

THE FUTURE OF ECONOMIC DEVELOPMENT IN THE COMMONWEALTH

November 2021

AGENDA

Historical Trends: Urban vs. Rural Virginia

Strategies for Economic Recovery

Top Opportunities to Improve

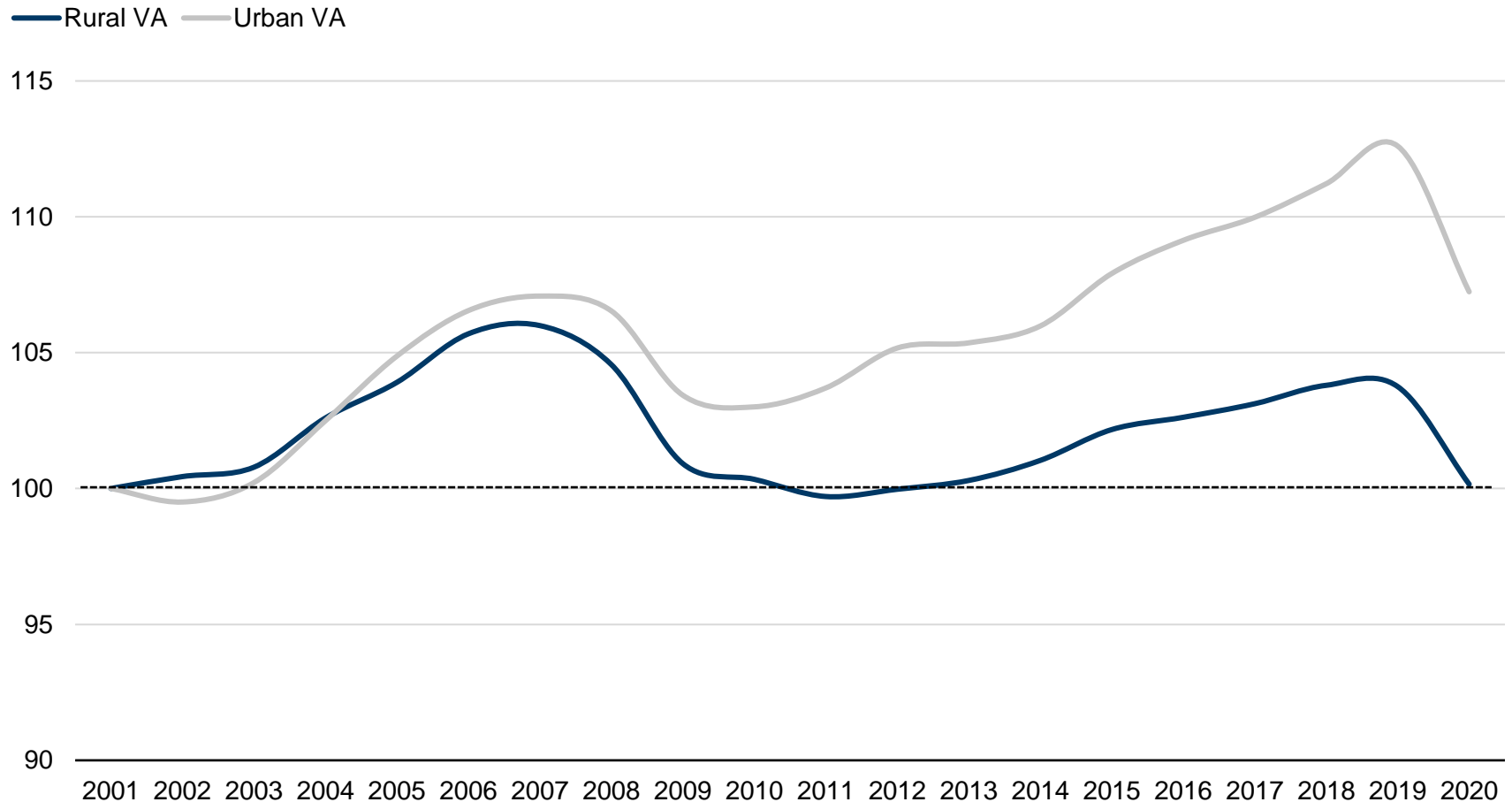
Rural Think Tank Progress

Opportunities for the Next Administration

Route 23 – Route 58
Intersection, Norton

EMPLOYMENT GROWTH IN RURAL VIRGINIA HAS STRUGGLED TO KEEP UP WITH URBAN LOCALITIES SINCE THE GREAT RECESSION...

Employment growth in rural and urban Virginia
Average annual employment, 2001 – 2020, indexed

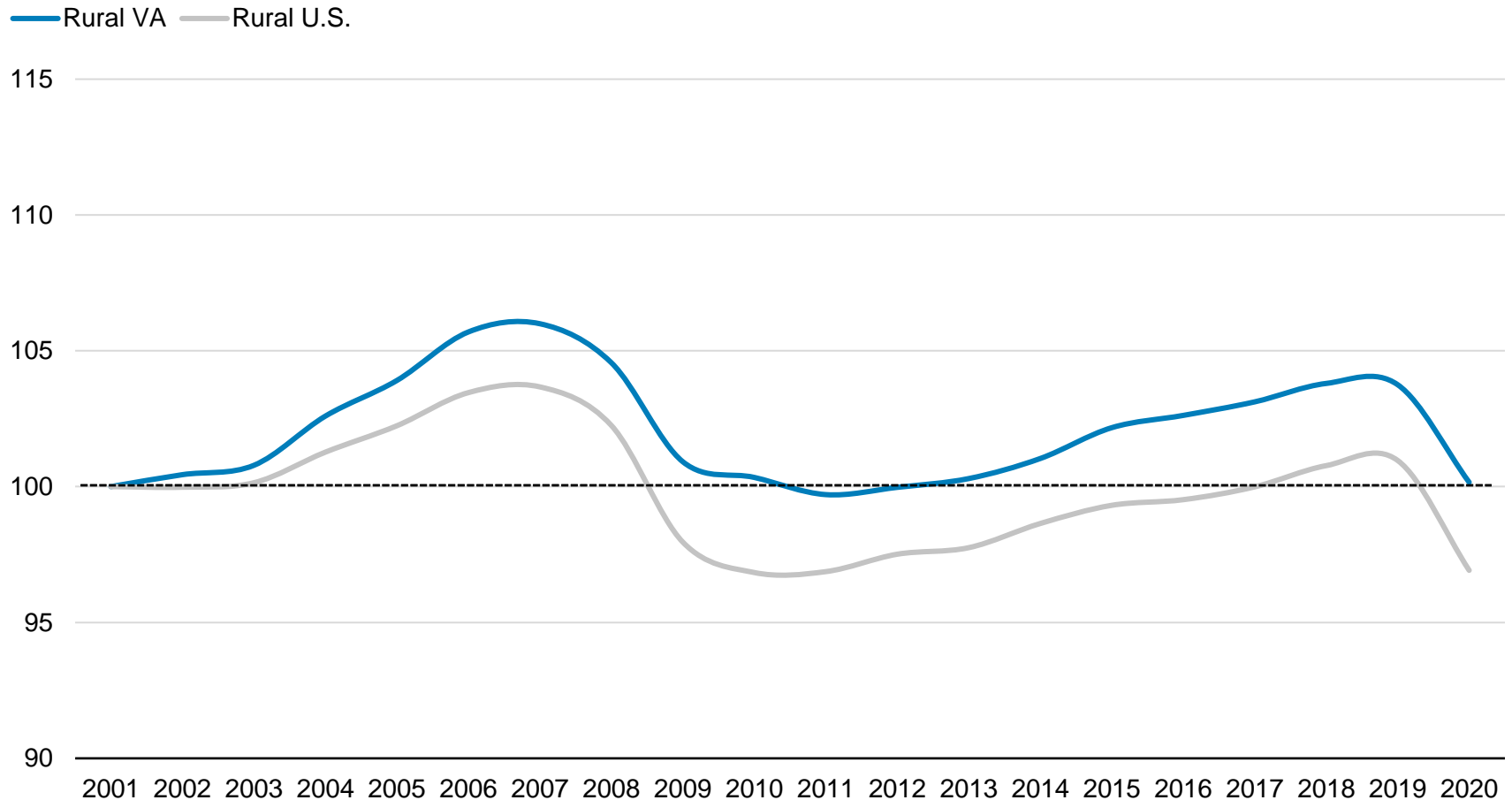


Source: Economic Modeling Specialists International 2021.3 (estimates based on QCEW and other BLS data, include OCEW, non-QCEW and self-employed); VEDP analysis

...HOWEVER, RURAL VIRGINIA HAS FARED BETTER THAN RURAL LOCALITIES AS A WHOLE IN THE UNITED STATES

Employment growth in rural Virginia and U.S.

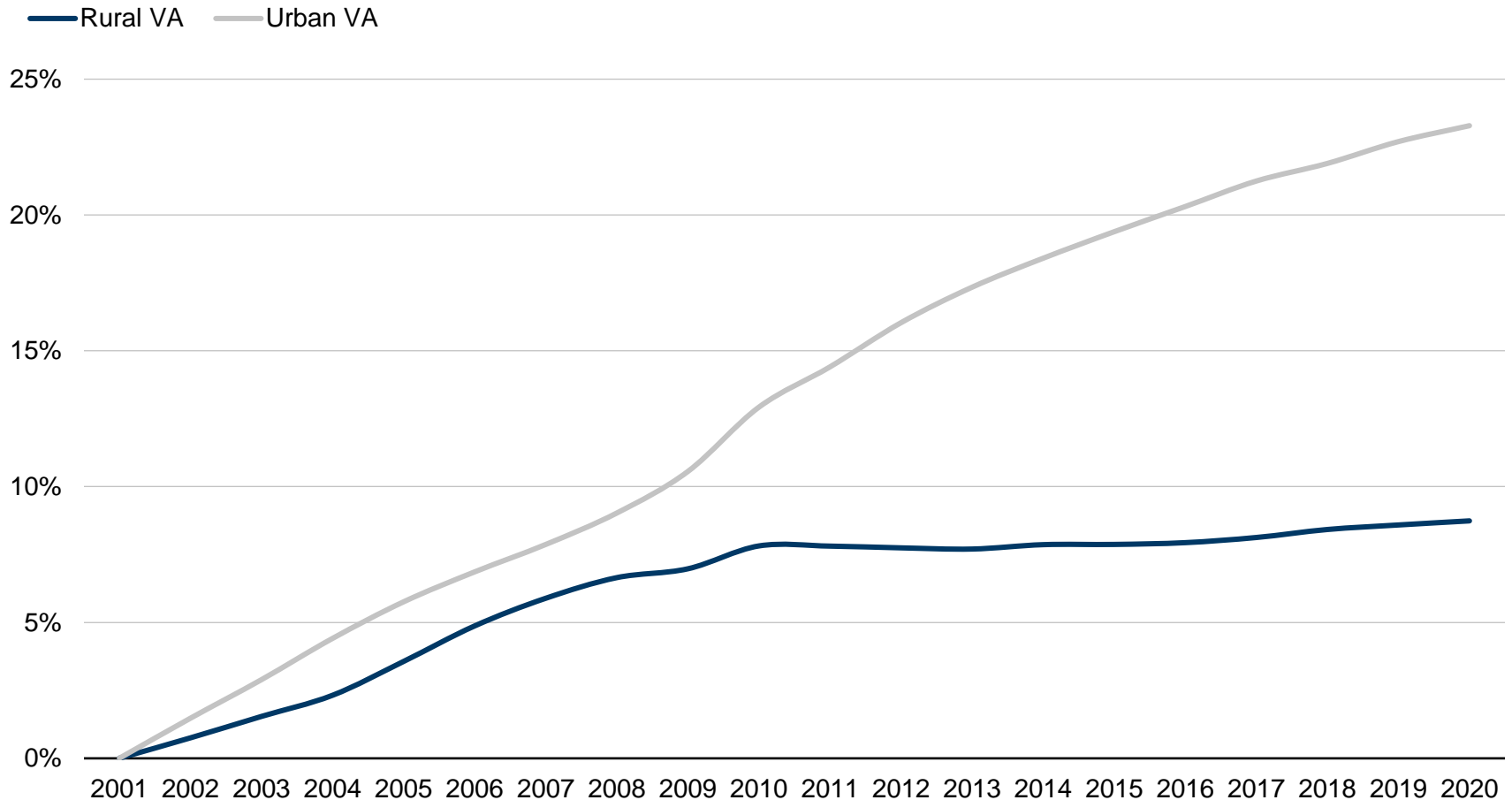
Average annual employment, 2001 – 2020, indexed



