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DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

2017 GO Virginia Annual Report

Background: Virginia Growth and Opportunity Act, Board, and Fund

Chapters 778 and 779 of the 2016 Virginia Acts of Assembly amended Title 2.2 of the Code of Virginia by adding Chapter 24 to create the Virginia Growth and Opportunity Board and the Virginia Growth and Opportunity Fund (VGOF) within the Virginia Growth and Opportunity Act. Subsection 11 of §2.2-2486 of the Code requires the Board to submit an annual Executive Summary of the interim activity of the Board by December 1 of each year. The information provided here summarizes the activities of the Board from December 1, 2016 – November 30, 2017.

During its second year, and in anticipation of making grant awards during the next annual reporting period, the Virginia Growth and Opportunity Board spent considerable time creating and adopting guidelines for implementation of the act and assisting regions in building their capacity to carry out regional activities. The second half of the reporting period included significant progress in developing Growth and Diversification plans that were adopted by the Board and position GO Virginia to begin making the strategic investments envisioned in the statute.

The Virginia Growth and Opportunity Act, also known as GO Virginia, created a twenty-four-member policy board composed of gubernatorial appointees, legislative appointees, legislators, and three ex-officio members from different Executive Branch secretariats (Appendix A provides a list of members). Upon creation, the GO Virginia State Board adopted a purpose statement – *“to create more high paying jobs through incentivized regional collaboration to diversify and strengthen the economy in every region of the Commonwealth”* – which drives the work of the Board and the regional councils. GO Virginia is unique because the program offers state-incentives for regional collaboration to address their specific economic

challenges. The goals of these efforts is to stimulate the economy through the creation of higher paying jobs supported by out of state revenue and by getting each region to grow and diversify its economy based on prioritized, sustainable industry strengths and opportunities.

The Virginia Growth and Opportunity Fund, as created in §2.2-2487, has three grant categories; (1) funding for planning grants to assist regions in conducting a skills gap analysis and developing an Economic Growth and Diversification plan; (2) project grants allocated to each region on a per capita basis, and (3) competitive grants awarded to projects with the greatest expected economic impact for a region. The biennium budget allocated \$28.05 million for the Fund with \$3.6 million allocated to capacity building activities in the first year, and \$2.25 million allocated to capacity building activities in the second year. The remaining amounts were \$10.9 million and \$11.3 million in the second year to the per capita and competitive grants, respectively.

Complementing the Virginia Growth and Opportunity Act are the Collaborative Economic Development Act (CEDA) and the Virginia Research Investment Committee (VRIC). As enacted per §2.2-5105 of the Code, the Collaborative Economic Development Act, administered by the GO Virginia Board, provides the opportunity for localities to pursue sharing of state income tax revenues resulting from participating in collaborative economic development projects which meet certain job creation and capital investment benchmarks. Guidelines for this program were approved by the Board in October. VRIC's complimentary fund, the Virginia Research Investment Fund (VRIF), is designed to leverage state resources to encourage collaboration in research that can be commercialized and used as a driver for economic development. VRIC is closely tied to the GO Virginia Board, as four non-legislative citizen members of the GO Virginia Board also sit on the VRIC. All of these programs aim to foster collaboration and innovation in Virginia's regions.

Stakeholder Workgroup Activity

The third enactment clause of the Virginia Growth and Opportunity Act enabled the creation of a Stakeholder Workgroup to assist with the development of guidelines to implement GO Virginia and the CEDA. The 26 appointed members of the Workgroup were convened by the House Appropriations and Senate Finance committees of the General

Assembly. The Workgroup membership includes a broad spectrum of stakeholders from sectors that include, but are not limited to, business, economic development, government, and education. The major charge of the Workgroup is to provide guidance to the Board regarding the operations and structure of activities supported by the Board and the Fund. This year the Workgroup has recommended the following sets of guidelines for approval: Regional Council Formation Guidelines, Growth and Diversification Plan Guidelines, Growth and Diversification Plan Evaluation Criteria, Performance Metrics, Grant Scoring Guidelines, and Collaborative Economic Development Act Guidelines. The Board has approved all guidelines based on input from the Workgroup. Currently, the Workgroup is not meeting; however, the legislation empowers the Board to convene the group to provide guidance on future changes to the guidelines or other activities related to implementation of the Act.

