

An adjourned meeting of the Board of Supervisors of Albemarle County, Virginia, was held on January 30, 2014, at 8:30 a.m., Room 241, County Office Building, McIntire Road, Charlottesville, Virginia. The meeting was adjourned from January 8, 2014.

PRESENT: Mr. Kenneth C. Boyd, Ms. Jane D. Dittmar, Ms. Ann Mallek, Ms. Diantha H. McKeel, Ms. Liz A. Palmer (arrived at 8:39 p.m.) and Mr. Brad L. Sheffield.

ABSENT: None.

OFFICERS PRESENT: County Executive, Thomas C. Foley, County Attorney, Larry W. Davis, Assistant to the County Executive for Community and Business Partnerships, Lee Catlin, Clerk, Ella W. Jordan, and Senior Deputy Clerk, Travis O. Morris.

Agenda Item No. 1. The meeting was called to order at 8:35 a.m., by the Chair, Ms. Dittmar. She invited all of the attendees to introduce themselves.

Agenda Item No. 2. **Joint Meeting with Economic Development Authority**

Economic Development Members Present: Lettie Bien, Scott Goodman, Vernon Jones, John Lowry, Mitchell Neuman (arrived at 8:50 p.m.) and Elton Oliver.

Mr. Lowry, Chairman, called the Economic Development Authority, to order.

Item No. 2a. Establishment of Economic Development Program.

The following executive summary was forwarded to Board members:

“On December 4, 2013, the Board of Supervisors (BOS) directed staff to initiate an information gathering and education process as part of the Board’s consideration of establishing an independent Office of Economic Development, with the following major milestones:

January, 2014 - hold a joint work session with the Economic Development Authority (EDA) to review research results and hear from outside expert(s) on current/future state of economic development best practices, including reasonable expectations/ measures, real estate development and site selection.

- **outcome:** attendees will gain a working knowledge of what efforts are necessary to achieve robust economic health in a competitive environment and will develop a shared understanding of economic development among key partners, such as the EDA, to establish the philosophical framework that sets direction for the Economic Development Program, including desired measurements/outcomes.

February, 2014 – hold a work session with public comment to review and revise the proposed Economic Development Program framework, including a mission, guiding principles, components and high level goals.

- **outcome:** Board endorsement of preferred direction/framework for the Program with opportunity for public feedback.

Late February/early March, 2014 – review detailed cost information for establishing an independent Economic Development Office as part of the budget process and approve Board - supported direction as part of adopting final budget.

- **outcome:** approved budget for future direction of economic development effort.

April/May, 2014 – begin the hiring process if Board directs staff to create an Economic Development Office and set initial priorities and outcomes for the future Program.

- **outcome:** adopted priorities to guide initial work plan.

The January 30 joint work session will focus on the following outcomes:

- BOS and EDA members are familiar with the Economic Vitality Action Plan, including the Target Industry Study, and with Goal 3 of the Strategic Plan;
- BOS and EDA members understand the current competitive environment of economic development, including emerging areas of growth and opportunity for capital investment and job creation;
- BOS and EDA members understand what components comprise a “best practice” municipal economic development program, including the responsibilities of an economic development director and accepted measures of program success;
- BOS and EDA members understand the importance of being prospect ready to attract desired target industries, including appropriate site and building availability, and what it takes to achieve that level of readiness; and
- BOS members have an opportunity to discuss and provide initial overall reaction.

The work session will include the following presentations:

- Recap of County’s Economic Vitality Action Plan (**Attachment A**) and Strategic Plan Goal – Lee Catlin
- Overview of Current/Future State of Economic Development Practice – Brian Shull, Economic Development Director, City of Harrisonburg

- Focus on Prospect Readiness/Site Selection – Chris Lloyd, Senior Vice President and Director
Infrastructure and Economic Development, McGuire Woods Consulting

The establishment of an Economic Development Program was discussed in detail with the Board on November 6, 2013. The executive summary from that meeting is included as **Attachment B** below, and provides a link to the following documents which may also be helpful background in advance of the January 30 work session:

- “2013 – 14 *Guidebook for Elected Officials*” created by the Virginia Economic Development Partnership
- Proposed Economic Development Program concept framework

Additional information on the County’s target industries is summarized in **Attachment C**.

Staff estimates the cost to establish an Economic Development Office to be staffed by a new Director and a new half-time administrative position would be approximately \$160,000 annually in addition to the existing Economic Development Facilitator position. Exact costs for the new office would be determined during the FY 15 budget process, and funding, if approved, would become available on July 1, 2014.

No specific action is recommended at this joint work session. As outlined in the schedule above, a work session with public input is scheduled for February 12 to continue discussion and consideration of this item.”

Mr. Tom Foley stated the purpose of the meeting noting that, for the past three years, the County has been working through a Board-adopted “Economic Vitality Action Plan,” which was developed with community input and was unanimously adopted by the Board of Supervisors. He said there has been some investment over that timeframe through a very specific plan with goals and actions and, under the leadership of Lee Catlin and Susan Stimart, it’s been a big success with lots of great progress. Mr. Foley said a big focus of the plan has been to change the County’s business climate and image, and change the County’s interaction with the business community in an effort to promote jobs and capital investment for the health of the long-term economy. He stated that a primary component of those efforts has been moving from the past and, at this meeting, they would address the next level of economic development and economic vitality.

Mr. Foley said the Board has before them a recommendation from County staff – which was developed with input from the community – as to what that next level will look like. He stated that what’s presented includes some actions and a program outline, along with some vision and mission statements. Mr. Foley said staff and the Board agreed to take a little more time for some education on what the next level would look like, so this meeting would feature input from those who do it for a living – both from the local economic development authority and other people who have been involved with some high-level deals that have made a huge difference in terms of bringing in jobs and capital investment. He stated that this information would ultimately lead the Board to a decision on whether or not to establish a formal economic development program in the County, which will include hiring a director of economic development and establishing an office which will spend full time on this initiative.

Ms. Catlin stated that her role at the meeting was to provide background and set the stage as to where the County has come over the last several years. She said much of the information is provided in the executive summary, noting that the Board had unanimously adopted the Economic Vitality Action Plan in August 2010 after a very extensive public engagement process. Ms. Catlin stated that the plan contained five goals, each with a number of objectives and action items, and she had included a final report on the plan’s progress in their materials.