Source: Economic Modeling Specialists International 2021.3 (estimates based on QCEW and other BLS data, include OCEW, non-QCEW and self-employed); VEDP analysis

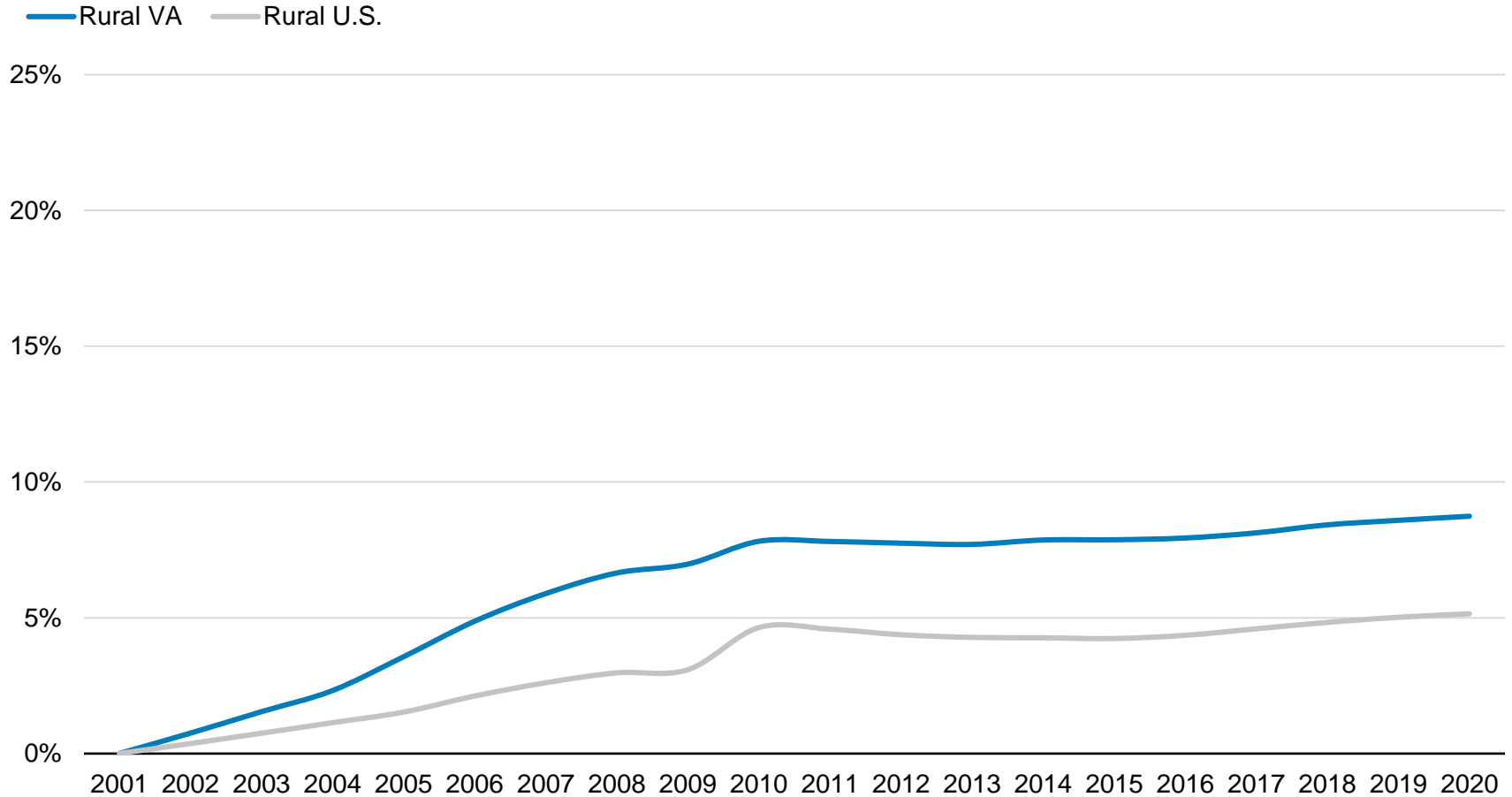
POPULATION GROWTH IN RURAL VA HAS LARGELY STALLED OVER THE PAST DECADE WHILE CONTINUING UNABATED IN URBAN VA

Population change in rural and urban Virginia
% population change since 2001



HOWEVER, RURAL VA'S POPULATION GROWTH OVER PAST TWO DECADES HAS OUTPACED RURAL GROWTH NATIONALLY

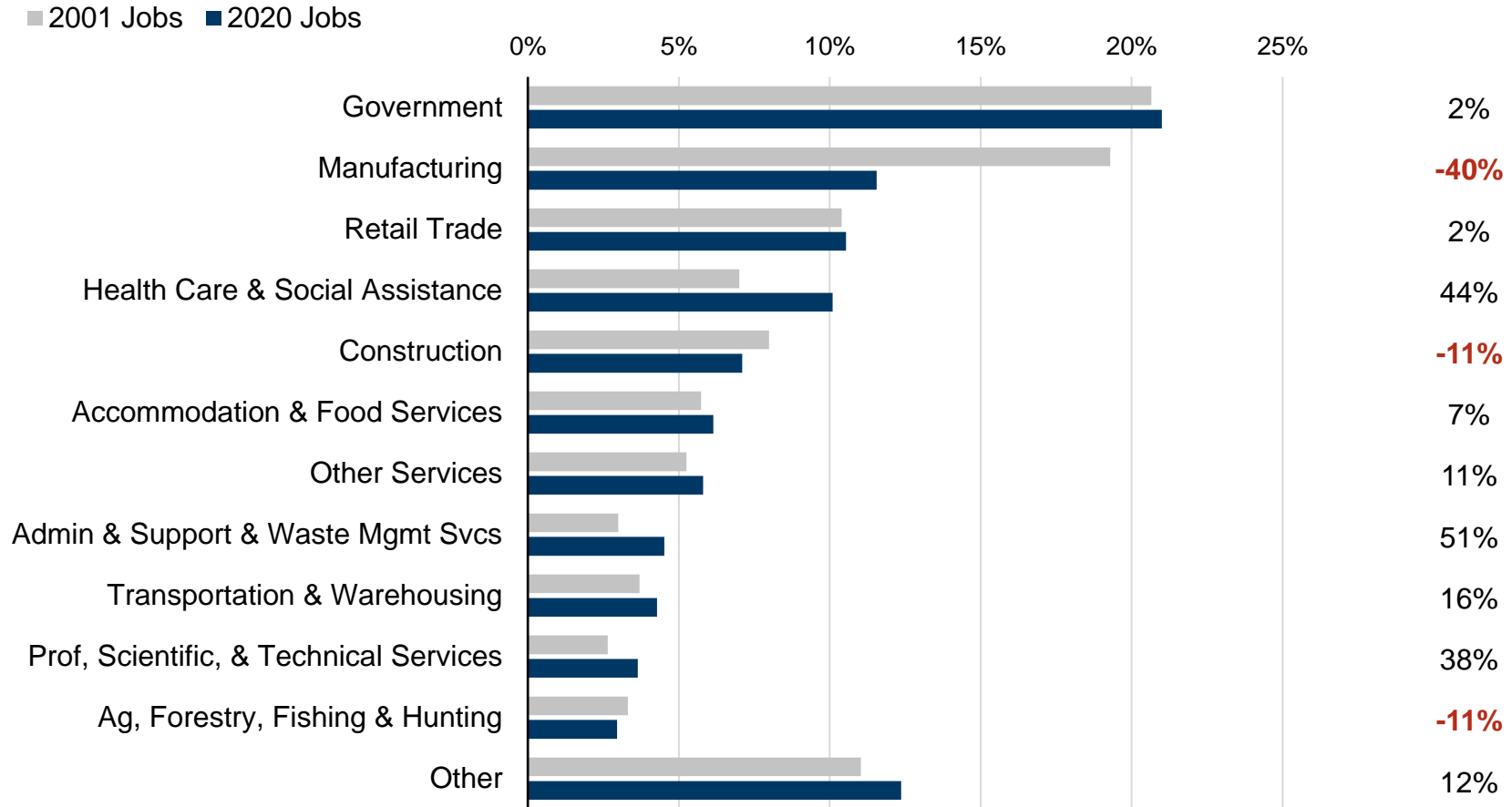
Population change in rural Virginia and rural U.S.
% population change since 2001



COMPOSITION OF RURAL VIRGINIA WORKFORCE HAS BECOME INCREASINGLY DIVERSIFIED OVER LAST TWO DECADES

Employment breakdown by supersector in rural Virginia
Jobs by supersector, 2001 & 2020

