# SOLIDIFYING VA'S POSITIONS AS A TOP STATE FOR BUSINESS (AND GROWTH)

November 15, 2022

Virginia Economic Development Partnership
VEDP.org

# IMPROVING VIRGINIA'S POSITION IN NATIONAL RANKINGS

Rosslyn

# TRANSFORMATIONAL GOALS FOR THE COMMONWEALTH

1
## Robust State Growth
Position Virginia to achieve a growth rate 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

3
## Best State for Business
Restore Virginia to its previous leadership position near the top of the national business climate rankings

4
## Top State EDO
Reestablish VEDP as one of America’s most effective state economic development organizations

5
## Super Collaborator
Exhibit collaboration and coordination as hallmarks of VEDP (i.e., place a central focus on the “P” in VEDP)

# WHY BUSINESS CLIMATE RANKINGS MATTER

**Business climate rankings:**

- Influence, reflect, and reinforce firms' perceptions of state business climates
  - Can influence whether states are considered for firms' new or expansion projects[1]
  - Regularly result in free media coverage, both positive and negative
  - Demonstrate progress in economic development to Virginians and key stakeholders

- Reveal opportunities to enhance Virginia's economic competitiveness and its advantages relative to competitors
  - Identify improvements or declines in specific areas and metrics to better inform policy
  - Detail the current priorities of national business leaders and site selection consultants

[1] In a 2020 DCI poll, 25% of executives and site selection consultants said that rankings/surveys were one of their three leading information sources when evaluating states' business climate

Source: DCI Winning Strategies (2020)

# VEDP FOCUSES ON SEVEN NATIONAL RANKINGS TO UNDERSTAND VIRGINIA'S COMPETITIVENESS AND IMPROVE OUR STANDINGS

| Publication | Rank | Next publication | Last published | Last rank | Highlights |
|---|---|---|---|---|---|
| *Area Development*: Top States for Doing Business | ↑ 7 | Sept 2023 | Sept 2022 | 8 | VA's Talent Accelerator Program ranked No. 2 in nation; investments in marketing and VBRSP expansion would improve overall rank |
| *Site Selection*: Top Business Climates | ↑ 1 | Nov 2023 | Nov 2022 | 10 | VA's skilled tech-sector workforce, ongoing infrastructure improvements, and project wins secured No. 1 rank. GA remains close behind. |
| *Chief Executive*: Best States for Business | ↓ 14 | April 2023 | April 2022 | 13 | VA dropped one rank in 2022, remaining behind its 2010 ranking of No. 4; top states invest in strategic marketing targeting corporate executives and offer robust incentives |
| CNBC: Top States for Business | ↓ 3 | July 2023 | July 2022 | 1 | Slowing growth and methodological changes respectively harmed VA's Economy and Workforce scores, causing the Commonwealth to fall to No. 3. Education and Business Friendliness remain sources of strength |
| *Business Facilities*: Best Business Climate | ↓ 2 | July 2023 | July 2022 | 1 | Despite VA's strategic investments in workforce through TTIP and the Virginia Talent Accelerator Program, North Carolina claimed first place through high-profile economic development wins |
| Development Counsellors International (DCI) Best Places for Business | ↑ 12 | Oct 2023 | Oct 2020 | 14 | VA's performance in this survey-based ranking lags peer competitor states; performance would be strengthened by strong investment in marketing |
| Forbes: Best States for Business | ↔ 4 | TBD | Nov 2019 | 4 | VA's overall rank remained the same, despite decline in Regulatory Environment (from 1 to 3); Business Costs ranking (30) still a drag |

Last updated: November 2022

# VIRGINIA RANKS BEHIND MOST KEY COMPETITOR STATES IN NATIONAL SURVEYS OF EXECUTIVES AND SITE CONSULTANTS

### Perception Benchmarks

Virginia has traditionally done very well in best states for business rankings that rely primarily on quantitative data (e.g., educational attainment, quality of life, crime, health). Virginia has not ranked as well in rankings that are based on perceptions of executives and/or site-selection consultants. This speaks to a gap in knowledge of Virginia's business climate that can be closed in part with marketing.

| | | Top-ranked states (latest available rankings) | | | | | | | | | | Virginia's rankings over time | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 2021 | 2022[1] | Change |
| Quantitative rankings | CNBC (2022) | **NC** | WA | **VA** | CO | TX | TN | NE | UT | MN | GA | 1 | 3 | -2 |
| | Forbes (2019)[1] | **NC** | TX | UT | **VA** | FL | GA | TN | WA | CO | ID | N/A | N/A | - |
| | *Site Selection* (2022)[2] | **VA** | GA | TX | **NC** | AZ | OH | FL | IN<br>CA | - | IL | 10 | 1 | 9 |
| Perception-based rankings | *Business Facilities* (2022)[3] | **NC** | **VA** | UT | TX | TN | GA | MN | OH | CO | WA | 1 | 2 | -1 |
| | *Area Development* (2022) | GA | TN | SC | TX | **NC** | AL | **VA** | OH | IN | MS | 8 | 7 | 1 |
| | *Chief Executive* (2022) | TX | FL | TN | AZ | **NC** | IN | OH | NV | SD | UT | 13 | 14 | -1 |
| | DCI Winning Strategies (2020) | TX | GA | **NC** | FL | TN | CA | NY<br>SC | - | IN<br>OH<br>AL<br>**VA** | - | 14 | 12 | 2 |

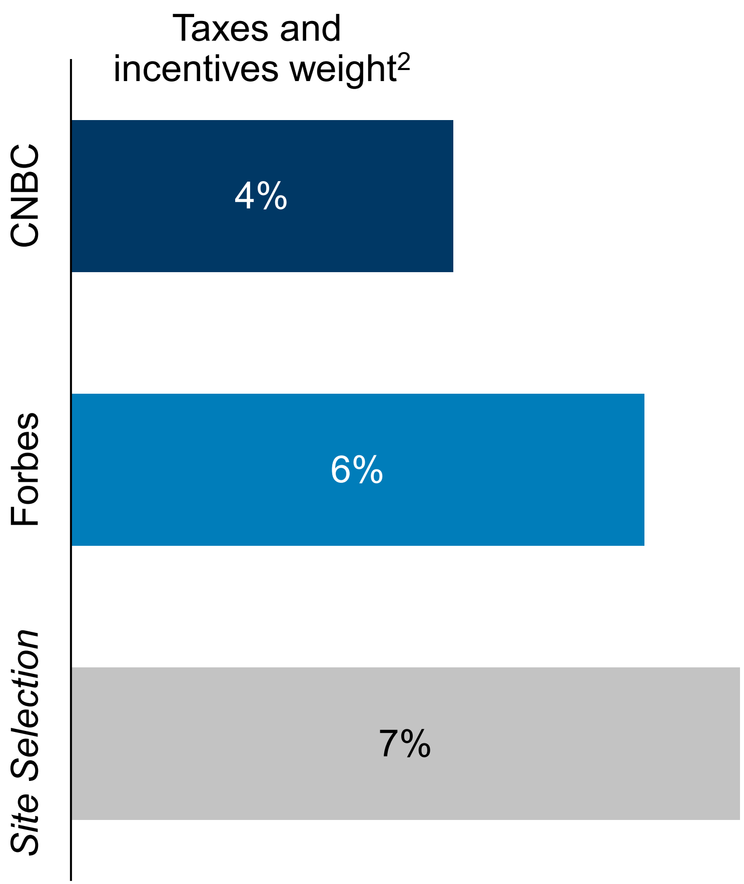
[1] Or latest available year and prior year; Forbes omitted as it did not release a 2020 or 2021 ranking

