



ECONOMIC DEVELOPMENT IN THE COMMONWEALTH

Virginia State Capitol

June 22, 2020

VEDP

Virginia
Economic
Development
Partnership
VEDP.org

ECONOMIC DEVELOPMENT: POLICIES AND PROGRAMS DESIGNED TO ENCOURAGE GROWTH IN JOBS, WAGES, AND INVESTMENT

VEDP accomplishes this through:



Marketing Virginia to raise awareness of the Commonwealth's advantages for business and cultivate new leads



Recruiting out-of-state firms to select Virginia for new job-creating projects



Encouraging and assisting the **retention and expansion** of existing Virginia firms



Assisting Virginia companies to establish and/or expand international sales (i.e., **trade development**)



Encouraging **coordination** of economic development efforts among local, regional, and state partners



Developing recommended **economic development policies and strategies** to position Virginia and its regions for growth



Conducting **research** to understand and effectively present Virginia's competitive advantages



Administering **performance-based incentives** that encourage job creation and capital investment



Providing **grants or custom workforce solutions** to address talent recruitment and training needs of expanding firms



Collaborating with localities to develop **project-ready sites** for manufacturing and supply chain projects

VEDP DOES ITS WORK IN COLLABORATION WITH HUNDREDS OF ECONOMIC DEVELOPMENT PARTNERS ACROSS VIRGINIA

Core VEDP partners include the Governor's Administration, Virginia General Assembly, other state agencies, 18 regional economic development organizations, over 100 local economic development partners, utilities, railroads, and trade associations



LIKE ALL OTHER STATES, VIRGINIA'S ECONOMY IS COMPRISED OF TRADED AND NON-TRADED INDUSTRY SECTORS

Traded sector: Businesses that generate most of their sales from out-of-state customers, resulting in new jobs, wages, and tax revenues for the Commonwealth



Corporate HQs



Manufacturing



Technology¹



Business Process Outsourcing



Supply Chain

Non-traded sector: Businesses that primarily serve local (i.e., in-state) customers, typically competing with other non-traded sector businesses for in-state sales



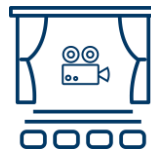
Retail



Restaurant



Hospital



Entertainment



Local Services

Job breakdown by sector

1/3

of Virginia employment is in **traded sector** jobs

2/3

of Virginia employment is in **non-traded sector** jobs

¹For example: Data Centers, Software Development, Cloud Computing, Cybersecurity

TRADED SECTORS DRIVE JOB CREATION WITH HIGH EMPLOYMENT MULTIPLIERS AND GENERATE NEW REVENUE



Employment multiplier

Additional jobs created for every 1 direct job

Direct jobs		Indirect jobs		Induced jobs		Total jobs
Plastic resin manufacturer		Suppliers to company		Where employees spend money		

1.0 + 1.2 + 2.2 = 4.4

Example: Plastic resin manufacturer

25 + 30 + 55 = 110

NON-TRADED SECTORS GENERALLY DO NOT GENERATE NET JOB GAINS OR CREATE NEW REVENUE IN A COMMUNITY



Employment multiplier

Additional jobs created for every 1 direct job

Direct jobs		Indirect jobs		Induced jobs		Total jobs
Full-service restaurant		Suppliers to company		Where employees spend money		

1.0 + 0.1 + 0.2 = 1.3

Example: Full-service restaurant

25 + 2.5 + 5 = 32.5

VEDP FOCUSES MOST OF ITS BUSINESS DEVELOPMENT EFFORTS ON A SET OF TARGET INDUSTRIES FOR WHICH VA IS COMPETITIVE



Automotive



Software



Headquarters



Aerospace



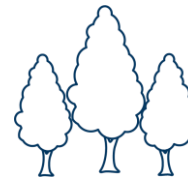
Cybersecurity



Life Sciences



Unmanned Systems



Wood Products



Data Centers



Business Process
Outsourcing



Supply Chain
Management



Food & Beverage
Processing



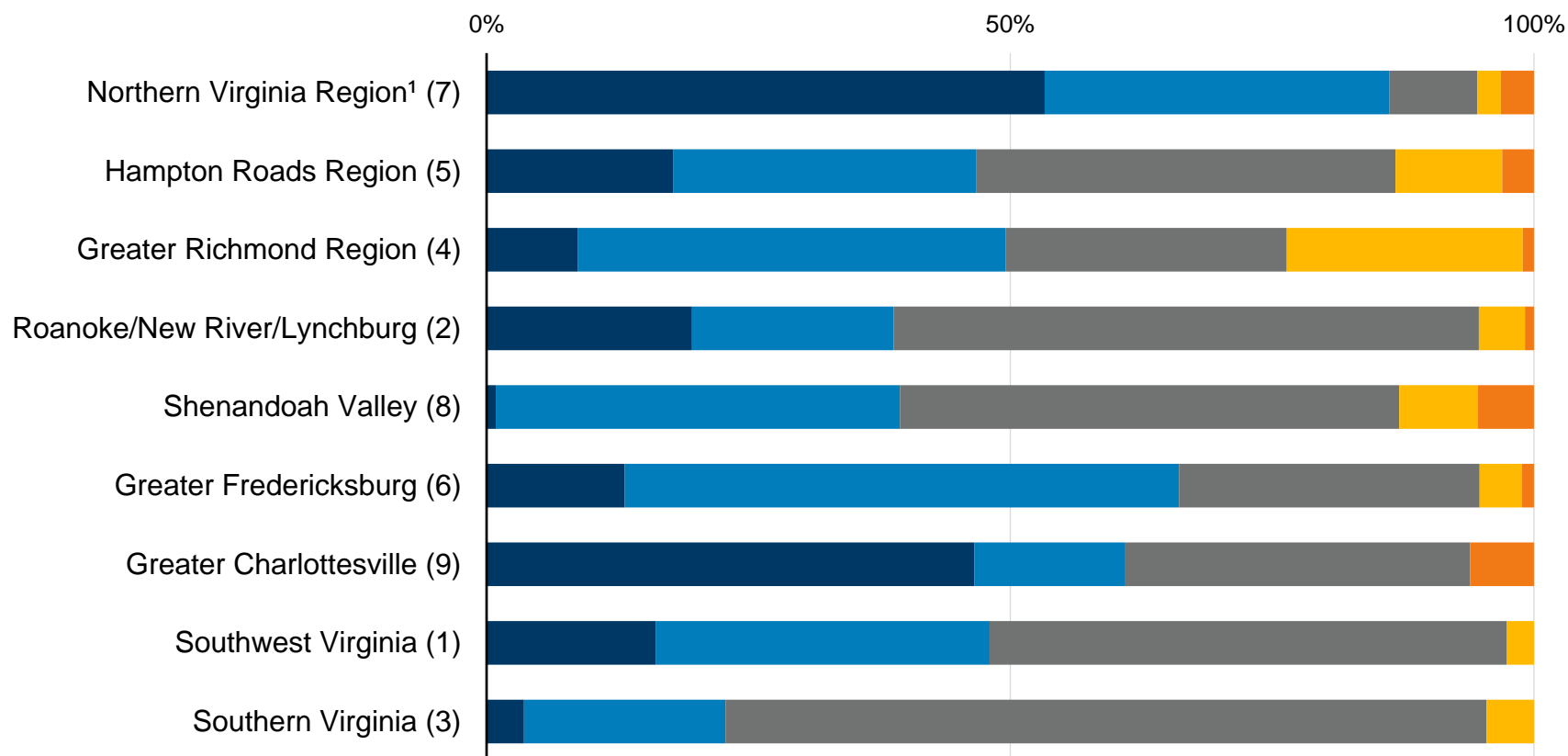
Advanced
Materials

VEDP-ASSISTED PROJECT ANNOUNCEMENTS REFLECT SIGNIFICANT DIFFERENCES IN REGIONAL ECONOMIC DIVERSITY

Total new regional employment, including expansions

GO Virginia Region (#), New jobs announced 2014-2019

■ Technology ■ HQ/Professional Services ■ Manufacturing ■ Supply Chain ■ Other



¹Excluding Amazon HQ2

FIVE TRANSFORMATIONAL GOALS FOR VEDP AND VA



Virginia State Flag

TRANSFORMATIONAL GOALS FOR THE COMMONWEALTH

1 Robust State Growth

2 Every Region Wins

3 Best State for Business

4 Top State EDO

5 Super Collaborator

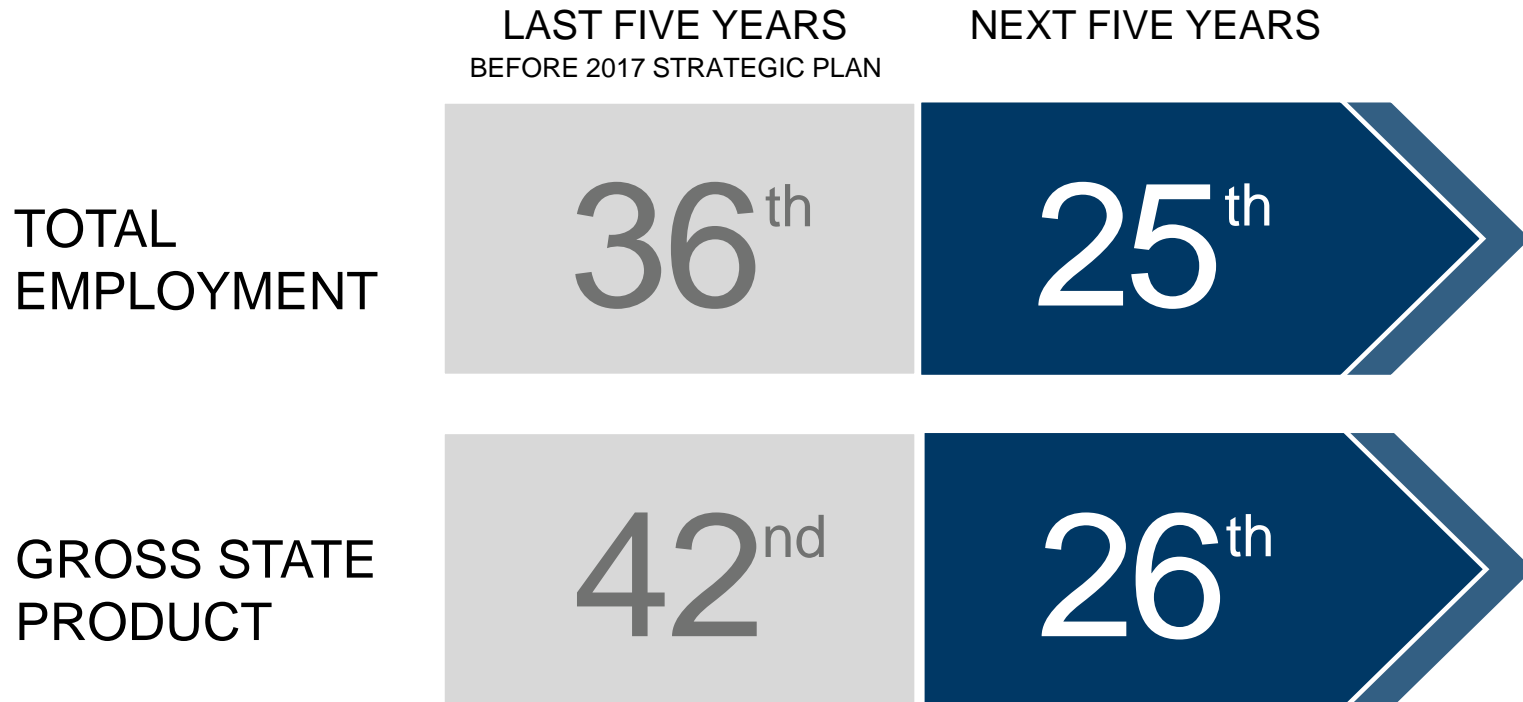
1.

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



STIHL Inc., Virginia Beach City

VIRGINIA'S 5-YEAR GROWTH RANKINGS HAVE IMPROVED SINCE 2017



2.

Ensure that every region participates in the growth of the Commonwealth

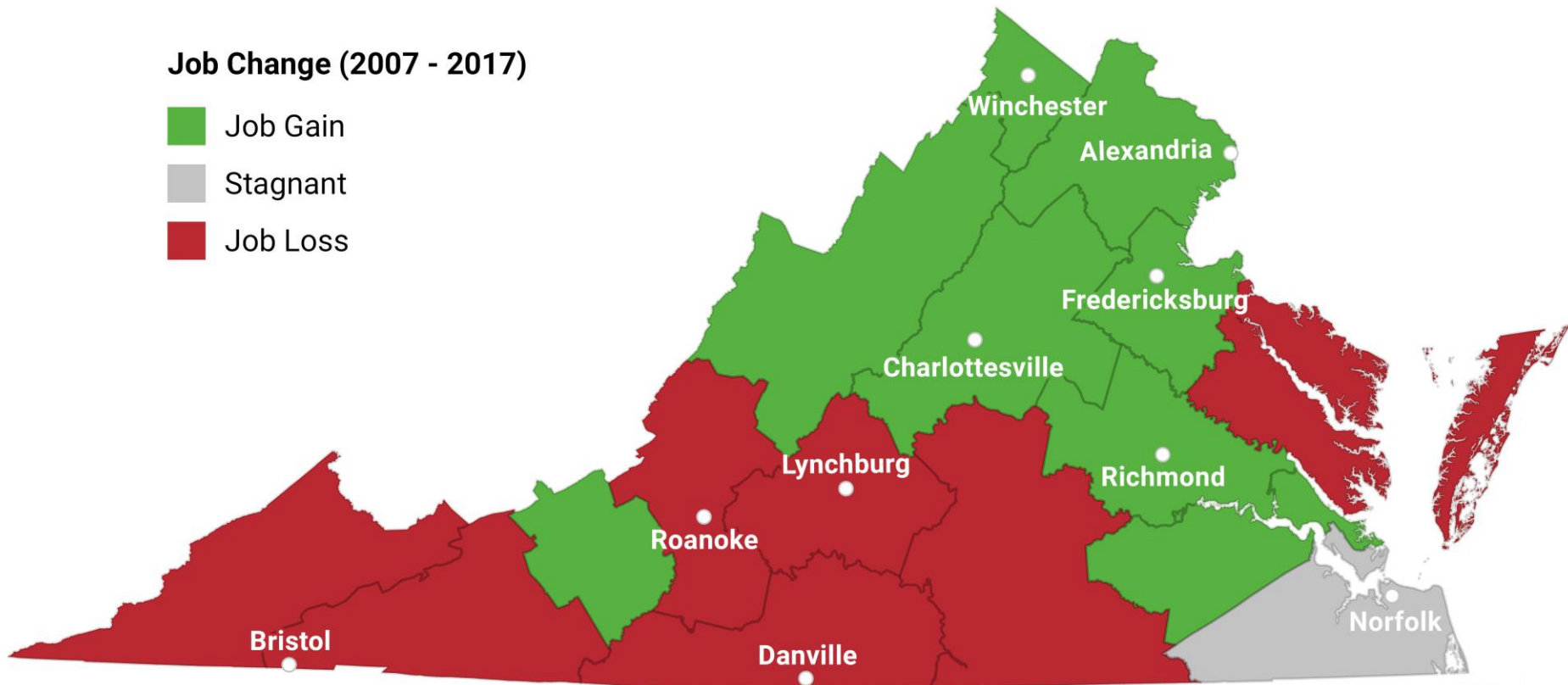


Samuel Pressure Vessel Group, Russell County

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

Job Change (2007 - 2017)