Department of Housing and Community Development Activity

Appropriations for the Virginia Growth and Opportunity Fund are included in the budget for the Department of Housing and Community Development (DHCD). The budget also includes funding for two positions to assist with fund administration; the GO Virginia Administrator, hired in October 2017, and a GO Virginia Policy Analyst, hired in May 2017.

Since December 1, 2016, DHCD has provided staff support to the Stakeholder Workgroup, the Board, and the nine GO Virginia Regional Councils and their associated support organizations. DHCD staff also planned and executed a GO Virginia Conference attended by over 400 people in April of 2017 which served as a kickoff event for the nine Regional Councils.

During the spring, in support of the development of the Economic Growth and Diversification plans, staff issued a request for proposals (RFP) and selected George Mason University's Center for Regional Analysis to establish a baseline set of performance measures which provided a common platform from which all the regions could work. DHCD also worked in collaboration with the Virginia Economic Development Partnership (VEDP) in the development of the RFP and served on the committee that selected McKinsey and IBM to complete the "Target Industry Economic Growth Strategy for the Commonwealth," which included a cluster analysis for each of the nine GO Virginia regions. This cluster analysis was

used by each of the regions in the selection of priority industry clusters for their respective regional Economic Growth and Diversification plans.

To support regional communication and the sharing of information, staff have completed a redesign of the DHCD GO Virginia website and developed a quarterly newsletter. Staff also hosts regular calls with the support organizations (approximately every two weeks) and met with each support organization and consultant during the development of the Economic Growth and Diversification Plan. Staff also coordinated quarterly meetings of the Regional Council Chairs and Vice Chairs with the State Board Chair and Vice Chair. As this is a new program, to ensure appropriate fiscal procedures are followed, staff developed fiscal and grant management guidance and established an online grant application through the DHCD online Centralized Application Management System (CAMS). Staff is continually providing technical assistance to regions upon request, responding to inquiries from interested parties around the state, and providing information to a variety of stakeholder groups through speaking engagements.

DHCD staff has worked with the State Workforce Board Director as well as other Agencies to facilitate alignment with state initiatives that complement GO Virginia.

To address the fourth enactment clause of the GO Virginia statute, the GO Virginia Foundation was established in 2017 to support the work of the Board and Regional Councils.

Board Activity and Future Considerations

The Virginia Growth and Opportunity Board received its initial gubernatorial and legislative appointees in July and August of 2016. Two new members were appointed in October 2017 due to two resignations. The remainder of the Board consists of legislators identified in the legislation as well as ex-officio members from the Governor's Cabinet. The Board has an Executive Committee as well as ad-hoc grant application review workgroups to support grant application review. The ad-hoc committees for application review are: Credentialing and Talent Development, Joint Site and Economic Development Infrastructure, Cluster Scale-ups, and New Business Development (Startups, Accelerators, Commercialized R&D, and the Innovation Economy). Each application review working group will also include

subject matter experts, drawn from relevant state agencies and other stakeholders to assist with application reviews.

Since December 1, 2016, the Board has met six times and has a meeting scheduled for December 12, 2017. These six meetings have resulted in certification of all nine regional councils, approved guidelines for the development of the Economic Growth and Diversification Plans, evaluation criteria for the Economic Growth and Diversification plans, and approved state level performance measures. The Board also routinely approves subsequent changes in membership of the Regional Councils.

At its June meeting, the Board also approved regional budgets which enabled each region to solicit proposals for consultants to assist in the development of each region's Economic Growth and Diversification plan. The plans are the basis for regional projects and activities that, if implemented in a coordinated and sustained manner, will lead to new higher paying jobs for the region, new investments, and diversification of the economy of the region, which leads to the growth of the Commonwealth's economy. The Board subsequently approved all nine regional Economic Growth and Diversification plans as well as the grant scoring guidelines and a grant application review process. A total of \$1,542,769.64 has been dispersed to the regions this year to support standing up the support organization, for capacity building, and development of the Growth and Diversification Plan for each region (see Appendix B). Funds not used for capacity building and planning can be used by the regions toward their per capita projects. At the December 12 meeting, the Board will review and approve the first round of per capita grant applications.

