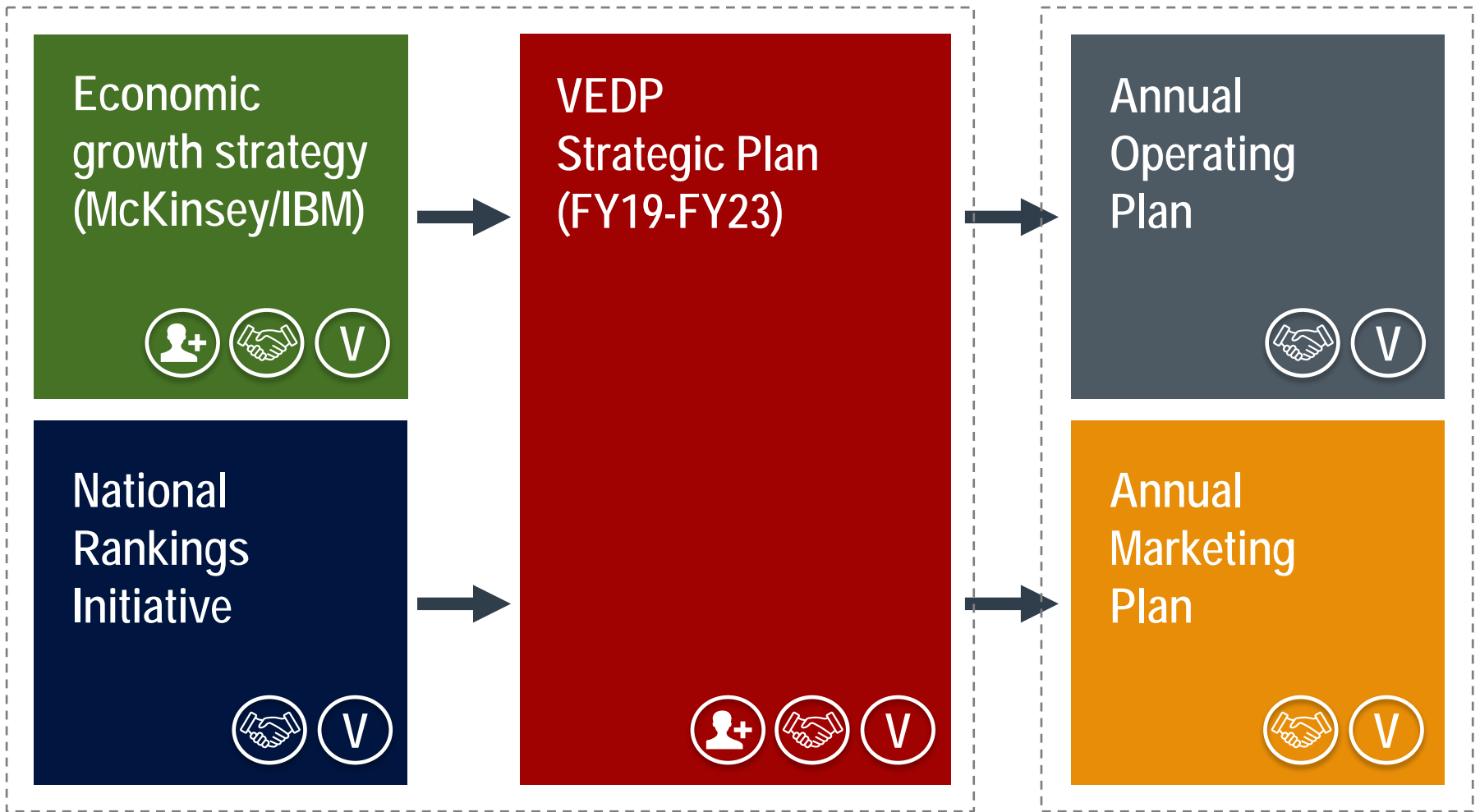
# VEDP'S TOP PRIORITIES IN CALENDAR-YEAR 2017

- Implement substantially all of the JLARC recommendations as well as all of the new VEDP requirements in the Code of Virginia, for example (not comprehensive):
  - Develop a comprehensive VEDP strategic plan, with ample stakeholder engagement
  - Stand up a dedicated Division of Incentives to strengthen incentives administration (e.g., due diligence, performance monitoring/reporting, and clawbacks)
  - Create an internal audit function that reports directly to the VEDP Board
  - Stand up two new advisory committees (the Committee on Business Development and Marketing, as well as the Committee on International Trade)
- Develop an economic growth strategy to position the Commonwealth to once again be a growth leader (in jobs, earnings), as well as for each region to participate in that growth
- Building on the existing base of high-quality employees at VEDP, fill existing and new openings in the organization with experienced, energetic, collaborative professionals
- Build strong relationships with other key economic development leaders, organizations (e.g., local and regional EDOs, executive branch and GA leaders, GO Virginia, Virginia Rural Center, Port of Virginia, Tobacco Commission, SCHEV, Virginia Business Council, Virginia Chamber of Commerce, and Virginia Manufacturers Association)

