

Chapter 1: Executive Summary

One of the wealthiest and most beautiful states in America, the Commonwealth of Virginia is blessed with exceptional human capital, geographic, and infrastructure assets. Widely viewed as an attractive state for business, Virginia also is home to a diverse array of leading private-sector firms, national labs, and important military installations, as well as one of the most educated populations in the country. By any reasonable measure, Virginia is one of America's premier states. For two decades, the Virginia Economic Development Partnership (VEDP) has served as Virginia's state economic development authority, pursuing its duty to "encourage, stimulate, and support the development and expansion of the economy of the Commonwealth," as prescribed in the Code of Virginia. Like the special Commonwealth that it serves, VEDP has long been regarded as among the best in the country.

While the Commonwealth and VEDP remain well regarded on the national stage, both have experienced challenges over the last decade. With an economy highly reliant on the federal government, Virginia has endured a substantial slowdown in economic growth due to sequestration, dropping from ranking in the top 10 states to the bottom 15. Moreover, like rural America, much of rural Virginia has struggled in recent years, with several regions facing population losses and an expectation of continued decline. These trends led the current governor to intensify efforts to diversify Virginia's economic base and work to build a "New Virginia Economy."

Additionally, in contrast to a decade ago when the Commonwealth was ranked the best or nearly the best state for business in most business climate rankings, Virginia today ranks outside the top 10 best states for business in every published national survey of corporate executives and/or site-selection consultants. Likewise, VEDP, which once was one of the most innovative and best regarded state economic development organizations (EDOs) in America, experienced a decline in its efficiency, effectiveness, and reputation. Indeed, a report published last year by Virginia's Joint Legislative Audit and Review Commission (JLARC) opened with a devastating assessment: "VEDP is not an efficiently or effectively managed organization."

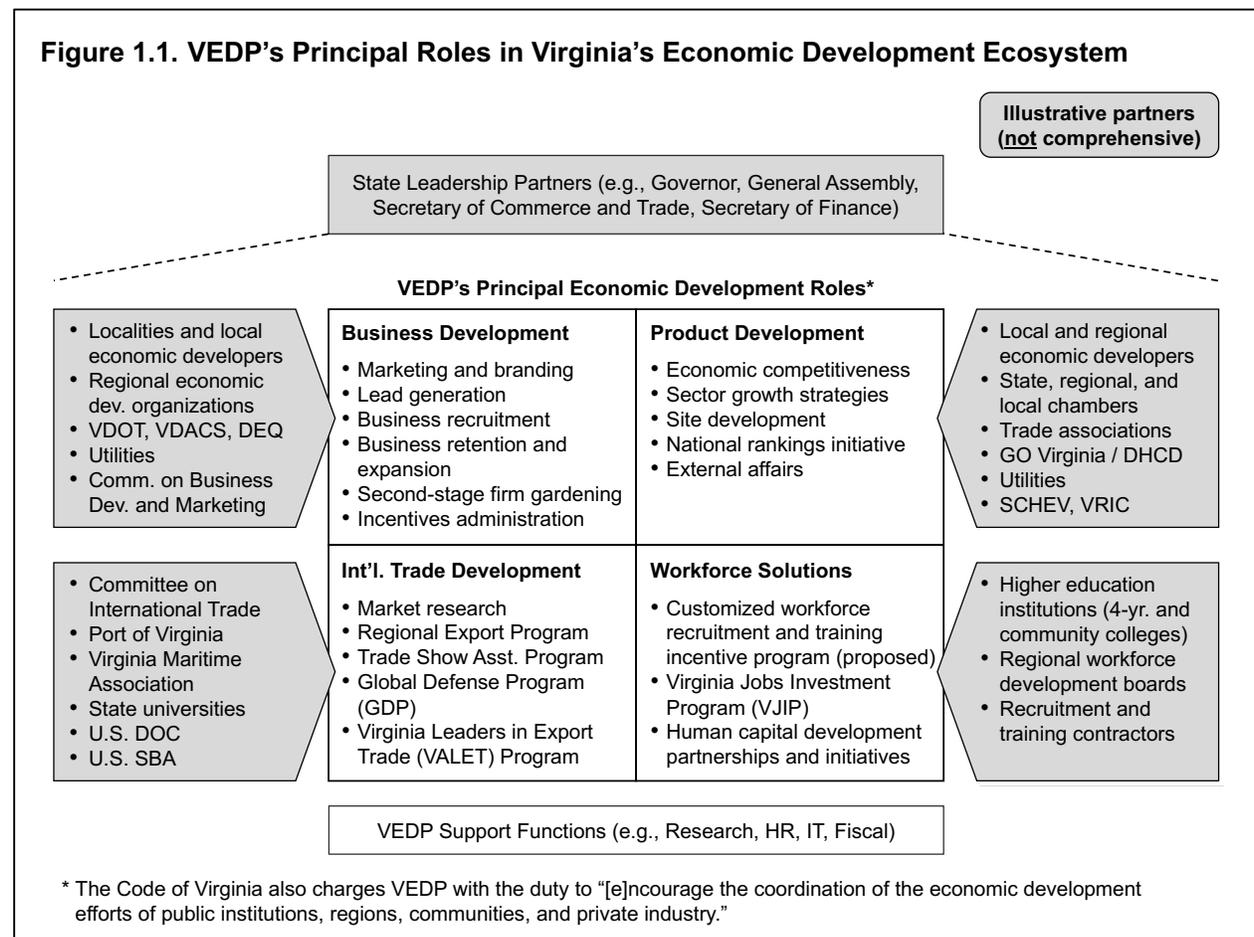
In the wake of comprehensive VEDP reform legislation passed in early 2017 and the election of a new governor, the Commonwealth of Virginia and VEDP face an important juncture in their respective histories. Working in close consultation with leaders in the Administration and General Assembly, with the participation of hundreds of VEDP's local, regional, and state partners, and with assistance from top management consultants and economic development experts, VEDP's Board of Directors, Chief Executive Officer, and staff have crafted this Strategic Plan to clearly articulate what it would take to reestablish Virginia as one of the country's economic leaders and VEDP as one of America's most effective state EDOs. Based on robust analyses and best practices, the strategies and initiatives described herein, if fully implemented over the next five years (FY19-FY23), would leverage the Commonwealth's distinctive strengths to position Virginia for a brighter economic future – one with more high-wage jobs and geographically shared prosperity. Without implementation of this plan or a compelling alternative, national economic analysts (e.g., Moody's, Emsi) forecast that the Commonwealth will continue to economically underperform its top competitor states (e.g., Georgia, North Carolina, and South Carolina) over the next decade.

This document was crafted to meet the new requirement in the Code of Virginia for the VEDP Board and its CEO to develop "a strategic plan for specific economic development activities for the Commonwealth as a whole." Responsive to the comprehensive economic development plan developed by the Administration, this Strategic Plan includes specific goals and objectives (i.e.,

strategies and initiatives), as well as performance measures; a comprehensive assessment of how VEDP can best add value relative to each of its statutory duties and powers; and other content focused on accomplishing the transformational goals described below. Finally, this Strategic Plan is designed to help ensure that VEDP permanently addresses the various deficiencies highlighted in JLARC’s 2016 report, “Management and Accountability of the Virginia Economic Development Authority,” which detailed how the organization could improve its governance, efficiency, effectiveness, coordination, and accountability, as well as strengthen its administration of incentives.

VEDP’s Roles in Virginia’s Economic Development Ecosystem

Hundreds of organizations play a meaningful role in the economic development of the Commonwealth, including the Governor of Virginia and Virginia General Assembly; local, regional, and state economic development organizations; schools, higher education institutions, and workforce development boards; utilities; various Virginia secretariats (e.g., Agriculture and Forestry, Commerce and Trade, Finance, Natural Resources, Technology, Transportation); the Port of Virginia; the Virginia Tourism Corporation; airports; GO Virginia; chambers of commerce and trade associations; and many others. Indeed, economic development is a team sport. While VEDP plays multiple important roles in the economic development of Virginia, it is just one important part of a complex economic development ecosystem, as illustrated in Figure 1.1.



VEDP's central focus is implementing programs designed to increase employment and earnings in the Commonwealth. Primarily these outcomes are achieved by increasing exports of goods and services to other countries and states. Accordingly, VEDP focuses its efforts on retaining, growing, and attracting traded-sector firms, i.e., business establishments that generate most of their revenues from out-of-state customers. Out-of-state and international sales enable traded-sector business establishments to employ Virginia residents and typically to pay them more than non-traded-sector firms, such as retailers and local service providers.

