



2021 Update – Growth & Diversification Plan

Executive Summary with Goals

December 2021

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Section 1

EXECUTIVE SUMMARY

Executive Summary

This Update to the 2019 Region 3 Growth and Diversification Plans focuses on strategies and opportunities for the Region to pursue over the next two years.

Development of the report occurred between March 2021 and November 2021, with much of the data provided by the Virginia Department of Housing & Community Development using JobsEQ taken from the third and fourth quarters of 2020, when the COVID-19 pandemic was active. Updating any regional strategy every two years is a challenge as economic indicators may not demonstrate visible change in such a brief time, particularly in rural areas. For this update, over 50% of the timeframe was in the midst of the COVID-19 pandemic, creating an even more difficult challenge to interpret data (and in some cases, to actually access relevant data).

The Organization for Economic Cooperation and Development (OECD) wrote this in June of 2020: *“Every major crisis, such as the Coronavirus (COVID-19) pandemic, brings opportunities to rethink our systems and make them more resilient to future shocks. This is also true for rural regions. (In the short term) rural economies...provide essential goods.....and can serve as a temporary, but safer, locations for urban dwellers. Taking a longer perspective, the pandemic can change consumption and production patterns, remote working habits and forms of mobility, which may open new opportunities for sustainable growth in rural regions. Revisiting the globalization of production chains could also open new opportunities in some rural areas.*

“However, rural businesses and (citizens) have been also confronted with several pressures, including those emerging from the pandemic and associated containment measures. Demographic characteristics (a higher share of elderly population) and geographic features (larger distances to access health care centers)....hamper the ability of rural regions to respond to the pandemic. Moreover, the overall slowdown in aggregate demand has affected some primary sectors, and the expected further slow-down in trade and global demand will hit rural economies severely given their higher reliance on tradable activities.”

In the preparation of this 2021 G&D Plan Update, both the data and the stakeholders' input affirmed the lack of factual knowledge about the long-term implications of the pandemic on business and citizens at a national or state level, let alone at the regional level. Complicating this research, many partner organizations were undertaking their own strategy updates at the same time as the 2021 G&D Plan update was underway. Additionally, in Region 3, several key partner organizations were in the midst of leadership changes, necessitating additional time and manpower to onboard the new leadership with knowledge about GO Virginia.

However, perhaps of equal importance is the work that the Region 3 Council has undertaken over the last five years. Through its intentional investment decisions, solid operational platforms for *talent development, sites, business scale-up, and entrepreneurship* have been established. These platforms provide the Region with powerful and adaptable mechanisms.

The empirical data analysis of this report was initiated by data from JobsEQ and complemented by additional sources such as IBISWorld, Data Axle, and TEconomy. The empirical analysis was conducted by the *Longwood Office of Community and Economic Development* during the months of May – October 2021.

The analysis related to prospect activity and sites & buildings was prepared by *Community Futures*, utilizing data sourced from the Virginia Economic Development Partnership.

Stakeholder engagement sessions were held from May – October 2021 to enable the authors to understand the “real world” context of these extraordinary years. Nearly 100 stakeholders were involved in these discussions.

Five virtual group sessions held during May 2021 covering the topics of Entrepreneurship, Business Retention and Scale-Up, Sites, and Talent. During the months of September and October 2021, additional one-on-one and group interviews were conducted, including interviews with groups such as chambers of commerce, educational institutions, community foundations, youth leaders, grant recipients, economic developers, local government managers, state agencies, innovation catalysts, and business leaders. The stakeholder sessions were conducted by *Community Futures, The RiverLink Group, and staff from the Southside Planning District Commission*.

The overall findings affirm that the Region 3 Council’s previous approach to its investment strategies should be continued, particularly as it relates to talent development, business cluster scale-up, entrepreneurship and sites.