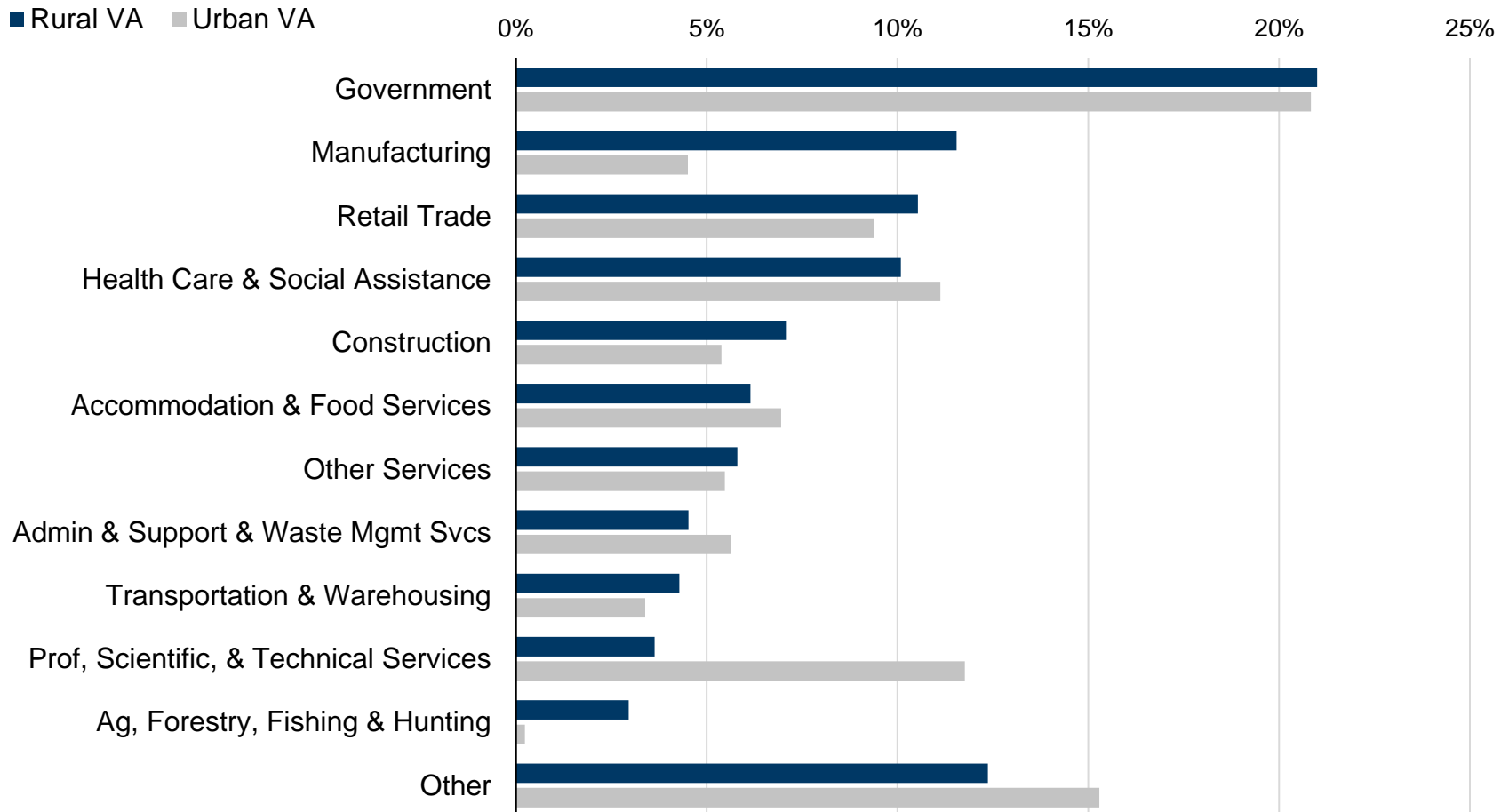
% change
2001 - 2020



Source: Economic Modeling Specialists International 2021.3 (estimates based on QCEW and other BLS data, include OCEW, non-QCEW and self-employed); VEDP analysis

HOWEVER, MANUFACTURING IN PARTICULAR STILL REPRESENTS A MUCH LARGER PROPORTION OF RURAL THAN URBAN EMPLOYMENT

Employment breakdown by supersector and by rural / urban VA
Jobs by supersector, 2020

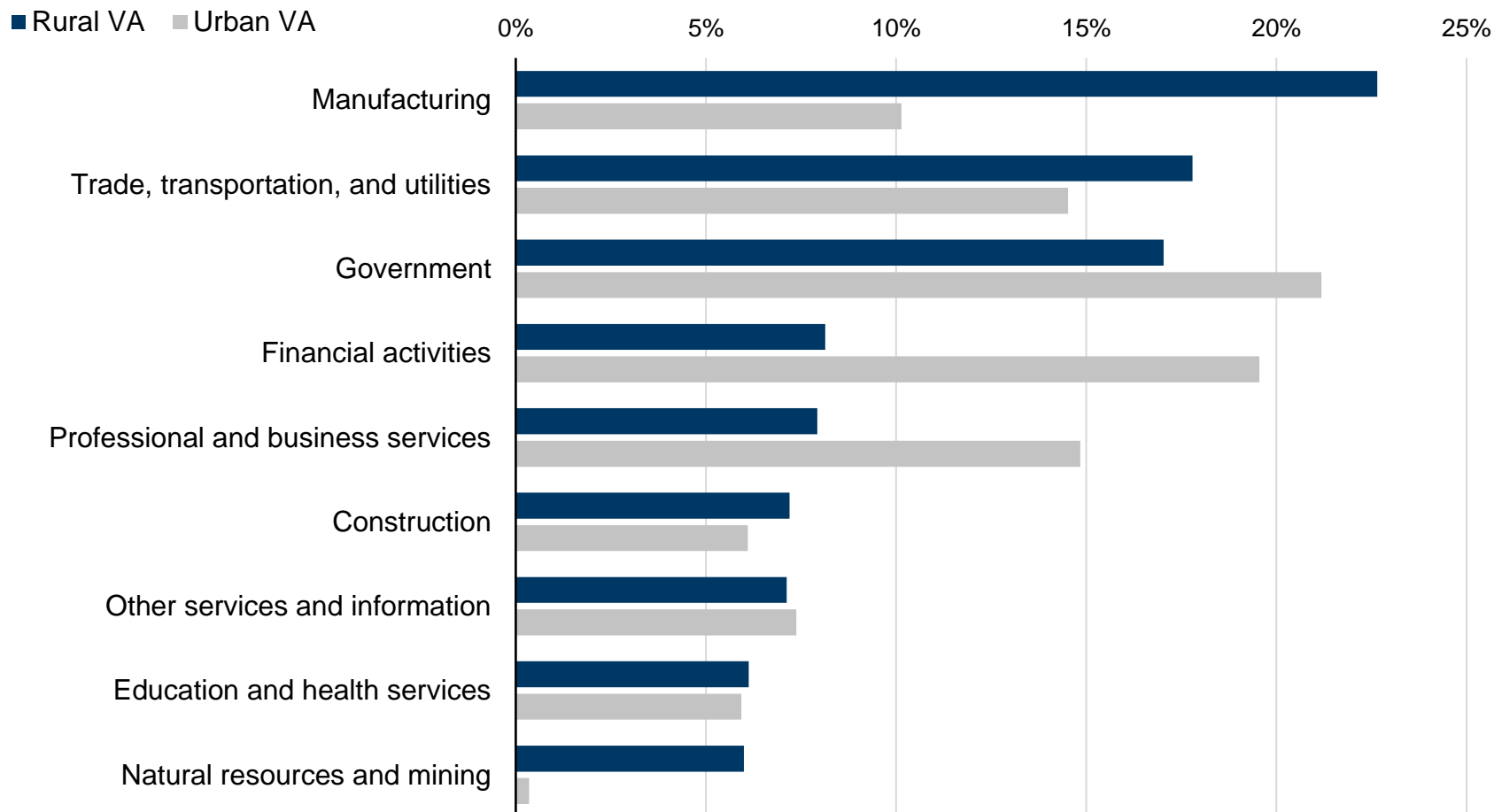


Source: Economic Modeling Specialists International 2021.3 (estimates based on QCEW and other BLS data, include OCEW, non-QCEW and self-employed); VEDP analysis

...AS WELL AS A LARGER SHARE OF ECONOMIC OUTPUT

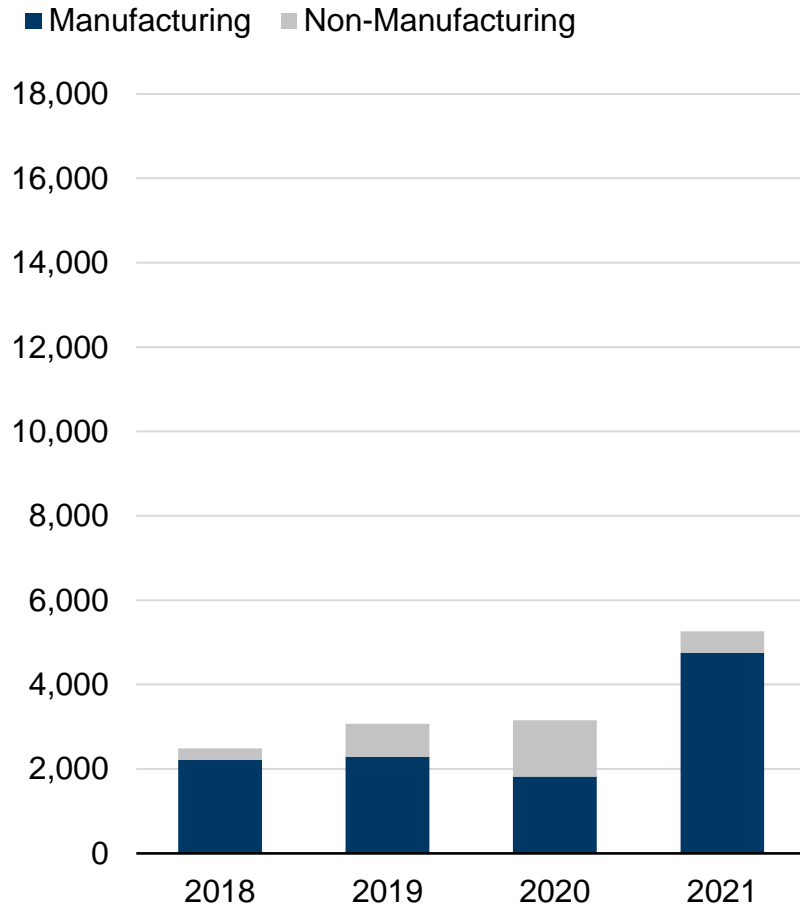
Economic output breakdown by supersector and by rural / urban VA

Economic output by supersector, 2020

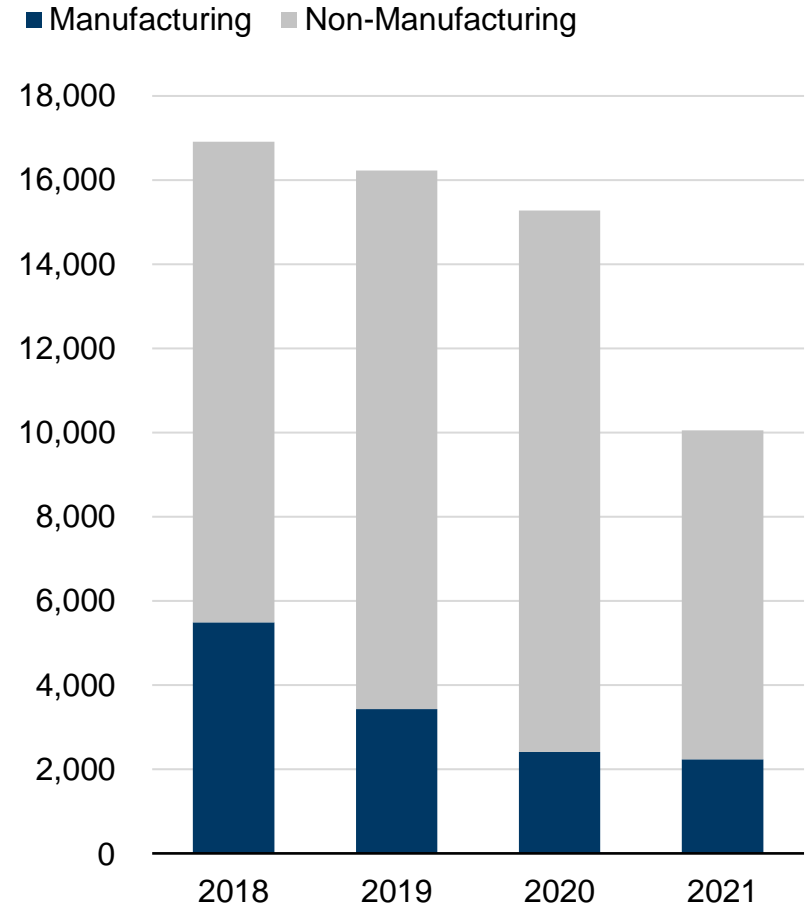


MANUFACTURING JOBS REPRESENT LARGE MAJORITY OF ANNOUNCED JOBS IN RURAL LOCALITIES...

