“Economic Development & Port Opportunities – Strategies for Growth”
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John Reinhart
Executive Director and CEO

Joe Dunlap
Managing Director

Stephen Moret
President and CEO
THE PORT OF VIRGINIA
BUILDING MOMENTUM.
DRIVING VIRGINIA’S ECONOMY.
PROVIDING RESULTS.

JOHN F. REINHART
CEO AND EXECUTIVE DIRECTOR
CALENDAR YEAR 17 ECONOMIC DEVELOPMENT

45 ANNOUNCEEMENTS

MORE THAN 3.7M SQ. FT. OF SPACE

CREATED 6,342 JOBS

INVESTED MORE THAN $1.6 BILLION
VISION FOR GROWTH

• Active role in economic development
• Collaboration of business and the community
• All localities working together for the greater good
• Job and workforce growth
PARTNERSHIP

Many Players – One Goal:
Stimulate business relocation and economic activity across the Commonwealth

The Port of Virginia
Virginia Maritime Association
Virginia Economic Development Partnership
Re-Invent Hampton Roads
Go Virginia
PORT OPPORTUNITY ANALYSIS

- The Port of Virginia
- Virginia Maritime Association
- ReInvent Hampton Roads
- Virginia Economic Development Partnership
- City of Chesapeake
- City of Newport News
- City of Norfolk
- City of Portsmouth
- City of Richmond
- City of Suffolk
- City of Virginia Beach
PROJECT OBJECTIVES

Create Jobs & Stimulate Capital Investment in the Region and Commonwealth

Uncover Weaknesses and Opportunities of the Port & Region

Benchmark The Port of Virginia Against Other Comparable Ports

Identify Specific Industries to Target in Economic Development Efforts
# Project Definition

## Project Team

| 1. Adam Mullen | Senior Managing Director | Executive Leadership |
| 2. Seth Martindale | Managing Director | Location Analysis Lead |
| 3. Lang Williams | Senior Vice President | Relationship Management |
| 4. Ken Bennasi | Senior Vice President | Relationship Management |
| 5. Tom Cisewski | Managing Director | Supply Chain Lead |
| 6. David Egan | Global Head Research | Research Lead |
| 7. Joe Dunlap | Managing Director | Supply Chain Support |
| 8. Taylor Burks | Director | Senior Support |
| 9. Jeff Jones | Senior Consultant | Analysis, Research, and Support |
| 10. Cendy Lin | Senior Consultant | Analysis, Research, and Support |
| 12. Jamil Harness | Research Associate | Research |
| 13. Hamrick Miller | Research Associate | Research |
### Project Definition

**Project Timeline and Scope**

<table>
<thead>
<tr>
<th>Phase 1 - Current State Analysis</th>
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<tbody>
<tr>
<td>Port Traffic Analysis</td>
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<tr>
<td>Location Analysis</td>
</tr>
<tr>
<td>Supply Chain Comparative Analysis</td>
</tr>
<tr>
<td>Development Timeline Comparison</td>
</tr>
<tr>
<td>Available Site Analysis</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Phase 2 - Comparative Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major Economic &quot;Win&quot; Analysis</td>
</tr>
<tr>
<td>Major Economic &quot;Loss&quot; Analysis</td>
</tr>
<tr>
<td>Brokerage Insight Data Collection (New Product)</td>
</tr>
<tr>
<td>Brokerage Insight Data Collection (Existing Product)</td>
</tr>
<tr>
<td>Comparative Port Analysis</td>
</tr>
<tr>
<td>Site Selector Interviews / Benchmarking Analysis</td>
</tr>
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<table>
<thead>
<tr>
<th>Phase 3 - Recommendations</th>
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</thead>
<tbody>
<tr>
<td>Short Term Recommendations</td>
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<tr>
<td>Mid Term Recommendations</td>
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<tr>
<td>Long Term Recommendations</td>
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<tr>
<td>Report Completion</td>
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<table>
<thead>
<tr>
<th>August</th>
<th>September</th>
<th>October</th>
<th>November</th>
<th>December</th>
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<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