# THREE LONG-TERM PLANNING EFFORTS UNDERWAY WILL DRIVE VEDP'S FUTURE ANNUAL PLANS

Long-Term Plans

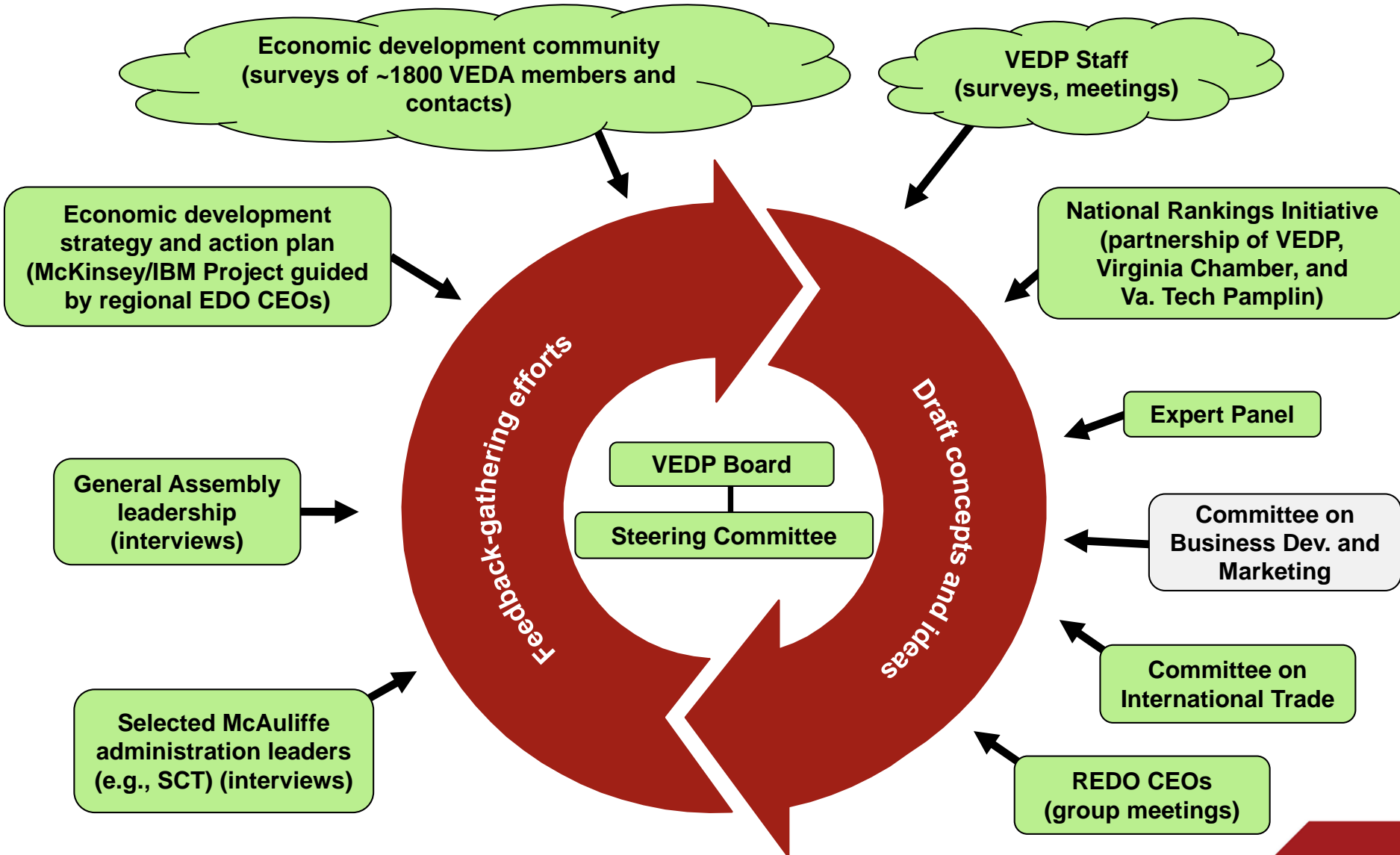
Annual Plans



All plans will include input from multiple groups: Outside Consultants In-State Partners VEDP Staff

# OUR STRATEGIC PLAN IS BEING CRAFTED WITH EXTENSIVE STAKEHOLDER ENGAGEMENT

Engaged  
Not engaged



# WE ASSEMBLED A STRONG STEERING COMMITTEE TO GUIDE OUR STRATEGIC PLANNING EFFORTS

- Peter Blake, Director, State Council of Higher Education for Virginia (SCHEV)
- Shannon Blevins, Associate Vice Chancellor for Economic Development & Engagement, UVa-Wise
- Beth Doughty, Executive Director, Roanoke Regional Partnership
- Barry DuVal, President & CEO, Virginia Chamber of Commerce
- Evan Feinman, Executive Director, Tobacco Region Revitalization Commission
- Amanda Glover, Director of Economic Development & Tourism, Augusta County
- Victor Hoskins, Director, Arlington Economic Development
- Joshua Lewis, Executive Director, Virginia's Industrial Advancement Alliance
- Christopher Lloyd, Senior Vice President and Director, Infrastructure and Economic Development, McGuireWoods Consulting
- Barry Matherly, President and CEO, Greater Richmond Partnership
- Ken McFadyen, Director of Economic Development, Botetourt County
- Stephen Moret, President and CEO, VEDP
- Christy Morton, Executive Director, Center for Rural Virginia and Council for Rural Virginia
- Arthur Moye, Jr., Executive Vice President, Virginia Maritime Association
- Catherine Riley, VP of Marketing, Fairfax County Economic Development Authority
- Curry Roberts, President, Fredericksburg Regional Alliance
- Robin Sullenberger, Board Member, VCCS
- Telly Tucker, Director, Danville Economic Development
- Cathie Vick, Chief Public Affairs Officer, Port of Virginia
- Rick Weddle, President & CEO, Hampton Roads Economic Development Alliance
- Chair (TBD), VEDP Committee on Business Development and Marketing
- Chair (TBD), VEDP Committee on International Trade

# WE ASSEMBLED AN EXPERT PANEL TO ADVISE US DURING OUR STRATEGIC PLANNING PROCESS

- Jeff Finkle, President/CEO, International Economic Development Council (IEDC)
- Amy Liu, VP and Director of the Metropolitan Policy Program, Brookings
- Dennis Meseroll, Executive Director, Tractus Asia Limited
- Enrico Moretti, Professor of Economics, UC-Berkeley
- Ken Poole, CEO/President, Center for Regional Econ. Competitiveness (CREC)
- Mark Sweeney, Senior Principal, McCallum Sweeney Consulting
- Chip Filer, Associate Professor of Economics, Old Dominion University
- Steve Fuller, Director, Stephen S. Fuller Institute (at George Mason University)