Announced jobs in rural localities
Jobs announced, 2018-2021



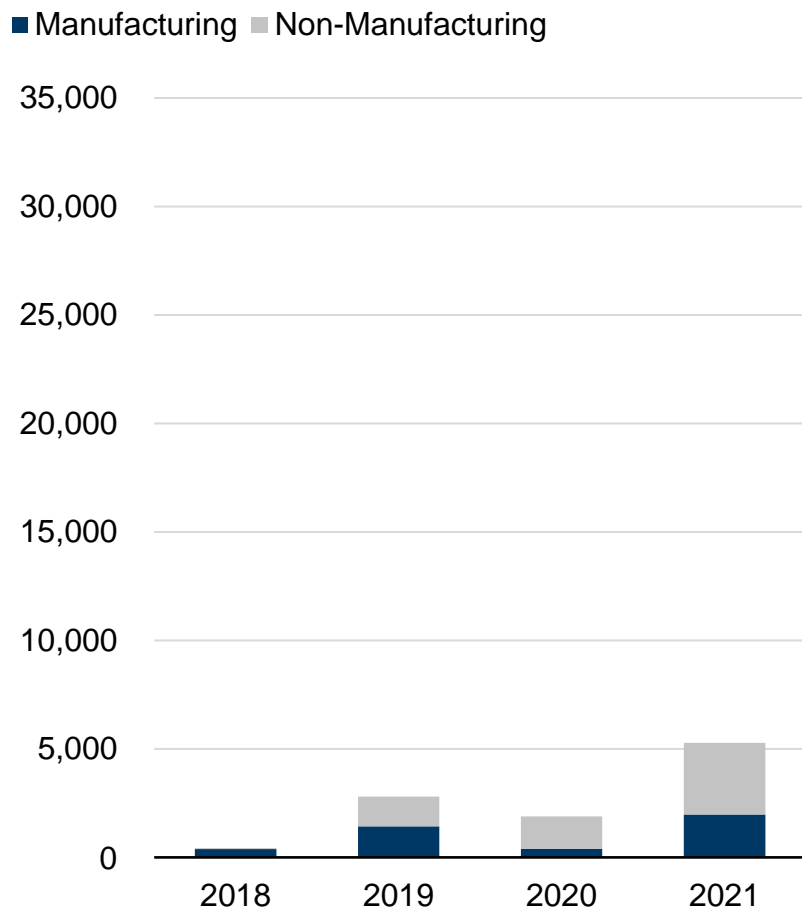
Announced jobs in urban localities¹
Jobs announced, 2018-2021



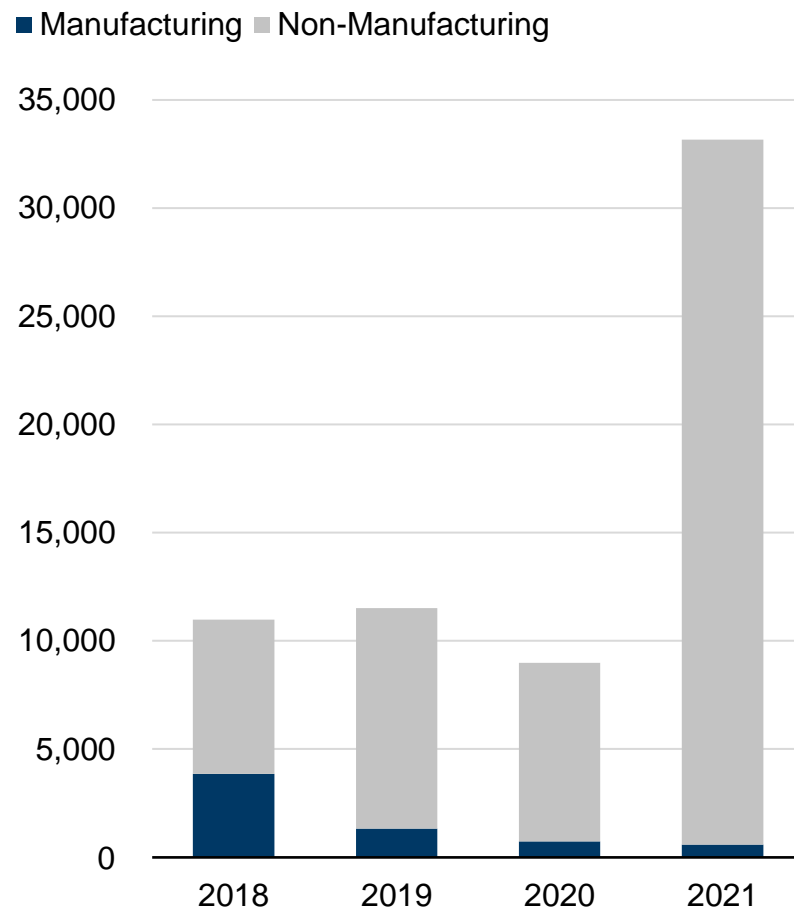
¹Excluding Amazon HQ2

... WHILE ANNOUNCED CAPEX IS MORE BALANCED BETWEEN MANUFACTURING AND NON-MANUFACTURING IN RURAL LOCALITIES

Announced capital investment in rural localities
\$M, capex announced, 2018-2021



Announced capital investment in urban localities¹
\$M, capex announced, 2018-2021



¹Excluding Amazon HQ2

RURAL VIRGINIA BY THE NUMBERS¹

17%

of Virginia employment

15%

of Virginia Gross Domestic Product

24%

of Virginia population

¹Rural localities are those with 50% or more of the population living in a rural areas as defined by the Census Bureau (based on 2010 Census)

Sources: Emsi; Moody's; Census Bureau



Monogram Foods, Henry County

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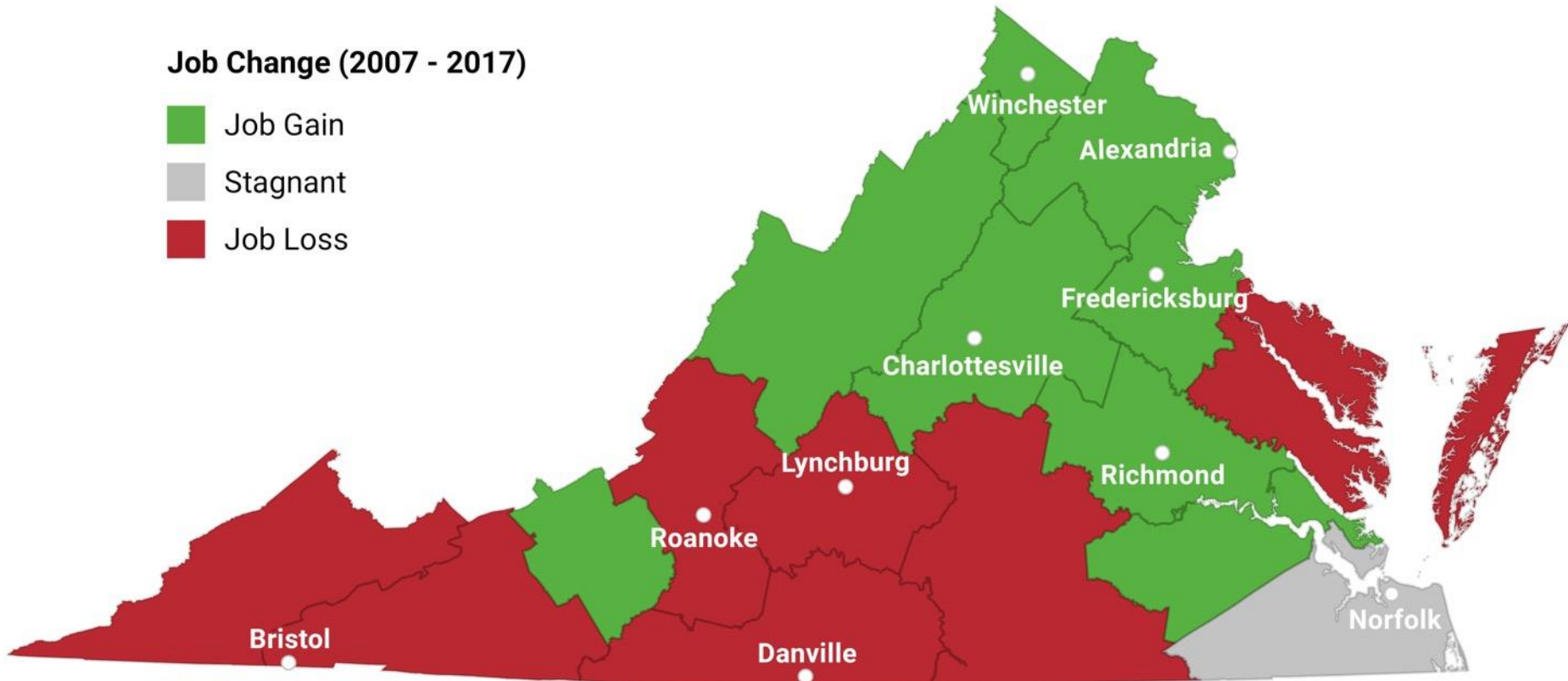
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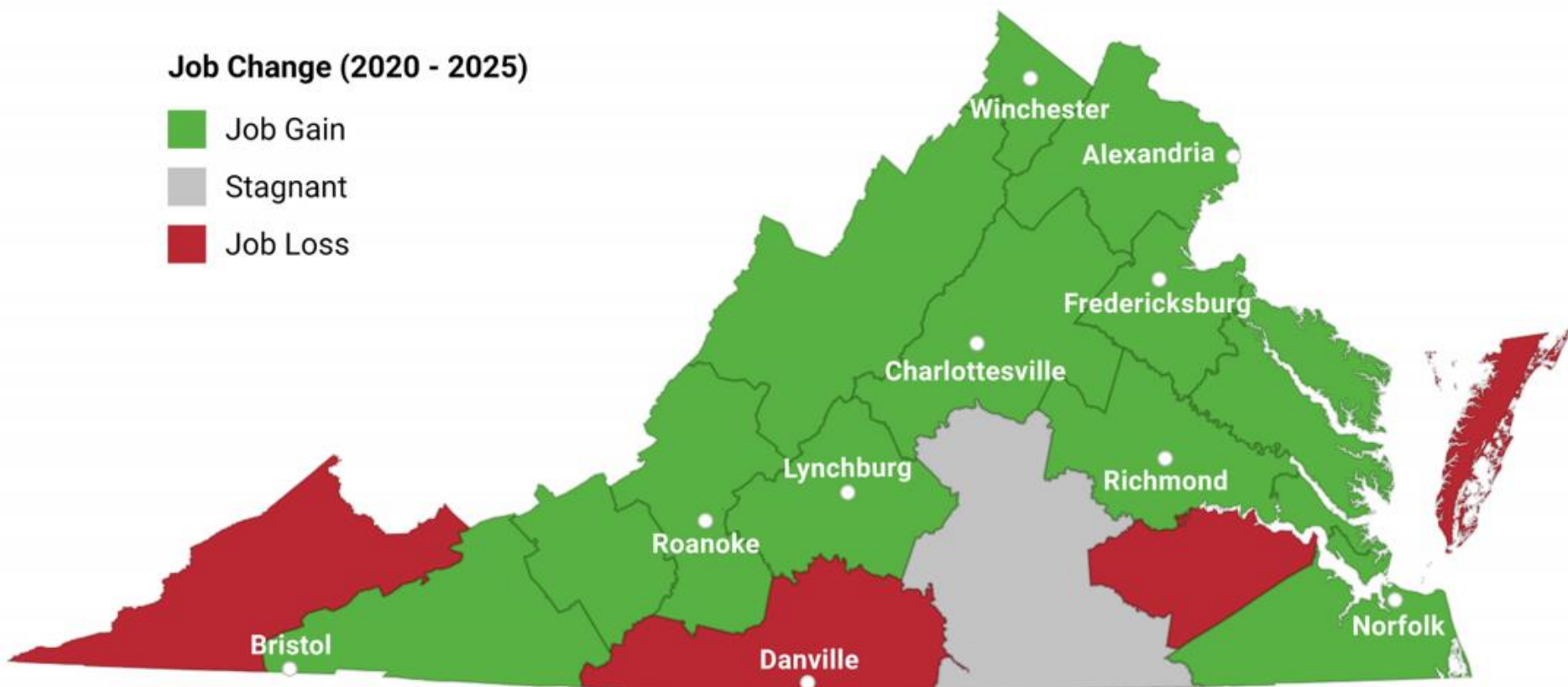
Opportunities for the Next Administration