**Project Completion**
Port Traffic Analysis - Imports

Savannah, GA

Top Import Categories by Volume1 (2014 through 2016)

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto parts</td>
<td>670,408</td>
<td>654,225</td>
<td>636,410</td>
<td>2.2%</td>
</tr>
<tr>
<td>Electrical equipment</td>
<td>402,372</td>
<td>381,771</td>
<td>406,015</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Auto parts</td>
<td>374,291</td>
<td>357,296</td>
<td>357,296</td>
<td>2.5%</td>
</tr>
<tr>
<td>Wood and paper products</td>
<td>293,461</td>
<td>293,461</td>
<td>293,461</td>
<td>0%</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>222,536</td>
<td>222,536</td>
<td>222,536</td>
<td>0%</td>
</tr>
</tbody>
</table>

Top Importing Countries2 (2014 through 2016)

- China: 14% of imports

Comparative Port Analysis | European Counterparts

London Gateway DP World

Overview / Highlights
- Four-year-old facility built in relative proximity to London, touting itself as the UK’s most advanced, best-located deep-sea port.
- Abundance of mostly panamax ships on port grounds (92.5M DWT – 100% owned by DP World) and agile enough to complete construction in 8 to 9 months in a region where development timelines typically run 18 to 24 months.
- Operates the Port and the park itself – regards itself as more of a logistics company than a port operator.
- Leveraging industry best practices, port is heavily automated with excellent connectivity to rail and roadway transportation.

Mid-Tier Manufacturing

Executive Summary

Combined Norfolk/Richmond MSA

Findings Scorecard with Combined Norfolk/Richmond MSA

<table>
<thead>
<tr>
<th>Category</th>
<th>Value1</th>
<th>Value2</th>
<th>Value3</th>
<th>Value4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local labor force</td>
<td>15,000</td>
<td>14,500</td>
<td>14,000</td>
<td>13,500</td>
</tr>
<tr>
<td>Local manufacturing</td>
<td>10,000</td>
<td>9,500</td>
<td>9,000</td>
<td>8,500</td>
</tr>
<tr>
<td>Local sales</td>
<td>8,000</td>
<td>7,500</td>
<td>7,000</td>
<td>6,500</td>
</tr>
<tr>
<td>Local transportation</td>
<td>6,000</td>
<td>5,500</td>
<td>5,000</td>
<td>4,500</td>
</tr>
</tbody>
</table>

Effect of Combining Norfolk and Richmond
- Passes all initial screening filters, Richmond did not pass initial filters due to its small manufacturing workforce.
- Improved ranking for Quantity of Desired Workforce, from 6th (Norfolk) and 6th place (Richmond) to 5th place (combined Norfolk/Richmond).
- Total Score improved by 7% (Norfolk) and 12% (Richmond).
- When compared with the 6th place city (Richmond, NC), the gap in Total Score has decreased by 17% (Norfolk) and 25% (Richmond).
Port Infrastructure Not the Problem
Norfolk is the 7th largest port by throughput volume, and its available infrastructure resources compares well against other nearby ports. Broadband capabilities also provides long-term benefit for advanced manufacturing.

Geographically in a Tough Spot
Despite its proximity to main population centers, southern ports are capturing e-commerce traffic going to southern states, though Norfolk is strong in logistics and distribution to the Midwest. Focus should be placed on distribution centers.

Difficulty Winning Cost Wars on Large-Scale Manufacturing
Norfolk/Richmond’s high labor costs and less aggressive incentives make it difficult to win large projects with tight margins. The focus should be on higher-margin projects that require an upskilled workforce.

Existing Labor Force and Education Levels Support Advanced Manufacturing
Proximity to educated talent, along with more technical components flowing through the port (electrical equipment) indicates advanced manufacturing should be a focus.
PORT TRAFFIC ANALYSIS

KEY TAKEAWAYS

Large Scale Manufacturing Moving South
Given auto manufacturing development in the South, supplier networks that have grown, and the tendency for APAC (Asia-Pacific) companies to locate together, reversing this momentum is difficult. The better direction is to focus on the strengths of the region.

