

# **Grow Capital Jobs' GO Virginia**

## **Economic Growth & Diversification Plan:**

### **A Short Summary**

#### **Goal**

The goal of the GROW Capital Jobs Regional Council is to grow our own higher paying jobs.

#### **Three Core Strategies**

The Council developed three core strategies to enable the region to compete successfully in the economy of the future.

1. Integrate business with education to create a highly qualified workforce that will enable individuals and families to flourish in tomorrow's economy.
2. Stimulate growth in bioscience, manufacturing and logistics utilizing advanced technology. All three clusters are undergirded by the "clusters of all clusters:" Information Technology (IT)
3. Capitalize on the region's growing reputation as a center of innovation and entrepreneurship.

#### **How did the plan transition from using empirical, forward-looking data projections to prioritizing these opportunity industry clusters?**

The GROW Capital Jobs Council considered and evaluated business sector *cluster* data presented in its Interim Report, along with the assessment of specific clusters conducted in stakeholder engagement focus groups and in surveys of more than 200 businesspeople in the region, in developing its priority list of cluster areas. A brief evaluation of the Council's assessment of possible clusters follows:

#### *Health/Bioscience*

Council members endorsed health/bioscience as a core priority. Data presented health/bioscience as the strongest growth area of all clusters in the Richmond. It was identified in focus groups and surveys as the number one cluster region-wide for enhancing higher paying jobs in the future. It was acknowledged that health services, *per se*, are often not "tradeable," but that the region is poised to make significant progress in life sciences and bioscience, ranging from tradeable drug discovery efforts to the creation and manufacturing of science-based

wellness products.

*Advanced Manufacturing (including advanced materials, chemicals, glass and ceramics, and other sub-clusters)*

Council members endorsed advanced manufacturing processes as a core priority. Data indicated manufacturing had historically been a major contributor to regional GDP and has continued to do so. In addition, wages in *advanced* manufacturing are above the regional average.

The Council understood that manufacturing's contribution to overall GDP was declining and that its local competitiveness grades was not as high as other clusters. Advanced manufacturing exists in all areas of the region, but it has been a primary focus area in the southern and more rural parts.

Crater District business leaders ranked it in our survey as the top priority for maintaining high paying jobs in the region. It has been the subject of considerable prioritization by the Commonwealth, including its support for the Commonwealth Center for Advanced Manufacturing in Prince George County. Council members acknowledged the importance of Rolls Royce's decision to locate nearby and the ancillary services available for manufacturers in the region.

Given its contribution to GDP, recent successes such as Rolls Royce, the risks to jobs and wages that would be associated with further manufacturing decline, and the infrastructure in place to support the cluster, the Council endorsed advanced manufacturing.

*Logistics and Supply Chain*

Council members endorsed logistics as a core priority. Logistics has historically been identified in the research commissioned by both the Greater Richmond Partnership and Virginia's Gateway Region as one core cluster where the entire region has significant locational advantages. It has gained even more prominence in regional discussions in recent years because of the linkage of the Richmond Marine Terminal to the Port of Virginia, the establishment of the Army Logistics University at Fort Lee, and the increased presence of companies such as Amazon and Walmart. The data presented about logistics for the plan indicated that it had high local competitiveness and reasonably good growth prospects.

Council members acknowledge that average wages in logistics, especially in warehousing and distribution, were often lower than the regional average wage. In its discussion of the data, council members noted that the biggest challenge in logistics was the challenge of demonstrating that it could be linked to higher paying jobs, either directly or indirectly. For this reason, the Council charged the logistics working group with examining this issue in more depth.

The working group recommended that linking logistics to manufacturing opportunities could be an effective strategy. It also recommended building on the region's emerging strengths in *advanced* logistics through the use of predictive analysis to solve supply and delivery issues in multiple industries outside of transportation, and exploring collaborations with Hampton Roads to enhancing the Commonwealth's reputation as a logistics capital. U. S. Department of Labor data about the wages of logisticians was presented that demonstrated higher than average regional wages for jobs involved with predictive analysis.

Given the natural advantages of the region's location and the prospect of linking logistics to higher wage opportunities, the Council ultimately endorsed logistics as a core priority.