MANY RURAL VIRGINIA REGIONS AND SMALL METRO AREAS WERE EXPERIENCING JOB LOSSES PRIOR TO VEDP'S RELAUNCH IN 2017

Job Change (2007 - 2017)



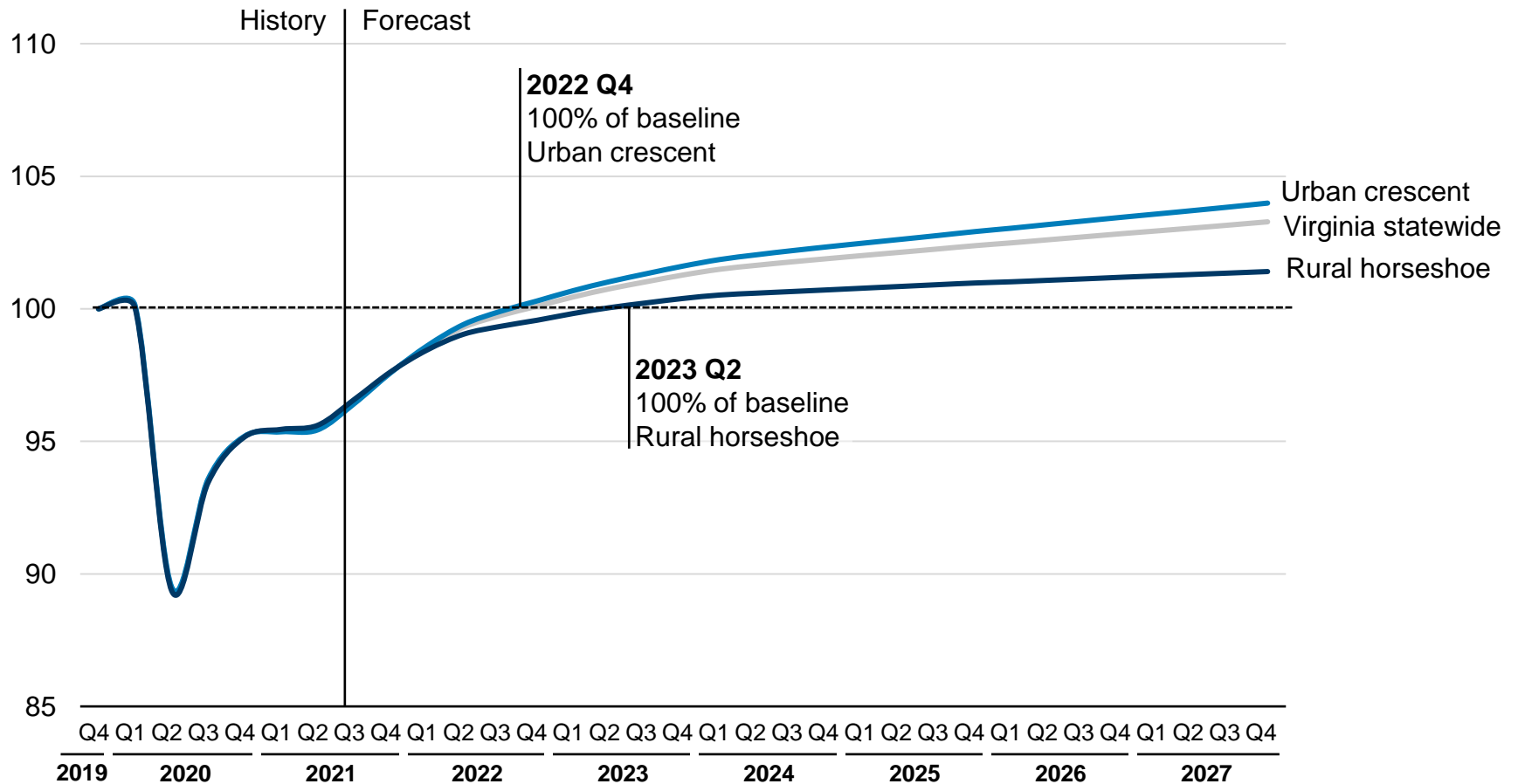
POST-COVID FORECAST INITIALLY INDICATED WIDESPREAD JOB LOSSES, BUT HAVE SHOWN SOME IMPROVEMENT RECENTLY



Source: Moody's Analytics (July 2021 baseline forecast)

OUTSIDE URBAN CRESCENT, RECOVERY CURRENTLY EXPECTED TO LAG ~6 MONTHS, BUT GAP LIKELY MUCH LARGER IF GROWTH SLOWS

Forecasted quarterly employment as % of pre-COVID-19 baseline
Total non-farm payroll employment¹, indexed to actual 2019 Q4 employment



¹ Locality forecast data have been corrected to match statewide employment forecasts; data differs slightly due to methodological differences in Moody's state and sub-state models

VEDP ENVISIONS FOUR MAJOR OPPORTUNITIES TO ACCELERATE ECONOMIC RECOVERY ACROSS THE COMMONWEALTH OF VA



Capture manufacturing reshoring and new supply chain opportunities



Accelerate Digital Virginia (cloud computing, software, data centers)



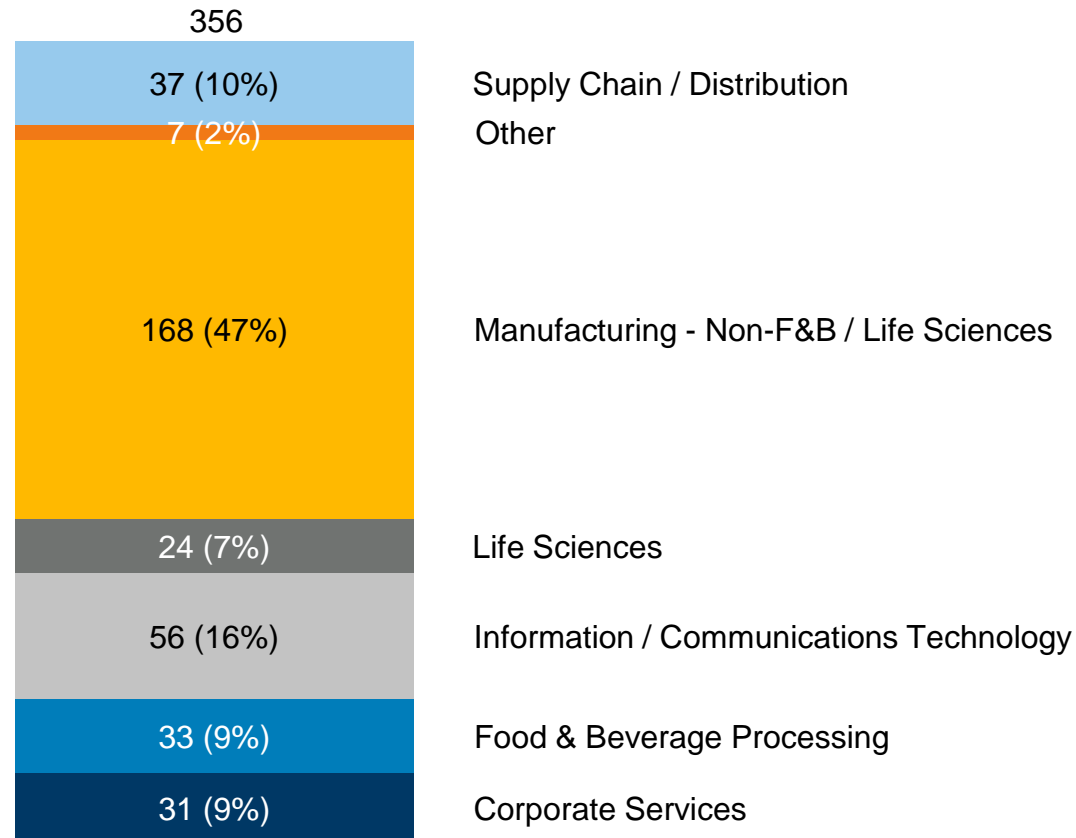
Seize telework transition opportunities, with special focus on rural & small metro regions



Retool and reskill Virginia's (unemployed) workforce for post-COVID career opportunities

