



Memorandum

TO: Virginia Growth and Opportunity Board Members

FROM: John O. “Dubby” Wynne, Chairman

RE: Areas of Opportunity for Future GO Virginia Funding

DATE: December 11, 2018

Ever since the Virginia Growth and Opportunity Board awarded its first round of project grants on December 12, 2017, the GO Virginia Regional Councils have developed and proposed many projects to grow and diversify Virginia’s economy. Guided by the shared mission to encourage regional cooperation and create higher-paying jobs from traded sector areas in every region, and in alignment with the needs and opportunities identified through their respective regional plans, the Board has now approved 29 projects that are starting to make a difference.

As GO Virginia moves into its second year of grant making, and as each region begins the process to update its growth and diversification plan, the Board thought it important to outline some concepts that may help the regional councils and their leaders develop additional projects that could have a lasting impact on the regions as well as the economy of Virginia as a whole. In short, we look at this exercise as one to help the regions better focus and prioritize initiatives as the plan update process unfolds next year.

In reviewing the initial plans, the Board found that there were four common themes – talent pipelines, site development, innovation and entrepreneurial ecosystems, and scale up activities - as areas of opportunity across the nine GO Virginia regions that could benefit from some strategic thinking on implementation and to ensure alignment across regional boundaries and with other statewide efforts. While the Board wants to continue the “bottom up” approach of project development – meaning each region should advance those project applications best aligned with its specific needs – the existence of so much commonality in needs among the regions requires some effort to avoid inefficiency and duplication with existing programs, and to advance projects that create opportunities for a statewide, coordinated program where appropriate.

At the same time, it is becoming increasingly important that the Board define parameters around project performance, return on investment, the acceptable timeline between project spending and actual job creation, additional direction on what types of expenditures will be permitted, and potential maximum grant caps. Those issues run through all four focus areas outlined below, and policies to address them will evolve over the coming months.

Finally, one common theme through all these focus areas, and GO Virginia generally, is the vital need for business leadership. The regional councils must be aggressive in setting the agenda and advancing those projects that best meet regional needs. GO Virginia is intended to be transformational, not incremental, in its thinking, and such leadership is essential to its success.

Therefore, the main goal of the outreach to the regional chairs and vice chairs is to review the current thinking and proposed direction for each of the four common project themes and to use this concept paper to raise issues about how to best move these efforts forward.

Workforce

No issue is more important to the economic diversification, growth, and competitiveness of Virginia than the quality of its workforce. Although Virginia generally has a highly skilled and highly educated workforce, there are significant gaps in the pipeline of talent for those industry clusters that are expected to grow the most in the future. These gaps show up not only in the lack of communication between businesses and the education providers about courses and training needs to be provided for future workers, but even in the most basic information relating to current and future job opportunities so business and industry can work together toward common goals, particularly to nurture the creation of higher paying jobs in traded sectors. Without such basic information, or any degree of certainty regarding the quality of existing data, it is virtually impossible to address the core problems.

In short, talent—its recruitment, retention, and development—is a central concern of employers in every region of Virginia, and it has become a chief concern of policymakers across party and regional lines. This focus is timely because the needs are multifaceted and pressing. They include (i) aligning Virginia talent with current and prospective job opportunities, (ii) adapting education and training programs to meet current and prospective Virginia business needs, and (iii) attracting and retaining needed talent from outside Virginia.

While solving these workforce challenges in Virginia is a complex undertaking and beyond the scope and capabilities of GO Virginia and its limited funding, we do believe that the GO Virginia initiative and the regional councils can play a role in helping to address the concerns outlined above. By targeting our limited resources, and through business leader engagement and collaboration with other stakeholders, we believe progress can be made through regional initiatives.

