



# LEGISLATION AND POLICY COMMITTEE MEETING

State Capitol, Richmond

October 20, 2021

**VEDP** | Virginia  
Economic  
Development  
Partnership  
VEDP.org

# AGENDA

## Operational Budget Requests

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# POTENTIAL ONE-TIME FUNDING REQUEST FOR FY21-22 BIENNIUM (CABOOSE BUDGET) FROM STATE SURPLUS

Initiative	Est. job impact per year*		Est. timeline to impact (CY)		Additional investment (\$M)	
	Low	High	50%	100%	FY21	FY22
A. Expand Virginia Business Ready Sites Program	2,200	10,000	24	25	0.0	150.0
<b>Total</b>					<b>0.0</b>	<b>150.0</b>

\*Digital is using a multiplier of 2; manufacturing is using a multiplier of 2.5 to capture indirect as well as direct jobs

# A. EXPAND VIRGINIA BUSINESS READY SITES PROGRAM (VBRSP) VIA ONE-TIME INFUSION TO CATCH-UP TO COMPETITORS

## Overview:

- The absence of developable sites and buildings led to elimination from consideration for at least 40 projects representing over 28,000 jobs and up to \$215M in estimated annual state revenue.
  - In the final months of FY21 alone, the lack of project-ready sites resulted in the loss of a semiconductor plant (\$17B, 2,000 jobs) and electric vehicle assembly facility (\$3.5B, 5,000 jobs).
- Virginia's peer states spend tens of millions of dollars annually for site development and have allocated additional funds to attract firms as the economy recovers from the pandemic.
  - NC governor's budget proposed \$50M in site funding, with \$20M for mega site development
  - In May 2021, Georgia announced the purchase of the Bryan County Megasite for \$62M
- Significant investment is required to ready Virginia's site portfolio to compete against key peers. Otherwise, Virginia will continue to lose economic development projects due to lack of a prepared site.

## How funding will be utilized:

- The one-time funds will be used to advance sites to higher tiers to create a strategic portfolio of 'project ready' sites that are capable of accommodating a project within 12-18 months.
- \$100M in funding will be used to prepare mega sites to accommodate the exceptional needs and short timelines of the current wave of large project opportunities.
- \$50M in funding will be used to prepare a geographically-diverse portfolio of strategic mid-sized sites to compete for projects across the state.

## Impact:

- Prioritized site investments into mega and mid-sized sites are expected to support projects generating roughly 20,000 direct jobs and 50,000 total jobs, with state general fund revenue estimates of \$130-180M annually.

# POTENTIAL VEDP FY23-24 BIENNIUM OPERATIONAL BUDGET PROPOSALS

Initiative	Est. job impact per year*		Est. timeline to impact (CY)		Additional investment (\$M)	
	Low	High	50%	100%	FY23	FY24
<b>A.</b> Final Ramp of the Virginia Talent Accelerator Program to support statewide coverage	1,500	3,000	23	24	2.3	2.3
<b>B.</b> Fund initiatives outlined in the Virginia International Trade Plan	3,000	7,500	23	24	3.5	7.0
<b>C.</b> Expand out-of-state marketing for the Commonwealth	1,500	2,500	24	25	1.5	3.0
<b>D.</b> Sustained funding for Code of Virginia requirements and JLARC recommendations <ul style="list-style-type: none"> <li>▪ Incentives Division</li> <li>▪ Internal audit function</li> <li>▪ VEDP training, professional development, and talent management program</li> </ul>	N/A <sup>1</sup>	N/A <sup>1</sup>	23	23	1.0	1.0
<b>Total</b>					<b>8.3</b>	<b>13.3</b>

\*Digital is using a multiplier of 2; manufacturing is using a multiplier of 2.5 to capture indirect as well as direct jobs

<sup>1</sup>Not a function of direct job creation for VEDP but is an enabler to other VEDP initiatives