While only some of VEDP's programs have "trade" in their name, substantially all of VEDP's work focuses on increasing international and domestic trade. As referenced in Figure 1.1 on the previous page, VEDP engages in **business development** efforts (e.g., marketing, lead generation, or incentives) designed exclusively to encourage traded-sector firms to invest and create jobs in Virginia, through establishing a presence in Virginia for the first time or expanding an existing location here. VEDP also engages in **product development** efforts (e.g., improving Virginia's portfolio of development-ready sites) designed to make Virginia more attractive for traded-sector firms. Additionally, VEDP delivers **workforce solutions** (e.g., grants via the Virginia Jobs Investment Program) that assist traded-sector firms with attracting and developing talent. Finally, through its **international trade development** programs (e.g., the VALET program), VEDP helps Virginia-based firms to increase their international sales.

Transformational Goals

Throughout its strategic planning process, VEDP engaged economic development partners, businesspeople, and other stakeholders in a variety of ways to develop and refine a set of compelling, transformational economic development goals for the Commonwealth and VEDP. Fulfillment of these transformational goals will require VEDP's effective execution of its statutory duties and powers, as well as some new policy and funding commitments of the Commonwealth that are articulated in this plan.

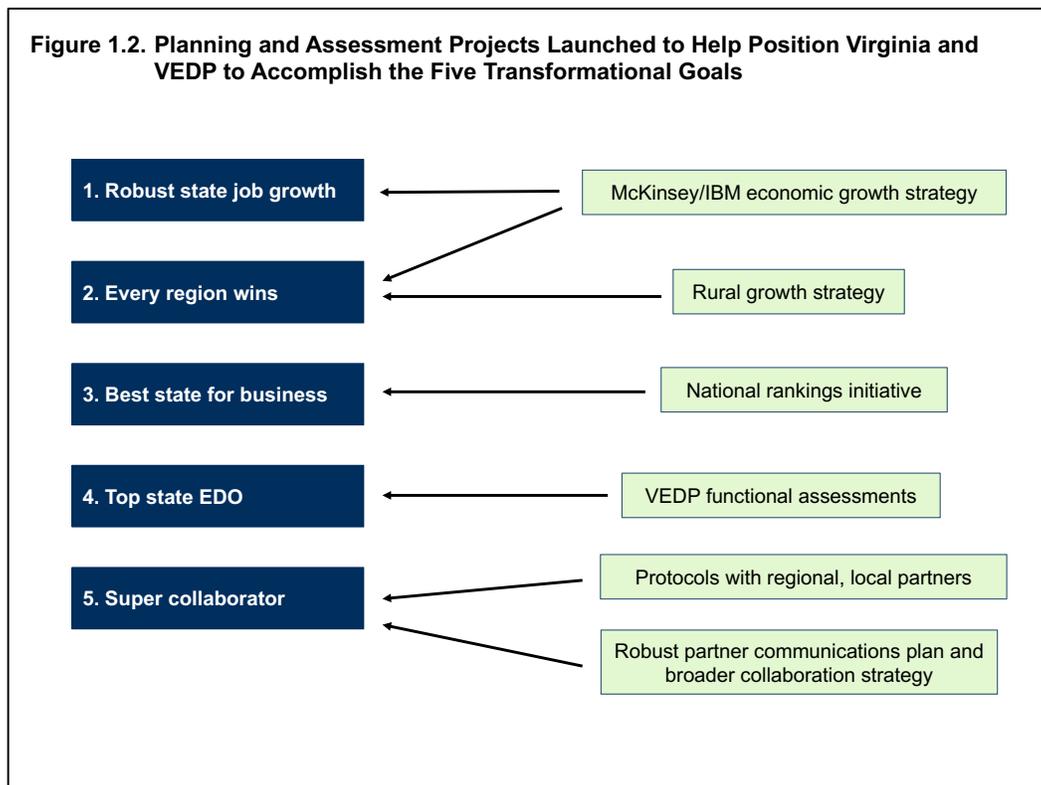
1. **Robust state growth:** Over the next several years, position Virginia to achieve a growth rate (measured by employment and median earned income of workers) among that of the top 5-10 states in the U.S.
2. **Every region wins:** Ensure that every region participates in the growth of the Commonwealth (i.e., all with positive growth in employment and median earned income of workers).
3. **Best state for business:** 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. **Top state EDO:** Reestablish VEDP as one of America's premier state economic development organizations (principally to better enable accomplishment of the top three transformational goals).
5. **Super collaborator:** Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the "P" in VEDP).

In a statewide survey of local, regional, and state economic development partners, staff, businesspeople, and other stakeholders, as well as in other venues (e.g., interviews with General Assembly leaders), these five transformational goals have received broad support. As

the transformational goals solidified, VEDP launched a set of targeted planning and assessment projects to determine what would be required to achieve them, as illustrated in Figure 1.2.

For the first two transformational goals, VEDP and GO Virginia collaborated on a competitive RFP process to secure consulting services to support development of a “Target Industry Economic Development Strategy and Action Plan for the Commonwealth and its Regions.” The analysis provided by a combined McKinsey & Company and IBM Global Business Services team in support of the strategy and action plan is referenced throughout as the “Economic Growth Analysis.” The Economic Growth Analysis identified target industry sectors, business attraction strategies, and key enablers (e.g., human capital development, site development, broadband expansion, and international trade development). For the second transformational goal, VEDP also assembled a group of rural stakeholders to craft a rural development strategy to position Virginia’s small metro areas and rural regions for growth.

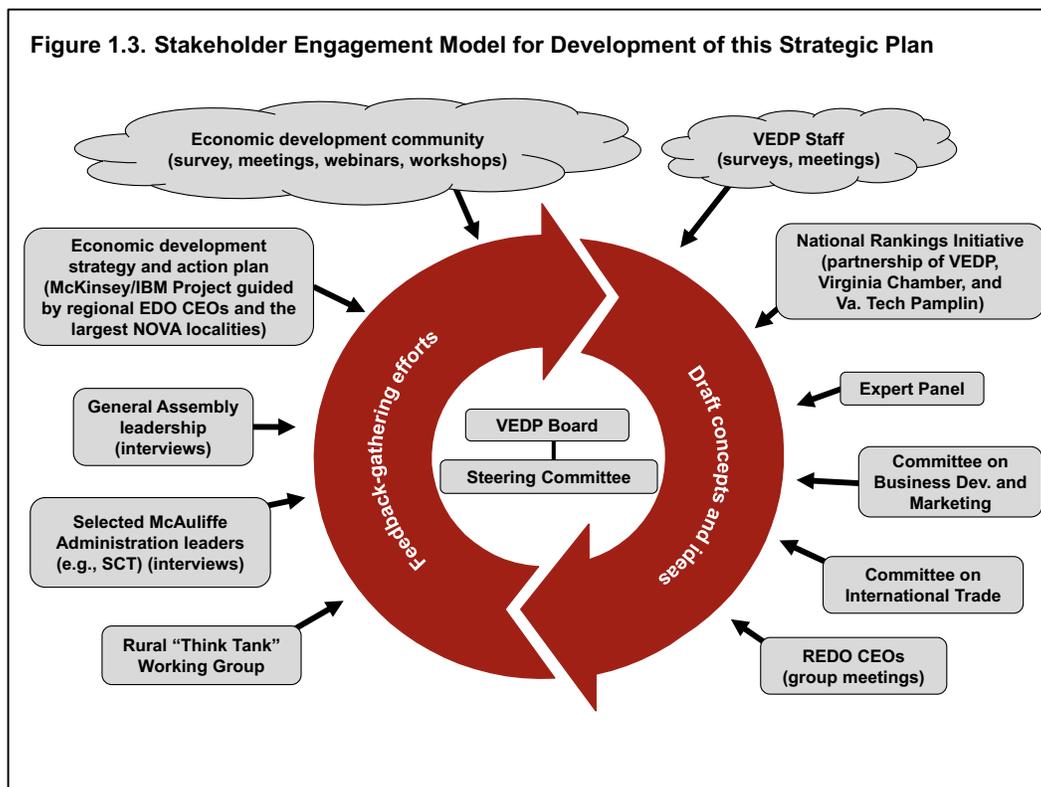
For the third transformational goal, the Virginia Chamber of Commerce and VEDP partnered to develop a set of initiatives to restore Virginia’s previous leadership position in the national business climate rankings, with assistance from Virginia Tech’s Pamplin College of Business. For the fourth transformational goal, VEDP conducted a thorough assessment of its various core functions (e.g., marketing, workforce solutions, research) against top-performing peers in other states to identify opportunities for improvement. Finally, for the fifth transformational goal, VEDP collaborated with economic development practitioners to craft protocols designed to improve collaboration and coordination with our local and regional economic development partners related to our operational activities (e.g., lead generation; project management; business retention and expansion, or BRE), as well as to create a new quarterly partner reporting format designed to improve communications and transparency related to VEDP’s core activities.



