

Final Report

Thomas Point Associates, Inc.

Economic Development Strategy:

2000

Executive Summary

Virginia Beach has made significant progress on economic development matters in the 1990's. The primary indicators of economic health are in Virginia Beach bear out progress over the decade:

- The City had an increase of 27,600 new jobs from 1992-1998, or 3,900 jobs yearly.
- Job growth was diverse, in construction, manufacturing, transportation, retail trade and services. The increase in manufacturing (698 jobs) occurred when these types of jobs were continuing to decline nationally.

Nevertheless there are signs of weakness in recent trends:

- The City ranks last in the Southside in manufacturing employment, even though manufacturing jobs increased since 1992.
- Wage levels are relatively low. The large share that retail jobs occupy in Virginia Beach tends to reduce the overall wage level.
- Median household income in the region is relatively low. Projections indicate that the City's proportion of the national figure will decline over the next several years.

The central theme in this new strategy is that focusing resources---in a word, targeting--produces best results. This means assigning the most energy to the best prospects. It requires a proactive work approach, not a reactive one. ***The second but no less important theme is that the promotion of educational resources---technical training and higher education---should be the key elements of Department of Economic Development (DED)'s agenda.*** In the current highly competitive environment, the most important resource is the skill level of the workforce.

These themes impact DED's activities, products and organization.

DED should give high priority to assisting businesses in expansion and job creation. While local businesses generally are, for the most part, satisfied with the level of City assistance, there is room for improvement. Although internally generated jobs account for 80 percent or more of total job growth, assistance to existing businesses represents much less than half of DED's total activity.

- DED should increase its communications with businesses already in the City, particularly with those businesses in targeted sectors.
- DED should develop a detailed plan to make the best use of the Advance Technology Center (ATC).
- It should connect business assistance programs including the Economic Development Investment Program (EDIP) grant program to specific industries and higher-paying high tech jobs in general. This effort should include creation of small company networks and business training alliances.
- DED should work with the Commonwealth to structure special training to support the needs of companies in targeted sectors.

DED should expand its efforts to develop and redevelop land and sites.

Without appropriate locations the prospects for marketing effectively to high-tech companies are very limited. We estimate an annual demand for approximately 50 acres of commercial land with a pipeline of only 5-10 years.

- The Southeastern Parkway and Greenbelt should have a high priority.
- The City should continue on its course to acquire properties at the Airport Industrial Park and redevelop them for industrial use.
- There is a need for much broader solution to the long-term need for land to support job expansion and creation, including the identification of new development and redevelopment opportunities.

DED should expand and intensify its targeting efforts.

The fact that there has been a greater rate of success in the late 1990's with a smaller number of prospects suggests that the targeting effort begun in 1995 is working and now needs refinement and expansion.

- DED should add manufacturing sectors that have strong connections to sectors already targeted.
- It should also continue to direct the Hampton Roads Economic Development Alliance to focus more specifically on sectors of importance to Virginia Beach, notably telecommunications. The City should exploit as fully as possible the marketing that the Alliance does in the City's targeted sectors.
- DED should expand its international marketing in Europe and particularly Scandinavia without neglecting marketing in the Far East.
- The Department should continue to strengthen its prospect database so that it can better answer questions about its own effectiveness and adjust its direction.
- DED should intensify efforts to attract major corporate offices, including Fortune 1000 companies.

DED should refocus its marketing activities and align them with its targets.

The Department should consider shifting the focus of its marketing efforts from quality of life to technology-based economic development.

- The messages should communicate technical features related to the City's identity. The most important is the fact that businesses drive training in the City, as plans for the new ATC evidence.
- While de-linking tourism and economic development marketing, it will still be important to give tourists a business message. The close relationship between the Convention and Visitor Development (CVD) and DED is a credit to both departments. The CVD should communicate DED's targeting concepts in friendly but mildly technical format
- DED needs to enhance the software it uses to create and track all its contacts in coordinated fashion. The Department should start to manage its business relationships in concert with its marketing, prospecting and research functions.

- DED should align its organizational resources to reflect strategic priorities. DED should consider moving toward cross-functional approaches and away from the current organizational arrangement, characterized by two largely separate lines of responsibility.
- DED's mission functions do not necessarily represent four individuals. The top level of responsibility should be broader than presently defined, more like a management team than a pyramid, and the support services should work for all the mission function areas, not just those defined within a portion of the organization.
- DED should put special emphasis on strategic thinking as a vital function that warrants significant commitment by DED staff.
- The negotiation of agreements is arguably DED's most important single responsibility and the function on which the Director spends the most time. There is a need to strengthen deal-negotiating capabilities at the staff level, creating a team approach that more completely integrates staff expertise.
- DED needs a full-time person in a financial management role. The current arrangement represents a serious limitation on DED's overall effectiveness and its ability to form functional teams on important projects.
- There is a need for someone to manage information technology across the various departmental functions to include web site development/ management, prospect database management, Internet communications, hardware/software management and computerized research functions.

City management has rewarded the Department for its successful work on special projects by giving it ever-increasing responsibilities without proportional increases in staff and support resources. It is important that DED maintain an image as a can-do organization while thinking strategically about special projects and their impact on functional relationships.

There is overall continuity and consistency in the various statements about economic development policy that the City promotes. The main themes that occur throughout the key plans, documents and goal statements reflect a sense of need to act on the following:

- Improve workforce skills through technical training and higher education.
- Market the City effectively, internally and externally.
- Target businesses that support income growth.
- Redevelop older parts of the City.

DED has begun the process of thinking through the detailed implementation process for the new strategy. This will require translating conceptual recommendations into specific actions, proposed budget line items and working practices. The work of implementation has already begun and will continue over the next year and longer.

1. Introduction

1.1 Overview

In May 1999 the Department of Economic Development (DED) of the City of Virginia Beach began preparation of a new economic development strategy. This report represents the outcome of that work. It presents findings and recommendations that will constitute the City's economic development strategy over the next decade.

1.2 Organization

Sections of this report present information and recommendations on specific areas of DED's activities:

- Section 2. Overview: Background and purpose.
- Section 3. Existing Conditions: key demographic and economic data.
- Section 4. Targeting: Expanding opportunities in selected industries and sectors.
- Section 5. Marketing: Communicating an image for economic development.
- Section 6. Land Development: Finding space for industrial growth.
- Section 7. Business Assistance: Providing support and training assistance.
- Section 8. Organization: Aligning staff resources and program requirements.
- Section 9. Conclusion: summary of recommendations.

1.3 Source Material

This work relies on a combination of new research and existing data sources. It provides primary data in the following areas:

- Employment at the three-digit level of the Standard Industrial Classification system (Virginia Employment Commission).
- Marketing prospects, 1990-1999 (DED prospect data base).
- Perceptions of managers of large companies (consultant survey, July, 1999).
- Economic and demographic data, and analysis of manufacturing industry targets (Hampton Roads Economic Development Alliance)
- Information on the Hampton Roads region and other metropolitan areas (Hampton Roads Economic Development Alliance; Planning District Commission).

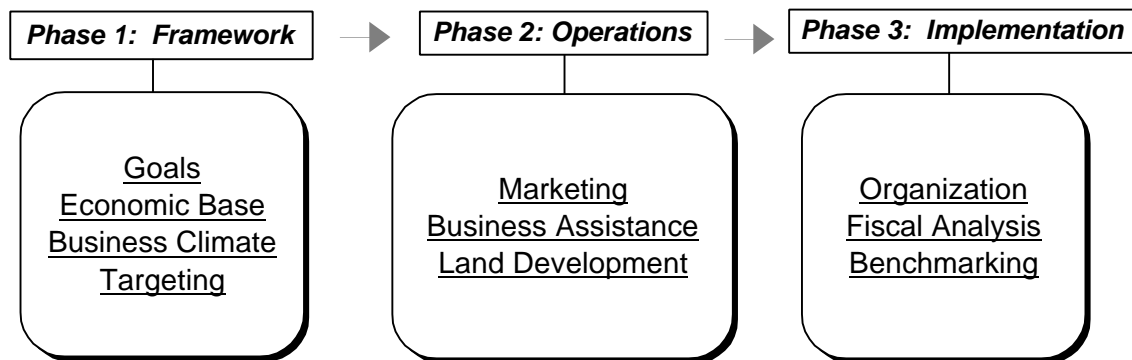
1.4 Study Phases

The strategy comprises results from a work process that has taken place over the past year. Each of the three phases has addressed an interrelated set of issues and yielded a technical memo that presented data and preliminary findings in a sequenced form. Some readers may wish to refer to the technical memos from a specific phase to obtain more information on a particular matter.

Exhibit 1-1 summarizes the study phases that the consultant and DED have taken in the development of the strategy described in this report.

Exhibit 1-1

Phases in Preparation of Economic Development Strategy



Source: Thomas Point Associates, Inc.

1.5 Implementation

DED has begun the process of thinking through the detailed implementation process. This will require translating conceptual recommendations into specific actions, proposed budget line items and working practices. The main work of the implementation process has already begun and will continue over the next year and longer.

2. Background: Purpose and Framework

DED is the lead City organization in economic development and the lead entity in creating an economic development strategy. However, nearly all the City departments have some relationship to the economic development process and several are of critical importance to it.

Virginia Beach is a city that puts a high value on team building and interdepartmental cooperation. Therefore it is important to frame the economic development strategy with a full understanding of its connectedness in the City's total effort. This section presents an overview of the City's economic development goals, stated in various forms over the past ten years and from the viewpoints of various parts of the City government. It provides an historic perspective and a citywide overview on economic development priorities.

2.1 Department of Economic Development: Existing Goals

In the early 1990's the Mayor's Committee on Strategic Economic Development Planning created a statement of goals (Exhibit 2-1 on the following page) that are on the record as the City's economic development agenda for the early part of the decade. While this statement comes from a different time in terms of management and administration of the economic development effort, it provides continuity in economic planning and allows an opportunity to reflect on progress.

The Committee's 1990 statement is a good summary of goals as well as implementation programs and policies to support each one. The goals, based on the 1988 economic strategy, seem very well developed in relation to the issues and needs as perceived at that time. Since then there have been other attempts to focus economic development efforts.

2.2 The City's Comprehensive Plan

The City adopted its Comprehensive Plan in November 1997. The Plan is replete with economic development issues, ideas and programs. It identifies six components that are essential to the success of the community. The first of these is an economic development mandate:

“Virginia Beach must be a city of economic vitality.
There must be the opportunity to start and grow a
business, or to enter into and prosper in the local
job market.”

The Plan identifies economic vitality as its “Building Block 1” of the comprehensive planning process and connects many of the land use and community development issues in an economic framework.

It expands the concept of economic vitality and relates that element with the following statements (direct quotes from the plan are in boldface type):

Diversify the tax base by attracting more non-residential development. There is concern that more than 80 percent of the City's \$19 billion real estate tax base is in residential property, and the plan should lay out a land use pattern that would shift the ratio in favor of greater economic vitality.

Provide for adequate acreage of commercial, industrial and office land in sufficient amount and in areas where it is most likely to attract jobs of high quality. The plan refers to Route 44 and I-64 frontage, and development in Hilltop, Pembroke and Lynnhaven Parkway-Oceana, along Northhampton Boulevard and in Corporate Landing.

Support the tourist industry through continued refinement and implementation of the Oceanfront Concept Plan, by more clearly defining our goals for the tourist industry, and by striving for greater diversity of attractions. The plan emphasizes upgrading the resort area and creating an array of year-round attractions.

Support the military through active involvement in implementing the AICUZ program. This program provides protection for military development in relation to conflicts associated with jet noise and crash potential and is seen as an important component in the preservation of the vitality of the local military presence.

Protect the agricultural and fishing industries as vital contributors to our economy. These industries contribute to the local economy and require only minimal support services.

Develop an effective multimodal transportation network that connects areas of the City to one another; areas of the region to one another; and the region to the rest of the world. The plan addresses the management of major transportation corridors and the development of the Southeastern Parkway.

Support the development of higher education and the opportunities it presents. The plan promotes development of the Virginia Beach Higher Education Center and the enhancement of business opportunities from Green Run to Lake Ridge.

Foster small business development. The plan features development of special areas where small businesses can find affordable locations.

Promote redevelopment opportunities in the northern part of the City. The plan proposes redevelopment of properties such as Princess Anne Plaza Shopping Center, rather than new development in preservation areas.

While in order to succeed we must be seen as a city that welcomes growth, we must redefine growth to mean not merely growth of population or growth of developed acreage but growth of quality and opportunity for success. The plan proposes the use of conditional zoning to achieve better quality in development projects.

We must not overextend ourselves financially. The plan endorses moderation in public expenditures.

Recognize that redevelopment opportunities afford potential to generate economic growth and environmental improvement. The plan makes the point that redevelopment can improve environmental conditions.

We must recognize that the same things that make people want to come here are often the same things that make businesses want to come here. The economic vitality building block is seen as linked to the other blocks: diversity, quality in public services and facilities, aesthetic quality, neighborhood strength and an attractive land use pattern.

Government must create a more productive working relationship with the private sector. The plan promotes the use of incentives and public-private partnerships rather than total regulation.

While some of these statements are broad, most pose challenges for economic development and reflect important connections among economic development, land use planning, tourism and other City government functions. This economic development strategy addresses the Comprehensive Plan issues in various specific ways.

2.3 The City Council's Economic Development Agenda

The City Council meets annually in August for a two-day retreat at which it sets its priorities for the year. It met in April 1999 for a half-year review of the priorities that it set for itself in August 1998. While nearly all the projects on this priority list have some important connection to economic development, the following are those most directly related to economic development, as summarized in *The Virginia Pilot*, April 7, 1999 (The City Council's "To Do" List):

- **Redevelopment Authority:** the City has been studying the costs and benefits of creating an authority that would give it the power to undertake urban renewal projects. The Council directed the City Manager to determine whether the powers of such an authority could be limited to specific sections of the City.
- **Economic Development Strategy:** City officials have been pleased with recent economic development announcements. The Council wants to identify the types of businesses that the City should attract and potential sites for them to locate. It also wants to examine if it can offer more incentives to bring in desired projects.

- **Burton Station Redevelopment:** the Council wants to create a business park in a neighborhood near the Norfolk International Airport. Since some landowners have refused to sell their properties, the Council is considering diverting funds from this project to the revitalization of other neighborhoods.
- **Southeastern Parkway and Greenbelt:** Virginia Beach and Chesapeake officials have been trying to reconcile their differences on the proposed \$400 million parkway which would connect the cities. City officials intended to divert a portion of the funds allocated to this project to other transportation projects.
- **Central Business District Development:** the City Council wants the area around Pembroke Mall to become a town center with shops, a hotel, parking and office space. The City has been seeking developers to help create such a district.

The Council's agenda includes a number of very ambitious projects that essential components of this economic strategy.

2.4 The City's Lifetime Visioning Process

The City is in the midst of developing a "vision" for the future, based on the City Council's key "Destination Points". This process has involved wide City staff participation and all City departments. The purpose is to create "goals and outcomes" that are broad statements of where the City should go, and to identify more specific "strategies" that take steps toward the desired outcome.

Exhibit 2-2 summarizes the Economic Goals and Strategies as stated in 1998. The City's FY 99-2000 budget sets forth four of the same strategies.

Economic Goals and Strategies: Community for a Lifetime Vision Process, 1998

Goal/Outcome:

Individuals, families, businesses and industries should have the opportunity to prosper.

Strategies:

Develop a **qualified workforce**, matching needs of employers and employees.

Target businesses that offer quality jobs in terms of compensation and growth. *

Create and sustain a **supportive business environment**, emphasizing retention /attraction.*

Develop and redevelop for economic and social prosperity and safe, healthy, attractive surroundings.

Market excellent quality of life globally.

Improve tourism industry by investing in the resort area, increasing the quality of the tourist experience and diversifying types and locations of attractions.

Support existing **federal military installations** at their highest historical level.*

Make the City a **year-round tourism destination**.*

Make the **resort area** accessible to residents, and create cultural and recreational venues attractive to tourists and residents.

*Note: The City's FY1999-2000 budget, May, 1999, proposes these strategies to achieve economic vitality.

Source: Virginia Beach, Community for a Lifetime, 1998. p. 26.

The visioning process is a “work in progress” and there will be interaction and feedback between the visioning and ongoing efforts to implement this economic development strategy.

2.5 Conclusion

There is overall continuity and consistency in the various statements about economic development policy that the City promotes. The main themes that occur throughout the key plans, documents and goal statements reflect a sense of need to act on the following:

- Improve workforce skills through technical training and higher education.
- Market the City effectively, internally and externally.
- Target businesses that support income growth.
- Redevelop older parts of the City.
- Enhance tourism activities.

This strategy presents economic development activities within the City’s overall vision.

3. Existing Conditions: Key Demographic and Economic Data

There are many sources of economic information about the City, including the recent update of the City's Comprehensive Plan, the Hampton Roads Regional Strategy, various studies that the Hampton Roads Planning District Commission has undertaken in recent years, and DED's own economic development studies. This strategy encompasses these various studies and their databases in order to create a framework for a new strategy for economic development in the City of Virginia Beach.

3.2 Population

The City of Virginia Beach has been increasing in population, by 145 percent from 1970-1998, representing an average annual rate of 1.4%.

The rate of growth, triple that of the US in the 1970's and '80's, slowed to a more modest pace, 0.9 percent yearly in the 1990's. Now the rate of growth lags behind the Commonwealth of Virginia and the US as a whole.

Exhibit 3-1

Population, Virginia Beach and Selected Jurisdictions, 1970-1998

Jurisdiction/Region	Population (000) by Year				Avge. Rate of Chge/Yr.	
	1970	1980	1990	1998	1970-90	1990-98
Virginia Beach	172	262	393	421	6.4%	0.9%
Norfolk	307	267	261	222	-0.7%	-1.9%
Newport News	138	145	171	179	1.2%	0.6%
Chesapeake	90	114	152	194	3.4%	3.5%
Hampton	121	123	134	137	0.5%	0.3%
Portsmouth	111	105	104	98	-0.3%	-0.7%
Suffolk	45	48	52	62	0.8%	2.4%
Balance of MSA	75	96	161		5.7%	
Total MSA	1,059	1,160	1,428	1,562	1.7%	1.2%
Commonwealth of Virginia	4,651	5,347	6,189	6,791	1.7%	1.2%
United States	203,302	226,546	249,907	271,464	1.1%	1.1%

Sources: US Department of Commerce, Bureau of the Census; Thomas Point Associates, Inc.

Pop.

However, the City remains by far the largest jurisdiction in the region. Its population accounts for 27 % of the total population of the metropolitan statistical area (MSA).

3.2 Employment

Virginia Beach registered an increase of 27,600 new jobs from 1992-1998, a change of 3,900 jobs yearly. The HREDA analysis refers to Virginia Beach as the Southside's "overall employment center."

By comparison to the other jurisdictions, it ranks first in jobs in construction, business services, engineering and management services and retail trade, and was behind only Chesapeake in overall employment growth in the 1990's.

Exhibit 3-2

Non-Farm Employment by Major Industry: Virginia Beach, 1992, 1995 and 1998

Employment	Average Annual Employment by Year						Change, 1992-1993	
	1992		1995		1998		No.	Percent
	No.	Perc. of Total	No.	Perc. of Total	No.	Perc. of Total		
Agricultural Services	1,161	0.9%	1,270	0.9%	1,376	0.9%	215	18.5%
Mining	21	0.0%	15	0.0%	13	0.0%	(8)	-38.1%
Construction	8,070	6.5%	9,636	7.0%	12,069	7.9%	3,999	49.6%
Manufacturing	4,332	3.5%	4,539	3.3%	5,030	3.3%	698	16.1%
Transp., Utilities	5,269	4.2%	5,894	4.3%	7,993	5.3%	2,724	51.7%
Wholesale Trade	4,962	4.0%	4,877	3.5%	5,742	3.8%	780	15.7%
Retail Trade	33,837	27.2%	35,848	26.1%	42,756	28.1%	8,919	26.4%
Finance, Ins., R.E.	7,317	5.9%	7,582	5.5%	8,863	5.8%	1,546	21.1%
Services	38,396	30.9%	45,890	33.4%	64,253	42.3%	25,857	67.3%
Government	20,951	16.9%	21,915	15.9%	3,822	2.5%	(17,129)	-81.8%
Local	16,397	13.2%	16,968	12.3%	3,008	2.0%	(13,389)	-81.7%
State	1,414	1.1%	1,560	1.1%	704	0.5%	(710)	-50.2%
Federal	3,140	2.5%	3,387	2.5%	2,525	1.7%	(615)	-19.6%
Total	124,316	100.0%	137,466	100.0%	151,917	100.0%	27,601	22.2%

Source: Commonwealth of Virginia, Employment Commission; Thomas Point Associates, Inc.

There were increases in construction, manufacturing, transportation, retail trade and services. The increase in retail jobs was the most significant category of growth. The increase in manufacturing is noteworthy (698 jobs) since it occurred when these types of jobs were continuing to decline nationally. The very large increase in the service sectors was the result, in part, of the transfer of teaching jobs from government to the private sector, representing a reclassification of job categories by the Virginia Employment Commission.

Exhibit 3-3 identifies changes in employment at the 2-digit SIC level from 1992-1998 and the location quotient of industries at the 2-digit level. The complete database on employment by 3-digit industry sector was provided in Appendix A of the first technical memo.

