

Henrico County BOS Retreat Economic Development

Come for success.
Stay for life.

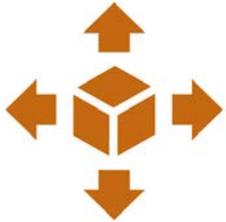
January 12, 2018



What is Economic Development

- Economic Development helps maintain and improve the economic health of the community
- Understanding the economic drivers of the community and related trends for jobs and investment
- Taking the necessary steps to maintain a healthy economic base

\$\$ Basic Sector vs. \$ Non-Basic Sector



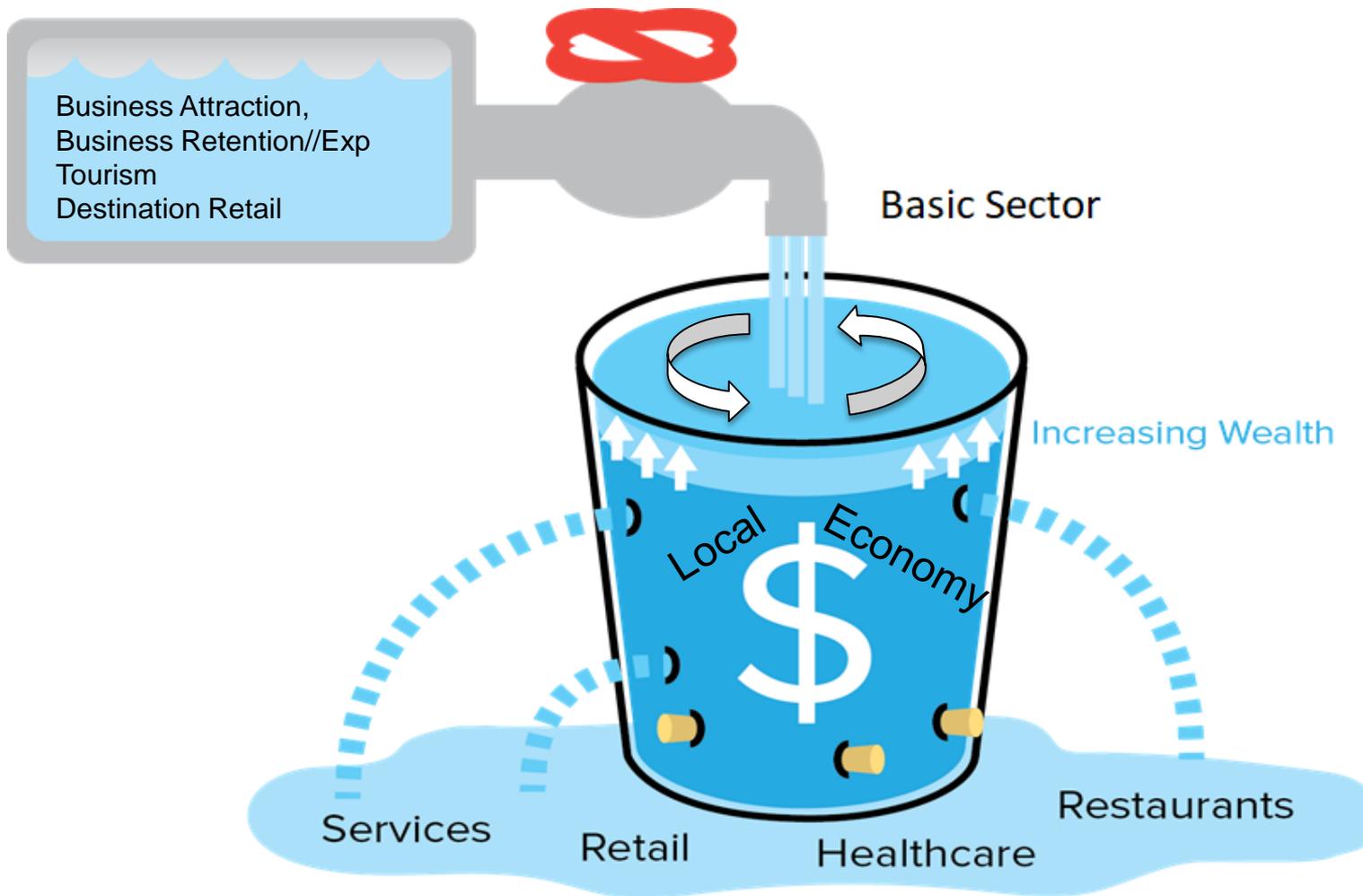
Basic sector firms concentrate in particular regions but sell products or services across regions and countries (manufacturing, office, HQ, distribution, tourism) and bring new dollars into local economy



Non-basic sector firms primarily serve the local market and tend to be proportional to the region's size (retail, hospitals, etc.) and recirculate existing dollars

Basic sector firms are the foundation of the local economy, on which Non-basic sector firms depend.

The Local Economy as a Leaky Bucket



The Need for Economic Development

- Tax Revenues: the resources to provide government services—a business base is critical
- Assist in job creation—private sector jobs are key
- There's a direct relationship between economic development and a locality's ability to provide government services at affordable tax rates

Important Points to Understand

- While often referred to as site selection, the process to find a new business site is really an **elimination** process
- The sale is made at the local level—locality has the responsibility to sell itself
- A company locates here to make a profit, not to do us a favor
- Competition in economic development is fierce—every community needs tax base and jobs
- Economic development is a team sport—many play roles

The Needs of Business

- Labor - quantity and quality
- Transportation and Markets
- Product (sites and buildings with required infrastructure in place) - can't sell from empty wagon
- Business Climate
- Quality of Life

Henrico EDA Mission Statement

To increase county revenue through the attraction of high quality jobs and new capital investment with domestic and international companies, as well as the retention and growth of existing businesses, resulting in continued improvement of the county's well-being and the quality of life for Henrico citizens.

Henrico EDA Goals/Objectives

1. Market Henrico County as a pro-business location

- Develop and maintain positive relationships with allies
- Expand the Authority's network of allies, suspects, and prospects
- Create and maintain up-to-date information that explains and promotes the business opportunities in Henrico County

2. Expand and diversify the business tax base

- Provide support to existing businesses in Henrico County through programs that are designed to improve their competitiveness and encourage expansion
- Attract new capital intensive companies by providing a compelling value proposition
- Assist existing businesses with their expansion needs

Henrico EDA Goals/Objectives

3. Attract high-paying jobs

- Identify specific industry clusters that have high-paying jobs
- Attract new domestic and international businesses in industries that are most compatible for the county

4. Build and maintain a pro-business environment

- Work with the Board of Supervisors, County Manager, Deputy County Managers, and county department heads to identify and adopt policies and procedures that maintain and improve Henrico County's fiscal, regulatory, and environmental structure
- Provide exceptional service to businesses and allies
- Develop and maintain a marketable product
- Continue to offer benefits to businesses that make Henrico County the location of choice