- Job Gain
- Stagnant
- Job Loss

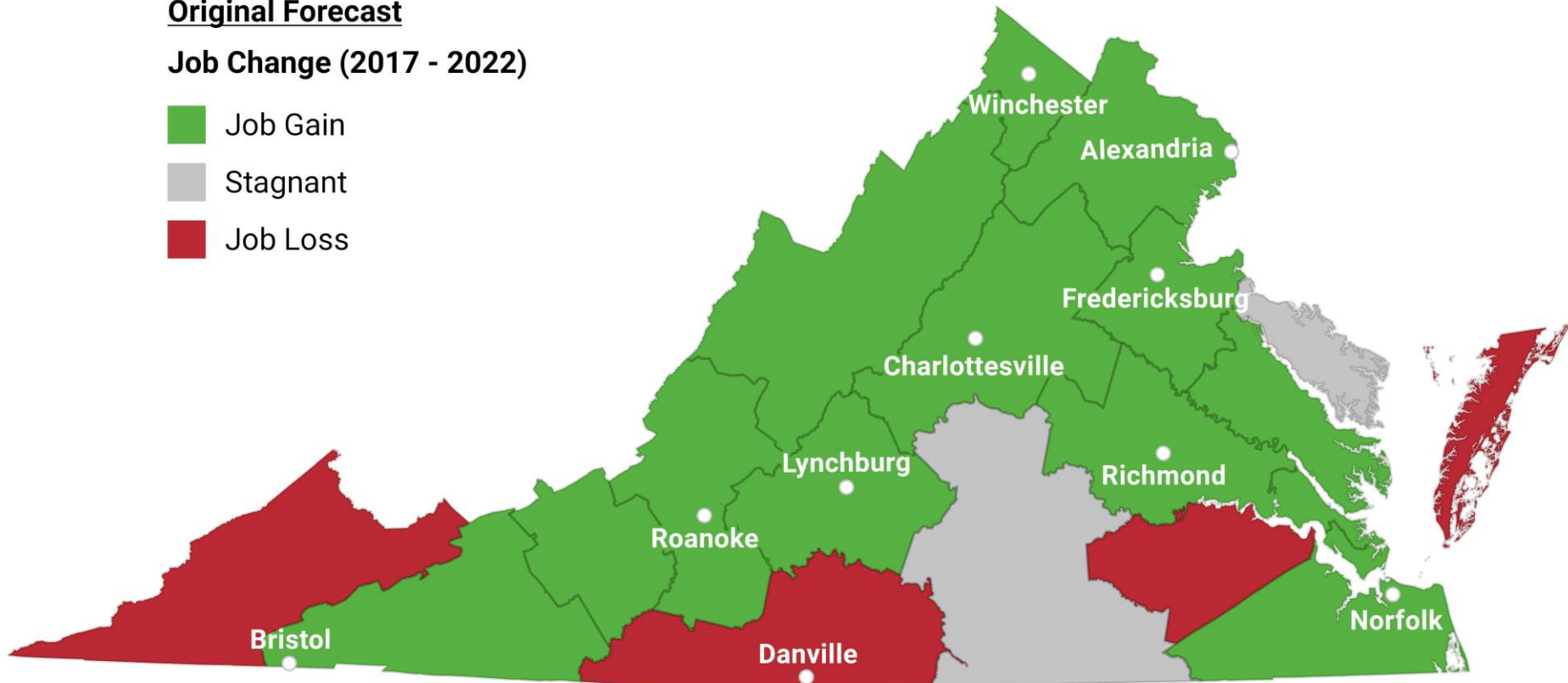


PRE-COVID FORECASTS SHOWED IMPROVEMENTS BUT SUGGESTED MORE WORK NEEDED TO ENSURE SHARED GROWTH ACROSS VA

Original Forecast

Job Change (2017 - 2022)

- Job Gain
- Stagnant
- Job Loss

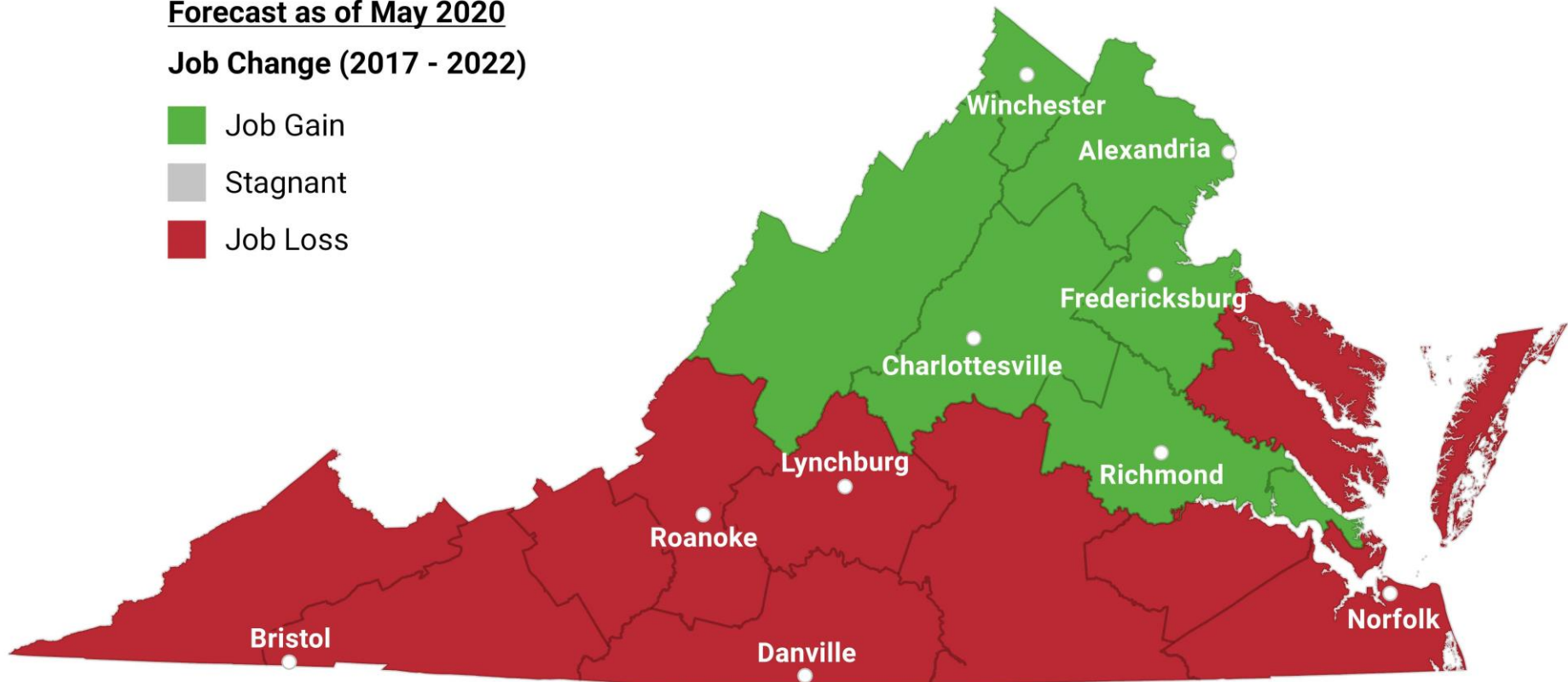


POST-COVID FORECAST INDICATES WIDESPREAD JOB LOSSES THAT WILL REQUIRE EXECUTION OF STRATEGIC PRIORITIES

Forecast as of May 2020

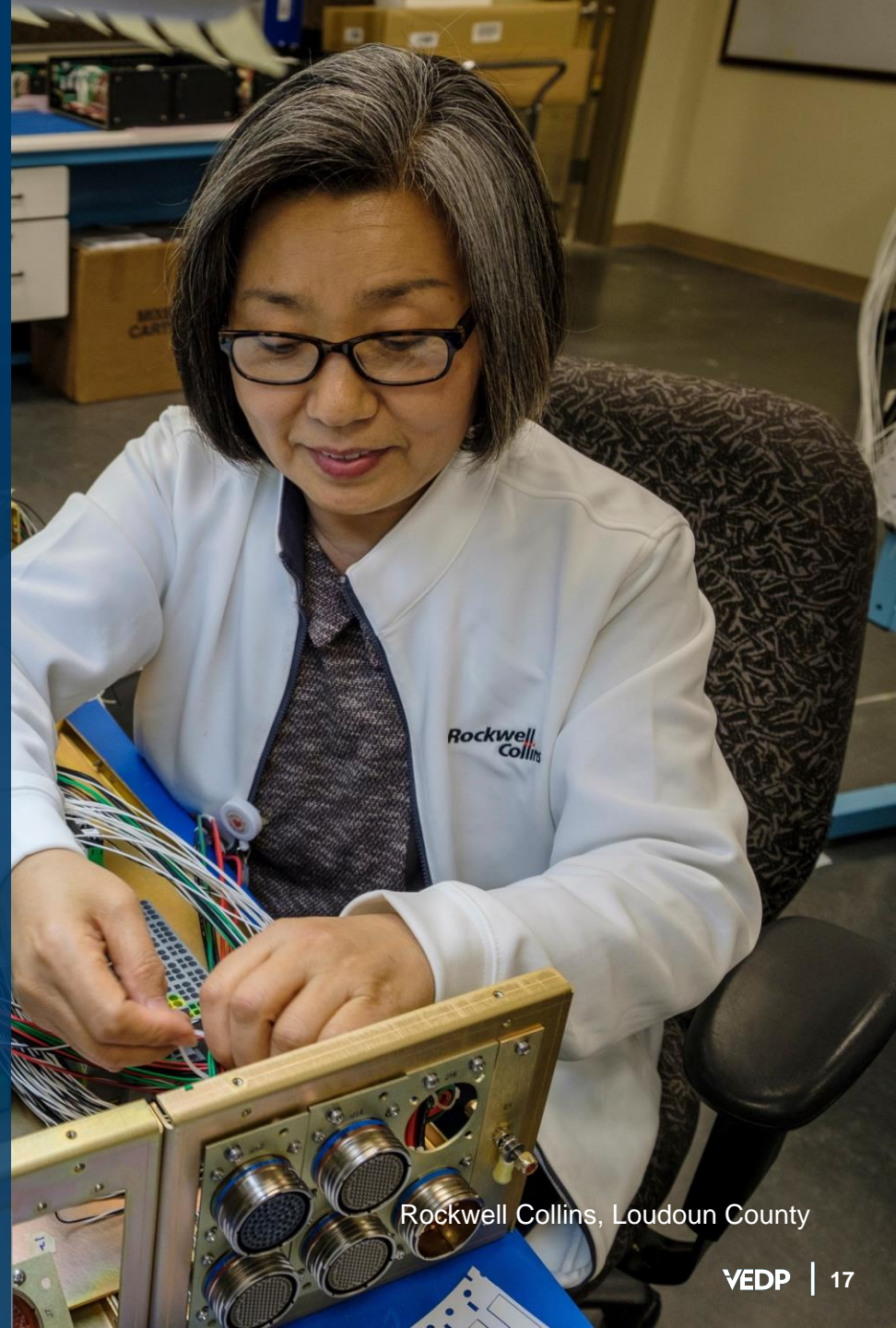
Job Change (2017 - 2022)

- Job Gain
- Stagnant
- Job Loss



3.

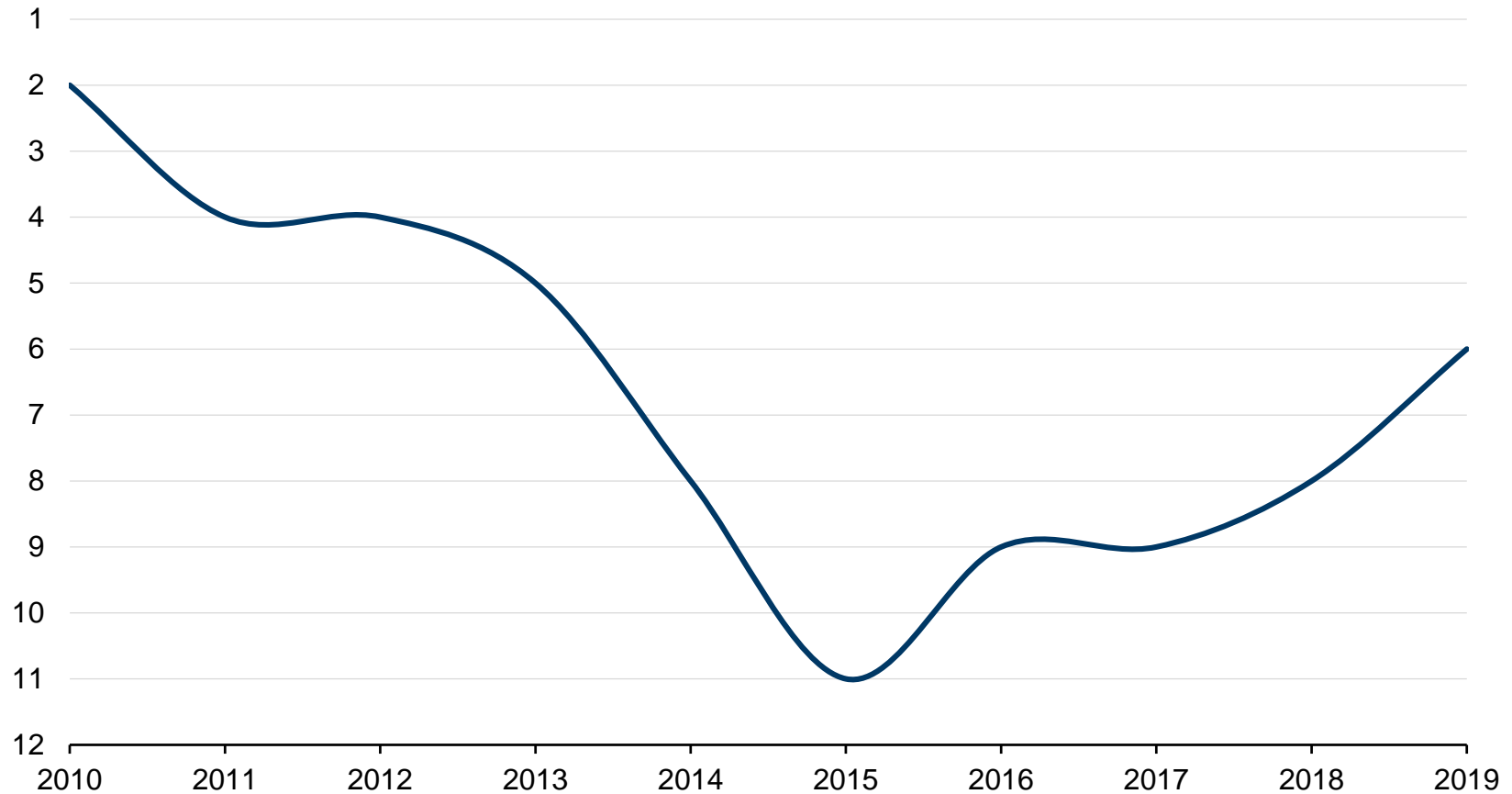
Restore Virginia to its previous leadership position near the top of the national business climate rankings



