

John O. Wynne Remarks
Virginia Growth and Opportunity Board Meeting
June 24, 2019

Coming out of the Great Recession that started in 2008, it was clear that Virginia was not experiencing a normal recovery. While Virginia typically follows national trends – meaning when the national economy falters or expands, we follow suit, but those ups and downs are often less dramatic. Further, Virginia had long enjoyed being above the national average in job and income growth. These historical trends were not holding up and instead showed Virginia slipping behind not only our key competitors, but even the national average. Recognizing some of these trends is what laid the foundation for GO Virginia.

When we first considered the need for a program like GO Virginia some years ago, four of us, Tom Farrell, Haywood Fralin, Wick Moorman, then CEO of Norfolk Southern, and I sought advice on the causes of these problems and asked for a thorough evaluation, both economic and structural, of our concerns about the future direction of the economy in Virginia. Using best practices from across the country, almost 5 years ago, we developed a preliminary plan to more positively change the trajectory of economic growth and opportunity in the Commonwealth. We then approached some of the most prominent business people in the state who financially backed the advocacy and support of our initiative by creating what has become the GO Virginia Foundation. Sharing our concerns and the results of what we learned with our state's political leadership, we found additional allies to put Virginia back on the right track. These efforts ultimately led to the passage of the Growth and Opportunity Act in 2016. That statute, along with complementary efforts to share income tax proceeds from the creation of new jobs through the

Collaborative Economic Development Act, were seen as a prescription to the ills facing the state.

Along the way, we engaged numerous economists for advice, and they all said the same thing. Their analysis made it clear that our historical reliance on federal spending as a primary engine of economic growth had worked so well since World War II that we had failed to make the investments and changes necessary to update our approaches to economic development and in the infrastructure needed to build an economy that would prosper in the 21st century. The decline in federal spending after the 2009 recession was a wake-up call, but so too were discoveries we made as we investigated best practices in economic development. The old approach of marketing to attract new businesses to the state, often referred to as “whale hunting,” had been substantially broadened and subsumed by new approaches which put more emphasis on collaboration in key areas such as talent development, innovation, foreign direct investment, entrepreneurship, creating start-up companies and a supporting ecosystem, site development, and a far greater focus on business retention and expansion. We learned that to achieve real growth beyond inflation or population growth, a greater emphasis needed to be placed on traded sector companies which attract a majority of revenue from out of the state.

Beyond these factors, we saw several structural problems that needed to be addressed. Our system of local governments with independent cities and counties, and strict adherence to the Dillon Rule, led to our endless cycle of competition among localities to attract businesses so they could get new property taxes. With no incentive to encourage the creation of good jobs, localities competed instead of collaborated in economic development. Virginia was and is unique in this combination of structural challenges.

Many political and business leaders shared these same concerns, but no one knew exactly how to change the approach. But we all knew that doing business the old way was not going to work, and instead, that a renewed spirit of cooperation and collaboration was essential to put Virginia back on top.

One hugely important change was made by our elected officials when they revamped VEDP, modernized their approaches and systems, reorganized the Board, and most importantly, recruited Stephen Moret to be CEO. Under his superb leadership, an excellent strategy and organizational structure was adopted. The significance of these efforts has been confirmed by the caliber of people VEDP has been able to hire, and most visibly to all, by our successful efforts to attract Amazon's east coast headquarters with thoughtful emphasis on benefits both to Amazon and our Commonwealth. The leaders of GO Virginia and VEDP have worked closely together over the past few years in a productive partnership which will continue to move Virginia forward.

So, beyond revamping VEDP, what changes did we identify as logical, appropriate, sensitive to existing policies that are difficult, if not impossible, to change, and likely to yield meaningful results?

First, we needed to find a way to get our localities to see self-interest in collaborating for economic development. Across the country, it is recognized that the regions were the organizing units of the state economy. In fact, a state economy is only the sum total of regional economics, combined with appropriate policies and astute financial management. Businesses are largely unconcerned with political boundaries – they focus on attracting great employees, customers,

supply chains, business climate, and quality of life, which are almost never confined, at any scale, to a single locality. In fact, the failure of Virginia's localities to collaborate has pushed companies to locate in other states. Because some of the structural impediments identified earlier are not likely to change, we evaluated whether the state could incentivize collaboration among localities, and begin the process of showing the benefit of leverage, collaboration, shared opportunity, and increased trust. Earlier successes with regional jails clearly demonstrated the efficacy of such an effort.

Second, we wanted the changes in each region, as the organizing unit of the state economy, to start with leadership from the business community. Our effort brought together some of the very best leaders to identify an actionable strategy and priorities. Because of their experience in driving business and the resultant economic impact, we wanted the efforts to be business led, but also wanted other key stakeholders at the table. Our emphasis is on strengthening each region of the state, and our policies reflect this commitment.

Third, we wanted to use our incentives to "prime the pump" for regions to pursue their opportunities and priorities in the areas of talent development, site development, growing their existing companies, and in start-ups. We knew our funds would not be significant enough, or available, to support projects on a long-term basis. Instead, we wanted to focus on a few critical areas that would drive not only economic growth, and validate good ideas that would be so compelling that others would continue and enhance these initiatives, but also result in systemic change to sustain these efforts over time. That's why we built our model of public private partnerships to move these efforts ahead. We require a 50% match for GO Virginia grants (aside from some limited capacity building funds) to assure others'

commitment to pursue these activities (20% of the match must come from two or more collaborating localities).