The Board has scheduled six meetings for 2018; February, April, June, August, September, and December. The nine regions currently have two grant funding opportunities; a regional allocation based on per capita population which the region will use to implement projects that align with their Growth and Diversification plan; and a competitive allocation which will be awarded to regions that collaborate on large or multi-regional opportunities. The Board will provide grants to regions to fund projects they identify as vital to their efforts to diversify the regional economy, strengthen their workforce, and support collaborative

programs between at least two (or more) localities that will lead to the creation of higher paying jobs (defined as above the median wage in each region).

The Board will also review and approve Collaborative Economic Development Plans and certify companies based on the Virginia Collaborative Economic Development Act guidelines on an as needed basis.

GO Virginia continues to demonstrate that it has the potential to be transformative for economic development in Virginia based on early indicators of new collaborations and the high quality and credibility of the Growth and Diversification plans. Business leaders, economic developers, educators, and local governments are collaborating in new ways to find the best path forward for each of their regions. These new collaborations and strategic investments in each region will serve as the platform for economic growth in Virginia for years to come.

Regional Council Activity

Region One includes the counties of Bland, Buchanan, Carroll, Dickenson, Grayson, Lee, Russell, Scott, Smyth, Tazewell, Washington, Wise and Wythe; and the cities of Bristol, Galax and Norton. The Region One Council is led by Mike Quillen as chair and Ron McCall as vice chair and the University of Virginia at Wise is the support organization, led by Shannon Blevins. Region One engaged Chmura Economics and Analytics for assistance with the development of the Growth and Diversification plan, which addresses the regional challenges associated with dependence on federal spending, and the downsizing of the coal mining and manufacturing industries. The plan identifies four target industries: advanced manufacturing, agriculture and food manufacturing, information and emerging technologies, and energy and minerals. To foster the development of these target industries, the plan lays out a three-part strategy that focuses on talent development, entrepreneurship and innovation, and infrastructure. As part of these strategies, Region One will address existing and projected gaps in occupational credentials in industries such as healthcare, logistics, warehousing and distribution, manufacturing, and information technology. In preparation for the submission of per capita and competitive funding applications, the Region One Council solicited Letters of Interest for prospective projects. A funding application was developed by the Region One Council members, and completed applications will be due to the Regional Council by December 11, 2017. Projects

receiving approval will then be submitted to the Go Virginia Board for funding consideration in February 2018.

Region Two includes the counties of Alleghany, Amherst, Appomattox, Bedford, Botetourt, Campbell, Craig, Floyd, Franklin, Giles, Montgomery, Pulaski and Roanoke; and the cities of Covington, Lynchburg, Radford, Roanoke, and Salem. The Region Two Council is led by Raymond Smoot as chair and Ab Boxley as vice chair, and the Office of Economic Development (OED) at Virginia Tech is the support organization, led by John Provo. The Growth and Diversification plan for Region Two addresses challenges associated with education gaps, underutilized workforce resources, and a lack of regional collaboration. The plan identifies four interrelated industries that offer the greatest potential for sustainable, scalable growth which include manufacturing, life sciences and healthcare, food and beverage processing, and emerging and information technologies. To grow economic opportunity in these clusters, the plan presents core strategies focusing on talent and workforce development, collaborative development of sites and buildings, entrepreneurship and business development, and technology development. Region Two solicited projects for the first round of per capita funding through a RFP. Responses to the RFP will be vetted by a team of subject matter experts and a Project Review Committee, and successful projects will be forwarded to the Regional Council for consideration before submission to the GO Virginia Board.