[2] As of 2022, 93% of *Site Selection*'s ranking is determined quantitatively, with 7% determined by readership survey

[3] Rankings made by publisher (all other perception-based rankings are based on surveys of execs and/or site consultants)

# TAX AND INCENTIVES POLICY IS VIRGINIA'S LARGEST LEVER FOR SHORT-TO-MEDIUM TERM GAINS IN RANKINGS

## Quantitative impacts[1]



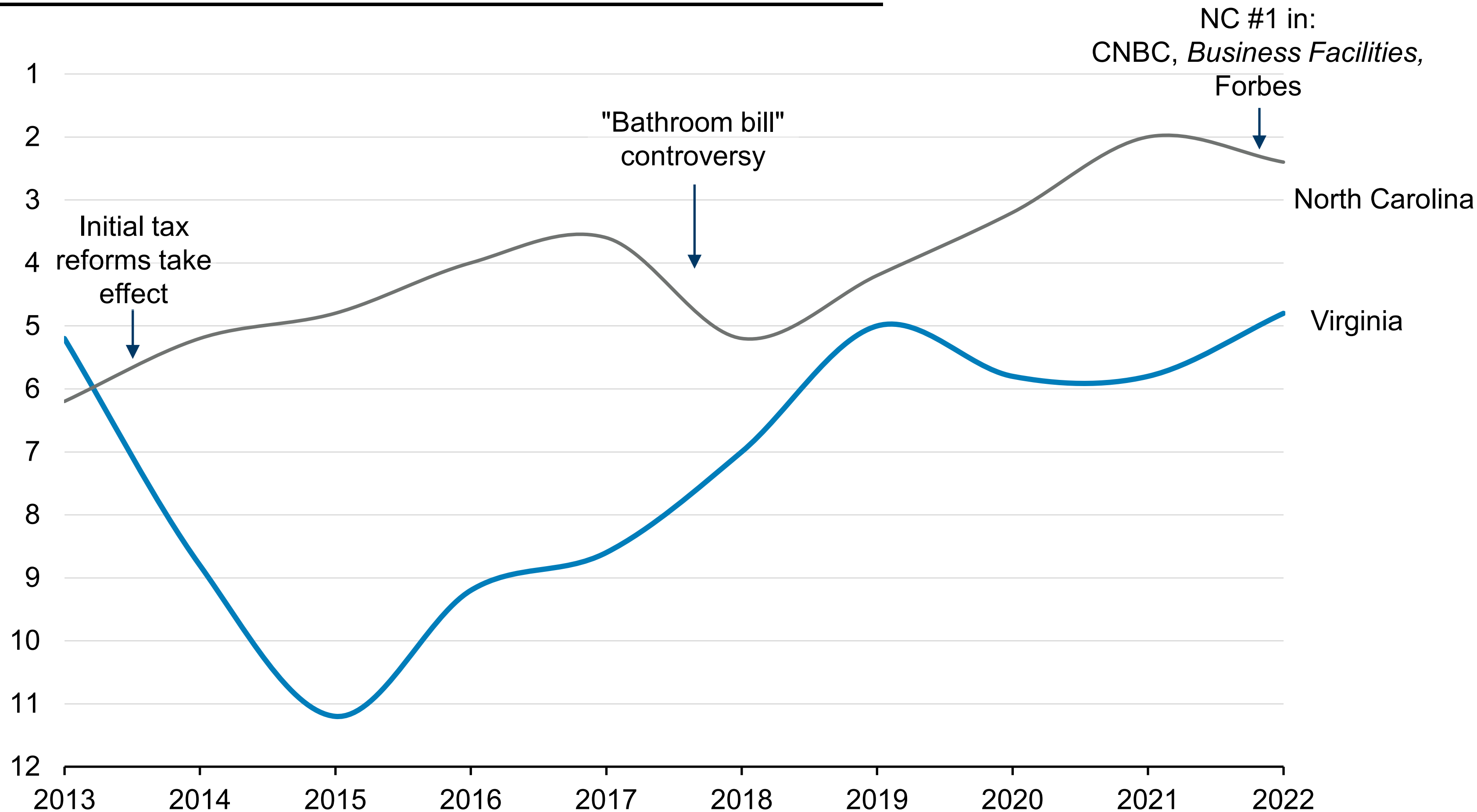

## Perception-based impacts

- In 2021, 37% of CEOs polled by *Chief Executive* considered tax policy as the most important factor when evaluating states
  - This was the most of any factor
- *Business Facilities* includes a 'Best Business Tax Climate' category in which Virginia does not rank in the top ten states
- In *Area Development*, polls of site selectors on state tax policy compose 8% of the overall rank
  - Incentives compose a further 8%
- In *Site Selection*'s 2022 poll, state and local taxes ranked No. 2 among site selection criteria
  - Incentives were ranked as No. 8

[1]VEDP estimates based on efforts to reverse-engineer CNBC, Forbes, and *Site Selection* rankings
[2]Metric weights change annually, particularly in CNBC. The current CNBC weight is lower than prior rankings
Source: CNBC (2022); Forbes (2019); *Business Facilities* (2022); *Chief Executive* (2021); *Site Selection* (2022); *Area Development* (2021)

# NORTH CAROLINA'S PERFORMANCE IN NATIONAL RANKING HAS EXCELLED SINCE INTRODUCING COMPREHENSIVE TAX REFORM

**Average state rank in selected national business climate rankings[1, 2]**




[1] Forbes did not release in 2020 or 2021. The 2019 ranking is used for averages between 2020-22

[2] *Business Facilities* lists only the top ten ranked states. In years where a state was not in the top ten, they were assigned eleventh for the purposes of the average.

Source: CNBC; Forbes*; Site Selection; Chief Executive*; *Business Facilities;* VEDP analysis

# VIRGINIA SHOULD MAINTAIN PERFORMANCE IN KEY AREAS WHILE PURSUING COMPREHENSIVE TAX POLICY REFORM

- Sustain Virginia’s reputation for fiscal responsibility
- Maintain Virginia’s top bond rating
- Uphold Virginia’s right-to-work status
- Support highly-rated customized workforce development program, the Virginia Talent Accelerator
- Deliver well-regarded K-12 and post-secondary education
- Fund development of highly-skilled labor force, especially in tech

