GO VIRGINIA REGION 3
2019 UPDATE – GROWTH & DIVERSIFICATION PLAN
EXECUTIVE SUMMARY

AUGUST 2019

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Executive Summary

This report is an update to the original Growth and Diversification Plan (Growth Plan) adopted by Region 3 in August 2017. The 2019 update follows the Growth and Diversification Plan 2019 Amendment Guidelines to comply with the Growth and Opportunity Act of 2016, which requires regional plans to be updated at least every two years.

Under the guidance of the Region 3 Growth & Diversification Plan Committee, the updated plan seeks to **build on learned experience** from implementation of the 2017 Growth Plan, **with an emphasis on understanding the context** in which GO Virginia is carried out in Region 3. The result is a framework that establishes strategies that are easily understood and can be measured.

What We Accomplished:

The learned experience of the last two years includes the *project investments* that are discussed in more detail in the Investment Strategy section of this Report:

- 3 projects totaling nearly $6 million in approved GO Virginia funding
- Leveraging over $7 million in non-state, private and philanthropic funding.
- These investments will result in
  - o 1) a new innovation hub in the southern tier of the region that introduces and trains entrepreneurs, small businesses, existing manufacturers, and individuals on new technology platforms that increase productivity and lead to high-paying jobs; and
  - o 2) a robust pipeline of talent that is certified and ready to be employed in occupations in the region's target sectors. The estimated return on investment over 5 years for the GO-TEC project that will be the Region 3 platform for developing the talent, is projected to exceed a 1.4:1 ratio, producing over $9 million in new state revenue.

In addition, the regional council generated cross-region communication that has resulted in scale-ups of businesses, as well as sharing of best practices. To do this, the regional council personally engaged over 250 local and regional stakeholders

thru a variety of methods. It sponsored 4 all-hands meetings, held 4 webinars and dozens of stakeholder conference calls, and created 7 working advisory committees. The council launched a website and social media presence, produced a library of videos and photographs, gave multiple presentations to civic organizations, hosted a number of state agency partners at its council meetings, and conducted two deep dive analyses in the areas of high value wood products and of apprenticeship and work-based learning. It also began to connect its innovation resources and assets more formally.

What We Learned:

What was learned from all these successful launch steps is that Region 3's assets and people are truly stewards and leaders that form a solid basis for continuing to build a strong regional economy. The challenge, as with any large organization, is sustainability to ensure full engagement and continuing focus on the priority goals.

What has also been learned during the course of developing this update relates to the *context* in which any Regional economy and organization operates, and the impact of that context to the success (or barrier) to any regional strategies. As highlighted in the section entitled "Alignment with State and Private Initiatives" there are no less than a dozen ongoing evaluations, initiatives, and strategies being led by partners outside of Region 3. The majority of these efforts will likely have some impact to Region 3. As a result, the council should reassess this 2019 update when these external evaluations are finalized and determine how the reports, findings and recommendations impact Region 3.

Where We'll Go:

The Growth and Opportunity Act of 2016 requires regional plans to be updated at least every two years. Based on an empirical analysis produced by Mangum Economics and with the substantial input from a variety of informed stakeholders with expertise and knowledge about the economy in Region 3, the forward looking strategy recommendations are intended to provide guidance to the Region 3 Council on how to most impactfully use its limited resources and its

substantial intellectual leadership, as it continues to build on its successes from 2017 and yet, adapt to changing market conditions that affect rural America. Forward-looking strategic recommendations include economic and operational actions.

Fundamentally, **both the data and the stakeholders** told us that:

- **The Region 3 economy overall is stable**. Perhaps attributable to stronger national economic conditions, there were some concerns raised about national policies related to trade. No major shifts in the economy in the last two years were noted; to some this is evidence of stability; to others it is a red flag for concern that the region is not keeping pace with its counterparts in rural America. Furthermore, the numerous unique physical assets that are currently underleveraged could, if fully developed, be **regionally impactful job centers** that stimulate the economy powerfully to complement ongoing incremental job creation. These assets included the facilities like the Foreign Affairs Security Training Center in Blackstone, Microsoft's data center in Mecklenburg County, the Virginia International Raceway in Halifax County, the Olde Dominion Agricultural Complex in Pittsylvania County, the vacant hospital facilities in South Boston and in Patrick County, the former DuPont Complex in Henry County, St. Paul's College in Brunswick County, and others.
- **Talent supply, development and recruitment remains a priority**. As evidenced in the Mangum Economic report, shortages in middle-skilled talent remain challenging for employers. Soft skills were cited by stakeholder as another weakness. GO-TEC is not yet a recognized brand - stakeholders generally indicated some awareness of it – but its outcomes have not yet begun to be felt in the Region and its brand has not yet become recognized by stakeholders. These impacts are expected over the next 2-5 years.
- **Lack of broadband remains a barrier to business formation, expansion and attraction and to talent development and recruitment in the region**. From entrepreneurs to small businesses to major manufacturers to health care to education, the lack of ubiquitous coverage at acceptable speeds and costs is a barrier to the economy's ability to fully grow.