The location quotients are a measure of the strength of the industry in the City in relation to the nation. Industries with location quotients greater than 1.5 (those that are much more strongly represented in Virginia Beach than in the US as a whole) are the following:

Construction
Retailing
Real estate

Hotels and lodging
Amusement/recreational services
Educational services

The strong representation in these sectors reflects the importance of tourism in the City's economy. Conversely, the very low quotients associated with manufacturing sectors (SIC's 20-39) simply confirm the low representation of manufacturing industries in the City. (Note: there is a more detailed discussion of changes in manufacturing in Section 3.4, below).

The educational sector is an anomaly. At some point in the 1990's the Virginia Employment Commission reclassified teachers into services, from a previous government classification. This shift in part explains the growth of SIC 83 and the corresponding decline in government employment.

3.3 Virginia Beach in the Regional Context

According to the HREDA's recent study that compared the Hampton Roads region with other metropolitan areas regarded as competitive in terms of jobs and economic development, the area is "one of the nation's leading metro locations, providing a large local workforce and market." The MSA is the 33rd largest in the nation, with a 1997 population estimated at 1,550,000. Virginia Beach is the largest jurisdiction in population among all the jurisdictions in the region.

The residents of the region are generally well educated and the City of Virginia Beach enjoys the highest education levels among all the Southside jurisdictions (Exhibit 3-4). The region enjoys a higher percentage of population with a high school diploma and some high school education than the national average and most of the competitive locations. However, the percentage of regional residents with a college diploma was found to be slightly below the national average. The City of Virginia Beach exceeds the national average in all categories, and a quarter of its population has a college degree

Exhibit 3-4

Educational Attainment

Location	<i>Level of Education</i>		
	No H.S. Diploma	12-15 Yrs.	16 or more Yrs.
Suffolk	36.1%	51.6%	12.3%
Isle of Wight	34.7%	55.1%	10.5%
Portsmouth	33.4%	55.0%	11.6%
Norfolk	27.3%	55.9%	16.8%
Chesapeake	22.9%	60.2%	16.9%
Virginia Beach	12.0%	62.5%	25.5%
Southside Total	21.5%	58.9%	19.5%
Norfolk, VA MSA	21.4%	58.9%	19.8%
Southside/Peninsula Total	20.8%	59.0%	20.3%
Peninsula Total	19.1%	59.0%	21.9%
Virginia	24.8%	50.7%	24.5%
United States	24.8%	54.9%	20.3%

Source: HREDA; Claritas; Thomas Point Associates, Inc.

The median household income in the region is fourth lowest among the thirteen MSA's studied and lags the national figure (Exhibit 3-5). Among jurisdictions in the region Virginia Beach and Chesapeake are well ahead. Most of the higher income households are concentrated in these communities.

The income projections (from Claritas) show Virginia Beach maintaining its lead position among the Southside jurisdictions over the next several years but also project that the gap among them will close slightly. These projections show the regional gap in income widening over the next several years. In 1997 the MSA median household income was 98.6 percent of the national figure. The projection in Exhibit 3-5 has the regional figure declining to 93.9% in just five years. The relative impact on Virginia Beach is significant. While the City leads the region in income, the projection has the City's proportion of the national income figure declining from 112.8% in 1997 to 106.1% in 2002. While the projection is important and may prove correct, there is no explanation of why Claritas projects further (relative) decline in incomes. This situation needs deeper analysis.

Exhibit 3-5

**Median Household Income, 1997 and 2002,
Selected Jurisdictions, Hampton Roads MSA**

Location	1997	2002	Change 97-'02
Virginia Beach	\$ 41,306	\$ 44,832	8.5%
Chesapeake	\$ 41,098	\$ 44,743	8.9%
Isle of Wight	\$ 34,559	\$ 38,282	10.8%
Suffolk	\$ 30,269	\$ 32,476	7.3%
Norfolk	\$ 29,165	\$ 32,513	11.5%
Portsmouth	\$ 27,560	\$ 29,524	7.1%
Southside Total	\$ 36,429	\$ 40,154	10.2%
Southside/ Peninsula Total	\$ 36,161	\$ 39,707	9.8%
Norfolk, VA MSA	\$ 36,123	\$ 39,678	9.8%
Peninsula Total	\$ 35,555	\$ 38,663	8.7%
Virginia	\$ 40,219	\$ 44,973	11.8%
United States	\$ 36,625	\$ 42,259	15.4%

Source: HREDA; Claritas; Thomas Point Associates, Inc.

Military employment plays an important role in the regional picture. The MSA has an active duty military population of 134,000 and a related military family population of 161,000. Among the thirteen competitive MSA's, Jacksonville, Florida is a distant second with 28,000 active duty personnel. Within the region, Virginia Beach with 12,000 active duty military personnel stationed at Fort Story, Dam Neck Fleet Combat Training Center and Oceana Naval Air Station, is way behind Norfolk (99,985 personnel at two facilities, Norfolk Naval Base and Little Creek Amphibious Base).

The median age of the population (32.2 years) is less than that of the Commonwealth (35) and the United States as a whole (34.9), as indicated in Exhibit 3-6. Virginia Beach reportedly trails only Norfolk in the youth of the population among Southside communities (31.2 vs. 29.1 years).

It is projected that the MSA will experience a net decline in the number of residents 18-34 years old over the next five years, with populations aging in all the jurisdictions.

Exhibit 3-6

**Median Age in Years, 1997 and 2002,
Selected Jurisdictions, Hampton Roads MSA**

Location	<i>Median Age</i>	
	1997	2002
Southside		
Isle of Wight	35.9	37.4
Suffolk	35.7	36.6
Chesapeake	33.5	34.8
Portsmouth	33.4	34.3
Virginia Beach	31.2	32.6
Norfolk	29.1	29.7
Norfolk, VA MSA	32.2	33.5
Peninsula Total	32.8	34.1
Southside Total	31.5	32.8
Virginia	35	36.5
United States	34.9	36.2

Source: HREDA; Claritas; Thomas Point Associates, Inc.

In general, according to the regional perspective, “Virginia Beach offers one of the best locations in the area for diversified businesses of virtually any size. Its residents are the best educated, have the highest incomes, and are among the youngest on the Southside. It has the largest population in the region. Because of its demographics, the City is a natural magnet for incoming professionals and managers.” (Locational Assessment of Hampton Roads, 1998, p.13)

3.4 Manufacturing Employment

This employment category deserves special attention because of the unusually small share it holds of total employment in Virginia Beach, representing just 3 percent of all jobs. In contrast, even as this sector has declined in the context of the national economy, it still represented 16.4% of US jobs in 1995.

Exhibit A-1 in Appendix A in the first technical memo provided a detailed breakdown of changes in all job sectors over the period 1992-1998.

There have been some gains in specific manufacturing sectors in recent years:

- Hoses, belts and gaskets (229 jobs added).
- Glass products (190 jobs).
- Primary metals ((223 jobs).
- Metalworking and specialty machinery (485 jobs).
- Toys and sporting goods (190 jobs).

There were also relatively minor declines in manufacturing employment in 25 sectors (at the 3-digit level) and declines of more than 100 jobs in the following:

- Industrial inorganic chemicals (109 jobs).

- Fabricated rubber products (139 jobs).
- Electronic components and accessories (306 jobs).
- Measuring and controlling instruments (108 jobs).

While most economic development professionals and practitioners in the region would acknowledge the importance of manufacturing jobs in order to improve the City's economic base, it is difficult to imagine what form this strategy this might take when manufacturing jobs are in decline in the region and in the nation, in a process of structural economic change that is expected to continue indefinitely. Section 5.3 of this memo addresses the regional manufacturing target model and its application to Virginia Beach.

3.5 Employment and Skills

In recent years jobs have outpaced population in growth in Virginia Beach. While jobs in the City increased by almost 22,000 in just 6 years, 1992-1998 (Exhibit 3-2), the number of employed residents increased by 12,300 in the same period (Exhibit 3-7).

Exhibit 3-7

Labor Force, Employment and Unemployment by Place of Residence: Virginia Beach and Hampton Roads MSA, 1989-1998

Year	Virginia Beach			Hampton Roads MSA			Labor Force: Va. Beach/ Hampton Roads (Perc.)
	Civ. Labor Force	No. Employed	Unemployment Rate	Civ. Labor Force	No. Employed	Unemployment Rate	
1998	212,600	206,742	2.8%	726,610	701,464	3.5%	29.3%
1997	208,113	199,779	4.0%	720,217	685,564	4.8%	28.9%
1996	206,969	198,521	4.1%	714,724	679,998	4.9%	29.0%
1995	211,424	202,382	4.3%	729,532	693,394	5.0%	29.0%
1994	207,060	197,159	4.8%	716,032	674,817	5.8%	28.9%
1993	205,647	196,585	4.4%	708,224	669,813	5.4%	29.0%
1992	205,398	194,425	5.3%	715,359	669,891	6.4%	28.7%
1991	200,376	190,786	4.8%	701,622	662,569	5.6%	28.6%
1990	191,224	183,890	3.8%	677,247	646,333	4.6%	28.2%
1989	169,103	162,669	3.8%	639,094	609,452	4.6%	26.5%

Source: Virginia Employment Commission; NHPDC

With unemployment at a ten-year low, two things have happened:

- Labor force participation has increased, from 47 % to 49%, a small but significant change.
- The City's share of the regional labor force has grown, from 26.5% to 29.3%.

It is not surprising that employers now complain about the difficulty of finding qualified workers, both skilled and unskilled, a situation that exists nationally.

Now Virginia Beach is home to 43% of the Southside’s civilian labor force. While its occupational distribution closely matches the national average, there is a slightly higher ratio of managers and professionals in the local population than nationwide. As a result the City offers a broad foundation for most office-related and production operations. The most recent data on occupation by place of residence is from the 1990 Census. It showed Virginia Beach as having the highest proportion of workers in white-collar occupations---executives, professionals and technicians.

**Exhibit 3-8
Percentage Distribution of Resident Occupations**

Occupation	Virginia Beach	Chesapeake	Isle of Wight	Norfolk	Ports-mouth	Sufflok	MSA	United States
Executive	14.4%	13.0%	9.4%	10.1%	9.1%	11.2%	12.2%	12.3%
Professional	15.9%	13.4%	10.5%	13.1%	11.8%	11.1%	14.5%	14.1%
Technician	4.7%	4.0%	3.7%	3.9%	4.2%	3.8%	4.3%	3.7%
Sales	15.1%	11.3%	9.1%	11.5%	10.1%	9.8%	12.2%	11.8%
Clerical	16.1%	17.3%	14.9%	16.2%	15.7%	13.3%	15.5%	16.3%
Services	13.0%	11.8%	11.5%	17.5%	15.4%	12.4%	14.2%	13.2%
Farming	1.0%	1.0%	4.0%	1.2%	1.1%	3.2%	1.4%	2.5%
Precision								
Production	11.2%	16.1%	18.5%	12.4%	16.6%	15.8%	13.7%	11.3%
Machine								
Operators	2.8%	3.7%	7.7%	4.4%	5.6%	7.7%	4.3%	6.8%
Transportation	3.0%	4.7%	5.2%	5.2%	5.6%	5.7%	4.0%	4.1%
Laborers/ Handlers	2.9%	3.8%	5.6%	4.4%	4.8%	5.8%	3.7%	3.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: US Bureau of the Census, 1990.

Distribution of Resident Occupation

Employer interviews conducted in connection with the recent HREDA study indicated satisfactory or higher ratings on availability of white collar and blue collar skills except for tool and die makers. The ratings were the highest the consultant had seen in any location, and there was no indication of any “real recruiting difficulties.”

3.6 Wages and Salaries Earned

Trends in wage and salary income (shown as percentages in Exhibit 3-9) correlate with employment information discussed above. The following factors are surprising:

- Manufacturing income has increased as a share of total wage and salary income, in spite of the lack of long-term growth in jobs in the manufacturing sectors.

- Construction and retail wage and salary income have failed to grow, in spite of the increasing share of jobs for which these sectors account.

Exhibit 3-9

**Wages and Salaries Earned by Place of Work
in Virginia Beach, 1980, 1990 and 1997
(Sector as a Percent of Total)**

Economic Sector	Year		
	1980	1990	1997
Manufacturing	2.7%	3.3%	3.1%
Construction	9.9%	8.7%	8.7%
Farming/Agr Svcs	0.5%	0.7%	0.7%
Mining	<u>0.5%</u>	<u>0.5%</u>	<u>0.6%</u>
Total Prod Act	13.5%	13.1%	13.2%
Transportation & Utilities	4.4%	4.4%	5.7%
Whole Sale Trade	4.2%	4.5%	4.4%
Retail Trade	13.5%	13.0%	11.8%
Finance, Insurance & Real Estate	4.9%	5.6%	7.5%
Services	19.1%	26.6%	30.4%
Government	<u>40.4%</u>	<u>32.7%</u>	<u>27.1%</u>
Total Services	86.5%	86.9%	86.8%

Source: Thoams Point Associates

BEA Wages

As one would expect, there has been significant growth in wage and salary income from professional categories, finance, insurance and real estate.

The City's relative position in the regional economy is evident in Exhibit 3-10, which shows the same type of information as percentages of income in Virginia Beach and in other communities in the region (the same information is provided in actual numbers in Appendix A, Exhibit A-3 in the first technical memo). The strengths and weaknesses of the City's economy are more evident in this information.

Virginia Beach leads all the major jurisdictions in services and professional sectors and trails them all in manufacturing.

Exhibit 3-10

Wages and Salaries Earned by Place of Work, 1997, Selected Jurisdictions, Hampton Roads MSA (Sector as a Percent of Total)

Economic Sector	Va Beach	Norfolk	Ches-apeake	Ports-mouth	Newport News	Hampton	Suffolk
Manufacturing	3.1%	8.0%	10.3%	6.2%	33.6%	7.7%	15.2%
Construction	8.7%	3.5%	15.1%	3.9%	4.4%	4.4%	8.0%
Farming/Agr Svcs	0.7%	0.2%	0.8%	0.2%	(a)	0.3%	0.7%
Mining	0.6%	0.1%	0.1%	0.0%	(a)	0.0%	0.1%
Total Prod Act	13.2%	11.7%	26.3%	10.4%	38.0%	12.4%	23.9%
Transportation & Utilities	5.7%	6.9%	6.7%	6.2%	3.3%	2.3%	8.2%
Whole Sale Trade	4.4%	4.2%	7.0%	2.7%	3.2%	3.2%	10.2%
Retail Trade	11.8%	5.3%	13.1%	4.9%	6.9%	9.9%	10.0%
Finance, Insurance & Real Estate	7.5%	5.7%	4.9%	1.9%	3.6%	2.6%	3.1%
Services	30.4%	20.8%	21.5%	20.8%	23.6%	24.5%	24.3%
Government	27.1%	45.4%	20.5%	53.1%	21.5%	45.2%	20.2%
Total Services	86.8%	88.3%	73.7%	89.6%	62.0%	87.6%	76.1%
Total	100%	100%	100%	100%	100%	100%	100%

Source: Bureau of Economic Analysis; Thomas Point Associates

BEA Wages

The distinct orientations of the jurisdictions in the region are evident:

- Virginia Beach: services, particularly in connection with tourism and recreation.
- Norfolk, Portsmouth and Hampton: government.
- Newport News: manufacturing (the Shipyard).
- Chesapeake: diverse strengths in manufacturing, construction and trade.
- Suffolk: manufacturing.

Comparing the region with competitive areas in terms of earnings, the data indicate that the Norfolk MSA trails 11 of the other 12 locations in average earnings by private industry sector; the Norfolk MSA lagged all other places except Charleston, South Carolina. It trailed most in the professional employment category (Finance, insurance, real estate) in which average annual income was just 74% of the comparable figure in Atlanta and 72% of the same figure in Charlotte.

3.7 Tax Burden

The tax burden in Virginia Beach seems to be moderate and reasonable in general, in relation to other locations and comparable cities.

The burden at the state level makes the City competitive with other locations outside the Commonwealth of Virginia. With respect to state worker compensation benefits, the Commonwealth ranked third lowest in 1997, behind only the District of Columbia and the State of Utah. Benefits accounted for just 0.52 percent of total covered payroll. This was less than one-sixth of the most onerous state (West Virginia, in which benefits amounted to 3.3 percent of covered payroll). The Commonwealth also ranked third lowest in average unemployment insurance tax as a percent of covered payroll (0.16 %), behind Nebraska and New Hampshire.

Consolidating these taxes in a “combined mandated benefits cost,” the Commonwealth ranks as the least expensive state in the nation. By comparison, Rhode Island is the most expensive: combined benefits represent 4.32 % of total covered payroll.

In its overall state and local tax burden, taking into account the impacts of the four primary tax sources that support local and state government operations, Virginia Beach occupies a solid middle ground. It ranks 25th among the 51 jurisdictions in Exhibit 3-11. While the auto tax was relatively high in the City, as it has been throughout the State, the low income and property taxes result in an overall tax burden below the median.

Virginia Beach falls in the top half of the seven jurisdictions in Exhibit 3-11 that are within its same size category (that is, within 10 percent of Virginia Beach in population). These comparable locations are shaded in the Exhibit.

Exhibit 3-11

**State and Local Annual Tax Burden, 1997, Selected Cities,
Family of Four Earning \$100,000**

City	Income	Annual Payment by Type of Tax				Total
		Property	Sales	Auto		
Anchorage, AK	\$ -	\$ 3,139	\$ -	\$ 159	\$ 3,298	
Jackson, FL	\$ -	\$ 1,677	\$ 1,632	\$ 354	\$ 3,663	
Cheyenne, WY	\$ -	\$ 1,449	\$ 2,035	\$ 418	\$ 3,902	
Las Vegas, NV	\$ -	\$ 2,313	\$ 1,633	\$ 697	\$ 4,643	
Houston, TX	\$ -	\$ 2,973	\$ 1,555	\$ 341	\$ 4,869	
Memphis, TN	\$ 270	\$ 2,096	\$ 2,578	\$ 264	\$ 5,208	
Sioux Falls, SD	\$ -	\$ 2,818	\$ 2,165	\$ 261	\$ 5,244	
Seattle, WA	\$ -	\$ 3,759	\$ 2,072	\$ 304	\$ 6,135	
Fargo, ND	\$ 2,093	\$ 3,560	\$ 1,232	\$ 341	\$ 7,226	
Indianapoli, IN	\$ 3,895	\$ 1,997	\$ 1,429	\$ 206	\$ 7,527	
Denver, CO	\$ 3,581	\$ 1,557	\$ 1,791	\$ 746	\$ 7,675	
New Orleans, LA	\$ 2,445	\$ 2,479	\$ 2,530	\$ 344	\$ 7,798	
Jackson, MS	\$ 3,433	\$ 1,854	\$ 1,957	\$ 775	\$ 8,019	
Wilmington, DE	\$ 5,440	\$ 2,346	\$ -	\$ 297	\$ 8,083	
Phoenix, AR	\$ 2,325	\$ 3,323	\$ 2,031	\$ 613	\$ 8,292	
Chicago, IL	\$ 2,711	\$ 3,387	\$ 2,164	\$ 364	\$ 8,626	
Wichita, KS	\$ 4,192	\$ 1,844	\$ 1,898	\$ 764	\$ 8,698	
Birmingham, AL	\$ 5,001	\$ 986	\$ 2,303	\$ 541	\$ 8,831	
Charleston, WV	\$ 4,855	\$ 1,683	\$ 1,582	\$ 765	\$ 8,885	
Billings, MT	\$ 5,788	\$ 2,294	\$ 125	\$ 696	\$ 8,903	
Kansas City, MO	\$ 4,515	\$ 1,864	\$ 1,950	\$ 831	\$ 9,160	
Albuquerque, NM	\$ 4,090	\$ 2,963	\$ 1,856	\$ 263	\$ 9,172	
Salt Lake City, UT	\$ 4,896	\$ 1,314	\$ 2,300	\$ 707	\$ 9,217	
Little Rock, AR	\$ 4,471	\$ 1,997	\$ 2,213	\$ 580	\$ 9,261	
Virginia Beach, VA	\$ 4,292	\$ 2,343	\$ 1,489	\$ 1,171	\$ 9,295	
Oklahoma City, OK	\$ 4,854	\$ 1,597	\$ 2,298	\$ 569	\$ 9,318	
Columbia, SC	\$ 4,804	\$ 2,237	\$ 1,286	\$ 1,167	\$ 9,494	
Charlotte, NC	\$ 5,368	\$ 1,954	\$ 1,776	\$ 607	\$ 9,705	
Des Moines, IA	\$ 4,363	\$ 3,180	\$ 1,796	\$ 410	\$ 9,749	
Burlington, VT	\$ 3,560	\$ 4,549	\$ 1,431	\$ 251	\$ 9,791	
Boise, ID	\$ 5,573	\$ 2,239	\$ 1,591	\$ 409	\$ 9,812	
Portland, OR	\$ 6,752	\$ 2,760	\$ -	\$ 331	\$ 9,843	
Manchester, NH	\$ -	\$ 8,911	\$ 376	\$ 651	\$ 9,938	
Omaha, NE	\$ 4,151	\$ 3,296	\$ 1,951	\$ 651	\$ 10,049	
Atlanta, GA	\$ 4,199	\$ 2,963	\$ 2,438	\$ 653	\$ 10,253	
Columbus, OH	\$ 5,799	\$ 2,702	\$ 1,504	\$ 328	\$ 10,333	
Louisville, KY	\$ 6,854	\$ 1,725	\$ 1,367	\$ 648	\$ 10,594	
Honolulu, HI	\$ 6,550	\$ 2,340	\$ 1,491	\$ 424	\$ 10,805	
Boston, MA	\$ 5,119	\$ 4,204	\$ 1,070	\$ 423	\$ 10,816	
Detroit, MI	\$ 6,724	\$ 2,300	\$ 1,573	\$ 310	\$ 10,907	
Washington D.C.	\$ 6,840	\$ 1,986	\$ 1,792	\$ 366	\$ 10,984	
Los Angeles, CA	\$ 4,536	\$ 3,634	\$ 2,056	\$ 779	\$ 11,005	
Minneapolis, MN	\$ 4,645	\$ 4,371	\$ 1,718	\$ 615	\$ 11,349	
Baltimore, MD	\$ 5,924	\$ 3,813	\$ 1,312	\$ 332	\$ 11,381	
Milwaukee, WI	\$ 5,423	\$ 4,085	\$ 1,556	\$ 357	\$ 11,421	
Philadelphia, PA	\$ 5,934	\$ 4,189	\$ 1,577	\$ 182	\$ 11,882	
Providence, RI	\$ 3,846	\$ 6,212	\$ 1,592	\$ 337	\$ 11,987	
Portland, ME	\$ 5,231	\$ 6,707	\$ 1,556	\$ 258	\$ 13,752	
New York City, NY	\$ 8,521	\$ 2,862	\$ 2,358	\$ 136	\$ 13,877	
Newark, NJ	\$ 2,080	\$ 10,776	\$ 1,500	\$ 305	\$ 14,661	
Bridgeport, CT	\$ 4,012	\$ 12,999	\$ 1,619	\$ 1,415	\$ 20,045	

Source: Economic Demo Trends

3.8 Conclusions

The primary indicators of economic health are positive in Virginia Beach:

- The City had an increase of 27,600 new jobs from 1992-1998, or 3,900 jobs yearly.
- Job growth occurred in construction, manufacturing, transportation, retail trade and services. The largest increase was in retail. The increase in manufacturing (698 jobs) occurred when these types of jobs were continuing to decline nationally.
- The City's population increased by 145 percent from 1970-1998 and growth slowed to a more modest pace, 0.9 percent yearly in the 1990's, lagging Virginia and the US.
- The City enjoys the highest education levels among all the Southside jurisdictions.
- The City is also the leader in household income. Most of the higher income households are concentrated in Virginia Beach and Chesapeake. Income projections show Virginia Beach maintaining its lead position among the Southside jurisdictions
- Virginia Beach trails only Norfolk in the youth of the population among Southside communities (31.2 vs. 29.1 years), in a region in which the median (32.2 years) is less than that of the United States as a whole (34.9).
- Now Virginia Beach is home to 43% of the Southside's civilian labor force. Its occupational distribution has more managers and professionals than nationwide.
- The tax burden seems to be fair. In overall state and local tax burden, Virginia Beach ranks 25th of 51 comparable jurisdictions.

