

2010

Virginia Economic Developers Association PUBLIC POLICY AGENDA

Who Is VEDA?

The Virginia Economic Developers Association (VEDA) is the voice in Virginia for shaping economic development public policy and a primary source of strong and effective education and networking for economic development professionals.

Why is Economic Development Critical to Virginia's Future?

Economic Development is an investment in our economic prosperity. The time and resources allocated to economic development programs typically fall under two areas: creating a competitive product and attracting new and expanding business.

Underlying any successful economic development program is public policy.

Governments serve a fundamental role in facilitating job creation and investment by supporting economic development activities through both marketing and site development. Public policy choices made by government entities drive the business climate that determines the attractiveness of a particular locality to business prospects. A pro-business climate, fostered by all levels of government, is essential to continued success in promoting economic prosperity, broadening the tax base and enhancing the Commonwealth's economic stability and quality of life.

Contact VEDA

Virginia Economic Developers Association
1340 North Great Neck Rd, #1272-128
Virginia Beach, Virginia 23454
757-412-2664, Fax 866-873-3690
Email: VEDA@AssociationBuilders.com
Website: www.GoVEDA.org

Economic Development: Creating Jobs and Growing Virginia

The goal of economic development is to increase the tax base and provide better jobs, thus enhancing the well-being and prosperity of the citizens of Virginia. At this time of economic uncertainty, it is vital that we increase support for our economic development efforts to develop new opportunities for the citizens of Virginia. In order to accomplish this goal, it is necessary to create and maintain the most competitive product (sites, buildings, business climate, and infrastructure) to attract new business and to promote expansion of existing businesses. We also believe that the governor must be the chief economic development leader for the Commonwealth to tell the world that Virginia is a great place to do business.

During the 2009 General Assembly session, significant improvements were made in funding existing programs and creating new incentives to enhance Virginia's competitiveness. But the job is not done. Unemployment is at record levels, and our competition, not only with other states, but also globally, is working hard to catch up. Virginia has never been seen as a state that has offered large incentives to attract corporate investment. Instead, Virginia's strong business climate has been our best incentive. At the same time, states with similar business climates have significantly increased their incentive offers to attract high-paying jobs and large corporate investments. While Virginia cannot, and should not, match these programs, we should look at ways to support our existing programs to make them more attractive to companies. We must continue to be open to examining and improving our incentives and business attraction efforts to maintain Virginia's competitive position.

Virginia's economic development policy needs to encourage economic prosperity and job creation among all of Virginia's 134 counties and cities. In these troubled economic times, competition for jobs is even more fierce. Now is not the time to take the tools out of the economic development toolbox. Now is the time to be aggressive about bringing more jobs into the Commonwealth and retaining the jobs we already have. It also remains imperative that we live up to the commitments we have made in the past by fully funding initiatives such as the Enterprise Zone Program grants.

Economic Development Success Stories are numerous in Virginia

- The Commonwealth's Governor's Opportunity Fund (GOF) helped land Sabra Dipping Company to Chesterfield County with a \$350,000 GOF grant. Sabra is expected to create 260 new jobs and invest \$59.3 million in a state of the art food manufacturing facility where the award-winning Sabra-branded dips and spreads will be made.
- Hilton Hotels Corporation announced in February 2009 that it would be relocating its headquarters from Beverly Hills, California to Fairfax County. Hilton is expected to invest at least \$17 million and create at least 325 new jobs. The company received a \$1 million GOF grant and was awarded a \$2.5 million grant through the performance-based Virginia Economic Development Incentive Grant program.
- The GOF is often used to attract capital investment and jobs for smaller projects in rural communities and to provide incentives for existing businesses to grow in Virginia. Vaughan-Bassett Furniture Company recently received a GOF grant based upon its commitment to invest \$2.15 million and create 100 new jobs in the City of Galax. Similarly, a GOF grant was used to encourage Lasco Bathware to grow in Halifax County, creating \$1.7 million in capital investment and 50 new jobs.