Ms. Catlin said the first goal was to improve the County’s business climate and image, which included expanding communications and outreach to the business community, increasing visibility of the County’s business development staff, and improving interaction between community development staff and the business community. She stated that staff has put considerable effort into that area over the three-year period, and feel that they’ve developed a much more positive and productive partnerships with state partners such as the Virginia Economic Development partnership; regional partners such as the Central Virginia Department for Economic Development and the Chamber of Commerce; and emerging local entities such as the Charlottesville Business Innovation Council and Virginia Bio. Ms. Catlin said there were some staffing changes and the development of an economic development website as a portal, and they are focusing on having a single point of contact program in Community Development.

Ms. Catlin stated that the second goal was simplifying and creating certainty in the development review process, and the objectives included amendments to development ordinances to reduce complexity of approval and to assist small enterprises in reaching compliance with County standards. Ms. Catlin noted that the County has changed its legislative and ministerial review processes to simplify and streamline them, and approved a priority review process for target industries to help move them through the approval process more quickly. She stated that staff produced a “small business toolkit,” and Ms. Stimart has established regular drop-in opportunities for people to come into the County Office Building at a certain time each month, and they have also provided regular training opportunities.

For goal three of strategically working with partners on career ladder employment opportunities, Ms. Catlin said there were a number of objectives including promoting and supporting small business growth and development, promoting targeted business and investment, and connecting opportunities with

residents. She said goal 3 activities have focused on expanding the “Albemarle Business First” program, which is a business visitation initiative which includes a goal of 50 company outreach efforts in 2010, 75 in 2011, and 100 in 2012. Ms. Catlin stated that the most significant activity under this goal has been the Target Industry Study, explaining that the County partnered with Central Virginia Partnership for Economic Development (CVPED) on a study to help provide a more focused and intentional look at the types of companies that will have the potential to thrive here based on workforce and a number of other criteria.

Ms. Catlin said goal four is to remove obstacles to industrial land use, as consistent with Comp Plan goals, and they went through an extensive zoning text amendment process to modernize those uses and provide flexibility in the County’s industrial commercial districts – hopefully providing more site options for those types of companies looking to locate in those areas. She stated that they will continue to work through the Comp Plan update process to potentially identify additional places which could be designated to provide site options.

Ms. Catlin reported that the fifth goal was to promote the local agri-tourism industry and tourism as part of a comprehensive program, and there have been quite a number of activities going on in that area. She stated that they’ve been working with the Charlottesville Albemarle Convention and Visitors Bureau (CACVB) on their strategic marketing plan in order to ensure that more resources and effort are focused on promoting the County’s tourism assets. Ms. Catlin said this has played out in some of the work done by Payne Ross, the Monticello Artisans Trail, the Monticello Wine Trail, the locavore export initiatives and the Tom Tom Festival as well as the agri-business marketing conference in partnership with the Chamber.

Ms. Catlin stated that, although there has been a lot of good activity going on in the plan, they didn’t really have a focus or direction beyond the three year scope. Ms. Catlin said the Board’s strategic plan has a goal of “Encourage a diverse and vibrant local economy,” and an objective for that goal was developed to focus on transitioning from the three-year plan approach to an ongoing, established economic development program. She stated that they convened a goal team comprised of staff and outside partners and did a lot of work looking at best practices and peer communities and put together a program concept, including mission and guiding principles and program components – which were reviewed in several very energetic public roundtables. Ms. Catlin said they received a lot of good response and feedback from the public and revised the program concept based on that input, then brought it back to the Board for their consideration.

Ms. Catlin stated that, after discussion with the Board, staff recommended that the Board consider a team approach to economic development, with the Community Development department continuing their focus on strategic land use planning, development processes, and regulatory reform; that the office of Community and Business Partnerships be refocused to increase efforts related to communications, marketing, tourism, agri-tourism, and public engagement, and that an Economic Development office be established to focus on the core functions of economic development that have not had sufficient resources to this point. Ms. Catlin said the Board’s direction at that point was to initiate the education process, including this joint work session and one in February, which will allow public input and feedback on what’s been done to this point, and discussion during the upcoming budget process in which the decision on how to actually move forward and how to fund it will be before the Board.

Ms. Catlin then introduced Mr. Brian Shull, Director of Economic Development for the City of Harrisonburg.

Mr. Shull addressed the Board, stating that he was very impressed with the Economic Vitality Action Plan and commented that it was a great first step followed by tremendous momentum with the action steps over the past three years. He said those efforts led to the proposed economic development program outline, which seemed very realistic to him in terms of budget and targets. Mr. Shull stated that he was also very impressed with the one-stop business portal on the County’s website, and found it easy to access and use.

Mr. Shull stated that it’s important to keep economic development planning focused on a simple format by organizing efforts into three major categories – retention and expansion in order to take care of what’s currently in place because 70-75% of all new capital investments and jobs come from existing firms that grow and expand; attraction of new businesses; and new business creation. He said the Virginia Economic Development Partnership compiles this data every year, and the existing business percentage has always been in that range, so it’s important to keep a robust visitation program. Mr. Shull stated that it’s amazing what can be learned from those visits, and the dialogue must be kept open with the business community. He said suppliers to existing businesses are often the next big potential client, as they can locate closer to the businesses they are serving.

Regarding business attraction, Mr. Shull said a community must have a lot of quality sites and buildings to sell, and there must be a team effort with regional and state partners in addition to an economic development office. He stated that all corners of the community can help find leads – from the real estate and development community, existing businesses, and local residents. Mr. Shull said it’s important to have industry clusters to take advantage of local resources and educational opportunities.

Mr. Shull said the County is fortunate with the location of UVA and other higher education institutions, and the resources that can come from those in terms of entrepreneurs and innovation concepts are significant. He stated that the County needs to continue to grow those opportunities from the ground up and not just rely on bringing in new companies or expanding existing ones. Mr. Shull stated that “economic gardening” is a concept that’s been gaining recognition recently, and it essentially means identifying firms that are off to a good start and are starting to grow – the second stage companies that are

ready to get to the next level. He said it's challenging for start-up firms to find capital so, if there are ways to provide loan programs, that is helpful. He said student-planned competitions can also be very successful, and just a little bit of seed money to help incentivize can turn some into thriving businesses.