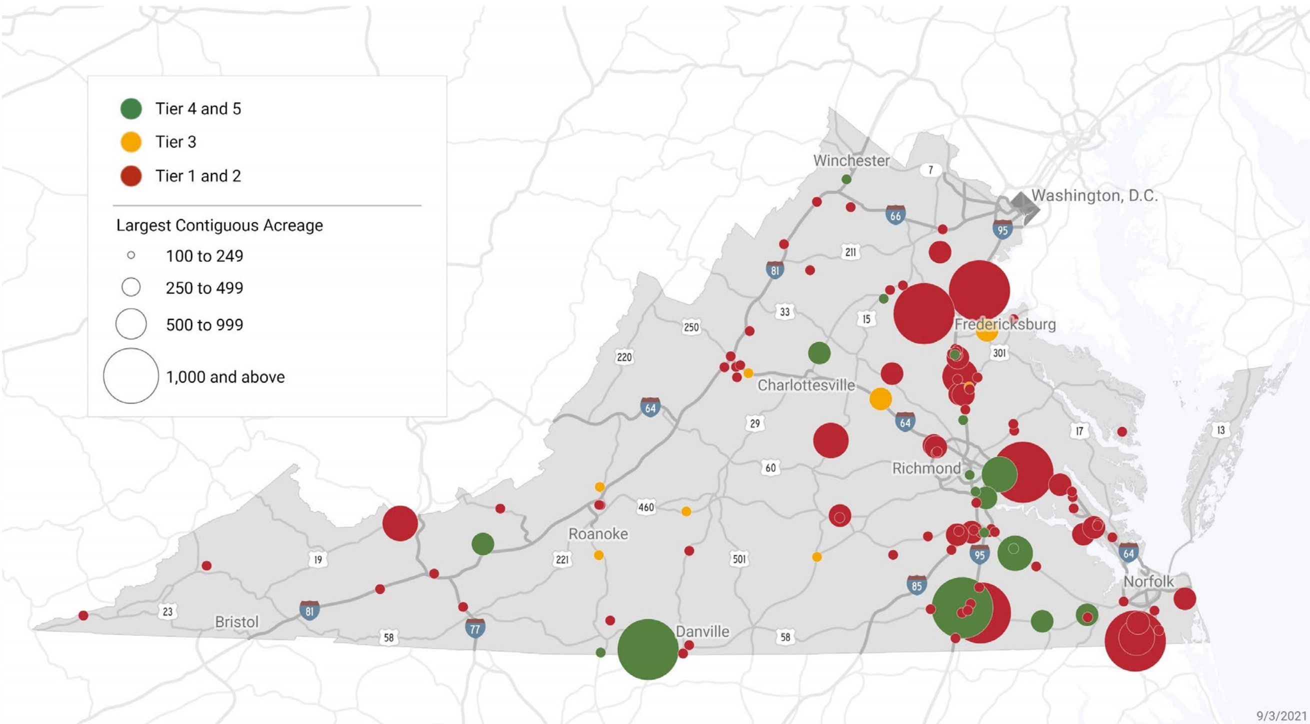
# VEDP IS FOCUSED ON SEVERAL STRATEGIC INITIATIVES TO ACCELERATE VA’S PROGRESS

- Expand Virginia Business Ready Sites Program
- Implement Virginia’s International Trade Strategic Plan
- Ramp up Virginia Talent Accelerator Program to support statewide coverage
- Execute Virginia Office of Education Economics’ (VOEE) strategic initiatives
- Increase capacity for Business Investment and support functions
- Support the development of the Administration’s economic development strategy
- Launch the Regional Talent Solutions and Business Outreach (RTSBO) team
- Cultivate site selector relationships through premier engagement opportunities

# PROJECT-READY SITES AND BUILDINGS


Blue Star Manufacturing Groundbreaking, Wythe County

# LACK OF PREPARED SITES AND BUILDINGS HAS COST VA BILLIONS IN CAPITAL INVESTMENT AND OVER 50,000 DIRECT JOBS SINCE 2016




## Site Development Facts

Over 85% of Virginia's 100+ acre sites are not project ready

Every year, the lack of prepared sites is a top reason why Virginia loses projects

Peer states are investing more than Virginia[1]

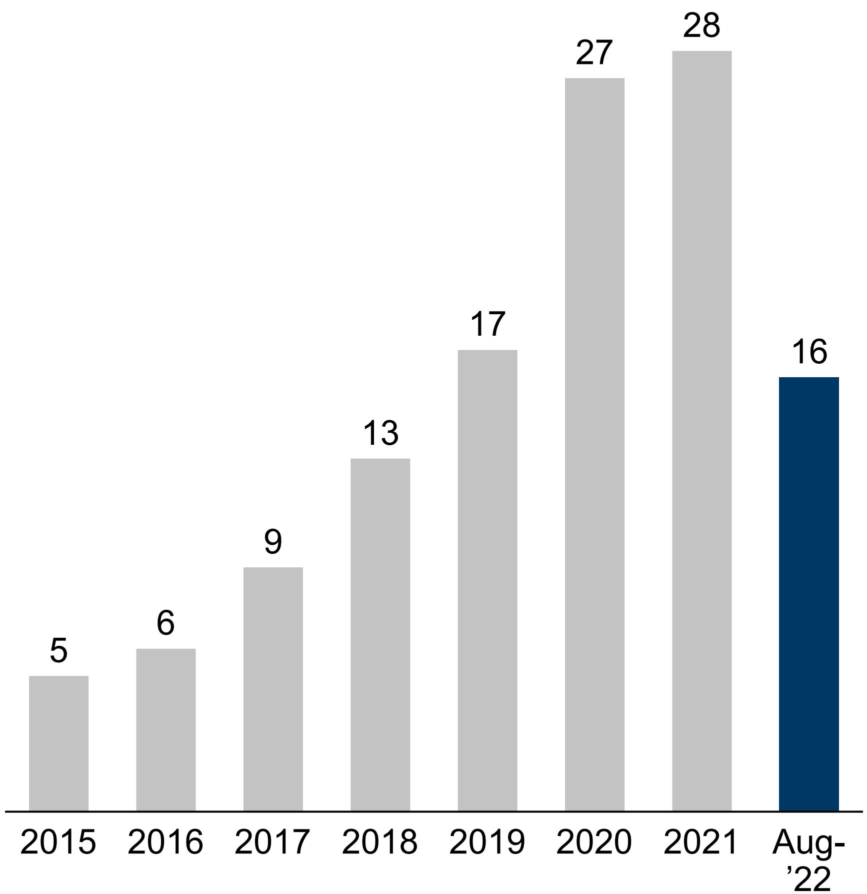
- Kentucky: $263M
- Ohio: $150M
- North Carolina: $145M
- South Carolina: $137M
- Georgia: $72M

Note: VEDP's Sites & Buildings database includes an additional 543 sites with no tier ranking

[1] Based on latest available peer state pre-prospect site development investment totals over a three-year period

# DESPITE AN INCREASING NUMBER OF POTENTIAL PROJECTS, VIRGINIA HAS HAD LIMITED WINS DUE TO A LACK OF INVESTMENT

**Southeast greenfield projects >250 acres[1]**




- Since 2015, 121 projects estimated to be above 250 acres occurred in the Southeast[1]
- These projects announced over $24B in capex and over 57K direct jobs[2]
- In that time period, Virginia won a single manufacturing project over 250 acres (LEGO)
  - Virginia won 200+-acre and 170-acre projects in 2021 (Project Glove, Global Concentrate)
- North Carolina won 16 of these projects, with $5.4B+ in capex and 13,600+ direct jobs