Target Sectors



HEADQUARTERS



ADVANCED
MANUFACTURING



FINANCE &
INSURANCE



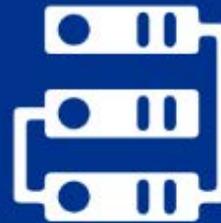
HEALTH &
LIFE SCIENCES



INTERNATIONAL



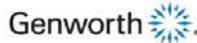
SUPPLY CHAIN
MANAGEMENT



DATA
CENTERS



PROFESSIONAL &
CREATIVE SERVICES



Incentives-Philosophical Guidelines

- Incentives must make economic sense to both sides of the table
- Equally available to new or existing business
- Incentives should support the development goals of Henrico County
- Incentives are performance-based and enforceable by a performance agreement

Incentives Intrinsic to Henrico and VA

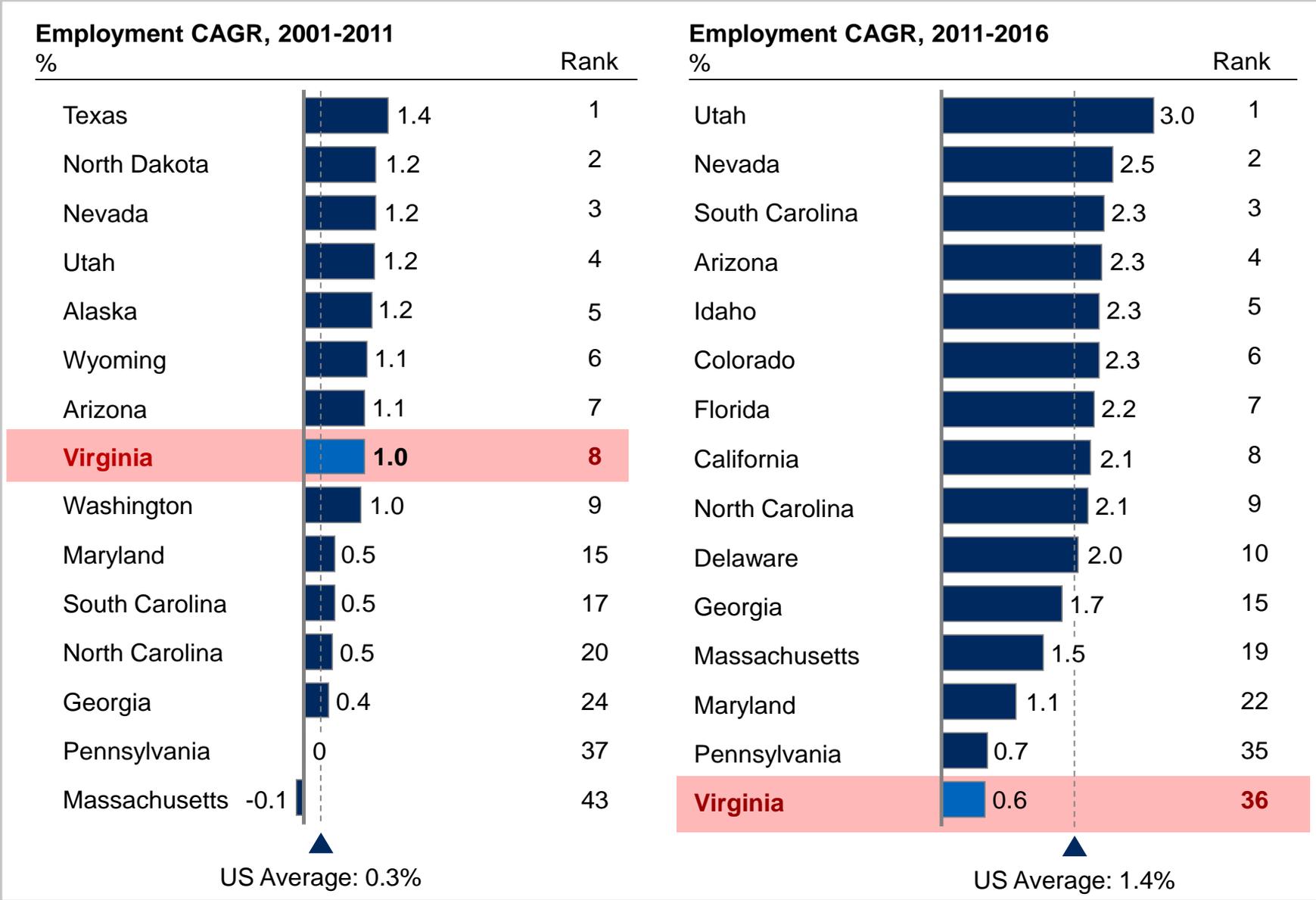
- Reasonable regulatory and legal environment
- Fair and equitable tax system
- Predictable government policies
- Quality education
- Favorable geographic location
- Transportation and utility infrastructure
- Quality of life

Incentives – Government Sponsored

(partial list)

- Workforce Services
- Road and Rail Access Program
- Commonwealth Opportunity Program
- Virginia Investment Partnership (and similar performance grants)
- Enterprise Zone
- EDA performance grants

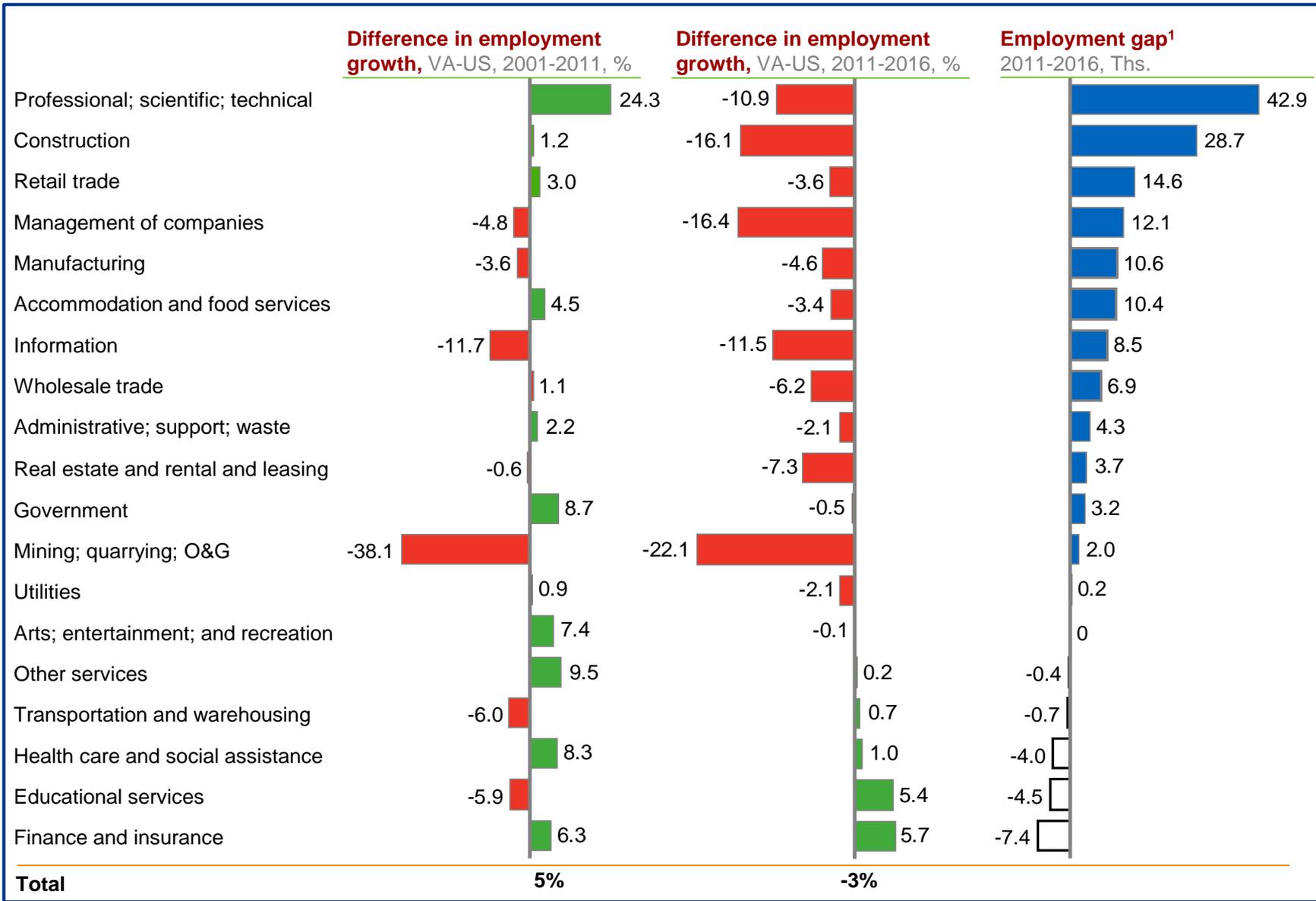
After a 10-year run as a premier job creator, Virginia is now bottom half



