

**11. REQUEST FOR SUPPORT OF THE PORT OF VIRGINIA
ECONOMIC AND INFRASTRUCTURE DEVELOPMENT ZONE**

During the 2012 session, the McDonnell administration proposed a comprehensive piece of legislation that, among other things, would have included the creation of the Route 460 Corridor Interstate 85 Connector Economic Development Zone. Unfortunately, the provision that created the economic development zone was removed during the conference process.

The legislation would have provided companies that export or import goods through the Port of Virginia and locate their business within the zone a corporate income tax exemption for their first 2 years of operation. The amount of the credit would have corresponded with the number of jobs their business creates – 25 or more jobs would have equaled a 25% credit; 50 or more jobs would have equaled a 50% credit; 75 or more jobs would have equaled a 75% credit and 100 or more jobs equals a 100% credit.

Governor McDonnell intends to offer amendments to the legislation that will again create the zone, now referred to as the Port of Virginia Economic and Infrastructure Development Zone – it is comprised of the Counties of Brunswick, Chesterfield, Dinwiddie, Greensville, Isle of Wight, Mecklenburg, Montgomery, Prince George, Southampton, Surry, Sussex, and Warren and the Cities of Chesapeake, Colonial Heights, Emporia, Hopewell, Norfolk, Petersburg, Portsmouth, Richmond, Suffolk and Virginia Beach. If approved, beginning July 1, 2014 and ending January 1, 2019, any company involved in maritime commerce that locates within the zone and imports or exports its goods through the Port of Virginia would be eligible for the credits described above.

The Governor is seeking your support of the proposed amendment in the form of the attached resolution which he asks you to adopt and forward to our respective delegates and senators.

MOTION REQUIRED:

If the Board is so inclined, a motion is required to adopt the attached resolution.

WHEREAS, the Port of Virginia – sustaining 343,000 jobs and generating over \$41 billion in revenues, \$13 billion in payroll, and \$1.2 billion in tax revenue – is one of the Commonwealth’s greatest economic assets; and

WHEREAS, the Port of Virginia, despite its recent challenges brought on by the economic recession, is projected to undergo significant growth in the coming years with the completion of the Panama Canal Extension Project; and

WHEREAS, the Port of Virginia cannot achieve this growth without the development of the distribution, intermodal, manufacturing, warehousing, and other supply chain facilities necessary to support port operations; and

WHEREAS, driving the development of these facilities to specific areas can help reduce congestion in the Hampton Roads region; and

WHEREAS, Governor McDonnell is proposing to create the Port of Virginia Economic and Infrastructure Development Zone, which will incentive companies involved in maritime commerce and that import and export goods through the Port of Virginia to locate in Virginia; and

WHEREAS, creation of this zone is estimated to have an economic impact of \$7.3 billion, sustaining 14,120 jobs in the Route 460 Corridor and \$5.7 billion, sustaining 11,255 in the Hampton Roads area; and

WHEREAS, creation of this zone will bring much needed jobs and economic development to our community; and

NOW, THEREFORE BE IT RESOLVED by the Board of Supervisors of Southampton County, Virginia that we support the establishment of the Port of Virginia Economic and Infrastructure Development Zone and respectfully request the House of Delegates and the Senate of Virginia to approve Governor McDonnell’s proposed amendments to HB 1183 and SB 578 establishing this zone.

Virginia's Next Economic Boom?

Virginia's economic developers expect a wave of manufacturing and logistical investment when the Panama Canal expansion is complete. Opportunities this big, they say, come along only once in a generation.

By James A. Bacon

New mega-industrial parks and a proposed \$1.8 billion highway could help create a world-class economic development asset in an unlikely corner of Virginia: the sparsely populated peanut country between Petersburg and Suffolk. Traversing farms, woodlands and hamlets, the 55-mile corridor has the potential to become one of the major sources of economic growth for Virginia in the decade ahead.

That assessment comes from Liz Povar, director-business development for the Virginia Economic Development Partnership. “We see this as the future of Virginia,” she says. “That’s a big statement -- and I’m serious about it.”

The completion of the Panama Canal expansion by 2014 or 2015 represents a historic opportunity for Virginia, according to Povar, an economic development professional whose career spans a half-dozen or more Virginia governors. A third, wider lock in the canal will allow massive vessels holding 18,000 TEUs – four times the capacity of existing ships – to traverse Panama, diverting significant traffic from West Coast Ports. At present, Hampton Roads is the only East Coast port with channels deep enough to receive those deep-draft ships, giving Virginia a first-mover advantage in capturing the anticipated surge in traffic before other ports can make needed investments.

The growth in container shipments will be a boon to the Port of Virginia, of course. But the McDonnell administration hopes to leverage the traffic into massive new investment in logistics facilities and advanced-manufacturing complexes whose supply chains run through the ports. Economic developers are gunning for economic game-changers that bring a network of suppliers in their wake -- like aerospace giant Rolls Royce, which in 2007 announced investments potentially reaching \$500 million in Prince George County.