Real Estate Transaction Size and Volume
The industrial real estate transaction volume demonstrates that less large-scale users are entering the market, though there are plenty of mid-size transactions, indicating that focus should be on mid-size industrial / distribution users.

No Anchor City in Place
The metro areas of Norfolk and Richmond are too small to act as their own “anchor communities”. To drive growth, a more progressive marketing push would likely be beneficial to push the region as one combined “corridor”.

Pursuant to Virginia Code Section 62.1-132.4, this is proprietary information and data furnished in confidence to the Virginia Port Authority. This proprietary information shall not be disclosed outside of Virginia International Terminals and the Virginia Port Authority.
SME INTERVIEWS
KEY TAKEAWAYS

1. Projects requiring immediate port proximity are industry specific and generally port access is a secondary concern.

2. The Port is well-positioned for the future, but competing states are better organized to attract new business.

3. Shifts in supply chain fundamentals will continue to drive growth for eastern ports and increase U.S. market share.

4. The Port of Virginia has world class infrastructure, but nearby population centers are better served by other ports in region.
FINAL RECOMMENDATIONS
SUMMARY: EASY IMPLEMENTATION

1. Market Combined Richmond/Norfolk MSA
   A combined population size would help the region compete with larger markets during the site selection process.

2. Target Advanced Manufacturing & E-Commerce Distribution
   Virginia’s labor force is better positioned for advanced manufacturing jobs, and it is geographically suited for distribution centers (specifically one (1) node East Coast DCs).

3. Promote Long-Term Benefits of Port Infrastructure
   Communicate the Port’s advantages in automation, throughput, and integration to subject matter experts and the public.

4. Refine the Port’s Message to Showcase its Advantages Against Other Ports
   Distill port data and analyses into key advantages that be communicated clearly to businesses.

5. Integrate Economic Development Efforts with Virginia Economic Development Partnership (VEDP)
   Coordinate economic development efforts with the VEDP to promote the overall region.

6. Focus on “High Scoring” Markets
   Focus further on well-positioned areas like Blacksburg and Charlottesville for advanced manufacturing.
FINAL RECOMMENDATIONS

SUMMARY: MODERATE IMPLEMENTATION

1. Support Site Development as a Way to Remove Barriers for Incoming Businesses
   Identify well-positioned sites and work with local governments and developers to get sites pad-ready.

2. Streamline Availability of Site Information
   Organize, standardize, and streamline access to site data for better business support and general ease-of-use.

3. Develop and Market Partnerships with Universities for Next Generation Talent
   Better market the Commonwealth Center for Advanced Manufacturing and develop training programs that feed new businesses.

4. Control Land for Long-Term Development
   Purchase available port-proximate land that is well-positioned for future development.
FINAL RECOMMENDATIONS
SUMMARY: DIFFICULT IMPLEMENTATION

1. Allow for Local Real Estate Tax Abatements and More Flexible Incentives
   Larger economic incentives packages granted to major projects typically include property tax abatements.

2. Consider Larger Economic Incentives Allowance for Desirable Projects
   One-time incentives grants can be used to target “loss leader” projects in desired industries that drive growth to the region.

3. Continue Long-Term Investment in Port Infrastructure
   Continued investments in the Port will help maintain its ability to provide reliable, speedy, and cost-effective services.

4. Streamline Zoning/Development Process for “Pad-Ready” Sites
   Work with local governments to improve the approval process and remove cumbersome roadblocks to development.

5. Create One Large Combined Richmond/Norfolk MSA
   Lobby for the creation of one combined MSA which would help Virginia’s ranking in the site selection process.