SOURCE: BLS, Moody's Analytics, VEDP



Employment gap impact felt in sector where growth has recently lagged U.S. average growth, in particular professional services and construction

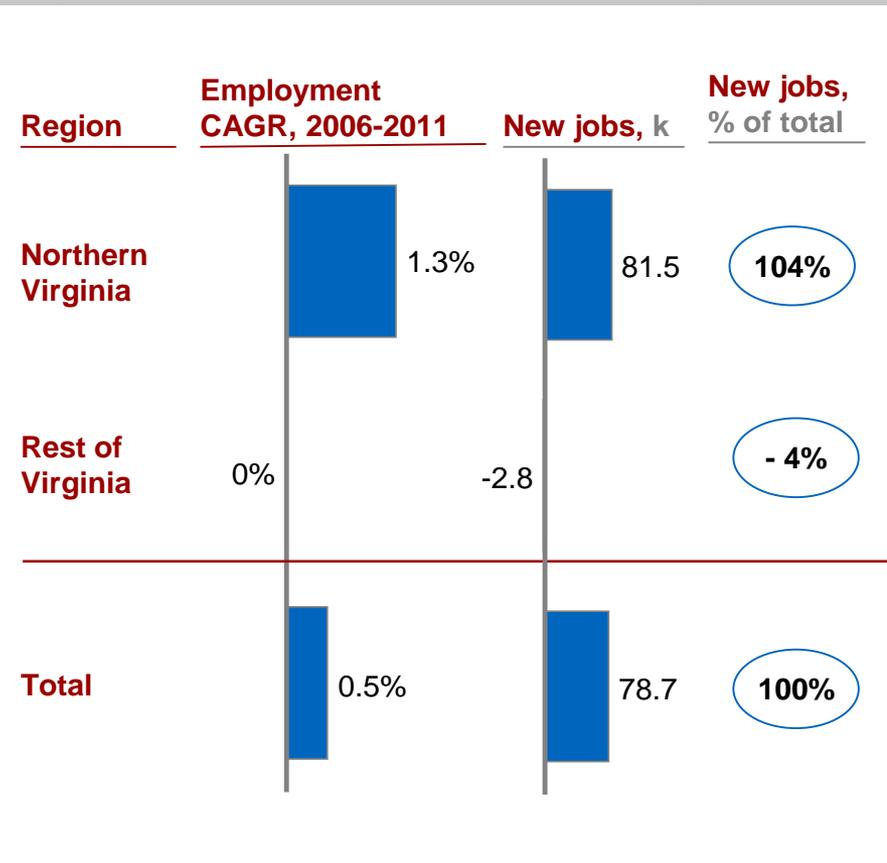


¹ The employment gap is defined as the potential gain or loss in employment that would have resulted from each sector growing at the US average rate

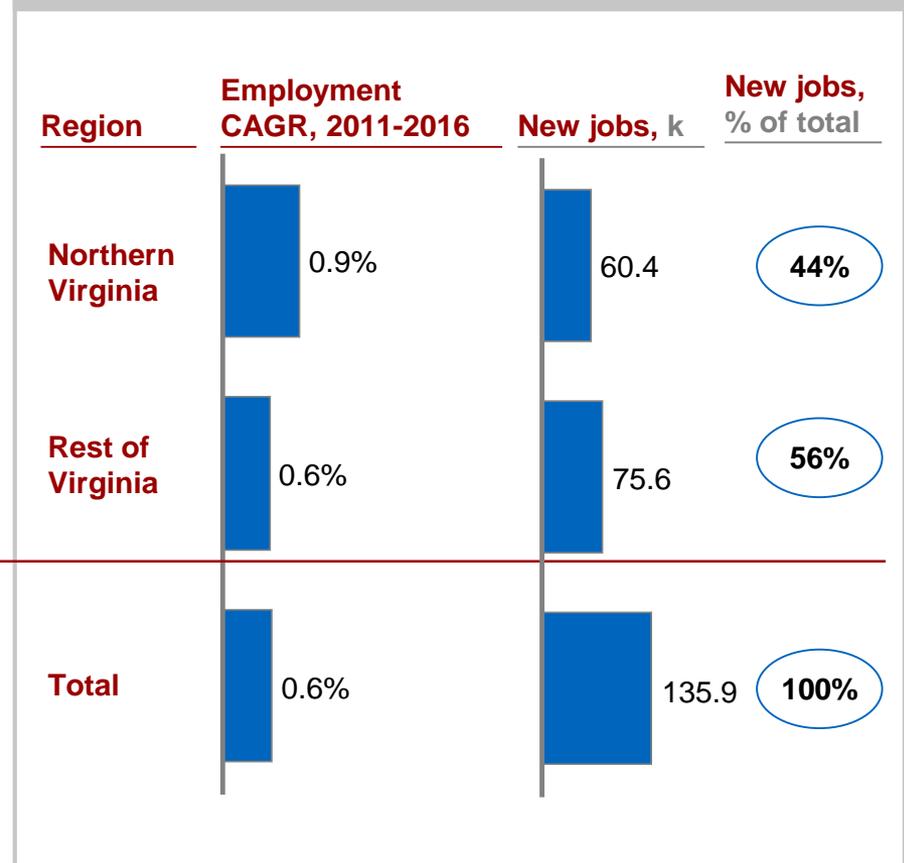
SOURCE: BLS, Moody's Analytics

While NoVA was the growth driver in '06-'11, recovery in the rest of Virginia drove over half of job growth in '11-'16