There are signs of weakness, however:

- The City ranks last in the Southside in manufacturing employment, even though manufacturing jobs increased since 1992.
- The City shares a region-wide challenge in wage levels. The Norfolk MSA trails 11 of the other 12 locations in average earnings by private industry sector, and that local wages and salaries are 4 to 6 percent below national figures. The large share that retail jobs occupy in Virginia Beach tends to reduce the overall wage level.
- The median household income in the region is fourth lowest among the thirteen MSA's studied and lags the national figure. Projections indicate that the City's proportion of the national income figure will decline over the next several years.

In most respects, the business environment in Virginia Beach is robust. With the largest population in the region the City offers the best business location in the area.

4. Targeting: Expanding Opportunities in Selected Industries and Sectors

4.1 Overview

Several years ago DED targeted five industry sectors that seemed to offer the best prospects for attraction of the types of jobs that the community sought, based on suitability and compatibility. The purpose was to improve DED's marketing effectiveness and concentrate on areas most likely to produce the best results.

Exhibit 4-1 summarizes the sectors identified as offering greatest promise:

Exhibit 4-1

Targeting Business Sectors in Virginia Beach (1995)

Sector/ Industry	SIC('s)	Criteria				
		Area Growth '92-95	Local Concentration	GSO Target	Regional Target	National Growth Prospect
Telecommunications	48	21%	2.26	<input checked="" type="checkbox"/>		
Radio and Television	483	0%	8.84	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Special Communication Services	489	94%	0.93			<input checked="" type="checkbox"/>
Engineering/Management	87	23%	1.8	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Business Services	73	25%	1.45	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Corp. Regional Offices				<input checked="" type="checkbox"/>		
Corp. Information Mgmt Centers				<input checked="" type="checkbox"/>		
Computers & Data Processing Ser.	737	10%	2.64	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Marine Services/Water Transportation	44	-30%	1.5			<input checked="" type="checkbox"/>
Training	824	24%	3.97			<input checked="" type="checkbox"/>

Source: Thomas Point Associates, Inc.

In the following sections we, review the earlier effort in light of subsequent experience and new regional targeting efforts.

4.2 DED's Prospect Database

4.2.1 Overview

The Department of Economic Development maintains a confidential database of companies that are evaluating Virginia Beach as a place to expand or locate a new establishment. DED tracks firms from the time of initial contact to the date of a decision on whether to expand or relocate into the City. The database contains important information about the nature and size of the contact. The information represents an important source of material for understanding DED's marketing strategy and determining what adjustments, if any, should be made in future marketing efforts.

The full prospect database (Appendix B in the first technical memo) is a compilation of all contacts tracked from November 1995 to June 1999. It includes a total of 112 firms from 19 states and 9 nations, classified in 29 different industry sectors.

In compiling the reference database from these two sources, DED excluded certain types of prospects that were not significant in targeting relative to expansion of the local economic base:

- Local businesses, already in Virginia Beach or in the region, and seeking a new location in the same area;
- Retailers seeking store sites; while these are important, they have only slight relevance to the economic base.

There were 55 successful outcomes from the total of 112 contacts, according to DED's review, indicating a "success rate" of 49 percent. The rate would be higher since files that are still open may eventually produce successful outcomes.

4.2.2 Types of Companies

Classifying them by type of company, Exhibit 4-2 indicates the distribution of the 112 contacts in all categories in which one or more companies actually indicated interest as well as industry sectors in which there were no contacts. The Exhibit also identifies the number of "successful outcomes" in each category, meaning the number of prospects that actually found locations in Virginia Beach. (There were successful contacts in 27 of the 29 sectors in which there were contacts, and there were 12 sectors in which no interest originated.)

Exhibit 4-2

**Distribution of Marketing Prospects:
Number By Industry, 1995-1998**

1995-1998		
Industry	No. of Contacts	Successful Outcomes
Telecommunications	13	8
*Business Services	11	9
Unknown	8	4
Electronics, Electrical Equip	7	0
Diversified Financials	6	4
Metal Products	5	2
Health Care	5	0
Marine Services	5	4
Entertainment	5	2
Building Materials, Glass	4	2
Computer, Office Equipment	4	1
Insurance	4	1
Rubber & Plastic Products	3	0
Engineering, Construction	3	2
Motor Vehicles & Parts	3	1
Advertising, Marketing	3	3
Textiles	3	0
Specialist Retailers	3	0
General Merchandisers	2	1
Package & Freight Delivery	2	1
Aerospace	2	2
Miscellaneous	2	1
Airlines	2	2
Furniture	2	1
Publishing, Printing	1	1
Food	1	1
Computer & Data Services	1	0
Chemicals	1	1
Forest & Paper Products	1	1
Industrial & Farm Equipment	0	0
Transportation Equipment	0	0
Pharmaceuticals	0	0
Electric & Gas Utilities	0	0
Food & Drug Stores	0	0
Food Services	0	0
Hotels, Casinos, Resorts	0	0
Petroleum Refining	0	0
Savings Institutions	0	0
Toys, Sporting Goods	0	0
Truck Leasing	0	0
Total	112	55

*Business Services was not a category on the 1995 survey.

Source: Thomas Point Associates, Inc.

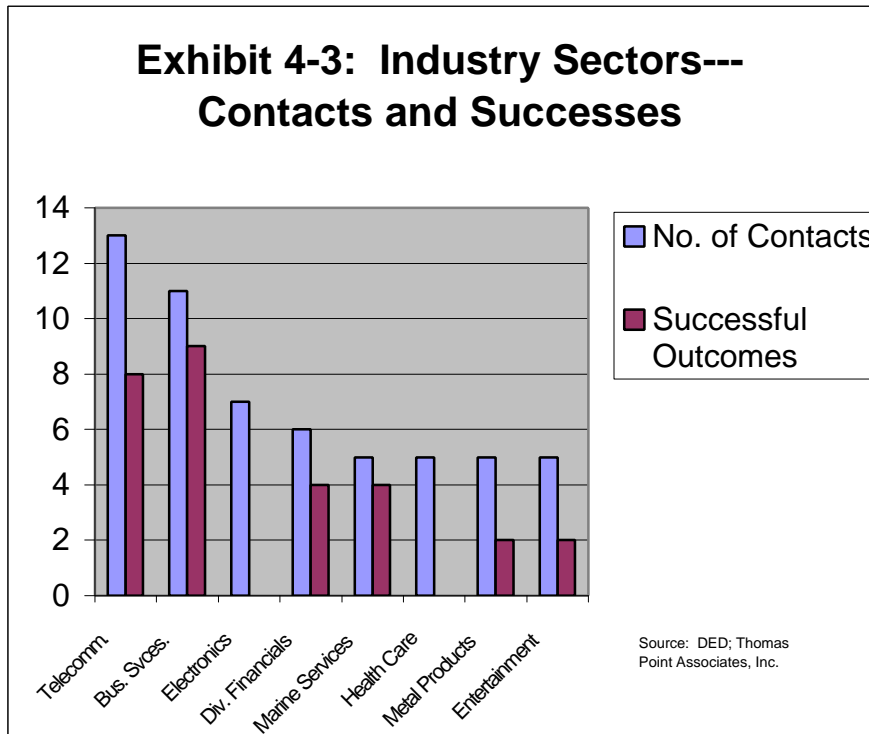
The industry classification system, used in the identification of Fortune 500 companies

somewhat different from the federal Standard Industrial Classification (SIC) system. However, the Fortune 500 approach lends itself better to identifying the types of diversified companies that account for most jobs and facility decisions and is more aligned with the way businesses describe themselves.

The principal results from this analysis are the following:

- Efforts were most successful in telecommunications (DED was successful with 8 of 13 prospects) and business services (9 successes from 11 prospects).
- There was good success in diversified financials and marine services.
- There was limited success in metal products and entertainment.
- It is somewhat surprising that there was no successful outcome in electronics (7 prospects) and health care (5 prospects).

The graph in Exhibit 4-3 shows outcomes in the top eight categories.



4.2.3 Geographic Distribution of Prospects

Prospects were highly concentrated by state, reflecting broad trends in relocation as well as the geographic impact of DED's specific marketing efforts. Among the states, most prospects come from Virginia itself (35 of the 88 US contacts), and most of the rest came from New Jersey and New York (25 total). In summary just three states account for 68 percent of all contacts, and 67 percent of successful outcomes.

**Exhibit 4-4
Distribution of Prospects by State, 1995-1998**

<i>US State/Region</i>	<i>No. of Prospects</i>	<i>%</i>	<i>Successful Outcomes</i>	<i>%</i>
Connecticut	2	2.3%	1	2%
District of Columbia	2	2.3%	1	2%
Delaware	1	1.1%	1	2%
Florida	1	1.1%		
Georgia	1	1.1%	1	2%
Illinois	4	4.5%		
Maine	1	1.1%	1	2%
Massachusetts	1	1.1%		
Michigan	1	1.1%		
Minnesota	1	1.1%	1	2%
New Jersey	14	15.9%	6	14%
New York	11	12.5%	3	7%
North Carolina	2	2.3%	1	2%
Ohio	1	1.1%	1	2%
Pennsylvania	3	3.4%	3	7%
Rhode Island	1	1.1%		
Tennessee	1	1.1%	1	2%
Texas	2	2.3%	1	2%
Virginia	35	39.8%	20	47%
Subtotal	88	100.0%	43	100.0%

Source: Virginia Beach DED; Thomas Point Associates, Inc.

This offers some insights for marketing the City:

- None of the four Illinois prospects successful, indicating a need to adjust DED's efforts with respect to firms from this state, and possibly with respect to the Midwest generally.
- All three Pennsylvania prospects were successful, suggesting that the Commonwealth may be fertile ground for more extensive marketing. DED should concentrate more of its efforts there.

The comparison of foreign prospects is relatively simple (Exhibit 4-5). There were 14 prospects and 4 successful outcomes, a rate (28.6 percent) much lower than the total success rate. Three of the four successes were Swedish. Two of the four successes were in marine-related activities. DED's international marketing efforts in this period seem to have been somewhat unbalanced in terms of successful outcomes.

Exhibit 4-5				
International Prospects, 1995-1998				
<i>Country</i>	<i>Prospects</i>		<i>Successful Outcomes</i>	
	No.	%	No.	%
Canada	2	14.3%		0.0%
England	2	14.3%		0.0%
Germany	2	14.3%		0.0%
Hong Kong	1	7.1%		0.0%
Ireland	1	7.1%	1	7.1%
Italy	1	7.1%		0.0%
Korea	1	7.1%		0.0%
Sweden	3	21.4%	3	21.4%
Turkey	1	7.1%		0.0%
Total	14	100.0%	4	28.6%

Source: Virginia Beach DED; Thomas Point Associates, Inc.

4.2.4 The 1990's: Comparing the First Half and the Second Half of the Decade

The salient fact about DED's experience in the 1990's, comparing the first half of the decade with the years since 1995, is the higher success rate from the smaller number of contacts in the latter period. The Department counted 48 successful outcomes from 269 contacts in the earlier period, by comparison with 55 successful outcomes from 112 contacts in the later period.

Exhibit 4-6 summarizes specific changes in relation to the full database from the two periods.

Exhibit 4-6

Distribution of Marketing Prospects By Industry, 1990-1998

Industry	1990-1995		1995-1998	
	No. of Contacts	Successful Outcomes	No. of Contacts	Successful Outcomes
Metal Products	29	5	5	2
Building Materials, Glass	22	7	4	2
Health Care	19	5	5	0
Marine Services	16	1	5	4
Electronics, Electrical Equip	15	2	7	0
Diversified Financials	14	2	6	4
Rubber & Plastic Products	13	0	3	0
Publishing, Printing	11	0	1	1
Computer, Office Equipment	10	2	4	1
General Merchandisers	10	2	2	1
Engineering, Construction	9	2	3	2
Insurance	9	1	4	1
Telecommunications	9	3	13	8
Food	8	1	1	1
Package & Freight Delivery	7	1	2	1
Computer & Data Services	7	2	1	0
Aerospace	6	1	2	2
Motor Vehicles & Parts	6	1	3	1
Miscellaneous	6	1	2	1
Advertising, Marketing	5	2	3	3
Airlines	4	1	2	2
Entertainment	4	1	5	2
Chemicals	3	0	1	1
Forest & Paper Products	3	1	1	1
Furniture	3	0	2	1
Industrial & Farm Equipment	3	0	0	0
Textiles	3	0	3	0
Transportation Equipment	3	1	0	0
Pharmaceuticals	2	0	0	0
Electric & Gas Utilities	1	0	0	0
Food & Drug Stores	1	0	0	0
Food Services	1	1	0	0
Hotels, Casinos, Resorts	1	0	0	0
Petroleum Refining	1	0	0	0
Savings Institutions	1	0	0	0
Specialist Retailers	1	0	3	0
Toys, Sporting Goods	1	1	0	0
Truck Leasing	1	0	0	0
Waste Management	1	1	0	0
*Business Services			11	9
Unknown	35	5	8	4
Total	269	48	112	55

*Business Services was not a category on the 1995 survey.

Source: Virginia Beach DED; Thomas Point Associates, Inc.

The review of the database over the decade indicates the following:

Executive Summary

- Business service category (law, accounting and similar professional services) emerged as a very strong sector over the course of the decade.
- Diversified financial sector became a much more prominent sector in the latter part of the decade.
- While sectors requiring relatively higher skill levels seem to be increasing in relative importance, certain sectors with a stronger manufacturing orientation seem to have receded in the latter part of the decade: Metal Products, Rubber and Plastics, Printing and Publishing.

In terms of the geographic distribution of contacts, there have been several important developments:

- California went off the list in the 1995-98 period, moving from fourth position to no position.
- Virginia became the biggest source of prospects and the source of most successful contacts.
- New York and New Jersey have continued to represent important sources of contacts although their relative positions have essentially reversed: successful relocations from New Jersey are much higher in the later period, while those from New York were less than half of what they had been in the earlier years.

In the international marketing sector the changes were significant:

- The three successful contacts from Sweden represent a dramatic change from the earlier years, when there had been no Swedish contacts.
- Curiously, there were no German prospects in the later period, although there had been some success in this market earlier.
- Marketing in the Far East seems to have essentially shut down, with just one prospect from Hong Kong, and none from Japan and Taiwan, in the later period.

4.2.5 Conclusions

There are important conclusions that one can draw from the database and from a comparison of the two different periods.

First, there has been an important evolution in the past few years. Now, fewer contacts yield a higher rate of marketing success. This may reflect a series of changes in media advertising. At one time DED devoted a significant effort to a national television

marketing campaign that brought calls from all over the US, and particularly from the west coast. The termination of this program seems to have been a positive step.

Second, there has been increased interest from industry sectors that DED targeted in 1996, notably telecommunications and marine services. The additional attention to these sectors seems to be paying off. There has also been increased interest from other knowledge-based and professional sectors, notably financial services.

Third, the reduced interest from overseas prospects may reflect media advertising changes or, more likely, changes in the international economic picture. The reduced number of Canadian contacts reflects NAFTA-induced patterns. The reasons for successful marketing in Sweden are unclear. In any case there seems to be fertile ground for additional international marketing, and DED now has an international program in place.

Finally, there is still need for improvement in the maintenance of the database itself. DED staff is understandably focused on the marketing activity rather than tracking data, beyond the immediate and practical need. An improved database management effort would allow regular review of the information and adjustments to meet changing conditions that can only be learned from careful evaluation of what works.

4.3 Targeting Manufacturing

The Hampton Roads Planning and Development Commission has created a powerful econometric model designed to identify “target” industries in manufacturing codes (SIC’s 20-40) based on parameters that each jurisdiction can adjust in relation to its own objectives and constraints. The Commission uses an extensive state and national employment database to run the model and prioritize the results.

DED worked with the Commissions staff to define parameters that would yield a limited number of appropriate candidates for further consideration. With some preliminary analysis and refinement, the following criteria were selected:

- At least 50,000 employees nationwide, and an average establishment of 50 employees.
- No more than a one percent decline in employment projected nationally in the period 1996-2006.
- An average salary of at least 80 percent of the average wage in the Hampton Roads region.

The model yielded a total of nine industries under these criteria, ranked according to score in Exhibit 4-7.

Exhibit 4-7

Top Industrial Sector Targets From HRPDC's Industrial Targeting Model

SIC	Description	Score
3710	Motor Vehicles and Equipment	568.5
3080	Miscellaneous plastic products	396.8
3670	Electronic components and accessories	327.4
3840	Medical instruments and supplies	92.8
3560	General industrial machinery	85.2
3530	Construction and related machinery	69.5
2650	Paperboard containers and boxes	58.9
3580	Refrigeration and service machinery	48.7
2840	Soaps, cleaners and toilet goods	14.9

Source: Hampton Roads Planning District Commission

While the second two features (negative growth and salary below the regional average) seem somewhat negative, the model would yield just a few targets if the bar were higher.

Exhibit 4-7 shows prospective targets at the three-digit level. It is helpful to look at the more detailed, four-digit sectors within these codes. Exhibit 4-8 identifies all the 4-digit sectors and provides figures on changes in jobs at the state and regional levels from 1991-1998. The data is somewhat daunting since it shows relatively little growth, particularly at the regional level, in most of the industry sectors. Moreover, the prospects for the future are limited since analysts project that most of the industries will decline over the next decade.

It is noteworthy that employment in SIC 3670 actually declined from 1992-1998 in Virginia Beach (Appendix A, Exhibit A-1 in the first technical memo) by 306 jobs. While the sector may be no less visible as a target, it would be interesting to know why the significant job loss has occurred.