Stakeholder Engagement and Expert Assistance

To develop, syndicate, and refine the details within this Strategic Plan, VEDP staff solicited input and feedback from hundreds of local, regional, and state partners and stakeholders, as illustrated in Figure 1.3. Special emphasis was placed on understanding the perspectives of leaders in the Administration (e.g., Secretary of Commerce and Trade, Secretary of Finance) and General Assembly (e.g., members of the Major Employment and Investment Project Approval Commission and their staff directors), local and regional economic development practitioners, and board members of the Virginia Economic Developers Association. VEDP conducted a wide-ranging survey of the economic development community in July 2017, the results of which influenced many aspects of this Strategic Plan. The survey included both quantitative response items as well as a variety of open-response questions.

VEDP also engaged an eight-person expert panel to offer ideas, suggestions, best practices, and critical feedback at various points in the process. The expert panel included the leaders of two national/global economic development organizations focused on policy and practice, Jeff Finkle, President/CEO, International Economic Development Council (IEDC), and Ken Poole, CEO/President, Center for Regional Economic Competitiveness (CREC); two top site-selection consultants, Mark Sweeney, Senior Principal, McCallum Sweeney Consulting, and Dennis Meseroll, Executive Director, Tractus Asia Limited; two national thought leaders on economic development policy and practice, Amy Liu, VP and Director of the Metropolitan Policy Program, The Brookings Institution, and Enrico Moretti, Professor of Economics, UC-Berkeley; and two in-state university faculty members who study various aspects of Virginia's economy, Chip Filer, Associate Professor of Economics, Old Dominion University, and Steve Fuller, Director, Stephen S. Fuller Institute, George Mason University.



The reconstituted VEDP Board of Directors discussed various elements of this Strategic Plan at its monthly meetings throughout the year. The VEDP Board was advised by VEDP's 19-member Strategic Plan Steering Committee, which was comprised of a diverse membership of local, regional, and state economic development partners and stakeholders:

- Peter Blake, Director, State Council of Higher Education for Virginia
- Shannon Blevins, Assoc. Vice Chancellor for Econ. Dev. & 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
- Chris Lloyd, SVP/Director, Infrastructure and Econ. Dev., McGuireWoods Consulting
- Barry Matherly, President and CEO, Greater Richmond Partnership
- Ken McFadyen, Director of Economic Development, Botetourt County
- Christy Morton, Executive Director, Center 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, Virginia Community College System
- Telly Tucker, Director, Danville Economic Development
- Cathie Vick, Chief Public Affairs Officer, Port of Virginia
- Rick Weddle, President & CEO, Hampton Roads Economic Development Alliance

Various VEDP staff members were actively engaged in the development of this Strategic Plan from beginning to end. Additionally, VEDP staff had opportunities to provide input into the economic growth strategy project as well as each of the major elements of this Strategic Plan through surveys and topic-specific meetings.

The members of the new Committee on International Trade and the new Committee on Business Development and Marketing were not appointed until relatively late in the strategic planning process, so those two groups were not consulted as extensively as some of the others.

VEDP incorporated ideas and feedback from these engagement efforts into its development of each aspect of this Strategic Plan, from the transformational goals to the specific strategies and initiatives designed to achieve those goals. The broad reach of this engagement process was intended to ensure that this Strategic Plan would be responsive to perspectives shared by the collective voice of Virginia's economic development community and state leadership.

Assessment of Virginia's Economic Position

This Strategic Plan takes into consideration the Commonwealth's position within the national and global economy, including Virginia's past, present, and expected future economic growth, as well as Virginia's economic competitiveness. While the Commonwealth's economy overall is healthy, with relatively high incomes and low unemployment, its economic growth has slowed in the wake of sequestration, and the growth that has occurred has been unevenly shared – with some areas experiencing growth while others endure continued decline. Likewise, the Commonwealth is blessed with remarkable human capital, geographic, and infrastructure assets

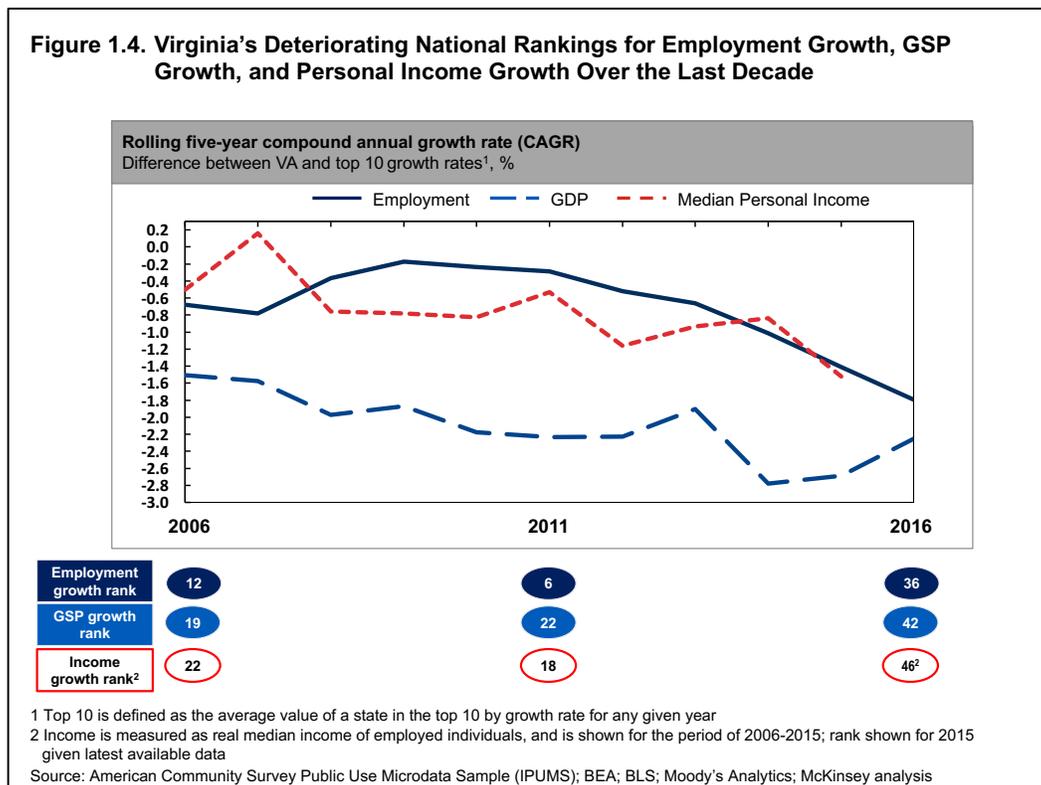
that contribute to its relatively well-regarded business climate, but Virginia also has a number of weaknesses that harm its economic competitiveness.

Economic Context in Virginia

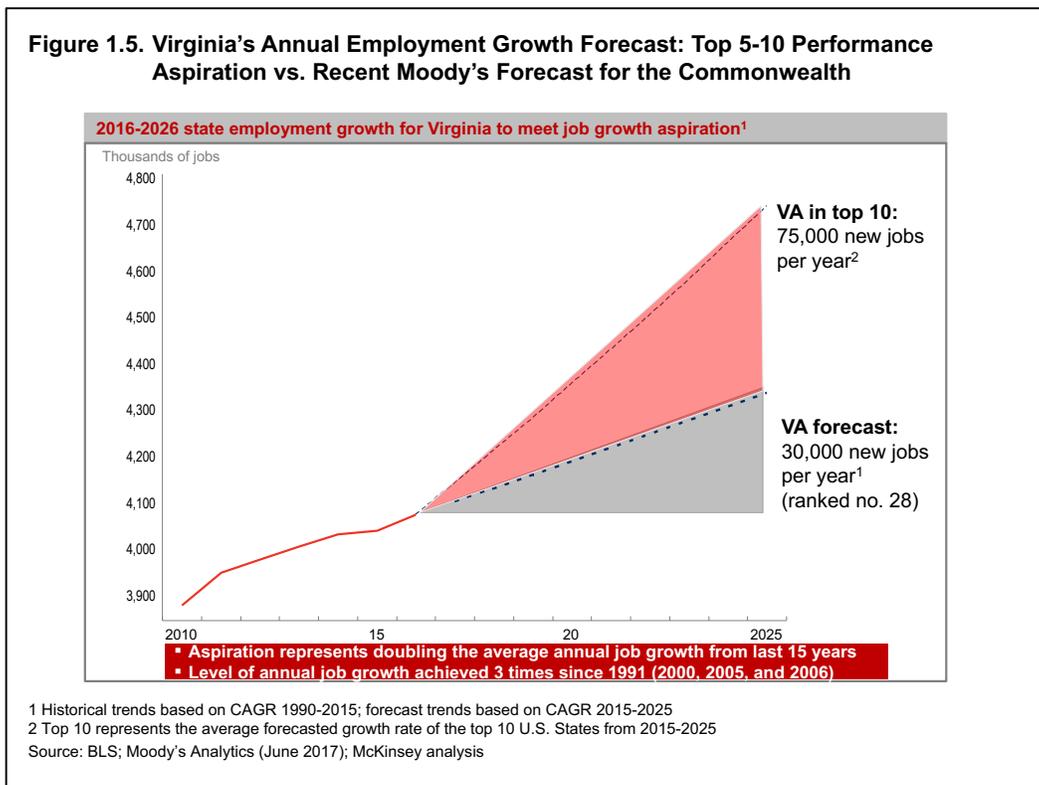
Virginia is one of the wealthiest states in the country (ranked no. 8) – with median household income about 20% above the national average – and it has an unemployment rate below the national average. In the first decade of the 21st century, the Commonwealth also was among the fastest-growing states in the country.