Virginia's growth from 2006-2011 was driven by Northern Virginia, which made up for lost jobs in other regions



While from 2011-2016, Northern Virginia's growth slowed, and the rest of Virginia created more jobs



1 The employment gap is defined as the potential gain or loss in employment that would have resulted from each sector growing at the US average rate

SOURCE: BLS, Moody's Analytics, VEDP

VA has several significant strengths and a record of strong performance, but there are opportunities and emerging challenges

Strengths

7th highest median income in the US

4/10 of the richest counties in the US

5th highest attainment of bachelor's degrees or higher

2nd highest rated state University system

Location in the heart of the east coast

Weaknesses

14/19 industries growing slower than US average

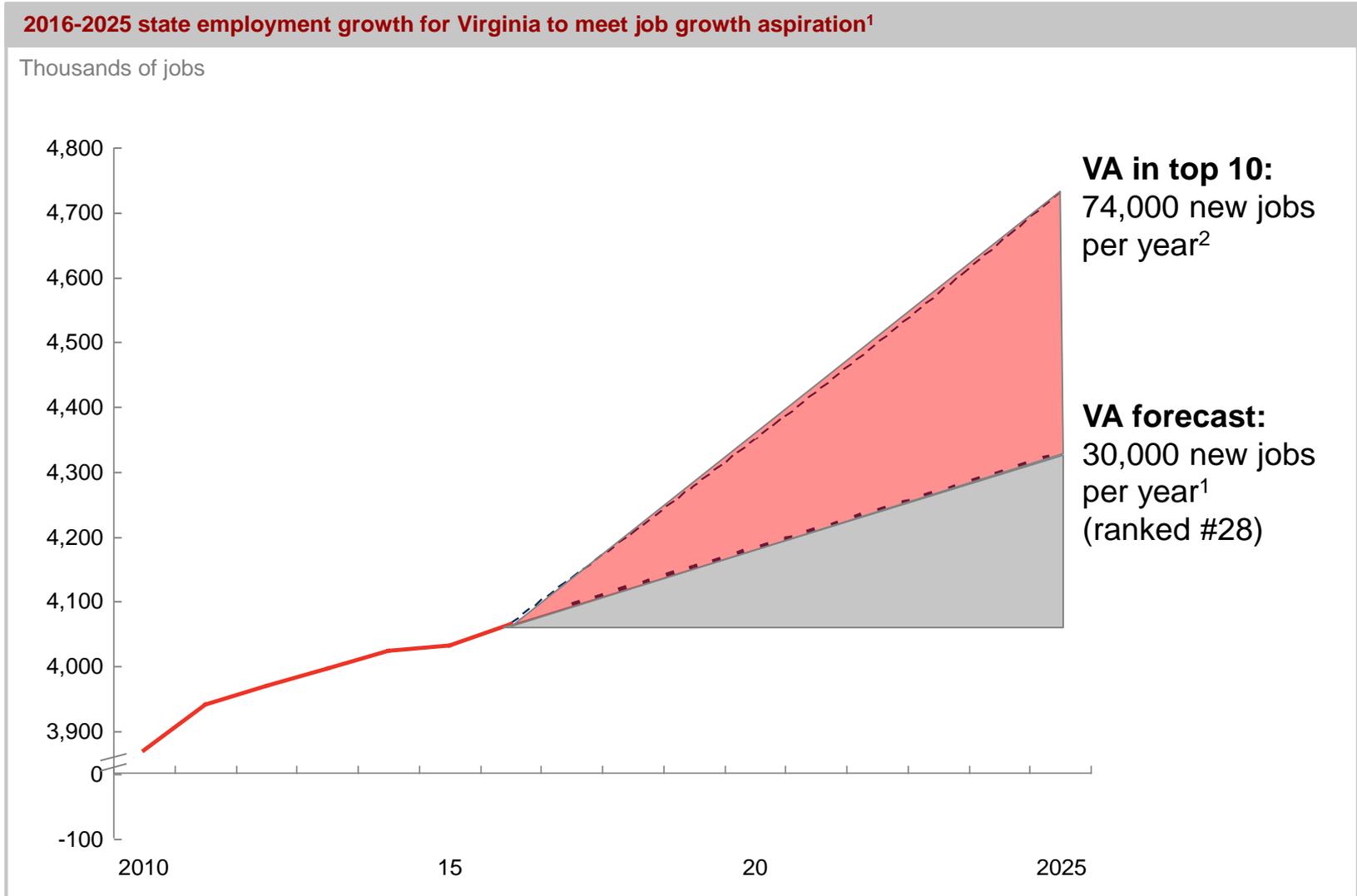
47th in wage growth between 2010 and 2015

43rd in GDP growth between 2010 and 2015

Large disparities in regional growth

Over-dependence on government funding

Virginia needs to double baseline employment growth expectation to be among top 10 states



¹ Historical trends based on CAGR 1990-2015; forecast trends based on CAGR 2015-2025

² Top 10 represents the average forecasted growth rate of the top 10 US States from 2015-2025

While many regions have experienced positive growth in the last 5 years, only one region in Virginia has outpaced the national average - Richmond

Region	Employment CAGR, 2006-2011, %	New jobs, k	New jobs, %	Employment CAGR, 2011-2016, %	New jobs, k	New jobs, %
Northern Virginia	1.3%	81.5	104%	0.9%	60.4	44%
Rest of Virginia	0%	-2.8	-4%	0.6%	75.6	56%
Greater Williamsburg Partnership	0.6%	2.3	3%	0.8%	3.1	2%
Central Virginia Partnership for Economic Development	0.6%	4.5	6%	1.0%	8.0	6%
New River Valley Economic Development Alliance	0.5%	2.1	3%	0.7%	3.1	2%
Greater Richmond Partnership	0.4%	9.0	11%	1.6%	41.8	31%
The Lynchburg Regional Business Alliance	0.2%	1.2	2%	-0.1%	-0.6	0%
Hampton Roads Economic Development Alliance	0.1%	3.8	5%	0.4%	14.1	10%
Roanoke Regional Partnership	0.1%	0.6	1%	0.2%	1.2	1%
Virginia's Growth Alliance	-0.1%	-0.3	0%	-0.2%	-0.6	0%
Fredericksburg Regional Alliance	-0.1%	-1.0	-1%	1.0%	8.4	6%
Shenandoah Valley Partnership	-0.2%	-2.8	-4%	0.5%	6.4	5%
Northern Neck Chesapeake Bay Region Partnership	-0.5%	-1.1	-1%	-0.6%	-1.4	-1%
Virginia Coalfield Economic Development Authority	-0.7%	-2.9	-4%	-3.1%	-11.2	-8%
Middle Peninsula Economic Development Resource Organization	-0.8%	-1.7	-2%	0.2%	0.4	0%
Virginia's Industrial Advancement Alliance	-1.1%	-4.8	-6%	0%	0.1	0%
Virginia's Gateway Region	-1.3%	-4.3	-5%	0.7%	2.2	2%
Southern Virginia Regional Alliance	-1.5%	-7.3	-9%	0.1%	0.5	0%
Total	0.5%	78.7	100%	0.6%	135.9	100%