Exhibit 4-8

**All Four-Digit Industries within Top Targets:
Job Performance, 1991-1998**

		<i>Job Performance, 1991-1998</i>			
<i>SIC</i>	<i>Description</i>	<i>Virginia</i>		<i>Hampton Roads</i>	
		<i>No.</i>	<i>Percent</i>	<i>No.</i>	<i>Percent</i>
3089	Plastic products	3,132	81%	(60)	21%
3672	Printed circuit boards	2,291	216%	53	530%
3714	Motor vehicle parts	2,241	46%	165	15%
3711	Motor vehicle and car bodies	1,766	60%	697	42%
3081	Unsupported plastics film and sheet	1,053	51%	212	530%
3083	Laminated plastics plate and sheet	680	496%	-	n/a
3675	Electronic capacitors	637	126%	184	79%
3087	Custom compound purchased resins	457	538%	11	157%
3715	Truck trailers	430	173%	-	n/a
3842	Surgical appliances and supplies	373	50%	27	245%
3674	Semiconductors and related devices	340	7%	363	333%
3565	Packaging machinery	288	217%	20	n/a
3841	Surgical and medical instruments	287	63%	82	42%
3564	Blowers and fans	247	59%	17	40%
3678	Electronic connectors	244	317%	-	n/a
3566	Speed changers, drives and gears	206	66%	175	137%
3085	Plastic bottles	182	37%	-	0%
3562	Ball and roller bearings	165	25%	-	n/a
3561	Pumps and pumping equipment	149	121%	146	119%
3563	Air and gas compressors	118	70%	43	26%
3677	Electronic coils and transformers	115	n/a	-	n/a
3084	Plastic pipe	42	79%	-	n/a
3671	Electron tubes	3	n/a	-	n/a
3843	Dental equipment and supplies	(3)	-75%	-	n/a
3568	Power transmission equipment	(7)	-29%	-	n/a
3088	Plastics plumbing fixtures	(42)	-8%	(41)	-45%
3845	Electromedical equipment	(45)	-79%	3	n/a
3844	X-ray apparatus and tubes	(48)	-64%	-	0%
3569	General industrial machinery, n.e.c.	(123)	-32%	59	n/a
3679	Electronic components, n.e.c.	(180)	-20%	(205)	-63%
3567	Industrial furnaces and ovens	(351)	-91%	-	n/a
3713	Truck and bus bodies	(374)	-38%	62	188%
3086	Plastics foam products	(462)	-26%	(430)	-85%
3082	Unsupported plastics shapes	(972)	-75%	-	n/a

Source: Hampton Roads Planning District Commission

Targeting manufacturing industries can be helpful, especially with a model that uses proprietary data, which is otherwise inaccessible. However, the value of targeting manufacturing industries is limited by the fact that these industries have been declining and by all reasonable projections are likely to continue to do so over the next decade and longer. The model also makes clear how difficult it is to target salaries in manufacturing

industries at levels above or even close to the current median salary in the Hampton Roads region.

4.4 Regional Targeting: the Hampton Roads Economic Development Alliance Targeting Program

The Hampton Roads Economic Development Alliance (HREDA) recently completed an extensive targeting analysis and is now using the results and recommendations in its marketing efforts. Some data from that work have been included in Section 3 of this report.

The Alliance identified the following targets:

- Communications equipment manufacturing.
- Engineering, research and management services.
- Production, machinery and equipment.
- Wholesale, packaging and distribution.
- Chemical processing.
- Depot and repair centers.
- Product assembly and testing centers.
- Software development and computer programming.
- Technical office support centers.
- Maritime-related office operations.

DED previously targeted two of these clusters, communication equipment and maritime-related offices. Most of the other targets seem rather broad but appropriate. In some cases, they are more suitable for other jurisdictions.

4.5 Targeting Fortune 500 Companies

The HREDA analysis confirms the view that the region could support additional Fortune 500 companies. It now has two, Norfolk Southern (No. 304) and Smithfield Foods (379), and there is potential for more. While major corporate relocations are unusual, they do occur.

Clearly, the region offers advantages, particularly in corporate consolidation where there is a need for a new location:

- Moderate tax burden.
- Excellent regional location and port access.
- Strong professional, managerial work force.

Virginia Beach led the region in general and specific terms with respect to potential attraction of a Fortune 500 or 1000 company. Since the EDA calls it “Southside’s overall employment center” it would seem to occupy a top competitive position for a major corporate relocation.

4.6 Conclusions

DED is generally on the right track with respect to its targeted sectors, and there is a need for a more concerted effort. The fact that there is a greater rate of success with a smaller number of prospects suggests that the targeting effort is working, to some extent, and now needs refinement and expansion.

There has been apparent success in marketing to telecommunications, business services and marine services, and lesser success with engineering/management and training programs. These latter categories may need more attention or may be unproductive for reasons that need further evaluation.

The HRPDC targeting analysis, while limited to manufacturing, makes an important contribution by suggesting certain industries with strong connections to sectors already targeted. The electronics manufacturing codes (within SIC 3670) are related to the telecommunications industry. This is a link that DED should explore in its marketing program. It is not likely that Virginia Beach will attract chip manufacturers, who can find cheaper land and better deals elsewhere, but it may be able to attract manufacturers of telecommunications parts and components. The other manufacturing sectors, however, do not seem to have any special relationship to Virginia Beach as a place to locate.

The HREDA targets include telecommunications, perhaps in deference to DED’s preexisting efforts in this industry. Otherwise the target choices seem rather broad, except for marine service industries, which is an obvious choice because of the port. The key strategy for the City should be to exploit as fully as possible the marketing that the Alliance does in the sectors that the City had previously targeted.

In its own marketing the City is wise to expand its international marketing to find greater success in Europe and particularly Scandinavia. This can be done without neglecting marketing in the Far East which seems to be on the rebound after several years of economic adversity. DED should also continue to invest in strengthening the prospect database so that it can better answer questions about the effectiveness of its own programs and ways to improve them.

The potential to attract a large corporation seems better than ever although there is a need for better corporate real estate environments that provide for major campus-style development and headquarters office locations.

5. Marketing: Communicating an Image for Economic Development

5.1 Introduction: Communicating the City's Economic Development Image

The City of Virginia Beach communicates an image that reflects the culture and economy of a beach resort. DED projects this same image into the high-tech economic development world in which it seeks to affect the City's economic prospects.

Research suggests that a small but growing segment of the US economy offers the best prospects for business locations and expansions in Virginia Beach. The central marketing fact is that the cost and availability of skilled workers is the critical location issue for the high-tech sectors that include the types of companies that Virginia Beach would like to attract. There are other important considerations, like proximity to markets, cost and availability of land, and so on, but the labor factor is the central concern of companies that are considering a new location. The same research suggests that DED's best prospects come from a relatively small geographic area. Most US prospects come from places in the MidAtlantic, particularly New Jersey, New York, Pennsylvania and Virginia, and most companies that decide against Virginia Beach go to other locations in Virginia.

This section describes current marketing activities and adjustments intended to refocus the City's image in light of changing economic times.

5.2 Current Activities

In the economic development framework the City of Virginia Beach moves on two different but related tracks. It markets itself as part of the Hampton Roads region by supporting the work of the Hampton Roads Economic Development Alliance (the HREDA), contributing \$1 per resident to support the Alliance's efforts. In its second track DED manages its own marketing effort that encompasses diverse activities designed to promote the City's economic development agenda. This second track includes a formal marketing program of advertising, public relations and specialized consulting activities all geared to the City's specific interests. This analysis focuses on marketing along that second track.

Each year the City's advertising agency prepares a Marketing/Communications Strategy Plan that sets forth proposed activities for the coming year and associated costs. DED incorporates this Plan into its annual operating budget and integrates the marketing and communications programs into its other programs and activities. The concept provides for the integration of these programs into the overall DED effort.

The City's annual strategy for the fiscal year 1999-2000 program is a "public relations-driven campaign." It features "an awareness campaign" directed to target audiences that include business leaders, corporate real estate managers and site selection consultants,

intended to put Virginia Beach on what it calls “the A-List” of possible locations that a prospect might consider.

It also proposes (as “Step Two”) “creating a call to action that will elicit a response requesting further information or a meeting with VBDED officials.” The strategy sees the Internet as the focal point for delivery of the City’s message.

The strategy describes specific program areas:

- Media/advertising: creation and use of “highly targeted spot advertisements” and “full-page and half-page creative units targeted to vertical units.”
- Internet/E-business: creation, maintenance and promotion of a DED web site.
- On-going media relations: day-to-day media relations including relationships with targeted editorial and advertising staff and creation of a steady stream of DED news.
- Vertical marketing plan/high-tech/IT&T and business services: networking with targeted trade associations, attendance at trade shows and targeted print and broadcast advertising.
- Liaison with regional, state and international economic development marketing programs: leveraged marketing through trade missions, special events and prospective trips.
- International marketing: development of appropriate support materials and advertising in coordination with DED’s international marketing consultant.
- Business retention/community awareness: development of materials for local media and expanded local publicity.

The program proposes a total budget of \$475,000 for these activities, as summarized in Exhibit 5-1, below.

Exhibit 5-1

**"Proposed Marketing and Communications Budget,"
Department of Economic Development,
City of Virginia Beach, FY 1999-2000**

Category	Proposed Budget	Primary Activity
Media Advertising	\$ 100,000	Printed advertisements in target industry publications.
Public Relations	\$ 170,000	On-going media relations in target industries and locations.
Printed Materials	\$ 30,000	Printed materials, direct mailings, promotional items.
International Marketing	\$ 100,000	Prospecting to companies in targeted countries.
Web Site Development	\$ 75,000	Expansion of DED's web site.
Total	\$ 475,000	

Source: Barker Campbell Farley & Mansfield

5.3 New Thinking About Marketing

The current marketing program is well developed and has had a significant impact. It maximizes a relatively small DED investment. It is reasonable to consider the continued evolution of this same program over the next several years with incremental changes as have occurred over the past decade.

However, DED should consider new thinking and a complete redefinition of the program, reevaluating the basic issues---purpose and strategy---and creating anew all the language, images, materials and media relationships.

5.3.1 Translating New Ideas into a Marketing Program

The fundamental changes that should structure the new thinking are the following:

- Shift from a public relations orientation to a more focused communications approach.
- Change the images from quality of life to economic development.
- Address the specific needs of target industries in relation to community features and resources.
- Enlist local businesses in the marketing program to a greater extent than at present.
- Create a multi-year commitment to the marketing program that defies the great pressure for short-term results.

5.3.2 Marketing to Targeted Industry Sectors: Six Essential Messages

The new approach would feature different “message points” and a narrower focus than the current program. It would communicate the following specific thoughts:

1. Promulgate selected statistics about the Hampton Roads “area”:

“With some 650 high-tech companies employing over 80,000 people, Hampton Roads is second in the State in both technology jobs and the number of high-tech companies.”
(Hampton Roads Partnership Brochure)

Hampton Roads is the 27th largest Metropolitan Statistical Area (MSA) in the United States out of a total of 316 MSA’s.

2. Feature the City’s top-notch educational systems and resources and state that the private sector drives key decisions on technical training:

Tidewater Community College takes a client-driven approach to workforce training. “We make training convenient for you and your employees, causing minimum disruption in the workplace. We can design credit or non-credit programs or courses of any length. If one of our four locations is not suitable, we bring the program to your facility.” Other universities in the area, Old Dominion and Norfolk State, also offer business programs.

The City’s school system (“the best in the region”) offers the following points for marketing Virginia Beach in the high-technology company environment:

- We are ahead of the curve in offering industry-certified programs.
- We are not afraid to go anywhere to identify new program needs and components. In the past year City school representatives have visited corporate offices in Detroit, Seattle, Tempe and Silicon Valley in order to discuss training programs and requirements.
- Virginia Beach is the first secondary school system in the world to offer Novell network administration training, and its graduates have ranked highly in the course exam.
- Microsoft staff in Seattle is working closely with the City on the development of the new “electronic commerce” program that the ATC will offer.

(Of course, the City will have to go all out to ensure that it can fulfill the expectations that it creates with these statements.)

3. Describe the high tech community in the City, including leading high technology businesses, institutions and resources, and provide quotes from business leaders:

“Tidewater Community College’s innovative approach to workforce training and development enables our customers to anticipate---and thus to shape---the future.” There should be a discussion of the Higher Education Center, particularly its engineering and management program, and its focus on research and development.

The material should identify the leading technology resources in the region that have strong connections with economic development activities and businesses in the City:

- Virginia’s Center for Innovative Technology
- Hampton Roads Private Investment Network
- Hampton Roads Technology Council
- Center for Entrepreneurship at Norfolk State University
- Technology Applications Center (TAC) at Old Dominion University

(Source: Hampton Roads Technology Council, 1999 Technology Scorecard.)

4. Show that the City has a “cool” lifestyle.

There are certain components of the Beach lifestyle that DED should promote: the year-round, wave-riding outdoor environment that challenges the young. It may be possible to combine images in a way that integrates the cool lifestyle thinking about the City with some local feature---perhaps the image of a surfer riding electronic waves on a Daliesque motherboard.

5. Identify the leading position that the City of Virginia Beach plays in the region in key technology indicators:

The City leads all the jurisdictions in the region in the proportion of high tech jobs, excluding jobs at the Shipyard in Newport News. Virginia Beach is home to 18.1 percent of the regional high-tech jobs.

(Source: Hampton Roads Technology Council Brochure, “Hampton Roads High Tech by The Numbers.”)

6. Make the Advanced Technology Center (ATC) the icon of economic development marketing over the next several years, the centerpiece for high-tech discussions as well as a showplace for business-oriented innovations.

DED will have 4000 square feet in the ATC for specialized training. The Department will be able to identify special training needs and promote special courses in this location.

Several of the new courses at the ATC related directly to the targeted industries:

- In telecommunications, the staff is evaluating the subject matter that would be covered, and it could include fiber optics, cable communications and computer

telephony. They are researching this now and setting up a meeting with Cox Communications.

- The information technology coursework sounds like standard network administration. Courses will cover Novell, Cisco Systems and Microsoft programs.
- In business services the ATC staff is working with Microsoft Corporation on what it calls a “breakthrough course” in electronic commerce.
- The program related to engineering and management will offer a component of the Ford Academy of Management program that includes total quality management. It will include case studies of business management issues. Old Dominion University will partner with the ATC on this program.

The material must be realistic and accurate, and the City should avoid an over-promotion of its resources. However, there is much that can be said.

In addition to these ideas that create a context for virtually all types of technology companies, there are specific points that DED should cover in communications with each of the specific sectors. Exhibit 5-2 summarizes the key ideas that targeted materials should address.

**Critical Points for Marketing to Targeted Technology Companies:
City of Virginia Beach**

Targeted Technology Sector

<i>Critical Marketing Points</i>	<i>Telecommunications</i>	<i>Eng./Management</i>	<i>Business Services</i>	<i>Marine Services</i>	<i>Training</i>
Higher education facilities.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Skilled labor pool	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Competitive costs and work force	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		
Favorable legislative environment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Defense industries and military complexes	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Port facilities.			<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
International trade.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Training skills.				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Source: Thomas Point Associates, Inc.

Marketing is a form of self-evaluation rather than a competitive process.

5.3.3 Marketing Materials, Media and Memberships

The following recommendations focus on cost effective strategies for the development of marketing materials and strategies to reach targeted industry markets. Much of the content for new materials can be found in materials that the City uses now.

Marketing Materials

Marketing materials should be developed to communicate the general strengths of Virginia Beach and to communicate the City’s strengths in relation to the target markets.

New and revised materials should include:

- A new six page 8 ½ x 11” size brochure that features the ATC as a key component of DED’s new agenda. The back cover should include a pocket for a series of customized inserts, a place for a business card, a CD-Rom and pertinent contact information, including the City’s website address. The contents of the brochure should include the City’s general strengths related to: labor force, location, natural

resources, existing regional industries, infrastructure, education, and quality of life. The focus should be on providing quantitative descriptions of these topics.

- A series of information briefs for each of the targeted industries. They should identify the City's strengths and relative advantages from the viewpoint of each industry (identified in Exhibit 5-2).

The "marketing points" identified in the Exhibit are simply the core elements of more sophisticated evaluations that need to be prepared and communicated.

Direct Mail

Direct mail to a distinct target markets should be considered:

Business prospects that are targets for a Virginia Beach location, particularly companies in the New York, northern New Jersey, Philadelphia and Washington, D.C. regions in the categories of interest.

- There are various services that can provide lists of targets in sectors and locations of interest. The response rate for direct mail is minimal: perhaps 2-3%; however, a selected approach and consistent follow up may yield positive results. Careful research should be done to target prospects on the list that have growth possibilities in the future. Limited mailings should be done at any one time because the capacity to follow up on those mailings must be taken into consideration.

Association Memberships

There are two types of association memberships that can generate leads.

- Trade association members in the target business sectors are an excellent source. The City should consider joining several associations to gain access to mailing lists and trade journals. This would provide insight on industry issues and position the City to convey its message about locational advantages.
- Several marketing activities beyond trade show attendance should be taken with these organizations, including: use of membership lists to generate leads; insertion of editorial material into trade journals.

Exhibit 5-3 on the following page identifies trade associations in targeted sectors. There is still a need for much more and deeper research on the best associations that are most appropriate for the City's investment.

- There are other associations that deserve the City's participation and offer great opportunities for networking with corporate real estate and site selection

professionals. The following organizations as well as others should be considered:

International Development Research Council
35 Technology Parkway, Suite 150
Norcross, Georgia 30092-2901
www.idrc.org

National Association for Corporate Real Estate
440 Columbia Drive, Suite 100
West Palm Beach, Florida 33409
(561) 683-8111
www.nacore.org

Local and regional business groups in the City can yield regional prospects. The High Technology Council could be an excellent source of information on companies that might relocate to Virginia Beach. In addition, the City should explore personal relationships with the business community to generate prospects and attend as many of their trade functions as possible.

Exhibit 5-3

Key Associations in Targeted Business Sectors

Telecommunications

<i>Name</i>	Telecommunications Industry Association	Industrial Telecommunications Association
<i>Address</i>	2500 Wilson Blvd., Suite 300 Arlington, Virginia 22201	1110 N. Glebe Road Arlington, Virginia 22201
<i>Phone</i>	703-907-7700	Arlington, Virginia 22201
<i>Fax</i>	Fax 703-907-7728	Fax 703524-1074
<i>Members</i>	650	8,500
<i>Annual Budget</i>	\$4.8 million	\$3 million
<i>Publication</i>	Industry Pulse	Co-Channel Report
<i>Convention</i>	SUPERCOMM Annual Trade Show	Annual conference
<i>Website</i>	www.tiaonline.org	

Training

<i>Name</i>	Amer. Soc. For Training and Development	Cellular Telecommunications Ind. Assn.
<i>Address</i>	Box 1443, 1640 King Street, Alexandria, Virginia 22313	1250 Connecticut Ave., N.W. Ste. 200 Washington, D.C. 20036
<i>Phone</i>	703-683-8100	202-785-0081
<i>Fax</i>	703-683-8103	202-785-0721
<i>Members</i>	55,000	450
<i>Annual Budget</i>	\$15 million	\$9 million
<i>Publication</i>	ASTD Buyer's Guide and Directory	Cellular Industry Report
<i>Convention</i>	Annual conference	Annual Conferene
<i>Website</i>		

Engineering/Management

<i>Name</i>	American Society of Civil Engineers	American Society of Mechanical Engineers
<i>Address</i>	1801 Alexander Bell Drive Reston, Virginia 20191	3 Park Avenue, Lbby. 2 New York, New York 10016
<i>Phone</i>	703-295-6000	212-705-7722
<i>Fax</i>	703-295-6222	212-705-7674
<i>Members</i>	120000	121,400
<i>Annual Budget</i>	\$36 million	
<i>Publication</i>	ASCE News	Applied Mechanics Reviews
<i>Convention</i>	Annual convention, Oct./Nov.	Annual Congress and Exposition, Nov.
<i>Website</i>	http://www.asce.org	http://www.asme.org

Software Development

<i>Name</i>	Information Technology Assn. Of America	Object Management Group
<i>Address</i>	1616 N. Fort Myer Dr., Ste. 1300 Arlington, Virginia 22209	492 Old Connecticut Path Framingham, Massachusetts 01701
<i>Phone</i>	703-522-5055	508-820-4300
<i>Fax</i>	703-525-2279	508-820-4303
<i>Members</i>	306	250
<i>Annual Budget</i>	\$4.5 million	
<i>Publication</i>	Software Industry Executive Newsletter	Common Object Request Broker
<i>Convention</i>	Semiannual	Annual Object World Conference
<i>Website</i>		

Maritime

<i>Name</i>	World Ocean and Cruise Liner Society
<i>Address</i>	P.O.Box 92 Stamford, Connecticut 06904
<i>Phone</i>	203-392-2787
<i>Fax</i>	203-329-2787
<i>Members</i>	8000
<i>Annual Budget</i>	
<i>Publication</i>	Ocean and Cruise News
<i>Convention</i>	None
<i>Website</i>	ocruisew@aol.com

Source: Thomas Point Associates, Inc.; Encyclopedia of Associations, 34th Edition.

Trade Shows

Participation in trade shows is expensive, particularly if one takes booth space. However, trade shows generate many good contacts and leads. DED should:

- Attend trade shows with the State or utility companies and help work booths. In this way, the City only has to pay for travel expenses.
- Select key shows within the targets. One show per year may generate good activity. If the State or utility is not participating, it is still worth attending and walking the floor to generate leads.

Print Media

Without a very large media advertising budget, it is not recommended that the City launch a general print media campaign. This is one of the primary roles of the Hampton Roads Economic Development Alliance. However, DED should explore advertising with the various trade organizations and their respective journals and newsletters. In addition, it should target several trade journals identified in Exhibit 5-3 for print advertising.