[1]Acreage estimates were obtained by multiplying Conway sq. ft. building data by sector-specific multipliers. Approximately 50% of Conway project entries had sq. ft. data, so this is likely an underestimate of large SE projects

[2]Capex and jobs announced data were not available for all projects, so these figures are likely underestimates

Source: Conway Analytics (8/2022); VEDP analysis

# THE LACK OF PROJECT-READY SITES AND BUILDINGS HAS COST VIRGINIA OVER 52K JOBS AND OVER $120B IN CAPEX SINCE 2016

Since 2016, Virginia has lost:

**52K+**
DIRECT JOBS

**$120B+**
CAPEX

**102K+**
EST. INDIRECT AND INDUCED JOBS[1]

**$381-493M+**
EST. ANNUAL STATE REVENUE

## Projects lost FY21 & FY22 (illustrative)

| | | |
|---|---|---|
| **Project Aurora**<br>Automotive | 6,500 direct jobs | $5B |
| **Project Settlement**<br>Semiconductor | 5,600 direct jobs | $40B |
| **Project Darwin**<br>Automotive | 5,200 direct jobs | $3.5B |
| **Project P2**<br>Semiconductor | 3,500 direct jobs | $21.4B |
| **Project K2**<br>Semiconductor | 3,500 direct jobs | $20B |
| **Project Everest**<br>Semiconductor | 1,900 direct jobs | $17B |

## Other recent projects lost due to sites (illustrative)

| | | |
|---|---|---|
| **Mazda Toyota**<br>Automotive | 4,000 direct jobs | $1.6B |
| **Project Pony Express**<br>Automotive | 3,000 direct jobs | $600M |

[1] Estimated indirect and induced jobs calculated using project NAICS codes for projects in which detailed ROI estimates were unavailable

Source: VEDP project data

## VIRGINIA BUSINESS READY SITES PROGRAM (VBRSP) UPDATE

### Summary

- 48 pre-applications and 38 applications received
- Total of $312M in funding requests
- 36 Virtual site tours performed between Oct 17 – 28
- Review committee assesses application for advancement

### Next Steps

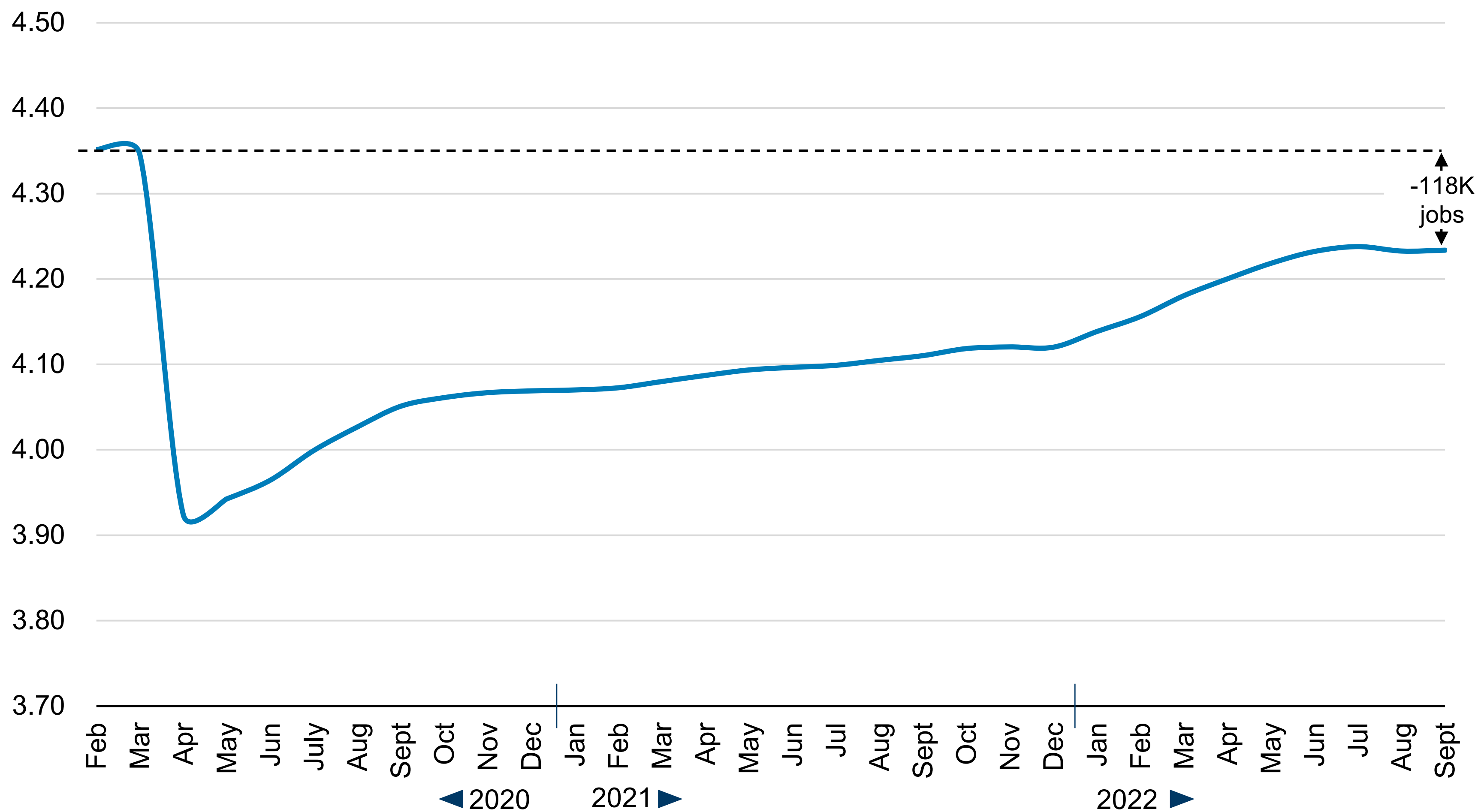
- In-person site tours (November 28 – December 9)
- Site tour review and recommendations to approval committee
- Announcement (January)