Industry overview for Greater Richmond Partnership

Industry	GDP	CAGR	LQ	Employment	CAGR	LQ	Real wages	CAGR
	\$m, 2015	%, 1996-2015	#, 2015	k, 2015	%, 1996-2015	#, 2015	\$m, 2015	%, 1996-2015
Real estate	9,295	3.6	1.1	8.5	1.4	1.0	331	2.8
Government	7,764	0.3	1.0	88.1	0.5	1.0	4,563	-0.3
Professional services	5,483	5.1	1.2	37.9	3.0	1.1	3,762	5.7
Finance	5,133	1.8	1.3	39.9	1.3	1.7	2,928	4.6
Manufacturing	4,633	-1.6	0.6	24.6	-3.4	0.5	1,650	-1.2
Healthcare	4,547	3.7	1.0	72.0	3.5	1.0	3,075	3.4
Wholesale	4,224	3.5	1.1	25.6	1.0	1.1	1,822	2.5
Management of companies	3,456	0.9	2.6	21.9	-0.5	2.5	3,398	0.9
Retail	3,246	2.4	0.9	56.9	0.8	0.9	1,040	0.5
Admin; waste; remediation	3,024	5.6	1.5	44.4	2.4	1.3	1,113	3.5
Construction	2,999	0.2	1.3	32.3	0.6	1.3	1,369	1.6
Information	1,887	2.7	0.6	7.0	-1.9	0.6	658	2.4
Transportation	1,609	2.7	0.9	21.2	2.7	1.1	669	-0.0
Other services	1,329	1.1	1.0	27.5	2.3	1.2	604	0.3
Accommodation	1,317	1.9	0.8	43.7	2.2	0.8	414	2.0
Utilities	790	-4.5	0.8	1.7	-5.2	0.7	173	-1.6
Arts and entertainment	513	1.3	0.8	9.9	2.0	1.1	138	1.7
Education	509	2.8	0.8	12.3	3.5	0.9	219	2.8
Oil and gas; mining	107	-1.6	0.1	0.4	-2.3	0.1	22	-4.0
Agriculture	59	3.7	0.1	2.2	0.0	0.2	28	8.8
Greater Richmond total	61,925	1.8		577.7	1.1		27,976	1.7

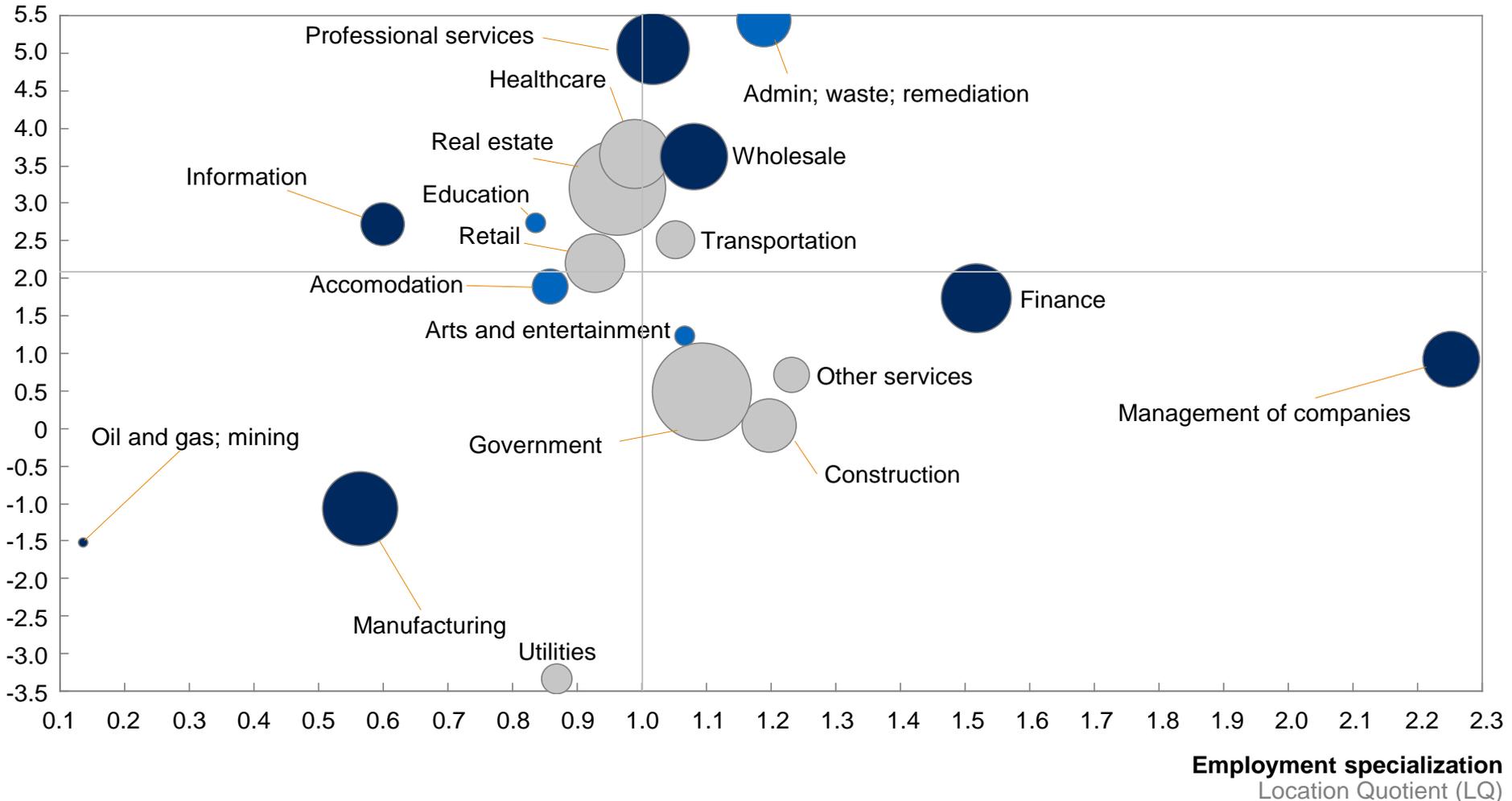
1 Location quotient (LQ) is a ratio (e.g., 4.0) of a region's share of employment in an industry (e.g., manufacturing 40%) divided by the U.S. share (e.g., 10%). An LQ greater than 1 indicates a regional specialization in an industry

SOURCE: Bureau of Economic Analysis; Bureau of Labor Statistics; Go Virginia; Moody's Analytics; Virginia Economic Development Partnership

Industry overview for Greater Richmond Partnership

Real GDP annual growth
%, 2015-2025

- Semi-tradeable
- Majority non-tradeable
- Majority tradeable
- Size of bubble= 2015 GDP