Rockwell Collins, Loudoun County

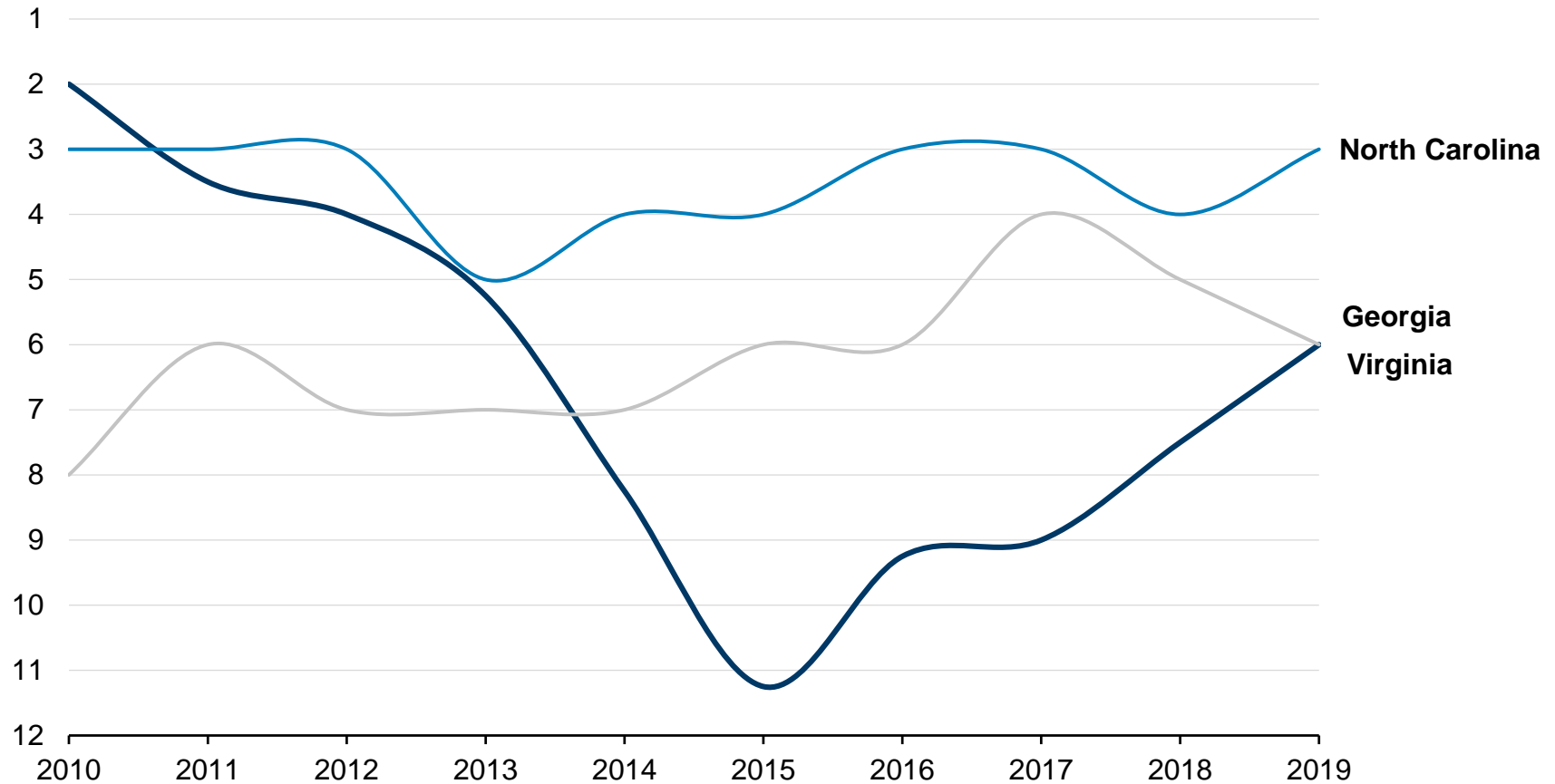
THE COMMONWEALTH'S BUSINESS CLIMATE RANKINGS FELL AFTER 2010 AND VIRGINIA'S STANDING SINCE HAS SOMEWHAT IMPROVED

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



VIRGINIA HAS BEEN CLOSING THE GAP WITH TOP COMPETITORS BUT COULD STAGNATE WITHOUT BOLD ACTION

Average state rank in selected national business climate rankings



WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?

TOP OPPORTUNITIES TO IMPROVE (SOME UNDERWAY)

RECENT ADVANCES

LONGSTANDING STRENGTHS

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

WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?

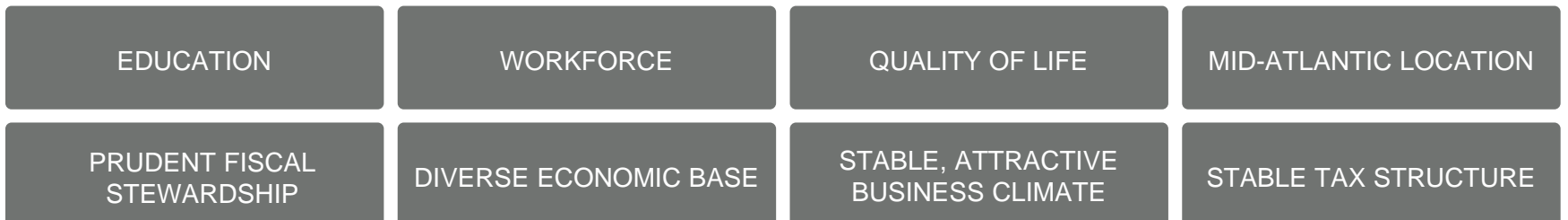
TOP OPPORTUNITIES TO IMPROVE (SOME UNDERWAY)



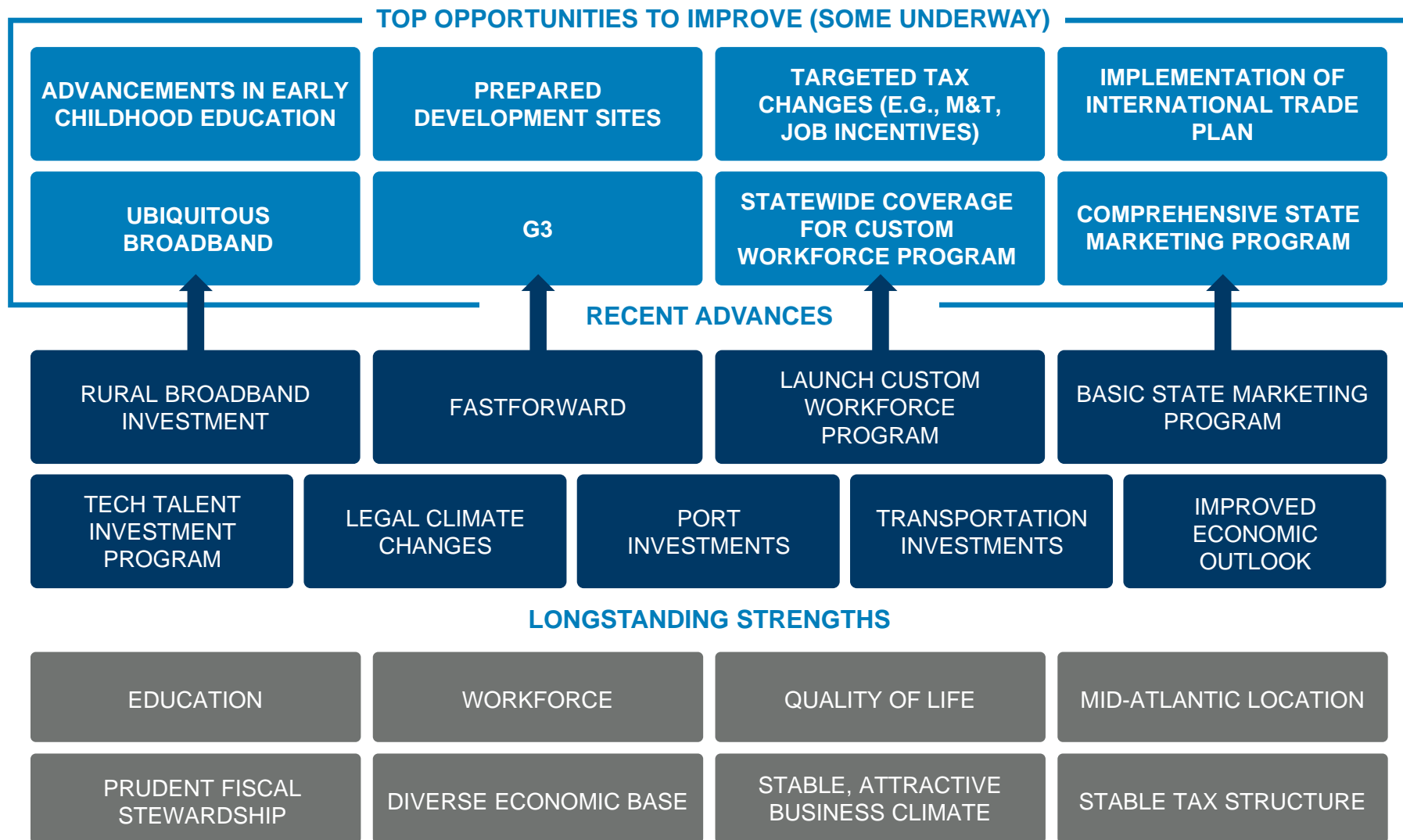
RECENT ADVANCES



LONGSTANDING STRENGTHS



WHAT DRIVES VIRGINIA'S STANDING IN ECONOMIC DEVELOPMENT?



4.

Reestablish VEDP as a one of America's most effective state EDOs (principally to enable achievement of the top three big goals)



VEDP Headquarters

VEDP HAS MADE SWEEPING CHANGES TO IMPROVE ITS PERFORMANCE AND BETTER MANAGE STATE RESOURCES

Notable examples:



Successfully completed implementation of JLARC recommendations



92% increase in leads generated by VEDP since FY17



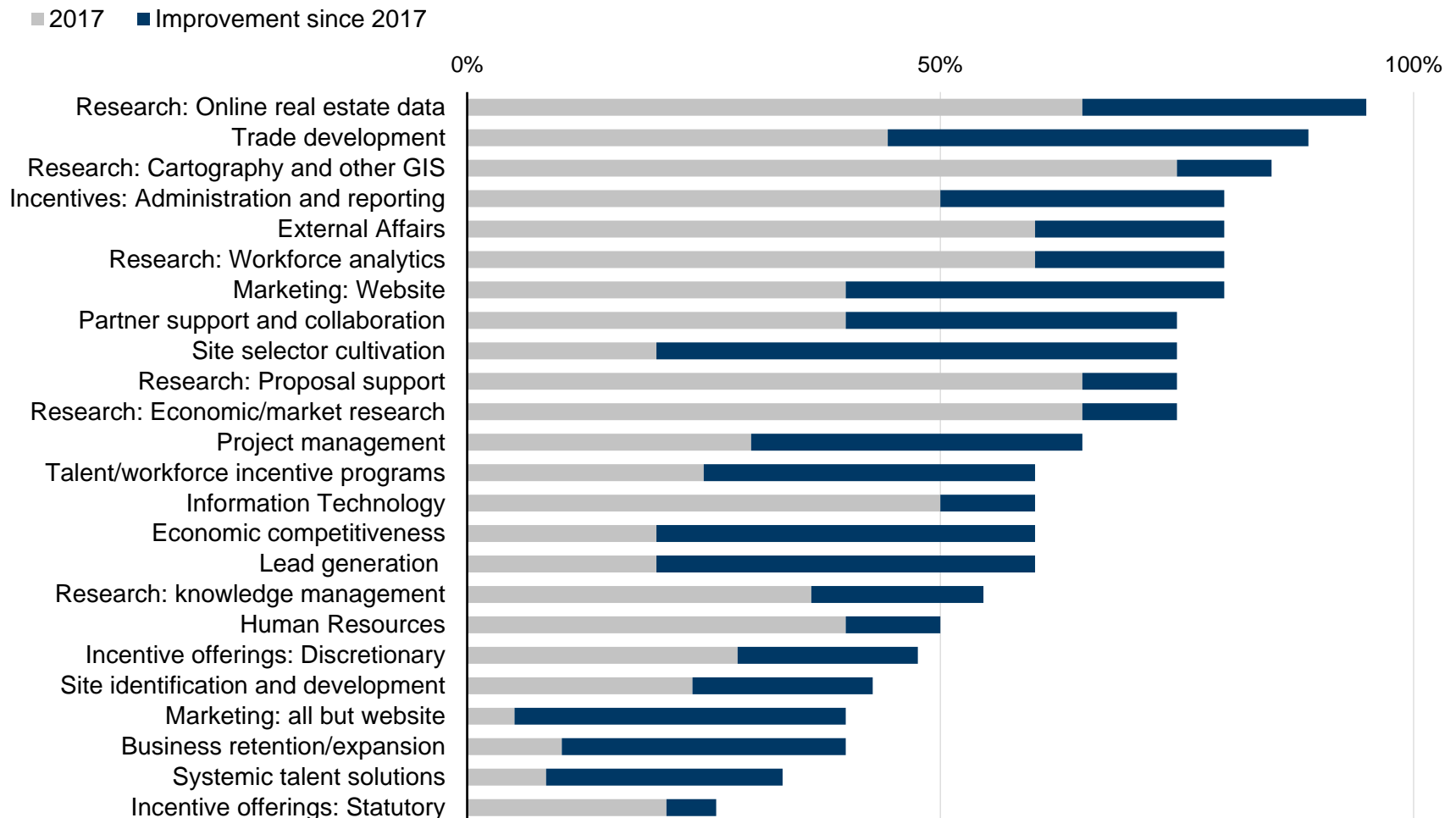
Leading European Business Investment office for a state EDO



Named most competitive state EDO in America in 2019 by Site Selection

VEDP LEADS IN SOME ECONOMIC DEVELOPMENT FUNCTIONS, BUT THERE IS ROOM FOR IMPROVEMENT IN OTHERS (WORKING DRAFT)