Unfortunately, in the wake of federal sequestration, Virginia’s growth rates for employment, gross state product (GSP), and personal income declined markedly relative to competitors, as illustrated in Figure 1.4. Over the last five years on record, Virginia’s rankings for growth in employment, GSP, and personal income fell to nos. 36, 42, and 46, respectively. Had the Commonwealth’s various industry sectors merely matched the growth rates of their national counterparts over the last five years on record, Virginia’s total employment would have exceeded its actual 2016 number by 131,000 workers. Additionally, Virginia’s sluggish economic performance in recent years contributed to a shift toward net domestic out-migration, with more people leaving Virginia for other states than moving here from them.

Virginia’s growth slowdown has meant fewer economic opportunities for college graduates and the working class, less sales for small businesses, more pressure on social welfare programs, and less state and local tax revenues with which to fund public priorities, such as schools, higher education, public safety, and transportation infrastructure. Reversing these worrying trends will require stronger economic growth. Positioning Virginia to once again rank among the top 10 growth states (transformational goal no. 1) is a central focus of this Strategic Plan.



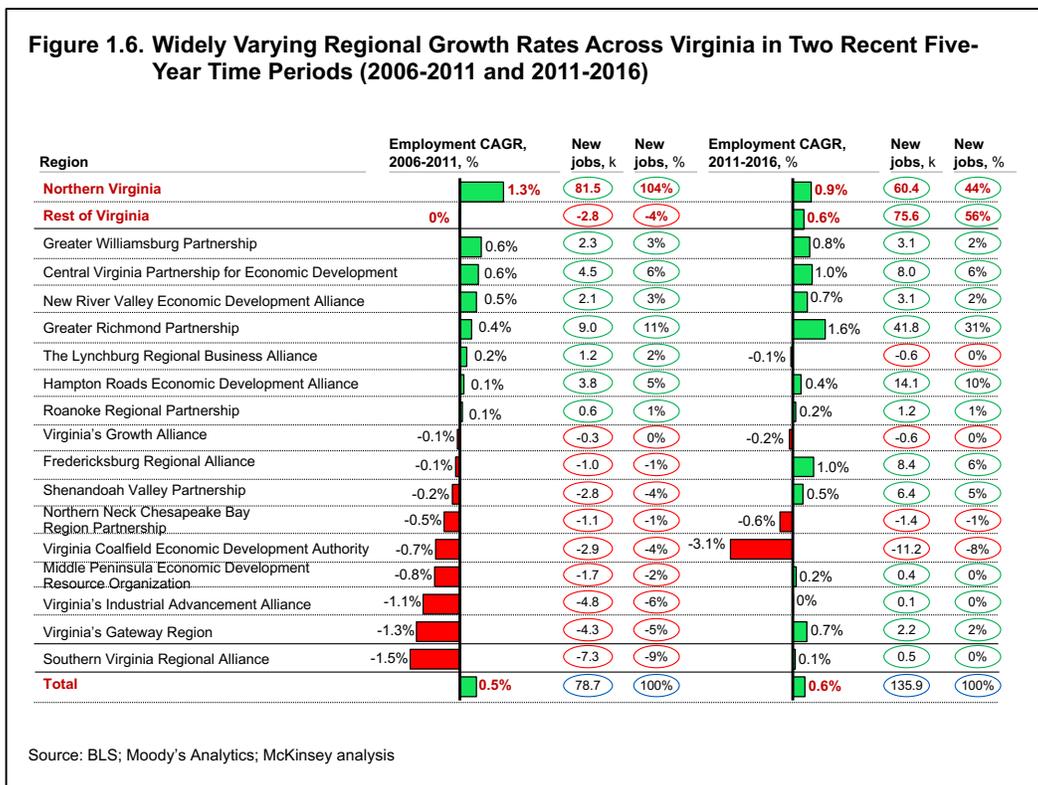
With sequestration limiting the economic contribution of the federal government to Virginia's expected future growth, recent forecasts suggest that the Commonwealth will add only about 30,000 jobs per year, on average, over the next decade – an employment growth rate that would rank no. 28 in the country. To achieve an employment growth rate among that of the top 10 states in the U.S., Virginia would need to add roughly 75,000 jobs per year, on average, or about 45,000 more annually than current forecasts suggest, as depicted in Figure 1.5. Accordingly, most of the strategies and initiatives in this Strategic Plan directly or indirectly contribute to that desired outcome.



Like most other states, Virginia does not have a single homogeneous economy, but rather a collection of distinct regional economies, each with its own unique character, geographic landscape, and mix of companies and industry sectors. Indeed, the incredible diversity of Virginia's many economic regions – from the dense urban communities of Northern Virginia to the largely rural coalfield region of Southwest Virginia – represents a defining characteristic of the Commonwealth. Because of this reality, one cannot fully understand the performance of Virginia's economy without understanding the health of each of its various regions.

In recent years, the Commonwealth's economic growth has exhibited substantial regional imbalances, as illustrated in Figure 1.6 on the following page. For instance, from 2006 to 2011, Northern Virginia created 104% of all new jobs in the Commonwealth, while most other regions lost ground. In other words, Northern Virginia created about 81,500 jobs while the rest of Virginia collectively lost nearly 3,000 jobs. In contrast, most regions experienced gains in the 2011-2016 time period, but growth was relatively muted, as Greater Richmond was the only region in Virginia to outpace the U.S. average annual growth rate (1.6% vs. 1.4%) during this period.

Regional employment growth disparities are not unique to Virginia. Over the last five years, roughly half the localities in America experienced population declines. Likewise, almost half the counties in North Carolina, South Carolina, and Georgia lost population over the last five years. Largely, these trends represent the decline of rural America – and mirror trends experienced across much of rural Virginia.



In general, larger metropolitan areas are substantially advantaged in the current economic environment. For example, compared to smaller metros and predominantly rural regions, large metro areas typically offer more specialized workforce availability (not just the number of skilled workers, but rather the number of workers with very particular skills); dramatically better flight service (i.e., direct flights to key domestic and often international locations); and better access to key customers and suppliers. For Virginia's smaller metros and rural regions to consistently participate in the growth of the Commonwealth (as envisioned by transformational goal no. 2), Virginia must position itself to succeed where nearly all other states have failed – and must successfully confront competition from states that are far more aggressive in their economic development efforts than Virginia.

Virginia's Economic Competitiveness

With a wealth of human capital, geographic, and infrastructure assets; an attractive, stable business climate; and a tradition of effective governance, the Commonwealth has long been considered one of America's best states for business. However, for many of Virginia's strengths, the Commonwealth also has corresponding weaknesses, as illustrated in Figure 1.7 on the following page.

For example, with top 10 rankings for both public schools and higher education, Virginia has one of the highest levels of educational attainment in the country. Yet Virginia typically is not considered one of America’s leaders in state workforce development programs, as the top-ranked states (e.g., Georgia, Louisiana) offer turnkey, customized workforce recruitment and training incentive programs. Compared to other states, Virginia’s state/local business tax burdens for existing firms are relatively low, but state/local tax burdens for new firms and expansions of existing firms here are considerably less competitive.

Figure 1.7. Virginia’s Economic Competitiveness: Abundant Strengths Partially Offset by Corresponding Weaknesses (Examples – Not Comprehensive)