Specifically, we see several areas where the GO Virginia regional councils could focus their funding requests:

Systematic Assessment of Employer Needs for Talent – Regional councils could initiate projects to enhance the functioning of the labor market, and the ancillary education and training market, by remedying the information gap related to the current and anticipated talent needs of Virginia business employers, especially in targeted sectors. Many regional growth and diversification plans

targeted high-demand and/or high-growth sectors include technology (cyber, big data/data analytics, etc.), life sciences, skilled trades, and specialized manufacturing. Through smartphone apps and other technology solutions, industry trade fairs, and other business-education partnership opportunities, these information gaps can be closed to move a region's workforce ahead.

The Talent/Job Interface: Matching Talent with Employment Opportunities – Support programs that enhance the functioning of the labor market by establishing effective mechanisms by which students/parents and adults can learn about and access employment opportunities and related educational/experiential programs. These opportunities would be focused on key industries and clusters identified in each region as important to its future economic growth and diversification. These can include concepts such as “manufacturing days” to expose students/parents/teachers to job opportunities, increased job mentoring and counseling, and additional apprenticeships and internships.

Improving Alignment: Promoting Education-to-Employment Pipelines – What we have repeatedly found is that the business and education communities exist in silos, functioning separate from each other and not aligning to develop the pipeline of skilled workers needed by local companies. The Board believes that the business leadership on the regional councils can be strategically used to improve the alignment between the education and training that is and will be available to Virginians (from high schools, colleges, and other providers) and the current and anticipated needs of Virginia businesses, especially in clusters targeted for high-impact growth in years ahead. A key strategy for improving this alignment is to create business and education (higher education and K-12) collaborations that get students onto education/training tracks—often referred to as pipeline programs or pathways—that provide tailored education/training regimens, curriculum development, experiential workplace opportunities (internships, etc.), and eventual employment. As previously noted, supporting additional internships and apprenticeships will also be key to this effort.

Each of these focus areas are dependent upon a thorough understanding of the talent pipeline needs identified by businesses in each region. We need to begin by asking some of the following questions:

1. Do you have accurate data on where the best opportunities are for higher wage traded sector job opportunities and what exactly is needed to fill any gaps?
2. What can be done to ensure GO Virginia investments in meeting these needs are impactful and sustainable?
3. Does the region have a systematic approach for addressing these issues across business, government, and training providers beyond narrow, opportunistic initiatives? How do we particularly get higher ed and business in closer alignment and partnership?

Site Development

There are several existing models already in Virginia which, with minor modifications, could serve as the foundation for a GO Virginia initiative around joint site development. Starting in 2016, the Virginia Economic Development Partnership used the newly-created Business Ready Sites Program to help spur the development of new industrial sites around the state by providing funding for planning, infrastructure development, and permitting. Funding for the program was immediately over-subscribed, further evidence of the desperate need localities see to have shovel ready product to facilitate economic growth. Although some funding was restored for this initiative in 2018, it is insufficient to meet the need to develop sites primed for target clusters. Further, the Business Ready Sites Program does not require greater regional collaboration which remains a cornerstone of GO Virginia activities. Nevertheless, these efforts are not mutually exclusive and can be coordinated.

GO Virginia funding can be used as a catalyst to advance regional cooperation on site development and to advance sites “up” the tier status. Site grading, limited infrastructure development, and other final preparatory activities could be supported by GO Virginia after a site has advanced through initial stages of the Business Ready Sites Program. GO Virginia funding, along with the financial benefits provided in the Virginia Collaborative Economic Development Act, could unlock significant resources to advance the state’s goal of having more shovel ready sites available for development.

Having a link to GO Virginia would also ensure both better alignment between site development (specifically, how they are designed and marketed) with the industry clusters identified as priorities in the regional growth and diversification plans and the availability of workforce to serve in new and expanding companies. Prospective sites should be evaluated and prioritized based on a demand analysis and with the understanding that not every locality will have a GO Virginia supported location, but instead, that localities should come together and act in their collective interest.