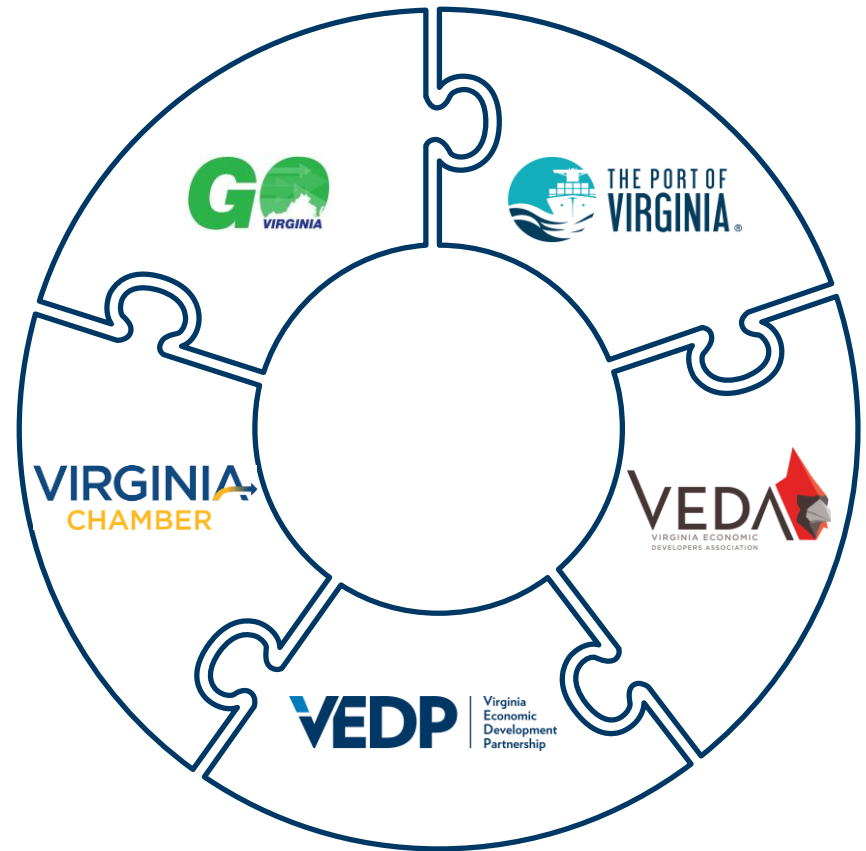
VEDP/Virginia functional capabilities, estimated performance relative to top-performing organizations*



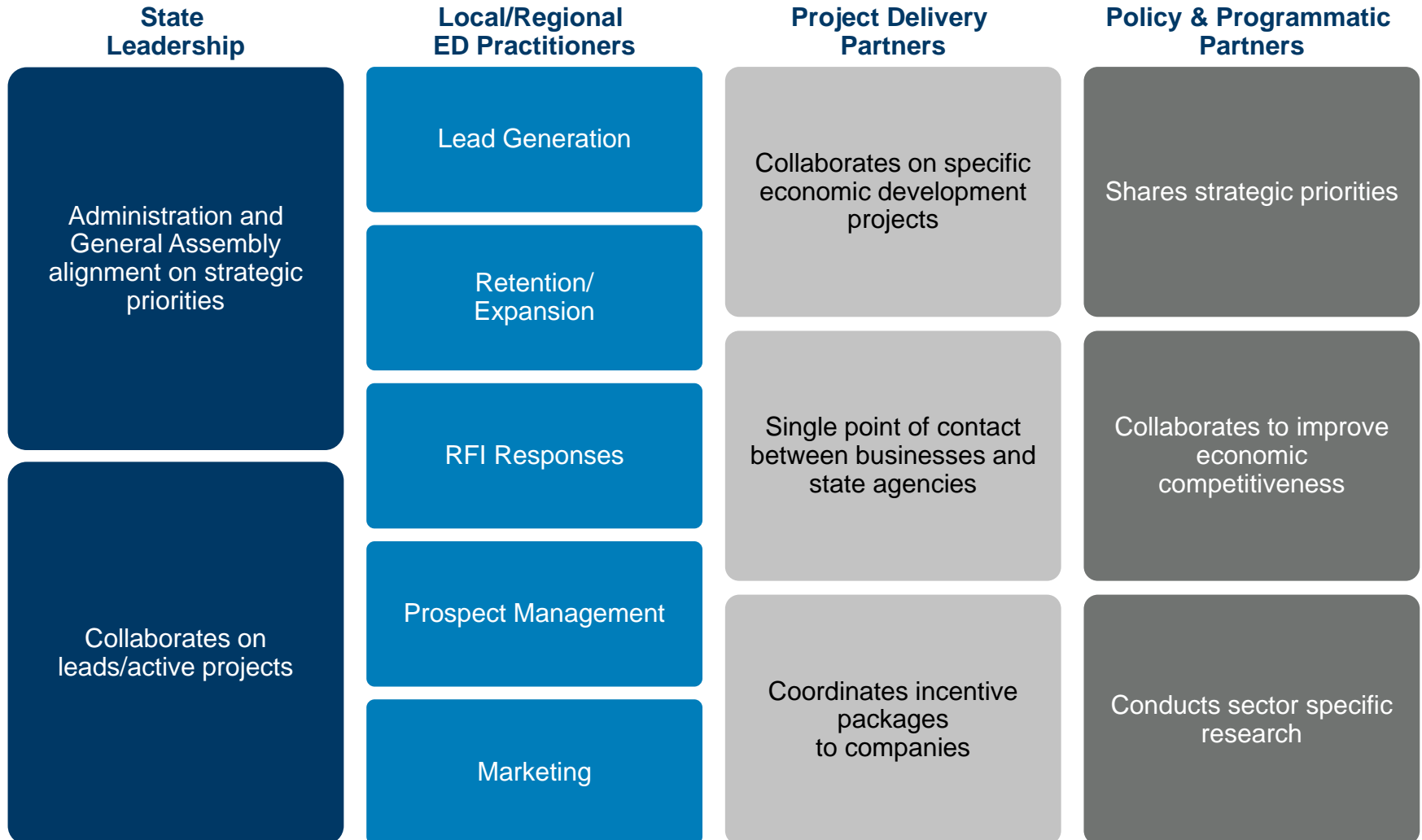
* Typically compared to other leading state EDOs; in some cases, compared to other types of leading organizations
 Source: Benchmarking of and interviews with high-performing state EDOs and other organizations; VEDP analysis

5.

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



VEDP CONDUCTS ITS WORK IN CLOSE PARTNERSHIP WITH OTHERS

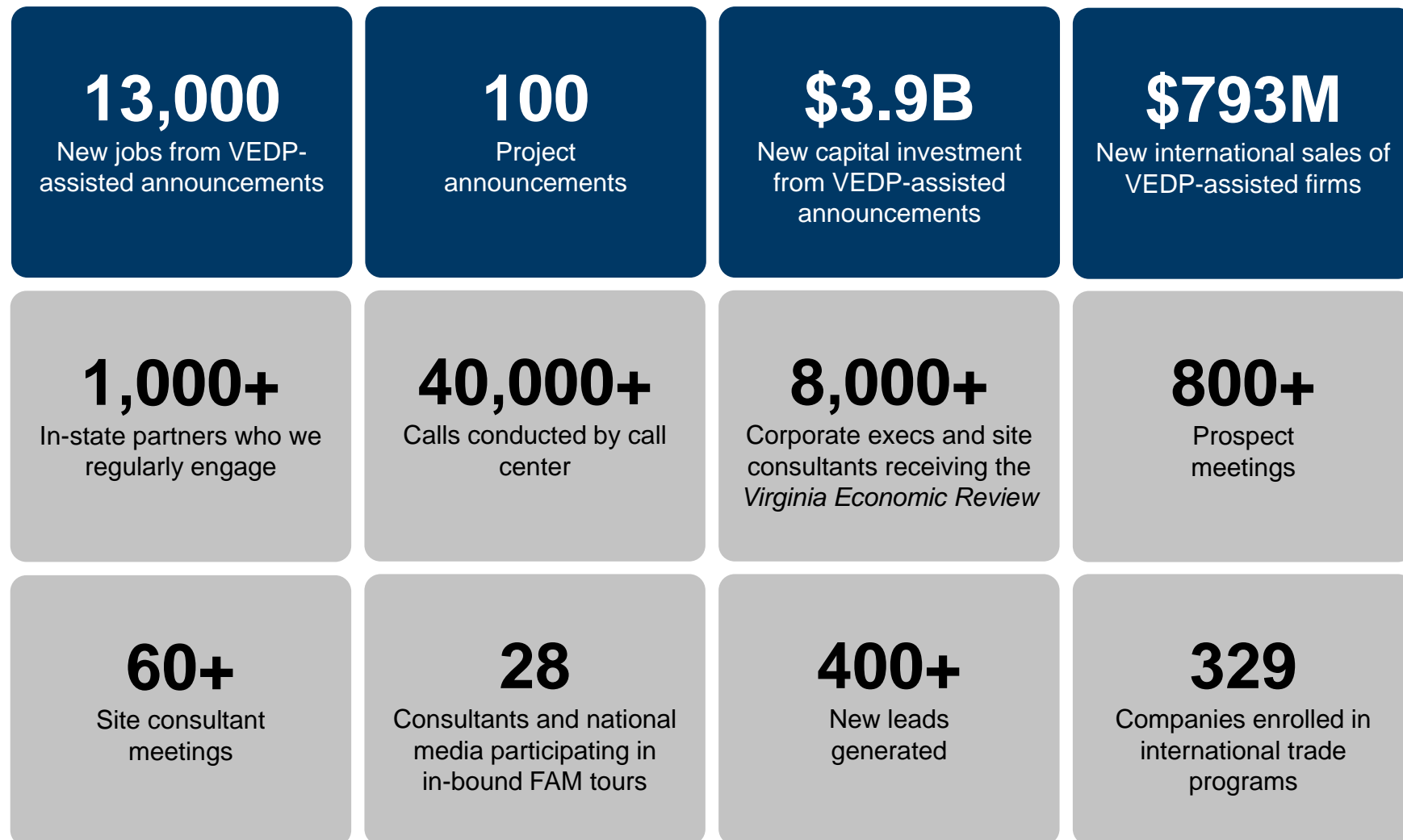


ILLUSTRATIVE VEDP ACTIVITIES



Micron Technology Inc., Manassas City

VEDP BY THE NUMBERS: A TYPICAL YEAR



VEDP'S PROJECT ACTIVITY SPANS ALL REGIONS OF THE COMMONWEALTH

VEDP Business Investment activities by GO Virginia region

Unique VEDP-sourced opportunities referred to a region & project announcement information, FY17 to YTD20

Region 9

Leads	85
DVA	17
CapEx (\$M)	376
Jobs	1,012

Region 7

Leads	124
DVA	93
CapEx (\$M)	6,311
Jobs	41,842

Region 8

Leads	179
DVA	45
CapEx (\$M)	1,754
Jobs	3,546

Region 6

Leads	105
DVA	15
CapEx (\$M)	64
Jobs	608

Region 2

Leads	200
DVA	59
CapEx (\$M)	1,081
Jobs	4,492

Region 4

Leads	329
DVA	62
CapEx (\$M)	2,270
Jobs	7,188

Region 1

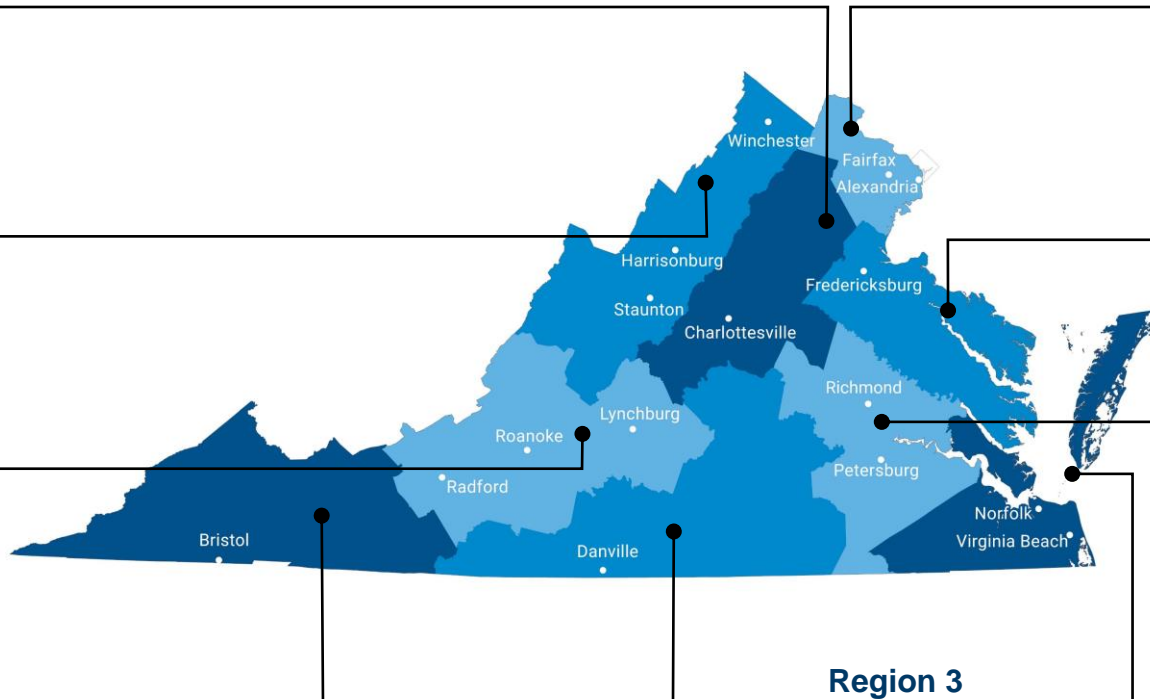
Leads	169
DVA	32
CapEx (\$M)	192
Jobs	1,795