Region Three includes the counties of Amelia, Brunswick, Buckingham, Charlotte, Cumberland, Halifax, Henry, Lunenburg, Mecklenburg, Nottoway, Patrick, Pittsylvania, and Prince Edward; and the cities of Danville and Martinsville. The Region Three Council is led by Charles Majors as chair and Randy Lail as vice chair, and the Southside Planning District Commission (SPDC) is the support organization, led by Gail Moody. The Growth and Diversification plan for Region Three addresses the regional challenges associated with an aging and declining population along with the downsizing of the manufacturing and tobacco industries. The plan outlines four target industries that offer the greatest opportunities for higher wage jobs in the region which include business services and data centers, advanced manufacturing, health care, and natural resource

processing. The plan also identifies three critical opportunities for achieving regional advancement: workforce development and recruitment, sectoral development, and cyber infrastructure. These strategies will include addressing identified workforce gaps in the areas of healthcare, skilled trades, and technical manufacturing positions, and the need for additional credentialing for production, transportation, maintenance, and repair occupations, as well as financial clerks. Region Three solicited initial project proposals for the first round of per capita funding through a Request for Information (RFI) that was issued in coordination with a series of public meetings. Responses to the RFI were provided feedback, and project applications were then accepted through November 6, 2017. On December 20, 2017, the Region Three Council will decide which applications will be recommended for funding to the GO Virginia Board.

Region Four includes the counties of Charles City, Chesterfield, Dinwiddie, Goochland, Greensville, Hanover, Henrico, New Kent, Powhatan, Prince George, Surry, and Sussex; and the cities of Colonial Heights, Emporia, Hopewell, Petersburg, and Richmond. The Region Four Council is led by William Goodwin Jr. as chair and John Luke Jr. as vice chair and is supported by the Grow Capital Jobs Foundation, a newly formed 501(c)(3) led by Wilson Flohr. Developed by Decide Smart with an assessment of existing plans and stakeholder engagement, the Grow Capital Jobs Growth and Diversification plan establishes a framework for the region's three core strategies which include the integration of business with education to develop a highly qualified workforce, stimulation of growth in industries using advanced technologies including bioscience, manufacturing, logistics, and capitalization on the region's reputation as a center for innovation and entrepreneurship. The plan also establishes four priority clusters that represent the greatest opportunities for the region: logistics, advanced manufacturing, health, life science, and bioscience, and information technology and innovation. Region Four solicited projects for the first round of per capita funding through a RFP, and after submissions were vetted by the support organization, the highest priority projects were forwarded to the Regional Council for consideration. Projects not forwarded to the regional council were merged to reduced duplication and to pool resources, while others were encouraged to participate in later funding cycles after projects were developed further.

Region Five includes the counties of Accomack, Franklin, Isle of Wright, James City, Northampton, Southampton, and York; and the cities of Chesapeake, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg. The Region Five Council is led by Thomas Frantz as chair and Anne Conner as vice chair, and is supported by Reinvent Hampton Roads led by James Spore. In coordination with Old Dominion University, George Mason University, and the Natelson Dale Group, Region Five developed a Growth and Diversification plan to address the region's overreliance on large firms and lack of small and medium-sized businesses in key clusters, and the lack of a regional workforce development strategy for the next generation knowledge-based economy. The plan outlines the Regional Council's three strategies which include creating coordinated capacity for innovation in target industries, increasing the pace of small and medium-sized business growth and job creation, and closing workforce gaps that exist for high-demand skills, credentials, and degrees. These strategies target the region's six priority clusters: port operations, logistics, and warehousing, shipbuilding and repair, water technologies, advanced manufacturing, unmanned systems and aerospace, and cybersecurity and data analytics. To grow these target industries, the plan acknowledges the need to increase the graduation rates for degrees in computer-related fields as well as engineering. Region Five utilized a four-step process to solicit applications for GO Virginia funds, through which Reinvent Hampton Roads staff received applications, scanned for completeness and distributed materials to review committees which included subject matter experts for the four regional strategies, as well as Council Members and business community representatives. The Region Five review committee then ranked applications based on an established scoring rubric, and forward the highest scoring applications to the Region Five Council for consideration on November 14, 2017.

Region Six includes the counties of Caroline, Essex, Gloucester, King and Queen, King George, King William, Lancaster, Mathews, Middlesex, Northumberland, Richmond, Spotsylvania, Stafford, and Westmoreland; and the City of Fredericksburg. The Mary Ball Washington Regional Council is led by William Beale as chair and Carlton Revere as vice chair, and is

