

SITE DEVELOPMENT EFFORT

December 5, 2018

AGENDA

- **The case for site development in Virginia**
- Our ten-year job growth targets for Virginia
- What we're doing now to address our need for business-ready sites
- What we'll need to achieve these growth targets
- Conclusion: our path forward

WHAT DRIVES JOB GROWTH? BUSINESS EXPANSION AND ATTRACTION

 Today's focus



What businesses look for in a location

World-class talent

A place brimming with high-quality, hard-working workforce

Suitable sites & buildings

A place with locations that are (close to) ready for operations

Supportive business climate

A place that partners with business to drive growth

Attractive quality-of-life

A place that people want to call home

SITES... MORE THAN A PIECE OF LAND

Estimated chance of winning

0%

<20%

40-50%

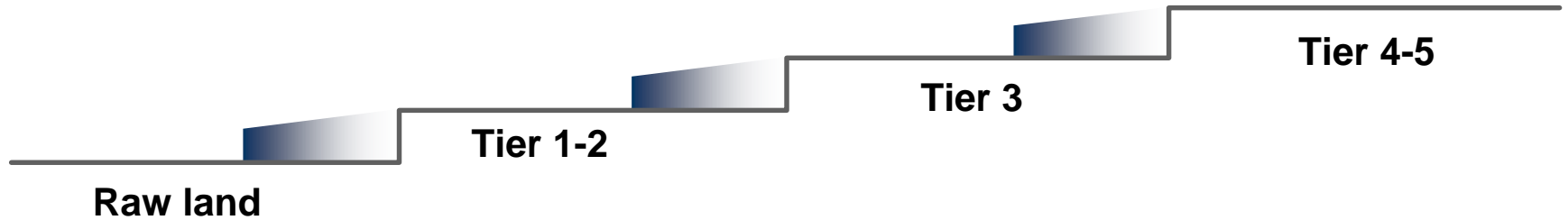
70%+

- Raw land identified for developing and marketing to prospect

- Site controlled for marketing and development

- Zoned industrial/commercial, due diligence completed

- Infrastructure in place within 12-18 months
- “Shovel Ready” – site cleared and rough graded



Timmons Group/VBRSP's site readiness framework

THE CONNECTIVITY, AVAILABILITY, AND COST OF THE SITE ARE TOP CONCERNS OF SITE SELECTION CONSULTANTS...