Region 3

Leads	189
DVA	36
CapEx (\$M)	692
Jobs	2,890

Region 5

Leads	258
DVA	60
CapEx (\$M)	855
Jobs	8,403



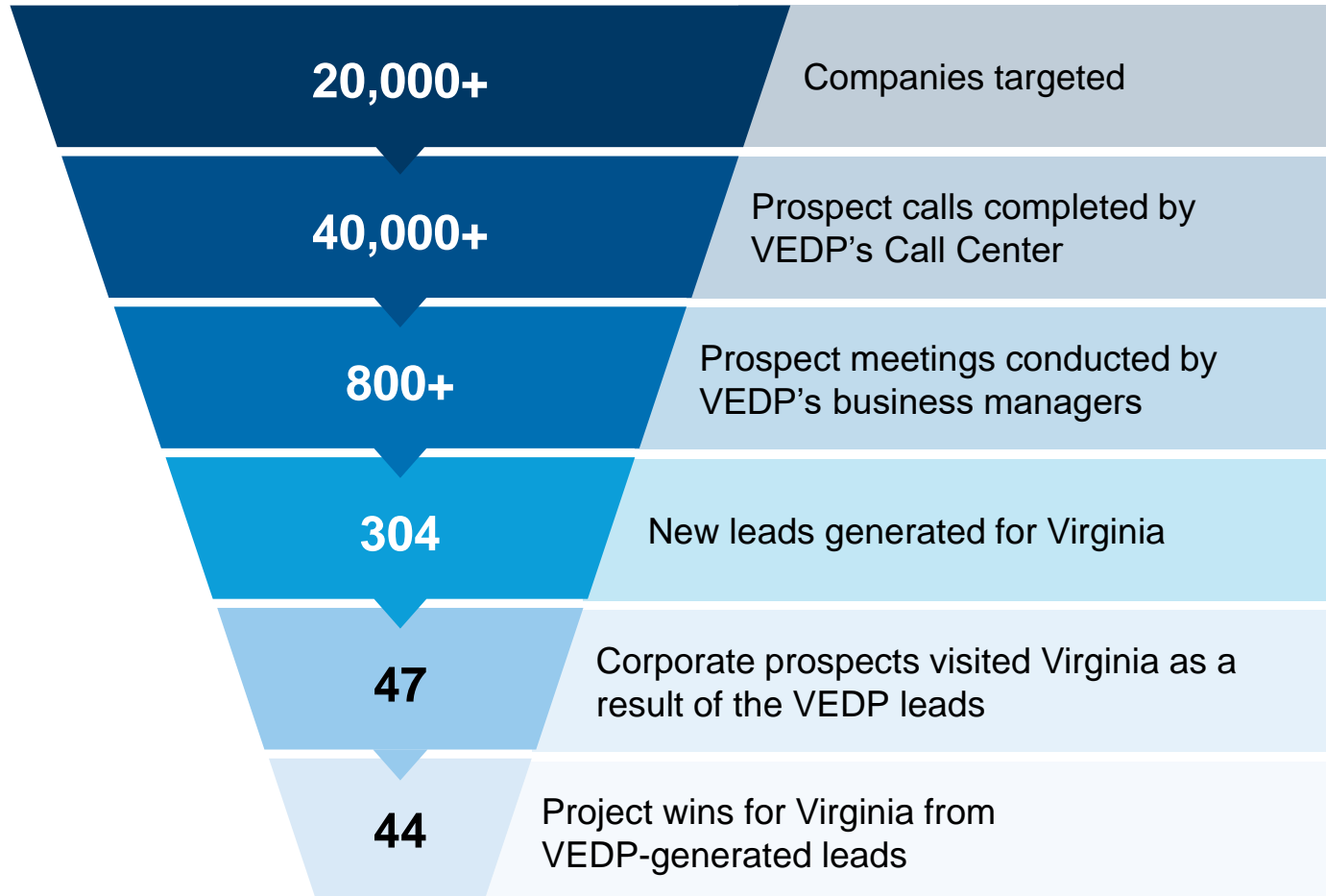
DVA refers to Decisions for Virginia

Note: One opportunity can be counted multiple times across regions. However, multiple properties referred to the same opportunity in the same region are only counted once for that region.

Source: VEDP Salesforce data; VEDP Announcements Database, 06.18.2020

VEDP'S LEAD GENERATION PROGRAM PRODUCES A STRONG PROJECT PIPELINE FOR VIRGINIA

FY20 YTD Lead Generation program by the numbers¹



¹July 1, 2020 through May 20, 2020

PROJECT LEADS COME TO VEDP FROM A VARIETY OF SOURCES

Most common lead sources



Site Selection
Consultants



Local and Regional
Partners



VEDP Lead Gen
Program



Company

Additional lead sources



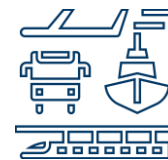
Legislators



Administration



Other State
Agencies



Service Providers

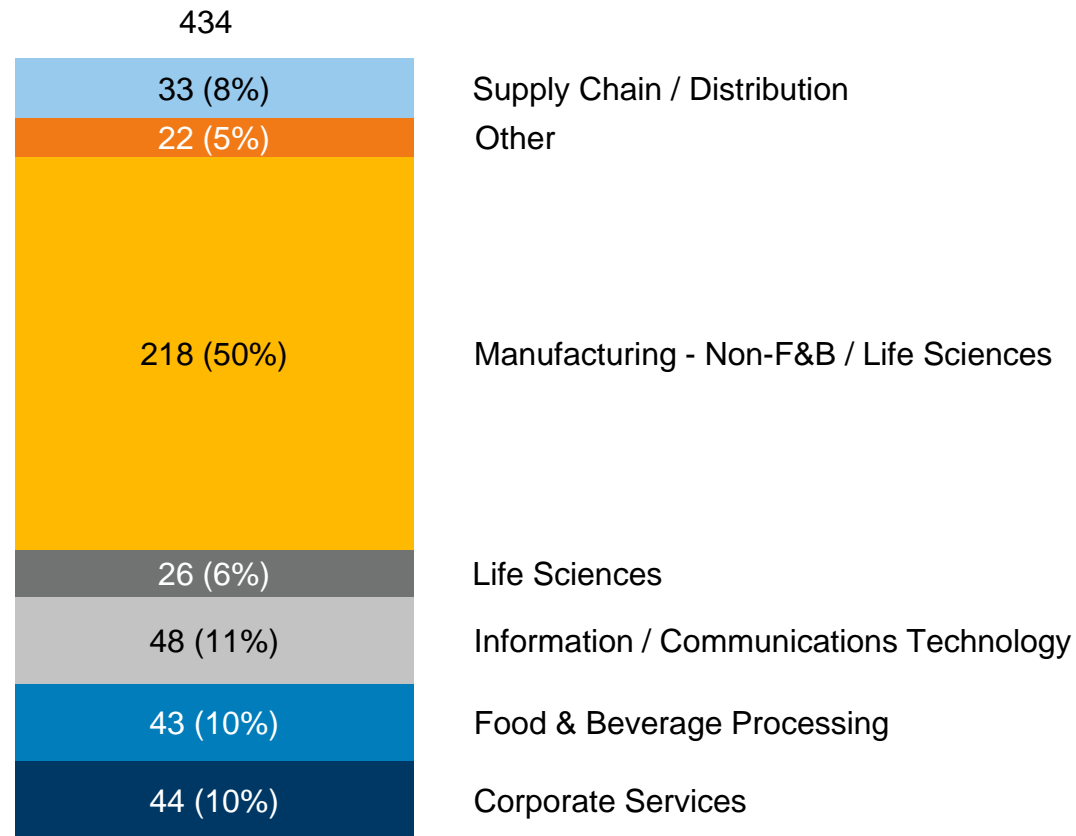


Universities

VEDP Project Funnel

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

VEDP project pipeline by industry sector¹



¹As of June 12, 2020

PRIMARY AND SECONDARY SELECTION FACTORS FOR SITE-SELECTION COMPETITIONS

Primary selection factors*

- Quality, availability, and cost of target workforce
- Proximity to key customers and suppliers
- Availability of target real-estate solution (size, cost, control, water/sewer/rail connectivity, etc.)
- Tax and regulatory climate
- Transportation infrastructure
- Operating costs (electricity, insurance, workers comp, etc.)
- Quality-of-life factors (public K-12 options, regional amenities, crime rate, etc.)
- Accurate and thorough RFI, RFP, and proposal requests

Secondary selection factors**

- Availability and quality of customized recruitment and training solutions
- Customized (discretionary) incentives
- By-right financial incentives
- Level of state-and-community support (e.g., fast-track permitting)
- Personal preferences of executives involved in decision process (e.g., affinity for a particular place)
- Strong business retention program to assist with corporate intelligence and after care
- Creative and innovative solutions to key project decision factors

* Priority of selection factors varies from project to project; however, quality and availability of workforce almost always is one of the top three considerations

** Typically these factors come into play when multiple locations offer relatively comparable characteristics relative to primary site-selection criteria; however, a large incentive package can represent a primary selection factor

Source: VEDP CEO experience with hundreds of site-selection projects; Site Selection (January 2018); VEDP analysis

PROCESS OF SECURING A PROJECT DECISION



TOP REASONS VIRGINIA IS NOT CONSIDERED OR LOSES PROJECTS

If Virginia not considered	<ul style="list-style-type: none"> ▪ Company executives unaware of Virginia's advantages for their industry* ▪ Company only considers states with substantial incentive offerings ▪ Company and/or site consultant screen out states based on high state/local tax burdens on new investment** ▪ Concern over potential shift in public policy environment
Virginia considered but not selected	<ul style="list-style-type: none"> ▪ Lack of suitable site or building option (e.g., not pad-ready, insufficient infrastructure, incomplete due diligence) ▪ Availability of skilled workforce (typically in smaller regions) ▪ Much smaller incentive packages compared to competitors (e.g., Georgia, North Carolina, South Carolina, Alabama, etc.) ▪ Operating costs and regulatory burden (e.g., machinery and tools taxes, market-based sourcing versus cost of performance for service based/HQ projects, zoning, permitting, licensing, reporting requirements) ▪ Inadequate utility/transportation infrastructure

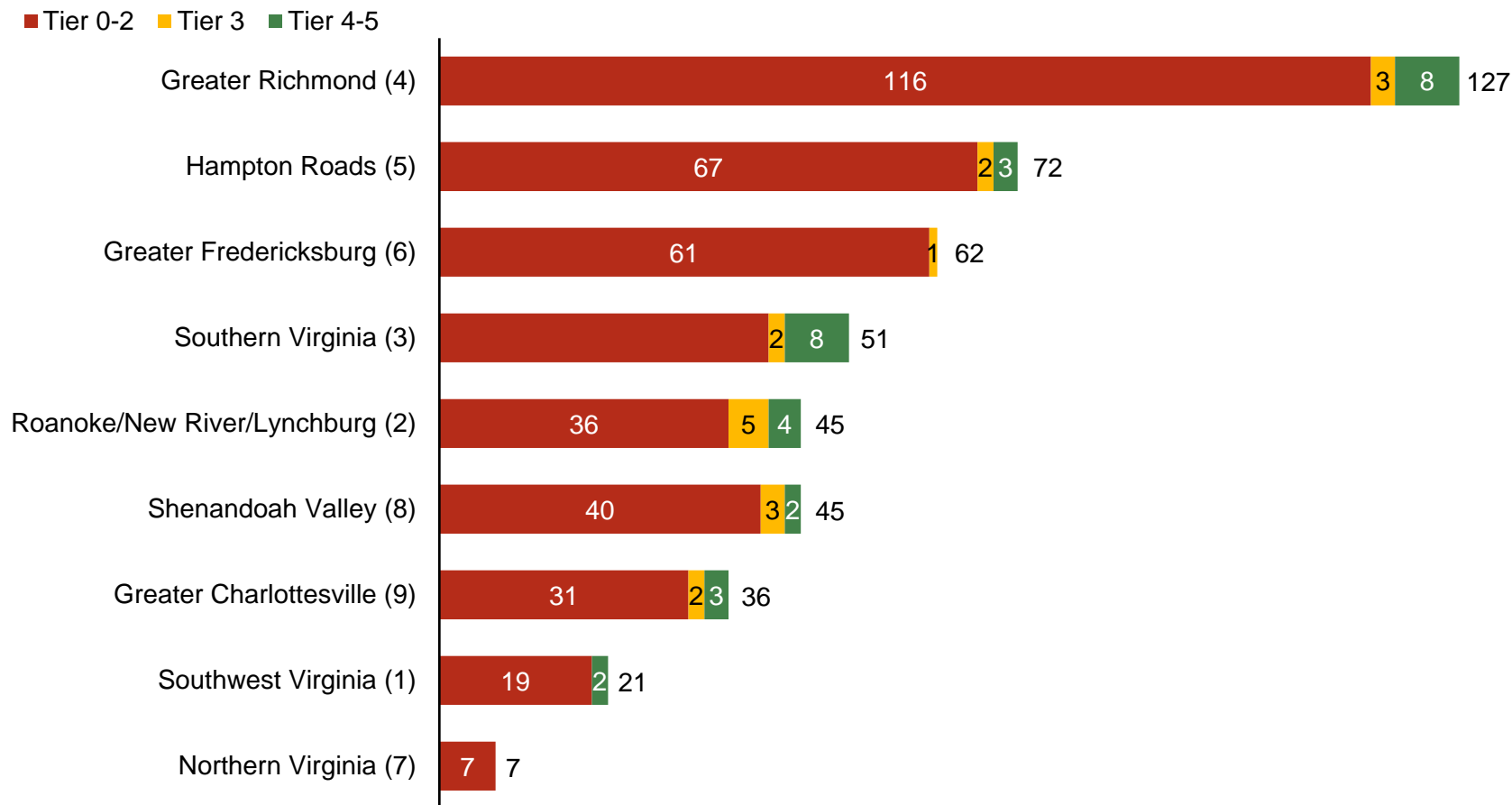
*Largely due to a lack of awareness of Virginia's advantages for business, the Commonwealth typically ranks well below most of its leading competitors in surveys of corporate execs (e.g., in the latest Chief Executive survey, Virginia ranks no. 16, while Texas, Florida, Tennessee, and North Carolina rank nos. 1, 2, 4, and 6, respectively, i.e., all at least 10 spots ahead of Virginia)

**While Virginia is a relatively low-tax-burden state for existing businesses, it is a relatively high-tax state for most types of new business investment due to its lack of statutory tax credits/incentives for new business investment and job creation

Source: Tax Foundation; interviews with site consultants; Salesforce records; VEDP analysis