Web Site and Internet Marketing

The City is now upgrading its website. It is suggested that the site needs to be strengthened in the following manner:

- Establish reciprocal links to the Commonwealth of Virginia site so that prospects can have information on state and local programs and opportunities regardless of where they enter the system.
- Link to American Community Network's web site. Site selection consultants, real estate professionals and business owners use ACN's web site to compare various communities when researching business expansion opportunities. ACN has a community profile page on Virginia Beach, and it is possible to link the City's web site at that point.
- Link with professional organizations and associations as frequently as possible, including organizations like the Council on Urban Economic Development, Urban Land Institute, and the professional associations in targeted business sectors, described below.
- Add a section focusing on business strengths: discuss industrial targets and advantages for each industry in the City.
- Strengthen the section on training and education and establish links with local and regional organizations and institutions, notably Old Dominion University, Tidewater Community College and Norfolk State University.

- Add a section on current City achievements, such as new company production records; awards or grants given to the school system; new businesses and business expansions; and new commercial development underway. This section should change every few months and provide a snapshot of progressive changes in the community.
- Establish an e-mail program to communicate with potential prospects and media in target areas. This will require identifying the e-mail addresses of prospects, media contacts, and key state and regional contacts. At regular intervals, the City can send information to groups (e.g., prospect companies in the telecommunications industry) or to all contacts.

5.3.4 Relationship Management and Deep Data Mining

In order to continue an effective and sustained program of contacting prospects, the City will need to invest in tools to help the organization manage the process:

- Improvement of its contact management software.
- Contact Lists: Every couple of years, lists of prospects within the targeted industrial classifications should be purchased or accessed. Sources for such lists include Harris Directory, Thomas Register, or Scott's Directory.

Most private sector and many public sector sales-oriented organizations have already embraced some type of contact management software. DED uses MicroSoft products including Access and Outlook that are integrated with its word processing efforts and can accomplish what needs to be done. However, the Department needs outside expertise to simplify the interfaces and communicate usage within the staff. The standard software packages offer many features that support a relations-based marketing program that uses targeting and tracking principles to enhance results. The key advantages of data base management and contact tracking systems are the following:

- Facilitates team-based marketing approaches;
- Enables real-time tracking and reporting at all levels of the organization;
- Increases client-oriented responsiveness;
- Enhances productivity for the entire staff.

While the investment in this change is significant in terms of learning to use the software, the benefits are well worthwhile.

Site selection consultants generated many business expansion leads. It is important to make these consultants aware of opportunities in the City in the following ways:

- Create an e-mail group initiative for them and regularly sending them information.
- Add them to the mailing list for newsletters, press announcements, etc.

- Invite selected consultants who work in targeted industry sectors for a familiarization tour of the county and briefing them on opportunities.
- Attend one of the annual conferences sponsored by professionals in the field, such as the IRDC Annual Meeting.

5.3.5 Other Marketing Considerations

Other than traditional marketing programs, as identified above, the City should consider establishing business assistance initiatives that can be touted for their importance in helping companies improve their bottom line. Several initiatives are recommended:

Work with the City’s Convention and Visitors Bureau to attract conventions and meetings in the targeted sectors.

Virginia Beach is well known as a conference site and recreational destination.

Attracting a major meeting in a targeted business sector is a logical way to showcase the City as a business site for companies in that sector. This will take some research and communication between the two City departments, which already enjoy a very strong working relationship; several years ago DED and CVD had a very successful “Ambassador Program” that could offer a model for this effort. For its part DED staff could identify all the major meetings of associations in targeted sectors that could use the facilities that the City has to offer, and create a joint DED/CVD marketing package tailored to the needs of those groups.

Encourage development of networks among small companies

In order to increase the capacity of small companies to bid on large orders, and expand their hiring opportunities, the City should encourage small companies in similar industries to partner with each other to bid on jobs that are normally outside the scope of their abilities. Networks are particularly effective when they also develop marketing and business development programs to support the companies within the network. This might be particularly important for companies in the telecommunications industries.

DED’s role might be to:

- Convene groups of companies in the City that are in the same industry.
- Facilitate the discussion of how such networks can be formed.
- Assist in identification of resources to provide administrative and marketing support to the network.
- Identify industry leader(s) to help champion this effort.

The Hampton Roads Technology Consortium could be instrumental in this task.

Establish business-driven training alliances.

Labor skills and training opportunities should be at the center of the marketing program. DED should develop a consortium of companies to identify common skills sets required for their labor force. The companies within the consortium or alliance, rather than community colleges, develop the training curriculum to teach these skill sets, pay a fee

for the course development, and take the lead in delivering the curriculum. As companies are hiring they will have access to a pool of labor already trained on the defined skills.

The community colleges' role changes from one of delivering training, to coordinating the program components including: assessment of current work force skills, enrollment and tracking of participants, participation in back up training if needed, and logistical arrangements. The advantage to business is that it creates a training system immediately responsive to their needs, lowers their per capita cost of training and time spent on the job providing training. The advantage for community colleges is that it creates important partnerships with the business community that effectively serves the training needs without the expense of staff, space and curriculum development.

DED's role in developing this training alliance is to:

- Convene companies and the community college(s) to discuss this opportunity.
- Facilitate the discussion about how the alliance is structured.
- Assist in identifying resources to support this effort.
- Identify industry leader(s) to help champion this approach.

Such an alliance would send the message to new and existing companies that Virginia Beach has a special approach to ensuring that businesses have access to a trained workforce.

The Hampton Roads Technology Consortium would be a good mechanism for pulling a training alliance together.

5.4 Marketing Budget

The recommended marketing budget in Exhibit 5-4 is an investment that can potentially yield even greater successes for the City's economic development program. The Exhibit covers a three-year period, reflecting the view that the year-to-year budgeting process as applied to this activity is counterproductive. It takes time to develop coherent ideas and achieve results from them.

Exhibit 5-4

**Proposed Three-Year Marketing Budget:
City of Virginia Beach, Department of Economic Development**

Expenditure	Budgeted Amount by Year			Notes
	Year 1	Year 2	Year 3	
Professional/technical writing	\$ 25,000	\$ 15,000	\$ 10,000	Concept development, artwork.
New written materials	\$ 20,000	\$ 20,000	\$ 20,000	Stationary, envelopes, etc.
New DED brochure	\$ 20,000	\$ 1,000		Avg. Cost, \$10/copy.
Data Sheets	\$ 10,000	\$ 5,000	\$ 5,000	Brochure inserts.
Contact Mgmt. Software	\$ 1,000			Purchase and upgrades.
Contact Database	\$ 5,000	\$ 5,000	\$ 5,000	Management and list purchases.
Newsletter, quarterly	\$ 20,000	\$ 20,000	\$ 20,000	Internal/external newsletter.
Web site update	\$ 20,000	\$ 10,000	\$ 10,000	Update and maintenance.
Listserve	\$ 1,000	\$ 500	\$ 500	Consultant fees.
ACN Link	\$ 400	\$ 400	\$ 400	Fee.
Direct Mail	\$ 12,000	\$ 12,000	\$ 12,000	Approximately 300/year.
Trade shows	\$ 25,000	\$ 30,000	\$ 30,000	6-9 shows yearly.
Travel	\$ 15,000	\$ 20,000	\$ 20,000	Baltimore Orioles vs. NY
Association Dues	\$ 12,000	\$ 12,000	\$ 12,000	12-15 industry associations.
Public Relations	\$ 50,000	\$ 50,000	\$ 50,000	Care and feeding of media bears
Media Advertising	\$ 100,000	\$ 150,000	\$ 200,000	Targeted periodical advertising.
International Marketing Program	\$ 100,000	\$ 100,000	\$ 100,000	Consultant on int'l marketing.
Industry Consultants	\$ 10,000	\$ 15,000	\$ 15,000	Specialized industry sector expertise.
Total	\$ 446,400	\$ 465,900	\$ 509,900	

Source: Terrell Ellis Assocs.; Thomas Point Assocs., Inc.

DED should create a Marketing Committee that could play an important role in implementing this program. Since the budget allocations on these matters are modest, DED and the Marketing Committee will have to research the approaches that give the best value within the limited funds.

The recommended budget is just a starting point for a professional marketing effort. It is modest since it reflects focused efforts that are relatively inexpensive by comparison to media advertising and other types of public relations programs that DED could consider. Larger professional marketing efforts can require large budgets and may involve additional staffing and the use of advertising firms to design and implement campaigns.

5.5 Phasing and Implementation

It will be impossible for a small organization like DED to completely revise its marketing program in a single step over a few weeks or months. It will actually take a year or more just to phase in the first-year budget.

In allocating relatively scarce staff resources it will be important to have priorities and implement specific activities in a sequence. DED should consider the creation of a Marketing Committee that would bring key people in the business community together with one or two DED staff who will lead the process. This Committee will be an important resource in formulating the implementation process. .

It will take several months to move the marketing material through final design and printing. Other actions can proceed within the limits of the time that the staff can allocate. The improvement of its contact management software and its integration into DED's operation will be an important prerequisite, and one that will take some time for the staff to accomplish. Actual distribution of marketing materials can follow over several months, in phases. Obviously this will depend on other work commitments and priorities over this period.

There may be revisions to some of the marketing material in the course of the year as respondents provide feedback, asking questions and seeking more information. There will also be a need to refine the use of the contact management software, learning new uses, adding new contacts and continually adapting it to DED's specific requirements.

This marketing program represents a relatively modest but important step. It will take a significant commitment of existing resources as well as the proposed budget itself. The City should view this as a step in a multi-year commitment. There may be some near-term results but the real returns on this will be a year and longer in coming.

5.6 Conclusions

Thus far marketing Virginia Beach has centered on quality of life and other "lifestyle" messages. While this emphasis will continue to be important, DED should consider shifting the focus to themes associated with high technology economic culture in which the quality of life is an important but secondary benefit.

There are many specific adjustments that should be made beginning with a complete reformulation of all the language that DED uses to communicate its purpose. The words and the packaging are stale and need a complete rethinking.

The marketing message should reflect the six essential messages that communicate technical features related to the City's identity. The most important is the fact that businesses drive training in the City, as plans for the new ATC evidence. The six messages translate in different ways into specific ideas that relate to the target industries.

However, while de-linking tourism and economic development marketing, it will still be important to give tourists a business message. The close relationship between the CVD and DED is a credit to both departments. The CVD should communicate DED's targeting concepts in friendly but mildly technical format. Conversely DED should not fail to note that the City is one of the top tourism and recreational destinations in the United States.

As a practical matter DED needs to enhance the software it uses to create and track all its contacts in coordinated fashion. The Department should start to manage its business relationships in concert with its marketing, prospecting and research functions.

There are some dangers and potential contradictions inherent in the process of communicating an image of Virginia Beach. The City is a part of the region and many of its assets are regional ones. However, it can only help the City to promote the region, and there are certain critical distinctions that the City enjoys in the regional context. Moreover, the relatively lower pay in the region is a positive factor for companies and a negative one for workers. This needs to be discussed with care as the cost and availability of skilled workers is the critical location consideration.

The realignment in this new process should reflect that fact that DED sees high tech marketing as a process of self-discovery and the communication of true self-knowledge. Its other source of knowledge is the understanding of the object, what we have called the target industry. Without this dual focus the entire effort is unbalanced. In this framework marketing is more than packaging but centers around authentic dialogue.

6. Land Development: Finding Space for Employment Growth

6.1 Introduction: City Land Development

The City is an important player in the commercial land market, influencing supply directly through land acquisition and development policies and indirectly by means of zoning and planning programs. The activities that DED undertakes in this area have important implications for commercial locations, jobs and overall quality of life. This section describes land development issues and needs.

6.2 Commercial and Industrial Land Development: Regional Overview

The development industry is regional in scope. Developers who work in the City of Virginia Beach also work in other jurisdictions in the region. More important, businesses in the area and those coming into it care little about the jurisdictions, since all are professionally managed and generally similar in level of taxation. Therefore it is important to understand land development in the City within the regional context.

Virginia Beach is an important but relatively minor subsector of the regional supply of commercial land in the south Hampton Roads region, according to the recent inventory of sites available for commercial development prepared by the Hampton Roads Economic Development Alliance (“HREDA”). The City accounts for just 6.8 percent of the total amount of land identified in that analysis, according to Exhibit 6-1.

Exhibit 6-1

Sites* Available for Commercial Development by Jurisdiction, Southern Hampton Roads, January 2000

City	Sites			Percent of Total Acreage
	No.	Acres	Avg. Size	
Chesapeake	32	2,152	67	20.4%
Isle of Wight	14	3,561	254	33.8%
Norfolk	9	108	12	1.0%
Portsmouth	10	991	99	9.4%
Suffolk	19	2,999	158	28.5%
Virginia Beach	19	716	38	6.8%
Total	112	10,527	94	100.0%

*Sites are properties available. Most but not all have appropriate zoning and infrastructure.

Source: Hampton Roads Economic Development Alliance

Land Dev.

Chesapeake, Isle of Wight and Suffolk together account for over 80 percent of the commercial space identified in the Exhibit. However, many of the sites identified in the Exhibit, particularly the larger sites in rural parts of the region, lack utilities needed for commercial development.

Exhibit 6-2 identifies the nineteen commercial properties in Virginia Beach that are reflected in the regional inventory. The inventory includes private and public properties in business and industrial zoning categories.

Exhibit 6-2

**Sites Available for Commercial Development
City of Virginia Beach, January 2000**

Property	Zoning	Acres		I.D. No. *
		Total	Available	
Gimbert Tract Site	B-2	7	7	550
Davis Street Sites	B-2	2	2	815
Rosemont Interstate Park Sites	B-2	32	8	578
South Lynnhaven Road Site 2	B-2	4	4	788
South Independence Blvd. Site	B-2	8	8	596
Corporate Landing Business Park	I-1	330	97	528
Commerce Park Corporate Ctr.	I-1	7	7	520
Air Rail Avenue Site	I-1	11	11	872
Aragona Property Site	I-1	2	2	989
Butternut Center Site	I-1	1	1	718
South Lynnhaven Road Site 1	I-1	1	1	787
Williams Industrial Property	I-1	48	48	725
Oceana West Industrial Park	I-1	1,100	186	555
Oceana West Corporate Park Site	I-1	1,100	57	567
Taylor Farms Industrial Park	I-1	250	190	990
Little Creek Harbor Complex	I-1	37	37	413
Expressway Drive Site	O-1	2	2	951
Corporate Woods Site	O-1	30	9	524
Burton Station Site		<u>50</u>	<u>50</u>	821
Total		3,022	727	

*From regional site inventory. Most sites have appropriate infrastructure.

Source: Hampton Roads Economic Development Alliance

Land Dev.

The exhibit on current distribution of industrial space (Exhibit 6-3) is a further indicator of the City's position in the regional market. The City accounts for 11.7 percent of the total industrial space in the region (6.8 million square feet out of a total of 58.2 million square feet).

Exhibit 6-3

**Hampton Roads Industrial Building Survey, 1998-1999:
Southside Submarket**

<i>Submarket</i>	<i>City</i>	<u>1998</u>		<u>1999</u>	
		<i>Total Sq. Ft.</i>	<i>Vacancy %</i>	<i>Total Sq. Ft.</i>	<i>Vacancy %</i>
Greenbriar Area	Chesapeake	6,767,118	5.3	6,957,738	7.65%
Bainbridge/S. Elizabeth River	Chesapeake	4,907,114	12.27	4,917,114	9.46%
Cavalier Industrial Park	Chesapeake	3,662,346	8.17	3,825,046	3.44%
Norfolk Commerce Park/ Central	Norfolk	5,389,085	7.61	5,382,354	9.03%
Norfolk Industrial Park Area	Norfolk	9,549,676	12.09	9,641,204	11.63%
West Side/Midtown Norfolk Area	Norfolk	5,636,360	10.18	5,788,785	3.34%
Lynnhaven Area	Virginia Beach	4,489,268	4.39	4,502,318	3.40%
Greenwich/Cleveland Sts. Area	Virginia Beach	2,835,696	5.43	2,979,513	5.15%
Airport Industrial Park Area	Virginia Beach	3,829,090	11.54	3,829,092	9.12%
City of Portsmouth	Portsmouth	3,704,828	11.2	3,954,601	11.83%
City of Suffolk	Suffolk	6,348,006	7.91	6,450,706	4.79%
Total		57,118,587	8.94	58,228,471	7.49%

Source: ODU Real Estate Survey, 1999

Ind. Land Survey

According to the Alliance data, land in the City of Virginia Beach is the most expensive in the region, at Columbus Center (\$500,000 per acre). Its lowest prices (\$60,000 per acre) are well above the lower end of the regional market (\$20,000 per acre in Norfolk and Suffolk). The median price was \$90,000 per acre in 1999.

The distribution of sites by price (Exhibit 6-4) clearly shows the position that Virginia Beach occupies in the region. As anyone in the industrial and commercial real estate and development fields in the region knows well, the City is not in any way price competitive with Chesapeake and Suffolk, which were reportedly offering sites as low as \$3,500 per acre just a year ago. More than half the sites in the region priced over \$150,000 were in Virginia Beach and 11 of 15 sites in Virginia Beach were in this top bracket.

Exhibit 6-4

Number of Sites by Asking Prices, by Jurisdiction, South Hampton Roads

City	Asking Price							Total
	Less than \$10,000	\$10,000-\$25,000	\$26,000-\$50,000	\$51,000-\$75,000	\$76,000-\$100,000	\$101,000-\$150,000	More than \$150,000	
Chesapeake	1	5	15	11	3	5	2	42
Isle of Wight	3	3	2					8
Norfolk				1	1	2	4	8
Portsmouth			8	2			1	11
Suffolk	7	15	5			1		28
Virginia Beach				1	3		11	15
Total	11	23	30	15	7	8	18	112

Source: Hampton Roads Economic Development Alliance

LDev.

While commercial property in Virginia Beach is expensive in the regional context, the Hampton Roads region overall seems generally competitive with other locations. On the whole the Hampton Roads region is compatible with respect to other locations with which it competes, in terms of the price of land for industrial development, as indicated by the comparison of thirteen metropolitan areas in Exhibit 6-5.

Exhibit 6-5

Asking Price per Square Foot for Improved Industrial Sites Greater than 10 Acres in Competitive Urban Areas

Rank	MSA	Central City	Suburban	Avge. Suburban
1	Baltimore, MD	\$1.50-2.00	\$2.00-5.25	\$ 3.63
2	Orlando, FL	n/a	\$2.75	\$ 2.75
3	Atlanta, GA	\$1.00-2.00	\$1.75-3.00	\$ 2.38
4	Tampa, FL	\$2.00-2.50	\$2.00-2.50	\$ 2.25
5	Raleigh, NC	n/a	\$1.50-2.00	\$ 1.75
6	Richmond, VA	\$1.00	\$1.00-2.00	\$ 1.50
7	Charlotte, NC	n/a	\$1.49	\$ 1.49
8	Norfolk, VA	n/a	\$1.00-1.75	\$ 1.37
9	Nashville, TN	n/a	\$1.20	\$ 1.20
10	Greenville, SC	n/a	\$0.60-1.25	\$ 0.93
11	Savannah, GA	n/a	\$0.70-1.10	\$ 0.90
12	Charleston, SC	n/a	\$0.71	\$ 0.71
13	Jacksonville, FL	n/a	\$0.40-1.00	\$ 0.70

Source: Society of Industrial Realtors

In terms of suburban space the Norfolk metropolitan area ranks 8th of the 13 locations that the EDA evaluated.

6.3 City Land

The highway network in Virginia Beach essentially represents a one-dimensional east-west pattern. While this makes movement relatively simple, it limits the scope of development opportunities to the single corridor. Oceana Naval Air Station occupies a large part of the City and, through impacts associated with its operations, affects an even larger area. There is also a large part of the City that has been designated for preservation in non-commercial state. Moreover, the City lacks a true business center or central business district and commercial concentrations are dispersed across the northern part of the City. Taken together these factors severely constrain large-scale land development potentials in the City.

6.3.1 Commerce Corridor

DED describes commercial development in the City in the framework of a “Commerce Corridor” that traverses the City along Interstate 64 and Route 264. The Corridor contains approximately 27 million square feet of enclosed space including 6 million square feet of office, 12 million square feet of light industrial and 9 million square feet of commercial and retail. It offers diversity in locations and types of accommodations.

From the northwest to the southeast, the concentrations are the following:

- **The Airport Industrial/Distribution Complex** includes over 4 million square feet of light industrial and office space within the 250-acre Airport Industrial Park. There are just 25 acres that are privately owned and still available for development. This is probably the top industrial location in the City because of its proximity to the Airport, the I-64 Corridor and the Eastern Shore via the Chesapeake Bay Bridge Tunnel.
- **The Regional Urban Commerce Center** in the vicinity of the Newtown Road, Witchduck Road and Independence Boulevard interchanges of I-264. This is the core of the business area of the City, accounting for over 3 million square feet of office, 2 million square feet of industrial and 1.2 million square feet of retail space in approximately 1,500 acres. There are various business parks and major office complexes in this area. There are plans to make the Pembroke area a central business district for the City.
- **The Retail Support Center** at the Rosemont Road interchange of I-264 contains over 1.1 million square feet of retail and 250,000 square feet of office space.
- **The Mixed Use Concentration** at the Lynnhaven Parkway interchange of Route I-264 contains 1.7 million square feet of retail, 1.4 million square feet of office and 3.4 million square feet of light industrial space in 1,500 acres. There are approximately 375 privately owned and 225 City-owned acres available for development. This is the top location for retail and corporate office development in the City.
- **The Retail Center at the First Colonial Road Interchange of I-264** comprises over 1.2 million square feet of regional and specialty retail centers.
- **The Visitor/Cultural Center** at the eastern end of I-264 is the core of the City’s tourism and convention industry, containing 8,000 of the City’s 11,000 hotel/motel rooms, 30 conference hotels and the Pavilion Convention Center.
- **The Campus Employment Center** located south and east of Oceana Naval Air Station provides master-planned sites for low- and mid-rise campus office and light

industrial activities. There are approximately 1800 acres privately owned and 1,625 acres owned by the City.

