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INVENT
HAMPTON ROADS

January 2, 2019

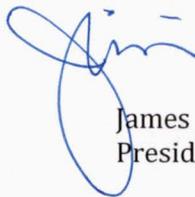
Mr. Neil Morgan
County Administrator
County of York
224 Ballard Street
Yorktown, VA 23690

Re: Reinvent Hampton Roads 2018 Annual Progress Report

Dear Mr. Morgan,

Attached for your information is the Reinvent Hampton Roads Annual Progress Report. It contains brief descriptions of the numerous initiatives undertaken by Reinvent Hampton Roads and our many partners throughout the past year. As you can see, much progress has been achieved through the alignment of efforts and sincere collaboration by numerous individuals and organizations—all focused on improving the economic performance of the Hampton Roads region for benefit of all citizens. Well deserved recognition and thanks to each of you. On behalf of the Board of Directors, we at Reinvent Hampton Roads look forward to continuing our progress in the New Year.

With Pride In Our Region,



James K. Spore
President & CEO

Enclosure

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2018

Annual Progress Report

January 2, 2019

Forward

As we begin a new year, it is appropriate to reflect on the significant progress we have achieved in 2018. This report is intended to serve as a recap of some of the numerous initiatives undertaken by Reinvent Hampton Roads and our many collaborating partners during the past year. These joint efforts continue to underscore how much we can accomplish by aligning our efforts and working together to realize the vast potential of our great region.

2018 Progress

During 2018, the following initiatives moved forward:

1. The Port of Virginia Opportunity Analysis: This unprecedented collaboration of seven cities, the Virginia Port Authority, the Virginia Maritime Association, the Virginia Economic Development Partnership, and Reinvent Hampton Roads funded the comprehensive examination of ways to leverage the tremendous assets of the Port of Virginia in order to encourage the attraction of new and growth of existing businesses in the Hampton Roads region and the Commonwealth of Virginia. The analysis was prepared by CBRE and has four end goals.
 - i. Create Jobs and Stimulate Capital Investment in the Region and Commonwealth
 - ii. Uncover Weaknesses and Opportunities of the Port and Region;
 - iii. Benchmark the Port of Virginia Against Other Comparable Ports; and,
 - iv. Identify Specific Industries to Target in Economic Development Efforts.

The completed analysis contains sixteen specific recommendations to pursue in order to leverage and maximize the impact of the Port of Virginia on our economy. Implementation of the report's findings is underway and is being coordinated by the Port's staff.

2. Regional Site Inventory: Without available sites that are ready for development, the region cannot hope to be successful in locating new or expanded businesses that will bring additional high-paying jobs to foster improved regional posterity. In order to address the issue of adequate site availability, a collaborative initiative was formed between the Hampton Roads Planning District Commission, the Hampton Roads Economic Development Alliance, and Reinvent Hampton Roads. A site inventory was completed in cooperation with the local economic development agencies to identify sites containing 100+ acres with zoning that would allow industrial/commercial development. A second phase of the project is planned to focus on smaller sites. In order to objectively analyze the inventoried sites and be able to enter them in the Virginia Economic Development Partnership listing, funding was contributed by the Port of Virginia, Virginia Natural Gas, Dominion Resources and Reinvent Hampton Roads to retain professional consulting services to certify the sites. This certification process is underway and will be completed by January 31st. Once certification is completed, the sites will be prioritized based upon the likely development yield and cost to develop. Our intent is to leverage the Regional Infrastructure Facilities Authority

created by the Go VA funded Unmanned Systems Park projected located in York County. Under this mechanism, site improvement costs necessary to develop higher priority sites could be voluntarily shared between any of our regional jurisdictions. Once development occurs, tax proceeds would also be shared among participating localities. This collaborative approach has the potential to greatly encourage localities to partner rather than compete for regional economic development.

3. TCC/Suffolk and “Williams Farm” Properties: Independent of our efforts with the Regional Site Inventory project described above, Reinvent has worked to advance the availability of these two significant regional mega-sites. Working thru the TCC Real Estate Foundation and in partnership with the City of Suffolk, we have advanced the TCC Real Estate Foundation site to the point that environmental issues have been addressed and this prime site should be ready for development proposals in late 2019. On the “Williams Farm” parcel in Chesapeake, Reinvent Hampton Roads advocated with VEDP, HREDA, the Hampton Roads Chamber of Commerce, and the Port of Virginia for the amendment of the City’s Comprehensive Plan to allow this key mega-site to be considered as a major unique economic development opportunity.
4. Regional Broadband: Following the unsuccessful effort to obtain Go Virginia funding in late 2017, due to the lack of State Policy on Broadband, the Region’s Cities and Counties decided to pursue the cooperative development of a high speed broadband fiber ring throughout the entire region. Project management was provided by the HRPDC. A plan was developed to provide for the regional ring to connect to the new transoceanic cables landing in Virginia Beach and eventually connect all parts of Hampton Roads. The five communities on the “Southside” retained consulting services to analyze and complete the preliminary design of the Phase I fiber network to serve those five communities. Future phases will serve the Peninsula and connect to the Eastern Shore network and Western Hampton Roads. The 30% preliminary engineering design was completed as of December 31, 2018. Reinvent Hampton Roads has served on the Project Steering Committee. Funding and governance scenarios are now being developed to advance the construction of the Regional Fiber Ring. Also in play, are related economic development elements such as data centers, internet access facilities, talent pipeline efforts, etc. to allow the cables and the regional connective fiber ring to leverage job creation in areas such as medical applications, academic research, advanced integrated manufacturing, and big data analytics. An exciting spin-off development directly related to the collaboration to create the fiber ring resulted in the first place recognition from the Smart Infrastructure Challenge held in Columbus Ohio in the fall of 2018. The collaborative presentation developed by our five participating Southside cities and the HRPDC staff was chosen as the best out of 69 competing proposal presentations from cities throughout the United States. Our regional effort demonstrates what we can achieve if we work together as a region to achieve mutually beneficial outcomes.
5. Hampton Roads Entrepreneurial Eco-System: This important area demonstrates the pay off of thorough research and study in the resultant improvement of the regional economic climate. In order to thrive over the long term, economies need to be tied to innovation and the creation of

