

FREDERICKSBURG REGIONAL ALLIANCE ANNUAL REPORT 2014-15

Eastern Virginia's 4th Metro Area



CITY OF FREDERICKSBURG
CAROLINE COUNTY
KING GEORGE COUNTY
SPOTSYLVANIA COUNTY
STAFFORD COUNTY





Kent Farmer
Chairman



Curry Roberts
President

Dear Alliance Partners,

This has been a year of revitalization for the Alliance with new leadership, an enhanced relationship with the University of Mary Washington and the development of new collaborations with the Fredericksburg Regional Chamber of Commerce.

We have adopted more transparent metrics, allowing us to better track how well the Alliance markets the region. Past decisions to move to web-based advertising, perform a cluster analysis, as well as an improving economy, contributed greatly to increased prospect activity this year.

A stronger real estate market, growing retail investment, job growth and improvement in labor participation rates contributed to strengthening our region's economy. The region competed successfully for one of the Commonwealth's biggest economic development projects this past year. With capital investment of \$125 million and 200 jobs, the Lidl Distribution Center announcement was one of the largest in Virginia. (In fiscal 2015 the average project size reported by the Virginia Economic Development Partnership was \$14 million in capital expenditures and 93 new jobs.) Congratulations to Spotsylvania on a terrific job on behalf of your county, Fredregion and the Commonwealth.

Thank you to the VEDA Cardinals Greg Wingfield, Mark Kilduff and Robin Sullenberger. These three senior economic development professionals provided invaluable insights and recommendations in their best practices audit of the Alliance's operations. One insight they made about our region has proved to be a challenge. While we know our geographic location has always been an asset, we have much more to offer. An ad in Virginia Business (see page 6) enumerated why we truly are the "Fourth Metro Area in Eastern Virginia."

Frankly this is also a challenge. We now need to benchmark our work against the localities in Northern Virginia and the partnerships in Richmond and Hampton Roads. While we collegially work to market Virginia, we often compete for final location decisions. Our competitors spend significantly more on marketing and have regional tools currently unavailable to us. We don't need to match them dollar for dollar, but we do need to "up our game." We will be discussing this more deeply in the coming year. We added five new private sector investors during FY2015 and three more since July. We currently receive over 52% of our funding from non-governmental sources. This ratio compares favorably with other regional alliances across the Commonwealth.

Overall prospect activity jumped dramatically this year. The Alliance staff worked on 34 projects, up from nine in 2014. More importantly though our pipeline also grew as we carried 16 of these projects into the new fiscal year, up from 2 the prior year.

On a personal note, we want to thank the FRA Board members for their support. We also thank our colleagues in each locality, the region's elected and appointed officials and some old friends (Cardinals) for their assistance and encouragement this past year.

It has been a year of progress for the Alliance and our FRA colleagues Todd Gillingham and Nick Minor performed much of that work. We want to thank them as well for making this a productive year for the FRA and Fredregion.

Sincerely,

Kent Farmer
Chairman

Curry Roberts
President

2014 – 2015 Leadership: A Public/Private Partnership

Board of Directors

THE HONORABLE WAYNE ACORS
*Board of Supervisors,
Caroline County*

THE HONORABLE JACK CAVALIER
*Board of Supervisors,
Stafford County*

MR. KENT FARMER
*President & CEO,
Rappahannock Electric
Cooperative*

THE HONORABLE
MARY KATHERINE GREENLAW
Mayor, City of Fredericksburg

THE HONORABLE JOSEPH GRZEIKA
*Board of Supervisors,
King George County*

MR. LLOYD HARRISON
*President and CEO,
Virginia Partners Bank*

THE HONORABLE ANN HEIDIG
*Board of Supervisors,
Spotsylvania County*

MR. RICK HURLEY
*President,
University of Mary Washington*

DR. MICHAEL MCDERMOTT
*President and CEO,
Mary Washington Healthcare*

MR. JOHN NEAL
President, Union First Market Bank

MR. DOUG PALMORE
Vice President, Luck Stone, Inc.