According to brokers and developers, there is a demand for more parking, as much as 6-7 spaces per thousand square feet. There is also increasing demand for “flex” space, which can include as much as 90 percent office space.

6.3.2 Industrial Development Authority

DED is the “parent” of the Industrial Development Authority that engages in public land development and marketing. The Authority plays several important roles in the development process:

- Land acquisition, development and disposition.
- Administration of loans for the Economic Development Investment Fund Program (“EDIP”)
- Bond issuing authority for manufacturing, low-income housing and tax-exempt entities.

The Authority manages the City’s business and industrial park properties (Exhibit 6-6).

Exhibit 6-6

Land Development, Virginia Beach Development Authority

Park Name	Year Started	Acreage		
		Acquired	Sold	Remaining
Lynnhaven Ind. Park	1965	15	15	-
Little Creek Ind. Park		39	39	-
Airport Ind. Park	1969	250	250	-
Oceana West Corp. Park	1972	1,024	914	74
Independence Corp. Park		23	23	-
Corporate Landing	1990	325	63	204
Hunt Club		40	20	20
Centre Pointe	1993	25	25	-
Ocean Front		1	-	1
Total Acres		1,742	1,349	299

Source: Virginia Beach Development Authority, 1998-99 Annual Report

As indicated in the Exhibit, the VBDA acquired a total of 1,742 acres of which 299 acres remained for development at the time of preparation of the VBDA’s Annual Report, in mid-1999.

There is essentially very little industrial park land available from the public sector in the City of Virginia Beach at the time of this writing, in 2000:

- The Airport Industrial Park is fully built. The City has been trying to acquire additional property in this area for approximately ten years but lacks the power to complete the acquisition program. There are some 90 acres that remain in private development.
- Corporate Landing has 200 acres available in the premier location in the Campus Employment Center area. The City's selling price on this land is \$100,000 per acre.
- Oceana West Corporate Park has some 70 acres available for development from the total of 1,200. However, all the land is encumbered by restrictions associated with the NAS runways ("AICUZ restrictions"). The selling price is \$70,000 per acre, indicating a total value of \$4.9 million in land remaining for sale.

Since approximately 1965 when the Development Authority got into the land business it has developed and sold a total of 1,349 acres. This would mean an annual absorption of 39 acres. With some 299 acres still available, this would mean that there is approximately 8 years of land available from the public sector within the current inventory for business park development.

In this segment of the market private sector developers are of little help since they generally lack the ability to assemble land areas sufficiently large for corporate and industrial parks and they do not control the sewer and water systems needed for the development of these types of properties. Ultimately the City's ability to attract the kinds of high-paying jobs that it wants to attract depends on the availability of serviced land and sites for multi-story buildings in attractive locations. The numbers suggest that there is not much left in the pipeline.

6.3.3 Redevelopment

While the City is just 37 years old, there are some signs of a need for the redevelopment of older properties. Some contend that there is a need for a Redevelopment Authority that could address the types of issues and problems that require the special powers that such authorities offer:

- Redevelopment of blighted areas and properties
- Resolution of clouded titles
- Negotiation of terms of public-private development deals

In spite of its relative "youth" as a City there are several factors that make the need more pressing:

- There has been an historic tendency toward low-density development reflected in the lack of a central business district and relatively few high-rise and multi-floored structures anywhere in the City, except at the beachfront.
- There is a longstanding growth control policy that provides for the non-development of approximately half the City, all of the city area below the "green line" that runs east-west across the center of the municipal area.

- Superstores and “big box” retailers have had a big impact on commercial land development. Smaller and older shopping centers are going through a phase of obsolescence as “big box” stores create sprawling retail complexes that pull tenants from older centers.

Several years ago voters rejected the creation of a redevelopment and housing authority. However, the City Council kept the concept in the “high priority” category and committed the City to educate the public on authority powers and their limitations. The voters may have another opportunity to vote on whether to establish an authority as early as November 2000.

The declining inventory of undeveloped commercial land taken together with the greater need to redevelop some parts of the City makes the mandate for a redevelopment authority all the more pressing.

6.3.4 “Spec Space”

The HREDA study identified a need for spec space that could meet the needs of companies seeking to relocate into the area on relatively short notice.

“...the Southside must stimulate speculative construction of manufacturing, warehouse/distribution and office buildings. All of the communities in Southside share this need. The creation of flex space that can be readily adapted to industrial, warehouse or office use is a key response...If the private sector does not respond to this need the Alliance should consider establishing and capitalizing a development authority for this purpose.”

Some in the City agree with this position. The cities of Suffolk and Portsmouth have taken the lead in developing space on this basis, although it has been a financial problem in the case of Portsmouth.

Once the Development Authority pays off existing debt, it could consider supporting the development of speculative manufacturing space that it could use to lure higher-paying jobs in targeted sectors. The Authority could consider public-private partnerships with developers in which it provides the land component.

However, there seems to be a significant amount of available space, as measured last year by the HREDA consultants. Exhibit 6-7 identifies twelve available industrial buildings in Virginia Beach, with an average size of 36,000 square feet, representing 10 percent of the regional inventory of this type of space.

Exhibit 6-7

Available Commercial Space* by Jurisdiction, 1999

City	No. of Buildings and Square Footage by Jurisdiction						Total	
	Industrial		Office		Former Retail		Number	Sq. Ft.
	No.	Sq. Ft.	No.	Sq. Ft.	No.	Sq. Ft.		
Chesapeake	20	1,753,184	3	100,000	n/a	n/a	23	1,853,180
Norfolk	24	1,086,963	12	519,125	2	142,000	38	1,748,088
Portsmouth	9	444,633	7	652,708	5	355,045	21	1,452,386
Suffolk	7	505,300	n/a	n/a	n/a	n/a	7	504,900
Virginia Beach	12	433,951	12	845,542	3	295,431	27	1,574,924
Total	72	4,224,031	34	2,117,375	10	792,476	116	7,133,482

* Limited to space of 20,000 Sq. Ft or more

LDev.

One can note from this data that the City has larger shares of available office space (846,000 square feet) and retail space (295,000 square feet). It leads the region in office space and follows only Suffolk in retail space. This seems logical in light of its stronger profile in the office and retail market sectors. It also suggests greater potential as well as need for ongoing redevelopment efforts.

6.3.5 Zoning Issues

There has been no indication in two recent surveys of local businesses that zoning represents a problem from the viewpoint of commercial and industrial development, notwithstanding the many issues that arise in the review of specific projects. For the most part developers express the view that the City of Virginia Beach has a sophisticated planning and zoning process. The City reviews its comprehensive plan every five years and makes changes on a rational basis, if needed. The City treats the VBDA just as it treats private developers, thus maintaining fairness in the industrial development process and ensuring that public development meets consistent standards of compliance with public regulations.

6.4 Future Supply and Demand Issues

6.4.1 Land Demand

Demand for industrial land is the result of two forces, change in demand from business sectors (usually measured by employment changes) and the replacement of obsolete space by existing tenants. While the City has no calculation of the amount of land available now or in the future for development, there is the expectation that the build-out of the City will occur when the current population of 440,000 increases to 540,000, indicating the need for significantly more commercial land to support commercial development related to both job growth and obsolescence of existing space.

The historic rate of absorption of land that the VBDA developed has been approximately 39 acres per year. At this pace Corporate Landing and Oceana South would be essentially filled in approximately ten to fifteen years. Commercial land along the Parkway including Princess Anne Commons (approximately 150 acres) could develop

over the next five to ten years and would be essentially built-out. While developers may be able to identify a few family-owned properties that are still undeveloped and could offer good business (the Spence property (approximately 120 acres), the Taylor property (several hundred acres) and Buckner Farm, these could represent short-term solutions at best.

In summary, based on historic trends, there is just a 5- to 10-year supply of industrial/corporate park land remaining in the City.

Projections of job growth provide a check against historic supply and demand trends. Employment projections for the City are the key factor in projecting land demand. Exhibit 6-8 shows the City’s projection of future employment in retail and non-retail categories from 1990 to 2018, by City district. The largest amount of non-retail growth is projected in the Holland/Oceana area. There is also significant growth projected in Courthouse/Sandbridge and Bayside. These are obviously the areas where the City has space to accommodate growth.

Exhibit 6-8
Job Projections By District, 1990-2018,
City of Virginia Beach

<i>District</i>	<i>Job Projections</i>					
	<i>Retail</i>			<i>Non-Retail</i>		
	1990	2015	2018	1990	2015	2018
Bayfront	1,888	2,351	2,694	21,314	20,487	20,636
Bayside	9,004	11,156	12,789	25,656	34,115	34,793
Little Neck	5,076	6,925	8,161	10,593	15,359	15,550
Great Neck	4,169	5,537	6,412	12,937	18,969	19,975
Oceanfront	3,384	4,351	5,117	7,840	12,173	12,380
Courthouse/Sandbridge	1,074	2,835	3,941	11,854	19,712	20,891
Holland/Oceana	8,393	10,406	11,634	35,175	51,247	52,933
Kempsville	5,830	8,067	9,560	19,961	27,699	28,357
Rural	106	277	427	721	721	654
Total	38,924	51,905	60,735	146,051	200,482	206,169

Source: City of Virginia Beach Planning Department, October, 1999.

In projecting industrial land demand for the City, we estimate the following:

- Approximately 70-80 percent of the growth would go into corporate parks and campus style development.
- Average density per employee will be 1,000 SF, a density that reflects the capital-, rather than labor-intensive, direction of service industry development.
- Floor-area ratios for future business development will be in a suburban range of roughly 30 percent.

Exhibit 6-9 indicates the following:

- The continuing growth in manufacturing will be modest (37 new jobs annually).
- There is significant growth in the total number of jobs in the City, amounting to 2,239 annually.
- The only category of decline in the City's economy, according to these projections, is in military employment (38 jobs yearly).

Exhibit 6-9

Projected Employment and New Land Area Required by Industry Sector, City of Virginia Beach, 2000-2020

Sector	No. of Employees (000), By Year			Avg. Annual Change, 2000-2020 (no. of jobs)	Space/Job Relt. * SF/Job	New Space Required Annually Net New Space
	2000	2010	2020			
Mining	0.02	0.01	0.01	(1)	n/a	
Construction	10.27	11.71	12.21	97	350	33,950
Manufacturing	5.93	6.61	6.66	37	624	22,776
Transportation and Utils	7.32	7.11	7.38	3	724	2,172
Wholesale Trade	5.8	7.34	8.39	130	2,746	355,607
Retail Trade	40.8	49.26	58.02	861	197	169,617
Fin., Ins. and R.E.	7.21	7.65	7.97	38	347	13,186
Services	53.23	71.83	96.19	2,148	664	1,426,487
Government	24.02	27.65	30.17	308	400	123,000
Military	<u>22.86</u>	<u>22.37</u>	<u>22.1</u>	(38)	n/a	
Total	177.46	211.54	249.1	2,239		2,146,795

** Urban Land Institute, Business and Industrial Park Development Handbook.

Source: Hampton Roads Planning District Commission, Regional Projections; Thomas Point Associates, Inc.

Sp. Proj.

These estimates and assumptions translate into an annual demand for land of 2.2 million square feet, or roughly 51 acres.

Employment projections are widely used in projecting industrial land requirements. While the projections reflect assumptions about the future, the projection of 2.2 million square feet yearly is reasonable in relation to absorption in recent years.

The projection is consistent with the findings of a regional analysis that Virginia Beach and Chesapeake have undertaken jointly to determine the need for commercial and industrial land on the Princess Anne Corridor. In that analysis the consultants projected job growth in Virginia Beach at 2 percent annually over the next ten years and estimated a demand for a total of 474 acres in employment-support use.

There is a second factor in land demand, the replacement of obsolete space with new space by companies already located in the City. Old commercial and industrial buildings that are vacant now will need other uses, and more buildings will become vacant. As a result, greater creative attention will need to be focused on this situation.

In summary new jobs that the City can expect to attract will be more land-intensive, requiring more space per worker. Moreover, companies already in the City will require new space to replace obsolescent space. The demand for corporate space, including office space in high-rise buildings, will increase and this situation will require that the City make provisions for corporate locations. The connection between corporate sites and high-paying jobs is inescapable.

6.5 Conclusions

There are multiple pressures on land development in Virginia Beach that are increasingly difficult to reconcile, arising from the desire to support continued growth while preserving a large part of the urban area from development. Moreover, in spite of its relative youth, there is a need to redevelop certain properties and areas in the City.

Targeting high wage-jobs (over \$35,000 yearly in salary) requires having top-notch sites where the best companies can readily find room. There is no point in targeting high tech such as DED contemplates unless there are appropriate locations for the potential targets.

Transportation improvements will be essential in the future, particularly the creation of a transit system that can improve service to nodes on the Commerce Corridor. The system would significantly increase densities at the core locations along it and would, over time, substantially recover costs associated with construction.

The east-west highway network in Virginia Beach limits the scope of opportunities to the single corridor. The Southeastern Parkway and Greenbelt should have a high priority and would expand the range of movement and development in the City when it moves ahead. DED should strongly support this road on the basis of its economic development impacts.

Since there is very little industrial park land available, the opportunities to attract manufacturing companies or other types of businesses that would require industrial sites are somewhat limited. However, the City should continue on its course to acquire properties at the Airport Industrial Park and redevelop them for industrial use. This is a premier location and will be important to the business community.

Regarding speculative space, Virginia Beach is not trying to attract manufacturing companies that will succeed only if land and space are a little less expensive. The City's market comprises companies that are seeking attractive locations where skilled and semi-skilled workers want to locate. Development of speculative space is not the key factor in the relocation or expansion of firms of this type. Instead, the City should focus its efforts on supporting the creation of high-end corporate environments by offering locations suitable for concentrations of high-rise buildings and support services.

In general the City faces a need in the very near future for corporate land and sites that reflect the needs of the high-tech companies that it is seeking to attract. Without appropriate locations the prospects for marketing effectively to these targets are very limited.

7. Business Assistance: Providing Support and Training Assistance

7.1 Introduction: DED's Business Assistance Mission

This section addresses the City's business assistance programs, focusing primarily on the services that the City offers to companies already located in Virginia Beach. However, the distinction between helping companies already in the City versus attracting new companies is somewhat weak as most programs serve both purposes. In general the Department's mission statement is the best summary of its programs and overall orientation in this area:

DED develops, implements and maintains programs that facilitate new business investment, encourage retention and expansion activities and enhance the overall quality of life in Virginia Beach. The Department contributes greatly to Virginia Beach's balanced economic growth through its wide variety of activities that are provided at no cost to business prospects. The Department serves as a data bank in response to local, regional, national and international inquiries...In addition to data on available office and industrial sites and buildings, facts concerning demographics, statistics, and marketing information, quality of life, cost of doing business, available labor, transportation, utilities, finance and incentives are maintained and disseminated to prospects. Department staff ascertain specific requirements and match their needs within the City. The Department arranges tours of sites and buildings with owners, realtors, developers and brokers. Pre-set appointments with existing employers, financial institutions, venture capitalists, law firms, development agencies, Virginia Employment Commission and elected officials are also arranged. Department staff continues to service business prospect's needs after a location decision has been made through the existing industry program...(Source: Marketing Materials")

The mission description explains how DED will convene development groups that include representatives of other City departments in order to expedite new office and industrial developments.

7.2 City Assistance to Businesses

The City's marketing "package" describes the various programs available to assist existing and relocating businesses, including the following:

Economic Development Investment Program

The City provides grants to offset costs associated with constructing, purchasing, leasing and finishing office or industrial facilities for new and expanding businesses.

DED's Director and the City's Development Authority evaluate grant applications on a case-by-case basis (See Section 7.6, below).

Financing Programs

- Conventional Sources: DED identifies twenty banks and eleven thrifts in the area.
- Industrial Development Bonds: The Development Authority can issue tax-exempt bonds for up to 100 percent financing for fixed assets at or below conventional interest rates. Since the land, buildings, machinery and equipment secure the mortgage or lien, the authority is not obligated for their repayment. The VBDA is currently obligated on a \$13 million bond, in addition to a bank loan (\$3.8 million) and a City loan (\$7.5 million).

Minority Business Development

DED works with the Service Corps of Retired Executives ("SCORE") to provide workshops on starting a business. Representatives of DED, SCORE, local financial institutions and law firms advise on starting and running businesses, business planning, market research, financial assistance and other matters.

7.3 Commonwealth of Virginia

There are State programs available from the Virginia Small Business Financing Authority that complement and enhance DED's efforts. The Authority offers the following support:

- Loan Guaranty Program: VBSFA guarantees up to \$300,000 or 50 percent of a loan, whichever is less. This program can cover revolving lines of credit, working capital and purchase of fixed assets.
- Export Financing Assistance: VSBFA markets the finance assistance programs of the US Export-Import Bank. They include working capital for the exporter, financing for the foreign buyer and other programs designed to facilitate exports.
- Taxable Bond Program: VSBFA issues taxable bonds to support job creation and retention. While taxable at the federal level they are exempt from Virginia State income tax and thus reduce the overall interest rate.
- Industrial Development Bonds (IDB's) and the Umbrella IDB program: VSBFA, like the Development Authority of the City, issues tax-exempt bonds to finance land, building and new capital equipment needs of small manufacturing businesses. The umbrella program provides a means for small companies to sell bonds in the public market.

The primary source of Commonwealth support is the Governor's Opportunity Fund (GOF) that supports projects that would create at least 100 new jobs and a capital investment of at least \$10 million. Eligible activities include infrastructure and other project-related activities.

7.4 Regional and Integrated State Support Programs

There are several regional and state programs that support entrepreneurs and technology start-ups.

The Entrepreneurial Center of Hampton Roads, based within the College of Business and Public Administration of Old Dominion University, assists small start-up and technology-based ventures with counseling, education and advisory services. The Entrepreneurial Center has targets: medicine, robotics, agriculture, international marketing and computers.

The Center for Innovative Technology (CIT) is a private non-profit corporation that the Commonwealth created “to increase and enhance the technological competitiveness of Virginia by stimulating Virginia institutions of higher education to also help entrepreneurs.”

Three CIT programs that offer direct assistance to small businesses are the following:

- **Research Program:** CIT staff identifies university faculty with expertise to assist in research and CIT pays a portion of the cost of a research project.
- **Manufacturing Action Program:** CIT identifies personnel to provide on-site engineering analysis of production operations in order to identify problems and solutions (at a very reasonable cost.)
- **Technology Transfer Program:** working with the Community College system, CIT disseminates information about new and existing technologies to small and medium-sized businesses. The program is designed to assist entrepreneurs improve operations and develop new products.

The Small Business Development Center (SBDC), part of the Hampton Roads Chamber of Commerce, provides education, referrals and counseling services to start-ups and existing small businesses. The SBDC and SBIC have made some progress in identifying sources of venture capital. However, this is clearly an area in which the City and region are deficient. There is no short-term solution to this problem.

Hampton Roads Minority Business Development Center (HRMBDC), connected with Hampton University and funded by the US Department of Commerce Minority Small Business Development Agency, assists minority start-ups and small businesses with business plans, loan applications and minority certifications.

7.5 Training Programs

The City and Commonwealth both offer programs and other types of support in the area of training and education. DED plays a role in coordination, to an extent, in each case, though its involvement is somewhat removed from program planning and implementation. For the most part DED coordinates certain aspects of participation and advises training providers on program content.

The City is an important provider of traditional vocational training as well as more advanced technical training that is rapidly entering the curricula of the high schools. The training experts in the school system seem to be attuned to the relationship of their programs to the economic development field. These people are visiting Microsoft and Cisco Systems offices to learn the latest about systems training. They seem to be preparing to make the ATC a significant training institution. Among others it will offer current technology programs in network administration, electronic commerce, engineering and management (from ODU working with the Ford Academy), and telecommunications.

Tidewater Community College and Old Dominion University are the most important providers of post-secondary and graduate programs in the region. Both institutions appear to be intensely aware of the economic development issues related to their curriculum planning and eager to enhance the economic impacts of their programs. They have good leadership and generally strong relationships with DED.

The Commonwealth's Department of Economic Development manages the Workforce Services Program, the central training program that is most closely coordinated with the DED's efforts. According to the City's description, this program "will prepare and coordinate an employee training program tailored to meet the specific needs of new or expanding companies seeking to increase employment...(The Program) will recruit prospective trainees, provide specialists to analyze job training requirements, develop and implement training programs, conduct "Train the Trainer" programs, arrange for adequate training facilities and prepare audio-visual materials for in-depth training and orientation."

The program is a good one. The services of the Workforce Training Program are at no cost to the employer. The Commonwealth pays for the instructors and the equipment. The companies make final hiring decisions. According to the State program director "there are probably ten to twenty programs floating around in Virginia Beach now."

The federal Title II Job Training Partnership Act (JTPA) makes funds available through the City to provide training for disadvantaged people. In Virginia Beach the Southeastern Virginia Job Training Administration oversees training services under this program. It provides training, job search assistance and counseling.