# TO DATE, WE HAVE ENGAGED EXPERTS, THE BOARD, STAFF, AND MANY STAKEHOLDERS IN A VARIETY OF WAYS

## Workshops



- **Twelve regional workshops** across 16 regional EDOs, the four largest Northern Virginia counties, and the Eastern Shore, **engaging 250+ participants** (July-September)
- **Three thematic workshops on priority topics** (e.g., Innovation, Human Capital, Site Development) to engage subject experts and stakeholders to review and refine initiatives (September)
- **VEDP staff division meetings** discussing **assessments of VEDP's functions** and draft **strategies and initiatives** (September-October)

## Expert Panel



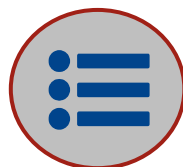
- **First round of interviews with the eight members of the expert panel** advising the strategic planning process, shaping the aspirational goals, initial draft of initiatives, and performance metrics (July)

## Webinars



- **Initial strategic planning webinar** laying out aspirational goals, process, and draft concepts for the economic development community (July)
- **Follow-up webinars** soliciting reactions to the **economic growth strategy by region and overall strategies and initiatives** (October)

## Survey



- **Major stakeholder strategic planning survey** released to the VEDA contacts/ members list (>1,000 people) on aspirational goals as well as potential **strategies/initiatives** (July)

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

1. Over the next several years, position Virginia 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. Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers)
3. Restore Virginia to its previous leadership position near the top of the national business climate rankings (i.e., average position among the top 3-5 states)
4. Reestablish VEDP as one of America's premier state economic development organizations (principally to better enable accomplishment of the top three aspirational goals)
5. Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP)

*IMPORTANT NOTE: A top priority for 2017 is completing implementation of the JLARC recommendations*

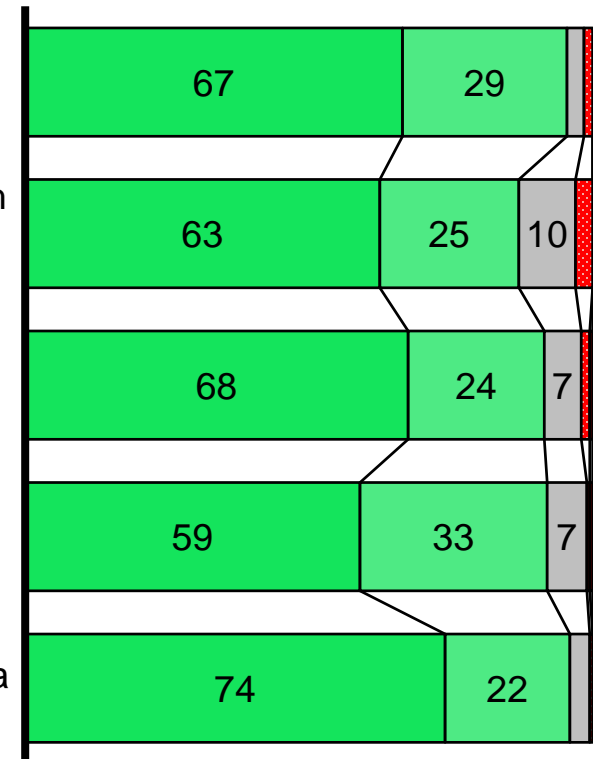
# VIRGINIA'S ECONOMIC DEVELOPMENT STAKEHOLDERS STRONGLY SUPPORT THESE ASPIRATIONAL GOALS

Percent (%)



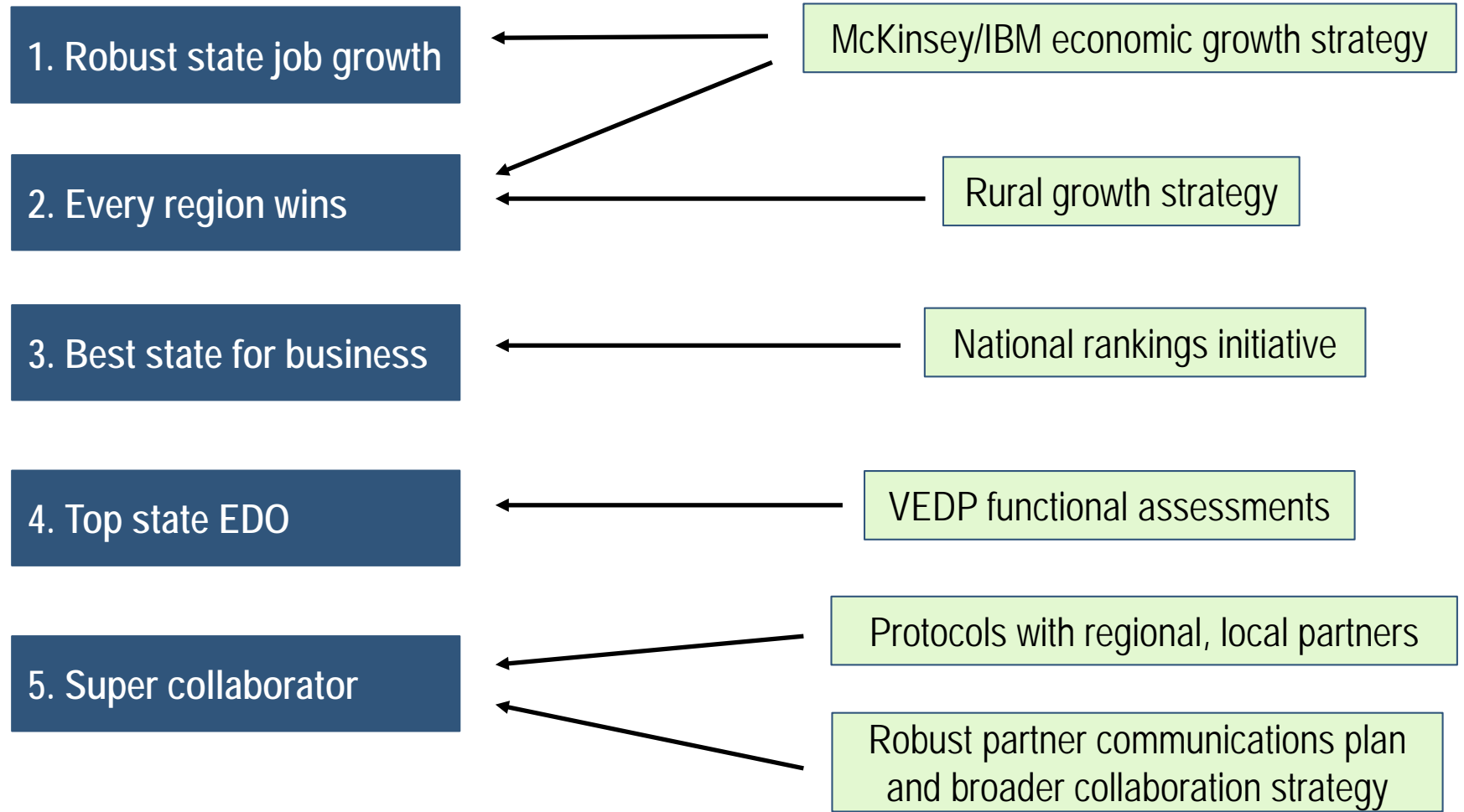
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## External Stakeholders



