

Positioning Virginia's Counties for Healthier Economic Growth



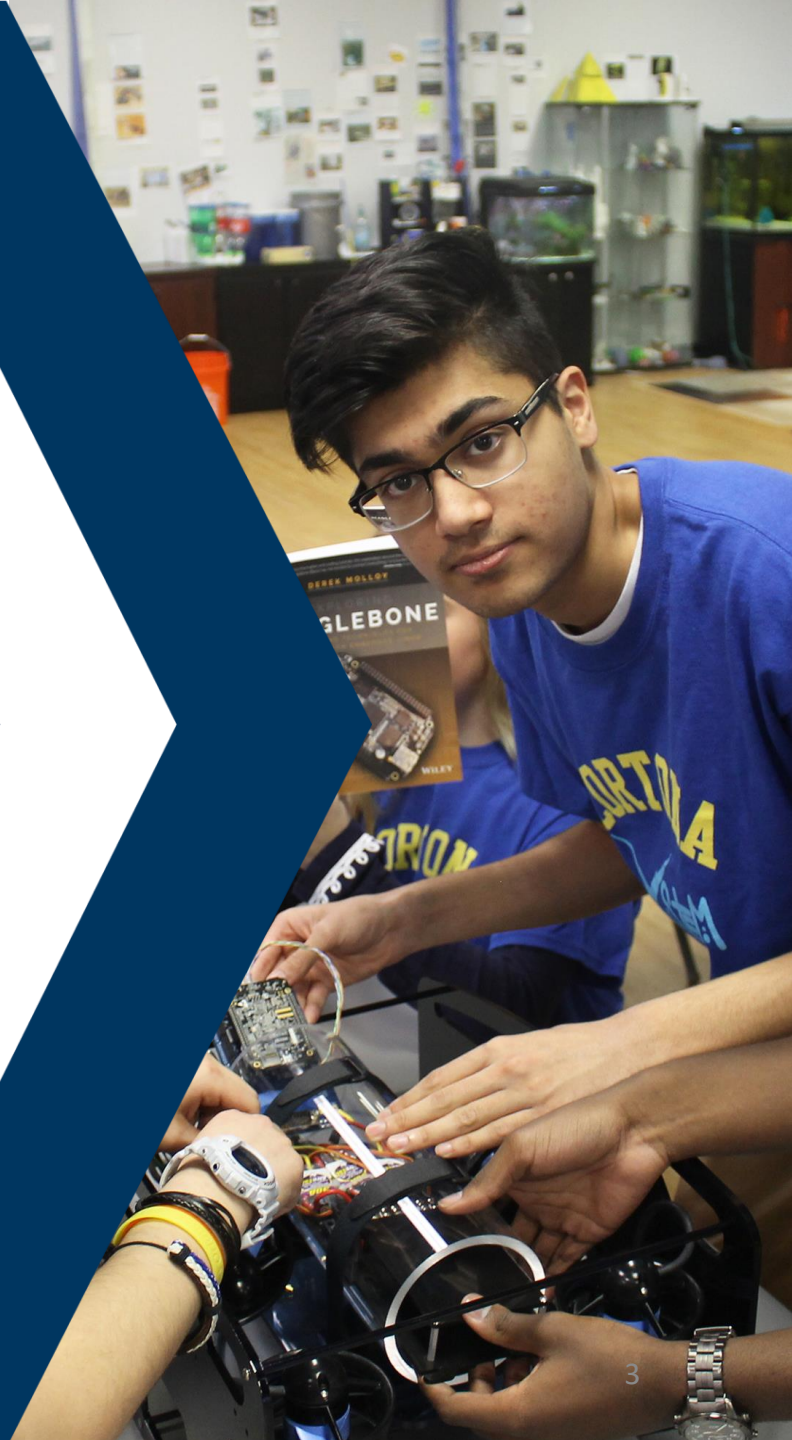
Top Ten for Educational Attainment



Top Ten for Higher Ed



Top Ten for Public Schools



Attractive Small Sites



Advantageous Mid-Atlantic Location



Low Tax Burdens for Existing Firms



Exceptional Port, Airport, and Spaceport Infrastructure



Diverse Array of High-Quality Employers



Dozens of Federal Laboratories





STRENGTHS

- Top 10 for educational attainment, higher ed, and K-12
- Attractive small sites (<25 acres) in some regions
- Mid-Atlantic location contiguous to Washington, D.C.
- Below-average state/local tax burdens for existing firms
- Impressive Port of Va., NOVA airports, and spaceport
- Diverse range of high-quality employers and HQs
- Impressive range of federal labs, higher ed research



WEAKNESSES

- Lack of customized workforce incentive program offering; insufficient CS pipeline
- Meager inventory of large sites (especially 100+ acres) and certified sites
- Site development timeline/cost challenges due to lack of investment and topography
- Uncompetitive state/local tax burdens for new investment
- Metro, traffic congestion challenges in NOVA; road limitations in rural Va.
- High reliance on federal government-related activities
- Limited commercialization of intellectual property relative to our assets