The one major change that the data recommends is expansion and broadening of the targeted industry sectors identified in the 2017 and 2019 Growth & Diversification Plans for Region 3. **Encompassing the current target sectors is still critical.** Specifically, most of the industry/employment gains within the past two years is in **advanced manufacturing** (Food Processing, Automotive, Coal/Power, Pharmaceuticals) which has a high job multiplier. Secondly, the sheer volume of employment and higher wages than the regional mean for **healthcare** warrants retention and advancement of initiatives, especially considering it is the only industry cluster expected to grow over the course of the next two years. **Business Services & IT Data** highlights the highest average wage of all target sectors and mid-tier employment, despite having the lowest Location Quotient (LQ). **High Value Natural Resource Products** occupations account for the lowest total employment for the region, but mid-tier in wage; additionally, the LQ of the sector illustrates a significantly concentrated talent and advantage of the region. For these reasons, the current target sectors should remain.

Despite classifying a robust and comprehensive viewpoint of the target sectors shown above, restricting the Region to these five sectors inherently inhibits innovative business models that are demonstrating cross-connectivity in ways that do not singularly align with specific NAICS codes. Research has demonstrated that there are shared occupations among widely different NAICS codes. There is also evidence of macroeconomic and trend data that drives cross-sector opportunities; such factors also are more affected by macroeconomic factors.

Redefining target sectors to cast a wider net would be beneficial and would necessitate “intention” to be placed around emerging opportunities. Broadening the target sectors leaves room within an umbrella industry to fund specific projects and it provides options to fund projects that benefit connected-traded sectors. For purposes of analysis, target sectors are defined by the NAICS code. The first two digits of the code designate the sector, the third designates the subsector, the fourth digit designates the industry group, the fifth digit designates the NAICS industry, and the sixth digit designates the national industry. Utilizing the subsector level (3-digit) is recommended.

The stakeholder interviews also uncovered an ardent desire for the GO Virginia Regional Council to address and support **leadership development** within the Region. Those who recommended this clearly understand that the primary purpose of the Regional Council is to invest in transformational projects that align with its Growth & Diversification Plan and investment strategy. They also view the Region 3 Council as a successful leadership organization that has laid a foundation of trust, inclusion, diversity and communication among its subregions and believe that building on this foundation is one key to the long-term success of the Region's economic health. This 2021 Update therefore includes recommendations regarding leadership engagement as a strategy for the next years.

The full Growth & Diversification Update includes **Goals and Strategies** which were identified through the empirical analysis and stakeholder engagement sessions; a summary of the **performance of the regional economy**, with the full analysis shown in Appendix A (including the situational analysis of the target industry sectors and an analysis of the skills gaps for the target industry sectors); a summary of the findings of the **analysis of sites & buildings related to prospect activity**, with the full analysis shown in Appendix B; **outcomes from the 2019 Region 3 Growth & Diversification Plan**; and the **Appendices** which contain the full report for the performance of the regional economy, the sites & buildings analysis, the TEconomy 2021 Update, the VEDP listing of post-COVID subsector targets, the summary of the Virginia Chamber's Blueprint Virginia survey for Region 3, information on the 2021 Stakeholder Sessions, and the list of strategic partners as well as Council members and staff for GO Virginia Region 3.

Section 2

GOALS AND STRATEGIES

The Region 3 Growth & Diversification Plan Update for 2021 is intended to serve as a living document that creates a framework for decision-making for the Region 3 Council. It should guide the Council's investment decisions as well as its organizational sustainability and leadership development. Updating the Plan during the second year of the world-wide COVID pandemic creates a challenge for the Region 3 Council, in terms of determining the most effective strategies to achieve its goals. The goals are based on a snapshot in *this* time, and as is recognized by renowned economists and policy-makers, the implications of COVID will be felt for years to come.

“COVID.....ultimately changed all aspects of life including education, work-life balance, housing, and most drastically - the economy.”

The Balance, September 2021

The online publication *The Balance* states “the COVID-19 pandemic created a public health crisis that began in March 2020, ultimately changing all aspects of everyday life, including education, work-life balance, and most drastically, the economy. The damage was unprecedented in speed and ferocity. Most states ordered nonessential businesses to shut down in an effort to stop the spread of the disease. Supply chains were disrupted as a result. Workers were furloughed then laid off, and demand plummeted. The National Bureau of Economic Research (NBER) declared that a recession had started in early 2020.”