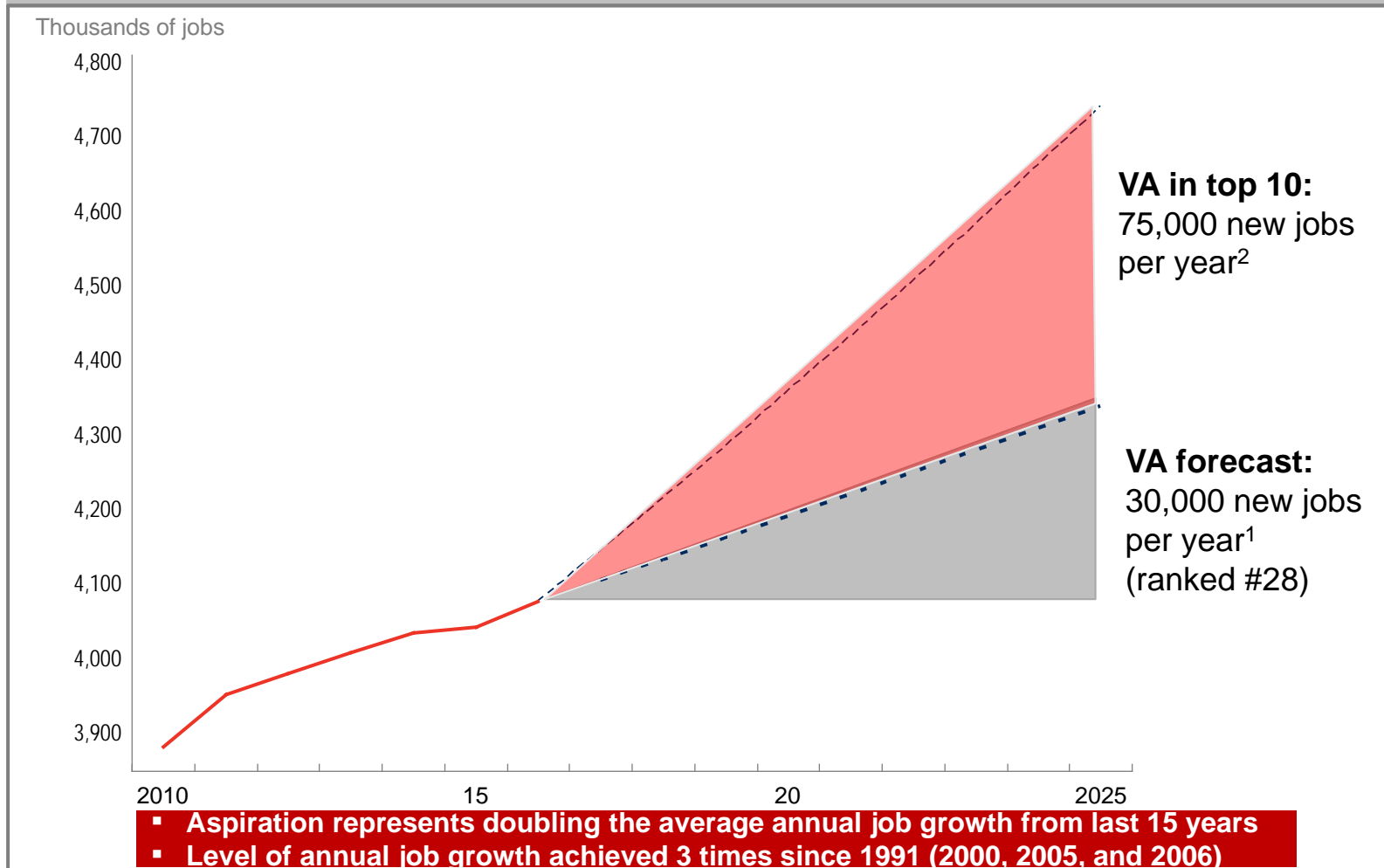
Source: Survey item completed by 200 external economic development stakeholders in July 2017 (excludes board and staff)

# WE HAVE LAUNCHED SEVERAL INITIATIVES TO HELP ACCOMPLISH THESE ASPIRATIONAL GOALS



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

## 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, McKinsey analysis

# WHEN VA'S ECONOMY WAS GROWING RAPIDLY, MOST REGIONS ACTUALLY WERE LOSING EMPLOYMENT; WITH SEQUESTRATION, GROWTH HAS SLOWED BUT IS MORE BROADLY SHARED