# A. FINAL RAMP OF THE VIRGINIA TALENT ACCELERATOR PROGRAM TO SUPPORT JOB CREATION OPPORTUNITIES STATEWIDE

## Overview:

- Workforce consistently ranks as the #1 decision factor among competitive job creation projects. States with a service-based approach consistently rank the highest. The custom workforce program is explicitly designed to rapidly re-skill an area's workforce to the exact requirements of a new or expanding employer.
- Reshoring manufacturing continues to be among the most imminent and largest scale post-COVID job creation opportunities.
- While all states have been competing for these projects, Virginia is one of only a handful of states with a service-based training incentive. This gives VA a competitive edge particularly among manufacturers, which generally prefer a service-based approach. However, the current funding level is insufficient to serve the eligible job-creation projects across the Commonwealth and to capitalize on the reshoring wave.
- This proposal addresses the need to expand the program's capacity. This will be especially beneficial to rural Virginia because manufacturers tend to locate away from large metropolitan areas.
- The current \$7.4M budget was designed to launch the program, not to fully fund it. This funding level is significantly less than that of the nation's highest ranked program budgets.
  - Georgia Quick Start FY20 budget was \$11.4M, Virginia's GDP is 90% the size of Georgia's
  - Louisiana Fast Start's FY20 budget was \$9.0M, Virginia's GDP is twice the size of Louisiana's

## How funding will be utilized:

- This additional funding will be used to increase the number of training, recruitment, and visual media development professionals on staff to support the creation of roughly 1,200 more jobs annually.

## Impact:

- This final \$2.3M of the originally proposed \$9.7M budget will fully fund the program which was designed to generate a total of 5,000 additional direct jobs annually; at least half of those in rural/small metros.
- Virginia has already transformed from being poorly ranked for workforce development programs to being a top-five program within the first two years of operations, exceeding VEDP's promise to the state.
- The program has since advanced to no. 2 in the 2021 *Business Facilities* and *Area Development* rankings. The expansion of this program will lead to a consistent top-three ranking for VA.

## **B. LEVERAGE THE REACH AND IMPACT OF TRADE DEVELOPMENT PROGRAMS TO OPTIMIZE SUPPLY CHAINS AND BUILD RESILIENCE**

### **Overview:**

- As companies recover from COVID-19, existing Virginia businesses are facing significant challenges, including accessing international markets and customers, shifting to delivering products and services digitally, and sourcing components via overseas supply chains.
- VEDP's oversubscribed international trade development programs, which already support an annual average<sup>1</sup> of 5,800 jobs in the Commonwealth and \$647 million in international sales by Virginia companies, are positioned to continue supporting Virginia exporters with these challenges. However, additional funding is required in order to enhance these resources and provide them to more Virginia companies.
- Additional funding would allow VEDP to continue implementation of the International Trade Plan for the Commonwealth of Virginia, jointly developed by VEDP, VDACS, the Port of Virginia, and other stakeholders.

### **How funding will be utilized:**

- VEDP proposes to expand the reach and impact of its international trade development programs by:
  - Enabling existing businesses to find new international sales opportunities in new international markets
  - Facilitating in-person and virtual connections between Virginia companies and international customers with a focus on international market research, digital marketing, and cybersecurity enhancements
  - Leveraging opportunities to capture new international sales for existing businesses in current growth industries such as cybersecurity, e-commerce, and IT
  - Expanding Virginia's Supply Chain Optimization Program to assist more Virginia companies in building supply chain resilience

### **Impact:**

- These initiatives will provide timely support to a total of 635 Virginia businesses, support approximately 5,000 trade-related jobs, stimulate new economic activity, and diversify Virginia's economy.

<sup>1</sup>The annual average for jobs supported and international sales are based on data from FY18, FY19, and FY20.

## C. EXPAND OUT-OF-STATE MARKETING FOR THE COMMONWEALTH

### Overview:

- Marketing Virginia's assets for business is instrumental in attracting new jobs and investment to the Commonwealth.
- Virginia has traditionally done well in business rankings which rely primarily on quantitative data, but Virginia has not ranked well on those that are perception-based which speaks to a gap in knowledge of Virginia's business climate that can potentially be closed with additional investments in marketing.
- This proposal would bring Virginia more in line with many of its competitors (e.g., Ohio, Georgia, Michigan) which invest significantly more in marketing themselves for business.

### How funding will be utilized:

- The new funding will be utilized to expand VEDP's marketing collateral and online presence and will add significant multi-channel paid media marketing to raise the profile of the Commonwealth, including rural Virginia, to companies within the Commonwealth's targeted sectors.
- See following slide for a breakdown of envisioned activities.

### Impact:

- Virginia will become perceived as one of the top 5-7 states for business in the U.S. (based on surveys of C-level execs and/or top site consultants).
- Virginia will secure 50-100 more high-quality leads per year in targeted traded industry sectors.
- Virginia will secure 5-10 more high-quality announcements each year creating at least 1,500-2,500 more high-wage direct jobs annually.