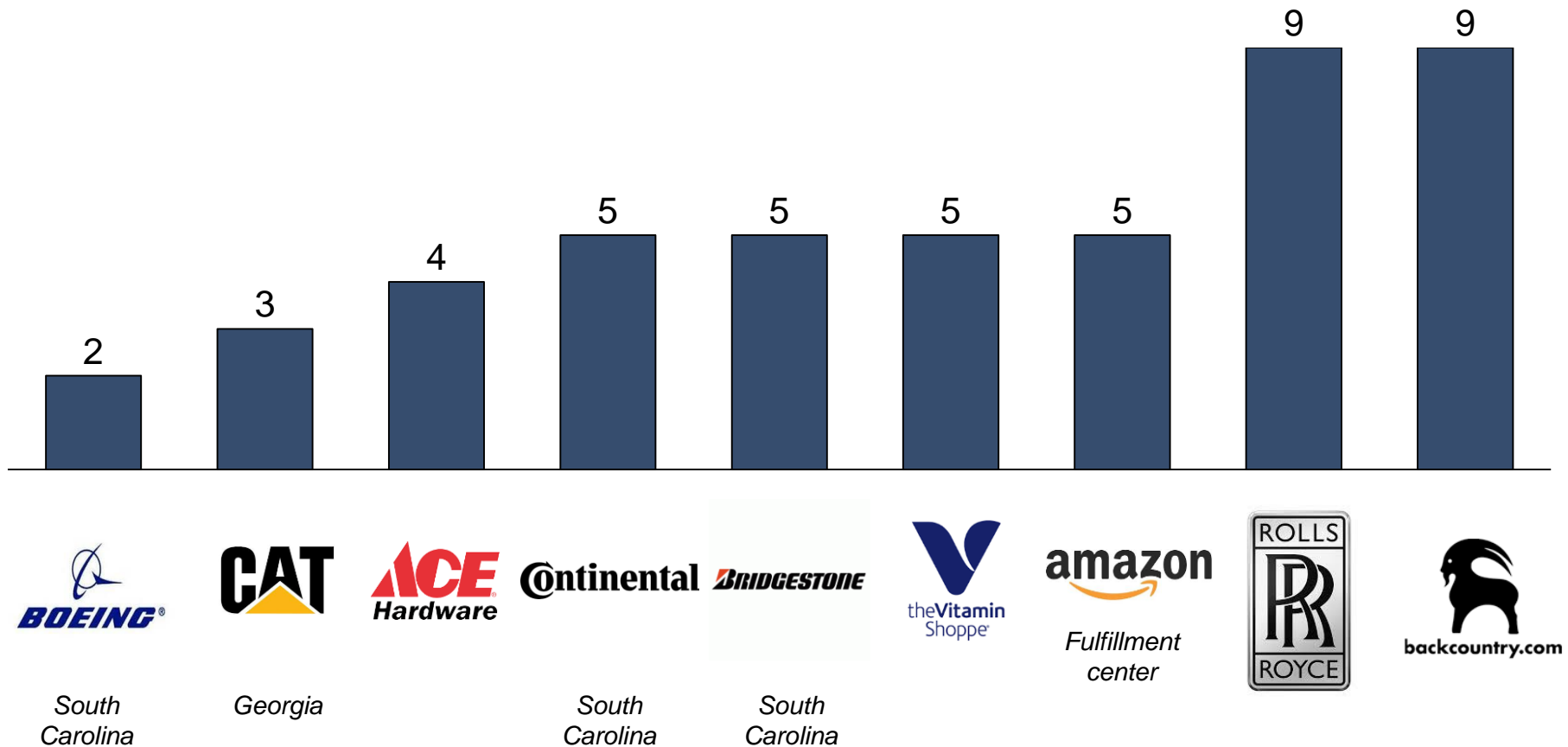
 Site-related

- 1 Workforce
- 2 Transportation infrastructure
- 3 Available buildings and sites
- 4 State and local tax structure
- 5 Incentives
- 6 Utilities
- 7 Regulatory environment
- 8 University and college resources
- 9 Cost of real estate

... WITH AN EMPHASIS ON CONCLUDING THE SELECTION PROCESS QUICKLY

Timelines for project announcements

Initial contact to announcement, months



South Carolina



Georgia



South Carolina

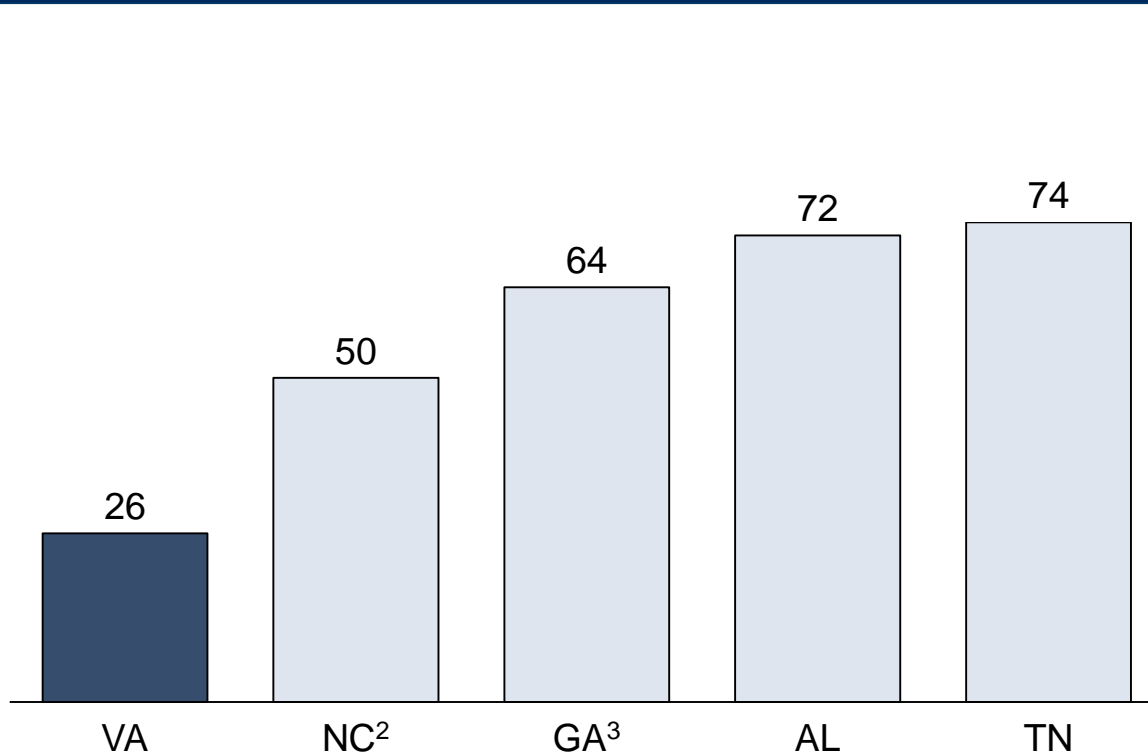


South Carolina



VIRGINIA HAS 1/3 THE NUMBER OF CERTIFIED SITES AS ITS LEADING PEER (TN) AND HALF THAT OF ITS CLOSEST PEER (NC)

Certified sites¹ available, categorized by site acreage (#)



Potential factors driving site scarcity in VA

- **Lack of a dedicated funding source** for site preparation
- **Coordination challenges** between multiple agencies with development authority
- **Lower risk appetite / lack of resources** to replenish site pipeline after sequestration
- **Unique topographical characteristics** driving higher costs and longer timelines (in certain regions)
- **More restrictive enforcement of permitting standards** in VA's USACE division

¹ Certification criteria vary by state; common criteria include sufficient acreage, utility connections, environmental and geotechnical due diligence and zoning requirements. Analysis is from Summer 2017; 27 Certified Sites 25+ acres in Virginia Scan as of September 2018

² NC Database does not allow searches for sites <10 acres

³ GA Database does not allow searches for sites <30 acres

OTHER STATES HAVE MORE ESTABLISHED (AND LARGER) SITE CERTIFICATION PROGRAMS

As of fall 2018

Area Development, 2018

State	“Shovel ready” sites program rank	Overall cost of doing business rank
TN	1	2
GA	2	T-3
AL	3	T-3
SC	4	T-5
NC	5	8
OH	6	-
TX	7	1
IN	T-8	T-5
MS	T-8	T-5
KY	T-10	-
LA	T-10	T-9



Tennessee

- 2018 budget of **\$7M** for site development
- Tennessee Certified Sites program lists 52 certified sites (8 with “sold” sticker)
- Minimum 20 acres; professional photos and video for each site