»»» In the Wake of Sequestration, Virginia's 5-Year Growth Rankings Plummeted

30th

Total Employment

39th

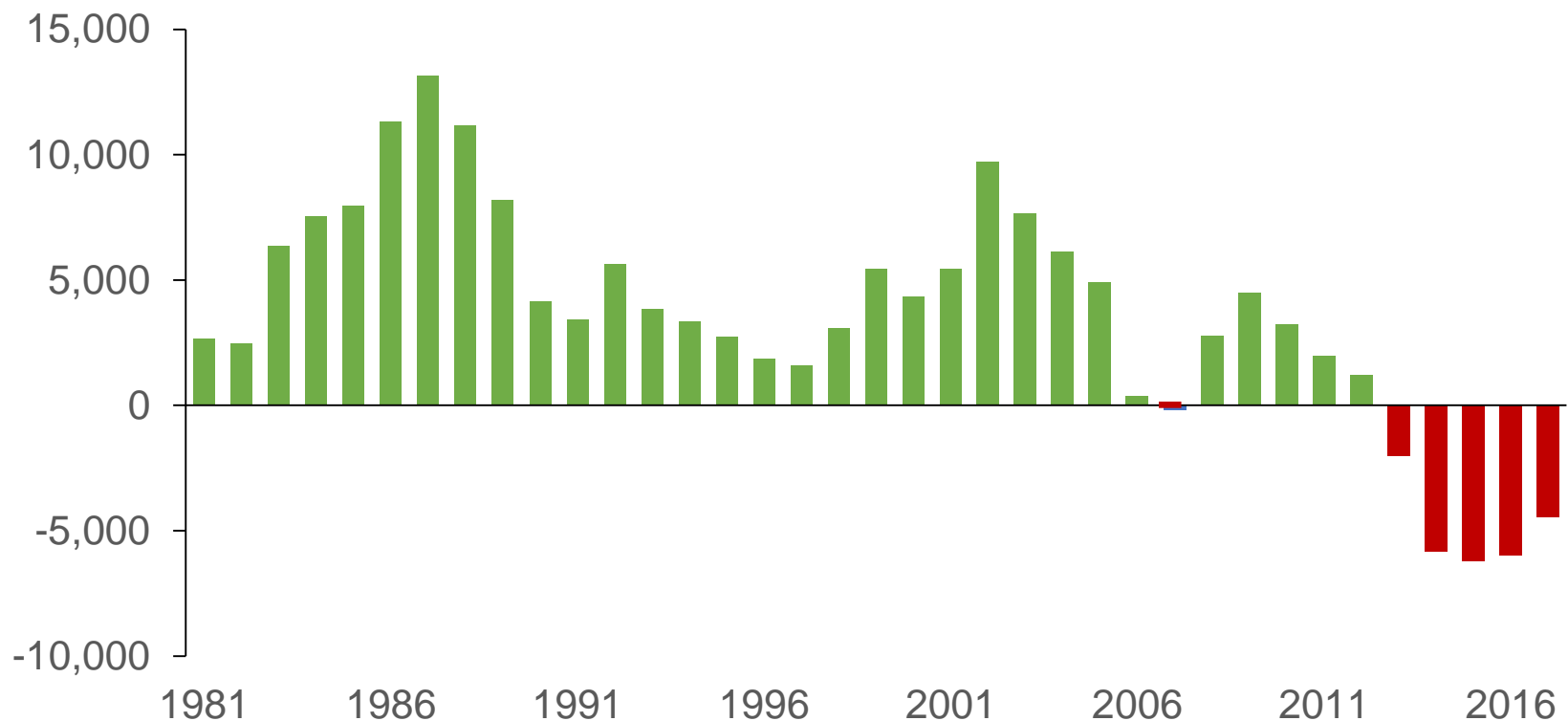
Gross State Product