## C. MARKETING - WITH ADDITIONAL FUNDING, VEDP WILL IMPLEMENT A PAID MEDIA CAMPAIGN, AS WELL AS EXPAND OTHER STRATEGIES

Strategy	Focus				\$2.7M (\$M)	\$4.2M (\$M)	\$5.7M (\$M)	\$7.5M (\$M)	\$10M (\$M)	Envisioned Activities (New/Additional)
	General Perception	Rural Virginia	Target Industries	Site Selectors						
Create best-in-class marketing materials to articulate advantages for business for each of the Commonwealth's target sectors and regions	High	High	High	Medium	1.1	1.5 (+ .4)	1.55 (+.45)	1.75 (+.65)	2 (+.9)	Develop new marketing tools and assets; enhance VEDP's online presence with additional landing pages in conjunction with new ad campaign(s)
Leverage creative, paid marketing placements to increase awareness and improve perceptions of VA among C-level executives and top site selectors	High	Medium	Medium	Medium	.6	1 (+ .4)	1.5 (+ .9)	2 (+1.4)	3 (+2.4)	Strategically place paid media (could include video pre-roll, radio, digital, print, social media)
Strategically place paid media to raise the profile of rural VA as a business destination	Medium	High	Medium	Medium	0	.25 (+ .25)	.25 (+ .25)	.25 (+ .25)	.5 (+ .5)	Strategically place paid media
Develop and place messaging to position VA as a business location of choice for target sectors	Medium	Medium	High	Medium	0	.25 (+ .25)	.5 (+ .5)	.5 (+ .5)	.5 (+ .5)	Strategically place paid media
Sponsor and host events and conferences targeting site consultants and c-level executives to raise awareness of VA's advantages for business	Medium	Medium	High	High	.5	.5	1 (+ .5)	1 (+ .5)	1 (+ .5)	Recruit industry/site selector conferences to VA; sponsor and host events for targets in conjunction with partners
Host FAM tours for influencers (e.g., site selection consultants, industry media) to experience VA first-hand	Medium	High	High	High	.1	.1	.15 (+ .05)	.25 (+ .15)	.25 (+ .15)	
Utilize direct mail, email, and social media to communicate with core targets and influencers about VA's business climate strengths	High	High	High	High	.4	.6 (+ .2)	.75 (+ .35)	.75 (+ .35)	.75 (+ .35)	Distribute <i>Virginia Economic Review</i> more broadly, incl. co-mailing; deploy direct mail campaigns to communicate VA's advantages for business
Increase VEDP's lead generation capacity with supplemental staff and resources	Low	Medium	High	High	0	0	0	1 (+ 1.0)	2 (+ 2.0)	

## D. SUSTAINED FUNDING FOR CODE OF VIRGINIA REQUIREMENTS AND JLARC RECOMMENDATIONS

### Overview:

- VEDP has implemented new activities in response to Code of Virginia requirements and audit recommendations that lack full, sustained funding sources (i.e., implementation has effectively reduced funding for existing, ROI-generating programs):
  - Fully Funding the Incentives Division with VEDP
  - Establishing the Internal Audit Function within VEDP
  - Implementing a training and professional development program for VEDP staff

### How new funding will be utilized:

- \$350K of dedicated funding would be utilized to fund the 5 existing full-time positions to oversee the management of five discretionary incentive programs (COF, VIP, MEE, VEDIG, VJIP), the implementation of three site-related funding programs (VBRSP, VBAF, CEDA), the management of a by right incentive (Data Center Sales and Use Tax Exemption), and the administration of custom grant agreements.
- \$200K of dedicated funding for the Internal Audit function would support a third-party contract for audit services, which provides flexibility to the VEDP Board for implementing an Internal Audit program and offers more consistent audit expertise across a wider variety of subject competencies.
- \$450K of dedicated funding for the training and professional development program would support 2 recently added HR positions as well as third-party training and development resources.

### Impact:

- VEDP will not be able to sustain funding to address new statutory requirements without reducing funding for existing, ROI-generating programs through administrative costs.