Mr. Shull said it's important to identify the roles and responsibilities of an economic development office and what skill sets are necessary, and stated that there's a need for research and data mining, real estate expertise, marketing, financial analysis, and sales and deal closing in conjunction with political leadership. He mentioned several loan programs they've tried in Harrisonburg, stating that they had received a \$99,000 grant from the USDA, and the City put in another \$25,000 for a loan pool. Mr. Shull said, within the first year, they had six companies that successfully applied for loans and were awarded a total of \$80,000 – creating about 20 jobs and six new start-up companies in the downtown area, with working capital being their biggest need.

Mr. Shull stated that it is key to be able to measure the success of any economic development program, and referenced five benchmarks that he finds helpful in making that determination. He said the state measures success through job creation and capital investment and, at the local level, he tries to track new business licenses issued, and average wages with the goal of raising the average wage. He stated that, at the regional level, they try to monitor how many site visits they are handling every year, what sectors they're coming from, and the trend in number of visits.

Mr. Shull said the overall environment for economic development is very strong, and Virginia is almost always in the top five nationwide for business climate ratings – often with #1 ratings from entities such as Forbes, CSNBC, etc. He stated that site selection consultations often consider Virginia and know it's a good place to locate with a lot of the infrastructure and utilities needed to make it happen. Mr. Shull said, when he began doing this type of work in the 1990s, projects were very much real-estate driven with factors being whether there were sites properly zoned, whether they had utilities available, and if there were access roads. He stated that this has changed considerably and it's now very people driven – with a skilled workforce being the primary factor that comes up so that companies have the labor needed to fill their jobs. Mr. Shull said access to university partnerships is critical, and almost every prospect he talks to wants to have a relationship with James Madison University, either with professors in their target sector, students to fill the jobs and internships, and other opportunities. He stated that quality of life is also a huge factor, and Albemarle's character will help attract businesses that choose this location for their companies because they want to live here.

Mr. Shull said, in 1998, the state of Virginia created the ability for communities to set up technology zones, which are specific geographic areas with localities offering incentives to attract technology firms there. He stated that Harrisonburg was one of the first in the state to set up one of these zones, in a small 26-acre technology park. Mr. Shull said they didn't offer heavy monetary incentives, but did offer a break on BPOL tax, free water and sewer hook-ups, and reduced land costs. Mr. Shull stated that those incentives helped land some nice projects very quickly, including two software firms and a government contractor that does work for the patent and trademark office. He said they took the next step a few years later and established a technology zone around the downtown area, attracting about a dozen small information technology firms that wanted to cluster together.

Mr. Boyd asked if the City of Harrisonburg had invested in infrastructure in those locations. Mr. Shull said they had some minor upgrades in cabling for the downtown area, but didn't do anything in the technology park, and offered some financial incentives to the small firms. He stated that, adjoining that park, Rockingham County bought 365 acres to set up a technology park, and also set up a technology zone. Mr. Shull said the city and county actively pursued Stanford Research Institute (SRI) jointly, which was looking for an East Coast presence. He stated that they now have 50 PhD researchers there doing bio-science work, and it is their center for advanced drug research.

Ms. Palmer said the park is in Rockingham County, and said that Harrisonburg wasn't collecting any real estate tax on it. Mr. Shull explained that Rockingham worked out a lease agreement with the company, so the county owned the land and built the building, then leased it to SRI and receives lease payments from them. He said the state also provided significant incentives to the company, with SRI receiving about \$20 million over a five-year period.

Mr. Shull said there are a lot of nice incentives available for restoring old buildings through state and federal historic tax credits but, prior to 2007, there wasn't a lot out there to encourage new construction. Mr. Shull said they had a few parts of the downtown area that needed redevelopment, and the General Assembly passed legislation in 2007 which enabled them to create economic revitalization zones – which work similarly to the technology zones as far as incentives for new construction and designation of a specific geographic area. He stated that Harrisonburg decided to freeze the real estate tax assessment for a specific property based on the amount of investment that's made and, in this case, Harrisonburg had a \$21 million mixed-use development come in on the site for retail plus 200 apartments. Mr. Shull explained that, for investments of \$1-10 million, the assessment would be frozen at the current level for five years; projects over \$10 million had assessments frozen for eight years; and projects over \$20 million were frozen for over 10 years.

Mr. Lowry asked if they put incentives in place, or if they deal with them as individual projects. Mr. Shull explained that this was an ordinance in place for any development within that particular B-1 downtown area, so it's on the books.

Ms. Palmer noted that, in his benchmarks of success, he didn't have any information about "revenue-collecting" for the county or city, and asked if they were measuring how much they were giving out versus what they are getting back.

Mr. Shull said they were, indeed, measuring that noting that there are still some expenses for the residents in those mixed-use developments, and their analysis has shown that the retail and restaurant establishments in that area were paying a lot of money back. He stated that the tax break actually shows up as an expense in his economic development budget and, this year, he has \$175,000 in foregone taxes that will come back later but are not being collected this year. Mr. Shull emphasized that it is being tracked as it's important for him to know how much the city is losing on this in exchange for getting new meals tax, sales tax, etc. He said, based on his estimates, they will break even within four years for this particular project.

Ms. Bien asked if the incentives were just to get them to move in, rather than being performance-based as far as creating a certain number of jobs of a certain type. Mr. Shull said that's the case with the projects he's talked about so far, but Harrisonburg does have other incentive programs that are performance-based. He stated that usually when they get to the issues of trying to land a project using Governor's Opportunity Fund money – which are all jobs and capital-investment based – there are criteria which must be met, such as creating a certain number of jobs within 30 months or paying back the incentives.

Ms. Bien said, at some point, those businesses would be paying normal taxes, so the city could go back and re-negotiate some points based on new jobs, spending of capital, and other factors. Mr. Shull confirmed that they could definitely do that.

Ms. Mallek asked if they'd had projects similar to this that had gone beyond their credit period. Mr. Shull said, thus far, it's been all positive and they are hopeful it would continue that way. He stated that it's important to have performance agreements built into incentives, so that nobody gets left holding the bag.

Mr. Foley noted that anything the Governor's Opportunity Fund provides money for requires a performance agreement in the execution of those incentives.