HALF OF VEDP'S CURRENT PIPELINE IS REPRESENTED BY MANUFACTURING PROJECTS

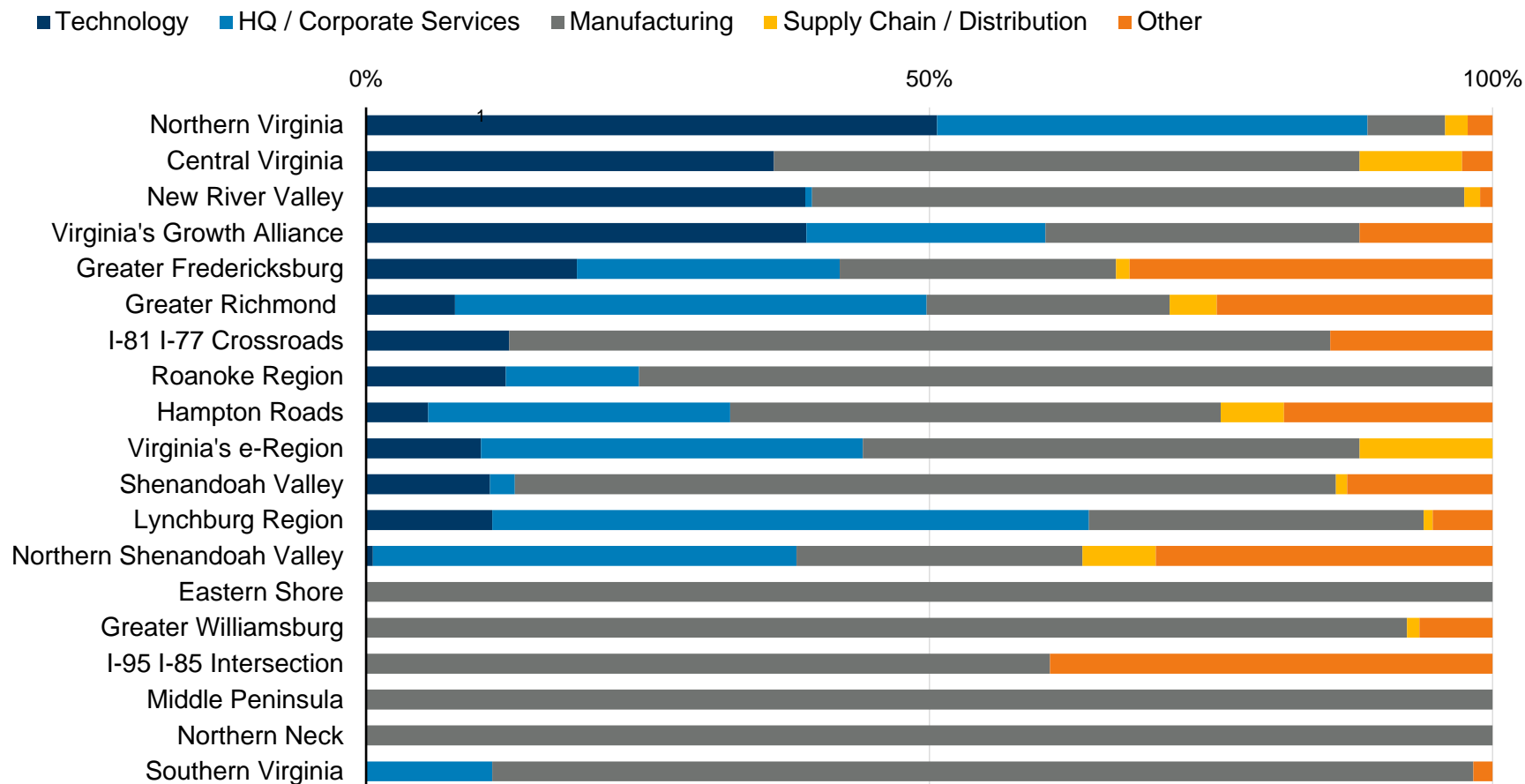
VEDP project pipeline by industry sector¹



¹As of November 3, 2021

REGIONAL PROJECT ANNOUNCEMENTS REFLECT SIGNIFICANT DIFFERENCES IN REGIONAL ECONOMIC DIVERSITY

Total new regional employment, including expansions
VEDP Marketing Region, New jobs announced FY17 – FY21



¹Excluding Amazon HQ2

Source: VEDP Announcements Database



As a direct result of the Commonwealth's infrastructure investments, Blue Star NBR, LLC and Blue Star-AGI, Inc., a joint venture between Blue Star Manufacturing and American Glove Innovations (AGI), have committed to establish the largest, most advanced, one-of-a-kind nitrile butadiene rubber (NBR) manufacturing facility and nitrile glove production operation in Wythe County's Progress Park.

New Jobs | 2,464

Capital Investment | \$714.1M



SCHOCK

SCHOCK GmbH, the inventor of quartz composite sinks, will establish its first U.S. manufacturing operation in Henry County. Founded in 1924 and headquartered in Regen, Germany, the company holds over 100 patents and offers a broad product portfolio comprised of over 200 sink models in more than 40 colors.

New Jobs | 355

Capital Investment | \$85M

“We are thrilled to have found the ideal location in Henry County. As an industrial business hub, the region has a well-qualified and dedicated workforce, and its geographic location and interregional infrastructure are perfect for our needs.”

Ralf Boberg
SCHOCK GmbH
September 28, 2021





Tyson Foods, Inc., one of the world's largest food companies, will establish a manufacturing facility in Danville-Pittsylvania County for the production of premium quality, fully cooked Tyson brand, which includes Any'tizer® Snacks and Chicken Nuggets. The company has had a footprint in Virginia for more than 50 years and employs more than 2,000 people across the state.

New Jobs | 376

Capital Investment | \$300M

“ Our company has been successfully working in Virginia for decades. The location is appealing because of the strong support from both state and local leaders, as well as the viability of labor in the region. ”

David Bray
Tyson Foods, Inc.
August 26, 2021





The Hershey Company will invest \$135 million to expand its manufacturing operation in Augusta County. The company will increase production capacity at its existing facility in Stuarts Draft by 90,000 square feet and create 110 new jobs. Hershey Chocolate of Virginia, Inc. has operated in Augusta County for more than 30 years and employs more than 1,000 people. The Virginia facility is the company's second-largest plant in the U.S.

New Jobs | 110

Capital Investment | \$135M

“ The Shenandoah Valley has been an excellent place for Hershey to do business and be a part of the community for 38 years. We are proud to continue to invest and grow in an area that gives our employees a great place to live and work. ”

Jason Reiman
The Hershey Company
June 30, 2020





1901 Group is a market leader in innovative IT services and solutions. The company delivers cloud, cybersecurity, and enterprise scale-managed services to transition customers from traditional on-premise IT infrastructure and support models to hybrid cloud solutions that improve performance and reduce costs. 1901 Group's customers span federal, state, and local governments, including law enforcement and criminal justice agencies, as well as commercial markets.

New Jobs | 150

Capital Investment | \$1.15M

“1901 Group is committed to investing in growing talent to address the deficit of cloud engineering and cyber talent in the public sector. Our business model is based on engaging rural communities to create the next wave of IT talent focused on automation, streamlining, and continual improvement in large scale IT environments. Abingdon fits that profile with its access to embedded talent at nearby universities and community colleges.”

Sonu Singh
1901 Group
March 9, 2020





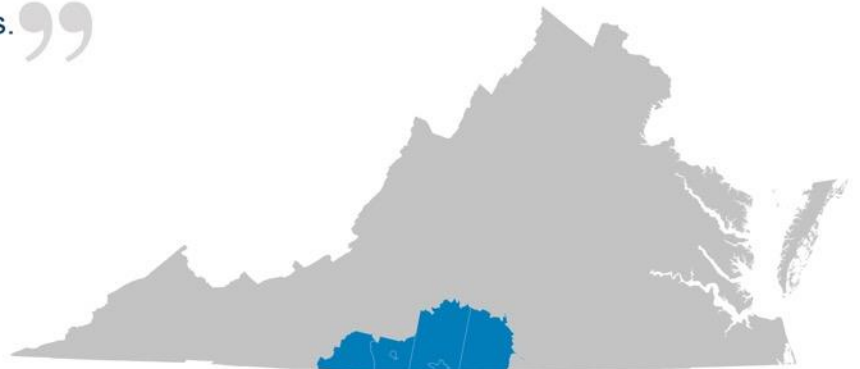
Morgan Olson, LLC, North America's leading manufacturer of all-aluminum walk-in step vans, will establish a new walk-in step van assembly operation in a 925,000-square-foot plant in Danville-Pittsylvania County currently owned by IKEA. The company is the first to receive support from the new Virginia Talent Accelerator Program.

New Jobs | 703

Capital Investment | \$57.8M

“One of the most attractive aspects of locating in Danville-Pittsylvania County is that we will be able to take advantage of the new Virginia Talent Accelerator Program, which will help us quickly attract and train the high-quality workforce we need to deliver for our customers.”

Mike Ownbey
Morgan Olson
October 25, 2019





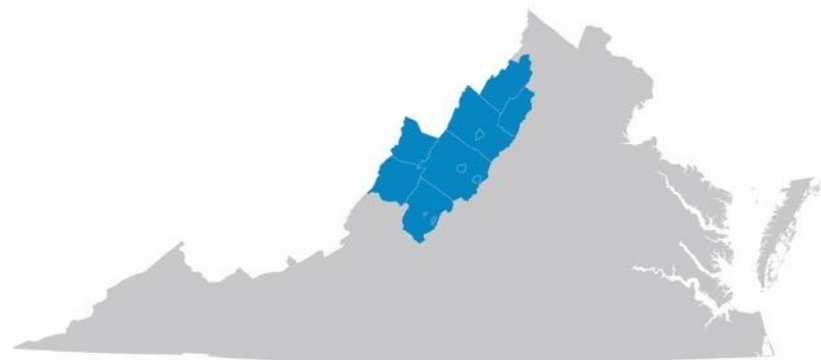
Merck & Co., Inc., a publicly held global healthcare company known as MSD outside the United States and Canada, plans to expand its manufacturing operation in Rockingham County. The company will add 120,000 square feet to its existing 1.1 million-square-foot operation in Elkton, Virginia to increase production of its Human Papillomavirus (HPV) vaccines.

New Jobs | 100

Capital Investment | \$1B

“ Our strong partnerships with local and state elected officials, educational institutions, and organizations throughout the Elkton community help us sustain our commitment to the area’s economic growth. ”

Sanat Chattopadhyay
Merck & Co., Inc
May 6, 2019



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Morgan Olson,
Danville-Pittsylvania

BIG DRIVERS OF ECONOMIC GROWTH, ECONOMIC OPPORTUNITY, AND BUSINESS CLIMATE RANKINGS: PAST, PRESENT, FUTURE

TOP OPPORTUNITIES TO IMPROVE

RECENT ADVANCES

LONGSTANDING STRENGTHS

EDUCATION	WORKFORCE	QUALITY OF LIFE	MID-ATLANTIC LOCATION
PRUDENT FISCAL STEWARDSHIP	DIVERSE ECONOMIC BASE	ATTRACTIVE, STABLE BUSINESS CLIMATE	STABLE TAX STRUCTURE