Region	Employment CAGR, 2006-2011, %	New jobs, k	New jobs, %	Employment CAGR, 2011-2016, %	New jobs, k	New jobs, %
Northern Virginia	1.3%	81.5	104%	0.9%	60.4	44%
Rest of Virginia	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




# VIRGINIA CAN PRIORITIZE POTENTIAL INDUSTRIES AND STRENGTHEN ENABLERS TO ACHIEVE ITS GOALS

Over time, position Virginia to rank in the top 10 states in the US for both employment growth and growth in median earned income of workers, ensuring no region is subject to economic decline

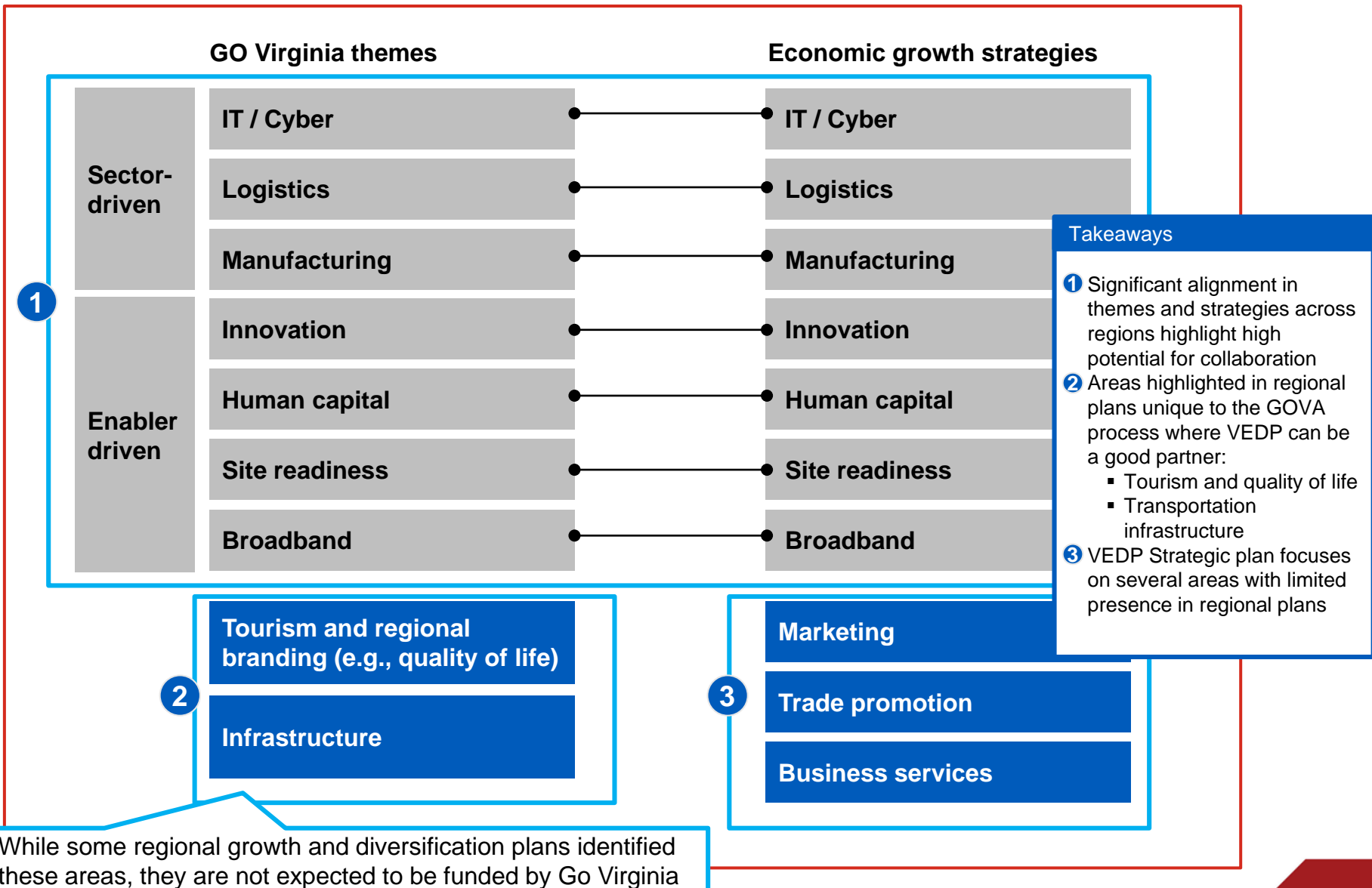
## Targeted industry clusters

- 1 Push new boundaries as a U.S. leader in IT (e.g., cyber and data center) 
- 2 Assemble a world class transportation and logistics hub 
- 3 Shift the State's manufacturing base to be high growth and future ready 
- 4 Create business services and operations centers of excellence 
- 5 Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies (e.g., Unmanned Systems, genomics) 

## Key enablers

- 6  **Human capital:**  
Create a dynamic work-force ecosystem that aligns talent supply and market demand
- 7  **Site readiness:**  
Remove investment constraints by enhancing the pipeline of sites
- 8  **Building digital infrastructure:**  
Enhance broadband access statewide
- 9 **Cross-cutting, multi-sector efforts:** Increase support for high value cross-sector areas