# VIRGINIA'S ECONOMIC PERFORMANCE

Optical Cable Corporation, Roanoke

# VIRGINIA EMPLOYMENT REMAINED 118K BELOW PRE-COVID-19 LEVELS IN SEPTEMBER 2022, BUT HAS SEEN UPTICK IN 2022

**Virginia employment**
Millions of employed persons, Feb '20 – Sept '22, seasonally adjusted




Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

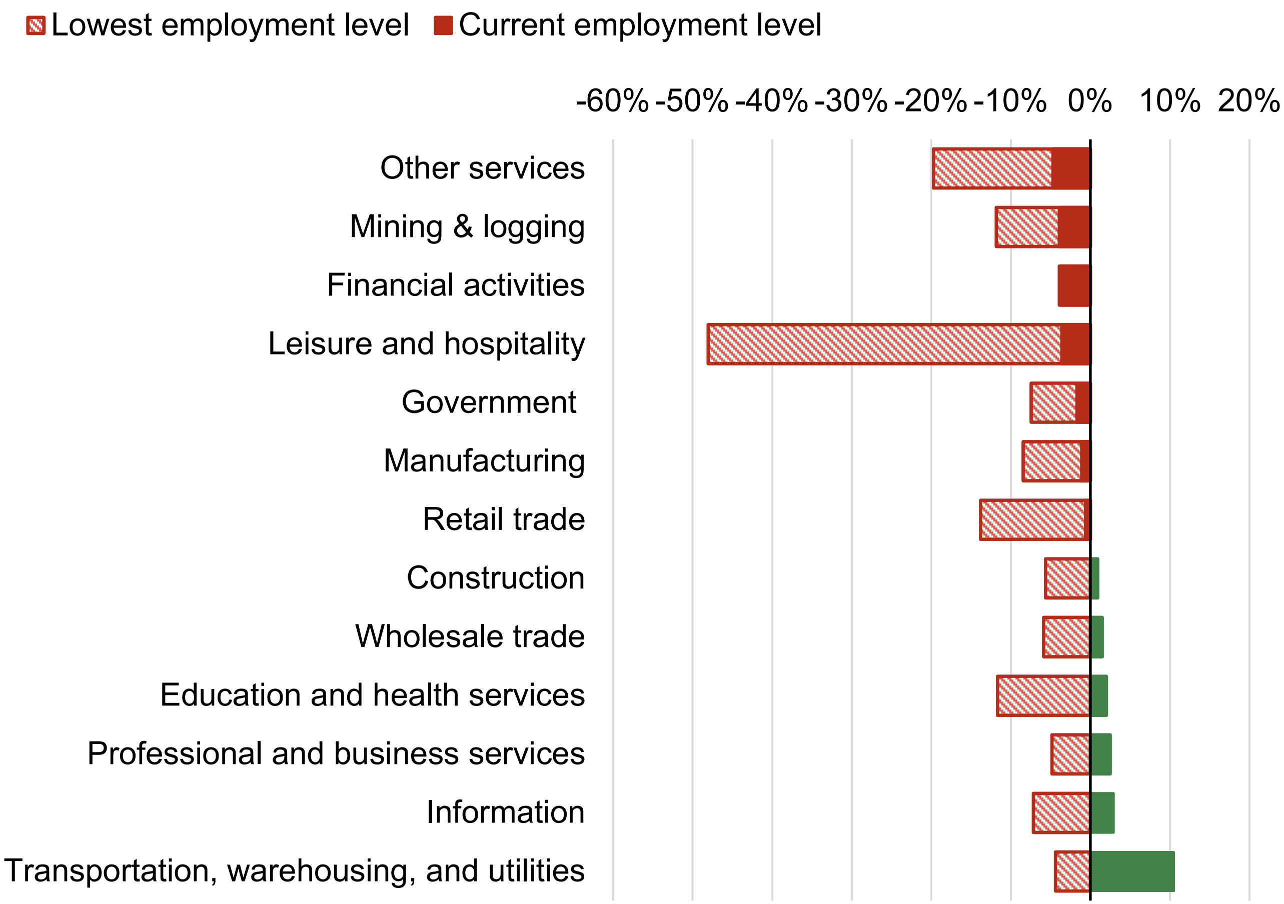
# VIRGINIA HAS SEEN AN UPTICK IN EMPLOYMENT GROWTH SINCE JANUARY 2022, RANKING NO. 19 NATIONALLY FOR THIS PERIOD

| State | Jan ’22 – Sept ’22 employment change | Jan ’22 – Sept ’22 % change | State rank |
|---|---:|---:|---:|
| Florida | 362,224 | 3.6% | 3 |
| North Carolina | 134,379 | 2.8% | 10 |
| New Jersey | 118,026 | 2.7% | 12 |
| Texas | 357,598 | 2.6% | 14 |
| Pennsylvania | 154,681 | 2.6% | 15 |
| New York | 212,145 | 2.4% | 18 |
| **Virginia** | **95,198** | **2.3%** | **19** |
| Maryland | 58,264 | 1.9% | 28 |
| Illinois | 96,182 | 1.6% | 31 |
| Georgia | 78,999 | 1.6% | 32 |
| Tennessee | 41,848 | 1.3% | 34 |
| South Carolina | 23,468 | 1.0% | 39 |
| Massachusetts | 33,681 | 0.9% | 40 |

Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

# EMPLOYMENT HAS FULLY RECOVERED IN SIX INDUSTRIES, BUT REMAINS BELOW PRE-COVID LEVELS IN SEVEN OTHERS

**Virginia employment change since Feb ’20 by supersector**
% non-farm payroll employment change from Feb ’20 – Sept ’22, seasonally adjusted




**Change in # jobs since Feb[1]**
Thousands of jobs

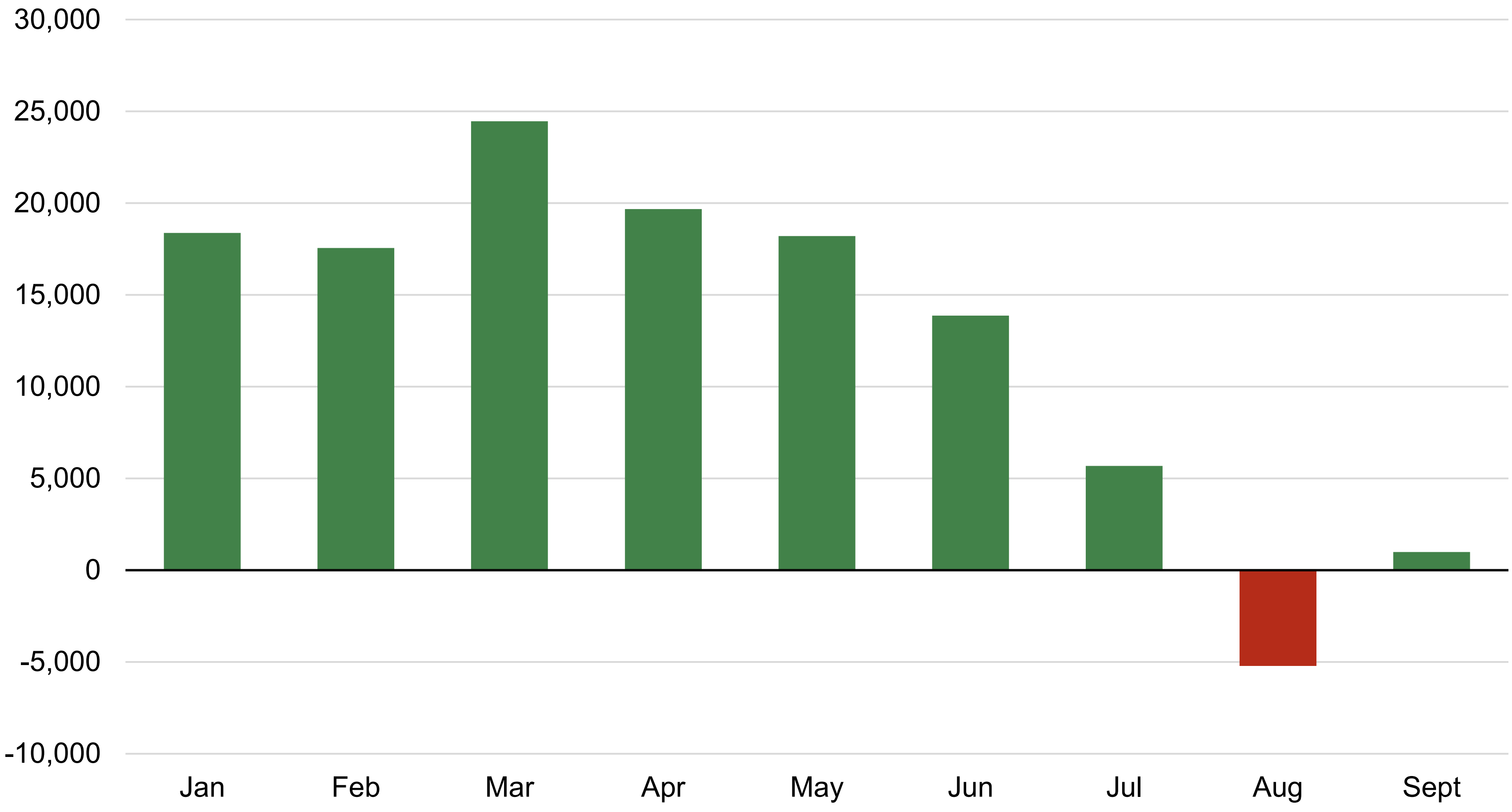
| Supersector | Lost | Recovered |
|---|---|---|
| Other services | -39.0 | 29.8 |
| Mining & logging | -0.9 | 0.6 |
| Financial activities | -7.7 | -0.4 |
| Leisure and hospitality | -202.8 | 187.4 |
| Government | -54.9 | 42.1 |
| Manufacturing | -20.6 | 17.9 |
| Retail trade | -56.0 | 53.7 |
| Construction | -11.7 | 13.5 |
| Wholesale trade | -6.5 | 8.2 |
| Education and health services | -65.1 | 76.5 |
| Professional and business services | -37.5 | 57.2 |
| Information | -4.9 | 6.9 |
| Transportation, warehousing, and utilities | -6.3 | 21.4 |