If a region considers a joint-site development project, there is already a mechanism in Virginia to aid any willing collaborative partners on joint site development – the *Virginia Regional Industrial Facilities Act*. Any two or more localities can organize to create a regional industrial facilities authority (RIFA) in accordance with the Act. The RIFA allows two or more localities to jointly invest in a site development project and share the tax revenues generated from the project. The GO Virginia Board has already established the precedent that the revenue sharing that occurs under a RIFA aligns with requirements of GO Virginia for local participation and match, and that a RIFA, or similar contractual obligation binding multiple localities, must exist in order for grant funds to be provided.

It must also be understood that GO Virginia is not the sole source of funding for site development. The Tobacco Commission has already been active in supporting megasites, and federal (USDA, EDA) and state funds (CDBG, VDOT) are also available to assist with various components of a development. GO Virginia should be the last source of funding in to close any gaps, not the seed capital to get a project initiated.

As the joint effort with VEDP moves ahead, we will be finalizing the policies related to the site development initiative.

Entrepreneurial Ecosystem

This concept refers to activities that foster the necessary elements of a thriving startup culture and “entrepreneurial ecosystem” in each region. In short, GO Virginia could be a catalyst to facilitate the development of the fundamental building blocks of such an effort, or to enhance the ones already in place that may lead to new, growing industry clusters and aligned with the broader needs and opportunities identified in the updated regional growth and diversification plans.

Over the past few months, the TEconomy team has been analyzing the entrepreneurial ecosystem in each region and has developed both a statewide implementation plan and recommendations for how to close any gaps in the existing activities at the regional level. Based on that analysis, the preliminary thinking is that each region could get a GO Virginia funded “quarterback” to better coordinate existing efforts and ensure alignment with the new initiatives as determined in each region. The goal would be to provide promising entrepreneurs a path to success through coordinated services to get their ideas to market. Using the analysis on gaps observed by the TEconomy team in each region, regions will then prioritize their needs and determine which of the various recommendations has the greatest chance of success. This will include a thorough review of existing resources and how best they can be modified and repurposed to meet the new coordinated structure.

At the same time, there is an initiative emerging from the Virginia Research Investment Committee effort on commercializing research opportunities at our public universities that has the opportunity to augment what GO Virginia believes is possible at the regional level. This initiative, which could advance bench-to-licensing efforts, support entrepreneurs in residence, more translational research, and a reorganization of the state’s existing technology related programs, could build on the regional recommendations of TEconomy. Legislation and budget actions may be considered during the 2019 session on this separate, but complementary, effort.

All of these activities would then be supported through state assistance for the best commercialization efforts and a seed fund to advance the most promising business opportunities – so long as they lead to higher paying traded sector job growth. In short, these initiatives bring together the resources to identify and nurture promising business opportunities with the often lacking funds needed to get them closer to development.

In order to assist with the regional effort, it may be useful for the regional council to have an advisory committee on entrepreneurial implementation that includes local entrepreneurs and others who have successfully navigated the maze from concept to product to help vet the best project opportunities and target regional investments. The efforts of this committee would be supported by the dedicated staff and other resources provided through GO Virginia and which achieve regional priorities.

Scale Ups

An often ignored and misunderstood path to job creation and economic diversification is through the scaling up of successful small and medium sized enterprises already in a region and which are aligned with the designated growth industry clusters. By working with these companies to grow and retain them – through specific initiatives such as business mentoring, increased access to capital, enhancing access to new customers and suppliers, and other scale-up activities – Virginia's regions have the opportunity to significantly enhance their economic prospects.

In order to shape potential projects in the scale-ups area, it will be important to first differentiate these scale up activities from those provided in the entrepreneurial ecosystem effort and to outline the best ways to identify, grow, and retain these companies. Efforts could include retooling existing business recruitment, retention, and expansion activities to identify growing companies, better coordinate services provided to them, and to grow supply chains and other efforts foundational to their sustainable growth in a region.