MR. CHARLES PAYNE, JR.
Partner, Hirschler Fleischer

DR. DAVID SAM
*President,
Germanna Community College*

MS. AMANDA TALBERT
Public Affairs Coordinator, GEICO

MR. NATE WOOD
Senior Vice President, BB&T

MS. LINDA WORRELL
Silver Companies

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Chairman

MS. LINDA WORRELL
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MR. MICHAEL VANDERPOOL
*Vanderpool, Frostick & Nishanian,
P.C., General Counsel*

Staff

MR. CURRY ROBERTS
President

MR. TODD GILLINGHAM
*Vice President,
Marketing and Operations*

MR. NICK MINOR
*Manager,
Communications and Research*

Investors

BB&T
Bowman Consulting Group, Ltd.
Birchwood Power Partners
Carmel Church Station/DC South
Carter Bank & Trust
Cellofoam
City of Fredericksburg
Caroline County
Columbia Gas of Virginia, Inc.
Cox Business Services
Dominion Virginia Power
Donley's
Fredericksburg Area Association
of Realtors

Froehling & Robertson
GEICO
Germanna Community College
Hirschler Fleischer
King George County
Luck Stone
Mary Washington Healthcare
MITCO Land Development
Old Dominion Electric Cooperative
PB Mares
Peoples Community Bank
PNC Bank
Quarles Petroleum, Inc.
Rappahannock Electric Cooperative

Robert B. Payne, Inc.
Rosner Motors
Silver Companies
Spangler Erkert & Associates
Spotsylvania County
Stafford County
Stafford Printing
Union Bank & Trust
University of Mary Washington
Vanderpool, Frostick & Nishanian,
P.C.
Virginia Credit Union
Virginia Partners Bank
Walton Group

Thank You

The Alliance would like to thank all of our public and private sector investors, without whose participation none of our activities would be possible. We are pleased to announce that the Alliance achieved a 99% collection rate on all pledges in fiscal year 2015. Thank you for your continued support.

Economic Research now available locally

When University of Mary Washington President Rick Hurley launched the Transformation 20/20 Initiative three years ago, the pressing need for better economic development data was cited.

This year, the Alliance, the Fredericksburg Regional Chamber of Commerce and the University partnered to create the Center for Economic Research at UMW. The purpose of the Center is to provide timely regional economic information and research issues that impact our economy.

The Fredericksburg region joined Virginia's other three major metropolitan areas along the "Urban Crescent" in providing local university research services related to the region's economy. Hampton Roads, Richmond and Northern Virginia all have universities in their communities which provide excellent research products dealing with their regions' economies. Out-of-market private firms or other universities previously conducted research dealing with the Fredericksburg regional economy.

The establishment of the Center within the UMW College of Arts and Sciences was made possible through major gifts from FRA and the chamber with support from UMW.

The first major research project undertaken was a comprehensive look at the



skills and occupations of the 61,000 plus commuters traveling out of the area for work each day. One of the top four or five location factors for any company looking to invest in a new facility or expand is the skill level of the workforce.

"This type of collaboration demonstrates to project decision makers and to those at the state level involved in economic development marketing that we are serious about our region's competitiveness," Alliance President Curry Roberts said at the time the research center was announced in August.

Center for Economic Research Advisory Board

Margaret Ray	UMW
Timothy Schilling	UMW
Bradley Hansen	UMW
Kimberly Kinsley	UMW
Bill Hession	Lockheed Martin
J.R. Flatter	Flatter & Associates
Susan Garnett-Spears	Fredericksburg Regional Chamber
Curry Roberts	Fredericksburg Regional Alliance
Kevin Crown	Walton Development and Management
Keith Wampler	PB Mares, LLP
Richard Finkelstein	ex officio, UMW

Collaboration in action

In June the Alliance began working with a consultant for a company who would require a number of workers with very specific skills. It would be a first of its kind employer for the Fredericksburg region. In August FRA learned that Fredregion is very competitive because of its geography and excellent business climate. However, since this company would be the first of its type in the area, they were concerned about finding employees with the skills they require.