# GOVA REGIONAL PLANS AND VEDP-GENERATED ECONOMIC GROWTH STRATEGY INCLUDE SEVERAL POINTS OF THEMATIC ALIGNMENT





# DESPITE RECENT IMPROVEMENTS, SITE CONSULTANTS RANK TOP COMPETITOR STATES TO VIRGINIA HIGHER IN EVERY CATEGORY

Top competitor states

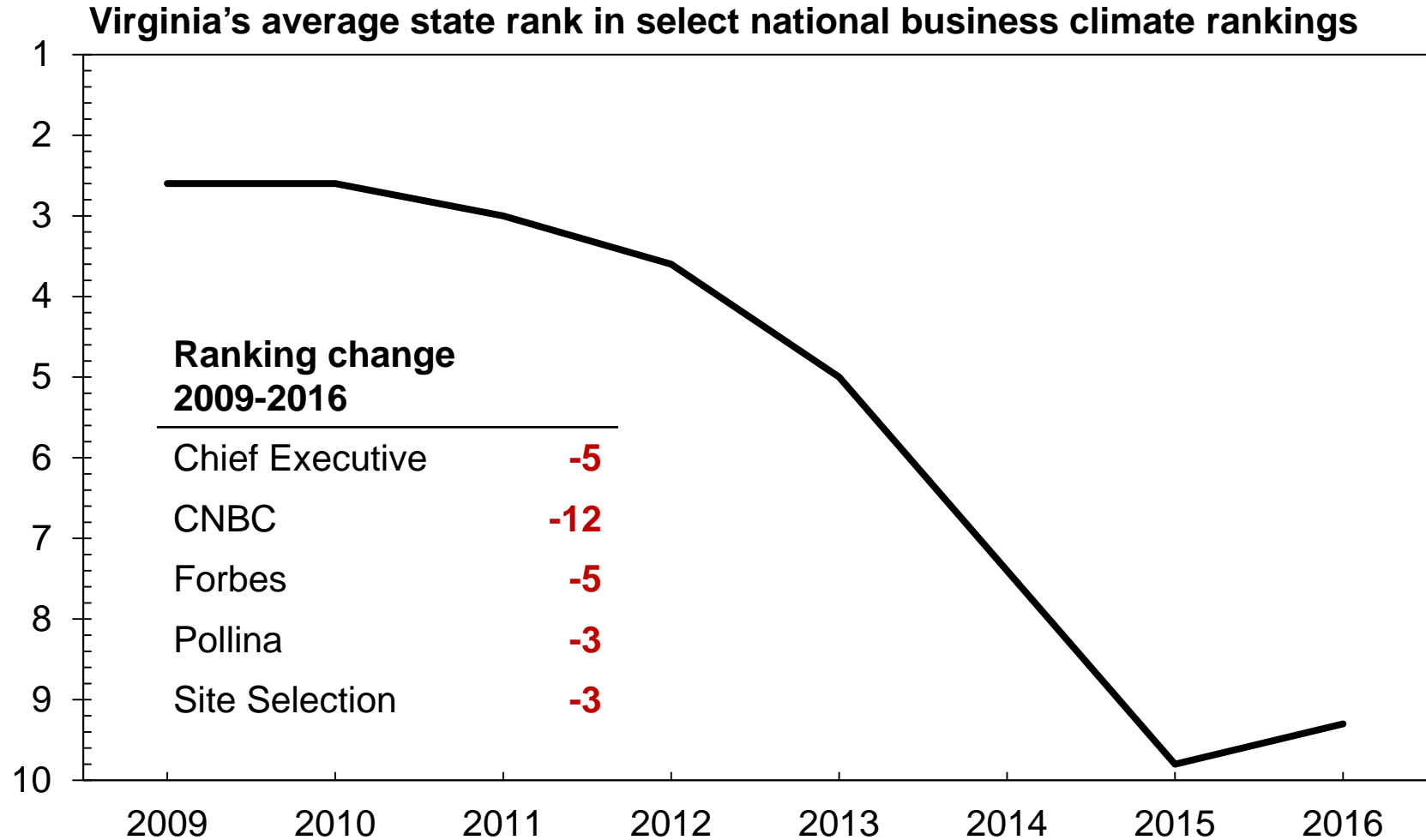
Virginia ranking

	1	2	3	4	5	6	7	8	9	10	VA outside top 10*
Overall cost of doing business	TX	SC	GA	MS	NC	IN	TN AL		LA	UT	VA
Corporate tax environment	TX	FL	GA	NV	SD	NC	TN	SC IN ND			VA
Business incentive programs	SC	GA	MS	LA	TX	IN OH		AR NJ		AL NY	VA
Access to capital and project funding	NY CA		TX	GA	TN	NC MI IL			NJ	MA	VA
Cooperative and responsive state government	GA	SC	TN	LA	VA	TX	AL IN		MS	OH OK	
Favorable regulatory environment	TX	SC	GA	LA	MS	AL IN		TN	VA OK		
Speed of permitting	LA	GA	SC	TX	AL	MS IN		TN	VA	NC	
Shovel-ready sites program	TN	GA	SC	AL IN		NC	LA	TX	KY	MS	VA
Favorable utility rates	WA	TN	GA	SC	OR	LA	AL NC ID			TX KY	VA
Competitive labor environment	TX	GA	SC	NC	IN	TN MS		VA OH AL			
Leading workforce development programs	GA	LA	AL	SC	TN	NC	VA	TX IN OH			
Most improved economic development policies	OH	MI	AL NC		IN	WI AR		GA KY		TN AZ MO	VA

\* Only the top 10 states in each category are published

Source: *Area Development* magazine, 2017 "Top States for Doing Business" survey results

# SINCE 2009, VA'S AVERAGE RANK IN NATIONAL BUSINESS CLIMATE RANKINGS HAS DROPPED ABOUT SEVEN SPOTS



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

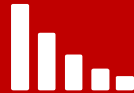
# VIRGINIA'S DROP IN MAJOR RANKINGS CAN BE TIED TO THREE MAIN FACTORS

## 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**

# THE VEDP STRATEGIC PLAN WILL INCLUDE THREE BROAD TYPES OF STRATEGIES

## Strategies to Enhance VEDP's Capabilities

- Strengthen alignment and coordination with core economic development partners and stakeholders
- Adopt a robust talent management focus at VEDP, including professional training, career pathways
- Implement robust marketing/branding, lead generation, and site consultant cultivation programs
- Establish best-in-class business- and trade-development programs
- Become a national leader in incentives structuring, administration, and transparency