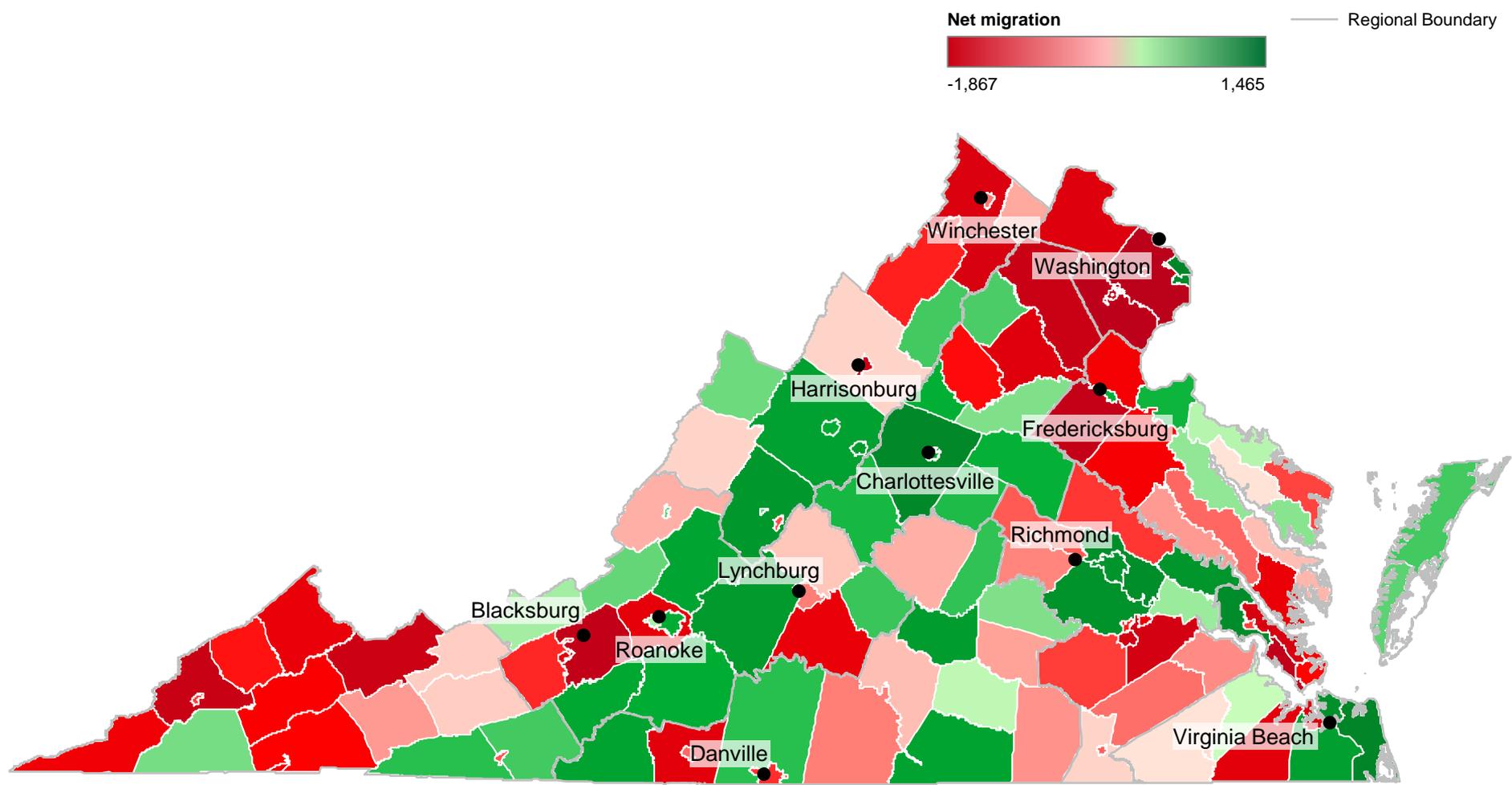


LQ is measured as the ratio of an industry cluster's share of employment in a region to that cluster's share of employment in the U.S. Lines represent U.S. projected real GDP growth (2.1%) and specialization equal to the U.S. (LQ = 1)

Analysis of competitive position across priority sectors varies regionally

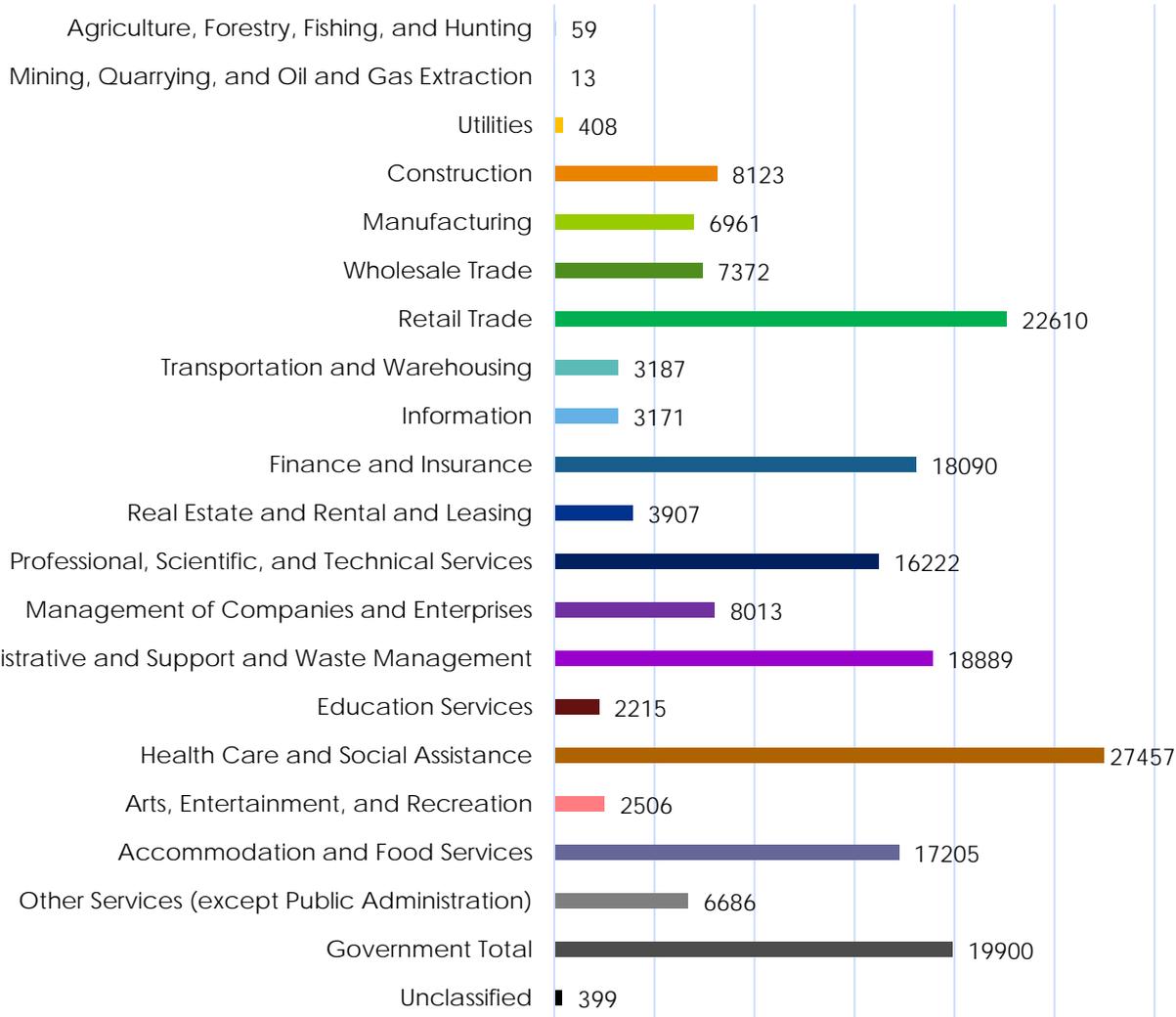
Region	Software development	Shared Services	HQ	Distribution center	Food processing	Aero-space	Auto-motive	 Secondary focus	
								Materials	Chemicals
Virginia Coalfield EDA									
Virginia's Industrial Advancement Alliance									
New River Valley EDA									
Roanoke Regional Partnership									
Lynchburg Regional Business Alliance									
Southern Virginia Regional Alliance									
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Hampton Roads EDA									
Greater Williamsburg Partnership									
Fredericksburg Regional Alliance									
Northern Neck-Chesapeake Bay Regional Partnership									
Middle Peninsula EDRO									
Shenandoah Valley Partnership									
Central Virginia Partnership									
Prince William County									
Loudoun County									
Fairfax County									
Arlington Economic Development									