supported by the George Washington Regional Commission (GWRC), led by Tim Ware and Kate Gibson. The Mary Ball Washington Regional Council contracted with Mangum Economics to develop its Growth and Diversification plan that capitalizes on diverse regional opportunities to address the greatest challenge for region overall: the daily negative out-flow of workers commuting to neighboring regions, namely the Capital Region and Northern Virginia. The plan identifies seven specific goals relating to workforce and talent development, sectoral development for high-performance and natural resource industries, and the development of broadband infrastructure. Along with these strategies for growth, the plan identifies six high-performance industrial clusters that represent the greatest opportunity for the region: seafood processing and aquaculture, forestry, wood and paper products, manufacturing, logistics and distribution, information technology and data centers, and professional services. Region Six has a sufficient labor pool to supply the demand in these high-performance industries, but the plan does indicate the need to address “bottle necks” that exist in middle-skill occupations such as electricians, heavy equipment operators, and industrial mechanics. Region Six extended their engagement of Mangum Economics to include the solicitation and review of per capita funding applications which were due on November 17, 2017. Applications were reviewed by GWRC and Mangum, and the Regional Council will complete interviews with project applicants before determining which projects will be recommended to the GO Virginia Board for funding.

Region Seven includes the counties of Arlington, Fairfax, Loudoun and Prince William; and the cities of Alexandria, Fairfax, Falls Church, Manassas and Manassas Park. The GO NOVA Regional Council is led by Carolyn Parent as chair and Matt McQueen as vice chair and is supported by the Northern Virginia Regional Commission (NVRC), and Martha Marshall, Interim Director. Additional contract support is provided by ST Consulting, Inc. led by Sue Rowland. The GO NOVA Growth and Diversification plan indicates that the region’s greatest challenges are the over-reliance on federal spending and the impact of sequestration, weak job growth in non-traded sectors, and the loss of entrepreneurial firms to out of state competition. The plan explains that three of the region’s largest clusters (computer services, consulting services, and cybersecurity) are heavily influenced by government contracting, but three other clusters (financial services, organizations, and life sciences) represent important opportunities due to

recent employment growth and improved competitive positioning. The last of the region's seven priority industry clusters is research, which integrates with several of the other target industries listed. To build upon the region's economic assets, Region Seven identified three strategies: strengthening the technology workforce, accelerating the development of 'growth' companies, and enhancing the technology transfer and commercialization of research from the region's top research centers and institutions. The strategies outlined in the plan encourage the development of projects to address the region's vital workforce gaps in IT-related fields such as data analytics, cybersecurity, data center and cloud infrastructure, network systems, and programming and software development. The Region Seven Council established a standing Projects Committee, to manage the application solicitation and review process, which began with a call for Letters of Interest from prospective applicants who were then invited to submit full applications to the Regional Council by October 30, 2017. Applications were reviewed by the Projects Committee, which included staff, council members, and subject-matter experts and this process included interviews with the applicants prior to the Regional Council forwarding recommendations to the GO Virginia Board.

Region Eight includes the counties of Augusta, Bath, Clarke, Frederick, Highland, Page, Rockbridge, Rockingham, Shenandoah, and Warren; and the cities of Buena Vista, Harrisonburg, Lexington, Staunton, Waynesboro and Winchester. The Region Eight Council is led by George Pace as chair and Chris Kyle as vice chair. The Region Eight Council is supported by four distinct organizations: the Shenandoah Valley Partnership (SVP), the Central Shenandoah Planning District Commission (CSPDC), the Northern Shenandoah Valley Regional Commission (NSVRC), and the Shenandoah Valley Workforce Development Board (SVWDB). The development of the Growth and Diversification plan for Region Eight was led by CSPDC and Camoin Associates. The Plan indicates that the region's greatest opportunities are in health care, financial and business services, information technology, light manufacturing, and transportation and logistics. The plan also indicates that the greatest workforce challenges were associated with employee qualifications versus salary and benefits expectations, as well as employee recruitment and retention. The Growth and Diversification plan seeks to capitalize on the opportunities and

address the workforce challenges using a four-part strategy which focuses on talent development, existing business scale-up, entrepreneurial development and commercialization, and site development. To facilitate the per capita funding process, Region Eight established a preliminary online submission form through which prospective applicants submitted project descriptions to CSPDC by October 13, 2017. After preliminary submissions, the Grant Proposal Study and Review Committee held meetings to review proposals and make recommendations for project improvement. The Regional Council met on October 30th, 2017 and reviewed the preliminary applications, and made recommendations as to which projects should proceed with an application to the GO Virginia Board. Pre-applications for the second round of per capital funding applications were due to the Grant Proposal subcommittee by November 17, 2017.