## Strategies to Cultivate Virginia's Target Industry Growth Clusters

- Push new boundaries as a U.S. leader in IT
- Assemble a world-class transportation and logistics hub
- Shift the Commonwealth's manufacturing base to be future ready
- Create business services and operations centers of excellence
- Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies

## Strategies to Improve Virginia's Economic Competitiveness

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

Included in economic growth strategy

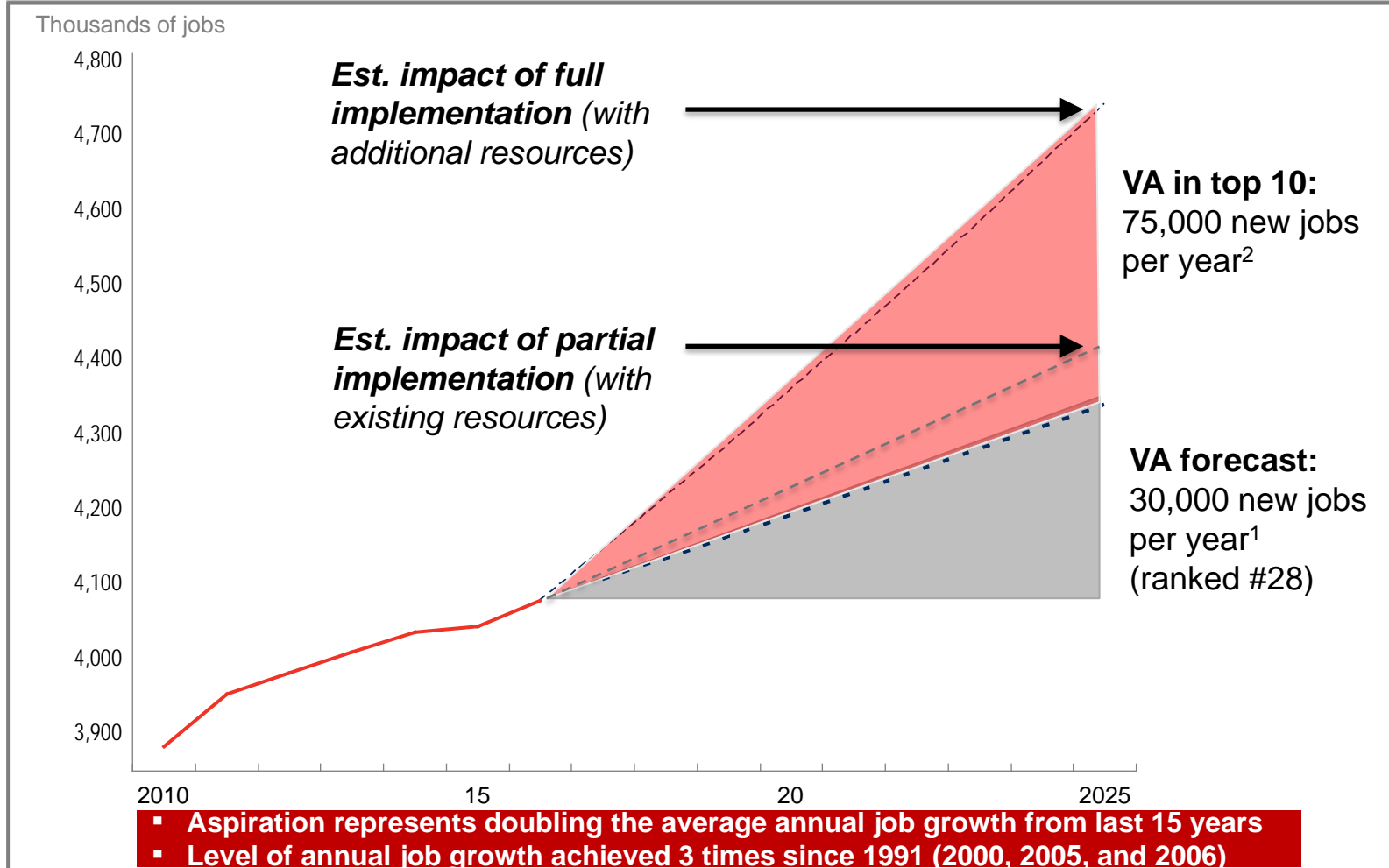
# PRIORITY VEDP INITIATIVES (NOT YET FUNDED) TO HELP CLOSE VIRGINIA'S GROWTH GAP

INCOMPLETE DRAFT

1. Create a world-class, turnkey, customized **workforce recruitment and training incentive program** (via VEDP/VCCS partnership)
  - Top 5 workforce dev. program rank within three years; top 1-2 rank within five years
  - Improved perception-based business climate rankings (e.g., Chief Executive)
  - More big project wins, especially in smaller metros and rural regions
2. Implement a robust **marketing, branding, and site-consultant cultivation** program for VA, matching investments of other major states
  - Dramatic rise in Virginia's business-climate rankings
  - Hundreds more VEDP-generated leads per year (400+)
3. Craft a **site-and-building development fund** attracting private capital to make patient investments in a portfolio of strategic, attractive locations for high-impact business investments (target: dozens of strategic sites/bldgs.)
  - Many more big wins (thousands more jobs and billions more capital investment)
  - First step is to complete an assessment of our existing site inventory
4. Expand VEDP's oversubscribed **trade development programs**
5. Provide funding to implement **VEDP reform legislation** (e.g., internal audit function, division of incentives) without cutting core programs

# TARGETED INVESTMENTS WOULD BE REQUIRED TO CLOSE THE GAP BETWEEN VA'S BASELINE FORECAST AND ASPIRATIONAL GROWTH

## 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, McKinsey analysis

# VEDP IS ON TRACK TO IMPLEMENT SUBSTANTIALLY ALL JLARC RECOMMENDATIONS BY YEAR-END 2017

VEDP Fully or Substantially Agrees with JLARC Recommendation  
VEDP Partially Agrees with JLARC Recommendation  
JLARC Recommendation for General Assembly Consideration