Working with Dr. Brad Hansen of UMW's Economics Department, FRA staff were able to reassure the company that the region had a significant number of workers in its commuting population who at first glance would have the skills needed. Dr. Hansen, working over a weekend, was able to use census data to calculate that the region has nearly 2,000 people commuting out of the region each day, who may have the training needed for this very high skilled employer.

Less than 72 hours after the concern was raised, FRA provided the company's consultant with the reassurance they needed for this region to continue being considered in their client's location decision process. While no decision has been made to date, the region was not eliminated from consideration for lack of information about the local workforce capabilities.

While just a first example of what the Center can do for the region, it shows what can be done when groups partner to build up local capacity to enhance economic opportunity here in Fredregion. This type of collaboration is exactly what was envisioned when the University served as a catalyst for the Transformation 2020 initiative undertaken three years ago.

Recent Transformation 20/20 initiatives

During the past several years UMW has partnered with the Alliance and the George Washington Regional Commission (GWRC) in the strategic planning exercise better known as Transformation 20/20. Transformation 20/20 is a realistic and sustainable blueprint for economic growth in the region. The ongoing process brought together business leaders, economic development directors and government administrators throughout the region in crafting this plan. Goals for the plan were formed within the framework of Business Development, Tourism, Workforce Planning, Regional Collaboration, Organizational Development and Infrastructure Development.

Here's a brief recap of the work groups' progress:

Connect the Dots

The goal of Connect the Dots is to develop an easy to use, comprehensive, real-time database for regional workforce and workplace information.

As this project has progressed, the work group focused on developing an inventory of jobs in the Fredericksburg area, as well as a definition of job skills required for these jobs. The group hopes to develop an automated, easy to use "Jobs Board."

Broadband Initiative

While much of the region has quality access to broadband this is not necessarily the case throughout the region. This not only hinders the growth of industry, but also affects educational opportunities for K-12. The work group's initiatives included a chamber-sponsored survey, participation in Accelerate Virginia and submission of a letter of interest for a grant under the Virginia Telecommunication Planning Initiative to fund a comprehensive regional broadband plan. Work on the application is now underway.

CLEAR

In collaboration with local businesses, not-for-profit organizations and regional public agencies, the University of Mary Washington aims to bring together the region to develop a Climate, Environment Action Readiness (CLEAR) Plan, providing a road map and action plan for preserving and improving the natural environment, the quality of life and the economic health of the region. Key initiatives for 2015 included Solarize Fredericksburg and the City of Fredericksburg Greenhouse Gas (GHG) Inventory.

Entrepreneur Update

FredXchange, the regional non-profit focused on creating an "entrepreneurial ecosystem" launched in September The Foundry, a co-working space in the Gateway Shopping Center.

The 3,500 square foot co-working space will help transform small, emerging start-ups into viable companies. It includes a conference room, six "reserved" desks, a large community collaboration room, hi speed wi-fi, and other office amenities. The Fredericksburg Economic Development Authority provided a \$50,000 grant to assist businesses start and incubate within the City, then move on to their own commercial spaces based on their successful foundation at The Foundry.

Founded in early 2013 as part of Transformation 20/20, FredXchange has hosted multiple Startup Weekends, a global event that helps individuals and teams launch a startup business in an intense 54-hour timeframe. FredX has also organized a variety of "Meetups" and special programs.



UMW President Rick Hurley discusses Transformation 20/20 with staff from the Virginia Economic Development Partnership.



Congressman Rob Wittman relates to regional Dept. of Defense contractors his work to address their concerns about changes in contracting protocols in a meeting hosted by the Alliance.



UMW Matt Jones, a senior software engineer with Logickull, works at The Foundry, the co-working space sponsored by FredXchange.

Alliance makes strong progress on recommendations from 'Cardinal Council'

Where is Fredericksburg Region headed?

"The answer to this question is not critical to this report but it is interesting to ponder just for a moment. It is likely that due to "forced growth" the Fredericksburg region will become the fourth metro area in eastern Virginia in the next decade or so joining Northern Virginia, Richmond and Hampton Roads. It has the population now to be a relevant player, a growing university with a reputation; major employers with national recognition; military and technical competence associated with Quantico and Dahlgren; a skilled workforce and a community college committed to keeping it so."