The VEDP, the port and local industrial development authorities have seen this opportunity coming for some time. But not until the McDonnell administration have all the stakeholders coordinated efforts, plotted a cohesive strategy and backed it up with substantial state funding, says Povar. The state has committed \$500 million in public dollars to build the new U.S. 460 connector, created tax incentives to stimulate port activity and, awaiting the governor’s signature, enacted tens of millions in tax credits for companies investing in a new development zone. Meanwhile, state officials across agencies and secretariats are partnering to “reach out to selected companies that can utilize the assets of a strong logistics network,” she says. Sussex, Southampton and Isle of Wight counties are creating giant industrial parks that will provide enough acreage for the biggest facilities.

This emerging vision for the future of downstate economic development has yet to spread beyond the stakeholders involved. The only piece of the plan to occasion much debate is the U.S. 460 connector, which is said to provide a critically needed alternative to the overloaded Interstate 64 out of Hampton Roads. Smart Growth advocates question the economics of a highway project that requires such a massive public investment, while some Hampton Roads officials would prefer to see the \$500 million steered to transportation priorities closer to the urban core. But no one has yet disputed the premise that an economic boom could be in the offing.

If the mega-sites succeed in attracting OEM manufacturers, they potentially could account for \$5.26 billion in direct, indirect and induced economic output accounting for 8,300 jobs, according to a recent report by Chmura Economics & Analytics.

And that's just on the manufacturing side. Between Virginia's ports, double-stacked CSX and Norfolk Southern rail service extending to the Midwest and Southeast, and connections to Interstates 95 and 85, Povar says that southeastern Virginia has what it takes to become a world-class logistical center. She sees the region growing into a warehouse-distribution node comparable to a half dozen clusters around the country like Alliance Park near Fort Worth, Tex., the FedEx complex in Memphis, Tenn., and the port and logistics activities around Long Beach, Calif.

The economic boon will extend beyond the Petersburg-Suffolk corridor. Industrial sites on I-95, I-85 and U.S. 58 could come into play. "We've got under public control more than 5,000 acres and 2.5 million square feet of existing buildings that could be used for advanced manufacturing and logistics/distribution," says Povar. "We have over 22 publicly controlled industrial parks with water, fiber, sewer and zoning. ... All of those combined, once they are packaged and marketed in an aggressive and sustained way, can help make Virginia a world-class logistics headquarters."

Povar's job is to sell Virginia, and Bob McDonnell is giving her something to sell. It's no surprise that she's enthused by the grand new vision. But she's not the only one drinking the Kool-Ade.

"I can give you example after example of communities climbing out on a limb and spending money on infrastructure and development," says Renee Chapline, executive director of Virginia's Gateway, which markets the economic development region around Petersburg. "Sometimes you have to spend money to make money. That's the nature of economic development."

Sussex County, Va., population 12,087, has assembled the land for a 610-acre industrial property that economic developers will promote as a mega-site. The property sits on the Norfolk Southern dual line, abuts the planned route of the new-and-improved U.S. 460, sits next door to the county water-sewer facility and has natural gas nearby. Even sweeter, the land has no wetlands, is flat and will require little grading. "Everything is

pretty much there,” says George E. Morrison III, deputy county administrator and director of economic development.

A 2005 study underwritten by the Virginia Tobacco Indemnification and Revitalization Commission had identified the site as a favorable location for economic development. But Sussex didn’t have the money to purchase it. “We would show properties,” says Morrison, “but when it came down to brass tacks, companies looking at this corridor would ask, ‘Do you own the site?’” If Sussex didn’t own it, Sussex didn’t control it, and prospects would look elsewhere.

Sussex County now has acquired the property for \$4.4 million, with the Tobacco commission covering 90% of the cost.

Isle of Wight County, population 35,000, has assembled an ever larger tract of industrial land near the tiny town of Windsor. Between the county-owned Shirley T. Holland Industrial Park and adjacent Norfolk Southern property, the county owns roughly 3,000 contiguous acres with access to the Norfolk Southern rail line and the existing U.S. 460. Columbia Gas has built a step-down station, and a previous county board installed additional water capacity. “It’s unreal that it’s been happening so quickly,” says Lisa T. Perry, director of Isle of Wight economic development.

The widening of the Panama Canal coincides with the revival of the U.S. as a competitive manufacturing platform, creating a once-in-a-generation opportunity for Virginia. “Offshoring is turning into re-shoring,” Perry says. OEM manufacturers, both international and domestic, have been visiting Isle of Wight. Two of them are Chinese.

“We’ve got very large private development entities from around the world coming and looking at us, interested in buying up a couple thousand acres and putting private money into industrial parks,” Perry says. “You know you’ve got something going when the private sector comes down and says, ‘We want a piece of the action.’”

While the post-Panama Canal boom could be “life changing,” Perry does not believe the business will fall in Virginia’s lap. She sees the U.S. 460 Connector as vital to avoid transportation bottlenecks out of Hampton Roads, and she thinks the state must be seen as supporting it. “These private-sector groups want to see the state have some skin in the game. We have one-term governors. Administrations change. Private-sector companies are very sensitive to that. If [the state] has a stake in the game, they’re going to support it.”

“There’s every reason why we should be No. 1,” she says. “But nobody’s going to give it to us.”

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