BIG DRIVERS OF ECONOMIC GROWTH, ECONOMIC OPPORTUNITY, AND BUSINESS CLIMATE RANKINGS: PAST, PRESENT, FUTURE

TOP OPPORTUNITIES TO IMPROVE



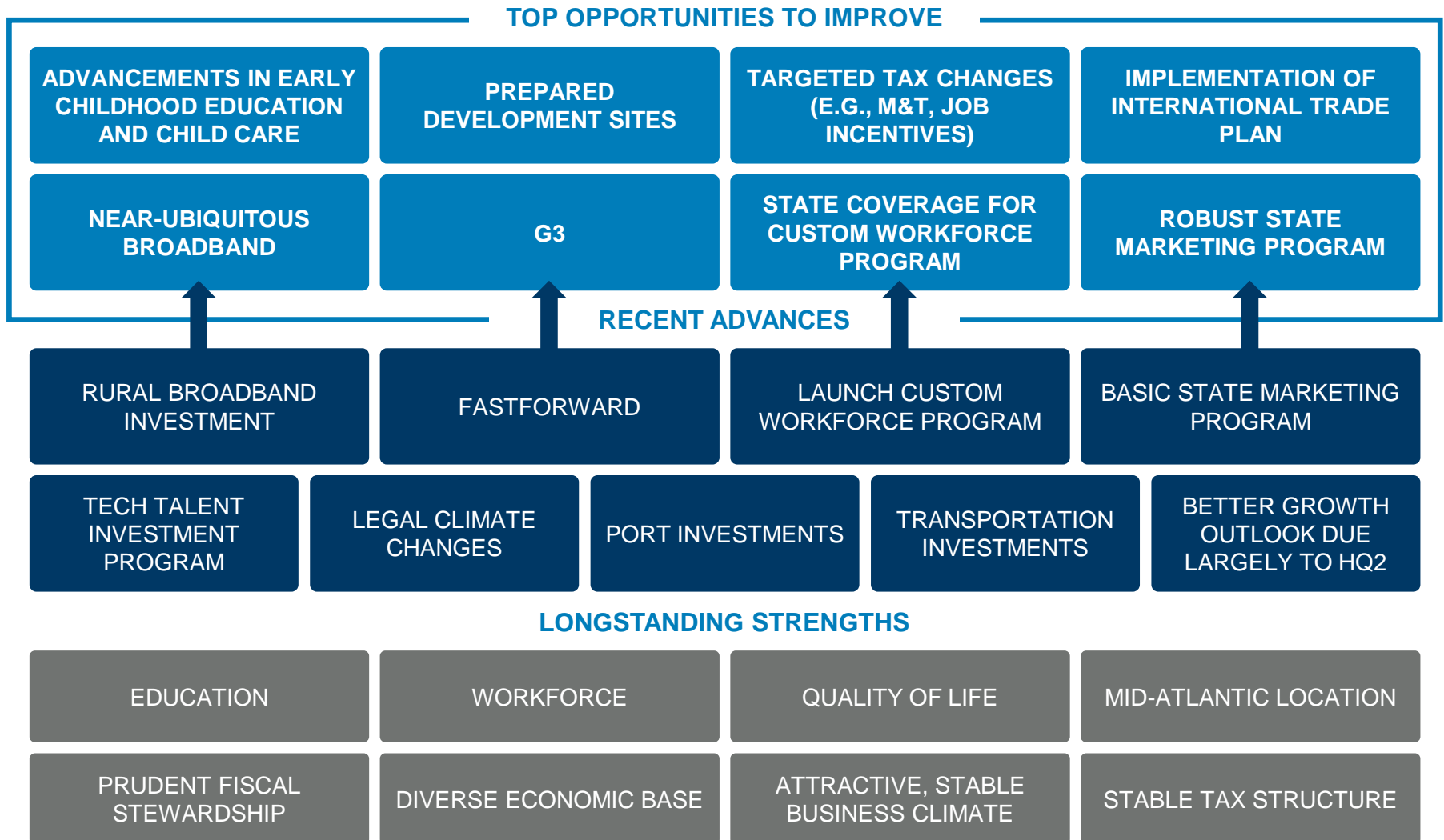
RECENT ADVANCES



LONGSTANDING STRENGTHS



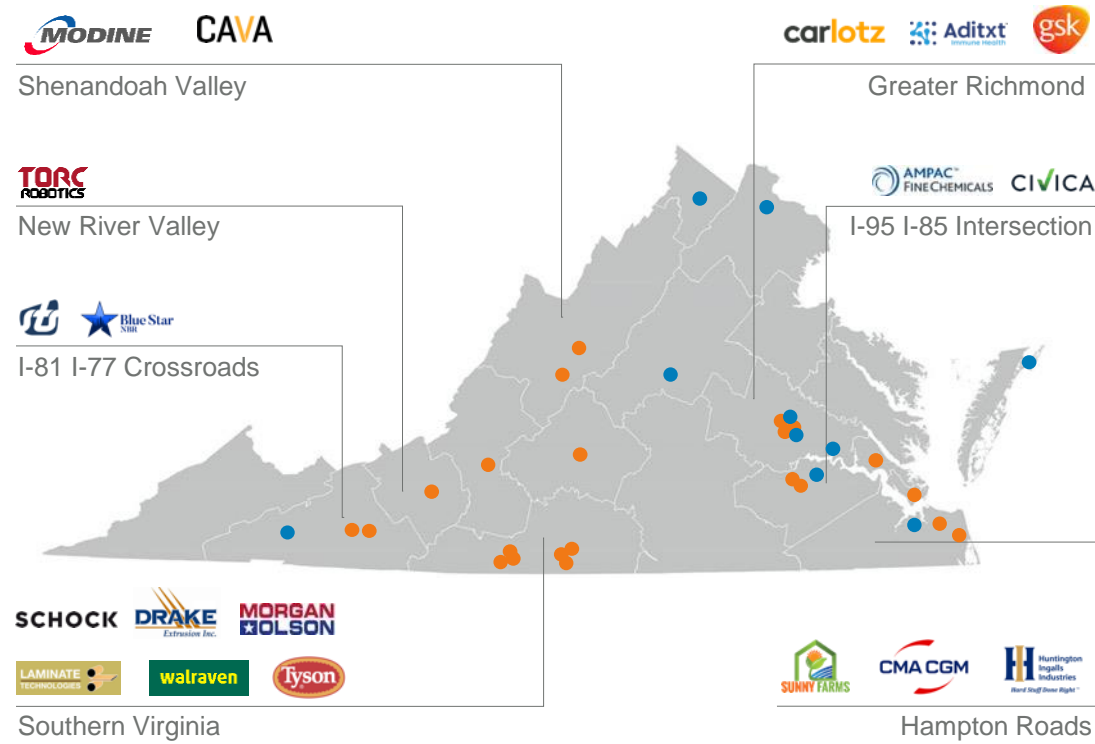
BIG DRIVERS OF ECONOMIC GROWTH, ECONOMIC OPPORTUNITY, AND BUSINESS CLIMATE RANKINGS: PAST, PRESENT, FUTURE



THE VIRGINIA TALENT ACCELERATOR PROGRAM IS SUPPORTING PROJECTS ACROSS THE COMMONWEALTH

Virginia Talent Accelerator Program Projects

Projects underway featured



Virginia Talent Accelerator Program Project Jobs

6,973 jobs

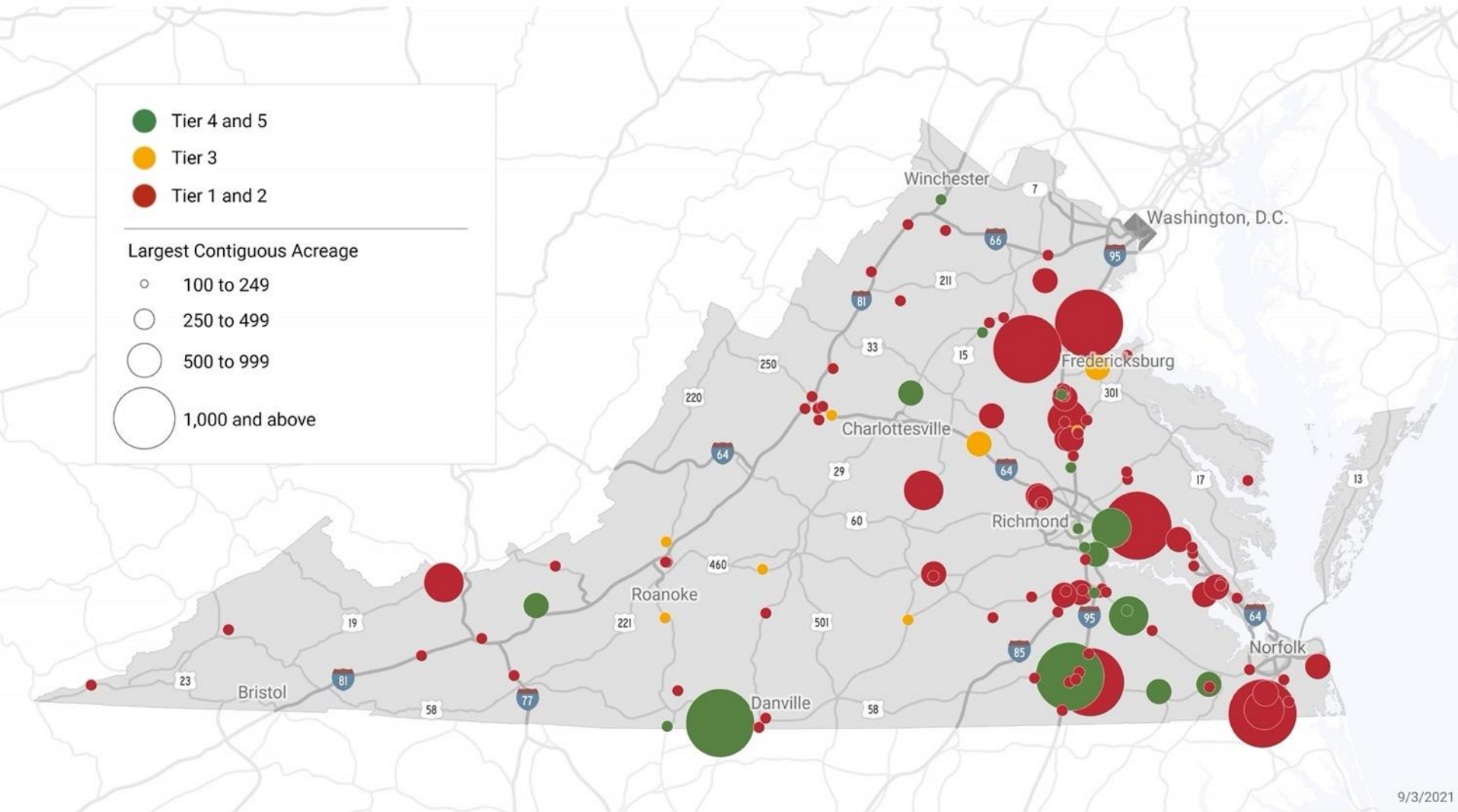
Will be created by projects underway or announced

3,396 additional jobs

Could be created by roughly a dozen promising pipeline projects, considering several regions across Virginia, not including mega-projects