6. Consider Investing in Inland Ports to Promote Growth in Western Virginia
   The development of an additional inland port could foster growth of distribution and manufacturing industries in Western Virginia.
SUPPLY CHAIN COMPARATIVE ANALYSIS
PORT OF VIRGINIA STRENGTHS

1. The Port of Virginia has superior service coverage to the East Coast when shipping either truckload or ground parcel. Few locations can provide two-day coverage from Maine to South Florida.

2. The Port has the best population reach in two days for port cities, and has far superior one-day service compared to Savannah, Charleston, or Jacksonville ports.

3. The Port has favorable ocean freight costs from Spain, UK, South Korea and Taiwan.

4. As a shipping origin, the Port has low parcel costs and better truckload costs compared to Savannah, Charleston, or Jacksonville ports.

5. The Port offers freight cost and service benefits over ports like Jacksonville and Charleston when serving inland locations in Illinois, Indiana, Ohio, Kentucky and Pennsylvania.
FINAL CONCLUSIONS
SUMMARY

1. Competitive Port Infrastructure
   The infrastructure in and around the Port itself is extremely competitive and should be further utilized to market the region/state.

2. Refine Focus for Economic Development
   The Commonwealth is well-positioned for specific economic development projects. Focus should be on one (1) node distribution centers and advanced manufacturing requirements.

3. Available Industrial Sites
   Investment to create more pad ready sites with access to the Port would increase likelihood of winning additional projects.

4. Marketing/Perception
   Proactive marketing showcasing the Commonwealth’s benefits would increase likelihood of winning additional projects.

5. Coordination Between Agencies
   Presenting an atmosphere of partnership between agencies (VEDP, Port of VA, Regional EDOs, Utilities, etc.) will improve ability to respond effectively to potential new projects.
Positioning the Commonwealth for Healthy Economic Growth
Top Ten for Educational Attainment
Top Ten for Higher Ed
Top Ten for Public Schools
Attractive Small Sites
Advantageous Mid-Atlantic Location
Low Tax Burdens for Existing Firms
Exceptional Port, Airport, and Spaceport Infrastructure
Diverse Array of High-Quality Employers
Dozens of Federal Laboratories
**STRENGTHS**

- Top 10 for educational attainment, higher ed, and K-12
- Attractive small sites (<25 acres) in some regions
- Mid-Atlantic location contiguous to Washington, D.C.
- Below-average state/local tax burdens for existing firms
- Impressive Port of Va., NOVA airports, and spaceport
- Diverse range of high-quality employers and HQs
- Impressive range of federal labs, higher ed research

**WEAKNESSES**

- Lack of customized workforce incentive program offering; insufficient CS pipeline
- Meager inventory of large sites (especially 100+ acres) and certified sites
- Site development timeline/cost challenges due to lack of investment and topography
- Uncompetitive state/local tax burdens for new investment
- Metro, traffic congestion challenges in NOVA; road limitations in rural Va.
- High reliance on federal government-related activities
- Limited commercialization of intellectual property relative to our assets
In the Wake of Sequestration, Virginia’s 5-Year Growth Rankings Plummeted

- 36th Total Employment
- 42nd Gross State Product
- 46th Median Earned Income
With Slower Growth, Virginia Recently Began Experiencing Net Domestic Out-Migration
Employment Growth in Virginia Has Been Highly Uneven Across Regions (2006-2016)
#1 State for Business

Since 2009, Virginia Has Dropped About Six Places in National Business Climate Rankings

<table>
<thead>
<tr>
<th>Year</th>
<th>Ranking change</th>
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</thead>
<tbody>
<tr>
<td>2009</td>
<td>3</td>
</tr>
<tr>
<td>2010</td>
<td>3</td>
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<tr>
<td>2011</td>
<td>3</td>
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<td>2014</td>
<td>3</td>
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<tr>
<td>2015</td>
<td>3</td>
</tr>
<tr>
<td>2016</td>
<td>3</td>
</tr>
<tr>
<td>2017</td>
<td>3</td>
</tr>
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</table>