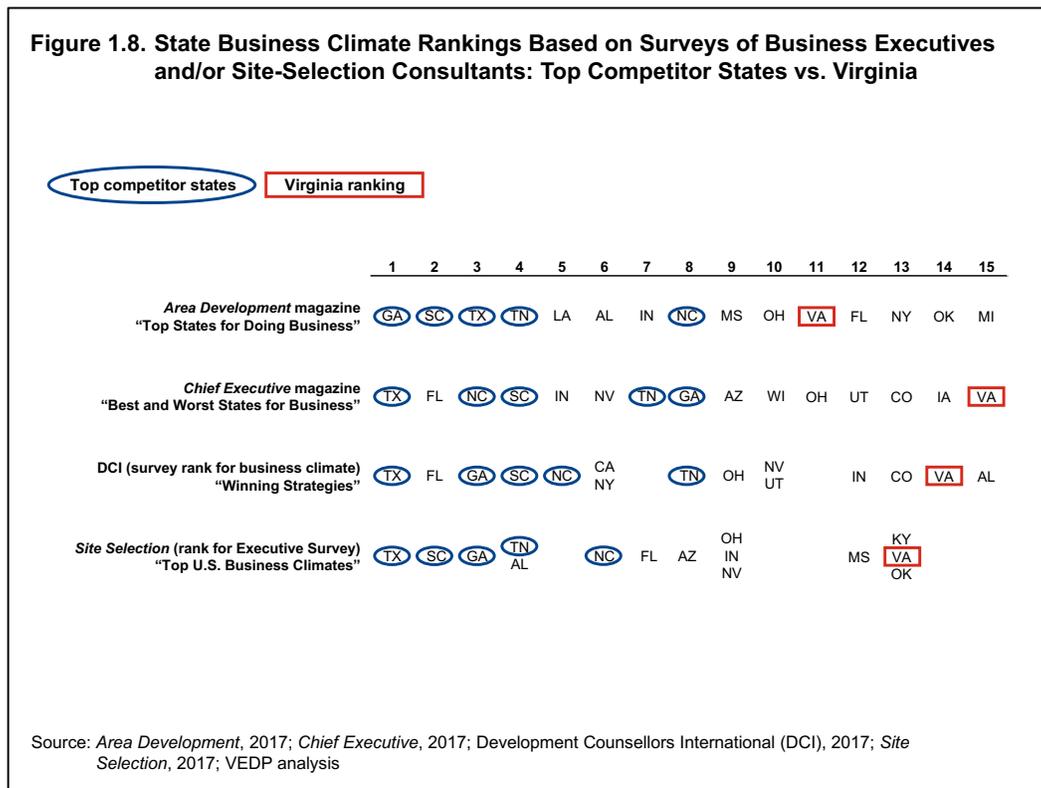
Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Top 10 rankings for educational attainment, higher education, K-12 ▪ Wide range of attractive small sites (<25 acres) in some regions ▪ Geographic location (e.g., Mid-Atlantic, contiguous with Washington, D.C.) ▪ Below average state/local tax burdens for existing firms ▪ Impressive Port of Va., NOVA airports, and spaceport on the Eastern Shore ▪ Diverse range of high-quality employers and headquarters ▪ Impressive range of federal laboratories, higher ed research ▪ Generally high-quality, high-speed broadband in served areas 	<ul style="list-style-type: none"> ▪ Lack of a 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 ROVA ▪ Unusually high reliance on federal government-related activities ▪ Limited commercialization of intellectual property ▪ Large swaths of Virginia have no broadband access
<p>* 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</p> <p>Source: U.S. News & World Report; Tax Foundation/KPMG; interviews with site consultants; McKinsey; VEDP analysis</p>	

Virginia’s many strengths enabled the Commonwealth to enjoy a long run of healthy growth, but much of that growth was fueled by federal government activity that no longer is as robust or certain as it once was. Meanwhile, other states with fewer built-in advantages have worked steadily to improve their business climates and economic development offerings such that Virginia’s previous distinction as a top-ranked state for business has faded.

A decade ago, Virginia was regularly ranked as the top or nearly the top state for business in America. For example, in 2007 and again in 2009, three national rankings organizations (CNBC, Forbes, and Pollina Corporate Real Estate) each ranked Virginia no. 1. Since then, the Commonwealth has fallen in every national ranking of state business climates, with an overall average decline of about seven places since 2009. A variety of factors contributed to these declines. Most prominent among the causes were the Commonwealth’s slowdown in economic growth and expectations of future growth (principally driven by sequestration), poor rankings for business costs (particularly state/local tax burdens for startups and expansions of existing firms), and a decline in the perceptions of Virginia among corporate executives and site-selection consultants. The latter was driven in part by the Commonwealth’s decision to stop marketing itself as an attractive location for business investment. While Virginia has a robust,

effective marketing budget for tourism, the Commonwealth eliminated its modest economic development marketing budget years ago.

In contrast to past years, the Commonwealth no longer ranks among the top 10 states for business in any published national survey of business executives and/or site consultants, as illustrated in Figure 1.8. Notably, top competitor states, including North Carolina, South Carolina, Georgia, Tennessee, and Texas, place higher than Virginia in all four of these rankings. Virginia’s relatively poor showing versus its competitors in executive surveys is driven by a lack of awareness of the Commonwealth’s assets, which in turn largely is the result of Virginia having an economic development marketing budget of approximately zero. In contrast, top competitor states typically have multimillion-dollar economic development marketing budgets, in addition to their marketing budgets for tourism.



This Strategic Plan includes strategies and initiatives designed to enhance Virginia’s economic competitiveness as well as recommends creating a targeted marketing and lead-generation program (including a special focus on rural Virginia) to ensure that key corporate executives and site-selection consultants in the U.S. and beyond are aware of the Commonwealth’s many advantages for business. The combination of these efforts will enable Virginia to return to its previous national leadership position atop the various national business climate rankings of states (transformational goal no. 3), while also positioning the Commonwealth overall for faster, more broadly shared economic growth (transformational goal nos. 1 and 2).

Assessment of VEDP's Current Position

Two decades ago, the Governor and General Assembly of Virginia created VEDP, a quasi-independent state economic development authority governed by a board of directors that spans gubernatorial administrations. This relatively novel governance structure offers the opportunity for VEDP to be a professional, nonpartisan state EDO with stable leadership that can operate nimbly and creatively to encourage the expansion of the Commonwealth's economy.

As Virginia's state EDO, VEDP must effectively execute a variety of functional roles, such as marketing, lead generation, international trade development, prospect research, project management, and incentives administration. State EDOs tend to be highly effective at some functions and less effective at others; accordingly, there is no single state EDO that is the best at every core function. During its strategic planning process, VEDP completed a critical self-assessment of each of these core functions, comparing its current approach for each function with that of organizations considered to be among the best in each area. Collectively, these functional assessments resulted in the identification of specific performance improvement opportunities and revealed important economic development capabilities that VEDP currently lacks.

The Code of Virginia details a variety of VEDP duties that can be summarized into the following eight core responsibilities. This Strategic Plan details how VEDP can best add value relative to each of these statutory duties as well as its various statutory powers, with a central focus on achieving the previously referenced five transformational goals.

- Ensure that effective marketing programs are delivered
- Encourage exports of Virginia products and services
- Engage in business development activities
- Engage in product development activities
- Encourage coordination of organizations engaged in economic development
- Assist in developing economic development strategies for Virginia
- Administer economic development incentive programs
- Fulfill various administrative and reporting responsibilities

By addressing improvement opportunities identified through its functional assessments and determinations of how best to add value relative to its statutory duties and powers, VEDP will be well positioned to achieve transformational goal no. 4 – to become (once again) one of the premier state EDOs in America.

Finally, recognizing that economic development is a team sport in which VEDP is just one of many important players, this Strategic Plan places a special focus on alignment and coordination. By better defining alignment and coordination protocols and committing fully to follow them in a spirit of genuine partnership, VEDP will be well positioned to achieve the fifth transformational goal – to exhibit collaboration and coordination as its hallmarks.

Assessment of VEDP's Core Functions

An important part of VEDP's strategic planning process involved conducting a self-assessment of the organization's core functions, as illustrated in Table 1.1 on the following page. Each core organizational function was scored based on its current level of effectiveness in comparison to best-in-class peers that were selected on a function-by-function basis (e.g., the same state EDO might be outstanding for one function and underdeveloped for another). A score of 0% would

mean that the function doesn't exist at VEDP, whereas a score of 100% would mean that VEDP itself is the national leader with little room for improvement. For example, VEDP's international trade development programs (scored at 80%) generally are considered among the best in the country, with incrementally more impact possible with increased funding, but VEDP's marketing efforts (scored at 5%) are nearly nonexistent due to a lack of any funding for marketing.

Table 1.1. VEDP's Current Performance Relative to Top-Performing Organizations, by Function

Categories of Activity	Specific Function	Performance vs. Top Group(s)*	Comment
Business Development	Research: GIS solutions	75%	More fully leverage robust capabilities in RFP responses
	Research: proposal support	65%	Need more customer feedback, improved data visualization/graphics
	Research: online real estate data	65%	Planning refresh: layout, functionality, and mobile device capability
	Research: economic / market research	65%	Need stronger mktg. materials by industry plus bus. intelligence for lead generation
	Research: workforce analytics	60%	Opportunities to improve insights and display methods
	Marketing: website	40%	Current website undergoing substantial modernization and refresh
	Project management	30%	Significant improvements underway; need customized approach to pitches
	Site-selector cultivation	20%	Need proactive, multi-channel cultivation of ~200 top site-selection consultants
	Lead generation	20%	Need to develop highly intelligent, multi-channel activities (with ROI evaluation)
	Business retention/expansion	10%	Developing targeted program in close collaboration w/ local/regional EDOs
	Marketing: other	5%	Virginia currently "silent"; needs to invest \$7-10 million annually like peer states
Product Development	Site identification and development	25%	Current resources limit ability to deliver, resulting in weak sites portfolio
	Economic competitiveness	20%	Focus more attention on identifying and addressing competitiveness opportunities
Trade Dev.	Trade development	80%	Opportunity to expand trade programs and improve collaboration with FDI cultivation
Workforce Dev.	Workforce solutions	25%	VJIP well regarded, but top-ranked programs offer turnkey solutions
Partner Relations	Government relations	60%	Needs more proactive approach, e.g., systematic/routine outreach
	Partner support and collaboration	40%	Developing standard protocol; bringing back regular meetings with partners
Support Functions	IT	50%	Explore opportunities to reallocate app resources to more strategic uses
	Incentives administration and reporting	50%	Streamline eval./proposal process; ensure consistent monitoring/reporting
	Talent management	40%	Current focus is traditional HR; limited talent cultivation and prof. development
	Incentive offerings: discretionary	30%	Build MEI partnership to better prepare to win transformational projects
	Incentive offerings: statutory	20%	Lack of options means Virginia's tax burden is worse for new vs. existing firms