Georgia

- Georgia Ready for Accelerated Development (GRAD) program launched in 2008 and counts over 60 active certified industrial sites; minimum 50 acres
- Website lists 24 companies that have located on certified sites



Alabama

- AdvantageSite established in 2008 and claims 59 active certified sites (though only 23 shown on websites)
- Since 2008, 33 projects have located on AdvantageSites, investing \$1.3B+ and creating 6K+ jobs



North Carolina

- 2018 Rural ReadySites Program will invest more than **\$14M** in public infrastructure construction at sites that have strong potential to attract employers

VA's VBRSP program is substantively similar to the other state programs though VBRSP is newer and likely resourced differently than other states

TAKEAWAYS

**Virginia can do more
to develop
business-ready sites**

AGENDA

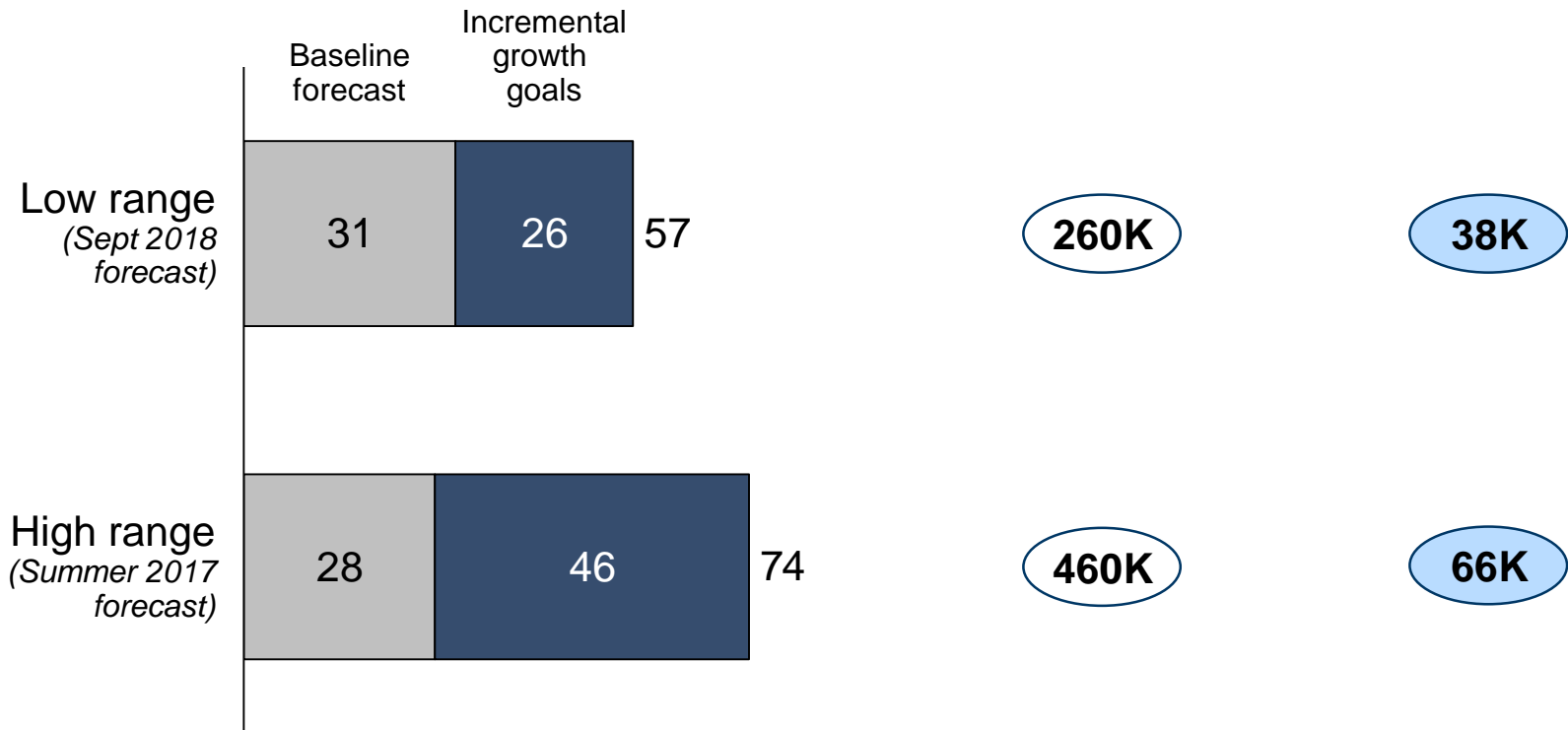
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VEDP'S 10-YEAR INCREMENTAL JOB GROWTH TARGETS RANGE FROM 260-460K JOBS (38-66K INDUSTRIAL JOBS¹)

Annual job growth targets¹
Thousands of jobs

10-year direct, indirect, and induced jobs target
Thousand jobs

10-year direct industrial jobs²
Thousand jobs




¹ Job growth targets based on the required jobs over baseline forecasts for Virginia to rank in the top 10 of fastest growing states

² Industrial jobs include manufacturing and distribution/logistics jobs representing ~29% of the total **direct** job growth goals

Source: Moody's Analytics

WE BUILT A PORTFOLIO MODEL TO ESTIMATE THE NUMBER OF SITES NEEDED AND INVESTMENT REQUIRED TO ACHIEVE TARGETS

Scenarios and assumptions

 Critical model drivers

1 Job growth targets

- Based on Moody’s job growth forecasts

5 Tier estimates made by staff

- Estimated tiers and development costs for every site over 25 acres in Virginia Scan

2 Industry mix

- Based on Conway’s national project database

6 Transp. assembly min. site req’s

- Assumes 32x building sq. ft. to acreage multiple

3 Sq. ft to acreage multiple

- Used to convert building or plant sizes to acreage needs

7 Site prioritization

- Identified “next closest” suitable site to fill portfolio needs

4 Site requirements approach

- Used simple “yes/no” responses regarding access to key infra.