The highest concentration of net out-migration is occurring in metro areas in Northern VA and the Southwest region

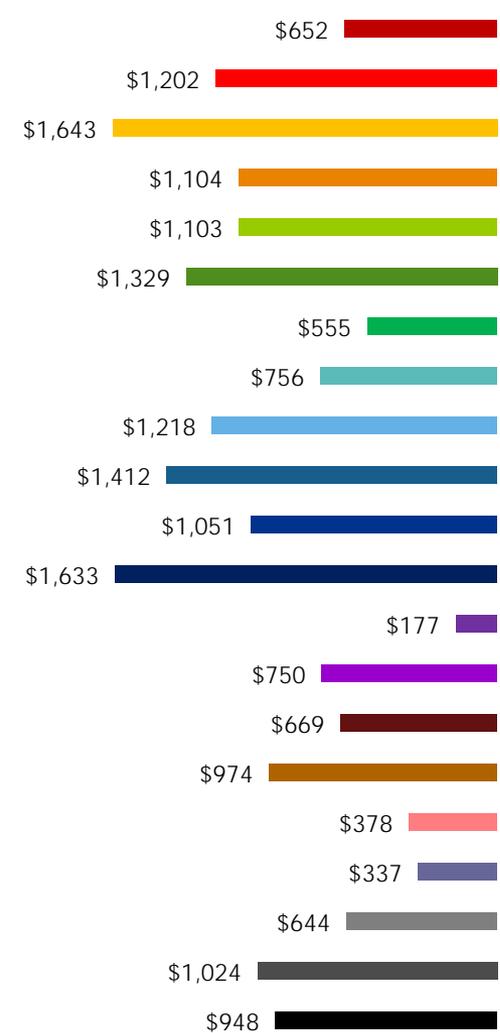


SOURCE: IRS data

Henrico Employment by Industry

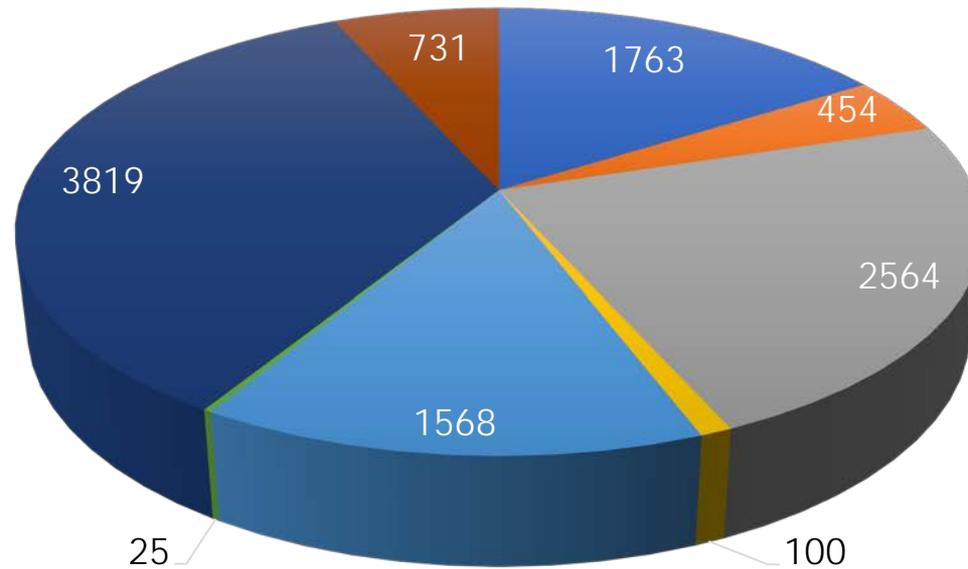


Avg. Weekly Wages



Jobs Created by Sector Henrico County

January 2007 – December 2017



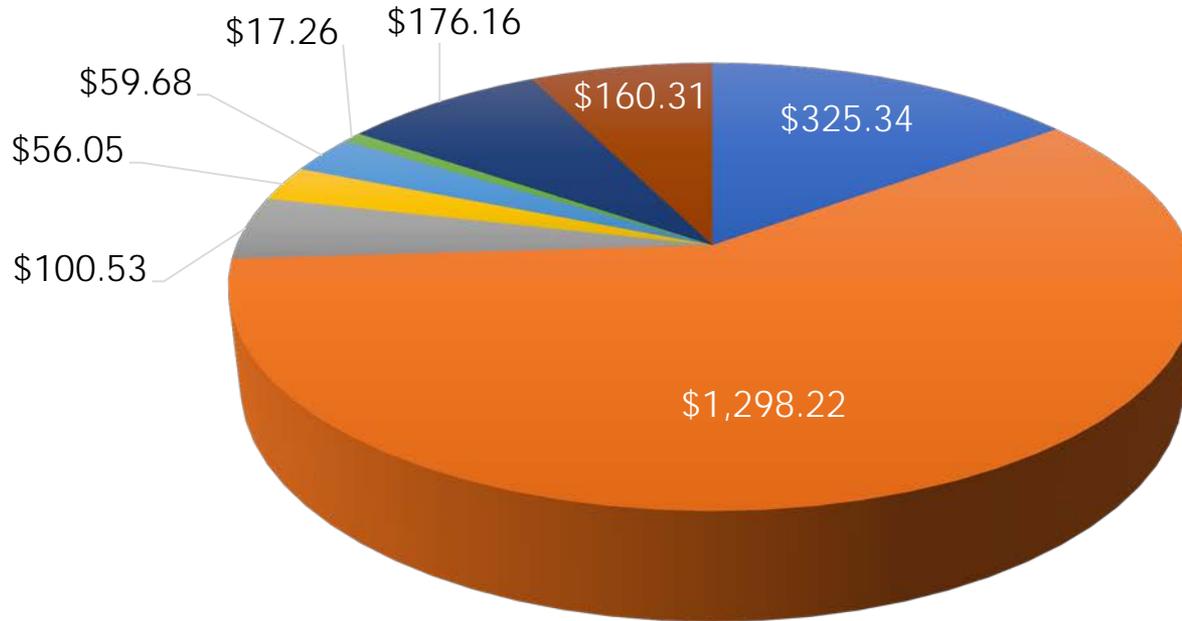
- Advanced Manufacturing
- Finance & Insurance
- Health & Life Sciences
- Professional Services