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# POTENTIAL ONE-TIME FUNDING REQUEST FOR FY21-22 BIENNIUM (CABOOSE BUDGET) FROM STATE SURPLUS AND ADJUSTMENT

Initiative	Summary	Additional investment (\$M)	
		FY21	FY22
<b>A.</b> Change the funding source for Jefferson Lab (JLab) to GF	Reverts the funding source for JLab to the GF instead of the Commonwealth's Development Opportunity Fund (COF)	0.0	1.5
<b>B.</b> Reduce funding for the Shipping & Logistics Custom Grant	Based on the revised MOU for CMA CGM this reduces the custom grant in FY22	0.0	(6.3)
<b>Total</b>		<b>0.0</b>	<b>(4.8)</b>

# POTENTIAL VEDP FY23-24 BIENNIUM INCENTIVE RELATED BUDGET PROPOSALS

Initiative	Summary	Additional investment (\$M)	
		FY23	FY24
<b>A.</b> Change the funding source for Port of Virginia Economic and Infrastructure Development Zone Grant Fund to GF	Changes the funding source for the Port of Virginia Economic and Infrastructure Development Zone Grant from the COF to the General Fund (GF)	\$2.0	\$2.0
<b>B.</b> Fund the Major Headquarters Workforce Grant Fund (Amazon)	Provides funding for grant payments to the company according the payment schedule outlined in the legislation and performance agreement	42.5	42.5
<b>C.</b> Eliminate reference to a Major Aerospace Manufacturer for the use of clawback funds for site improvements	Allows up to \$5M in clawback funds for the COF to be used for site improvements for Prince George County but eliminates the language regarding Rolls Royce	Language	Language
<b>D.</b> Reduce the Virginia Investment Performance (VIP) Grant*	Adjusts funding for VIP projects according to the payment schedule and based upon performance verification	(1.2)	(1.5)
<b>E.</b> Eliminate or adjust funds for custom grants*	Remove any custom grants that have been paid out or adjust grants according to the payment schedules outlined in legislation and performance agreements	(11.0)	(9.8)
<b>Total</b>		<b>32.3</b>	<b>33.2</b>

\*Did not include supplemental slides

# A. CHANGE THE FUNDING SOURCE FOR PORT OF VIRGINIA ECONOMIC AND INFRASTRUCTURE DEVELOPMENT ZONE GRANT FUND TO GF

## Overview:

- Since 2013, a portion of funds have been dedicated to the Economic and Infrastructure Development Zone Grant Fund. In 2014, the House Appropriations Committee proposed changing the funding source from the General Fund (GF) to the Commonwealth's Development Opportunity Fund (COF). Since that time, the funding source for the Infrastructure Development Zone Grant Fund has been the COF.
- The COF is one of the Commonwealth's widely used and successful economic development programs with high demand year after year. In the Joint Legislative Audit Review Committee's (JLARC) Economic Development Incentives report (Dec. 2020), the COF averages 27 projects a year.
- VEDP is a top supporter and partner of the Port of Virginia and values the Economic and Infrastructure Development Zone Grant fund and would like for these two programs to compliment each other adding additional value versus utilizing the same source of funding.
- Utilizing the GF would free up COF funds to increase the programs impact.

## How funding will be utilized:

- Up to \$2 million each year from the GF will be used for awards for the Port of Virginia Economic and Infrastructure Development Zone Grant Fund.

## Impact:

- This will free up \$4 million over the biennium to be utilized by the Governor to secure a company location or expansion in Virginia in the face of serious competition from other states or countries.

## **B. FUND THE MAJOR HEADQUARTERS WORKFORCE GRANT FUND (AMAZON)**

### **Overview:**

- The major headquarters grant program was established in the 2019 session from the Amazon Headquarters announcement. This custom grant was approved by the Major Employment Investment (MEI) Commission and announced by Governor Northam in November 2018.
- Amazon is establishing a second east coast headquarters in portions of Pentagon City and Crystal City in Arlington County, Virginia and Potomac Yard in the City of Alexandria, Virginia.
- Originally, budget language provided for a portion of online sales tax revenue (Wayfair bill) to be deposited into the fund but was ultimately removed from budget language.

### **How funding will be utilized:**

- This request provides the deposits into the fund needed to cover payments anticipated for the company in the coming years.
- VEDP recommends providing level funding over the next six years versus larger lump sums requested in future years.

### **Impact:**

- Amazon, Inc. is investing approximately \$2.5 billion to establish a major new headquarters in Virginia creating more than 25,000 high-paying jobs.

## **C. ELIMINATES REFERENCE TO A MAJOR AEROSPACE MANUFACTURER FOR THE USE OF CLAWBACK FUNDS FOR SITE IMPROVEMENTS**

### **Overview:**

- This language was originally provided for improvements to the Cross Pointe site in Prince George County with the location of Rolls Royce.
- To date, VEDP has paid Prince George County \$2,361,399.91 in clawback funds for site improvements at Cross Pointe. This leaves \$2,638,600.09 in funds that could be used for site improvements.
- In order to use the remaining funds, the reference to Rolls Royce would need to be eliminated from the budget language.