The goals, objectives and strategies of the 2021 Growth & Diversification Plan shown in this section are based on a review of data from 2019 – 2021, as well as stakeholder input that provides a real-time view of the economy of the Region. Even while the document was being created between April 2021 and November 2021, national and state economic conditions were rapidly changing. Simultaneously, many partner agencies at the state, regional and local level were in the midst of updating their own programs. Additionally, beginning in January 2022, leadership changes occurring within the Executive and Legislative branches of the Commonwealth create an unknown in terms of policy and budget tools that will impact Region 3.

While the objectives and strategies in this document could be implemented within a two-year timeframe, the continuing impact of COVID and the changes noted above create many unknowns for the Region's economy. Thus, this Growth & Diversification Plan is instead intended to serve as an evergreen document that can be updated as conditions warrant. It is the intent of the Council staff to create a dashboard that will be reviewed at least quarterly to determine the status and make any necessary modifications.

Goals and Strategies

Region 3 Site Development		Principal Champions: RDOs, PDCs, local governments
Goal	Objective	Strategy
Support Sustainable Regional Economic Development Systems in Eastern and Northern Sub-Region	Strengthen the capacity of the eastern and northern sub-regions' economic development organizations to be active partners for GO Virginia Region 3.	<ul style="list-style-type: none"> • Convene or support convening of local economic developers and county administrators and regional planning organizations • Support development of strategies and plans to sustain regional approach in the subregions
Increase the number of Business-Ready Sites to Tier Ratings 3, 4 & 5	Fund development of regionally-significant sites that support priority industry clusters to move up the Virginia Business Ready Sites Program (VBRSP) tier scale to Tier 3, 4, or 5 sites.	<ul style="list-style-type: none"> • Support sub-regional efforts to prioritize sites that align with Region 3 target sectors
Increase the number of Business-Ready properties (sites & buildings) for business services and health care sectors	Support identification and development of sites and buildings that align with the target sectors of business services and health.	<ul style="list-style-type: none"> • Support efforts to understand the real estate requirements for companies in the business services and health care sectors • Support sub-regional efforts to identify, characterize and promote properties that align with business services and health care sectors
Increase the marketability of unique properties in the Region	Support development of at least one unique real estate asset and complete assessments for at least four buildings in downtowns for adaptive reuse.	<ul style="list-style-type: none"> • Support efforts to identify unique real estate assets and assess for market alignment. • Support efforts to identify downtown properties and assess for market alignment.

Region 3 <i>Talent Evolution</i>		Principal Champions: Business, K-12, Community Colleges, Institutes
Goal	Objective	Strategy
Monitor and advance the implementation of GO TEC	Ensure the outcomes of GO TEC are assessed, communicated and linked to employers and economic development organizations.	<ul style="list-style-type: none"> Support efforts to extend the brand awareness of GO TEC within Region 3.
Support sector-based partnerships by identifying career paths for cross-walks incorporating new and emerging target sectors	Strengthen and expand non-degree programs (e.g., certifications and credentials) that enable employment pathways into new or emerging target sectors.	<ul style="list-style-type: none"> Support efforts that analyze current course offerings and gaps among educational institutions with the needs of employers Assess training gaps based on employers input Support efforts to promote collaborative workforce development and training solutions.
Support apprenticeship model implementation	Pilot an Apprenticeship Consortium leveraging the ExperienceWorks platform.	<ul style="list-style-type: none"> Support efforts to assess employer awareness and market demand for apprenticeship. Support efforts to assess benefits of, and engage if appropriate, state and federal partners
Develop an approach to talent attraction and retention	Develop and pilot a plan of action to retain and attract talent in Region 3.	<ul style="list-style-type: none"> Support efforts to identify target audiences and align communication strategies to create a regional brand for talent attraction. Support efforts to identify barriers to talent attraction including childcare and housing. Pilot an initiative for upskilling incumbent talent Invest in sustainable models that introduce career pathways at the elementary school level.