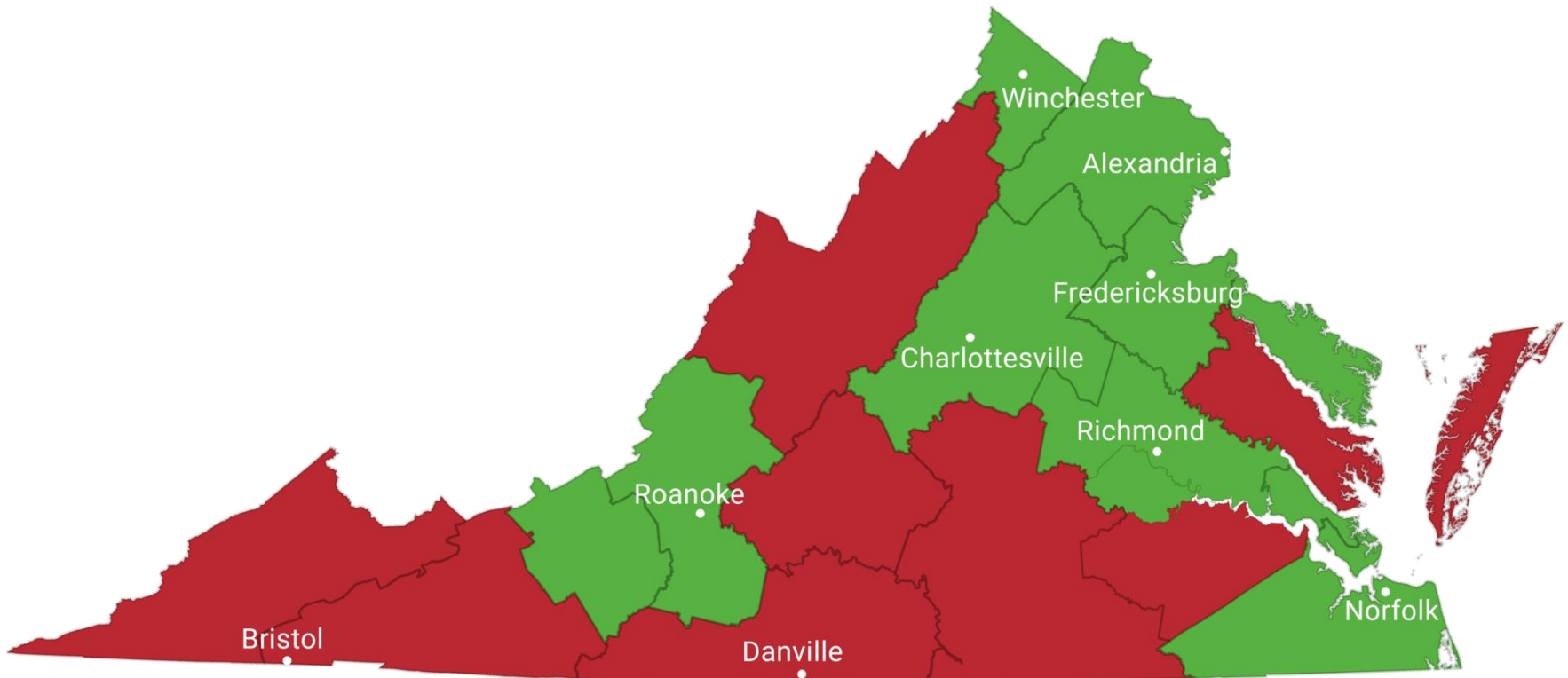
38th

Median Earned Income



With Slower Growth, Virginia Recently Began Experiencing Net Domestic Out-Migration