* Assessments are based on strategy, resources, and execution in comparison to best-in-class peers; they do not directly reflect employee performance

Source: interviews with selected peer/aspiration organizations and site consultants; *Area Development* (2017); VEDP analysis

As illustrated in Table 1.1 above, VEDP has substantial room for improvement in most of its core functions. Some of these improvement opportunities can be addressed with existing resources (e.g., partner support and collaboration), while others (e.g., custom workforce solutions and targeted marketing efforts) cannot be accomplished without new funding. This Strategic Plan details what would be required to close each of these performance and capability gaps in order to substantially increase the effectiveness and impact of VEDP's efforts. In considering ways to improve VEDP's core functions, the strategic planning effort primarily focused on identifying ways to close major gaps and address known problems; there was less analysis on areas such as International Trade that are already well regarded as strong performers within Virginia and in the national context.

How VEDP Can Best Add Value Relative to Its Statutory Duties

With changes adopted in 2017, the Code of Virginia now requires VEDP to systematically assess how it can best add value relative to its various statutory duties and powers. During the strategic planning process, VEDP completed an assessment to make those determinations, the results of which are summarized at a high level in Table 1.2 on the following page.

First, VEDP summarized its statutory duties and powers into nine broad categories. In conducting its self-assessment, VEDP then compared its current approach and performance relative to each duty and power to how the authority could *best* add value. The degree to which VEDP's current approach and performance approaches this envisioned ideal state is reflected as a percentage. The findings outlined in this exercise, along with other planning efforts, were used to develop strategies and initiatives focused on improving VEDP's effectiveness, efficiency, and impact.

Table 1.2. Summary of How VEDP Can Best Add Value Relative to Its Statutory Duties and Powers

Category of Statutory Powers or Duties	Current as a Percent of Best-Add-Value Approach	How VEDP Can Best Add Value	Incremental Investment (\$M/yr, est.)
Ensure that effective marketing (and lead generation) programs are delivered	20%	Launch a robust, modern, marketing and branding, site consultant cultivation, and lead-generation program to improve perceptions and awareness of Virginia's assets, as well as produce more high-quality leads	10-12
Engage in business development activities	30%	Improve project mgmt. via partner protocols, customized solutions, and enhanced knowledge of sectors; enhance communications w/ partners; launch robust BRE program; create a world-class, turnkey, customized workforce recruitment and training incentive program; and launch Project Development and Special Opportunities Fund	18-23
Engage in product development activities	40%	Build site intelligence capabilities; expand current Virginia Business Ready Sites Program and site inventory; and engage in long-term site/building capacity building efforts	TBD
Encourage coordination of organizations engaged in economic development	40%	Work collaboratively with local and regional economic development practitioners to implement recently developed economic development protocols, and implement regular, proactive communications plan; also begin regular outreach with other key partners to encourage more effective coordination of state economic development efforts	0
Encourage exports of Virginia products and services	80%	Build on existing, well-regarded, oversubscribed programs by expanding staff and programs	5-7
Assist in developing economic development strategies for Virginia	20%	Reformulate Economic Competitiveness team to lead economic development strategy projects with strong analysis and stakeholder engagement; establish Economic Development Innovation and Research Fund to provide third-party expertise on complex, high-impact opportunities	1.5-3.0
Administer economic development incentive programs	50%	Create a best-in-class Division of Incentives tasked with reviewing, vetting, tracking, and coordinating VEDP-administered, discretionary, and other Commonwealth incentive programs	0.7
Fulfill various administrative and reporting responsibilities	75%	Ensure timely and efficient completion of all required administrative and reporting requirements; implement training and professional development program for VEDP staff; establish new Internal Audit function reporting to Board	0.6
Utilize powers granted to VEDP under statute to carry out its duties	50%	Fully utilize powers to own and manage property (especially for site/building development); proactively provide advice to partners on economic development services; and conduct distinctive, actionable research	TBD

While the previously referenced functional assessments and these determinations of how VEDP can best add value relative to its statutory duties represented somewhat different approaches to identifying performance improvement opportunities, each of these processes suggested largely similar actions to improve VEDP's impact and effectiveness. The outcomes of these two analyses are incorporated into the strategies and initiatives detailed in this Strategic Plan.

Alignment and Coordination with Economic Development Partners

Nearly every economic development win results in large part from the efforts of a variety of individuals and organizations that are interested in expanding economic opportunity in the Commonwealth. Accordingly, while VEDP plays an important role in economic development,

much of VEDP’s potential impact lies in its efforts to encourage the coordination of the many local, regional, and state organizations involved in economic development.

A central focus of this Strategic Plan is improving alignment and coordination among VEDP and its various partners. Figure 1.9 provides an overview of the four major types of VEDP partners, as well as how VEDP envisions working with each of them in the future.

Figure 1.9. Four Major Types of VEDP Economic Development Partners and Associated Coordination and Alignment Strategies

	Examples (not comprehensive)	Coordination and Alignment
State Leadership Partners	<ul style="list-style-type: none"> ▪ Governor ▪ General Assembly ▪ Secretary of Commerce and Trade ▪ Secretary of Finance ▪ MEI Commission – members and staff 	VEDP will meet with the Governor, Secretary of Commerce and Trade, and Secretary of Finance as often as they may desire (ideally twice per month for Secretary of Commerce and Trade) to discuss leads and active projects as well as align on strategic priorities. VEDP will seek a monthly meeting with the MEI Commission to discuss active projects and opportunities to enhance Virginia’s economic competitiveness.
Local and Regional Economic Development Practitioners	<ul style="list-style-type: none"> ▪ Local economic development practitioners and EDOs (e.g., Halifax IDA, Hampton Economic Development Authority) ▪ Regional EDOs (e.g., Onward New River Valley, Shenandoah Valley Partnership) 	VEDP will follow protocols developed with local and regional partners. The protocols document includes communications, project management, lead generation, BRE visits, RFI responses, and more. An annual survey will seek feedback on implementation. VEDP also will periodically engage partners (e.g., semiannual meetings with local and regional EDOs) to discuss joint marketing efforts and programmatic initiatives.
Project Delivery Partners	<ul style="list-style-type: none"> ▪ Port of Virginia ▪ Railroads ▪ Utilities ▪ State agencies (DHCD, VDOT, VDACS, VDEQ, SBSB) ▪ Virginia higher education institutions ▪ Virginia Tobacco Region Revitalization Commission 	VEDP engages project delivery partners whenever needed for specific economic development projects. Additionally, VEDP will propose semiannual leadership meetings with each partner organization to share priorities and discuss opportunities to better coordinate efforts. Finally, VEDP’s Economic Competitiveness Division will seek input from each project delivery partner on public policy and programmatic matters that could be addressed to improve Virginia’s economic competitiveness.
Policy and Programmatic Partners	<ul style="list-style-type: none"> ▪ Virginia Economic Developers Assoc. ▪ Virginia Chamber of Commerce ▪ Trade associations (e.g., Virginia Maritime Association, NVTC) ▪ Local/regional chambers of commerce ▪ GO Virginia ▪ VACo and VML ▪ Center for Innovative Technology ▪ SCHEV 	VEDP will engage policy and programmatic partners at least once per year (and in some cases considerably more frequently, such as with GO Virginia, the Virginia Chamber of Commerce, and VEDA) in order to share priorities and discuss policy and/or programmatic opportunities to improve Virginia’s economic competitiveness. When resources are available to do so, VEDP also will offer to partner with one or more organizations to conduct sector-specific research projects focused on positioning Virginia to grow strategically important industry sectors.