– Excerpt from recommendations from VEDA Cardinals

This prediction was included in a report in early 2015 to the Alliance from some of the state's top economic development professionals.

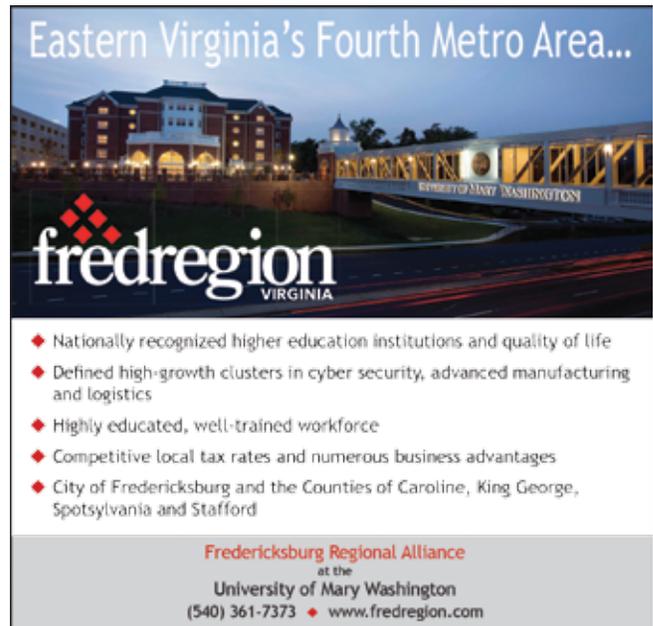
At the request of the FRA Board of Directors, the experts conducted an in-depth review of the Alliance's economic development activities. The Virginia Economic Developers Association (VEDA) offers the program to its member organizations through its Cardinal Community Assistance Program. Each of the evaluators has achieved "Cardinal" recognition through VEDA for their outstanding professional accomplishments. The three Cardinals conducting the FRA study were Robin Sullenberger, Greg Wingfield and Mark Kilduff.

"We observed and were impressed by a dedicated and very capable staff and by a fully supportive, understanding and committed board. We believe there is in place an organization which has the skills and ability to lead the Fredericksburg area to successful regional economic development," their report said. "Yours is not a 'start-over' issue, for indeed, there is a good foundation from which to build. Instead we would see it as a 're-focusing' of your resources and marketing practices."

In their report, the experts noted that due to its growth, the Fredericksburg region will become the fourth metro area in eastern Virginia within the next decade, joining Northern Virginia, Richmond and Hampton Roads.

They also underscored the importance of regionalism.

"Fundamental to economic development is an understanding of what prospects are searching for--these are generally called location factors. Broadly speaking, they



Eastern Virginia's Fourth Metro Area...

fredregion
VIRGINIA

- ◆ Nationally recognized higher education institutions and quality of life
- ◆ Defined high-growth clusters in cyber security, advanced manufacturing and logistics
- ◆ Highly educated, well-trained workforce
- ◆ Competitive local tax rates and numerous business advantages
- ◆ City of Fredericksburg and the Counties of Caroline, King George, Spotsylvania and Stafford

Fredericksburg Regional Alliance
at the
University of Mary Washington
(540) 361-7373 ◆ www.fredregion.com

are: labor, markets, transportation, assorted business services, business climate, quality of life/amenities and a site. All of these factors, except sites or buildings, are regional in nature," according to the report.

Significant progress has been made in each area covered in the report.

Marketing

- A rebranding of the FRA website was completed on May 1.
- Alliance staff now use the new "FredRegion.com" URL for their email addresses.
- A third-party outreach marketing firm was retained to qualify and generate marketing leads with firms within the region's identified industry clusters.
- The Alliance increased its marketing budget by \$30,000 for FY 2016.
- Seven new private sector investors have joined the Alliance.
- International marketing initiatives will expand as funding is available.
- The Alliance conducted a deep-dive analysis within each of its targeted cluster industries to identify sub-cluster industry companies that are not located here, but do business in the region. These prospects will be further refined and targeted for a variety of marketing approaches.