THE VAST MAJORITY OF SITES IDENTIFIED FOR PROJECTS IN VIRGINIA ARE NOT PREPARED TO BE COMPETITIVE

GO Virginia Region sites Region (#), Total Sites, N=466

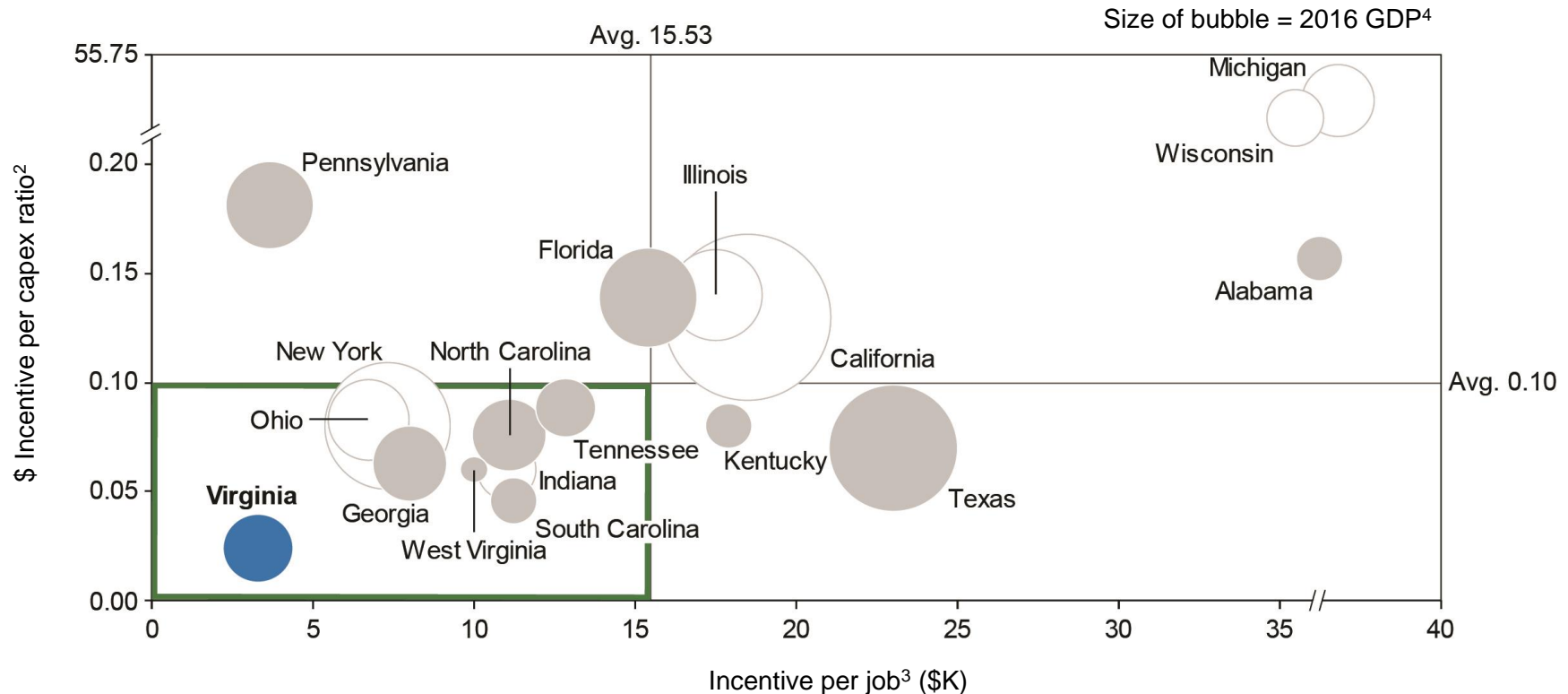


HOW WE THINK ABOUT INCENTIVES IN VIRGINIA

- Virginia primarily makes its case on its total value proposition (note: we periodically lose projects to other southern states with comparable business climates but more robust incentive offerings)
- Typically only for competitive situations (e.g., firm also considering North Carolina and Georgia)
- Performance-based (i.e., companies only receive or keep what they earn)
- Transparent public reporting of post-announcement performance
- Robust enforcement of clawbacks, where applicable (most incentives now paid post-performance)
- Funds typically used to address site-specific needs, on- or off-site infrastructure improvements, and talent recruitment and training efforts
- Same thinking on incentives utilized for existing firms as for new-to-Virginia firms
- HQ2: a potential model for the future (i.e., modest company incentives, targeted industry sector competitiveness investments via Tech Talent Investment Program or something comparable)

ON AVERAGE, VIRGINIA OFFERS THE LOWEST INCENTIVES PER JOB AND PER DOLLAR INVESTED RELATIVE TO COMPETITOR STATES

Incentive per job & capex among peers¹
2013 – 2017



¹As of February 14, 2018 for all states except AL and TN, for which data is as of March 5, 2018

²Total incentives divided by total capital investment agreed upon by state and companies at the time of project announcement

³Total incentives divided by total jobs (new and retained) agreed upon by state and companies at the time of project announcement

⁴2016 real GDP (chained to 2009 USD)

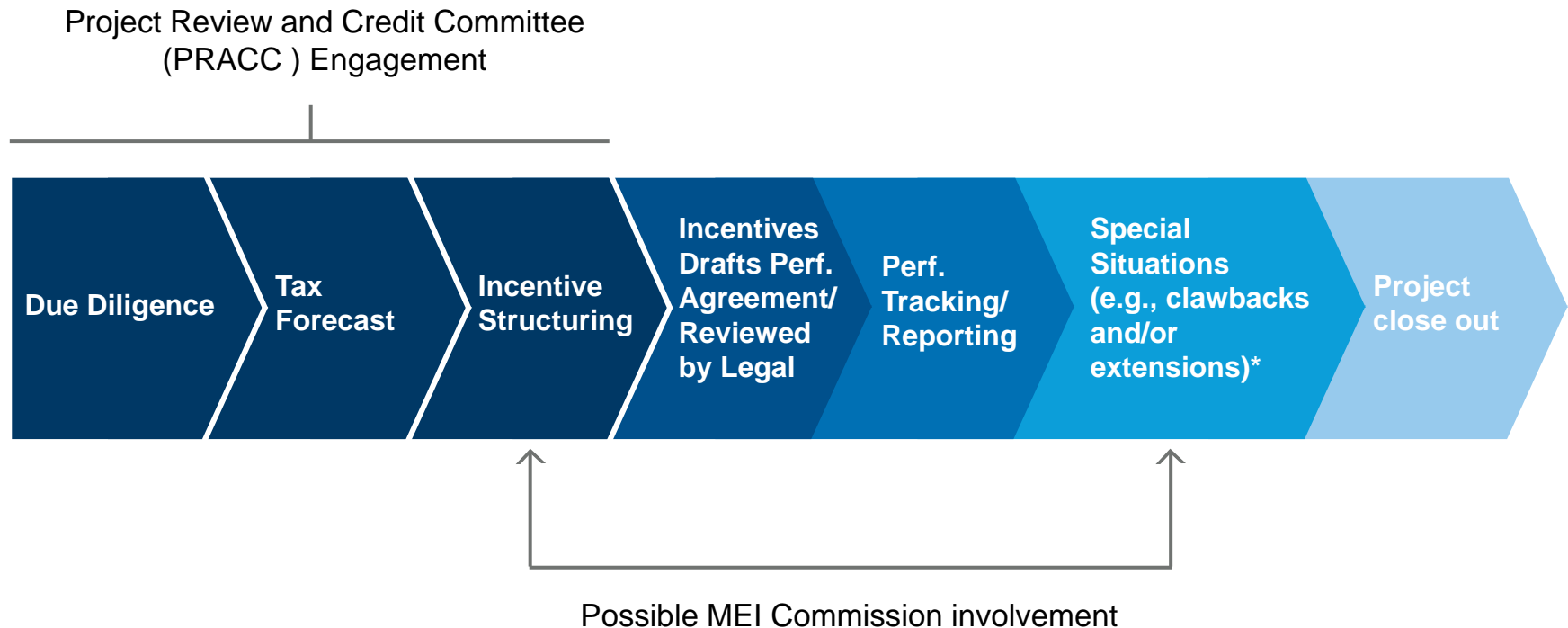
Source: IncentivesMonitor – WAVTEQ (www.IncentivesMonitor.com); Moody's

VEDP HAS ADDRESSED ALL OF THE NEW INCENTIVE-RELATED CODE MANDATES AND JLARC RECOMMENDATIONS FROM 2017

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

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

LIFE CYCLE OF DIVISION OF INCENTIVES INVOLVEMENT IN AN ECONOMIC DEVELOPMENT PROJECT



*Possible increase in extension requests related to Covid-19 crisis



CREATIVE MEI PROJECT WINS

Morgan Olson, Danville City

EXAMPLES OF CREATIVE PROJECT SOLUTIONS (1 OF 3)



Project description: Amazon, Inc. will establish a major new East Coast headquarters campus in Northern Virginia

Key project barrier: The Commonwealth's current production of software and computer science engineers is not keeping pace with the high demand in the fast growing tech sector

New Jobs | 25,000

Capital Investment | \$2.5B

Incentives | \$550M

Virginia's creative solution:

The Commonwealth secured approximately \$1.1B to support tech talent cultivation for Virginia's entire tech sector for long-term success:

- ~\$1.05B in undergrad and graduate education, including 325-400 new faculty lines, startup packages, capital projects (new buildings, labs, a new tech campus), and operational support
- \$25M in tech internships/apprenticeships in higher education
- \$25M in K12 computer science education (e.g., professional development, online curricula)



EXAMPLES OF CREATIVE PROJECT SOLUTIONS (2 OF 3)



Project description: Merck & Co., Inc., expansion in Rockingham County to increase production of its Human Papillomavirus (HPV) vaccines

Key project barrier: Access to sustainable pipeline of skilled labor was an ongoing challenge for the company for both their short- and long-term workforce needs

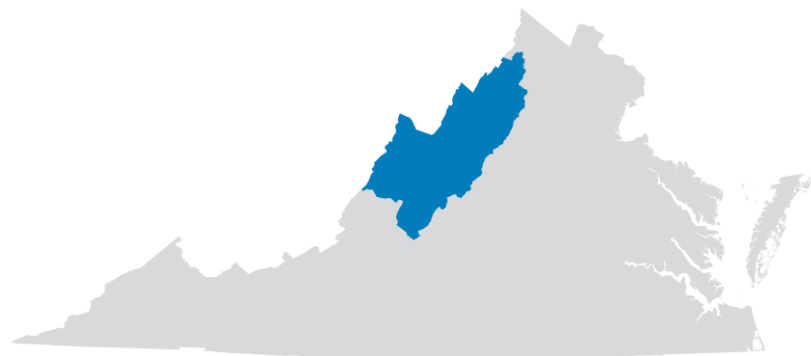
New Jobs | 100

Capital Investment | \$1B

Incentives | \$7.5M

Virginia's creative solution:

- \$2.5M special appropriation to increase the pool of labor with required specialized skillsets
- Funds go directly to Blue Ridge Community College and James Madison University
- Specific enrichments include non-credit short term training courses, hiring a regional manufacturing liaison, and adding new faculty and staff
- Regional impact beyond Merck addressing similar workforce needs of major area employers including MillerCoors, Danone/WhiteWave, Shamrock Farms, and Hershey



EXAMPLES OF CREATIVE PROJECT SOLUTIONS (3 OF 3)



Project description: The Volvo Group expansion in Pulaski County to accommodate truck cab welding, paint operations, and state-of-the-art dynamometers for vehicle testing

Key project barrier: Cyclical industry sector requiring flexible incentive structure providing operational elasticity to temporarily adjust staffing levels in response to market demand

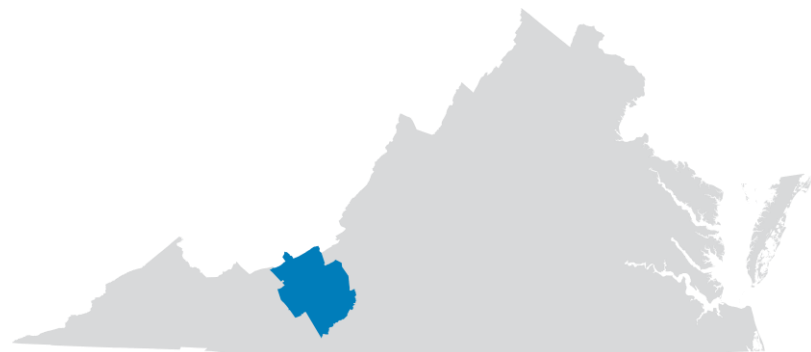
New Jobs | 777

Capital Investment | \$400M

Incentives | \$16.5M

Virginia's creative solution:

- 10-year contract term
- Incentive structure that allows for operational flexibility while protecting the Commonwealth's ROI
- Ability to count supplier jobs towards pledged job creation
- May defer/reduce grant payment in years of underperformance; in years of overperformance, recoup forgone grants with excess job creation



The image shows the Virginia State Capitol building, a large white neoclassical structure with a prominent portico supported by tall columns. An American flag and another flag fly on poles in front of the building. In the foreground, there is a green lawn and a bush of red flowers. A dark blue diagonal overlay covers the left side of the image, containing the title text.

POST-COVID RECOVERY OPPORTUNITIES

Virginia State Capitol

THE COMMONWEALTH'S STRATEGIC ECONOMIC OPPORTUNITIES FOR THE FUTURE IS DESIGNED AROUND FOUR BIG OPPORTUNITIES



1. Capture manufacturing reshoring and new supply chain opportunities

- Industry analysis and surveys indicate a significant share of manufacturers will likely bring production and sourcing back to the United States in response to the COVID-19 pandemic
- Additionally, as businesses around the world reconfigure their global supply chains and increase resiliency, many new opportunities will emerge for Virginia exporters
- Virginia can capture these job-creation opportunities by investing in targeted business investment, international trade, and related support activities



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

- The COVID-19 pandemic has accelerated the transition towards a digital economy for businesses and consumers around the world
- As an established U.S. tech leader, Virginia is well positioned to capitalize on these opportunities in software development, cloud computing, data centers, and other technologies
- Virginia can capture a larger share of this post-COVID tech wave by complementing exiting efforts (e.g., TTIP) with targeted enhancements in our incentive programs, tax policy, and broadband infrastructure



3. Seize telework transition opportunities, with special focus on rural and small metro regions

- With the widespread shift to telework during the pandemic, industry experts and business leaders are signaling that telework will become the (permanent) new normal for a much larger share of workers
- Virginia can capture these talented professionals (and the tax revenue they generate) by deploying creative incentive and marketing approaches that focus on both businesses and individuals that telework



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

- Low-skill workers, women, and racial minorities were disproportionately impacted by the economic shock resulting from COVID-19, and likely will make up a significant share of the long-term unemployed in the absence of targeted efforts
- In addition to new job creation opportunities for the Commonwealth, we have an opportunity to connect displaced workers with higher-wage employment opportunities through workforce initiatives such as “Get Skilled, Get a Job, Give Back” (G3), Virginia Talent Accelerator Program, Virginia Jobs Investment Program (VJIP), and targeted investments in sub-baccalaureate fields

Impact

- Secures roughly 10,000 new direct jobs each year (~20,000 total jobs per year)
- Generates roughly \$50-75 million per year in additional state general fund revenue

Q&A

APPENDIX

APPENDIX

VEDP Governance

VEDP Strategic Plan

How Virginia Stacks Up

Incentives

MEI Commission

VEDP ENCOURAGES, STIMULATES, AND SUPPORTS DEVELOPMENT AND EXPANSION OF THE COMMONWEALTH'S ECONOMY

- Created by the Virginia General Assembly in 1995 as the principal state economic development organization for the Commonwealth
- 17-member governing board that provides continuity across gubernatorial terms
- 138 full-time employees
- Offices in Virginia, Germany, Japan, and South Korea

VEDP Divisions



Marketing & Communications

manages marketing of VA and announcements



Business Investment

implements lead generation and business development strategies



International Trade

helps companies expand their international sales



External Affairs

oversees the legislative process, policy development, and partner relations



Economic Competitiveness

develops strategies for economic growth



Research

provides data, analysis, and maps to support VEDP



Incentives

manages incentives, due diligence, reporting, and clawbacks



Talent Solutions

Virginia Talent Accelerator Program and VJIP

VEDP IS GOVERNED BY A 17-MEMBER BOARD OF DIRECTORS WITH EIGHT COMMITTEES AND TWO ADVISORY COMMITTEES

Ex officio members (6)

Secretary of Commerce and Trade
Secretary of Finance
Chairman of the Virginia Growth and Opportunity Board
CEO of the Virginia Port Authority
Staff Directors of the House Committee on Appropriations and the Senate Committee on Finance

Non-legislative citizen members appointed by the Governor* (7)

Carrie Hileman Chenery, Valley Pike Partners
Heather Engel, Strategic Cyber Partners
Greg B. Fairchild, University of Virginia
Deborah K. Flipppo, Draper Aden Associates, Inc.
Vincent Mastracco, Kaufman & Canoles PC
Dan M. Pleasant, Dewberry
Xavier Richardson, Mary Washington Hospital & Stafford Hospital Foundations

Non-legislative citizen members appointed by the Joint Rules Committee* (4)

Ned W. Masse - Chair, Croatan Advisors
William Hayter, First Bank & Trust Company
C. Daniel Clemente, Clemente Development Company Inc.
Richard O. Harrell, III, R.O. Harrell, Inc.