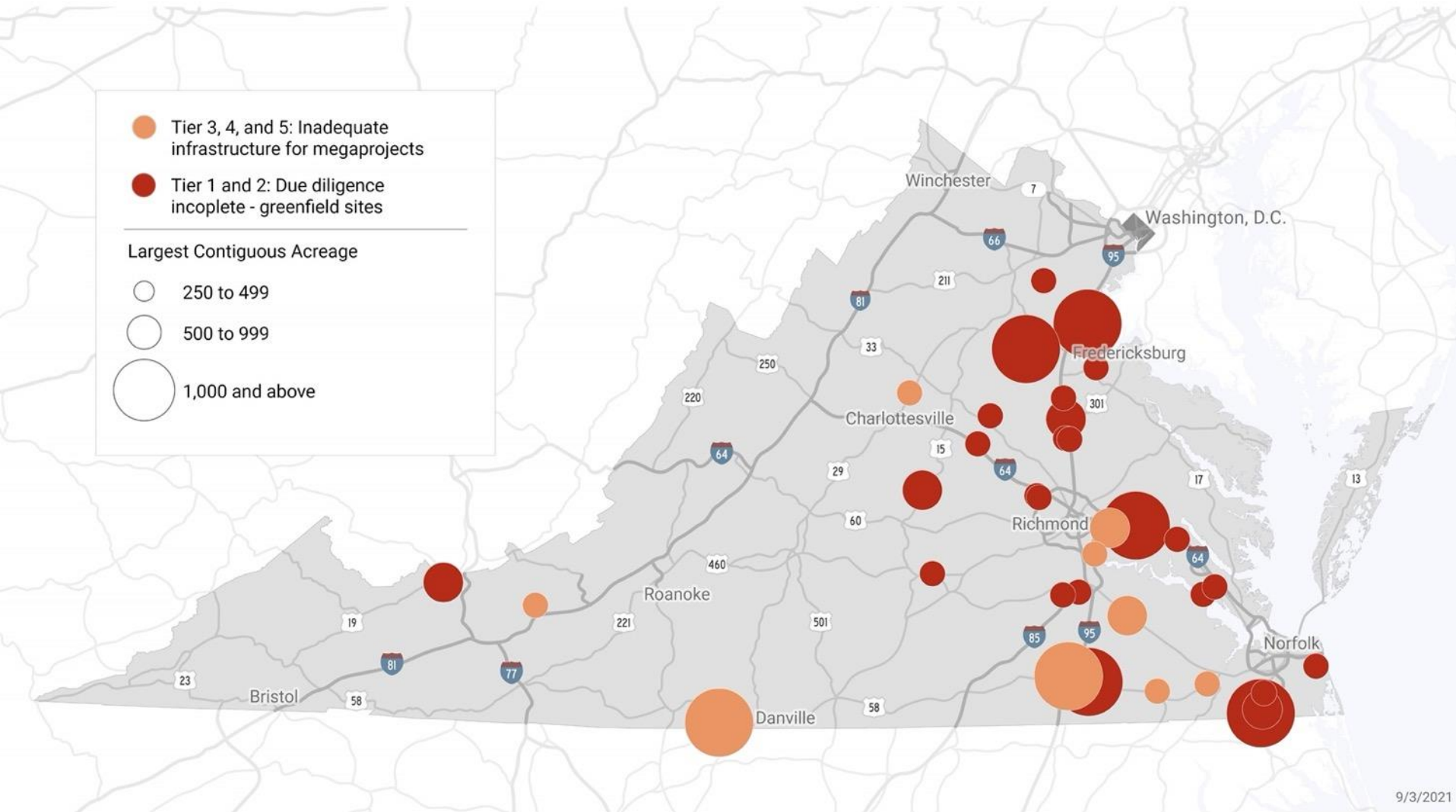
■ Projects Announced or Underway ■ Projects in Pipeline

86% OF SITES >100 ACRES ARE NOT COMPETITIVE FOR STANDARD PROJECTS DUE TO A LACK OF INVESTMENT



9/3/2021

CURRENT MEGASITE CANDIDATES MAY BE READY FOR STANDARD PROJECTS; MEGA-PROJECTS REQUIRE ADDITIONAL INVESTMENT



9/3/2021

VIRGINIA INTERNATIONAL TRADE STRATEGIC PLAN

Why:

- Strengthen Virginia businesses, improve competitiveness in international marketplace
- Attract and expand trade-intensive businesses
- Improve collaboration amongst trade-related agencies in the Commonwealth
- Grow jobs and investment in Virginia, fueled by increased exports and more companies exporting

Goals:

- Increase Virginia exports by 50% by 2035 – additional \$18 billion in export sales, 150,000 jobs
- Push Virginia from 41st in exports per capita to top 20 by 2035
- Double number of companies served by VEDP International Trade

Participating Agencies:



TELLING THE VIRGINIA STORY: THE IMPORTANCE OF MARKETING AND SITE CONSULTANT CULTIVATION PROGRAMS

Overview:

- Marketing Virginia's assets for business is instrumental in attracting new jobs and investment to the Commonwealth
- Virginia has traditionally done well in business rankings which rely primarily on quantitative data, but not as well on perception-based rankings
- C-level executives and top site selection consultants perceive Virginia as a quiet state
- Virginia's top competitors (e.g. Ohio, Georgia, North Carolina, etc.) have significantly larger programs marketing themselves for business

Strategic Third-Party Marketing Initiatives Include:

- Expand VEDP's marketing collateral and online presence
- Add significant multi-channel paid media marketing to raise the profile of the Commonwealth to companies within the Commonwealth's targeted sectors
- Strategically place paid media to raise the profile of rural Virginia as a business destination

SECOND QUARTER 2019 VIRGINIA ECONOMIC REVIEW



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Virginia Creeper Trail,
Abingdon

VIRGINIA HAS MADE SUBSTANTIAL PROGRESS ON RURAL THINK TANK PRIORITY INITIATIVES, BUT IMPORTANT WORK REMAINS

Recommendations	Status	Initiative description
1. Rural marketing		Brand rural Virginia as the most attractive, most competitive locations in the U.S. for manufacturing and other sectors open to rural locations (e.g., BPO, data centers, distribution)
2. Ubiquitous broadband		Leverage public-private partnerships and/or incentives to achieve ubiquitous broadband coverage in Virginia within 5-7 years
3. Expanded site inventory		Dramatically expand competitive site inventory, ranging from mega sites to business parks depending on the regional strategy
4. Customized workforce		Create a world-class, turnkey, customized workforce development incentive program for competitive economic development projects to build confidence that a high-quality, trained workforce can be secure
5. Partnerships to fund projects		Partner with the Tobacco Commission, VCEDA and other economic development funding sources in rural Virginia to target and attract high-impact projects to rural Virginia communities through private capital investment partnership opportunities
6. Tax / incentive changes		Encourage state and local leaders to work together in a bipartisan fashion to make state and/or local tax changes to ensure that Virginia's tax burden rankings for new, job-creating investments are no worse than those for existing firms
7. Community competitiveness		Bring back some form of a community competitiveness/readiness index
8. Civic leadership		Rebuild civic leadership with the next generation in rural Virginia

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Virginia Coast Reserve,
Northampton

THE OPPORTUNITY: JANUARY 2026*

**Richmond
Times-Dispatch**

**Virginia Celebrates
Largest Capital
Investment Total
in State History**

The Virginian-Pilot

**Virginia Back in
the Top 10 for
Forecasted
Employment
Growth**

**VIRGINIA
BUSINESS**

**Virginia Ranks in
Top Five of All
Business Climate
Rankings**

The Washington Post

**Growing Again:
Virginia Reverses
Domestic Out-
Migration Trend**

THE ROANOKE TIMES

**Virginia Snags
Multiple Marquee
Mega-Projects in
Rural Areas**

* Assumes no extended national recession

HOW TO GET THERE: KEY PROGRAMMATIC INVESTMENTS

Initiative	Est. job impact per year ¹	
	Low	High
1. Expand Virginia Business Ready Sites Program to develop a comprehensive portfolio of project-ready sites	2,200	10,000
2. Expand Virginia Talent Accelerator Program to support statewide coverage	1,500	3,000
3. Expand out-of-state marketing and lead generation program	1,500	2,500
4. Implement all remaining initiatives in the Commonwealth's International Trade Strategic Plan	3,000	7,500
5. Create an industry sector development fund (mix of staff and third-party support)	2,500	5,000
Total	10,000	28,000

¹ Digital is using a multiplier of 2.0; manufacturing is using a multiplier of 2.5 to capture indirect as well as direct jobs

EARLY WIN OPPORTUNITIES (EXAMPLES – NOT COMPREHENSIVE)

- Governor / VEDP hosts top 200 site consultants in the country during the first 18 months of the governor's term (to reinforce "America's Top State for Talent")
- Governor announces VBRSP grants in every region of Virginia to prepare sites for development (2022)
- Virginia Talent Accelerator Program helps secure dozens of projects across Virginia in rural regions / small metros, with promise of robust talent solutions
- Virginia recognized as leading the country in export development strategies and programs (2022-23)
- Virginia Talent Accelerator Program ranked Top State Workforce Development Program in the U.S. by 2023 (maybe 2022)
- Virginia recognized as leading state in the U.S. for performance-based talent development programs (building on talent pipelines concept) by 2023

THANK YOU

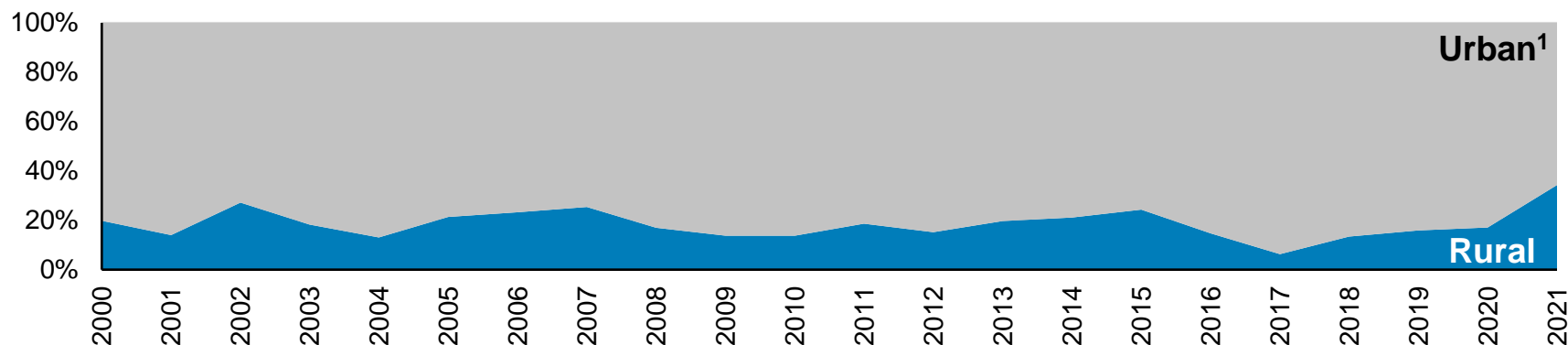


APPENDIX

ECONOMIC DEVELOPMENT PROJECT ACTIVITY HAS LARGELY BEEN CONCENTRATED IN URBAN LOCALITIES

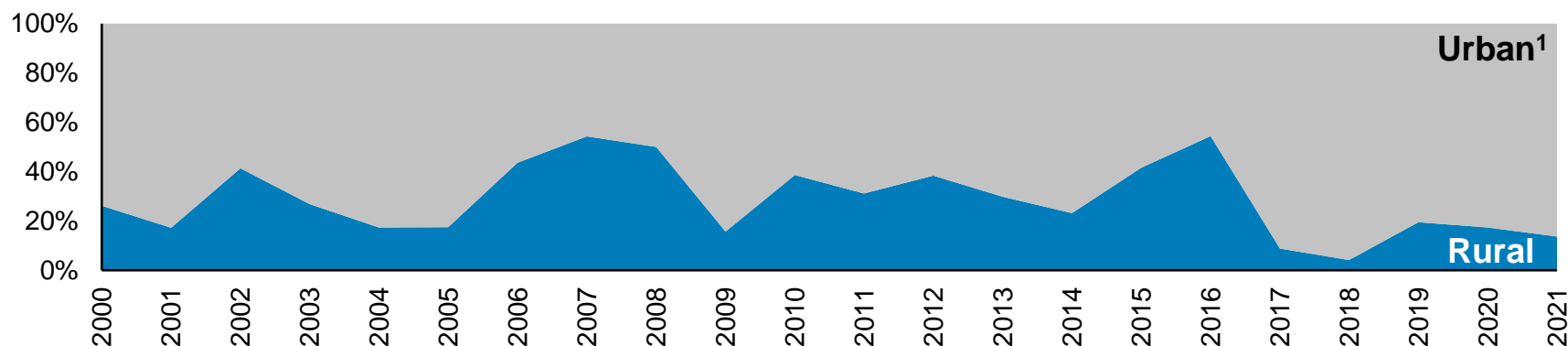
Jobs announced by project setting

% jobs rural / urban, 2000 - 2021



Capital investment announced by project setting

% capex rural / urban, 2000 - 2021



¹Excluding Amazon HQ2