- FRA now handles the 350+ research requests it receives annually as prospect inquiries when appropriate.

Product/Product Development

- FRA initiated a local program to aid localities and property owners develop true "ready to go" industrial properties. The Alliance will pay 75% of the cost for six site audits. These audits are a vital part of the site certification process and the properties will become part of Virginia's growing statewide inventory of certified properties.
- The Alliance identified two firms Bowman Consulting and Froehling and Robertson, Inc. to partner in conducting the property audits.
- All site and building information on the new FRA website is now displayed consistently, using the Virginia Economic Development Partnership (VEDP) My Virginia Scan system. This system allows all properties to be listed regardless of building size or acreage.
- The Alliance is working with the University of Mary Washington (UMW) Department of Economics to conduct an in-depth commuter study to quantify the volume and skill level of the region's commuters.

Communications

- FRA is increasing its performance updates to the regional boards of supervisors, city council and economic development authorities. Updates are now made in May-June and September-October.
- The Alliance hosted "Economic Development 101," a program aimed to help local elected and department officials, economic development professionals and members of economic development authorities learn details about the ways the state, region and localities work together in economic development. Liz Povar, VEDP Vice President of Business Expansion, and Rob McClintock, VEDP Vice President of Research, presented the program to over 40 local officials.
- The FRA electronic newsletter is now sent quarterly to over 2,000 recipients.

Metrics

- Robust metrics have been integrated into the Alliance's revised Strategic Plan.

The screenshot shows the top portion of the fredregion website. At the top left is the 'fredregion VIRGINIA' logo. To its right is a navigation menu with links: 'Who We Are', 'Demographics', 'Our Localities', 'Property Search', 'Resource Center', and 'In the news'. Below the navigation is a large banner image of a blue and yellow freight train (numbered 5000) moving through a wooded area. Overlaid on the bottom left of the train image is the text: 'LOGISTICS AND DISTRIBUTION | The Fredericksburg Region is home to major distribution facilities, including McKesson, CVS and McLane.' Below the banner, the text reads 'AT THE CENTER OF GROWTH FOR VIRGINIA'. Underneath this is a paragraph: 'Located midway between Washington, D.C. and Richmond, Va., Fredericksburg is Virginia's fastest growing market with excellent access to 60% of the nation's population and global markets. The region boasts a highly educated labor force, lower cost of business and enviable quality of life. It already hosts nationally known firms from a variety of vibrant economic clusters.' To the right of this text is the 'fra' logo, which consists of a red diamond shape above the letters 'fra' in a bold, black, sans-serif font. Below the 'fra' logo is the text 'Fredericksburg Regional Alliance' in red, followed by 'at the' in a smaller font, and 'UNIVERSITY OF MARY WASHINGTON' in a bold, black, sans-serif font.

Cooperative efforts lands distribution center with 200 jobs to Fredregion

The 2015 decision by German grocery chain Lidl to open a distribution center in Spotsylvania County resulted from a cooperative effort by Jarrell Properties, Spotsylvania County, the Alliance and the Virginia Economic Development Partnership (VEDP).

An 82-acre parcel known as the Coleman family farm at 6100 Smith Station Rd. next to the Luck Stone Quarry was purchased by Lidl for \$2.1 million, beating out competitive bids from jurisdictions throughout Virginia and the Mid-Atlantic.

Marc Smith, vice president of commercial development at Jarrell Properties Inc., worked with the county administrator, the Virginia Economic Development Partnership (VEDP), as well as the Fredericksburg Regional Alliance. The package included both county and state incentives.

The deal illustrates the important role that the Alliance plays in stimulating regional economic development. The Alliance collects bids, such as the confidential proposal sent out by the state for Lidl, and then informs local govern-

ments and real estate agents of the opportunity. It also assisted in securing the state incentives for the deal.

In 2014-15, the Alliance dealt with 34 similar confidential searches distributed by the VEDP. or directly sourced through the FRA. Of those projects, two have been announced as concrete deals and many are still active.