Now DED works with the Commonwealth's Workforce Training Program, the Southeastern Virginia Job Training Administration and the City's Department of Education to request programs, coordinate the special needs of employers who qualify for assistance and generally advise training providers on DED activities and priorities. The Department is pretty much at arm's length from the actual services. This situation will change when the Advanced Technology Center opens and DED takes responsibility for the operation of an important training room in the ATC.

7.6 The Economic Development Investment Program

7.6.1 Overview

The City's primary financial incentive is its Economic Development Investment Program ("EDIP"), an important part of its overall marketing and development effort. Under the EDIP the City makes grants to eligible businesses.

Paraphrasing DED's standard materials that describe the program:

EDIP fosters and stimulates economic growth in the City by leveraging business development. The EDIP was established by the City Council and funded through the Capital Improvement Plan, specifically to create and retain employment opportunities and increase business investment and economic growth in the community. Program funds may be used to aid in the construction of new private sector industrial facilities and on and off-site infrastructure along with the build-out of manufacturing, research and development and office space. Grants are considered on a case-by-case basis by the Director of the Department and the Virginia Beach Development Authority. The EDIP will help to reduce the costs associated with constructing, purchasing, leasing and build-out of office or industrial facilities for new and expanding businesses.

7.6.2 Program Guidelines

The decision process is straightforward. The applicant provides information that DED staff evaluates on the basis of the following factors (from the legislation):

1. The net amount of direct tax revenues returned to the City from the loan will exceed the amount of EDIP funds within 30 months from the date the business commences operation in the new or renovated facility.
2. The business will spend \$25.00 or more in new capital investment, including buildings, furnishings and/or equipment for every \$1.00 in EDIP funds; and/or
3. Every thousand dollars of EDIP funds will provide at least one new full-time equivalent job in the business to which the funds are provided.

Staff reports findings to the Director of the Department, who works with the Marketing Manager to reach a recommendation to the Board of the Virginia Beach Development Authority. The IDA has final say on the matter.

7.6.3. History

The history of the program (Exhibit 7-1) since 1990 indicates that the EDIP investment of \$8.4 million has yielded total private investment of \$328 million and over 15,000 jobs.

Exhibit 7-1

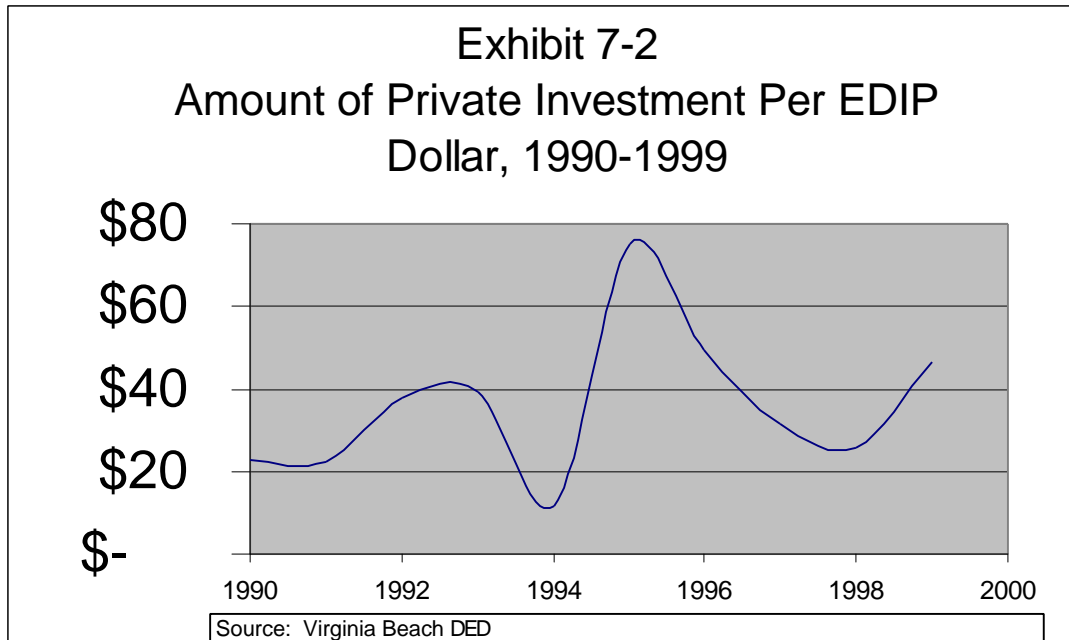
EDIP, 1990-1999: Investment and Performance

Year	EDIP	Investment	Jobs	Ratios	
				Inv/EDIP	EDIP/Jobs
1999	\$ 1,155,000	\$ 53,580,000	2,573	46.39	\$ 449
1998	\$ 1,313,000	\$ 34,050,000	3,079	25.93	\$ 426
1997	\$ 938,248	\$ 29,437,000	1,638	31.37	\$ 573
1996	\$ 1,949,000	\$ 95,960,250	2,604	49.24	\$ 748
1995	\$ 701,450	\$ 52,641,550	1,373	75.05	\$ 511
1994	\$ 719,380	\$ 8,337,000	1,543	11.59	\$ 466
1993	\$ 305,000	\$ 12,000,000	400	39.34	\$ 763
1992	\$ 805,000	\$ 30,280,000	1,350	37.61	\$ 596
1991	\$ 90,000	\$ 2,000,000	80	22.22	\$ 1,125
1990	\$ 425,000	\$ 9,775,000	425	23.00	\$ 1,000
Total/Avge.	\$ 8,401,078	\$ 328,060,800	15,065	39.05	\$ 558

Source: Virginia Beach Dept. of Economic Development

The overall ratio of jobs per EDIP dollars has been increasing, indicating more effective results from this effort.

The impact of the EDIP on levels of private investment (Exhibit 7-2) has exceeded the mandated threshold since 1995.



The recent history of the program (Exhibit 7-3 On the following page) shows the principal types of entities that have received grants, including companies of various types.

7.6.4 Program Analysis

DED has a standard application form and evaluation process that seems reasonably accurate. However, it uses the term “return on investment” in Section A of the EDIP criteria in a way that is misleading since it usually relates to cash flow as a percent of equity rather than amount of private investment. DED should probably drop the term and simply describe the ratios that are being calculated.

7.6.5 Recommendations

This is a good program that has helped Virginia Beach stay competitive with the many other places that offer similar loans and grants. EDIP funds have leveraged significant levels of private investment and jobs since its inception. The program analysis supports its continued use as long as standard practice in the region and in competitive locations includes comparable financial incentives.

However, there are some areas for improvement of EDIP. DED should consider changing the program guidelines to accomplish the following:

- Connect EDIP with the target industry marketing strategy, giving priority to high tech firms in the sectors identified for growth in the City, perhaps adding a specific criterion to evaluate target industry applications for EDIP grants. This is

not meant as a way of limiting growth in sectors that are not part of the identified marketing framework, since all firms would be eligible. However, the City could focus the program resources on target industries in a proactive manner. This could be done by giving greater weight to companies in targeted sectors and those offering higher wages.

- Market the program proactively in a manner that complements DED's other activities. The Department could create a brochure or simple, attractive handout that explains the program, including the evaluation process. It should specifically describe the program and its relevance to target industries in the materials oriented to companies in those sectors. It should include a simplified one-page application that asks the applicant to identify its SIC/NAICS code or describe its product or activity.

7.7 Conclusions

There is a variety of business assistance programs available in the City, from DED and other sources that work closely with DED, including regional, State and federal resources. The programs seem to be generally typical of the kinds of programs and assistance that most large City economic development organizations make available to new and existing businesses. Interviews with local businesses generally indicate that business owners and executives are, for the most part, satisfied with the level of assistance available from the City and other public sources.

There is just one person in DED who bears most of the responsibility for working with existing businesses, although the marketing and business development staff play an important supporting role. While other staff work with prospects to connect them to resources, only one individual focuses on businesses already in the City. Since most new jobs come from companies already within the City this seems like a relatively weak allocation of resources. DED should create a strategy for communicating with all the important businesses on a regular basis, particularly with those in targeted sectors.

It is also apparent that there is little or no connection between business assistance and targeting to specific industries or to higher-paying high tech jobs in general. Several programs identified as marketing program opportunities (Section 5) address this connection, especially the creation of small company networks and business training alliances. DED should vigorously pursue stronger connections in this area.

One area that needs work is the way these programs are described in DED's own material. The "marketing boilerplate" is dense and poorly communicated. There is a need for better summary information on business assistance and training programs so readers can easily scan the menu of services and focus on the need and range of potential actions.

DED should prepare vigorously for its role as manager/scheduler of a bloc of space in the Advanced Technology Center. This will take intense planning by DED and all the members of the Economic Vitality Team to make best use of the space in ways that support the overall vision for economic development and take full advantage of the training resources available in the community. There is a need for a detailed, methodical approach to prepare for making the best use of this space.

Since DED is serious about targeting specific business sectors, it should begin discussions with the Workforce Services Program of the Commonwealth DED to structure special training to support the needs of companies in those targeted sectors. The Commonwealth has access to much greater resources around the entire state and can identify high-level expertise in the universities to advise on these matters.

In general business assistance seems adequate as perceived by local businesses and by comparison to other economic development organizations. However, equanimity on the surface masks a disparity: while internally generated jobs account for 80 percent or more of total job growth, assistance to existing businesses represents much less than half of DED's total activity, measured by staffing and budget allocations. The Department should rethink this situation and bring resources in better alignment with the real needs.

8. DED's Organization: Aligning Staff Resources with Program Requirements

8.1 Introduction

This section describes and assesses the Department of Economic Development's (DED) organizational arrangements. It applies the principles of the Virginia Beach Quality Service System (VBQSS), particularly "Process Management" in addressing how DED might better align itself to meet the challenges set forth in the previous sections of this report.

"Process Management" is an approach that involves re-thinking how services are provided by the entire City government to the community. Because most vital processes--activities directed to achieving outcomes--cut across multiple functional areas, successful outcomes often hinge on how well integrated vital functions are. In the words of the VBQSS, it is the "white spaces" between the boxes on the City's organizational chart that need to be managed effectively.

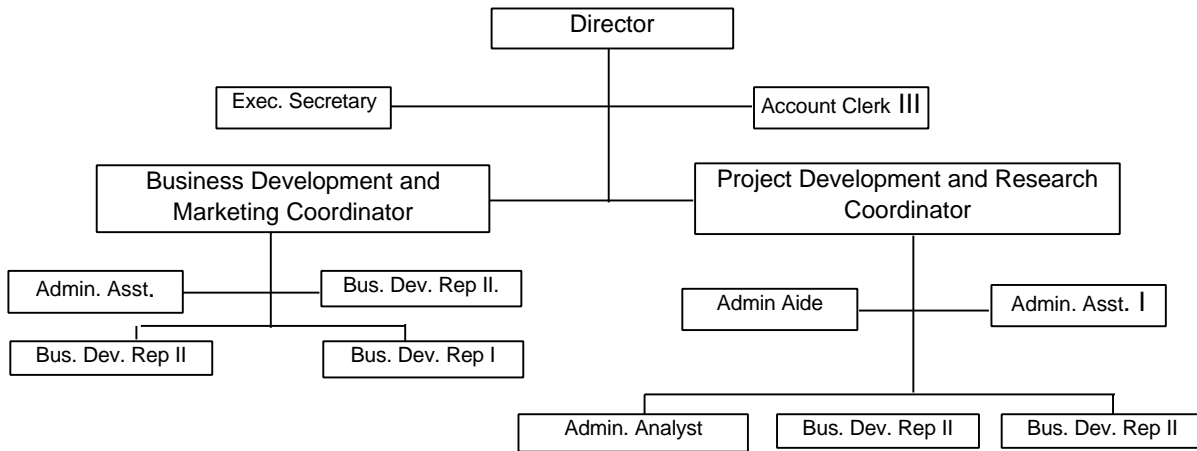
This important citywide management principle has purchase at the department level as well. Achieving economic development goals will increasingly depend on strengthening connections between the vital economic development functions within the DED.

As indicated in the VBQSS, "Process Management" is a shared responsibility. It involves key staff working to improve organizational performance. This section of the report, therefore, should be viewed as a point of departure for DED as it discusses, initiates, and monitors desirable organizational changes.

8.2 Current Organizational Arrangements and Staff Allocations

As shown in Exhibit 8-1, the organization resembles a pyramidal structure with the Director at the top and two main lines of responsibility, (1) Business Development and Marketing and (2) Project Development and Research.

DED Organization Chart



Source: Department of Economic Development, City of Virginia Beach

8.2.1 The Department Director Position

The Director manages the organization that now consists of 13 authorized positions, including two that will be unfilled as of January 1, 2000. The Business Development and Marketing Coordinator and the Project Development and Research Coordinator report directly to the Director. An Executive Secretary assists the Director. General clerical, administrative, and customer service responsibilities are handled by this position. The Director works directly in nearly all substantive areas, particularly with prospects and in negotiating deals.

2.2.2 Business Development and Marketing

Five staff positions are allocated to this line of responsibility: the Business Development and Marketing Coordinator, an Administrative Assistant I, a Business Development Representative I, and two Business Development Representative II positions. In addition to the broad activities listed above, one of the Business Development Representative II positions maintains all DED computer systems and a property database for clients. The other Business Development Representative II position handles department budgeting activities.

The Business Development and Marketing group has primary responsibilities in the following areas:

- Marketing:
 - Responding to prospects
 - Managing prospect database
- Advertising and communications:
 - Managing the advertising firm that handles DED's account
 - Maintaining the department's web site
 - Producing a newsletter and television program
- Management of existing business retention and expansion and local entrepreneurship
- Management of Economic Development Investment Program (EDIP) funds

As might be expected, a sizable financial analysis component exists in the work of this group. The aforementioned positions work with City Finance Department staff to review financial statements associated with EDIP loans and prepare projections of the impacts of such loans.

8.2.3 Project Development and Research

Six staff positions are allocated to this line of responsibility: the Project Development and Research Coordinator, an Administrative Aide, an Administrative Assistant I, an Administrative Analyst and two Business Development Representative II positions. As part of the broad activities listed above, staff review building plans and permits and coordinate professional land development services and grounds maintenance contracts for VBDA.

The Project Development and Research group has responsibilities in the following areas:

- Management of the Virginia Beach Development Authority:
 - Industrial Development Bonds
 - Engineering services related to land development and management
- Management of "special projects" (e.g. Amphitheater)
- Research on economic and demographic trends

8.2.4 Loaned Staff and Consultants

In addition to its own staff, DED uses loaned staff from other departments and consultants retained for special projects and programs.

Financial Analysis and Advisory Services: Financial analysis is an important staff function within DED's organization. For historic reasons the City's Finance Department manages the individual who provides financial services in DED, loaning an individual for three days per week.

The person in the financial analyst position has the following types of responsibilities:

- Review financial statements associated with EDIP loans
- Prepare financial packages for industrial development bonds
- Manage finances in large projects, such as development of the Soccer Complex, the Amphitheater, and other projects
- Advise on City/DED financial role in projects

Legal Expertise: The main legal issues relate to land disposition, development agreements, contracts, bond issuance, joint development ventures and other legal aspects of land development. DED and the IDA both require support of this type. The Office of the City Attorney seems to have the necessary expertise and works closely with DED staff in both review and advisory capacities.

Land Planning: DED sometimes needs assistance in physical planning, in relation to land development issues and specific projects and proposals. It obtains the needed support from the City Planning Department or from specialized consultants in planning, engineering, and design. The existing arrangements to address land development and related matters seem to be generally workable. The fact that the need is sporadic and specific to certain projects makes it desirable to use expertise from other City departments and from consultants.

Other Outside Help: DED uses help from other City departments extensively as needed to undertake special projects. The Department works closely with Convention and Visitors Division, the Library, the School Department and other parts of the City government. The arrangements are important since the relationships bring much greater depth to DED's capabilities and showcase the City's staff as a team.

8.2.5 Areas of Expertise

Overall there is significant strength in the current staff of DED and in the use of "outside" or loaned personnel. DED staff members have and/or are developing expertise in areas including but not limited to public administration, contract management, information systems technology, local business investment, land

development, and negotiation. Legal and financial expertise is brought to bear on numerous projects and initiates. City management has awarded DED for its handling of special projects by assigning additional work. DED has a can-do reputation.

8.3 Assessment of Current Arrangements and Staff Allocations

8.3.1 Relevant Findings of Prior Work

It is informative to view the current arrangements in the context of the findings of the technical analyses documented in the earlier phases of this project. A number of conclusions are particularly relevant.

- There is a need to think through the connections between land, jobs, and quality of life and take actions to meet future demands for corporate sites.
- There is little or no connection now between business assistance and target marketing or to higher paying jobs in general.
- There is little or no connection now between target marketing the DED should be doing and the public relations program in which it invests.
- DED needs to bring various forces together to communicate the image of a high technology location.
- There is a need to create, track, and link contacts and prospects in a coordinated manner.
- There is a need to strengthen connections that exist between business assistance, marketing, and training in DED.
- DED should create a strategy to communicate to local businesses in key sectors regularly.
- It will be important to evaluate the approach to the existing business community and align it with the larger picture, focusing on target sectors, training and other strategic matters.
- DED seems unprepared for its role as manager/scheduler of space in the Advanced Technology Center.
- Care must be given to making the best use of the technical center space so that use of the space aligns with the DED mission.
- DED should structure special training to support the needs of companies in target industries.
- The presence of special training opportunities needs to have its proper place in new marketing materials and approaches.
- There is a need to rethink current arrangements and bring resources into alignment with the reality that local companies generate 80 percent of job growth in Virginia Beach.

The overarching theme of these findings is that the DED must begin to develop and broaden interconnections among vital economic development functions within the organization. This conclusion is not startling when seen in the light of the current economy, which favors firms that are capable of responding to multiple demands through the efficient use, manipulation, and dissemination of information. Indeed, one of the most important conclusions of the previous work was that DED model itself on private

sector firms who bring good “prospect” management and research functions to bear on marketing.

8.3.2 Department Functions

“Process Management” for the DED involves re-thinking how the organization is arranged. As noted in the VBQSS, the focus of “Process Management” is on moving away from vertical toward “horizontal, cross-functional approaches” in conducting business. This implies a movement away from organizational and management structures that feature separate lines of responsibility toward structures that readily allow for the formation of teams across functional and specialty areas.

In seeking to apply this principle to the DED, we identified the departmental functions that we believe are now of critical importance to DED. We based our selection of the key functions on previous analyses, summarized in Section 8.3.1, and on discussions with DED staff. We categorized key economic development functions as mission functions and support functions and reviewed the degree to which the “cross-functional” relationships were permitted by the current organizational arrangement.

The mission functions are the “business” of DED. These functions, in our view, are the following: Marketing, Business Assistance, Project Development & Planning, and Education & Training. Each function has measurable outputs that demonstrate the value of DED to the City. The existing arrangement can be said to include three of the four mission functions listed here, the exception being Education & Training.

Some of the activities that comprise each mission function are listed in Exhibit 8-2. As shown, Business Assistance, for instance, includes such activities as introducing local firms to new domestic and international markets, packaging financial assistance for business expansion or retention, and managing the Economic Development Investment Fund.

Exhibit 8-2

Mission Functions and Activities

<i>Mission Function</i>	<i>Activities</i>
Marketing	Recruit target firms Promote positive image
Business Assistance	Introduce new markets to local firms Assist existing firms to expand Package financial assistance Economic Development Investment Program
Development and Planning	Undertake community development projects Negotiate contracts
Education/Training	Manage new educational space (ATC) Conduct seminars Tailor classes to target industries Coordinate with scholls of higher learnig Manage Information Technology consultants

The support functions are the activities that enable DED to execute its mission functions. DED's support functions, in our view, are the following: Business Target Research, Economic & Demographic Research, Prospect Management, Interagency Coordination, Analysis, and Communications. Some of the activities that comprise each support function are listed in Exhibit 8-3. As shown, the Business Target Research function includes assessing information specific to target companies, understanding trends in vital industries, and following events in vital sectors such as new product releases.

Support Functions and Related Activities

<i>Support Function</i>	<i>Activities</i>
Business Target Research	Compile data specific to target companies. Research trends in vital industries. Track events in vital sectors: new products releases, changes in demand, profits, and sales, etc.
Economic and Demographic Research	Compile data from Census and other sources. Conduct surveys. Maintain mapping and aerial photographs.
Prospect Management	Maintain database of prospects. Prioritize prospect list. Compile useful information on target sectors.
Coordination	Meet with other agencies within City. Coordinate with other levels of government. Correspond with Chamber and other groups. Compile materials needed by other agencies.
Communications	Manage advertising, print, electronic media. Manage public relations. Manage phone, fax, e-mail systems. Maintain web site. Prepare Annual Report. Coordinate responses to inquiries.
Analysis and Synthesis	Review financial statements. Prepare financial packages. Project impacts for EDIP loans. Analyze prospect's financial records.
Strategic Thinking	Measure progress. Allocate responsibilities. Realign resources as warranted. Allocate budget. VBQSS and "Process Management".

Source: Thomas Point Associates, Inc.

8.3.3 Assessment of Cross Functions

Our assessment focuses on the degree to which relationships exist between key functions. Thomas Point Associates, Inc. has developed the cross-function matrix shown in Exhibit 8-4. The matrix lists the key economic development functions for DED: with mission

functions arranged in rows and support functions arranged in columns. The matrix may be used to diagnose the level of “interconnectedness” between vital economic development functions: the more interconnections between mission functions and support functions, the better.