#1 State *for* Business

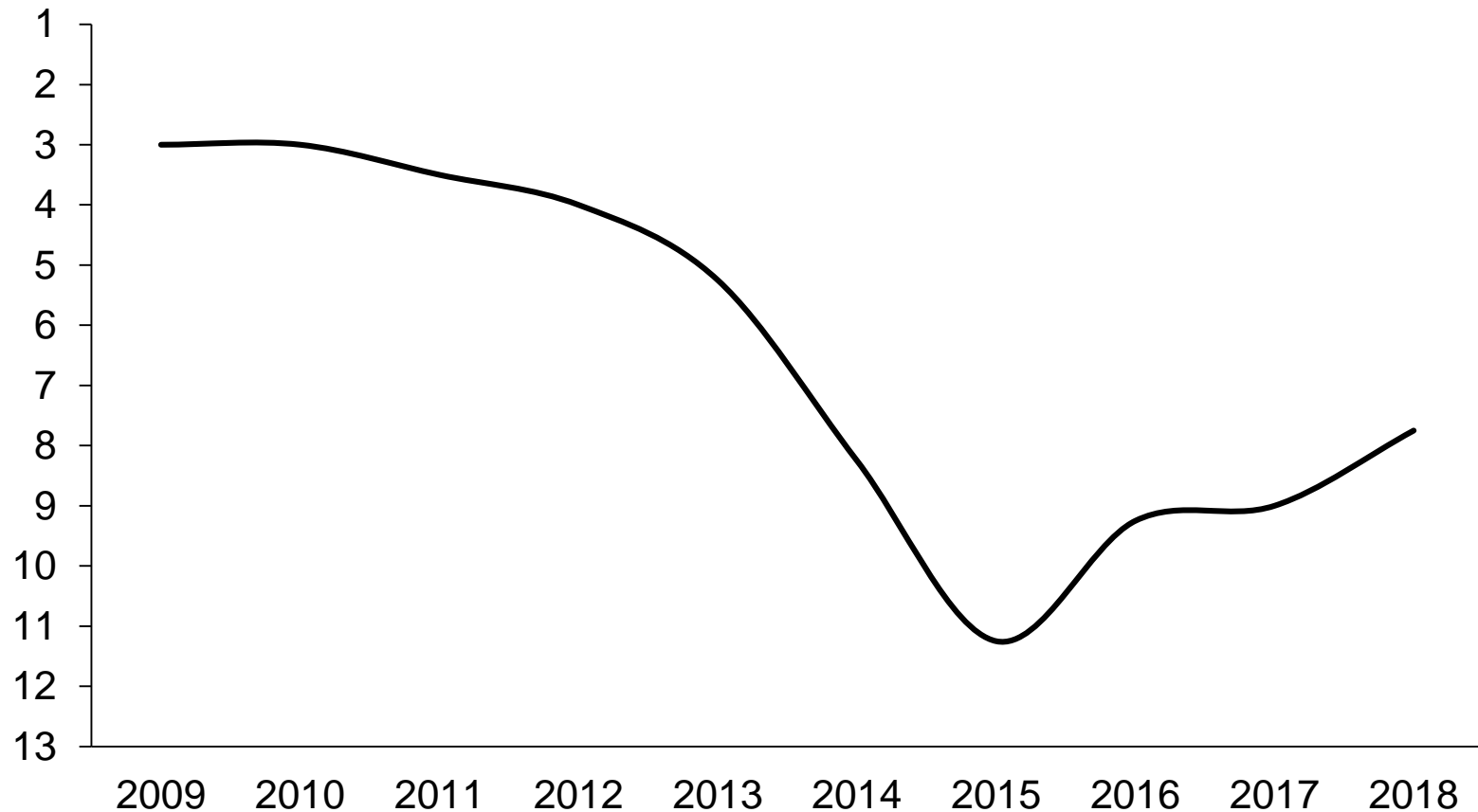
– *Forbes*, 2007, 2008, 2009, 2013

– *CNBC*, 2007, 2009, 2011



Virginia's business climate rankings fell after 2010, but our standing recently has been improving

Virginia's average state rank in selected national business climate rankings



Source: Chief Executive magazine; CNBC; Forbes; Site Selection; VEDP analysis

Virginia Has Fallen Out of the Top 10 States for Business in Every National Survey of Executives

Top competitor states

Virginia ranking

1 2 3 4 5 6 7 8 9 10 11 12 13 14 15

Area Development magazine
"Top States for Doing Business"

GA SC TX TN LA AL IN NC MS OH VA FL NY OK MI

Chief Executive 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

Site Selection (rank for Executive Survey)
"Top U.S. Business Climates"

TX SC GA TN AL NC FL AZ OH IN NV MS VA KY OK



Despite recent improvements in Virginia, site consultants rank our top competitors higher in nearly 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

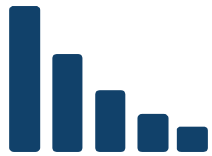
Source: *Area Development* magazine, 2017 "Top States for Doing Business" survey results