*The Code of VA requires each of the nine GOVA regions to be represented by the board

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VEDP Governance

VEDP Strategic Plan

How Virginia Stacks Up

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MEI Commission

VEDP'S STRATEGIC PLAN INCLUDES 5 TRANSFORMATIONAL GOALS WITH 4 CATEGORIES OF METRICS TO MONITOR PROGRESS

Transformational goals	Metric category	Description
Robust state job growth Position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.	Commonwealth Economic Performance¹	<ul style="list-style-type: none"> ▪ Employment growth rate ▪ Median earned income growth rate ▪ Gross state product (GSP) growth rate ▪ Dollar value of exports and exports per capita, growth rates
Every region wins Ensure that every region participates in the growth of the Commonwealth	Commonwealth Economic Competitiveness¹	<ul style="list-style-type: none"> ▪ (Illustrative, not comprehensive) ▪ Workforce development capabilities ▪ Transportation, infrastructure and housing costs ▪ State/local tax burdens ▪ Average of key state business climate rankings
Best state for business Restore Virginia to its previous leadership position near the top of the national business climate rankings	VEDP Performance Metrics: Inputs	<ul style="list-style-type: none"> ▪ Partner satisfaction measures of organizational performance (based on annual surveys) ▪ Percent of partners touched ▪ Internal organizational employee engagement measures (based on annual surveys) ▪ State economic development organization published rankings (e.g., DCI, <i>Site Selection</i>)
Top state EDO Reestablish VEDP as one of America's most effective state economic development organizations	VEDP Performance Metrics: Outputs	<ul style="list-style-type: none"> ▪ VEDP-assisted project announcements: jobs and capital investment ▪ VEDP-generated leads ▪ VEDP Virginia Talent Accelerator Program ▪ VEDP Trade metrics (companies enrolled; projected international sales; projected trade-supported jobs)
Super collaborator Exhibit collaboration and coordination as hallmarks of VEDP		

¹Measured at the state level, relative to peer state averages

VEDP'S STRATEGIC PLAN INCLUDES A VARIETY OF STRATEGIES DESIGNED TO ACHIEVE THE FIVE TRANSFORMATIONAL GOALS

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 future ready
	Create bus. services and ops. centers of excellence (e.g., HQs) promising disruptive technologies (e.g., unmanned systems, genomics, personalized medicine)
Improve Virginia'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
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

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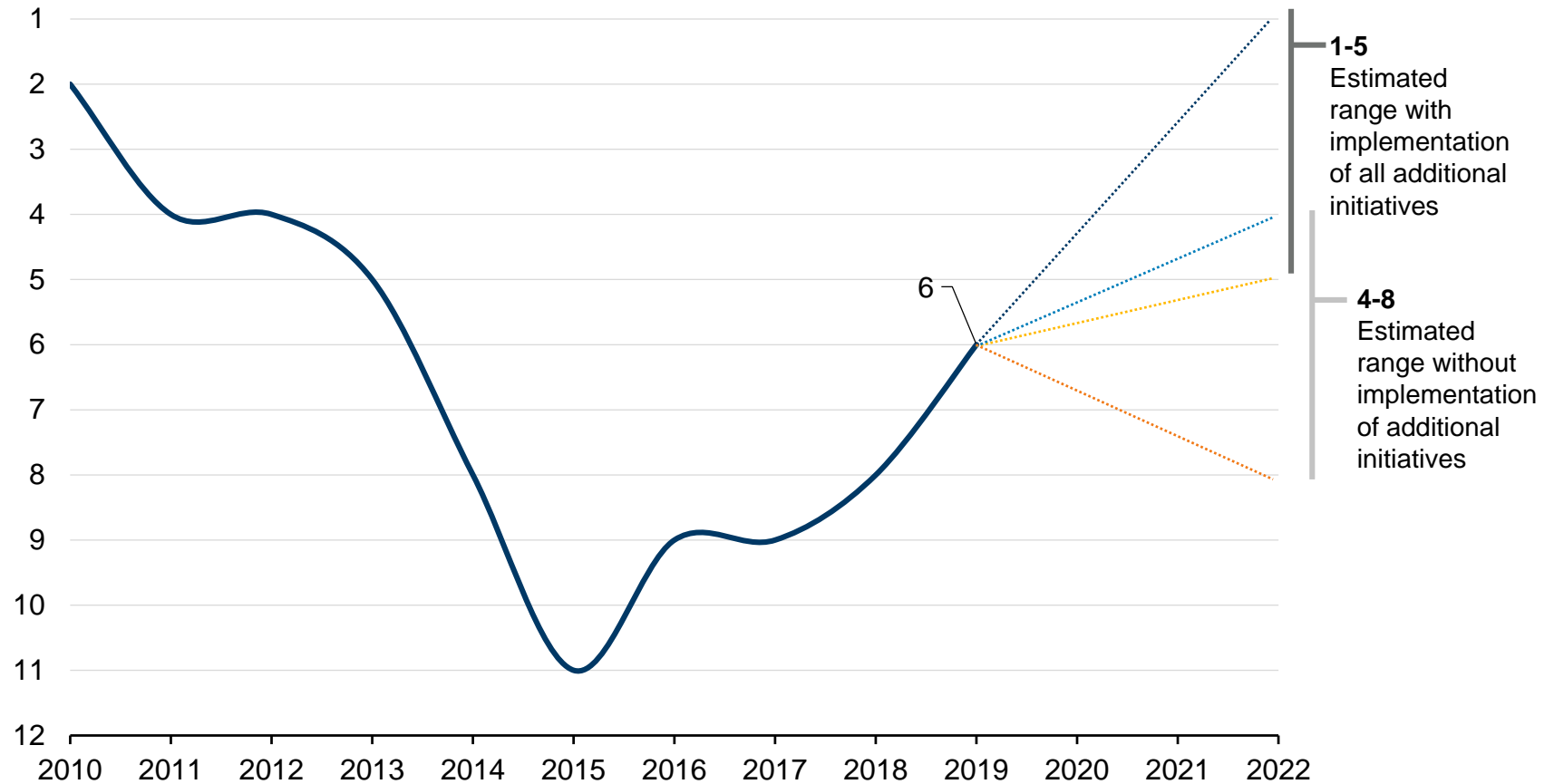
CURRENT MAJOR STATEWIDE RANKINGS AT-A-GLANCE

Publication	Rank	Last year published
CNBC Top States for Business	1 	2019
<i>Business Facilities</i> Best Business Climate	2 	2019
<i>Forbes</i> : Best States for Business	4 	2019
<i>Site Selection</i> : Top Business Climates	5 	2019
<i>Area Development</i> Top States for Doing Business	10 	2019
<i>Development Counsellors International</i> (DCI) Best Places for Business	14 	2017
Chief Executive Best States for Business*	16 	2020

*Recently released
Source: National publications

VIRGINIA RECENTLY HAS BEEN IMPROVING IN BUSINESS CLIMATE RANKINGS – BUT COULD SLIDE WITHOUT ADDITIONAL INITIATIVES

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



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WHEN COMMUNITIES ARE VERY SIMILAR, INCENTIVES CAN BE THE FACTOR THAT TIPS THE SCALES IN FAVOR OF ONE OVER THE OTHER

In 2014, Volvo Cars issued an RFP for a \$500 million investment and 2,000 Jobs. Virginia and South Carolina were the two finalists.

Overall, the two localities were very similar and offered similar solutions. The main difference was South Carolina's large site preparation grant and their Custom Workforce training program.

Project Need	Virginia	South Carolina
Suitable Site	✓	✓
Qualified Workforce	✓	✓
On-site training facility	✓	✓
Custom Workforce Training Program	X	✓
Incentive package	\$131.7M	\$175.0M

GUIDING PRINCIPLES FOR VEDP-ADMINISTERED INCENTIVES

- ✓ Align with strategic sectors
- ✓ Impactful
- ✓ Maximize community wealth
- ✓ Align with local/state strategy
- ✓ Diversify the job base in regards to skill sets
- ✓ Solve a specific need (versus a by-right expectation)
- ✓ Use as real competitive advantage
- ✓ Leverage other state resources
- ✓ Advance quality of life

VEDP'S INCENTIVE PORTFOLIO (1 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Commonwealth's Opportunity Fund (COF)	VEDP	<ul style="list-style-type: none"> Deal closing fund Designed to secure a company location or expansion Cash grant (structured upfront or when milestones achieved) 	<ul style="list-style-type: none"> Min. threshold: \$5MM cap. invest. & 50 jobs at PAW; lower for distressed regions Local match required Out-of-state competition Traded sector only 	\$21.5 million/yr. (\$18.3 million in FY19)
Virginia Investment Partnership (VIP)	VEDP	<ul style="list-style-type: none"> Designed to encourage continued investment by Virginia manufacturers or R&D firms supporting manufacturers Cash grant (post-performance) 	<ul style="list-style-type: none"> Min. threshold: \$25MM capital invest. No net reduction in employment Local match required Out-of-state competition Traded sector only At least 3 years operating in Virginia 	\$5.2 million/yr. (\$2.9 million in FY19)
VA Econ. Devel. Incentive Grant (VEDIG)	VEDP	<ul style="list-style-type: none"> Designed to encourage firms to create high-paying jobs by locating HQs or service-sector operations in VA Cash grant (post-performance) 	<ul style="list-style-type: none"> Min. threshold: 400 jobs @ 150% PAW; or 300 jobs @ 200% PAW and \$5MM in capital investment Lower thresholds for smaller MSAs Traded sector only 	\$4.2 million/yr. (\$1.5 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VEDP'S INCENTIVE PORTFOLIO (2 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Major Eligible Employers Grant (MEE)	VEDP	<ul style="list-style-type: none"> Designed to encourage investment and job creation by major employers/corp. HQs Cash grant (post-performance) 	<ul style="list-style-type: none"> Min. threshold: \$100MM cap. invest. and 1,000 jobs Min. of 400 jobs if avg. wage is at least 2x locality's PAW Traded sector only 	\$6.8 million/yr. (\$0 million in FY19)
Business Ready Sites Program	VEDP	<ul style="list-style-type: none"> Supports site assessment and site remediation Addresses need for more project-ready sites Cash grant to locality 	<ul style="list-style-type: none"> Consideration based on viability, alignment, economic impact, commitment, and resources leveraged 	\$460,000/yr. (\$1.0 million in FY19)
Brownfields Restoration Fund	VEDP	<ul style="list-style-type: none"> Promotes restoration and redevelopment of brownfield sites Cash grant typically paid post-performance to locality 	<ul style="list-style-type: none"> Only localities may apply Property publicly or privately owned 	\$1.4 million/yr. (\$2.1 million in FY19)
Virginia Talent Accelerator Program	VEDP	<ul style="list-style-type: none"> Customized, comprehensive talent recruitment/training soln. Reduces training costs of new and expanding firms Services only 	<ul style="list-style-type: none"> Competitive project Min. threshold: 15 jobs (mfg.) or 50 jobs (services) Market-competitive wages Traded sector only 	TBD

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VEDP'S INCENTIVE PORTFOLIO (3 OF 3)

	Admin. entity	Purpose & benefit	Eligibility	Avg. volume*
Virginia Jobs Investment Program (VJIP)	VEDP	<ul style="list-style-type: none"> Reduces training costs of new and expanding firms Cash grant (post-perf.) Consulting services and funding offered 	<ul style="list-style-type: none"> Min. threshold: \$1MM capital invest. and 25 jobs (lower for small business) Wages 1.35x federal minimum Traded sector only 	\$9.3 million/yr. (\$6.9 million in FY19)
New Company Incentive Program	VEDP	<ul style="list-style-type: none"> Promotes new business invest. in distressed areas Provides CIT exemption, and up to \$2K per job (subject to ROI test via alt. COF mechanism) 	<ul style="list-style-type: none"> Location in qualified locality Min. threshold: \$5MM capital invest. and 10 jobs (or 50 jobs) Wages 150% of Virginia min. Traded sector only 	TBD
Performance-based Custom Grants	VEDP	<ul style="list-style-type: none"> Focus on major projects with transformational impact Cash grant (structured upfront or when milestones achieved) 	<ul style="list-style-type: none"> Requires special legislation (MEI Commission) Traded sector only 	\$870.5 million awarded in FY19 (Amazon HQ2, Micron, Huntington Ingalls, and AWS)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (1 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Gov.'s Ag. & Forestry Indust. Devel. Fund	Va. Department of Ag. & Consumer Services	<ul style="list-style-type: none"> Designed to assist businesses adding value to Virginia-grown ag. and forestry products Cash grant up to \$500K 	<ul style="list-style-type: none"> Local match required At least 30% of the ag. products grown in Virginia 	\$1.1 million/yr. (\$814,000 in FY19)
Economic Development Access Fund	Va. Department of Transportation	<ul style="list-style-type: none"> Designed to assist localities in providing adequate road access Focus on manufacturers, corp. HQs, R&D, distribution centers Cash grant to locality up to \$500K 	<ul style="list-style-type: none"> Localities apply Some local match required 	\$2.3 million/yr. (\$2.3 million in FY19)
Rail Industrial Access Program	Va. Department of Rail & Public Transportation	<ul style="list-style-type: none"> Assists with cost of extending track to plant site (private or public property) Cash grant up to \$450K 	<ul style="list-style-type: none"> Localities apply Some local match required 	\$775,000/yr. (\$681,000 in FY19)
Enterprise Zone Job Creation Grant	Department of Housing & Community Development	<ul style="list-style-type: none"> Encourages job creation in targeted areas of distress Cash grant (\$500-800 per job per year for 5 years) 	<ul style="list-style-type: none"> Creation of at least four net new permanent full-time positions. Caps at 350 jobs Traded sector only 	\$2.5 million/yr. (\$2.7 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (2 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Enterprise Zone Real Property Investment Grant	Department of Housing & Community Development	<ul style="list-style-type: none"> Encourages real estate development. in targeted areas of distress Cash grant up to \$200K 	<ul style="list-style-type: none"> Up to \$200K for investments in commercial, industrial, or mixed-use buildings or facilities Subject to proration 	\$10.1 million/yr. (\$8.9 million in FY19)
Governor's Motion Picture Opp. Fund	Virginia Tourism Corp.	<ul style="list-style-type: none"> Supports film industry activity through grants for production cost and studios producing in VA Cash grant 	<ul style="list-style-type: none"> Eligible projects include feature films, children's programs, documentaries, TV 	\$5.1 million/yr. (\$6.8 million in FY19)
Growth Acceleration Program	Center for Innovative Technology	<ul style="list-style-type: none"> Seed and early-stage investment funds placing equity and mezzanine financing into companies with high growth Investments up to \$100K 	<ul style="list-style-type: none"> Must have clearly articulated business plan 	\$2.1 million/yr. (\$2.9 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA'S OTHER INCENTIVES NOT ADMINISTERED BY VEDP (3 OF 3)