Mr. Shull stated that it's very important to cultivate targets, regularly reviewing the list of prospects and ensuring that it's up to date – making sure that the assets of the community meet those needs; establishing funding to go after those targets; attending industry trade shows and events where those industry groups are present; and allowing resources to experiment with some new opportunities. He said that, with different incentive policies, the County may want to prioritize ones so that those particular target industries get a little bit higher incentives and are weighted more heavily.

Mr. Shull said it's important to have a shared vision between County government and the Economic Development Authority, summarizing that it's also important to work the target sectors vigorously and continue to review them yearly, develop a marketing plan and devote resources to go after target sectors, and continue to just work the plan.

Ms. Dittmar thanked Mr. Shull for his presentation, and asked how Harrisonburg local government works with its EDA.

Mr. Shull said Harrisonburg works with an Industrial Development Authority that, to this point, has been solely focused on issuing bonds, and the following week he would be going to them for the business loan program he mentioned earlier. He explained that, through the fees the IDA has been accruing from revenue bonds, he will ask if they can reinvest into the business loan program so it can reenter the community. Mr. Shull said the IDA has not been in on the day-to-day economic development activities, but they have a different group – an Economic Development Advisory Committee – that is in place and is very active, particularly in working with the target sectors. He stated that there is a retired Fortune 500 CEO in that group, a high-ranking JMU representative, and another person from the financial services industry all working very hard on the target sectors.

Ms. Bien asked about Mr. Shull's budget. Mr. Shull responded that he has a budget of \$585,000, which includes \$285,000 for incentives and tax breaks, and the remainder goes for operations. He stated that it's all funded through the City's General Fund.

Ms. Bien asked if they also pursue grants or have "memberships" activity from businesses in the area, which could help spread the word and work with the outreach program. Mr. Shull explained that the Shenandoah Valley Partnership for Economic Development, which is a regional group similar to the Central Virginia Partnership for Economic Development (CVPED), is a membership group and their dues are used for marketing. He said he gets a lot of benefit from that group. Mr. Shull said they don't do much in the way of grants, other than some small façade-improvement grants.

Mr. Foley noted that their structure is very similar to CVPED.

Mr. Christopher Lloyd addressed the Board, stating that he helped found the consulting arm of McGuire Woods after serving in the administrations of both Gov. Doug Wilder and Gov. George Allen. Mr. Lloyd said half of his practice is devoted to economic development site selection work, and explained that they are hired by companies that are looking to expand and relocate all across the country but are too busy to deal with state and local governments when making critical decisions on where to add jobs, where to subtract jobs, where to add investments, take away investments, etc. He stated that there are people around the country who are in the site selection business and are advisors to corporations, and there is a trend for site selectors to do this work on behalf of large and small businesses. Mr. Lloyd said Albemarle County is one of the largest counties he has run into that does not have a full-time economic development director, and it really does require someone on a full-time basis.

Mr. Lloyd said, when he started in economic development in 1993, it usually took a year or two for a project to mature and recently, when Hilton Hotels relocated their headquarters from California to Virginia, he had 45 days to close the deal. He stated that companies are making decisions quickly – seeking business opportunities and needing to get to market immediately. Mr. Lloyd stated that “cash is king” with incentives, and that has also been a big evolution over the past 10 to 15 years – with states putting in significant tax credits. He noted that, when he runs his economic model though, he values those tax credits at \$0 because most smart corporations can find a way to avoid state income taxes. Mr. Lloyd said cash doesn’t always mean up-front cash, and can often mean back-end cash or cash for infrastructure. He emphasized that incentives do not make a bad deal good...they are icing on the cake and should be pitched as a partnership, as an investment in the company’s ultimate success. Mr. Lloyd added that one must be extremely prudent when offering economic development incentives to ensure a return on investment analysis and other analyses are done.

Mr. Lloyd reported that, for many companies, there is an increasing focus on long-term costs and a focus on what it will cost them to be in a community five, ten, twenty and fifty years in the future. He said they really want to understand, from a tax and regulatory perspective, what it’s going to be like to be in that community, as they will be there for quite a long time. Mr. Lloyd said, while a locality might be able to make a very good short-term deal, if there’s a back-end kicker that will be disadvantageous, then a company will really look at that. He stated that this goes along with the increased role of the chief financial officer or the “owner” of the process i.e. the workforce component. Mr. Lloyd emphasized that the internet has really transformed the site selection process, and companies looking in the community are too busy to sit down and dig for information. He said their business is really “site elimination” more than “site selection,” adding that there are 3,500 local governments in the U.S. – all of which would claim they are a great place to do business, have a wonderful quality of life, have great schools, good weather, etc. He stated that it’s his job to narrow it down to one community and, if it takes him extra time to find basic information on things like cost of living, he will move on. Mr. Lloyd said he wants actionable, immediate, relevant, current information, and also solutions. He stated that companies don’t want sales, they want partnerships, and aren’t in the business of just spending money because they like to – they are doing it because they are being forced to expand. He emphasized that companies don’t want just “a site,” but instead want to be part of a community and want a place where their manager is willing to relocate his or her family. Mr. Lloyd stated that companies expect to be dealing with a professional team that’s accessible and knowledgeable, and can make decisions. He said, after getting on the radar, communities must be engaged in an effort that puts them constantly in the marketplace, and must be building awareness among decision-makers at the corporate level or among site selectors about what’s unique about the community. Mr. Lloyd said the outreach effort includes a rigorous marketing program, a strong website, and a community effort behind the activities which develop a sense of place. He added that no community is perfect, but if they admit their shortcomings and reveal an effort to address those issues, companies like that because they do the same thing. He emphasized that economic development must be a daily exercise in an effort to promote the community, making it well known.

Mr. Lloyd explained the steps taken when a company wants to locate or relocate, stating that typically they’ve done some initial analysis and will then hire a firm to do some further analysis of product trends, customer growth trends, and logistics. He said, from that initial pool of all localities, a company will then narrow their search and do some pre-engineering work as to what type of facility they will need and how large it should be in an effort to shape parameters. Mr. Lloyd stated that usually the staff will then go to the CFO or the company’s board of directors to seek approval for a capital budget to start testing the waters. He said, at that point, a company would hire a site selector and begin to narrow their search to specific regions, metro areas or states. Mr. Lloyd stated that usually, by the time he is enlisted, a company has narrowed it down to four to six communities and has refined the scope of their potential location. He said, at that point, they will analyze things such as transportation, legal structure, tax structure and regulations to establish which community aligns best with their business. Mr. Lloyd emphasized that it’s important to have that information available on the internet, adding that they may come to visit without local officials ever knowing they were there.