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 AND GROWTH

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

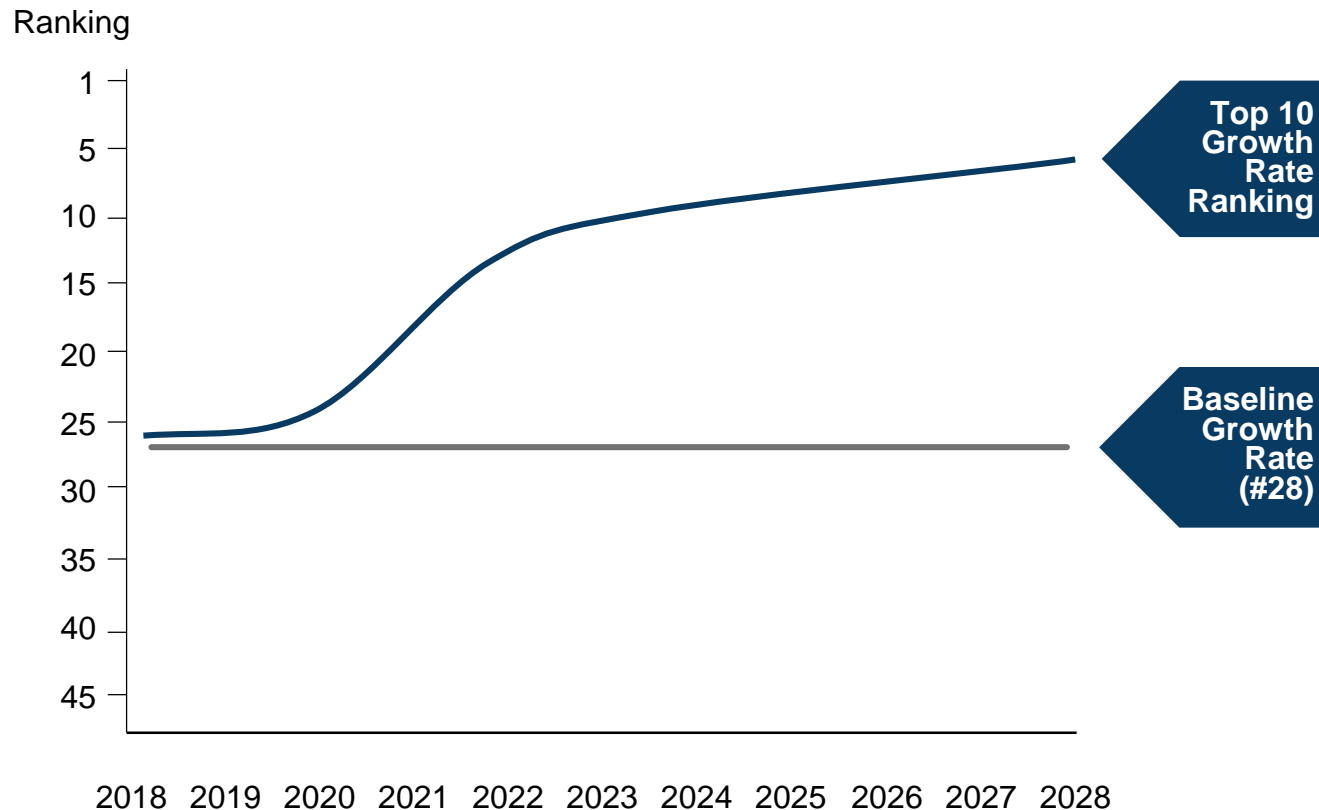


PERCEPTIONS OF CEOs

While still positive overall, CEO perceptions of Virginia's business climate declined after 2009



Virginia Must Add Tens of Thousands More Jobs per Year to Get Back Into the Top 10



Source: Moody's forecast for 2016-2026 as of June 2017

1

Over the next several years, position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.



2

Ensure that every
region participates
in the growth of the
Commonwealth



3

Restore Virginia to its previous leadership position near the top of the national business climate rankings



4

Reestablish VEDP
as America's premier
state economic
development
organization



5

Exhibit collaboration
and coordination as
hallmarks of VEDP
(i.e. place a central
focus on the “P”
in VEDP)



- 
- 1 Robust State Growth**
 - 2 Every Region Wins**
 - 3 Best State for Business**
 - 4 Top State EDO**
 - 5 Super Collaborator**



**»» Improve Virginia's
Economic Competitiveness**

**»» Cultivate Virginia's Target
Growth Clusters**

**»» Enhance VEDP's
Capabilities**

Improve Virginia's Economic Competitiveness

Strengthen Virginia's human capital development engine

BLUEPRINT
VIRGINIA
2025

Assemble a strategic portfolio of project-ready sites

BLUEPRINT
VIRGINIA
2025

Improve state, regional, and local economic competitiveness

BLUEPRINT
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Strengthen Virginia's digital infrastructure

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Place a special focus on achieving growth in rural regions