Region Nine includes the counties of Albermarle, Culpepper, Fauquier, Fluvanna, Greene, Louisa, Madison, Nelson, Orange, and Rappahannock; and the city of Charlottesville. The Council is led by Brian Cole as chair and Tom Click as vice chair and is supported by the Central Virginia Partnership for Economic Development, led by Helen Cauthen. Region Nine also worked with Camoin Associates for the development of the Growth and Diversification plan, which outlines a four-part strategy which focuses on talent development, existing business scale-up, entrepreneurial development and commercialization, and site development. These strategies will be utilized to promote higher wage job creation in the areas of biotechnology and biomedicine, financial and business services, information technology and communications, food and beverage manufacturing, and light manufacturing. Region Nine also seeks to address the workforce challenges associated with workforce qualifications versus salary and benefits expectations, underdeveloped soft skills, and employee retention. Region Nine solicited projects for per capita funding through a preliminary online application and a series of public speaking engagements at local governing body meetings for each of the eleven localities. Submissions through the online portal are forwarded to one of four task forces set up for each of the region's growth and diversification strategies, which help to develop projects and connect prospective sub grantees to other resources and subject matter experts.

Appendix A: Virginia Growth and Opportunity Board Members

Gubernatorial Appointees	Affiliation
Nancy Howell Agee	President and CEO, Carilion Clinic
The Honorable Richard D. "Ric" Brown	Secretary of Finance
The Honorable Jim Dyke	Senior Advisor, McGuireWoods Consulting
Thomas F. Farrell II	Chairman, President & CEO, Dominion Resources, Inc.
The Honorable Todd Haymore	Secretary of Commerce & Trade
Doug Juanarena	Retired, Vice President and General Manager, RackSpace Hosting
Jennifer Boykin	Executive Vice President, Huntington Ingalls Industries President, Newport News Shipbuilding
Bruce Smith	President, Bruce Smith Enterprise
Todd A. Stottlemeyer	CEO, Inova Health System
The Honorable Dietra Y. Trent, PhD	Secretary of Education
Lucia Anna "Pia" Trigiani	Attorney at Law, MercerTrigiani
Marilyn H. West	Chairman/CEO, M. H. West & Co., Inc.
John O. "Dubby" Wynne	Retired, President & CEO, Landmark Communications, Inc.
Virginia Senate Appointees	
Benjamin J. Davenport Jr.	Chairman, First Piedmont Corporation
Heywood W. Fralin	President and CEO, Medical Facilities of America
Virginia House of Delegates Appointees	
Steven C. Smith	President and CEO, Food City
Joe Wilson	CEO, PermaTreat
Virginia Senate Members	
Janet D. Howell	32nd District
Thomas K. Norment	3rd District
Frank M. Ruff	15th District
Virginia House of Delegates Members	
M. Kirkland "Kirk" Cox	66th District
S. Chris Jones	76th District
Terry G. Kilgore	1st District
R. Steven Landes	25th District

Appendix B: Support Organization Capacity Building Funds Dispersed

Capacity Building Funds Dispersed to the Regional Councils' Support Organizations for FY 17 and FY18	
Region 1	\$0.00
Region 2	\$100,000.00
Region 3	\$160,948.99
Region 4	\$188,491.63
Region 5	\$303,031.61
Region 6	\$100,000.00
Region 7	\$100,000.00
Region 8	\$327,010.39
Region 9	\$263,287.02
Total	\$1,542,769.64
<p>Note: The biennium budget allocated \$3.6 million to capacity building activities in the first year and \$2.25 million to capacity building activities in the second year. Therefore, each of the nine GO Virginia Regional Councils has available \$650,000 in capacity building activity funds over the biennium. This chart shows those capacity funds dispersed by DHCD to the Regional Councils' support organizations as of 11/8/17.</p> <p>It is important to note that many regions are saving capacity building funds for project implementation and that all regions have engaged in capacity building activities but not all have yet requested reimbursement for their expenses.</p> <p>As of 11/8/17</p>	