Mr. Lloyd stated that, once a company narrows it down to a county, city or metro level, the site selector or company representative will reach out to the locality and may issue a request for information (RFI) to the short list of communities and see how each community matches up to their criteria. Mr. Lloyd said the role of each party in the equation is different, with an expectation from the local developer to provide very site-specific information and the cost of doing business as well as the approval process – including permits for zoning, timelines, etc. He noted that a regional economic development organization is there to raise awareness of a region and the community as a whole; the state economic development office has deeper pockets in the transactions and can provide incentives for the relocation, along with coordinating state approvals such as environmental approvals as well as facilitating site locations; elected officials are there to provide a strong underlying business climate, close the deal, and cut the ribbon.

Mr. Lowry asked if it was a “top down” or “bottom up” approach, with the local community leading or vice versa. Mr. Lloyd said it varies project by project and style by style and, if a company comes to him with no pre-conceived location preference, he would start at the state level. He said, if they come to him with a regional preference such as “Charlotte, Raleigh, or Greenville SC,” he would go to a local economic developer and start from there and work up. He stated that his preference is always to start with the local economic developer if he has that luxury, because he wants to be dealing with the person who will be interacting with his client throughout the transaction and takes care of that client once he leaves the site selection picture.

Mr. Lloyd emphasized that the biggest mistake public officials make is wanting to rush in to the first economic development meeting, but company clients don’t want to hear from them at that stage as they are just in the analytical mode. He reiterated that it’s about “solutions, not sales,” and local officials

are there as sales people. Mr. Lloyd said, as the deal progresses, company reps do want to know that there's an elected official who's accountable to the people and will take care of them once they relocate.

Mr. Lloyd explained that, once the RFI is received, a site selector or group will convene and down-select to three sites, and then ask for a site tour – sometimes on a confidential basis. Mr. Lloyd said, on a team visit, the other participants besides him may not reveal who they are, and they may not even reveal what their company is. He stated that, after that site tour, the group would begin an intensive round of research – reading the local newspaper, looking at what's been happening with other economic development deals in the community over the last five years, reading City Council and Board of Supervisors minutes to determine who the champions for economic development might be and who might be of concern through the approval process. Mr. Lloyd said they are also running very sophisticated cost and logistics models to evaluate what the community is like, and then will probably come in and talk. He stated that company officials are well networked within their industries, and they will call former colleagues who are located in a community to find out what it's like. Mr. Lloyd said this is why it's so important to keep the existing business community happy, as they can be incredible ambassadors to people a locality is trying to attract.

Mr. Lloyd said, from that point, they would issue a detailed RFP of 20-30 pages long in which they would ask 50-100 questions about the community to supplement the research already done, and then they crunch the numbers and rank the sites. He stated that, at that point, a company would probably reveal its identity, and officials will want to come in and take a community tour. Mr. Lloyd said, as part of that tour, they would want to get in a room confidentially with other major employers to ask what it's like to be here, what turnover is like, what the educational system is like, how hard it is to get zoning approvals, what it's like to get sign approvals, and whether there are any community problems like drugs. He stated that they would want to drive around to get a feel for the community – to take a look at the housing stock, the restaurant life, the shopping amenities, etc. Mr. Lloyd reiterated that everyone they interface with along the way serves as an ambassador for the community.

Mr. Lloyd said it is of the utmost importance to maintain confidentiality with these transactions, and if companies are making a decision on a major move, it will impact stock prices, how they are viewed by competitors, any pending litigation, etc. He stated that if someone in the chain starts to talk, a community will probably never be looked at again. Mr. Lloyd said it's not about hiding things, it's about respecting the process.

Ms. Dittmar said it's also important because often a company is moving out of a community and doesn't want to be pressured by a community while they make the decision to leave.

Mr. Lloyd reiterated the importance of being honest about the good and bad of a community, because the company will find out anyway in their own research.

Mr. Neuman asked how important the speed factor is when applied to the overall concept of what they're trying to do as far as economic development because, if you move too fast, you can lose the deal. Mr. Lloyd agreed, stating that you must understand that a deal can change around you – but 99 times out of 100, if you're moving slowly, people will take it as an indication of what it's like to be in the community. He said, if people don't see cooperation, they will assume it means they won't get that once they're here either. Mr. Lloyd stated that this is why it's important to have a deliberate process in place that has been fully vetted and embraced, so when there's downtime between projects, a community can move with all deliberative speed when a business does walk in the door.

Ms. Palmer asked how much companies were using the competition between states and communities as leverage to get a better deal, and asked why a firm would choose to move as fast as Hilton did. Mr. Lloyd said Hilton did not move because of incentives – they had other corporate initiatives they were trying to accomplish and had already made a decision to be on the East Coast. He stated that there are some companies that use the process of getting localities wound up to play off of one another, but he thinks that's incredibly bad form – because if a firm has burned every bridge before they even relocate, it won't be to their benefit in the long run. Mr. Lloyd said, more often than not, the need for speed is a function of a narrow window of marketing opportunity. He stated that some consultants run their development projects through the media, but he finds that “absolutely disastrous.”

Ms. Mallek said it's a complicated web as he presents it because, on the one hand, there is quality of life that's important – but then there's also the bottom line of wanting it cheap. He stated that localities also hear that they don't have the right buildings or developed parcels ready, but the companies must have specific needs as far as what they want so it doesn't seem wise to invest a lot of money in a building that no one wants.

Mr. Lloyd said Ms. Mallek is right, and almost every client he has had over the past 16 years has started from the standpoint of being willing to look at an existing building or site – but he has yet to have one that actually picks one. He stated that this varies with small companies that can be in flex space or companies that want to grow, but for companies that are making a major move – particularly with manufacturing or research – they want something that's custom for their process because it's extremely hard to retrofit an existing facility. Mr. Lloyd said it's unrealistic to have a building built for every type of industry that may be coming through the door, but the point is to have flexible zoning and to ensure that they have a plan for building the roads and utilities already in place to take advantage of the opportunities once they come in. He stated that companies are not necessarily expecting to have an instant facility in place, but they also don't want to spend a year dealing with zoning changes or waiting for increased sewer capacity. Mr. Lloyd said it is important to take advantage of the downtime to have the plans available and ready and have the plans and process in place.