8 Regional competitiveness

- Filtered sites slightly using McKinsey-IBM analyses

WE ESTIMATED THE NEED FOR SITES TO BE BETWEEN ~80-140 SITES OF ALL SIZES

See user guide for detailed assumptions

Manufacturing and logistics share of the 10-year targets:
~38-66K

Sub-sector	Jobs	Number of sites (low-high range)		
		25-100 acres	100-500 acres	500+ acres
Light manufacturing*	7-12K	4-8	0-0	0-0
Advanced manufacturing	17-30K	28-49	19-32	2-3
Transport. equip. assem. & manuf.	7-12K	3-5	3-4	2-4
Distribution and logistics	7-12K	0-0	17-28	1-1
Total estimated sites needed		35-62	39-64	5-8

* Most sites needed are <25 acres

TAKEAWAYS

We will need a robust portfolio of business-ready sites to achieve our job growth targets

AGENDA

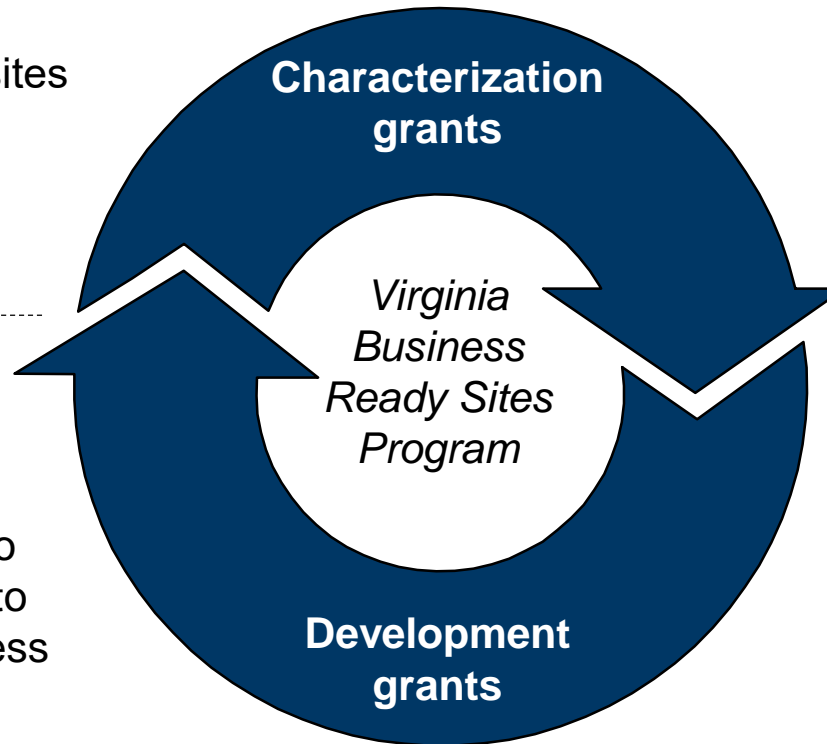
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VIRGINIA'S EFFORT IS RELATIVELY NEW AND RELATIVELY SMALL...

Purpose

- Assess existing levels of readiness and next steps for development for Virginia's 100+ acre sites

- Fund targeted development efforts to move identified sites to higher tiers of readiness