Photo of recent Lidl groundbreaking courtesy of Lidl and Spotsylvania Department of Economic Development and Tourism.

Region competes successfully for major development project

A stronger real estate market, growing retail investment, job growth and improvement in labor participation rates contributed to strengthening our region's economy. The region competed successfully for one of the Commonwealth's biggest economic development projects this past year. With capital investment of \$125 million and 200 jobs, the Lidl Distribution Center announcement was one of the largest in Virginia. (In fiscal 2015 the average project size reported by the Virginia Economic Development Partnership was \$14 million in capital expenditures and 93 new jobs.) Congratulations to Spotsylvania on a terrific job on behalf of your county, Fredregion and the Commonwealth.



Marketing Update FY 2015

	Website Sessions 29,628		Projects in the Pipeline 16
	Outreach (To prospects, site consultants and industry opinion leaders) 6,463		Announcements 3
	Qualified Prospects & Research Inquiries 326		Capital Investment \$127,500,000
	New Projects 34		Jobs Created 250

Organizational Highlights 2014-15

Strategic Plan Goals	Update
Public Funding	Maintained level funding
Private Funding	5 New Investors representing \$19,500 in new money & \$3,500 in-kind receivables
Expense Budget	Finished year \$10K under expense budget
Gross Revenue	\$641,000
Board Retention Diversity	Working with current board to attract new board members representing more diversity.
UMW Agreement	FRA fulfilled 100% of 4th year of UMW contractual agreement. Received 1 yr extension for '17-18. Proposed new contract for '18-20.

Alliance marketing in action

Property certification

The Fredericksburg Regional Alliance is conducting a pilot program to demonstrate the importance of site certification in marketing properties to site consultants and buyers.

New Richmond Ventures

New Richmond Ventures (NRV), an innovative venture capital group investing in and working with early-stage companies in Central Virginia, is considering an expansion to the Fredericksburg region. The Alliance is helping NRV connect with potential angel investors and early-stage companies in this area.



New Richmond Ventures informational meeting.

Speed Networking

Business owners and university students met in a series of mini job interviews at the second Speed Networking Event in September. Sponsored by the UMW School of Business and the Alliance, the free event helped businesses identify interns or potential new hires.

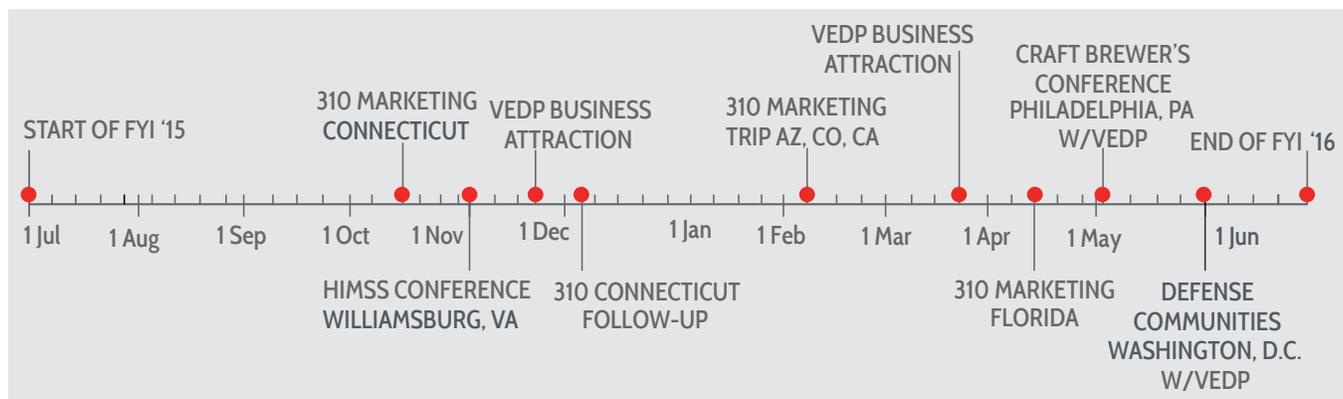


Speed Networking at UMW.