With the participation of DED staff, we have shown where connections exist currently and where relationships are missing. As shown, relationships exist at the intersection of each row and column marked with an X. To some degree, relationships are now present between six functional pairs.

Exhibit 8-4

Existing Relationships between DED Mission and Support Functions

Mission Functions	Support Functions						
	Business Target Research	Economic/Demographic Research	Prospect Management	Interagency Coordination	Communications	Analysis and Synthesis	Strategic Thinking
Marketing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Business Assistance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Project Development & Planning	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Education/Training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Notes: Indicates strong working relationship between mission and support function.
 Indicates no or slight relationship.

Source: Thomas Point Associates, Inc.

Staff and Organization.xls

Our purpose here is not to evaluate the strength of these connections, only to note that they exist. The “Process Management” activities that the DED may engage in might focus on evaluating the strengths of these connections. What is revealing is the number of connections between key functions that are now missing. It would appear that connections are missing for three main reasons.

First, the function simply does not yet exist or is not fully developed, as with the support functions of Business Target Research and Prospect Management and with the mission function of Education & Training.

Second, the existing organizational arrangement may hinder interconnections, as may be the case with the mission function, Marketing and the support function, Economic & Demographic Research. In the current arrangement, marketing occurs under one line of responsibility and research entirely under another line. As it stands now, marketing activities (recruiting target firms, presenting a positive image, etc.) do not benefit directly from nor do they determine the content and scope of critical research.

The third reason connections may be missing or under-developed relates to information technology. The “infrastructure” that enables information to be brought to bear on multiple tasks needs to be thought through and developed. The power of true Prospect Management is only realized when a priority recruitment database, for example, is readily linked to the preparation and distribution of marketing and education materials or to development planning and site research activities.

Exhibit 8-5 shows what we call “full connectedness,” something of an ideal format for DED in which the mission functions have full access to support services regardless of the formal organizational structure.

"Full Connectedness" Between Mission and Support Functions

Mission Functions	Support Functions						
	Business Target Research	Economic/Demographic Research	Prospect Management	Interagency Coordination	Communications	Analysis and Synthesis	Strategic Thinking
Marketing	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Business Assistance	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Project Development & Planning	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Education/Training	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Source: Thomas Point Associates, Inc.

Staff and Organization.xls

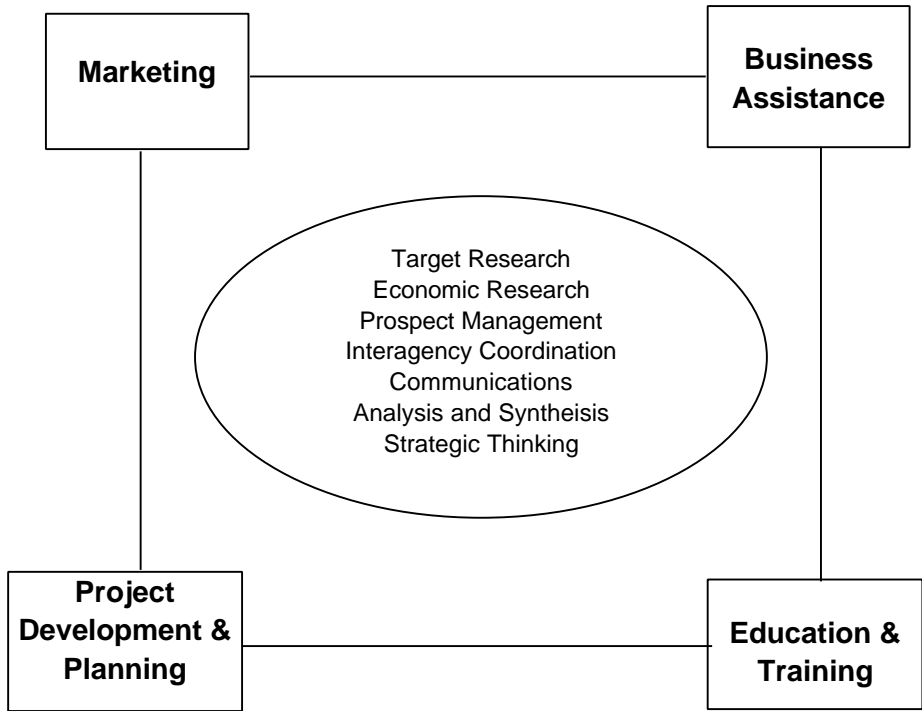
8.5 Conclusions

DED is sound organization that is well adapted to its current responsibilities. We see a few areas where change may enhance the Department’s ability to accomplish its mission. The DED may want to consider moving toward the use of cross-functional approaches and away from the current organizational arrangement, which is characterized by two main and largely separate lines of responsibility.

8.5.1 Functional Relationships

In our view, the DED should consider staff arrangements that maximize the number of interconnections between its mission functions and support functions. Figure 8-6 shows a functional organization chart that may be useful in conceptualizing this recommendation. The organization and operation of DED’s functions would take place within the context of the VBQSS.

Functional Organization Chart for DED---Proposed



Source: Thomas Point Associates, Inc.

The four mission functions shown do not necessarily represent four individuals. The main point is that the top level of responsibility is somewhat broader than as presently defined, more like a management team than a pyramid, and the support services work for all the mission function areas, not just those defined within a portion of the organization.

As DED considers using cross-functional approaches to implement strategies it should be open to new opportunities to establish connections between its functions. It should also identify and overcome obstacles that might hinder valuable connections between mission and support functions. Some practical examples may be helpful:

- Should DED adopt Education & Training as a mission function it should ensure that the results and needs of Business Target Research, Economic & Demographic Research, Prospect Management, etc. shape the content of course material and the selection of training methods.

- As DED focuses on Business Target Research as a support function, it should ensure that all mission functions—Marketing, Business Assistance, Project Development & Planning and Education & Training—could readily make use of relevant information. This might imply, for example, that the findings of target research be specially formatted to suit each mission function.

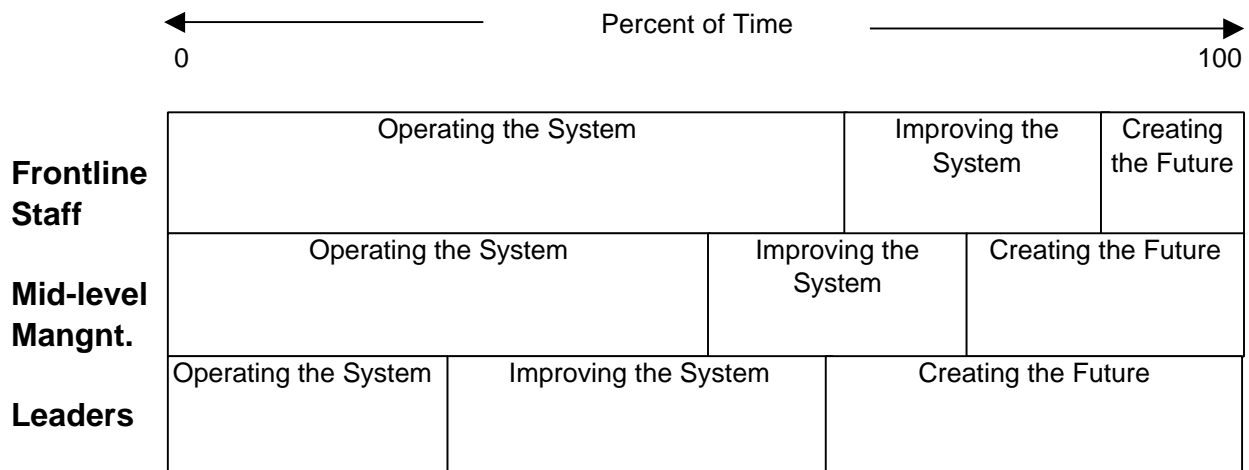
8.5.2 Strategic Thinking

Special emphasis is placed here on Strategic Thinking. This support function must permeate the organization; it is the oil that keeps the parts moving smoothly. It is a vital and continuous function that warrants significant commitment by DED staff.

The VBQSS Time Allocation Model is shown in Exhibit 8-7. The Time Allocation Model demonstrates two important points. First, all staff should, to some degree, think and act strategically—that is, work to “improve the system” and create the future”. Second, the amount of time dedicated to improving the system and creating the future should increase as managerial responsibility increases. The DED Director should spend a substantial proportion of available time in strategic thinking and managing activities and a very small proportion in daily technical work. This ensures that someone is shepherding the connections between vital functions.

Exhibit 8-7

VBQSS Time Allocation Model



Source: City of Virginia Beach, Quality Service System and Thomas Point Associates, Inc.

City management has rewarded the Department for its successful work on special projects by giving it ever-increasing responsibilities without proportional

increases in staff and support resources. It is important that DED maintain an image as a can-do organization, while thinking strategically about special projects and their impact on functional relationships. The cross-function matrix may be used as a planning tool to assist the Director and other staff in monitoring the relationships among and between the vital functions of DED. It may also be helpful in determining how added responsibilities are to be integrated into existing systems.

The negotiation of agreements is arguably DED's most important single responsibility and the function on which the Director spends the largest share of time. However, there is a need to strengthen deal-negotiating capabilities at the staff level, creating a team approach that more completely integrates staff expertise. This also frees the Director to address strategic planning responsibilities.

8.5.3 Financial Management

It would appear that DED needs a full-time person in the financial management role. While there is no doubt some value in the loan arrangement with the Finance Department in terms of interdepartmental cross-fertilization, the benefit is vastly outweighed by the cumbersome nature of the arrangement and the limitation that it places on the role of financial analysis in DED's operation. This would be a full-time function for at least one person, based on the level of activity in loan program management, project development, EDIP, and other work of both DED as a whole and the Industrial Development Authority.

The most significant drawback may be the fact that the loaned person is essentially an outsider in the department rather than an integral DED support function. There are occasions on almost a daily basis where financial analysis is an integral part of a DED decision, in connection with a prospect, a development project or some other type of function. The arrangement ensures that the individual has primary communications through the Finance Department rather than DED in spite of the time allocation. This represents a serious limitation on DED's overall effectiveness and its ability to form functional teams on important projects.

8.5.4 Information

Because of the importance of effectively using information, there is a need for someone to manage information technology across the various departmental functions. Emphasis should be placed on web site development/management, prospect database management, Internet communications, and hardware/software management, and computerized research functions. The sum of these activities would represent a full-time job and would free various staff members from the awkward arrangements that they now follow in order to meet these responsibilities.

8.5.5 Conclusion

DED faces an organizational challenge: bring functions and resources into alignment with new demands or miss vital opportunities to capitalize on the individual and collective strengths of its staff. The economy is increasingly characterized by the efficient use, exchange, dissemination, and manipulation of information. Successful firms organize in ways that promote (and necessitate) interaction between personnel involved in essential functions. These are the same firms Virginia Beach is recruiting and DED should begin to model itself on them.

9. Conclusions

9.1 Progress and Need

Virginia Beach has made significant progress on economic development matters in the 1990's. From its 1990 strategy there have been important steps taken on a range of initiatives, resulting in specific accomplishments that include the following:

- Emergence of a pro-business attitude in the Council and administration evidenced by streamlined development standards and improved business assistance programs.
- Creation of a regional marketing program embodied in the Economic Development Alliance that Virginia Beach and the other communities in the region support.
- Effective use of economic development partnerships to fund recent and ongoing projects including the Soccer Complex and the creation of a central business district.
- Educational enhancements that support economic development, notably the Higher Education Center, the Advanced Technology Center and expansion of Tidewater Community College.

These are just some examples of significant progress on areas identified in the 1990 plan. The primary indicators of economic health in Virginia Beach bear out progress made over the decade:

- The City had an increase of 27,600 new jobs from 1992-1998, or 3,900 jobs yearly.
- Job growth was diverse, in construction, manufacturing, transportation, retail trade and services. The increase in manufacturing (698 jobs) occurred when these types of jobs were continuing to decline nationally.

Nevertheless there are signs of weakness in recent trends:

- The City ranks last in the Southside in manufacturing employment, even though manufacturing jobs increased since 1992.
- The City shares a region-wide wage deficiency. The MSA trails 11 of 12 comparable locations in average earnings by private industry sector, and local wages and salaries are 4 to 6 percent below national figures. The large share that retail jobs occupy in Virginia Beach tends to reduce the overall wage level.
- Median household income in the region is fourth lowest among thirteen MSA's studied and lags the national figure. Projections indicate that the City's proportion of the national income figure will decline over the next several years.

In most respects, the business environment in Virginia Beach is robust. With the largest population in the region the City offers the best business location in the area.

9.2 A New Strategy

The central theme in this strategy is that focusing resources---in a word, targeting---produces best results. This means assigning the most energy to the best prospects. It requires a proactive work approach, not a reactive one. The second but no less important theme is the promotion of educational resources---technical training and higher education---as the key elements of DED's agenda. In the current highly competitive environment, the most important resource is the skill level of the workforce.

These themes translate into recommendations that focus on DED's activities, products and organization.

DED should give high priority to assisting businesses in expansion and job creation.

Interviews with local businesses generally indicate that business owners and executives are, for the most part, satisfied with the level of assistance available from the City and other public sources. Moreover, there is a variety of business assistance programs available in the City, from DED and other sources that work closely with DED, including regional, State and federal resources. However, there is room for improvement in the delivery of business assistance: while internally generated jobs account for 80 percent or more of total job growth, assistance to existing businesses represents much less than half of DED's total activity, measured by staffing and budget allocations. The Department should rethink this situation and bring resources in better alignment with the real needs.

- DED should work with all the members of the Economic Vitality Team to prepare vigorously for its role as manager/scheduler of space in the Advanced Technology Center in ways that support the overall vision for economic development and take full advantage of the training resources available in the community. There is a need for a detailed, methodical approach to prepare for making the best use of the ATC.
- DED should create a strategy for communicating with all the important businesses in the City on a regular basis, particularly with those businesses in targeted sectors. There is a need for more than a single individual to take this job on.
- There should be stronger connections between business assistance programs and targeting to specific industries and higher-paying high tech jobs in general. This effort should include small company networks and business training alliances. There should also be an adjustment to the EDIP grant program to reflect targets and priorities.
- There is a need for better summary information on business assistance and training programs so that readers can easily scan the menu of services and focus on the need and range of potential actions.

- DED should begin discussions with the Workforce Services Program of the Commonwealth to structure special training to support the needs of companies in targeted sectors.

DED should expand its efforts to develop and redevelop land and sites.

Targeting high wage-jobs (over \$35,000 yearly in salary) requires having top-notch sites where the best companies can readily find room. However, there are multiple pressures on land development in Virginia Beach that are increasingly difficult to reconcile, arising from the desire to support continued growth while preserving a large part of the urban area. Without appropriate locations the prospects for marketing effectively to high-tech companies are very limited. We estimate an annual demand for approximately 50 acres of commercial land with a pipeline of only 5-10 years. Moreover, in spite of the City's relative youth, there is a need to redevelop certain properties and areas in it.

- The Southeastern Parkway and Greenbelt should have a high priority. This project will expand the range of movement and development in the City. DED should strongly support this road on the basis of its economic development impacts.
- Transportation improvements will be essential in the future, particularly the eventual creation of a transit system to connect nodes on the Commerce Corridor. The system would significantly increase densities at core locations and would, over time, substantially return costs associated with construction.
- The City should continue on its course to acquire properties at the Airport Industrial Park and redevelop them for industrial use. This is a premier location for manufacturing development.
- These actions do not constitute the total answer to the industrial/commercial land needs of the City over the long-term. There is a need for much broader solution to the long-term need for land to support job expansion and creation, including the identification of new development and redevelopment opportunities. DED should create a joint effort with the Planning Department to address long-term issues associated with commercial land needs.

DED should expand and intensify its targeting efforts.

The targeted sectors, telecommunications, business services, marine services, engineering/management and training companies are correct, although the latter categories may need more attention or may be unproductive for reasons that need further evaluation. The fact that there has been a greater rate of success in the late 1990's with a smaller number of prospects suggests that the targeting effort begun in 1995 is working and now needs refinement and expansion.

- DED should add manufacturing sectors that have strong connections to sectors already targeted. The electronics manufacturing codes (within SIC 3670) that the HRPDC identified are related to the telecommunications industry.
- It should also continue to direct the Hampton Roads Economic Development Alliance to focus more specifically on sectors of importance to Virginia Beach, notably telecommunications. The City should exploit as fully as possible the marketing that the Alliance does in the City's targeted sectors.
- DED should expand its international marketing in Europe and particularly Scandinavia. This can be done without neglecting marketing in the Far East, as the region is rebounding from several years of economic adversity.
- The Department should continue to strengthen its prospect database so that it can better answer questions about its own effectiveness and adjust its direction.
- DED should intensify efforts to attract major corporate offices, including Fortune 1000 companies.

DED should refocus its marketing activities and align them with its targets.

Since the mid-1980's marketing Virginia Beach has centered on quality of life and other "lifestyle" messages. While this emphasis will always be important, DED should consider shifting the focus to technology-based economic themes in which quality of life is an important but secondary benefit. There are many specific adjustments that should be made beginning with a complete reformulation of all the language that DED uses to communicate its purpose.

- The message should follow essential "message points" that communicate technical features related to the City's identity. The most important is the fact that businesses drive training in the City, as plans for the new ATC evidence. The six messages translate in different ways into specific ideas that relate to the target industries.
- While de-linking tourism and economic development marketing, it will still be important to give tourists a business message. The close relationship between the CVD and DED is a credit to both departments. The CVD should communicate DED's targeting concepts in friendly but mildly technical format
- DED needs to enhance the software it uses to create and track all its contacts in coordinated fashion. The Department should start to manage its business relationships in concert with its marketing, prospecting and research functions.

DED should align its organizational resources to reflect strategic priorities.

DED is a sound organization but there are areas where change may enhance its ability to accomplish its mission. It should consider moving toward cross-functional approaches and away from the current organizational arrangement, characterized by two largely separate lines of responsibility. The economy is increasingly characterized by the efficient use, exchange, dissemination, and manipulation of information. Successful firms organize in ways that require interaction between personnel involved in essential functions. These are the same firms Virginia Beach is recruiting and DED should begin to model itself on them.

- DED's four mission functions do not necessarily represent four individuals. The point is that the top level of responsibility is broader than presently defined, more like a management team than a pyramid, and the support services work for all the mission function areas, not just those defined within a portion of the organization.
- As DED considers using cross-functional approaches to implement strategies it should find opportunities to establish connections between functions. It should also eliminate obstacles that hinder connections between mission and support functions.
- DED should put special emphasis on strategic thinking as a vital function that warrants significant commitment by DED staff. First, all staff should, to some degree, think and act strategically—that is, work to “improve the system” and “create the future”. Second, time dedicated to improving the system and creating the future should increase as managerial responsibility increases.
- The negotiation of agreements is arguably DED's most important single responsibility and the function on which the Director spends the most time. However, there is a need to strengthen deal-negotiating capabilities at the staff level, creating a team approach that more completely integrates staff expertise. This also frees the Director to address strategic planning responsibilities.
- DED needs a full-time person in a financial management role. Financial analysis is an integral part of a DED decision, in connection with a prospect, a development project or some other type of function. The current arrangement represents a serious limitation on DED's overall effectiveness and its ability to form functional teams on important projects.
- There is a need for someone to manage information technology across the various departmental functions. Emphasis should be placed on web site development/ management, prospect database management, Internet communications, and hardware/software management, and computerized research functions.

City management has rewarded the Department for its successful work on special projects by giving it ever-increasing responsibilities without proportional increases in staff and support resources. It is important that DED maintain an image as a can-do organization, while thinking strategically about special projects and their impact on functional relationships.

9.3 Goals: Purpose and Framework

DED is the lead City organization in economic development and the lead entity in creating an economic development strategy. However, all City departments have some relationship to the economic development process and several are of critical importance to it. Virginia Beach puts a high value on team building and interdepartmental cooperation. Therefore it is important to frame the economic development strategy with a full understanding of its connectedness in the City's total effort.

The 1990 Mayor's Committee on Strategic Economic Development Planning created a statement of goals that provides continuity in economic planning and allows an opportunity to reflect on progress. The City's Comprehensive Plan (November 1997) identifies economic vitality as its "Building Block 1" of the comprehensive planning. The City Council's economic development agenda includes projects such as the creation of a Redevelopment Authority, the development of the Southeastern Parkway and Greenbelt and the creation of the Central Business District that are essential components of this economic strategy.

Most important, the City is in the midst of developing a "vision" for the future, based on the City Council's key "Destination Points". This process has involved wide staff participation and all City departments. The purpose is to create "goals and outcomes" that are broad statements of where the City should go, and to identify more specific "strategies" that take steps toward the desired outcome. The visioning process is a "work in progress" and there will be interaction and feedback between the visioning and ongoing efforts to implement this economic development strategy.

9.4 Conclusion

There is overall continuity and consistency in the various statements about economic development policy that the City promotes. The main themes that occur throughout the key plans, documents and goal statements reflect a sense of need to act on the following:

- Improve workforce skills through technical training and higher education.
- Market the City effectively, internally and externally.
- Target businesses that support income growth.
- Redevelop older parts of the City.

DED has begun the process of thinking through the detailed implementation process for the new strategy. This will require translating conceptual recommendations into specific actions, proposed budget line items and working practices. The work of implementation has already begun and will continue over the next year and longer.