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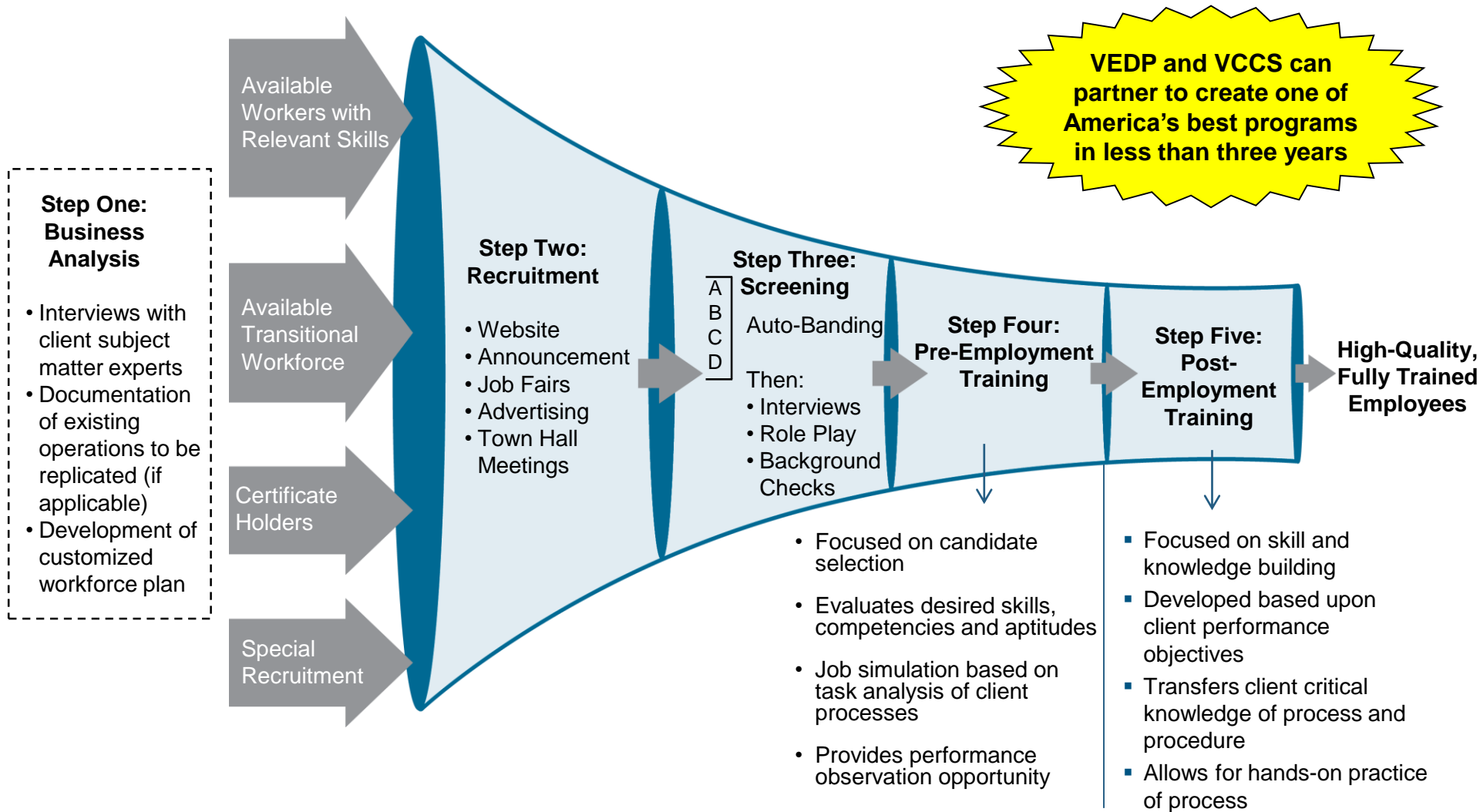
Opportunities to strengthen Virginia's human capital development engine for tech, in collaboration with NVTC

Largest state investment required

- Create a turnkey, customized workforce recruitment and training incentive program via a VEDP/VCCS partnership
- Expand supply of high-need sub-baccalaureate degrees and other credentials in critical fields (i.e., FastForward)
- Expand supply of high-need baccalaureate degrees in critical fields (especially CS, data science, and related programs)
- Upgrade Virginia's labor market data infrastructure to empower data-driven decision-making
- Expand interest in technology education and careers by building excitement and relevant curricula in K-12
- Provide targeted incentives to produce and retain talent with high-demand skills and experience
- Market Virginia (and NOVA) as a great place for tech talent



Top-ranked state workforce development programs (GA, LA) offer fully customized, turnkey solutions



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

Improve Virginia's Economic Competitiveness

Strengthen Virginia's human capital development engine

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Our relatively high state/local tax burdens for expansions negatively impact our business climate rankings

Location Matters 2015 Rankings

Business Type	Rank*		
	New	Mature	Delta
Capital-intensive manufacturer	49	20	29
Labor-intensive manufacturer	36	2	34
Corporate headquarters	31	12	19
R&D facility	45	35	10
Distribution center	31	15	16
Call center	29	21	8
Retail store	23	16	7
Straight average	35	17	18