Mr. Lloyd concluded his presentation with the concept of “what happens if you lose,” stating that a locality will lose at some point and indicated that it’s important to ask for an exit interview. He said, if a community made it onto the short list, that means there are a lot of things they liked – so asking why another community was chosen helps inform an action plan for the next company that comes through the door. Mr. Lloyd added that the networking between officials may also pay off because, when they are talking to their colleagues, they will recommend Albemarle for other business relocations. He said a locality may also want to stay in touch with that business, because the odds are they will have another expansion at some point.

Mr. Jones asked how the County or EDA can make sure a particular company is one they would want to have in the community. Mr. Lloyd said that was a very valid point, because people can get so wrapped up in a deal that they fail to do due diligence on vetting a company. He added that where he sees most economic development projects go bad is when people fail to do their research on the company, stating that 99 out of 100 economic developers don’t pull a company’s annual report and 10K or 8Ks to understand their business. Mr. Lloyd said a locality can ask for a private financial report if the company is not publicly held to ensure that a company isn’t just pursuing a short-term government contract or subsidy. He stated that there should be a very rigorous return on investment analysis, and if they don’t meet certain criteria, the County should turn them down.

Mr. Neuman asked how many times clients actually got turned down by localities as opposed to the other way around. Mr. Lloyd said, more often than not, it’s them turning down the locality – but he has had several localities come to him and say they’re not the right fit, or not ready and withdraw from the competition.

Mr. Neuman asked if there are consultants also representing EDAs. Mr. Lloyd said typically, the economic development office has a staff, and there are also firms that help EDAs with marketing activities and arrange calls on companies – but they aren’t consultants in the same way that he is in terms of seeking specific firms to relocate.

Mr. Neuman stated that, obviously, there are many localities which are desirous of having any company come in, and it’s important for the community to determine exactly what business profile they want to go after, but specifically, he wanted to know about what broad-spectrum help is available to EDAs in making those determinations.

Mr. Shull said there are consulting firms that will help with that, and there’s a company in Richmond that a lot of communities work with that will arrange calls and/or visits with CEOs for target industries.

Mr. Lloyd added that there are trade shows for just about every industry, and decision makers will attend those events – so the local economic development staff should be there too.

Mr. Neuman said it seems that the first step is to have localities identify their target industries, and asked if that was the direction the County should be moving in.

Mr. Shull stated that drilling down on targets is a good next step, as well as establishing whether they have the infrastructure to meet their needs.

Ms. Dittmar said that they do have professionals that can represent the County and, when they hire a CVPED director, they are looking for a professional that will help local economic development directors work together to take advantage of what meets their needs. She said the state also has an organization which can provide support on the public/private partnership side.

Mr. Boyd stated that what he is taking away from this meeting and discussion is that the County does need to take the next step and hire a professional economic development director to get the ball rolling and drill down on these issues – because without that, there is no one to do this work.

Mr. Foley said staff has done a lot of the groundwork by doing the target industry study and establishing a strong working relationship with CVPED and the Chamber of Commerce, so they are just at that turning point now of needing additional resources to take the next step. He stated that they need someone to work with the Board to develop the incentive strategy, and deciding that without a professional economic development person would be difficult at this stage.

Mr. Lloyd stated that just as much of that role is protecting the County and the Board and the taxpayers, emphasizing that economic development incentive agreements are very complicated – and when you’re dealing with high-powered corporate attorneys and financial people, you want to make sure you’ve got a professional representing you who can speak that language.

Ms. Dittmar said some localities were not as sophisticated as they needed to be, and there are some “horror stories” of communities that have been taken advantage of.

Ms. Palmer asked how far along the County is in looking at returns on investment, and asked if they were better off starting with a consultant rather than a permanent, full-time employee.

Mr. Foley said that would be a good question for the consultants here.

Mr. Lloyd said he would rather deal with someone in the community, not a consultant who has been hired, because he wants to work with someone who is living in the community and has a vested interest in what happens there.

Mr. Foley stated that the alignment with the Board and County Executive and administrative staff regarding what they can expect from the community is an important aspect.

Ms. Catlin said she wants to make sure that the focus of this initiative is not just about how to bring new people into the community, as they have a lot of expanding businesses that fall into the same category of going through this process. She emphasized that they must look at them as clients who have a lot of possibilities as to where they go, and how to keep them here.

Mr. Lloyd said a board of directors in a company sets a capital investment budget for the year, and the local site managers or plant managers compete for their share of that and must build a business case for an existing operation. He said, if the community they are located in is willing to be a partner, it makes their business case much easier.

Mr. Boyd stated that this process has been developed for three years, and is not a new process for the Board to be considering. He said they have talked quite a bit about how to calculate the ROI, and the next step would be bringing in a professional with the expertise to develop it.

Ms. McKeel asked the consultants to relay their experience in partnering with institutes of higher education, and how they might make that work locally. Mr. Shull stated that it's very important, and almost every prospect he talks to strongly desires a relationship with the university – so JMU is brought in almost immediately. He said both universities are quite large, and almost any target industry can find a link there. He stated that almost every university across the state has an office of economic development, so that partnership can be made even stronger.

Mr. Lloyd said he agreed completely, adding that companies are looking at a university presence as an indicator of dynamism and activity within a community – and if they see an institution that's not active and involved, they may not want to locate there but if they see the integration working then it's an asset.

Ms. Dittmar asked how important it was for the County to work with the City, because most businesses talk about locating to “the Charlottesville area.” Mr. Shull said it's very important for the two entities to work closely together, and they've made some big strides over the last five years with Harrisonburg and Rockingham collaborating more closely. He stated that they recently came out with a quality of life brochure that the county funded half of, and the language states “Harrisonburg Metro Area.” Mr. Shull said that was a big step for Rockingham to invest in and not have their name on it, but the big picture dictates that you're selling yourself as an entire community. He stated that there are many projects currently underway in which the city and county are at the table together looking at prospects.