### *Information Technology/Innovation*

The Council endorsed Information Technology/Innovation as a core priority. Data about the IT cluster in the region noted that it had above average wages and ranked just behind health/bioscience as a forecasted growth area. Our stakeholder focus groups and survey results ranked information technology with health/bioscience as crucial to the future of the region.

Its local competitiveness ranking was below several industries. The report noted that the region had yet to fully recover from the loss of major employers in the recent recession, such as Qimonda and LandAmerica.

At the Council meeting discussing the Interim Report, Council members emphasized that they believed information technology was not simply a separate cluster, but the foundation for progress in multiple clusters, especially for the new companies that were generating the national attention for the region for its innovation ecosystem.

The Council charged the working group with demonstrating how information technology could be considered a *foundational* cluster and detailing its potential in supporting the innovation ecosystem. The working group made specific recommendations about the role that information technology could play in other clusters and sub-clusters areas such as health cyber-security. It also produced data about the prevalence of IT in the region's start-ups, scale-up companies, and in mature companies such as Capital One and CarMax. On this basis, the Council endorsed information technology/innovation as a core priority.

**The region has, and should continue to benefit from, other strong clusters that are projected to continue growing with their existing momentum as more similar companies locate and expand here. They include:**

### *Creative Services*

Data about creative services were very positive. It has well above average regional wages and its local competitiveness quotient is very high. The region has a national reputation for its

advertising and public relations firms and its employees are considered leaders in the local creative community. In addition, advertising and public relations are an important aspect of the online communications industry that is likely to grow substantially. At the same time, data indicate that the contribution of Creative Services to regional GDP is relatively small when compared to other clusters and is unlikely to be a regional leader in GDP in the foreseeable future.

For this reason, the Council did not prioritize creative services as a separate core cluster. It did, however, make specific acknowledgment that it considered it an essential part of the innovation ecosystem. Moreover, council members noted that developing a stronger regional *brand* has become essential to succeeding in today's competitive environment and that creative services would be vital to the region's activities in this respect.

#### *(Other) Business and Professional Services*

Data about business and professional services indicated it pays above average wages and makes a significant contribution to regional GDP. Its local competitiveness ranking was not as high as several other clusters. There is evidence that some of the region's highest wage performers in this area--law firms, for example--are developing national and global practices that may be considered "tradeable." There was also an assessment that many of the services are derivative, growing to support other clusters and other parts of the economy that are growing.

In addition, council members noted that the recent recruitment of major new players in this area, such as CoStar and Thompson-Reuters, was related to the information technology/innovation cluster that had been prioritized.

#### *Financial Services/Insurance*

This has historically been a strong component for the region and has been consistently noted as a core cluster by the Greater Richmond Partnership. The data presented about Financial Services/Insurance noted that it had above average wages and made a substantial contribution to regional GDP. Growth forecasts for the cluster were not as strong, however, putting it at exactly the regional average for the next few years. This was also reflected in our focus groups and survey results in which financial services/insurance was not rated as highly as health/bioscience and information technology in terms of promoting higher paying jobs in the future.

The Council considered financial services/insurance to be essentially a mature cluster that will continue to be a significant contributor to regional GDP. In addition, it felt that new opportunities in the cluster are likely to be IT/innovation based as reflected in the establishment of companies such as compare.com and the decision by companies such as CapitalOne to relocate its innovation group to the region's innovation district.

## *Food and Beverage*

This cluster has been identified as a specific important manufacturing sub-cluster in research conducted by both the Greater Richmond Partnership and Virginia's Gateway Region. Data show that it has slightly above average regional wages. In our focus group discussions about clusters, the most innovative and "tradeable" food and beverage opportunities were perceived to be directly related to other clusters.

The development and manufacturing of health- and science-based wellness products, exemplified by Nutriati, was perceived to have significant potential and is part of the region's bioscience and innovation portfolios. In addition, there is a perceived need for "contract packaging" facilities where manufacturers of specialized products that cannot support an entire facility could contract for part of a facility's time.

There is also a growing craft beer industry and highly reviewed food scene in the region, though this is only partially tradeable and often related to tourism. While an important component of the region's overall economy, food and beverage did not rise to a core priority for GO Virginia projects.