Ranking change:
- Chief Executive: -8
- CNBC: -6
- Forbes: -4
- Site Selection: -6
Virginia’s Average Business Climate Ranking Lags Behind Aggressive Competitor States

- North Carolina
- Georgia
- Virginia

**Top competitor states**

<table>
<thead>
<tr>
<th>Area Development magazine</th>
<th><strong>Top States for Doing Business</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>GA SC TX TN LA AL IN NC MS OH VA FL NY OK MI</td>
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<table>
<thead>
<tr>
<th>Chief Executive magazine</th>
<th><strong>Best and Worst States for Business</strong></th>
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</thead>
<tbody>
<tr>
<td>TX FL NC SC IN NV TN GA AZ WI OH UT CO IA VA</td>
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<table>
<thead>
<tr>
<th>DCI (survey rank for business climate)</th>
<th><strong>Winning Strategies</strong></th>
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<tbody>
<tr>
<td>TX FL GA SC NC CA NY TN OH NV UT IN CO VA AL</td>
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<table>
<thead>
<tr>
<th>Site Selection (rank for Executive Survey)</th>
<th><strong>Top U.S. Business Climates</strong></th>
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</thead>
<tbody>
<tr>
<td>TX SC GA TN NC FL AZ OH IN NV MS KY VA OK</td>
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</table>
Virginia’s Drop in Major Business Climate Rankings Can Be Tied to Three Main Factors

- **BUSINESS COSTS**
  New rankings of some business costs (e.g., tax burdens on new investment) place Virginia in a relatively negative light.

- **ECONOMIC CLIMATE AND GROWTH**
  With federal sequestration and Virginia’s reliance on federal spending, Virginia experienced a slowdown in growth.

- **PERCEPTIONS OF CEOs**
  While still positive overall, CEO perceptions of Virginia’s business climate declined after 2009.
Virginia Must Add Tens of Thousands More Jobs per Year to Get Back Into the Top 10

Source: Moody’s forecast for 2016-2026 as of June 2017
Over the next several years, position Virginia to achieve a growth rate among that of the top 5-10 states in the U.S.
Ensure that every region participates in the growth of the Commonwealth
Restore Virginia to its previous leadership position near the top of the national business climate rankings
Reestablish VEDP as America’s premier state economic development organization
Exhibit collaboration and coordination as hallmarks of VEDP (i.e. place a central focus on the “P” in VEDP)
Robust State Growth
Every Region Wins
Best State for Business
Top State EDO
Super Collaborator
Improve Virginia’s Economic Competitiveness

Cultivate Virginia’s Target Growth Clusters

Enhance VEDP’s Capabilities
Improve Virginia’s Economic Competitiveness

- Strengthen Virginia’s human capital development engine
- Assemble a strategic portfolio of project-ready sites
- Improve state, regional, and local economic competitiveness
- Strengthen Virginia’s digital infrastructure
- Place a special focus on achieving growth in rural regions
Cultivate Target Industry Growth Clusters

- Strengthen our leadership position in info. tech.
- Assemble a world-class transportation and logistics hub
- Position Virginia’s manufacturing base to be future-ready
- Create business and operations centers of excellence
- Position Virginia to lead in promising disruptive technologies
Enhance VEDP’s Capabilities

- Cultivate world-class execution at VEDP
- Implement robust marketing programs
- Strengthen/expand business & trade development programs
- Become a national leader in incentives administration
2018 Economic Development Budget Priorities

- Custom Workforce Recruitment and Training Incentive
- Modern Marketing and Branding Program for Business
- Expansion of Site Development Program
- Expansion of International Trade Programs
- Economic Development Innovation and Research Fund
- Business Retention and Expansion Program
Looking Forward to 2022…

- **Forbes**: Virginia named America’s Best State for Business (Again)
- **The Wall Street Journal (WSJ)**: America’s East Coast IT Leader: Virginia
- **The Economist**: Why College Grads in NC and TX are Moving to Virginia
“The Voice of Port Industries”
www.VAmaritime.com