Marketing Metrics

	FY 2015	FY 2016	FY 2017	FY 2018
Web Sessions	29,628			
Outreach	6,463			
Qualified Prospects & Research Inquiries	326			
New Projects	34	5		
Pipeline	16	24		
Announcements	3			
Capital Investment	\$127,500,000			
Jobs	250			

Current Marketing Calendar



New draft strategic plan revises roadmap

The development of the Alliance's new Strategic Plan underscores its partner relationship with the business community, localities and UMW. Numerous Alliance board members and other local leaders weighed in on the factors that they believe will influence FRA's future success. Their consensus identified five external issues impacting economic development and key stakeholders. Woody Richardson, an associate professor in the UMW Department of Business, facilitated the environmental analysis.

This information was used by the board committee that drafted the revised plan, which was submitted to the board in October 2015 and will be finalized by the board in January 2016.

This illustration depicts the internal and external strategic insights that helped shape the strategic goals of the plan.

FRA—Strategic Insights Overview

External Environment

Issues Regional Infrastructure Cooperation/Commitment Regional Identity Federal Gov't Reliance Market Data	Stakeholders Area Jurisdictions Local Governments Investors Commercial Realtors Small/Mid-sized Businesses Educational Institutions Commonwealth
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Internal Environment

Strengths Leadership Staff Knowledge Regional Perspective Board Flexibility UMW Relationship	Weaknesses Funding/Resources Staffing Community Commitment Data
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Mission



The Fredericksburg Regional Alliance (FRA) is a public/private economic development marketing partnership providing a single source of comprehensive demographic, economic, and commercial real estate information for the City of Fredericksburg and the counties of Caroline, King George, Spotsylvania, and Stafford, Virginia.

Strategic Goals Summary



Business Attraction and Expansion

- Aggressive marketing through traditional and non-traditional channels
- Identify national target markets for marketing efforts
- Coordinate marketing calendar of state/regional activities with local offices
- Work with VEDP, site consultants & commercial realtors to identify new business opportunities
- Provide custom, timely & accurate information on the FredRegion to clients
- Continue outreach to state decision makers

Strengthen Regional Capacity

- Offer economic, labor market and commercial real estate information vital to existing businesses, & local governments
- Continue engagement with UMW Center for Economic Research (Commuter Study, FredRegion economic reporting)
- Partner with Germanna Community College Workforce Training to engage employers to identify workforce needs
- Continue to facilitate process for developing certified site inventory
- Explore marketing to businesses and services that enhance entrepreneurial efforts
- Provide annual coordination on UMW's Transformation 20/20 objectives
- Enhance feedback loop on business, economic and workforce trends with educational institutions and local businesses

Collaborate with FredRegion Partners to Enhance Competitiveness

- Promote FredRegion with Federal Government decision makers.
- Promote to the community the benefits of regional economic development and marketing to compete for jobs
- Work with public and private sector to identify regional issues and solutions.

Organizational Development

- Offer internship opportunities to UMW and Germanna students who are majoring in business, economics or related field
- Develop and share information with investors about the local economy, trends & economic development issues
- Finalize and report against metrics
- Strengthen relationships with localities, EDA's, organizations and businesses in the region
- Ensure continued leadership and consistent operations
- Offer staff development opportunities
- Continue to be good stewards of resources and develop new resources
- Develop policies relative to operating and reserve fund balances
- Enhance relationships with investors and increase investment opportunities
- Plan and allocate the organization's 5 year goal of a \$1M annual budget
- Engage the board of directors and stakeholders
- Create a governance handbook for the organization.
- Achieve and maintain a greater diversity on the board relative to geographic and industry representation
- Deepen and promote the relationship with UMW
- Explore conversion to 501(c)3 status



Mission Statement

The Fredericksburg Regional Alliance assists the public and private sector by supporting existing businesses and aggressively recruiting new businesses to the Fredericksburg Region.

Vision Statement

Our vision is that the Fredericksburg Region becomes the region of choice for businesses looking to expand or locate in Virginia.

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