Fourth, and not entirely intuitive to many, we wanted to focus on creating higher paying jobs (above the median in the region), created in traded sector companies (majority of revenue from out of state). Our focus is narrow. There are many other worthy initiatives, but we, as business people, wanted to get the most out of the limited dollars entrusted to us. We focused on higher paying jobs because they create lower paying jobs. The opposite is rarely the case. Almost all of us are concerned about creating opportunity for everyone, and the best way to do this is to drive robust growth in every region that will result in jobs at all levels. While there are many related sectors critical to our regions, such as retail and health care, they are not the focus of GO Virginia. We are concentrated on new economic growth. If dollars are spread too thinly across many objectives, there will be little or no economic impact.

Fifth, in making grants, we set a very high bar for approval of requests, developed clarifying policies consistent with our focus, and resisted suggestions for other projects, which while worthy, would not reinforce our goals.

So, how have we done? Of course I am biased, but in many ways we have exceeded our expectations for this start-up initiative. At the same time, we realize that like all start-ups, we still have many more opportunities to strengthen our efforts.

Since our first grant was made in December, 2017, we have made 51 grants, across our regions, totaling over \$20 million. These funds have been matched by

almost \$30 million, well beyond the 50% or \$10 million, we required. Most of these new projects will take time to have an impact, but we are laser focused on results, and monitor progress thoroughly. Nearly every day, there is a news article around the state about how GO Virginia is having a positive impact – from the new welding jobs on the Northern Neck, to the GO-TEC job training program in Southside, or the results of the “brain drain” study in the Roanoke Valley, to new small business funding initiatives in Hampton Roads. This momentum will only build over the coming months as more money hits the street and approved projects start to hit their stride. As we approach the next biennium, we will work with the Administration and General Assembly to keep GO Virginia appropriately funded for the future.

A clear and provable impact we have had is that collaboration among localities and in private-public partnerships is being discussed as never before and increasingly utilized as a means to achieve a better economy and opportunity for all. More substantive, sustained efforts are being pursued in each region. Much of the collaboration we are fostering goes beyond GO Virginia. RIFAs (Regional Industrial Facilities Act), where localities can partner, invest, and share benefits from joint site development, are being created at an accelerating pace. Regional economic development organizations are reorganizing along the lines we and VEDP identified as best practices. In my region of Hampton Roads, reputedly one of the most competitive regions in our state, 11 localities have, with strong business leadership and support, entered into an MOU to reorganize and reform efforts to collaborate, freshly invest in new directions and with shared efforts, target our top 5 industry sectors for growth. Other regions are considering such changes. I have been at meetings where leaders from different parts of regions gather and acknowledge it is for the first time in decades. Several of our regions

along the 81 corridor attribute their willingness to come together on the transportation solution adopted during the 2019 session at least in part to attitudes created by GO Virginia.

I'm proud to say that GO Virginia is growing, developing, and having an increasingly positive impact. Yes, it will take time and sustained effort to realize its full potential, but we are on great track. Over the coming months, a primary focus of improvement will be getting more full time efforts in our support organizations for each Regional Council, in order to encourage more in number and increasingly more impactful projects. The updates to the regional growth and diversification plans that are now underway will be central to that effort. We have seen improved efforts in each region, but we are dedicated to continuous improvement.

Change of the sort we are pursuing in GO Virginia, and its' off shoots, is frequently too challenging, difficult, and risky for government. We all should be extremely pleased with the bipartisan support, insight, and wisdom of our political leaders to overwhelmingly support GO Virginia. We are pursuing new pathways for a better Virginia with opportunity for all.

When you elected me Chair of GO Virginia almost 3 years ago, we knew we had a lot of work ahead of us. We have made great progress and have sustained traction in almost every region of the state. I was also conscious that it is not good for a chair to stay in the position for too long a term for many reasons that are obvious to you. As I entered in my third year, I began discussing with many of you who should be our next chair. There are many wonderful choices.

Ben Davenport, our Vice-Chair, has been tireless in his efforts for GO Virginia. We talked a lot about leadership succession. Ben and I thought that if he was willing and had the time, Tom Farrell, would be a great choice. We solicited comments from all of you and we are pleased to say there is unanimous consensus, that Tom would be a great chair.

My term as chair ends June 30, but our By-laws, provide that the election of chair should occur at our first meeting after June 30, which is not until September. In order for Tom to get started now and serve a full first term, I will resign as chair today. We can now elect Tom on an interim basis and then on a permanent basis in September. In the future, we should have an early July meeting or amend the By-laws to avoid this issue. I will remain on the GO Virginia Board, and along with you, will do what I can to help him as requested.

Before the election, I want to thank each of you for your efforts on behalf of GO Virginia. I especially want to thank Ben Davenport, who has become a great friend. I also want to thank McGuireWoods, especially Frank Atkinson and Chris Lloyd, for their extraordinary efforts over many years. We would not be where we are today without them. I want to thank Erik and the staff at DHCD for helping us with and nurturing our new initiative. Well done. Thanks also to Don Finley, CEO of the VBHEC who has acted as our fiscal agent for the GO Virginia Foundation. And finally, I want to thank all of those involved in our Regional Councils. It is your efforts that produce the projects we fund and are at the core of the success of GO Virginia.

Thank you for the opportunity to serve.