In all of the announcements referenced above, workforce services incentives through the Virginia Jobs Investment Program were integral to attracting the jobs and investment to Virginia. The Commonwealth's ability to remain competitive and attract these projects will continue to depend on these cost-effective incentives with a documented and proven return on investment. The Return on Invested Capital analysis of projects receiving GOF and other incentives reveals that the 188 projects since FY2002 have generated net state revenue of \$1 billion for a state benefit-to-cost ratio of \$10 to \$1.

THE ECONOMIC DEVELOPMENT ISSUES

INCENTIVES

Preserving Virginia's Economic Development Toolbox: Virginia continues to utilize the tools necessary to remain competitive regionally, nationally, and globally. Virginia's economic development programs and policies have a positive return to our state. In today's global community, business retention and recruitment requires the options of incentives and competitive corporate tax rates to attract new businesses and retain current industries.

Governor's Opportunity Fund

Virginia's flagship economic development incentive program remains the Governor's Opportunity Fund (GOF) - the state's deal closing fund. In 2009 the General Assembly allocated \$11 million bringing the 2008-2010 biennial funding of the Governor's Opportunity Fund to \$18.6 million. The Governor and General Assembly are to be commended for demonstrating leadership in putting this funding back on track. While Virginia is now moving in the right direction, ten years ago, the biennial funding for the program was \$30 million. Many of our competitor states in the Southeast have continued to expand their deal closing funds. It is crucial for Virginia to keep pace and continue to invest to put Virginia at its maximum levels of funding. We endorse the commitments by both gubernatorial candidates to double GOF funding. At the same time, we believe that there should be more flexibility in the use of these funds to take advantage of diverse economic opportunities. There have also been attempts in the past to legislatively divert money from the fund into other activities - attempts which we oppose.

Virginia Jobs Investment Program

The number one concern of most expanding businesses and new prospects is whether they will be able to hire a quality workforce. Since 1965, the Virginia Jobs Investment Program (VJIP) has supported businesses that are hiring to upgrade the skills of their workers. The program helps to offset company training and recruitment costs, thus reinvesting these funds in the people of Virginia. On average, the return on investment for VJIP projects to the Commonwealth is 2.2 months. Unfortunately, VJIP's funding level has decreased nearly 50% in the past ten years, and demand for the program typically exceeds the annual appropriation by \$1-\$2 million. As the most accessible economic development program to businesses statewide, VEDA believes that it is vital to maintain, if not increase, funding for this program.

Tools for Economic Development

VEDA also supports the following programs and budget items to ensure Virginia's economic development competitiveness:

- o Recapitalize the Virginia Small Business Financing Authority
- o Provide funding for additional international trade and investment offices
- o Provide additional funding to the Virginia Economic Development Partnership for marketing and promotional activities
- o Implement targeted incentives for renewable energy projects and amend the Solar Photovoltaic Manufacturing Performance Grant to adjust to current market requirements

REGULATORY

Stormwater Management Regulations

Many in the economic development community are greatly concerned about how proposed regulations would affect development and job creation activities in Virginia. The proposal being considered could hinder these efforts by increasing the cost of developing needed commercial, industrial and residential sites across Virginia. Virginia is consistently ranked as one of the best places to do business, and it is our belief that adopting the proposed standards would represent a drastic step away from the pro-business policies that have fueled our economic prosperity and slow our ability to meet the needs of our business prospects.

INFRASTRUCTURE

Funding the Foundations of Economic Development: Business prospects cannot locate in a community unless the necessary infrastructure is in place; including land with adequate access to transportation, water and sewer connections, as well as modern telecommunication infrastructure and service. As in any marketing environment, a desirable product must exist to meet your customers' needs and this product is sold through a comprehensive approach that addresses community, regional and/or statewide issues such as transportation, education, business climate, environment, taxation, quality of life, community infrastructure, skilled and competitive workforce, etc. Sites must be ready and available to show prospects when they need to relocate or expand their business.

Transportation Funding

The Virginia Economic Developers Association remains concerned about the continuing lack of additional resources for transportation in the Commonwealth. Without the ability for products to reach national and global markets, Virginia will lose its competitive advantages. Increased congestion is making many Virginia communities less desirable for economic development and is stifling workforce productivity. Virginia needs to provide additional funding for transportation to support continued economic growth in the state and we urge that all options be fully explored for consideration. While local governments also have a role in transportation, transfers of responsibility should not occur without additional funding.