		VEDP Implementation		
No.	JLARC Recommendation* Brief Description	New Funding Required	Percent Complete (estimate)	Comment
1	Create a robust strategic plan for VEDP, with stakeholder engagement	no	70%	Robust process underway; key elements developed; drafting full plan
2	Create staff onboarding program; regularly assess staff training needs	TBD	50%	Documenting processes across VEDP; share best practices (BI pilot)
3	Develop and implement formal, written policies/procedures for marketing staff	no	75%	Updated all PDs; need refined procedures and final protocols
4	Ensure supervisors provide timely staff expectations; report % to Board	no	90%	Completed PDs for all staff; report % to Board in Nov.
5	Revise VEDP performance metrics to reflect activities, quality, impact	no	75%	Initial metrics adopted in FY18 Ops Plan; refine via strategic plan
6	Clarify CRM data fields and provide training to ensure data integrity	no	75%	Updated Salesforce fields; developed user's manual and training
7	Ensure that staff conform to VEDP policies on working hours	no	n/a	Established regular work hours; using/sharing Outlook calendars
8	Track staff time/allocation; use data to improve efficiency/effectiveness	no	n/a	Significantly addressed via using/sharing staff calendars
9	Request IEDC review of staff performance metrics; report results to Board	no	50%	Updated BI PDs; requesting IEDC review of proposed metrics
10	Include adherence to policies in staff reviews, with penalties for variances	no	90%	Added provision to all PDs, plus annual training for supervisors
11	Survey partners to ID improved coordination/service opps.; report to Board	no	90%	Strat. plan survey results presented to BOD; planning annual survey
12	Create and adhere to a detailed annual marketing plan with metrics	no	90%	FY18 marketing plan with metrics in place; refine w/ Strategic Plan
13	Annually deliver training to marketing staff to ensure consistent alignment	TBD	50%	Some initial materials developed; planning training session in Oct.
14	Regularly evaluate effectiveness of mktg. efforts; quarterly report to Board	no	50%	Marketing plan campaigns have ROI metrics; evaluate via committee
15	Update sites/bldgs. database to conform to IEDC standards; report to Board	TBD	n/a	Thoroughly reviewed data elements; rec'd additional IEDC guidance
16	Improve transparency of project-related reporting to Board	no	75%	Updated Salesforce; creating user's manual & reporting protocols
17	Clarify mechs. and measure success of mktg.-trade coord.; report to Board	no	25%	Assessed opportunities; need to establish mechanisms/metrics
18	Expand data collection on companies utilizing trade programs; report to Board	no	90%	Collected add'l data for client companies; report to Board in Nov.
19	Develop written policies/procedures for evaluating projects for incentives	no	n/a	Basic policies/procedures in place; concerns re: "gaming" risk
20	Require annual report to Board on % of firms meeting reporting requirements	no	50%	Drafted report for COF; Ops. Plan calls for Board report in Dec.
21	Work with TAX and VEC to verify company performance	no	75%	Drafting updated procedures for VEC-based verification
22	Adopt formal standards (by Board) to ensure adequate incentive monitoring	no	75%	Policies recently updated but need additional refinement
24	Ensure (via Board) standards for consistently enforcing/reporting clawbacks	no	30%	Drafted approach; need board approval with first report by Dec.
25	Ensure (via Board) perform. extensions are justified, documented, reported	no	100%	Extensions going forward will conform with new code requirements
26	Create dedicated incentives administration division w/ at least 3 employees	YES	100%	Basic structure developed and fully staffed
27	Develop a website to report on status/performance of incentives recipients	YES	25%	Held meetings re: scope; developing incentives website v1.0
34	Create an internal audit division reporting directly to VEDP Board	YES	100%	Engaged DHG as internal auditor following risk assessment

\* Excluded JLARC recommendations were associated with items for General Assembly consideration (e.g., creating a board of economic development)



# VEDP IS ADDRESSING THESE NEW, INCENTIVE-RELATED MANDATES AND RECOMMENDATIONS

WORKING DRAFT

	Source	
	New Code	JLARC report
1. Create dedicated <b>incentives administration division</b> within VEDP	✓	✓
2. Develop <b>written policies/procedures for evaluating/prioritizing projects</b> for incentives		✓
3. Complete <b>due diligence</b> (plus SCT certification) on incentive offers before Gov. approval	✓	
4. Ensure <b>clawback standards</b> are consistently enforced and reported	✓	✓
5. Ensure <b>performance extensions</b> are justified, documented, and approved/reported	✓	✓
6. Work w/ <b>VDT/VEC* on policies/procedures</b> to verify company performance		✓
7. Adopt formal procedures (via Board) to <b>ensure adequate performance verification</b>		✓
8. Establish Board <b>subcommittee to receive/review VEC verification data</b>	✓	
9. Provide <b>semiannual updates on status of all projects</b> awarded incentives to Board	✓	
10. Provide annual Board report on <b>% of firms meeting reporting requirements</b>		✓
11. Develop <b>website</b> to report on status/performance of incentive recipients		✓
12. Develop <b>strategy for coordinating w/ state agencies</b> that administer incentives	✓	

\* VEDP also will include local Commissioners of Revenue in relevant policies/procedures (e.g., capital investment)

# NEXT STEPS

- Incorporate local/regional partner feedback on draft protocol document to improve alignment and coordination on prospect cultivation
- Complete implementation of substantially all JLARC recommendations, publishing a formal progress report to JLARC, GA, and public by year end
- Complete remaining interviews with General Assembly leaders and incorporate feedback
- Complete next round of engagement with national expert panel
- Hold meetings with advisory committees on trade and marketing/biz development; incorporate their feedback
- Complete and release new VEDP strategic plan following incorporation of final feedback from board and local/regional stakeholders
- Engage with the General Assembly and next administration to determine which aspects of new economic growth strategy can be implemented

# Q&A