[1] Jobs lost at/recovered since lowest employment level for industry. Industry sub-totals do not equal state total due to differing time frames

Source: Current Employment Statistics, Bureau of Labor Statistics; VEDP analysis

# HOWEVER, EMPLOYMENT GROWTH HAS BEEN DECELERATING SINCE MARCH, EVEN TURNING NEGATIVE IN AUGUST

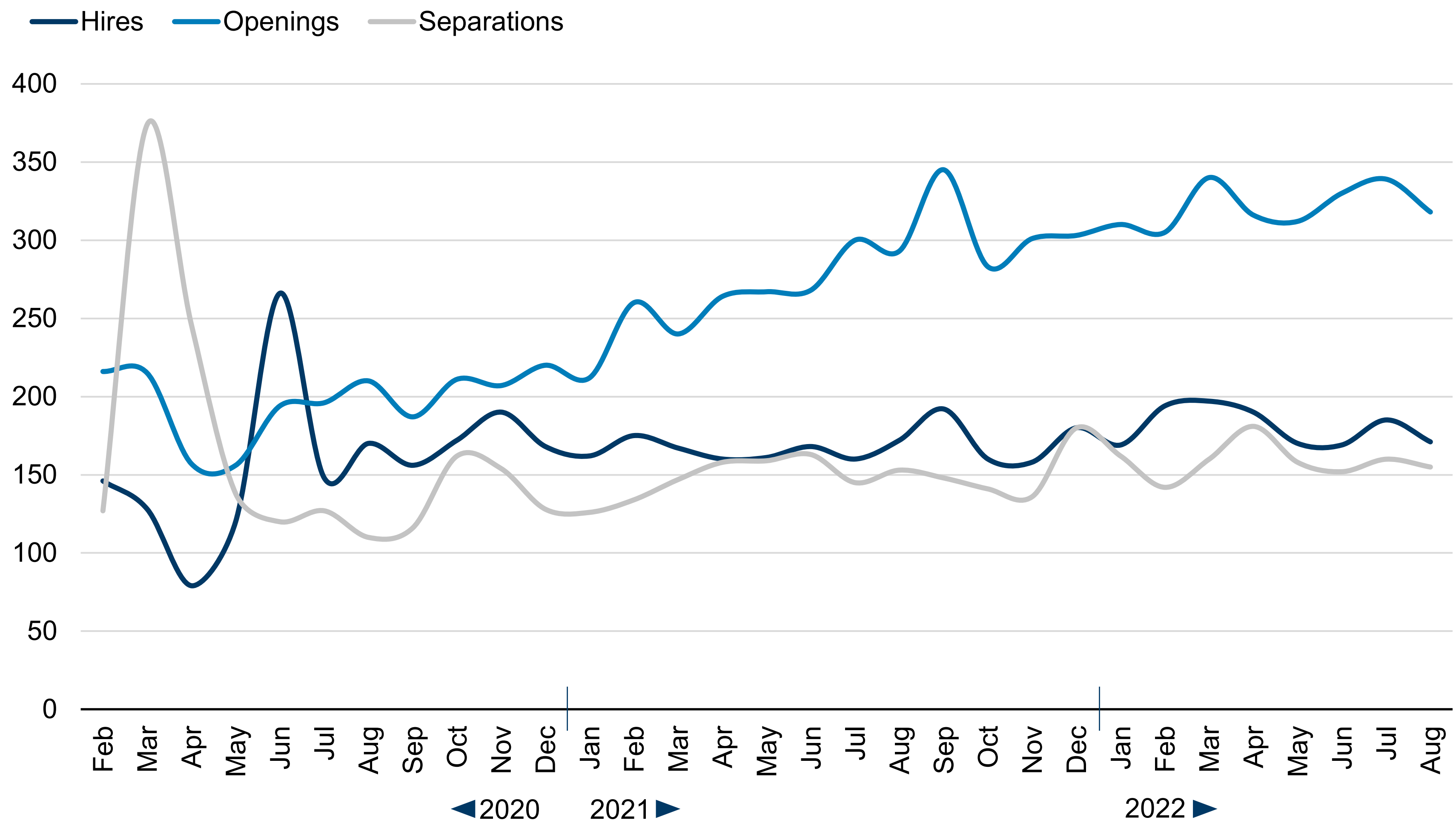
**Net employment change in Virginia**
Net change in employment levels, Jan ’22 – Sept ’22, seasonally adjusted




Source: Bureau of Labor Statistics, Local Area Unemployment Statistics

# JOB OPENINGS HAVE CONTINUED TO RISE OVER THE COURSE OF 2021 AND 2022, REACHING HISTORIC HEIGHTS

**Monthly hires, openings, and separations in Virginia**
Thousands of hires, openings, and separations, Feb ’20 – Aug ’22, seasonally adjusted