- **Publicly controlled and prepared industrial real estate is acceptable, even competitive, for a region of this size.** However, the impact of sub-region variations of this prepared real estate product **is** evidenced through the numbers and quality of business development prospects being referred to the region as well as visiting the region. Additionally, there is a no formal assessment about the quantity and quality of prepared inventory for small-to-medium businesses and entrepreneurs that could support the creation of higher-paying tech jobs and the redevelopment of vacant buildings in the smaller towns of the region.

- **Opportunity exists in the entrepreneurial space** (see the TEConomy report), but, without a cohesive strategy and the promotion of support resources, this space's success is limited to defined geographic pockets. TEConomy's data indicates that there is a strong concentration of start-up activity in the **agriculture, natural resource, manufacturing, and health care sectors** in Region 3. Particularly notable among the young professional stakeholders is the willingness to launch businesses, coupled with frustration about lack of support systems and in some cases, policy barriers to business formation.

- **Data supports that the original strategic sectors defined in the 2017 Growth & Diversification Plan remain appropriate.** Despite the GO Virginia State Board determination that the health care field is not a traded sector and therefore not appropriate for GO Virginia funding, there is good data and strong stakeholder support in Region 3 to maintain the health care sector as important to the regional economy, particularly related to the use of technology in this field. There is also interest in focusing on the opportunities for value-added production opportunities for natural resource products including wood products and hemp. Input also indicated a desire to think toward the future for business sectors that may align, but not yet be fully researched to validate regional capacity for growth, such as unmanned systems. The 2019 plan update incorporates these sectors.

There are 29 strategies and measures identified in the Investment Priorities and Areas of Critical Needs, categorized in each section of this report. A summary of all strategies and measures can be found in the appendix entitled *Summary*

Recommendations. Successfully investing in projects that align with these strategies will, over time, lead to the ultimate goal of higher job creation through business formation, scale-up, and attraction.

Region 3 is a large geographic area with limited communication channels flowing east to west or west to east. In 2017, stakeholders told us that they did not know what was going on in other parts of the region. In 2019, stakeholders told us that they were beginning to learn what was happening in other parts of the region and they wanted to know more.

The strategies will continue to foster communication, cooperation, and collaboration among all areas of the region. The council has made great strides over the first 2-3 years, and the real impact lies ahead as workforce pipelines are filled and as the entrepreneurship center comes online. The Region 3 Council is eager and prepared to move forward.

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SUMMARY RECOMMENDATIONS

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2019 Region 3 Growth & Diversification Plan Recommendations

Sector or Area of Critical Need	Strategy	Page in GD Report
Advanced Manufacturing (Aerospace, Production Technology, Lighting/Electrical, Automotive/OTR, Biopharmaceutical)	1) Subsector location factors validated and matched with Region 3 assets • 5 subsector assessments completed	19
	2) Large-scale prepared sites effectively positioned in market • Supply Chain story is developed that connects Berry Hill, Commonwealth Crossing, and Heartland Park and is promoted through web-based platform	19
	3) VBRSP site assessments certify sites to align with Priority Sectors • All sites over 25 acres have been VBRSP assessed and at least 10 are certified at Tier 2 level.	19
	4) Technical assistance provided to improve processes and expand markets • 2 companies/sub-region engaged in scale-up and supply chain optimization	19