## *Construction and Energy*

Cluster data indicated that construction and energy have above average wages and performed relatively well in local competitiveness ranking. Construction was perceived to be an industry dependent on other areas of the economy and not prioritized a core priority. The Council did note, however, that site development and the availability of buildings with 100,000 square feet and 30-foot ceilings is a vital need for the manufacturing and logistics sectors. The Council made recommendations for utilizing the Collaborative Jobs Act and innovative financing vehicles to address this infrastructure challenge.

Energy was considered to be a vital part of the region's infrastructure even though it was *not* prioritized as a core "tradeable" cluster. The preliminary report to the Council noted that reliable and relative inexpensive energy was a significant asset for the region, especially in the metro area. At the same time, energy was the subject of considerable discussion in terms of the capacity to make the rural part of the region more competitive.

One important challenge in attracting advanced manufacturing and logistics to the region is the lack of available sites/buildings with appropriate infrastructure, including access to utilities. The Council's working groups acknowledged the infrastructure challenges in its discussion of site development as well as the new business opportunities that could arise from bringing the Atlantic Coast pipeline to Southside Virginia and what this could mean for Greensville/ Emporia and surrounding counties.

**How do the cross-cutting opportunities--i.e. sites, workforce, IT and innovation--link to the priority clusters?**

The Council also prioritized activities related to workforce—primarily in IT—and sites and buildings that cut across multiple clusters. Council members believe that these enabling activities are essential to the region’s future success. In particular, council members focused on workforce development, endorsing more effective coordination between business and education as a core strategy

### *Workforce Development*

- The emphasis that council members and stakeholders placed on the role that workforce development, talent attraction, and talent retention will play in enabling the region to grow higher paying jobs could not have been stronger. It was central to the dialogue about each cluster and what would be required for the region to increase its national and global competitiveness. The establishment of more effective partnerships between business and educational institutions was identified as a strategy relevant to every cluster that council members prioritized.
- Councilmembers and stakeholders spent considerable time exploring the range of available programs, identifying challenges and proposing practical ways of addressing these. Council members did not simply say that the “region needs more credentials in manufacturing, chemical operators, etc.”, but grappled with how the barriers and obstacles could be overcome. For example, council members detailed why manufacturing firms concerned about retention of qualified workers have a strong preference for individuals who acquire appropriate credentials locally. In addition, they identified specific steps that could be taken with populations such as transitioning military, college dropouts, and at-risk youth to enhance the middle skills workforce pipeline. They also examined how community college credentialing programs could work with employers that required similar skills
- Council members and stakeholders also grappled with specific challenges in developing the workforce for positions in clusters such as health/bioscience and information technology that require bachelor’s and often advanced degrees. Human resource experts along with subject area experts were convened to address how the region could retain more graduates along the I-64 *educational corridor* and attract talent from around the globe. Once again, a set of specific recommendations were made about business-university collaboration, scale-ups of promising college graduate recruitment and retention programs, and utilizing the expertise in the region’s creative services sector to enhance communication strategies about the region’s opportunities.

### *Site and Building Enhancement*

The plan’s recommendations with respect to sites and building is primarily related to the critical infrastructure required for the clusters that were identified as priorities to the region’s future.

- The development of sites and buildings have been highlighted by Governor McAuliffe and Stephen Moret, CEO of the Virginia Economic Development Partnership, as a crucial underpinning of the Commonwealth's economic development strategy. Developing an adequate inventory of sites and building will be an essential component of attracting out-of-state businesses to the Commonwealth.
- In the more rural areas of the region, this is a pressing issue in attracting manufacturing firms, suppliers and distribution facilities. Land is relatively readily available, but few sites have the necessary broadband and utility infrastructure that will enable the site to be competitive with what may be available in other states. Moreover, individual localities rarely have the resources to provide the local dollars needed to supplement VEDP's grants for site enhancement.
- Council members believed that it was important to highlight this challenge and offer recommendations for addressing it--using the Collaborative Jobs Act, denser development on existing sites, new forms of financing multiple buildings constructed simultaneously--since it is a major barrier to successful recruitment, especially in the more rural areas.
- Council members also addressed the potential for developing a signature site and scale-up sites for the emerging innovation economy. Stakeholders noted that the innovation ecosystem in the region lacks a signature site on the scale that other regions mentioned as new economy hubs have developed. In addition, the availability of scale-up sites for successful start-ups has become an identified challenge within the innovation community.