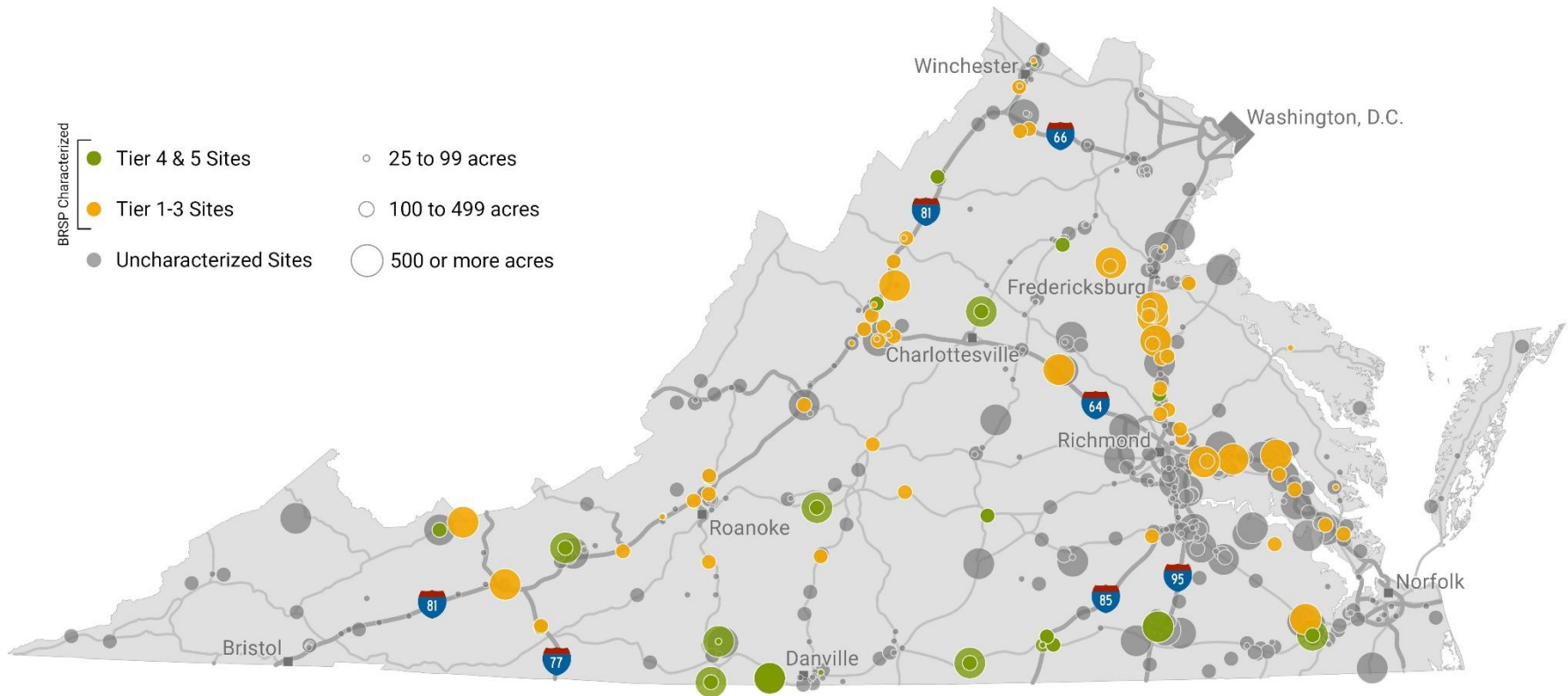
Process

- Characterization grants of up to **\$5K** per site are awarded to sites selected from an applicant pool by a private-sector led working group

- Development grants of up to **\$500K** per site are awarded to sites selected from an applicant pool by a private sector-led working group

Characterization grant funds are still available!

... RESULTING IN LIMITED IMPACT, WITH LESS THAN 20% (88 SITES) OF 25+ ACRE SITES HAVING BEEN CHARACTERIZED



- 88 characterized sites are shown, approximately half funded by VBRSP characterization grants and the remainder by regional and/or local efforts
- VBRSP has provided characterized grants to 40 sites¹ to date
- Sites characterized as tier 4 and 5 are considered certified (total: 21 sites² are 25+ acres)

¹ VBRSP grants can be applied to an entire site, a subset(s) of one "parent" site, or multiple sites (i.e., two sites within one industrial park)

² 21 "parent" sites are listed on the map though VBRSP characterization grants have been applied to multiple sub-parcels ("child") within a site

TAKEAWAYS

VBRSP is just a start.

We need more **collaboration**,
better **information**, and more
resources to improve our
investment estimates.