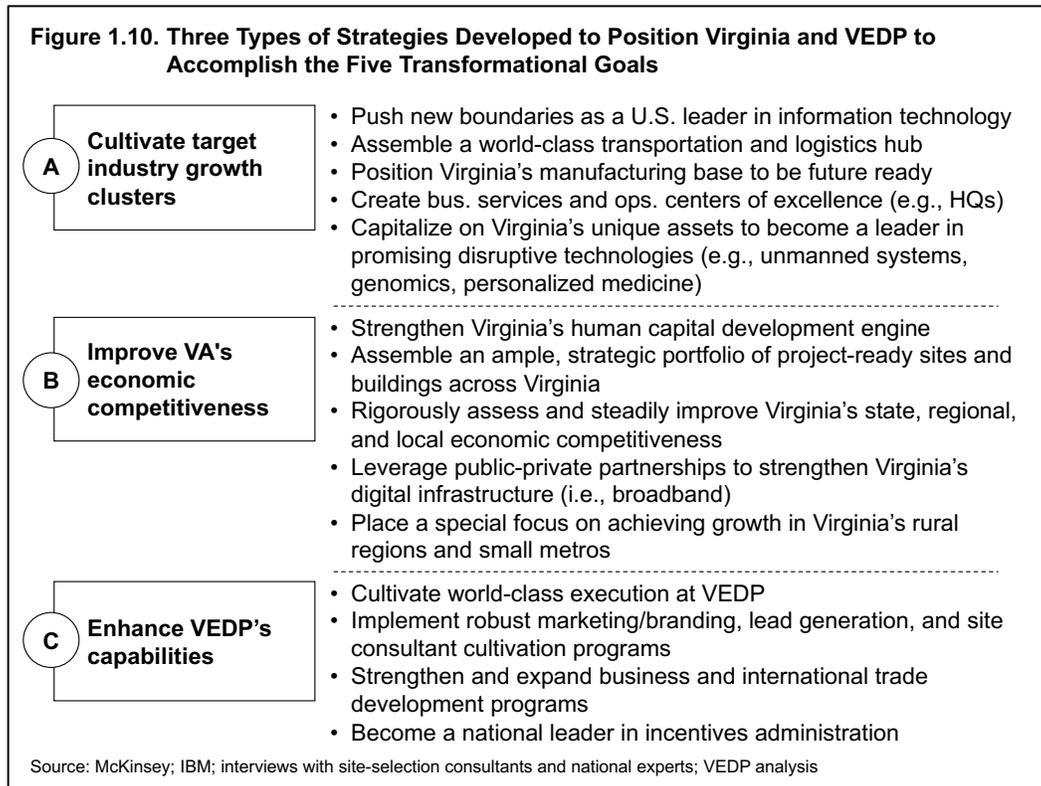
During the strategic planning process, a special focus was placed on VEDP’s coordination with local and regional economic development practitioners who collectively represent VEDP’s core partner group. With input from many local and regional partners, VEDP crafted a set of economic development protocols that provides clarity about how we will do our work together. VEDP intends to survey its partners once per year to seek feedback on how well the new protocols are working as well as to identify ways that VEDP can better execute its various operational commitments in those protocols.

A substantial challenge that must be acknowledged is that, based on IEDC-recommended funding sufficiency levels, most regional EDOs in Virginia are woefully underfunded relative to their missions. Likewise, many localities in Virginia have meager (or even zero) economic development budgets. The combination of these factors places even more pressure on VEDP to effectively perform its statutory duties as a strong state EDO for its regional and local partners,

especially in marketing and lead generation, yet the lack of state funding for marketing efforts means that VEDP currently is ill-equipped to pick up the slack.

Strategies and Initiatives

After integrating elements from the Economic Growth Analysis, as well as gathering partner suggestions, VEDP drafted a framework for action, including three types of strategies and 14 major strategies that collectively will, if funded and implemented as recommended, position the Commonwealth and VEDP to achieve the five transformational goals. These are summarized in Figure 1.10.



Building on the distinctive strengths of Virginia and its regions, the Economic Growth Analysis identified five promising industry growth clusters, each with a variety of subsectors, that can be cultivated to position the Commonwealth for faster growth. The associated initiatives are briefly summarized in Table 1.3. The “H/M/L” designations refer to high, medium, and low impact, respectively.

Table 1.3. Strategies to Cultivate Target Industry Growth Clusters

Strategy	Initiative	Incremental Investment (\$M/yr., avg.)	Impact on Goals					Execution (FY)		Leader(s)
			1	2	3	4	5	Start	Full	
Push new boundaries as a U.S. leader in IT	Attract firms in the Cybersecurity 500 index	7.5	H	L	M	L	L	20	21	VEDP
	Commit state financial support for expanded, 21st-century technology campus(es)	10.0	H	L	M	L	L	20	23	TBD
Assemble a world-class transportation and logistics hub	Collaborate with The Port of Virginia to enhance its economic development efforts	See other initiatives*	H	M	M	M	H	19	21	Port, VEDP**
	Embrace regulatory experimentation to develop the next-gen of transportation and logistics technology	TBD	M	L	M	L	L	20	22	TBD
Position Virginia's manufacturing base to be future-ready	Enhance the toolkits, strategies, and assets on hand to attract targeted firms	5.1	M	H	M	M	H	19	21	VEDP, Partners
Create business services and operations centers of excellence	Develop clusters built around IT-focused Big Push efforts	11.0	H	H	M	M	H	19	23	VEDP, Partners
	Enhance existing technology transfer efforts at universities and federal labs	1.1	M	L	M	L	L	20	22	TBD***
Capitalize on Virginia's unique assets to become a leader in promising disruptive technologies	Expand the startup ecosystem through dedicated resourcing and support	1.6	H	M	M	L	L	20	22	TBD***
	Create an InnoVate team to enhance Virginia's innovation ecosystem and branding	4.0	H	M	M	L	L	20	22	TBD***
Totals		\$40.2								

* Incremental investment estimates captured in other initiatives, such as site development and manufacturing attraction

** Strategy will be updated to reflect collaboration with The Port of Virginia's economic development strategy, once finalized

*** Owners likely will include a combination of CIT and university technology transfer offices, among others

While VEDP and its partners can collaborate to cultivate these target sectors, the Economic Growth Analysis suggested that Virginia's growth aspirations will not be realized without also improving the Commonwealth's economic competitiveness, including initiatives to strengthen Virginia's human capital development engine, prepare a strategic sites portfolio, and expand broadband access. The associated initiatives are listed in Table 1.4.

Table 1.4. Strategies to Enhance Virginia's Economic Competitiveness

Strategy	Initiative	Incremental Investment (\$M/yr., avg.)	Impact on Goals					Execution (FY)		Leader(s)
			1	2	3	4	5	Start	Full	
Strengthen Virginia's human capital development engine	Create a turnkey, customized workforce recruitment and training incentive program	17.0	H	H	H	H	H	19	22	VEDP, VCCS
	Expand supply of high-need baccalaureate degrees in critical fields	<i>Developing*</i>	H	H	H	L	L	20	23	SCHEV, Partners
	Expand supply of high-need subbaccalaureate degrees and other credentials in critical fields	<i>Developing*</i>	H	H	H	L	L	19	23	VCCS, Partners
	Upgrade VA's labor market data infrastructure to empower data-driven decision-making	2.5	H	H	M	L	L	20	21	TBD
	Build excitement for 21st-century technology education and careers in K-12	4.2	H	L	M	L	L	20	23	TBD
	Provide targeted incentives to produce and retain talent with high-demand skills and experience	<i>Developing*</i>	H	H	M	L	L	20	23	TBD
Assemble an ample, strategic portfolio of project-ready sites and buildings across Virginia	Integrate employer partnerships more deeply into the workforce and education ecosystem	2.6	H	H	M	L	L	20	22	TBD
	Strategically enhance Virginia's portfolio of development-ready sites and buildings	1.7	M	M	L	M	M	19	22	VEDP, GO Virginia
Rigorously assess and steadily improve state, regional, and local economic competitiveness	Develop a public-private partnership to launch and manage a Site Improvement Fund	<i>Developing*</i>	H	H	M	M	M	20	23	VEDP, GO Virginia
	Build a best-in-class Economic Competitiveness team within VEDP	1.1	H	H	H	H	H	19	22	VEDP
	Pursue a national rankings initiative to develop strategies and plans for marked improvement	TBD	M	M	H	H	M	19	21	VEDP, VA Chamber
	Launch an Economic Development Innovation and Research Fund	1.8	H	H	H	H	H	19	21	VEDP
	Proactively address key elements of regional economic competitiveness	TBD	M	H	M	M	H	19	21	VEDP, Partners
	Develop a framework for assessing local economic competitiveness	TBD	M	M	M	M	H	19	21	VEDP, Partners
Leverage P3s to strengthen Virginia's digital infrastructure	Assess VA's state/local tax burdens and propose targeted solutions to improve tax competitiveness	TBD	M	M	M	H	M	19	23	TBD
	Marshal the Commonwealth's full support behind expanding broadband access	<i>Developing*</i>	M	H	M	L	L	20	23	TBD
Place a special focus on growth in small metros and rural regions	Pursue a focused economic development strategy sufficient to position rural VA for growth	See other initiatives **	L	H	M	M	H	19	23+	VEDP, Partners
Total (excluding developing concepts whose investment figures are being refined)		\$30.8								

* Investment figures for developing concepts will be further refined

** Investment estimates included in other initiatives (e.g., marketing, turnkey workforce solution)

Finally, in order for VEDP to effectively attract sophisticated companies as well as to effectively partner with other organizations to drive Virginia's economic development, its capabilities must be enhanced, with a particular focus on world-class execution, marketing and lead generation, creative and professional project management, and robust incentives administration, including due diligence, incentive structuring, and post-announcement monitoring and reporting. Table 1.5 on the following page references the proposed initiatives associated with enhancing VEDP's capabilities.