Region 3 <i>Entrepreneurial Ecosystem</i>		Principal Champions: Higher education, Innovation partners, Chambers
Goal	Objective	Strategy
Monitor and advance the implementation of the SOVA Rise Collaborative	Ensure the outcomes of the SOVA Rise Collaborative are assessed, communicated and the organization and partners are funded through the CIT Regional Innovation Fund.	<ul style="list-style-type: none"> Support efforts to extend the brand awareness of the entrepreneurial assets within Region 3.
Support programmatic emphasis on agribusiness and health care sectors	Invest in growth of the agribusiness and health sectors through market development, site development or talent development.	<ul style="list-style-type: none"> Convene and connect agribusiness stakeholders to identify barriers and opportunities Convene and connect health care stakeholders to identify barriers and opportunities
Identify and support efforts to grow emerging business sectors	Assess and support the growth of new business sectors identified through program participants and business formation data.	<ul style="list-style-type: none"> Create an emerging business workgroup to identify and analyze the development of emerging sectors that leverage existing capacities in Region 3 in talent, sites, and new business formation.
Sustain the designation of “significant” and increase the designation of “moderate” and “limited” in the entrepreneurial hubs within Region 3.	Identify barriers and build organizational capacity to improve outcomes in the entrepreneurial hubs by sub-region (measured by patents, venture capital, SBIR, SBA loans, new business formation)	<ul style="list-style-type: none"> Support efforts to ensure access to capital is aligned with various stages of entrepreneurial development from pre-seed to later stage. Support efforts to ensure access to program resources is available across the Region.

Region 3 Leadership		Principal Champions: Council, civic organizations, faith-based organizations, youth organizations
Goal	Objective	Strategy
Anticipate the future	Identify and share resources to inform Council leadership about trends impacting Region 3 enabling Council to adapt its strategies as needed.	<ul style="list-style-type: none"> Look for opportunities to engage with other Regions for investment opportunities. Conduct a retreat/advance to hear from experts in rural economic development. Monitor changes in state programs and leadership that may impact the economy of Region 3.
Ensure strong and sustained leadership for the Council and the Region	Identify a Council sustainability model that creates a bench of emerging leaders and funding models to support its operations.	<ul style="list-style-type: none"> Proactively identify and engage citizen leaders to serve on Council committees and initiatives. Proactively champion stable funding support from state, regional and private sources. Assess the creation of a leadership academy
Support Sustainable Regional Economic Development Systems in Eastern and Northern Sub-Region	Strengthen the capacity of the eastern and northern sub-regions' economic development organizations to be active partners for GO Virginia Region 3.	<ul style="list-style-type: none"> Convene or support convening of local economic developers and county administrators and regional planning organizations Support development of strategies and plans to sustain regional approach in the subregions
Build regional coalitions of strategic partners	Convene and report outcomes regularly to Council of meaningful cross-region conversations with at least five stakeholder audiences to develop a depth of partners for project support.	<ul style="list-style-type: none"> Convene and connect leaders of Chambers of Commerce, economic developers, Chief Administrative Officers and Chief elected officials, School Superintendents, and Young Leaders, both with their peers as well as across operational roles
Continue to build a multi-faceted communication strategy to reach diverse audiences	Increase the diversity and number of audiences within and outside the geography.	<ul style="list-style-type: none"> Ensure the positive outcomes of Region 3's investments are visible. Build awareness of new leaders to support the goals of Region 3.

GO Virginia Region 3 Council Members

The leadership and stewardship of GO Virginia Region 3 is provided by the following Council members at the time of this Plan's update. Their contributions of time and intellect create the environment for success in Region 3. Their commitment is appreciated.

Randolph Lail, Benchmark Community Bank, Region 3 Chairman

Timothy Clark, Blair Construction, Region 3 Vice-Chairman

Robert Bates, Benchmark Community Bank

Scott Burnette, VCU Health Community Memorial Hospital

Melody Foster, Commonwealth Regional Council

Amy Griffin, Cumberland County Public Schools

Tim Hall, Henry County

Dr. Keith Harkins, Southside Virginia Community College

Rhonda Hodges, Patrick and Henry Community College

Charles Majors, American National Bank

James McClain, SW Virginia Energy Industries

John Parkinson, Drake Extrusion

Jeff Reed, Evergreen Advisors

Alfreda Reynolds, Brunswick County Economic Development

Jeremy Satterfield, Microsoft Corporation

Roger Scott, Eclipse Enterprises

Karl Stauber, Future of the Piedmont

Sherry Swinson, Hull Springs Farm of Longwood University

Lauren Willis, Bank of Charlotte County

Region 3 Staff Leadership

R. Bryan David, Program Manager

Deborah Gosney, Southside Planning District, Support Organization

Nancy Pool, Southside Planning District Commission