No. 1 represents the lowest state/local tax burden rank

Site selection consultants' and corporate decision-makers' perceptions of Virginia's cost competitiveness

* VEDP has identified a potential error in KPMG's tax rankings that, if confirmed and corrected, could improve Virginia's state/local tax burden ranking for new, capital-intensive manufacturers from nearly the worst in America to the mid-20s

Targeted state and/or local tax changes could improve Virginia's attractiveness for business investment

Tax burden rank for new projects and expansions
(1 = lowest tax burden)

Business type	2015	Corrected*
Capital-intensive manufacturer	49	24
Labor-intensive manufacturer	36	11
Corporate headquarters	31	31
R&D facility	45	45
Distribution center	31	25
Call center	29	24
Retail store	23	23
Straight average	35	26

- New projects and expansions in VA are heavily affected by high tax burdens relative to competitor states, often the result of a lack of by-right incentives to encourage job creation and/or capital investment
- VA's ranking for manufacturers would improve significantly if higher than average property tax burdens for new firms could be addressed

Source: Tax Foundation – “Based on tax law and available data as of April 1, 2014”

No.1 represents the lowest state/local tax burden rank

*VEDP has identified an error in KPMG's tax rankings that, if corrected, would improve Virginia's average state/local tax burden ranking for new firms from the mid-30s to the mid-20s

Source: Location Matters; MMK; VEDP analysis

Cultivate Target Industry Growth Clusters

Strengthen our leadership position in info. tech.



Assemble a world-class transportation and logistics hub



Position Virginia's manufacturing base to be future-ready



Create business and operations centers of excellence



Position Virginia to lead in promising disruptive technologies



Enhance VEDP's Capabilities

Cultivate world-class execution at VEDP

BLUEPRINT
VIRGINIA
2025

Implement robust marketing programs

BLUEPRINT
VIRGINIA
2025

Strengthen/expand business & trade development programs

BLUEPRINT
VIRGINIA
2025

Become a national leader in incentives administration

BLUEPRINT
VIRGINIA
2025

New/Expanded VEDP Programs Funded for FY19

Custom Workforce Recruitment and Training Incentive

BLUEPRINT
VIRGINIA
2025

Basic Marketing and Branding Program for Business

BLUEPRINT
VIRGINIA
2025

Expansion of Site Development Program

BLUEPRINT
VIRGINIA
2025

VEDP leads

- Marketing, branding, and lead generation
- Biz recruitment and project mgmt. for target industry sectors (e.g., IT, advanced manufacturing, BPO, distribution)
- One-stop shop for prospects, with close local/regional coordination and alignment
- Proactive business retention and expansion program for large/medium-sized firms, in partnership with localities
- Custom workforce recruitment/training incentive program for firms, with VCCS
- Trade development services
- Administration of business incentives
- Research / business intelligence
- State/local economic competitiveness

VEDP/GOVA Collaboration

- Site intelligence and development (VEDP will focus on site intelligence and managing site database; GOVA could fund site development)
- Cluster development (VEDP could focus on larger firms; GOVA could focus on cluster scale-up initiatives)
- Design of human capital development strategies, including various initiatives to fully leverage higher education's economic development potential

GOVA leads

- Design of targeted, regional product development initiatives (e.g., broadband strategy for a region)
- Workforce development initiatives for sectors/regions
- Research and technology commercialization initiatives
- Initiatives to encourage capital and/or business formation (?)
- Funding for development of regional growth plans
- Incentives to encourage regional collaboration

GO Virginia and VEDP both are focused on increasing growth in traded-sector employment and earnings

»» Looking Forward to 2022...

Forbes

**Virginia named
America's Best
State for Business
(Again)**



**America's
East Coast IT
Leader: Virginia**

**The
New York
Times**

**Rural Virginia
Bucks National
Economic
Trends**

**The
Economist**

**Why College
Grads in NC and
TX are Moving
to Virginia**