Source: Job Openings and Labor Turnover Survey, Bureau of Labor Statistics

# TECH, HEALTHCARE, AND MANAGEMENT OCCUPATIONS ARE AMONG THE MOST IN DEMAND IN VIRGINIA AT PRESENT

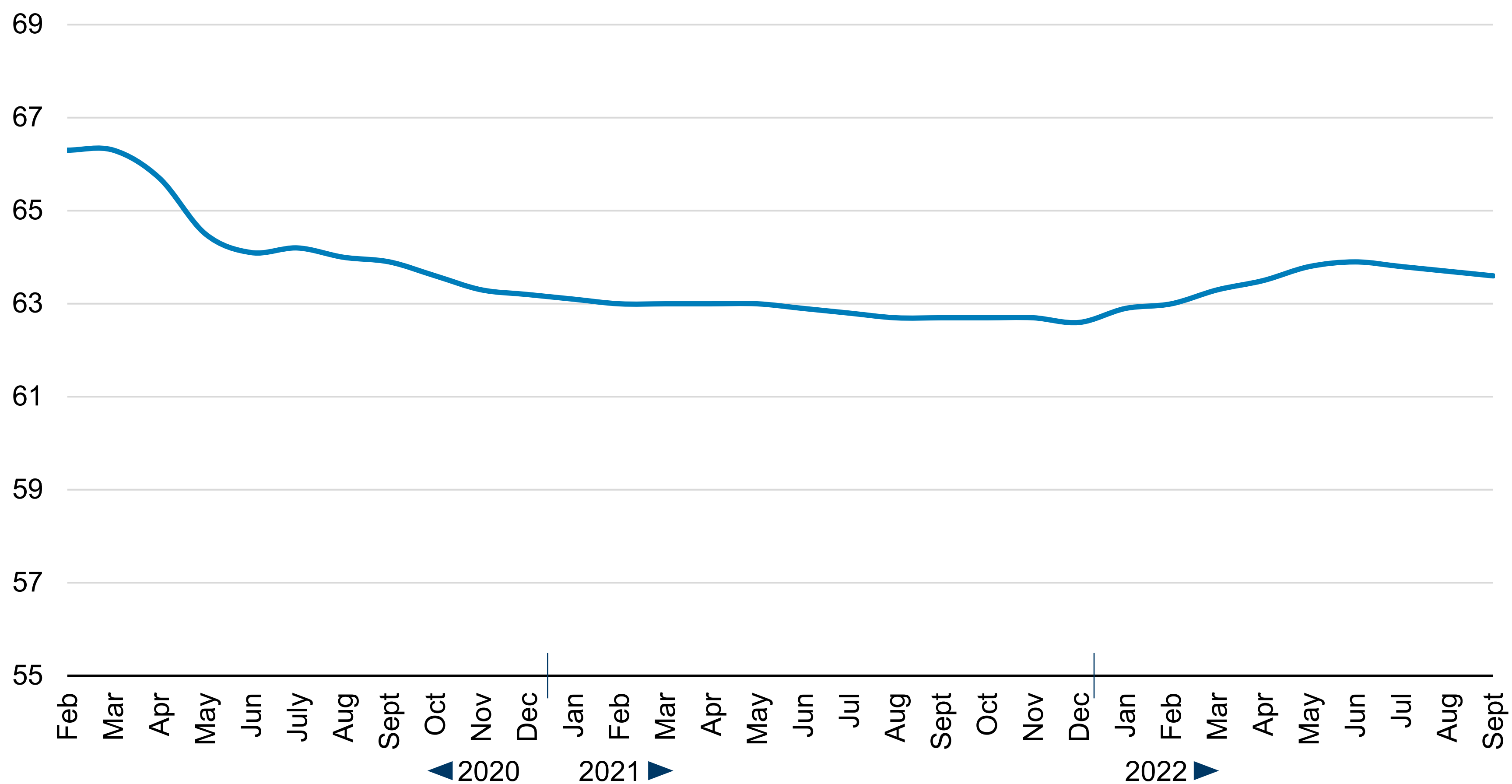
## Active job postings in Virginia (August/September 2022)

| Occupation group (2-digit SOC) | Unique active postings | Postings per 100 existing workers | Companies competing |
|---|---|---|---|
| Registered Nurses | 19,330 | 29 | 1,182 |
| Software Developers | 15,972 | 23 | 2,263 |
| Computer Occupations, All Other | 12,136 | 92 | 1,790 |
| Retail Salespersons | 11,864 | 12 | 1,306 |
| Managers, All Other | 8,994 | 51 | 2,540 |
| First-Line Supervisors of Retail Sales Workers | 8,463 | 26 | 1,052 |
| Sales Representatives, Wholesale and Manufacturing | 7,474 | 31 | 2,225 |
| Customer Service Representatives | 6,977 | 10 | 1,897 |
| Fast Food and Counter Workers | 6,344 | 6 | 641 |
| Secretaries and Administrative Assistants | 5,682 | 18 | 1,761 |
| Maintenance and Repair Workers, General | 5,579 | 17 | 1,739 |
| Medical and Health Services Managers | 5,400 | 63 | 1,175 |

Source: Emsi-BurningGlass

# VIRGINIA’S LABOR FORCE PARTICIPATION RATE HAS TRENDED UP IN 2022, BUT BEGUN TO STALL IN RECENT MONTHS

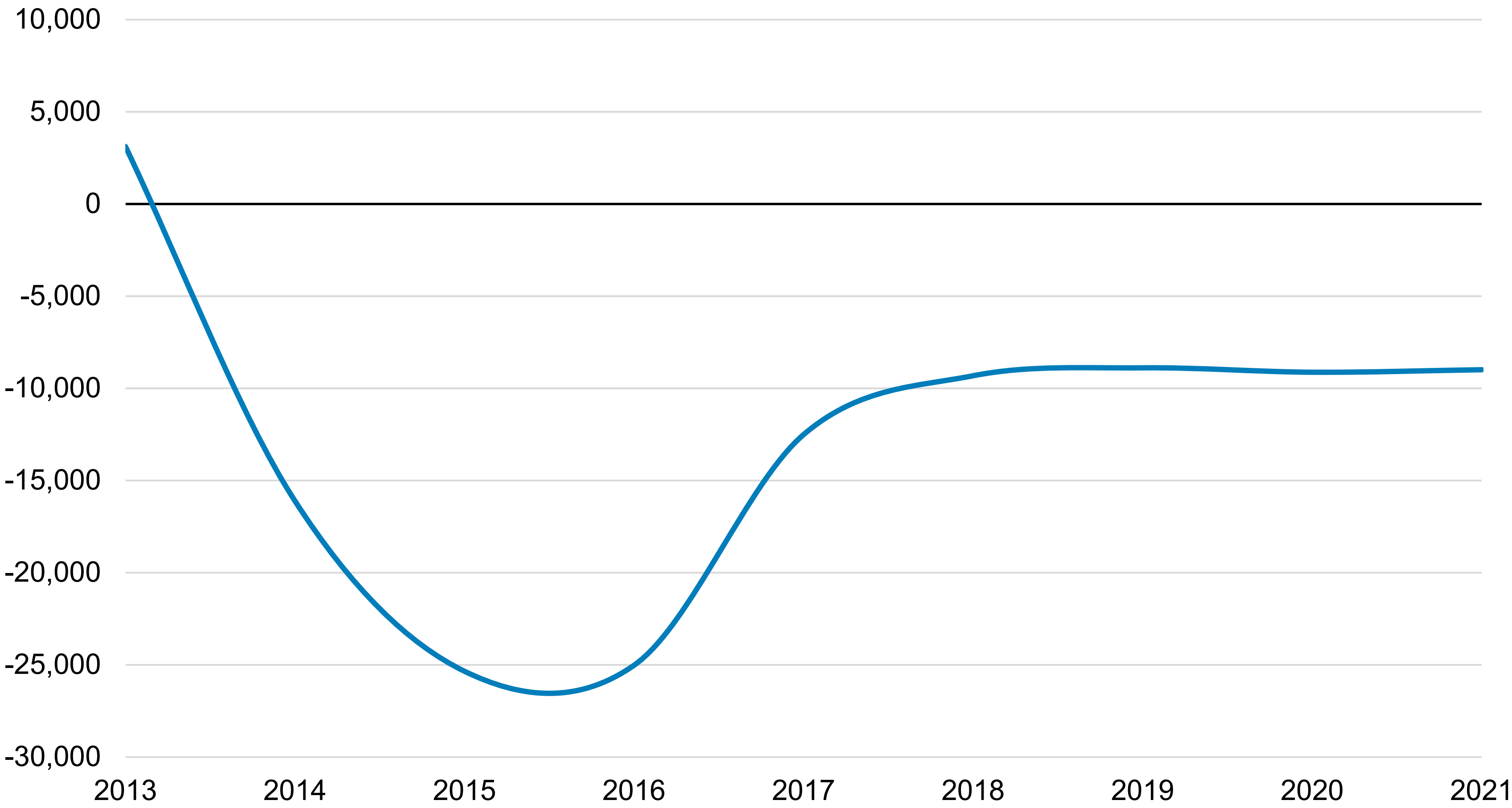
**Virginia labor force participation rate**
%, employed & unemployed as a % of the civilian population, Feb ’20 – Sept ’22, seasonally adjusted