	Administering Entity	Purpose & benefit	Eligibility	Avg. volume*
Port of Virginia Economic & Infrastructure Devel. Grant	Virginia Port Authority	<ul style="list-style-type: none"> Designed to incentivize firms to locate new or expand existing maritime-related operations Focus on maritime or logistics-related companies Cash grant 	<ul style="list-style-type: none"> Business must be involved in maritime commerce, or exporting/importing manufactured goods through Port of Virginia 	\$613,000/yr. (\$75,000 in FY19)
Tobacco Region Opportunity Fund	Tobacco Commission	<ul style="list-style-type: none"> Performance-based grants and loans to tobacco region localities to support new job creation and capital investment Cash grant 	<ul style="list-style-type: none"> Min. threshold: capital investment of \$1MM within 36 months Only localities apply Grants limited to 3 per locality per fiscal year 	\$11.3 million/yr. (\$6.1 million in FY19)

*Volumes based on HB 1191 report; figures are generally for the period of FY 2015-2019 with some programs having different start dates

VIRGINIA OFFERS LIMITED TYPES OF TAX PREFERENCES AND FEATURES TO COMPANIES

Type of tax preference	How incentive works	Possible features
Income tax credits	<ul style="list-style-type: none"> Reduce company's state income tax liability 	<ul style="list-style-type: none"> To be usable by companies with low or no tax liability, may be: Carried forward/back against tax liability in other periods Refundable and reimbursable Transferable to other companies
Income tax structure	<ul style="list-style-type: none"> Offers preferential state income tax treatment relative to other industries (e.g. data centers single sales factor apportionment), other states (e.g. market-based sourcing), etc. 	
Income tax exemptions	<ul style="list-style-type: none"> Exempt company's income from state taxation 	<ul style="list-style-type: none"> Can be partial (e.g. temporary, above income threshold) or complete (e.g. not-for-profits)
Income tax subtractions and deductions	<ul style="list-style-type: none"> Reduce company's state taxable income 	
Sales and use tax exemptions	<ul style="list-style-type: none"> Exempt company's purchases from state and local sales and use taxes 	<ul style="list-style-type: none"> Can be limited to specific taxable items (e.g. manufacturing equipment) and/or partial (e.g. reduced rate, above threshold)
Tax abatement	<ul style="list-style-type: none"> Lowers or eliminates local taxes on company's tangible property 	<ul style="list-style-type: none"> Can be achieved by lowering tax rates or property's assessed value

GRANT PROGRAMS ARE AVAILABLE TO INCENTIVIZE AND ATTRACT COMPANIES

Type of grant program	How incentive works	Possible features
Discretionary	<ul style="list-style-type: none"> Administered by agencies that have some discretion over grant recipients and amounts awarded Projects and/or companies must meet certain eligibility criteria Payment generally subject to agreed-upon performance 	<ul style="list-style-type: none"> May target specific industries (e.g. manufacturing), geographies (e.g. distressed localities), or projects (e.g. major employers) based on eligibility requirements
Custom	<ul style="list-style-type: none"> Awarded on a case-by-case basis Generally no discretion over recipient(s) of grant Typically larger amount Payment generally subject to agreed-upon performance 	
By right	<ul style="list-style-type: none"> Awarded automatically to all companies or projects that meet eligibility criteria (no discretion) 	
Capacity building	<ul style="list-style-type: none"> Generally not tied to specific projects or companies, and awarded to communities (e.g. industrial park, broadband access) 	

PROJECT REVIEW & CREDIT COMMITTEE (PRACC) EVALUATION FOR ALL PROJECTS

All projects receiving discretionary incentives from VEDP are reviewed by PRACC regardless of size, name recognition, or locality.

- CEO, VPs, AVP, General Counsel, Project Research Manager, and Senior Economist
- Review all elements of the project
- Consider strategic, competitive, and financial implications
- Evaluate Risk Assessment and ROI analysis
- Approve proposed conditions for release of incentive funds
- Determine whether to proceed with SCT preapproval

WHEN IS PRACC APPROVAL NECESSARY?

PRACC review and approval is necessary if any of the below VEDP-administered incentives are sought (PRACC review and approval must occur for preapproval by the Secretary).



Commonwealth's Opportunity Fund (COF)



Virginia Investment Partnership (VIP) Grant



Virginia Economic Development Incentive Grant (VEDIG)



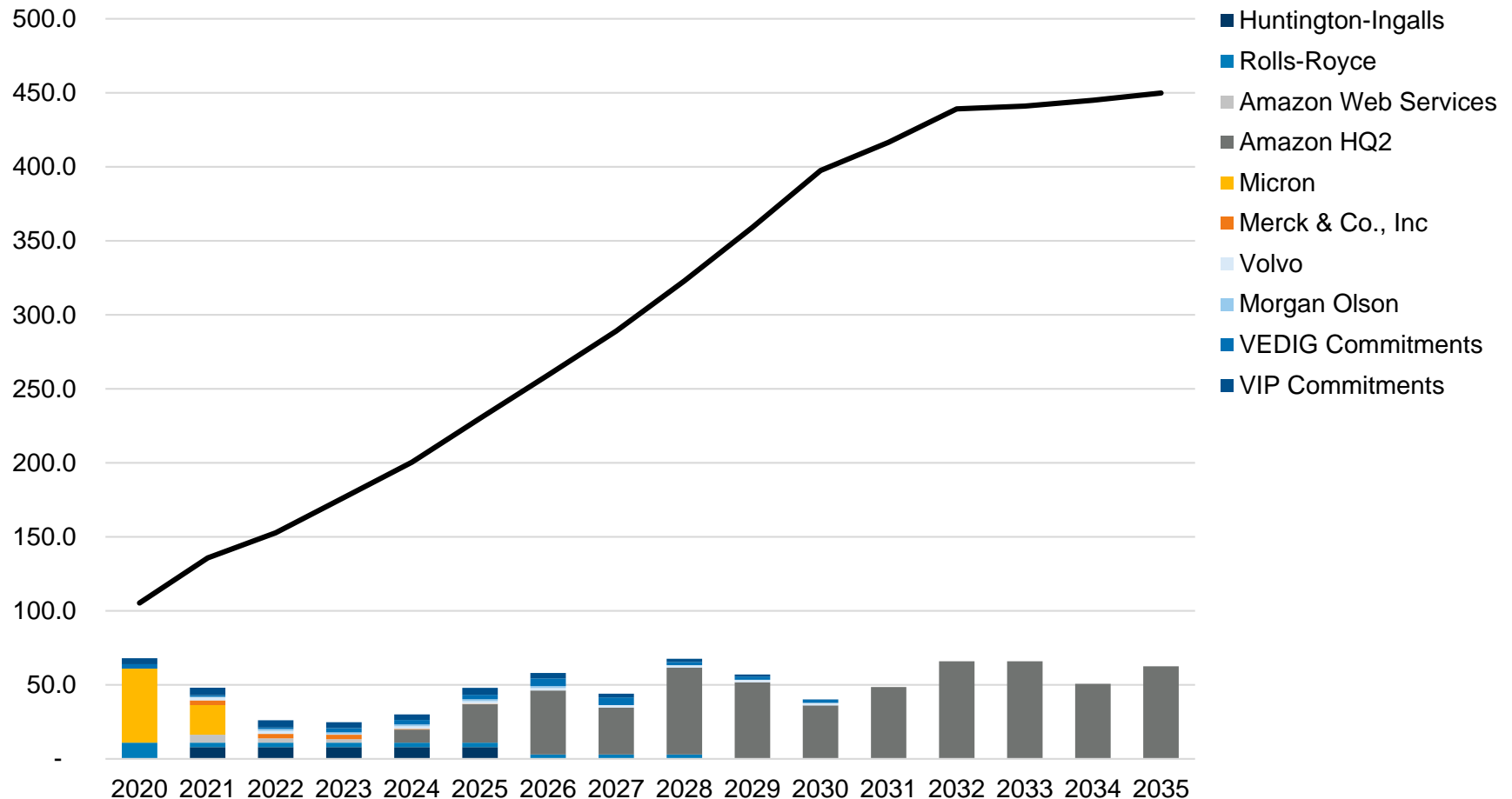
Major Eligible Employer (MEE) Grant



Custom Performance Grants

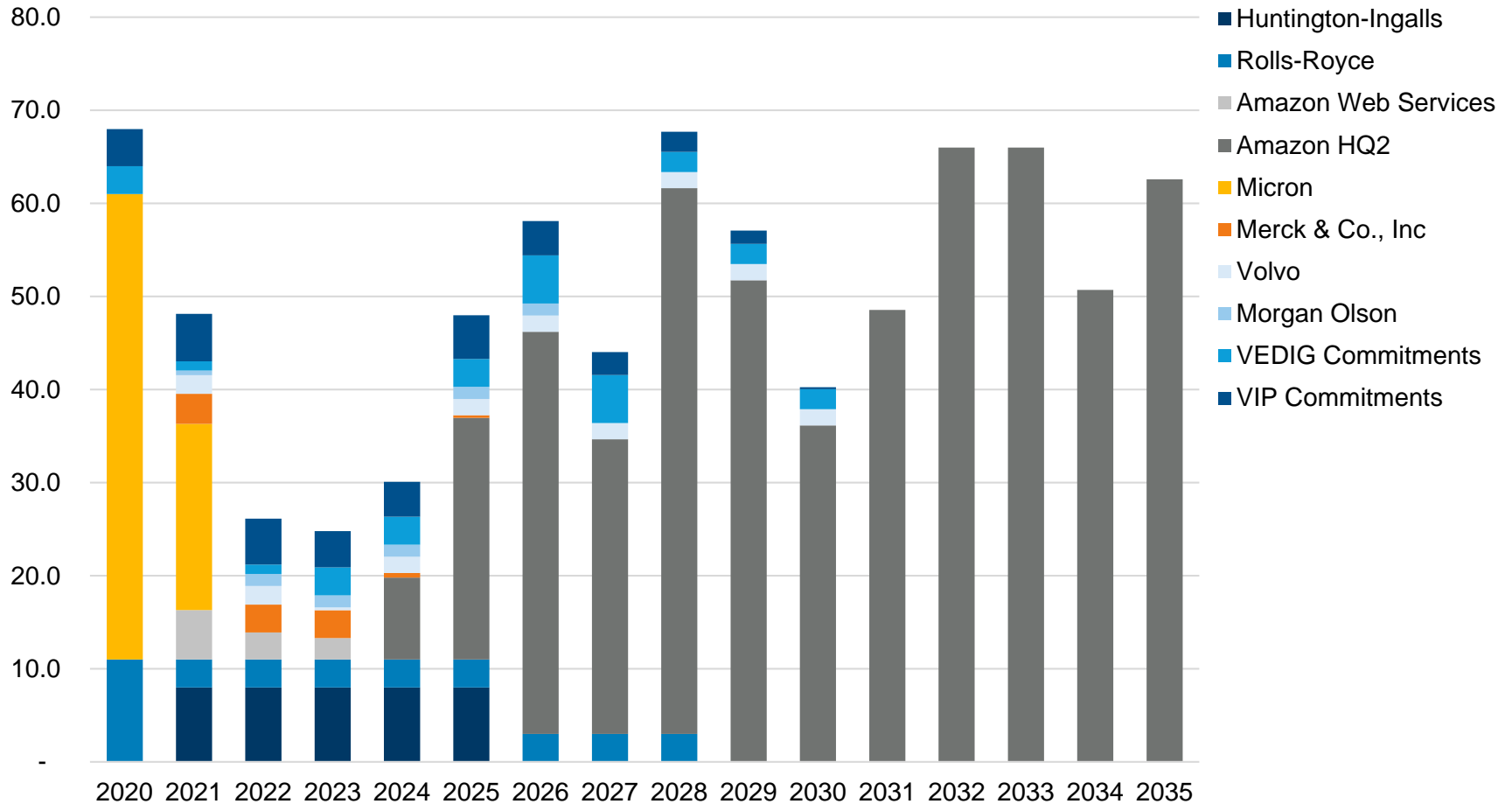
ANNUAL GENERAL FUND REVENUE FAR EXCEEDS INCENTIVE COMMITMENTS TO COMPANIES

Incentive Commitments to Companies and Annual SGF Revenue Through FY2035 (\$ Millions)



INCENTIVE COMMITMENTS TO COMPANIES ARE FAIRLY EVENLY DISTRIBUTED OVER TIME

Incentive Commitments to Companies Through FY2035 (\$ Millions)



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MAJOR EMPLOYMENT AND INVESTMENT (MEI) COMMISSION

- Pursuant to § 30-310, Code of Virginia, the MEI Commission reviews proposed incentive packages, including but not limited to economic development projects recommended by VEDP, that would entail special appropriations requiring the creation of legislation and/or that are expected to receive a state incentive package in excess of \$10 million in combined cash grants, tax incentives, such as credits and exemptions, and other incentives
- Any discretionary incentive package that would entail an in-state relocation of a Virginia employer will be reviewed by the MEI Commission
- All second extensions of performance agreements also require MEI review and approval

Codified membership:

- 7 members from the House of Delegates
- 5 members from the Senate
- 2 ex-officio:
 - Secretary of Commerce and Trade
 - Secretary of Finance

CHANGES TO THE MEI COMMISSION IN THE 2020 GA SESSION

	Current	As of July 1, 2020 (SB587)
Membership	5 members from the House of Delegates 3 members from the Senate Secretary of Commerce and Trade Secretary of Finance	7 members from the House of Delegates 5 members from the Senate Secretary of Commerce and Trade Secretary of Finance
Types of Projects	Economic development projects	Economic development, <i>film, and episodic television projects</i>
Projects with only nondiscretionary tax credits	Review	No review required
Materials to be presented	Value of the incentive ROI Time frame for repayment Average wages Cap ex required The need of enhanced employment opportunities	Value of the incentive ROI Time frame for repayment Average wages Cap ex required The need of enhanced employment opportunities <i>Total amount of state incentives provided in the past to the sponsor</i> <i>List of all other nondiscretionary tax credits or exemptions for which the sponsor may qualify</i>
Materials to be provided	48 hours prior to the scheduled meeting	<i>Five business days</i> prior to the scheduled meeting

MEI COMMISSION PROCESS AND PROCEDURES