Ms. Catlin said the City and the University already work very closely with the County, so that's a tremendous asset.

Mr. Goodman said, as a resident, he is not embarrassed by the lack of an economic development person and, up to now, there have been a lot of business and people locating here without that external effort. He stated that he would think that businesses would look at a locality that isn't always anxious to give away as much as they can to get them to locate here as an attractive place to be. Mr. Goodman said that, if a company sees they're just like everyone else, it may be less appealing to them, and he supports the effort to hire this new person if that's the direction – but he is proud of what they have now without trying to be like everyone else. He stated that Mr. Shull had mentioned answering questions and giving information to businesses, and he thought that was the role of the Chamber of Commerce without having a full-time County department. Mr. Goodman said, if they do move forward with the economic development person, they need to proceed carefully because they won't be able to pay anywhere near what some of these private consultants are paid. He stated that they should have others in the community serve as a “watchdog” for these efforts, and this philosophy has been debated before.

Mr. Lowry said jobs and capital investment are a desirable goal, along with broadening the tax base, and how they pay for large things like the new Northside Library is to expand the tax base. He stated that the City of Charlottesville had \$300 million of new capital investments last year, and Albemarle had \$100 million, and the difference is the tax base. Mr. Lowry said these new projects will bring BPOL taxes, sales taxes and property taxes, and those pay for debt obligations. He stated that they are a AAA-rated County and could do more things, and this is one way to do that – by hiring professional staff and showing their case to business and industry.

Ms. Palmer said the point that resonated with her is the fact that 70-75% of businesses are located here already, and asked how often the consultants work with the Chamber of Commerce as it may be challenging to hire an economic development person at a salary that is competitive.

Mr. Shull said he works very closely with their chamber of commerce, and said that the director is a former economic developer. He explained that the chamber works with the existing business community to strengthen the overall business climate and serves the needs of their member businesses, however, he is the one making the site visits to the plant managers and looking at capital investment and job creation needs – and how it ties into the city's ordinances and how they can partner to make it happen.

Ms. Palmer asked Ms. Catlin what percentage of the new position would be focused on supporting existing businesses versus outreach to new companies. Ms. Catlin responded that they have not done an exact analysis of the percentage yet, but the majority of it would be existing business and staff sees a great potential in retention, expansion and creation of businesses. She said there would also need to be an attraction component, because the County does lose businesses and jobs and will need to keep the flow of companies coming in. Ms. Catlin stated that they envision retention, expansion and creation as a very big part of the job, but there would be a component focused specifically on target industries.

Mr. Shull said, if there's an existing industry that's going through a major potential project, a lot of time is devoted to that and it almost becomes an attraction issue for that investment. He stated that 35-40% of his time is spent on existing businesses.

Ms. Dittmar stated that the Board would have a worksession on this and, once they focus their action plan, they will need the "boots on the ground" to execute it.

Mr. Lloyd added that a chamber of commerce is a wonderful advisor in the process, but they can't commit the County and they often write checks that they can't cash. He emphasized that localities need someone who's accountable.

Ms. Mallek said she also thinks that businesses may not be willing to share their private information with a chamber representative, whereas a staff person would provide that safeguard.

Mr. Neuman asked Mr. Shull if they were disappointed in the retail part of their major downtown project not being as vibrant as hoped. Mr. Shull said they were hoping it would fill up more quickly, and the site is about four blocks up from the main street downtown – but they haven't had any turnover in the site.

Ms. Mallek asked if the retail was supported somewhat by the residential initially. Mr. Shull said that was definitely the case, and the first thing retailers are looking for are rooftops within a certain radius.

Ms. Bien added that losing a company has a reverberating effect because a new business will call them and ask why they left and, if staff is working with them while they're here, they have the ability to identify infrastructure or other needs they need to stay or expand – and any incoming company is going to have those same issues. She emphasized that it will cost more to regain something than to retain it, and an economic development person can focus on those existing companies to provide a good return on investment. Ms. Bien added that you can find someone within the scope of salary who has that experience and knows what they're doing.

Ms. Dittmar clarified the Board's next steps as being a February 12 work session to process what they've learned in this session and talk about possibly budgeting a position.

She thanked Mr. Shull and Mr. Lloyd for presenting at the meeting.

Item No. 2b. Matters not Listed on Agenda.

There were none.

Agenda Item No. 3. Closed Meeting.

At 10:31 a.m., **motion** was offered by Mr. Sheffield that the Board go into Closed Meeting pursuant to 2.2-3711 (A) of the Code of Virginia under subsection (1) to consider appointments to boards, committees, and commissions in which there are pending vacancies or requests for reappointments. Mr. Boyd **seconded** the motion. Roll was called, and the motion passed by the following recorded vote:

AYES: Mr. Boyd, Ms. Dittmar, Ms. Mallek, Mr. McKeel, Ms. Palmer and Mr. Sheffield.

NAYS: None.

Agenda Item No. 4. Certify Closed Meeting.

At 12:18 p.m., the Board reconvened into open meeting. Mr. Sheffield **moved** that the Board certify by recorded vote that to the best of each Board member's knowledge, only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act and identified in the motion authorizing the closed meeting were heard, discussed, or considered in the closed meeting. Ms. Mallek **seconded** the motion.

Roll was called, and the motion passed by the following recorded vote:

AYES: Mr. Boyd, Ms. Dittmar, Ms. Mallek, Mr. McKeel, Ms. Palmer and Mr. Sheffield.

NAYS: None.

Agenda Item No. 5. Boards and Commissions Appointments.

Ms. McKeel **moved** the following appoints/reappointments to boards and commissions:

- **appoint** Mr. W. Rod Gentry as the Rivanna District representative on the Economic Development Authority with said term to expire January 19, 2018.
- **appoint** Mr. Thomas Olivier to the Natural Heritage Committee to fill an unexpired term ending September 30, 2015.
- **reappoint** Ms. Rochelle Garwood to the Natural Heritage Committee with said term to expire September 30, 2017.
- **appoint** Mr. J. Timothy Keller as the At-Large representative to the Planning Commission with said term to expire December 31, 2015.
- **appoint** Mr. Richard Randolph to the Rivanna Solid Waste Authority Citizens Advisory Committee with said term to expire December 31, 2015.
- **appoint** Mr. Peter Easter to the Agricultural & Forestal District Advisory Committee with said term to expire April 17, 2018

Ms. Palmer **seconded** the motion. Roll was called, and the motion passed by the following recorded vote:

AYES: Mr. Boyd, Ms. Dittmar, Ms. Mallek, Mr. McKeel, Ms. Palmer and Mr. Sheffield.