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WHAT WE'LL NEED TO ACHIEVE THESE GROWTH TARGETS



Collaboration



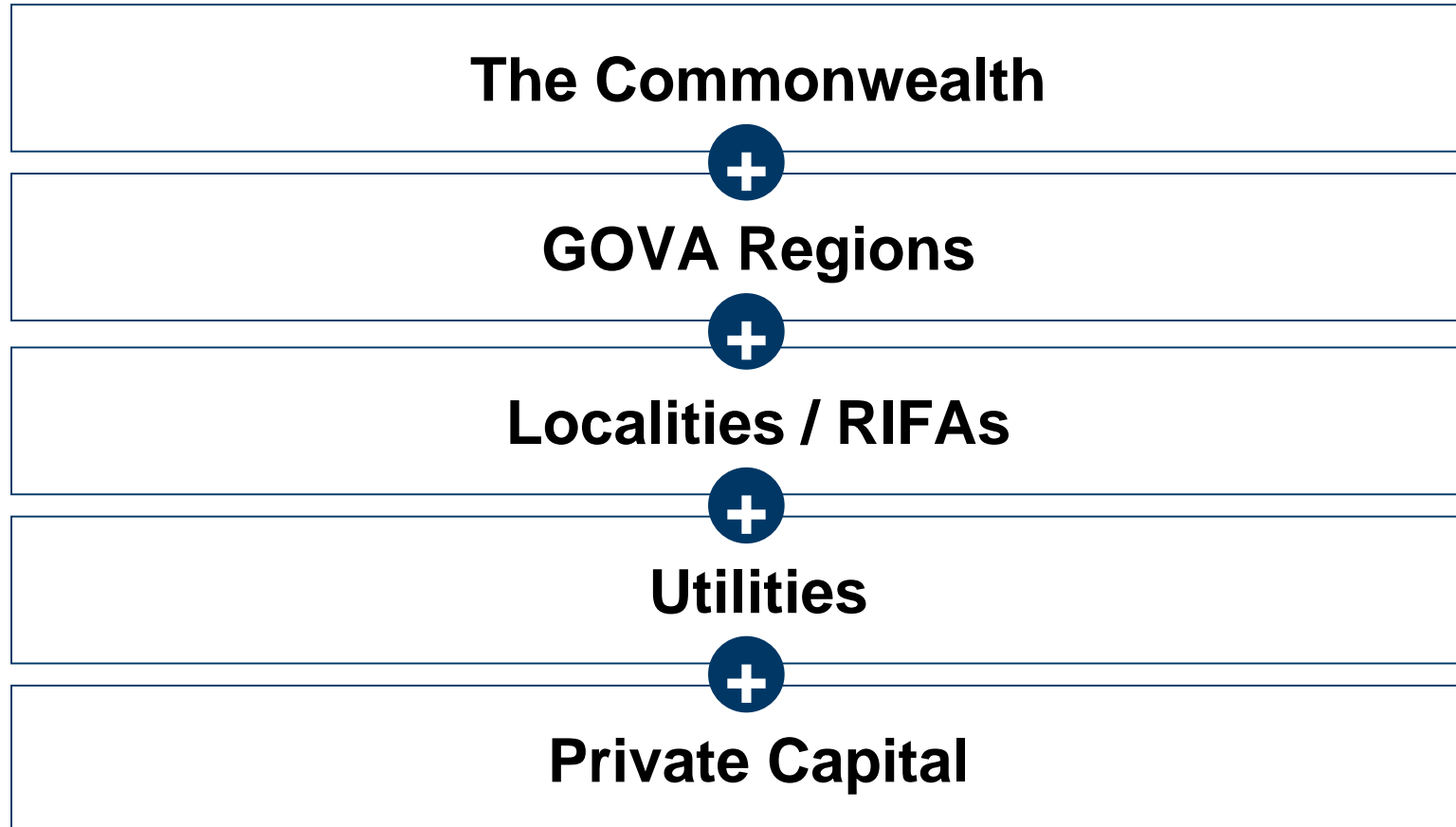
Information



Resources



THERE ARE MANY STAKEHOLDERS WITH A VESTED INTEREST IN IMPROVING VIRGINIA'S SITES PORTFOLIO





MANY OF THE CRITICAL FIELDS IN VIRGINIA SCAN REPORT ACCESS BUT NOT ACTUAL FIGURES ...

Number of sites with access to a category missing workable entries¹

Sites, N = 535

Sites with access missing workable entries



¹ Workable entry means entry has a numeric value (e.g., distance, capacity), except for rail where a workable entry must be certified by rail provider



... THUS, WE NEED TO FOCUS ON COMPLETING CRITICAL FIELDS FOR EACH SITE IN THE DATABASE

PRIORITIZED LIST

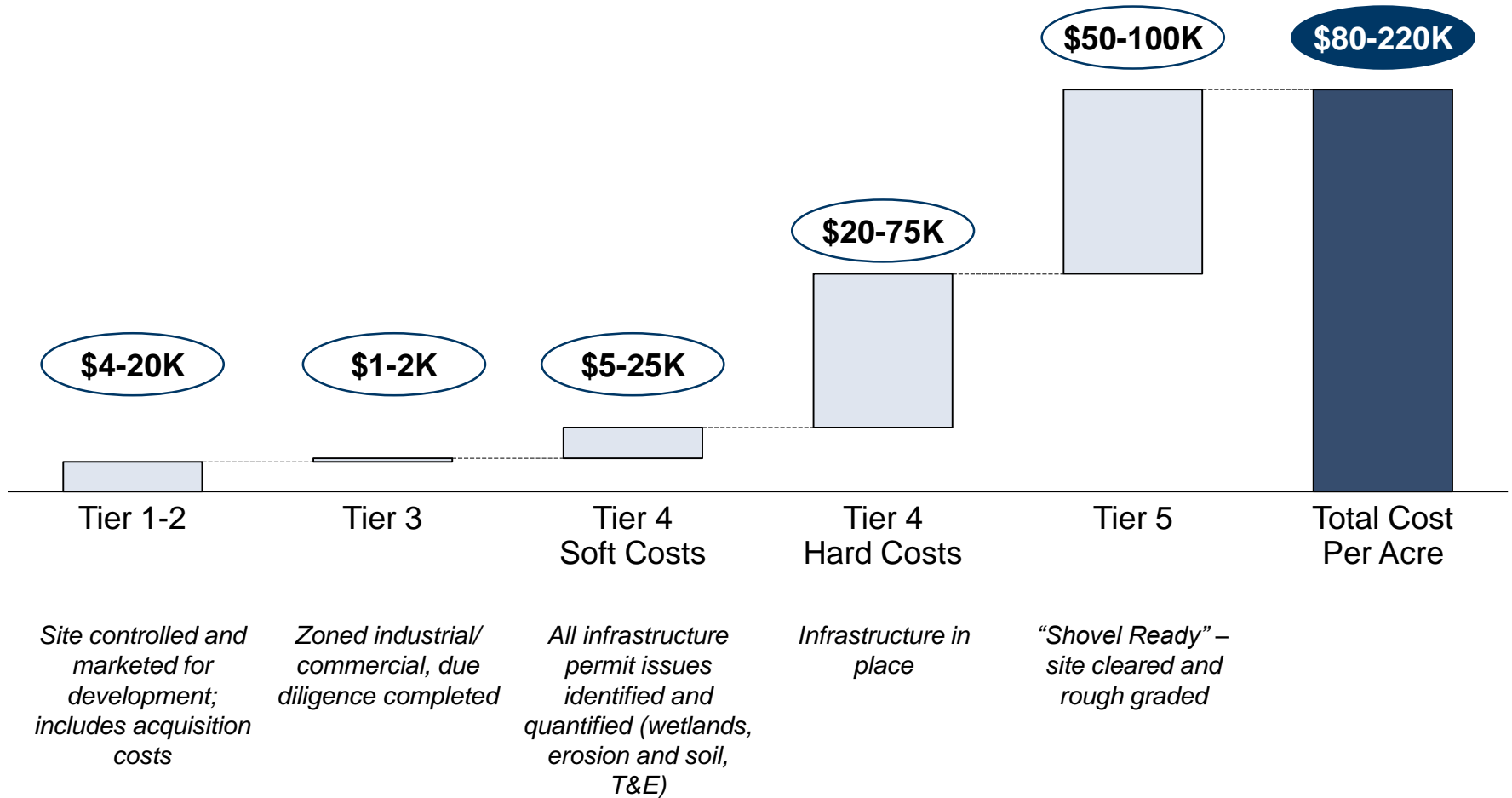
Acreage	Continuous acreage (minimum 25 acres)
Road	Proximity to interstate
	Proximity to four-lane
Rail	Verified access
Water	Capacity (gpd)
Sewer	Capacity (gpd)
Natural gas	Capacity (mcf)
Power	Capacity (MW)
Broadband	Fiber distance (for sites with no access)