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	5) Talent Development (see Talent Development Strategies) • See Talent Development Strategies	**19**
	6) Environmental Technologies, Autonomous Vehicles • Market • Market validation and economic impact assessment completed	**19**
Business Services, IT/Data Centers	7) Middle Mile infrastructure leveraged for sector growth • The sector stabilizes job growth and adds at least 150 new jobs. • Two new companies establish presence in region.	**19**
	8) Entrepreneurial program/facilities expansion (see Entrepreneurial Strategy) • SOVA Innovation Hub CoWorking Space fully utilized. Interactive lab space utilized at least monthly by students from TechSpark region	**19**
	9) Prepared real estate options identified, assessed and promoted • 2 Sites for data center use are certified. Assessment of adaptive reuse of small downtown buildings for IT and business service companies is completed	**19**

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	10) Commonwealth Cyber Imitative Implementation • Cooperation agreement implemented between hub and higher education institutions in Region 3	**20**
	11) Talent Development (see Talent Development Strategies) • See Talent Development Strategies	**20**
High Value Natural Resource Products (manufactured wood products, value-added agricultural production)	12) New product lines - Pellets, Thermally Modified Wood, Cross Laminated Timbers, biochemical, etc. • Companies identified, strategy for business development implemented by economic development partners	**20**
	13) Ag-based value-added production • Market research and validation of impact completed	**20**
	14) Employer-led apprenticeship strategy • Collaborative formed; apprentice program initiated	**20**
	15) Talent Development (see Talent Development Strategies) • See Talent Development Strategies	**20**
Sites & Buildings	16) Complete VBRSP site assessments and certify sites • All sites over 25 acres have been VBRSP assessed and at least 10 are certified at Tier 2 level.	**20**

	17) Continue investment in publicly owned and/or unique properties • 6 business sites have increased their site readiness rating. • Region invests in development of at least one unique asset (i.e. Foreign Affairs Security Training Center at Fort Pickett; Virginia International Raceway in Halifax; St. Paul's College in Brunswick County; former Community Memorial Hospital in Mecklenburg County; IKEA Building in Pittsylvania County; DuPont complex in Henry County; Patrick County Hospital in Patrick County)	20
	18) Region has a portfolio of buildings in small towns ready for IT and entrepreneurial/small business company locations • Complete assessment of potential for adaptive reuse of at least 10 buildings in at least 2 small towns is completed	21
Innovation & Entrepreneurship	19) Region-wide strategy focuses on traded sectors principally aligned with target sectors for Region • Complete a Region 3 Innovation & Ecosystem strategy	21
	20) Ensure Region 3 connectivity with Virginia Innovation Strategy • Incorporate recommendations for connectivity into the Region 3 Innovation & Ecosystem Strategy	21

	21) Assess and define innovation opportunities in the health care and agribusiness sectors	
	• Partners in health care engaged to define talent development needs and innovation through use of technology. • Agribusiness partners engaged to assess new products, technology applications.	**21**
	22) Expand Youth entrepreneurship programs in K-12 and Community Colleges	
	• Incorporate assessment and recommendations for expansion into Regional Innovation and Ecosystem strategy	**21**
	23) Leverage the Region's 23 Opportunity Zones for business development	
	• Opportunity Zones are mapped and characterized for business development	**21**
Talent Development & Recruitment	24) Support GO-TEC as primary regional platform for talent development	
	• By September 2020: achieve metrics as noted in GO-TEC 2A Contract Addendum, including targets for career connection labs launched, branding and marketing completed, student enrollment, teacher training, industry certifications awarded, students graduated, companies announced, and jobs created. Receive approval from State Board for GO-TEC 2B Contract.	**22**

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25) Engage and leverage the Commonwealth Cyber Initiative	
• Partner agreements signed. Educational institutions from all of Region's geography are represented in the agreement.	**22**
26) Support expansion of employer-led apprenticeship models	**22**
• Apprenticeship Consortium pilot implemented and benchmarked	
27) Expand opportunities for incumbent talent to increase skills in target sectors	**22**
• Pilot initiative for upskilling incumbent talent is implemented and measured for results	
28) Leverage and measure results from the Tobacco Commission's Talent Attraction Program (TAP) and from the Virginia Community College's G3 program for occupations aligned with Region 3 talent gaps.	
• Confirm results of strategy for occupations of: Information Security, Network and Computer Systems Analyst; Industrial and Electrical Engineers; Physical Therapists; Occupational Therapists and other occupations associated with health care and manufacturing & trades.	**22**
29) Change the Talent and Training perception in Region 3 using current data	**22**
• GO-TEC brand is utilized in economic development messaging	