Source: Local Area Unemployment Statistics, Bureau of Labor Statistics

# SINCE 2014, VA HAS SEEN NEGATIVE NET DOMESTIC IN-MIGRATION, MEANING MORE PEOPLE LEAVE THAN MOVE TO STATE

**Virginia net domestic in-migration**
Net domestic in-migration, 2013 – 2021



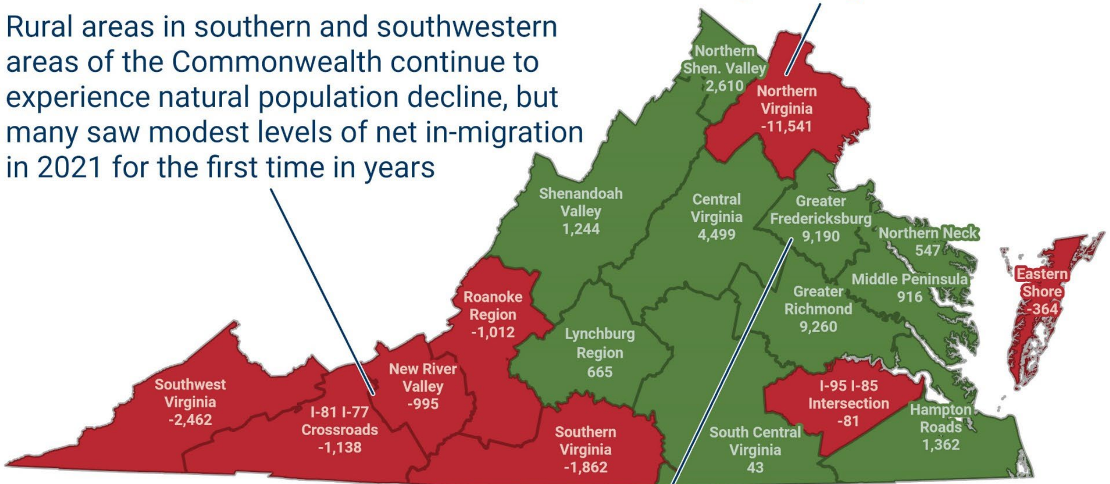

Source: Census Bureau, Population Estimates Program

# FIRST GLIMPSE AT PANDEMIC IMPACT: VIRGINIA'S MODEST POPULATION GROWTH HIDES DRASTIC REGIONAL DIFFERENCES

**Total Population Change**
(2020 - 2021)
VA Total: +10,881

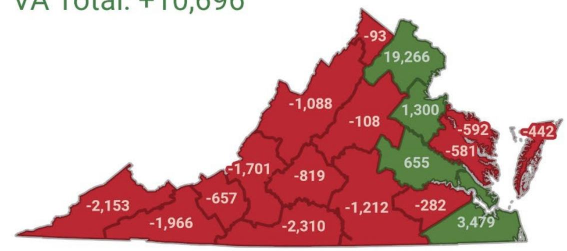
Rural areas in southern and southwestern areas of the Commonwealth continue to experience natural population decline, but many saw modest levels of net in-migration in 2021 for the first time in years

Northern Virginia is experiencing overall negative population change; positive natural change is being dwarfed by out-migration

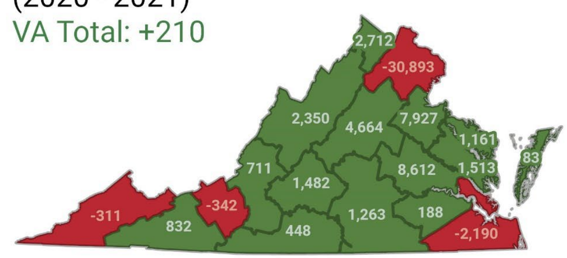



Mid-size metros like Fredericksburg, Charlottesville, and Richmond are experiencing high levels of in-migration and stable natural change

**Natural Change**
(2020 - 2021)
VA Total: +10,696




**Net Migration**
(2020 - 2021)
VA Total: +210




Population Increase Population Decline


# EMERGING TRENDS IN ECONOMIC DEVELOPMENT

SYKES Enterprises, Inc.,
Wise County

# EMERGING TRENDS IN ECONOMIC DEVELOPMENT

| Trend | Implication for Economic Development |
|---|---|
| Labor force scarcity | Encourages investment in automation and capital that enable productivity increases; upward pressure on wages; increased demand for remote work and other accommodations for employees |
| Marked increase in frequency of large project opportunities ($1B+ capex, 1,000+ jobs) | Increases importance of megasites, which require sufficient acreage and utility capacity to accommodate large projects |
| Speed-to-market is paramount in site selection process | Adds urgency to compete with peer states on site development investments and streamlined regulatory processes |
| More companies prioritizing renewable energy capacity when selecting sites | Demands continued alignment between utilities, government, and project developers to facilitate renewable energy capacity |
| Large office projects declining precipitously as remote work becomes more common and some workers leave higher-cost urban areas | Potentially generates more opportunities for projects in lower-cost, mid-size metro areas |
| Tech sector continuing to emerge as key driver of overall growth | Means focused investment in attracting tech projects can benefit multiple other sectors and the statewide economy |
| Electric vehicle manufacturing accounting for an increased share of large projects | Highlights growing importance of robust manufacturing workforce |

Source: Pew Research Center; Site Selectors Guild; The Lane Report; S&P; Richmond Fed; American Institute of Architects; Brookings Institute; BCG Analysis; VEDP analysis







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GOOD


# THANK YOU

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