Strategy	Initiative	Incremental Investment (\$M/yr., avg.)	Impact on Goals					Execution (FY)		Leader(s)
			1	2	3	4	5	Start	Full	
Cultivate world-class execution within VEDP	Implement protocols for alignment and coordination	0.0	M	M	M	H	H	19	20	VEDP, Partners
	Establish structured quarterly communications program with economic development partners	0.0	L	L	L	H	H	19	20	VEDP
	Implement a training and professional development program for VEDP staff	0.2	M	M	L	H	H	19	20	VEDP
Implement robust marketing/branding, lead generation, and site consultant cultivation programs	Implement a robust marketing, branding, and site consultant cultivation program for Virginia	7.5	H	H	H	H	L	19	20	VEDP
	Upgrade VEDP's lead generation capabilities	1.0	H	H	M	H	M	19	21	VEDP
	Implement a strategic site consultant cultivation program	1.0	M	M	H	H	M	19	20	VEDP, Partners
Strengthen and expand business and international trade development programs	Expand VEDP's Business Retention and Expansion (BRE) program	1.4	H	H	M	H	H	19	21	VEDP, Partners
	Build deep, dedicated cluster expertise within VEDP's Business Investment division	2.7	H	M	H	H	H	20	22	VEDP
	Expand VEDP's well-regarded and oversubscribed International Trade development programs	4.3	M	L	L	H	M	19	23	VEDP
	Strengthen VEDP's approach to project mgmt. to communicate Virginia's total value proposition	0.0	M	M	L	H	H	19	21	VEDP
	Launch a Project Development and Special Opportunities Fund (partially implemented)	1.5	H	H	M	H	H	19	20	VEDP
Become a leader in incentives structuring, administration, and transparency	Build a dedicated division of incentives	0.6	-	-	M	H	H	19	21	VEDP
	Develop best-in-class incentives reporting functions	0.0	-	-	M	H	L	19	20	VEDP
	Position Virginia to secure transformational economic development projects	TBD*	H	H	M	H	H	19	20	VEDP
Totals		\$20.2								

* Investment levels will be project-specific and approved on a case-by-case basis by the MEI Commission

The Economic Growth Analysis suggests that these strategies and the initiatives associated with them, if fully implemented as proposed, could yield roughly 45,000 net new jobs per year (including direct and indirect jobs), on average, in the next decade, over and above baseline growth forecasts. To be explicit, these 45,000 potential net new jobs per year are in addition to the 30,000 net new jobs annually that recent forecasts predict. Implementation and execution of this Strategic Plan will unfold over the next five years, depending on resourcing levels. Each year of 45,000 new jobs over the baseline growth will add roughly \$85 million annually in sales tax and personal income tax revenues, excluding revenues from new corporate income taxes and local taxes. Accordingly, if the various strategies and initiatives are fully implemented and sustained for a decade, state tax revenues will increase roughly \$850 million per year over and above baseline growth.

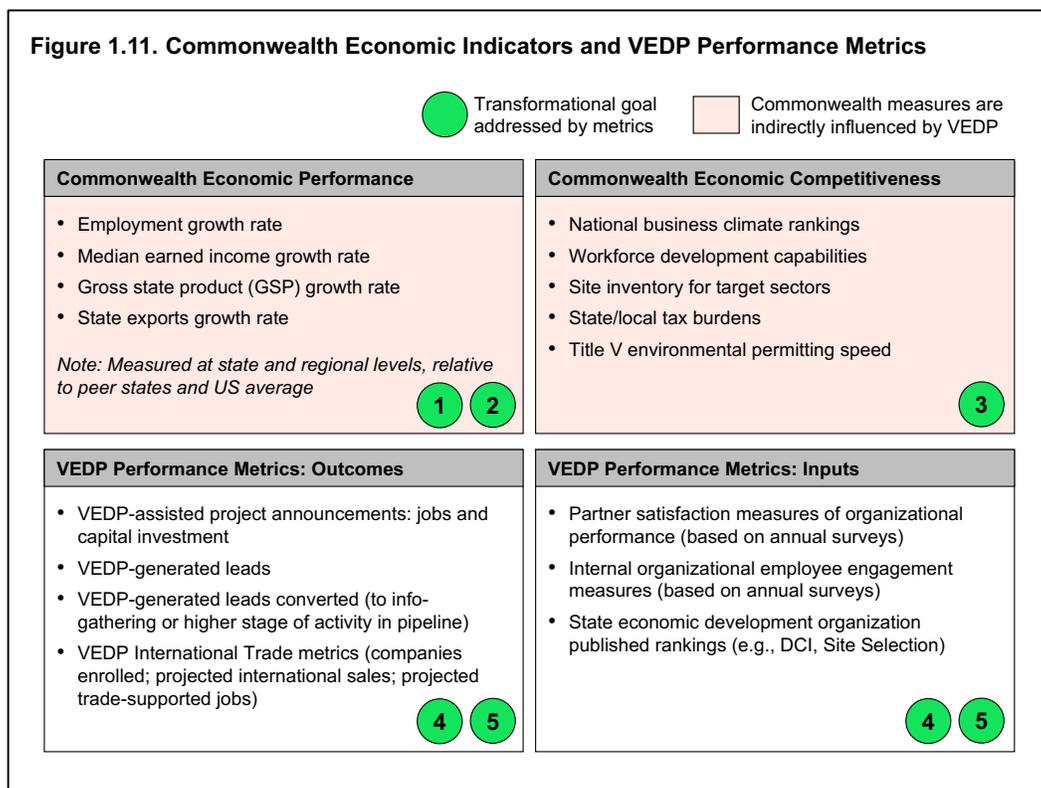
Full implementation of the proposed strategies and initiatives detailed in the previous three tables would require substantial new state investment, ramping up over five years to approximately \$90-95 million annually, excluding the five developing initiatives noted in Table 1.4. The developing initiatives require additional development to refine their designs and cost estimates. Collectively the developing initiatives are likely to require an additional annual investment ramping to roughly \$150-200 million over five years.

While these investments are considerable, the benefits of fully implementing this Strategic Plan would be transformational for the Commonwealth. In addition to the previously referenced new state tax revenue, Virginia would benefit from a return to net domestic population in-migration, billions more in sales for small businesses, substantially more economic opportunity in smaller metro areas and rural regions, and a restoration of its previous standing as one of America's best states for business.

Success will require collaboration across the previously referenced economic development partners (see Figure 1.9), high levels of execution from both VEDP and its partners, and the leveraging of technical expertise in certain high-impact areas (e.g., IT, genomics). Just as important, success will require significant investments, as previously noted.

Performance Indicators and Measures

Sound execution must be accompanied by detailed and meaningful progress monitoring. In order to measure success against each transformational goal as well as their precursors, VEDP has outlined two sets of economic metrics that it intends to track. The first set are Commonwealth performance metrics that are beyond VEDP’s direct control but function as indicators guiding VEDP’s strategies. The second set directly reflect VEDP’s activity and performance. Figure 1.11 highlights the envisioned performance indicators and metrics.



Baseline and target metrics will be developed as part of VEDP’s annual operational planning process. These indicators and metrics will be refined over time with input from VEDP’s local, regional, and state partners.

Conclusion and Call to Action

This Strategic Plan outlines an ambitious economic vision for Virginia and VEDP as well as specifies what is required to bring that vision to life. It begins by articulating five transformational goals and ends with a comprehensive list of targeted, actionable strategies and initiatives,

complete with performance metrics, cost and impact estimates, as well as suggested owners and implementation timelines for each of the initiatives.

Virginia has an important choice to make – maintain the status quo, watching peer states continue to outpace Virginia while some of the Commonwealth’s rural regions continue to languish, or commit to adapt, innovate, and invest in strategies that will drive healthy, broadly shared growth over the next decade and beyond. With a belief in Virginia’s unrealized growth potential and in a spirit of continued collaboration with its various partners, VEDP sets forth this strategic vision for economic development in the Commonwealth of Virginia.

Please note that this Strategic Plan will be complemented by an annual Operational Plan and an annual Marketing Plan – separate documents representing new requirements in the Code of Virginia – that will provide detailed tactical action plans for implementing VEDP’s strategic initiatives and other activities with improved accountability and performance. Additionally, the strategic planning process did not focus on agriculture (other than agriculture-related value-added manufacturing opportunities, such as food and beverage processing) or tourism because there are other state agencies with particular expertise and responsibility in those areas.