NAYS: None.

Agenda Item No. 6. Matters not Listed on Agenda.

Mr. Davis said he had one item that was forwarded to the Board regarding a resolution in opposition to Senate Bill 51 and House Bill 268. He said the proper procedure for discussing that is to have the Board make a motion to suspend the rules. He said he has prepared such language if the Board wished to entertain that in order to address that specific action item.

Ms. Mallek said she would like to get through the legislative agenda first, and asked if the Board still needed to have consensus on this.

Mr. Davis explained that the rules technically require that, and this is the prime situation where this is appropriate – for a specific matter that requires timely action from the General Assembly. He said that's why they have a provision which allows the suspension of rules in these types of situations.

Ms. Mallek **moved** to suspend the Rules of Procedure so as to allow the Board to add to its agenda for action consideration of a resolution to state its opposition to House Bill 268 and Senate Bill 51.

Mr. Davis said these bills are fairly significant, and his office has prepared a resolution in that regard. He explained that there is a concerted effort by local governments to oppose the two bills, in an effort to protect farm activities that have long been regulated successfully under local zoning ordinances. Mr. Davis said this is being driven by a particular situation in one county in Northern Virginia, and localities feel it's a "one size fits all overkill" to fix a problem that doesn't really exist, beginning last year with the Bonita Bill and continuing this year after a study that took place over the summer. He stated that the Senate would be acting later that afternoon on Senate Bill 51, and it is important for local governments to weigh in and state their opposition.

Ms. Mallek explained that the difficulty with this bill is these are activities that are not agricultural, and any administrative or legislative process for localities would be denied by this bill. She said many local farmers are concerned that they will suffer because of a few individuals who are not operating fairly, under protection of this new bill.

Mr. Kamptner said, in analyzing the County's current regulation, they do allow the use and regulate them in a way that allows adjoining properties to coexist peacefully – with farm sales, farm stands, farmer's markets and farm wineries under the general agricultural designation use classification. He stated that those activities are allowed at a reasonable level, and these bills do not require that the new activities be subordinate to the agricultural use. Mr. Kamptner added that the bills also represent another piece of statewide legislation that takes from local governing bodies and the citizens that live in those localities a say in how they shape communities.

(Note: Ms. Palmer and Ms. Dittmar left the meeting at 12:26 p.m. Ms. McKeel assumed the role as Chair.)

Roll was called, and the motion to suspend the rules passed by the following recorded vote:

AYES: Mr. Boyd, Ms. Mallek, Mr. McKeel and Mr. Sheffield.

NAYS: None.

ABSENT: Ms. Dittmar and Ms. Palmer.

Ms. Mallek then **moved** to adopt the resolution as presented to state the County's opposition to Virginia Senate Bill 51. Mr. Sheffield **seconded** the motion.

Mr. Boyd said the concept behind the bill wasn't a bad idea, but this bill goes too far.

Roll was called, and the motion passed by the following recorded vote:

AYES: Mr. Boyd, Ms. Mallek, Mr. McKeel and Mr. Sheffield.

NAYS: None.

ABSENT: Ms. Dittmar and Ms. Palmer.

(The adopted resolution is set out below:)

RESOLUTION

A RESOLUTION TO RESPECTFULLY STATE THE OPPOSITION OF THE BOARD OF SUPERVISORS OF ALBEMARLE COUNTY TO HOUSE BILL 268 AND SENATE BILL 51

WHEREAS, House Bill 268 and Senate Bill 51 would establish a class of activities at agricultural operations, including agri-tourism activities and the sale of agricultural and silvicultural products and items, that would generally be exempt from local zoning regulation; and

WHEREAS, House Bill 268 and Senate Bill 51 do not expressly require that these activities be subordinate to the agricultural operation and, therefore, would allow token agricultural operations to become the hosts for these activities; and

WHEREAS, House Bill 268 and Senate Bill 51 also do not require that the products and items sold at agricultural operations be produced onsite, or within the locality, or even within the region, or have any direct relationship to the agricultural operation; and

WHEREAS, House Bill 268 and Senate Bill 51 would restrict the authority of localities to regulate the size of agritourism activities or the size of buildings or structures used for the various activities, thereby commercializing agricultural zoning districts in ways that may destroy their character, disrupt other agricultural operations, and adversely impact the immediate neighborhood; and

WHEREAS, House Bill 268 and Senate Bill 51 would require localities to allow any activities that are "usual and customary" at Virginia agricultural operations, even though activities that are usual and customary in one locality or region of the Commonwealth may not be usual and customary in another; and

WHEREAS, House Bill 268 and Senate Bill 51 encroach significantly on the powers of Virginia's elected local governing bodies to promote agriculture and to protect citizens from incompatible, unregulated activities that may destroy the quiet enjoyment of their property; and

WHEREAS, House Bill 268 and Senate Bill 51 prevent the citizens of Virginia's localities from participating in shaping the character and development of the localities in which they live and work.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Supervisors of the County of Albemarle does hereby state its opposition to House Bill 268 and Senate Bill 51;

AND, BE IT RESOLVED FURTHER, that the Board of Supervisors respectfully requests that its legislative delegation oppose House Bill 268 and Senate Bill 51 because they unnecessarily commercialize agricultural zoning districts in ways that do not truly support agriculture, and they impede the role of Virginia's local governing bodies in protecting property values, and the health, safety and welfare of the citizens of the counties of Virginia through reasonable, well-considered, locally-tailored regulations;

AND, BE IT RESOLVED FINALLY, that the Board of Supervisors respectfully requests that other counties, cities and towns in Virginia join with it in opposition to this assault on local control of land use.

Agenda Item No. 7. Adjourn.

With no further business to come before the Board, the meeting was adjourned at 1:32 p.m.

Chairman

Approved by Board
Date: 04/02/2014
Initials: EWJ