DEVELOPING AN INDIVIDUAL SITE COSTS MONEY

Estimated development costs

Dollars per acre





THE INVESTMENTS ADD UP, WITH THE LARGEST PROJECTS REQUIRING OVER \$100M IN INVESTMENT PER SITE

ILLUSTRATIVE

Project size	Jobs	Acreage	Minimum investment, Tier 0 to 5 \$80K/acre	Maximum investment, Tier 0 to 5 \$220K/acre
Small project	20-99 jobs	5 acres	\$0.4M	\$1M
Medium project	100-499 jobs	50 acres	\$4M	\$11M
Large project	500-999 jobs	200 acres	\$16M	\$44M
Mega project	1,000+ jobs	500 acres	\$40M	\$110M



Resources

REMEMBER, WE WILL NEED A ROBUST PORTFOLIO SITES TO ACHIEVE OUR JOB GROWTH TARGETS

Manufacturing and logistics share of the 10-year targets:
~38-66K

See user guide for detailed assumptions		Number of sites (low-high range)		
Sub-sector	Jobs	25-100 acres	100-500 acres	500+ acres
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Total estimated sites needed		35-62	39-64	5-8

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A FULL SITES PORTFOLIO TO ACHIEVE GROWTH TARGETS WILL REQUIRE NEARLY \$500M IN INVESTMENT

See user guide for details on assumptions and scenarios

Topics	Details	10-year total investment	Annual total investment
Acquisition costs	<ul style="list-style-type: none"> Covers costs to acquire land 	\$75-135M+	\$8-14M+
Soft costs	<ul style="list-style-type: none"> Covers costs for due diligence to estimate development costs, and planning and testing requirements related to zoning and permitting process Includes costs through Tier 3 and 20-25% of Tier 4 costs 	\$40-75M+	\$4-8M+
Hard costs	<ul style="list-style-type: none"> Covers infrastructure (e.g., water and sewer connection, power lines, access roads) to ensure site can be “project-ready” within 12-18 months Includes 75-80% of Tier 4 cost 	\$150-285M+	\$15-29M+
Total acq., soft, and hard costs	<ul style="list-style-type: none"> Total costs 	\$265-495M+	\$27-50M+
10-year state revenue estimates	<ul style="list-style-type: none"> Includes direct, indirect, and induced effects 	\$1,860-3,200M	

TAKEAWAYS

We'll need more **collaboration**,
more up-to-date and
comprehensive **information**, and
more **resources** to invest in site
development to reach our job
growth targets

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CONCLUSION

Action

Effort

- Expand what we have
-

VBRSP

- Improve what we know
-

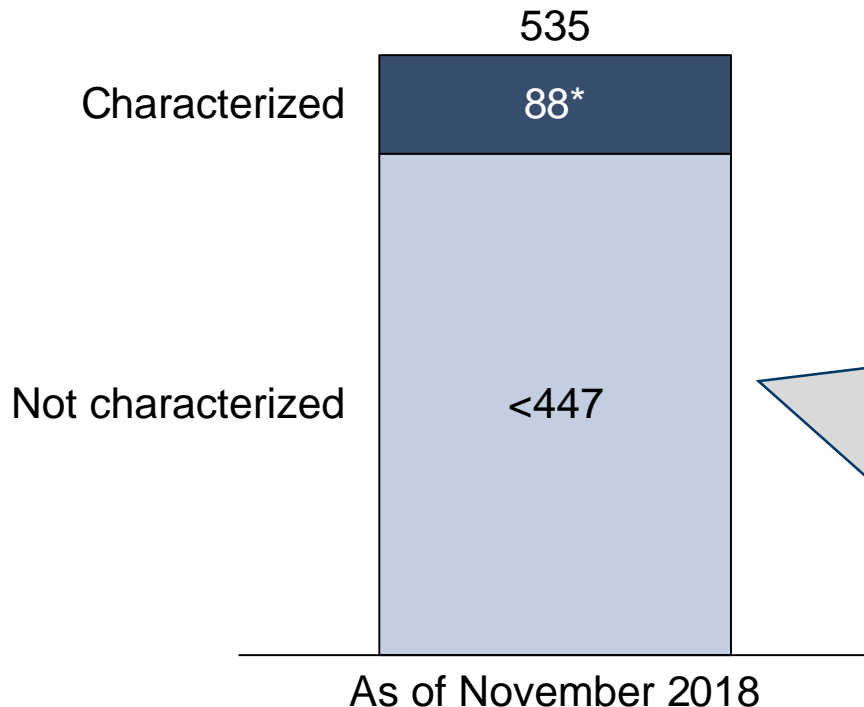
VA Scan

- Resource what we need

**Existing and
new funding
pools**

VEDP REQUESTED ADDITIONAL FUNDS TO CHARACTERIZE REMAINING SITES AND MAKE LIMITED INVESTMENTS

Number of sites in VirginiaScan database 25 acres or more
of sites



VEDP requested additional funds to expand the VBRSP program:

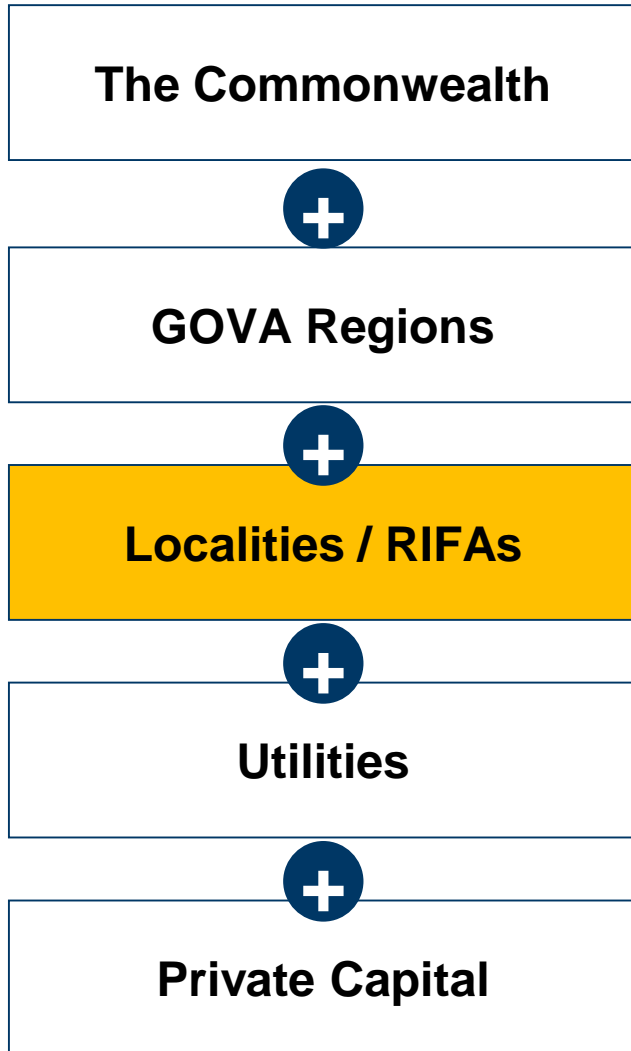
- **\$2M** to fund bulk characterizations for remaining sites
- **\$5M** to fund development costs for a limited number of sites

* VEDP is updating iVS with info from recent bulk characterization efforts

VEDP WILL PURSUE A RANGE OF POTENTIAL SOLUTIONS TO FILL IN VIRGINIASCAN

Topics	Primary owner of info	Potential solutions and next steps
Water and sewer	Localities	<ul style="list-style-type: none"> Localities work with local utilities to fill in missing data in iVS ★ Be on the lookout for (a) GOVA-VEDP letter asking you to ensure iVS is up-to-date and (b) regularly-scheduled emails identifying your sites with missing info
Power	Providers	<ul style="list-style-type: none"> VEDP to partner directly with providers to fill in iVS data on a site-by-site basis ★ (Providers) Be on the lookout for (a) introductory email followed up by (b) request to help us fill in data for specific sites and to estimate investment requirements and timelines
Natural gas	Providers	
Rail access	Rail companies	<ul style="list-style-type: none"> VEDP has initiated plan with Norfolk Southern to do a high-level review to ID any areas that cannot be served by rail in 12-18 months; outreach to other companies in progress
Broadband	Providers	<ul style="list-style-type: none"> Development of potential solutions in progress Note: this will be a very targeted effort (only 39 of 114 sites listed in iVS as not having broadband access are missing data)

VEDP WILL WORK WITH PARTNERS TO ENSURE VIRGINIA MAXIMIZES IMPACT OF EXISTING SITE DEVELOPMENT FUNDS



Funding pools

- Virginia Business Ready Sites Program (VBRSP)
 - Economic Development Access Program (EDAP)
 - Transportation Partnership Opportunity Fund (TPOF)
-
- GO Virginia Regional Funds available for multiple locality projects
 - Statewide competitive projects funds also available
-
- **Typically bear the bulk of site development costs**
 - Investments can take the form of \$\$ or donation of land, among others (examples on next page)
-
- Difficult to make investments prior to confirming prospect
 - Currently exploring funding options for speculative investments
-
- Not widely available in all regions of the Commonwealth
 - Need to identify ways of attracting private capital

VEDP WILL ALSO CONTINUE REFINING ITS SITES PORTFOLIO INVESTMENT MODEL

Demand for sites

- VEDP will kick off an effort to code RFPs/RFIs over the last 3 years to build insight into actual demand
- VEDP will also layer in additional non-site considerations like a region's economic competitiveness (e.g., talent) and regional and local preferences (e.g., zoning restrictions)

Supply of sites

- VEDP will continue updating iVS with recent characterizations
- VEDP will work with local partners and utility providers to deepen insight into each site's physical characteristics

Ultimate objective

- **Develop** a reasonable estimate of the magnitude of investment required
- **Identify** potential funding streams (existing and new) that could be applied to this effort
- **Create** a site identification and prioritization process that is fair and fiscally responsible while also ensuring geographic dispersion

THANK YOU