- Data Center
- Food Production
- Other
- Supply Chain Management

Source: Virginia Announcements of Employment Creation & Capital Investment, VEDP

Investment by Sector Henrico County

January 2007 – December 2017



- Advanced Manufacturing
- Finance & Insurance
- Health & Life Sciences
- Professional Services

- Data Center
- Food Production
- Other
- Supply Chain Management

Henrico Real Estate Needs for Economic Development Projects

- Sites and buildings for:
 - Greenfield industrial/build to suit opportunities
 - Warehouse/flex space-light industrial/office
 - Office sites and buildings
- Strong lease activity, tightening supply
 - 5 Industrial & Flex properties > 35,000 sf available
 - Under 450,000 sf
 - 16 Office properties > 20,000 sf available
 - Totaling approximately 1,000,800 sf

Best Plaza



- Best Products HQ until 1998
- Bordered by I-95 and less than a mile from I-295
- Building is 312,000 SF
- 93 acres total
- Commercially listed

95 and Parham



Franz Haas



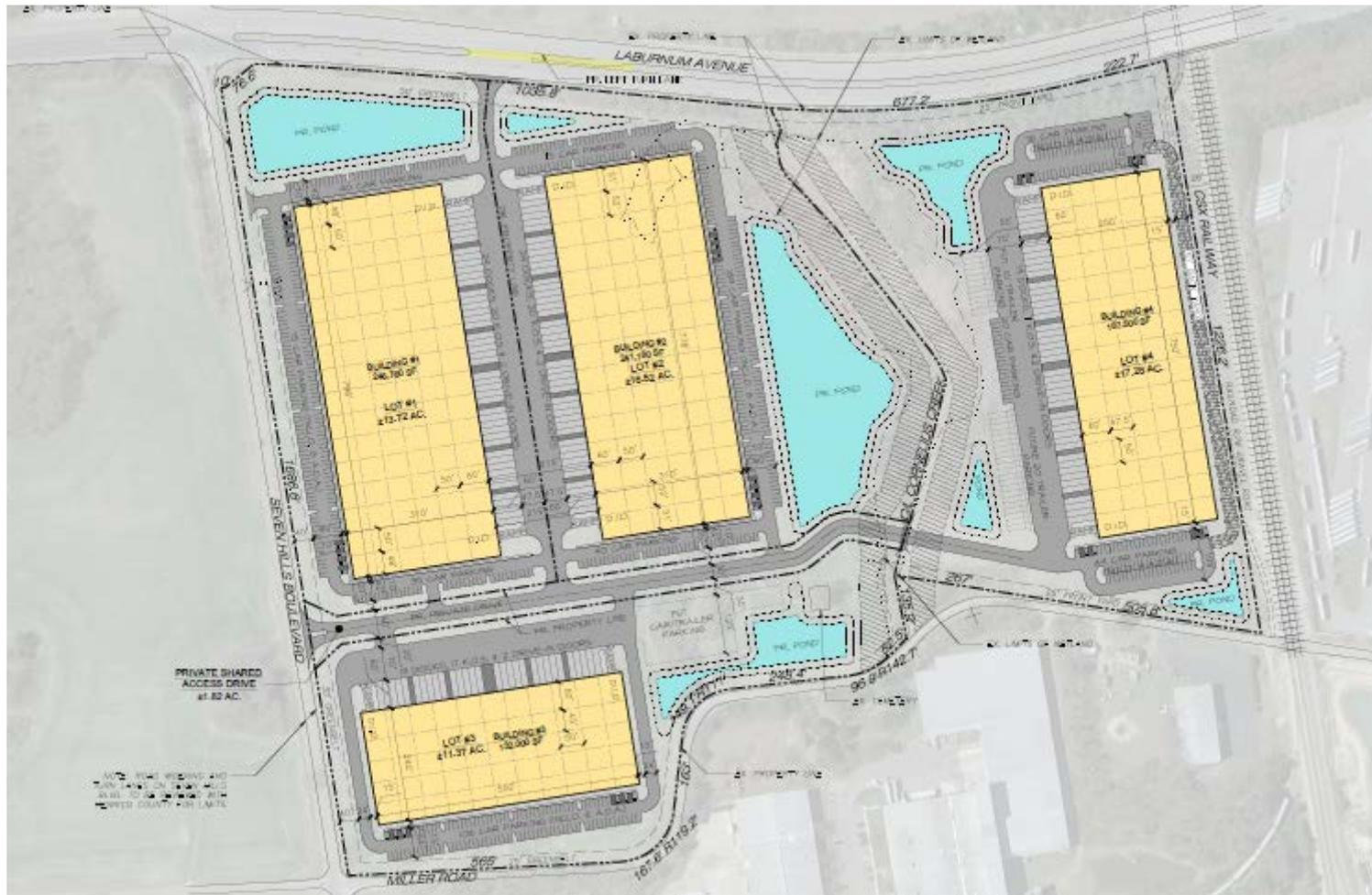
Sauer



Airport Distribution Center



Ukrops



RIC Airport



White Oak Technology Park



Libbie Mill



Innsbrook Office Sites



West Broad Village Office Site



Parking Decks

Board of Supervisors Retreat
January 12, 2018

Henrico Park Deck Inventory

- 37 decks | 13,900 spaces*
- Under development:
 - 8 decks | 3,200 spaces*
- Cost of parking spaces:
 - Surface: \$4,000 per space
 - Structured: \$16,000 - 22,000 per space

*Approximate

Comparative Rents

Class A Office Space | Fall 2017

Greater Richmond Area	\$ 21.93
Innsbrook	\$ 20.68
Downtown Central Business District	\$ 24.17
Downtown Riverfront	\$ 25.51

Add \$4-\$6 per square foot for downtown parking

*All figures are rent per square foot

Virginia Beach Parking TIF Examples

Tax Increment Financing (TIF): *a vehicle used to finance projects with incremental tax revenue generated by private investment.*

Examples of Structured Parking TIF's:

VA Beach Town Center

- Office tower and retail space (Phase V)
- 212 private spaces | 735 public spaces
- \$84M private funding | \$21M public funding for parking garage and streetscape

VA Beach Lynnhaven Mall

- 1,400 spaces
- \$100M private funding | \$12M public funding for a new parking garage and drainage, transit and road improvements

Next Steps

- The development community has mentioned over time that public investments are necessary for structured parking.
- These investments would allow higher density commercial development through structured parking.
- Each agreement should be considered on its own merits after rigorous fiscal and economic analysis.