### **How funding will be utilized:**

- This request does not provide additional funding but allows Prince George County to access up to \$2.6 million in clawback funds from the COF for site improvements.

### **Impact:**

- This provides access to a source of funding for site improvements previously allotted to Prince George County to help further attract additional companies for use of the site.



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# POTENTIAL VEDP LEGISLATIVE PROPOSALS FOR 2022 GENERAL ASSEMBLY SESSION

Initiative	Summary	Additional investment (\$M)	
		FY23	FY24
<b>A.</b> Extend the sunset for Major Business Facilities Job Tax Credit	Extends the sunset for the Major Business Facilities Job Tax Credit to 2025	0.0	0.0
<b>B.</b> Revise Shipping & Logistics Headquarters Grant project parameters	Revises language for CMA CGM based on revised MOU	(5.0)	(5.2)
<b>C.</b> Expand Electric Utility Pilot Program	Expands list of eligible sites for the Electric Utility Pilot Program provided under § 56-585.1:10	0.0	0.0
<b>D.</b> MEI Custom Grants	Grants approved and announced by the MEI Commission	TBD <sup>1</sup>	TBD <sup>1</sup>

<sup>1</sup>May require additional investment or have a GF revenue impact

# A. EXTEND THE SUNSET FOR MAJOR BUSINESS FACILITIES JOB TAX CREDIT

## Overview:

- The Major Business Facility Job Tax Credit (MBFJTC) has been a successful program that allows qualified companies locating or expanding in Virginia to be eligible to receive a \$1,000 income tax credit for each new full-time job created over a threshold number of jobs beginning in the first taxable year following the taxable year in which the major business facility commenced or expanded its operations.
- The MBFJTC lowers the effective tax rate for qualifying project types that create at least 50 full-time jobs.
- Since its enactment in 1995, the MBFJTC has been a significant factor in many companies' decisions to locate or expand in Virginia.
- The MBFJTC sunset was last extended in the 2019 General Assembly session.

## Recommendations:

- Extend the sunset date for the MBFJTC from the current date of July 1, 2022, to July 1, 2025.

## Impact:

- Extending the MBFJTC's sunset date would maintain the ability of VEDP and its local and regional economic partners to attract major economic development projects.
- Since the MBFJTC is a tax credit program, no funds will need to be allocated in the budget.
- The extension of the sunset date of the MBFJTC is assumed in the official General Fund revenue forecast, this bill would have no additional impact on General Fund revenue.

## **B. REVISE SHIPPING & LOGISTICS HEADQUARTERS GRANT PROJECT PARAMETERS**

### **Overview:**

- The shipping and logistics grant program was established in the 2021 Special Session I. This custom grant was approved by MEI and announced by the Governor in February 2021.
- CMA CGM Group, a world leader in shipping and logistics, will retain its North American headquarters in the City of Norfolk and establish ZEBOX in Arlington County, a start-up incubator and accelerator.

### **Recommendations:**

- This proposal revises §59.1-284.39. to restructure the incentive to be post-performance and eliminate the requirement of the company to establish an escrow account.
- In lieu of a \$9.5M custom grant the company will receive approximately 500K from COF and \$9M in a custom grant, both to be to paid post-performance over 10 years.

### **Impact:**

- This restructured deal still provides the retention of approximately 655 current employees, and will grow its presence in the Commonwealth, resulting in the creation of more than 400 new jobs in Hampton Roads and Northern Virginia.
- The company will also invest a projected \$36 million to expand customer care and finance operations in Hampton Roads and launch ZEBOX in Arlington.

## C. EXPAND ELECTRIC UTILITY PILOT PROGRAM

### Overview:

- In 2019, legislation was passed that created the Electric Utility Pilot Program allowing the utilities to recover funds for electric infrastructure investments to certain sites based on eligibility outlined in § 56-585.1:10.
- Of the eligible sites identified, Appalachian Power Company has submitted applications for two sites within their territory (Commonwealth Crossing and Berry Hill).
- Dominion nor the Electric Cooperatives have submitted any applications.

### Recommendation:

- Expand the criteria of eligible sites to include key, high-targeted sites within each territory

### Impact:

- Now that VEDP has completed the sites characterization initiative, we are able to recommend sites that would be ideal candidates for this program.
- This will help to address one of the most significant delays in site development, providing electric service to a site.

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# Open Discussion