new businesses. In 2017, Reinvent Hampton Roads funded research into the state of the entrepreneurial eco-system in the region and the availability of capital to sustain and fund new companies. These analyses identified gaps in the “innovation” pathway. In particular was the critical need for the development of a first class business accelerator and the creation of a seed fund to assist promising start-ups in their journey from exiting the accelerator to the point of being able to obtain venture capital funding. With these findings, Reinvent partnered with 757 Angels, five cities, six universities, and the private sector to prepare a grant to obtain funding from the U.S. Department of Commerce to establish the needed business accelerator. In October of 2017, we were notified that the regional effort was one of 17 selected nationally for grant funding. Since then, the accelerator has been established, programmed, and opened for business. During the summer of 2018, the first cohort of start-ups completed the accelerator. In addition, thanks to the award of a GO VA grant in February along with substantial private sector funding (TowneBank), the needed 757 SEED fund was launched. Finally, in December, the results of a study funded by the State Go Virginia Foundation that looked at the entrepreneurial eco-systems in each of the State’s nine GO VA regions were released. This analysis will assist all regions statewide in the important on-going efforts to improve the entrepreneurial culture and results throughout the Commonwealth.

6. Entrepreneur-In-Residence: As described above, the realization of a healthy and complete entrepreneurial eco-system is essential for a sustainable and growing future regional economy. The Hampton Roads region is blessed to have the presence of two Federal Research Laboratories- the NASA Langley Research Center and the Thomas Jefferson National Accelerator Facility . In order to help increase the commercialization of research coming out of the Federal Labs, Reinvent Hampton Roads partnered with the State’s Secretary of Technology and NASA to create an Entrepreneur-In-Residence within NASA Langley. This effort was funded for one year and concluded at the end of August 2018. Several promising technologies were identified for potential commercial application and a new process was recommended within the agency to encourage and increase the rate of commercial applications emanating from the lab. This process was documented in a final project report and is being considered for agency-wide use throughout all NASA facilities nationwide.
7. Regional Branding: One of the recommendations made by the Reinvent Hampton Roads Tourism Cluster Steering Committee was that the region needed to consider a new, more effective brand. The committee felt strongly that the Hampton Roads name and “brand” simply did not work and that a process needed to be put in place to examine this issue. The Committee took the issue to the Hampton Roads Business Roundtable (HRBR). In June, the Roundtable agreed that the issue needed examination and requested that Reinvent Hampton Roads coordinate a professionally conducted process to recommend a direction for the regional brand. Volunteers from the Roundtable membership were solicited to serve on an initial committee to consider the issue further. An eleven member regional branding committee was established and chaired by Bob Aston. The committee recommended to the HRBR at its December meeting that a rebranding effort for the region was in order and asked that Reinvent obtain a consulting proposal from a

professional firm to detail the recommended approach, schedule, and cost to conduct such a rebranding exercise. The proposal is scheduled to be received by January 15, 2019.

8. Virginia Growth and Opportunity Program (GO VA): Reinvent Hampton Roads is the designated support organization for our region (Region 5) that is comprised of the cities and counties of Hampton Roads plus the two counties comprising the Eastern Shore. Under the Commonwealth's innovative GO VA program, each region has a guiding Regional Council. Our Regional Council is comprised of 28 business, academic and government leaders from throughout the region. The Regional Council has established a process calling for the submission and review of collaborative grant proposals that meet the program's purpose of encouraging jurisdictions to work together on projects that will result in the creation of more higher-paying jobs, primarily from traded sector companies. Region 5 had two projects approved by the State GO VA Board in December of 2017. The contracts for these innovative proposals were approved in early 2018. They include the Virginia Digital Shipbuilding Workforce Program and the Hampton Roads Cyber Co-Lab (rebranded Virginia Cyber Alliance). Both approvals were for year one of a contemplated two year effort. In February of 2018, two additional Region 5 projects were authorized by the State GO VA Board. These included the Hampton Roads Unmanned Systems Park on the Peninsula and the 757 SEED fund. Progress on all projects must be monitored by the Regional Council for required milestone achievement. To date, all grant recipients have satisfactorily met the quarterly progress reviews. Of particular note was the official state certification of the founding of the Regional Industrial Facility Authority as a key part of the Unmanned Systems Park GO VA Project in York County. Year two funding for the Virginia Digital Shipbuilding Workforce Program and the HRCyber-CoLab were conditionally approved by the State GO VA Board at its December 12th meeting, subject to documentation of required local match resources. Finally, two new grant applications have been received for Regional Council consideration at the February 7, 2019 meeting.
9. Regional Workforce Gap Analysis: As a more in-depth follow-on analysis to the Phase I Analysis completed in 2017, our partners including the Hampton Roads Community Foundation, the Hampton Roads Workforce Council, the Greater Peninsula Workforce Council and Reinvent Hampton Roads have contracted for the conduct of a detailed workforce gap analysis that will focus on matching business labor needs, particularly in our key industry clusters to training programs, internships, and apprenticeships capable of developing needed talent pipelines. This analysis should be completed in May of 2019 and will stress the close collaboration and alignment of the key workforce training provider to deliver the skill sets the region will need to provide for existing and future high paying occupations. Reinvent Hampton Roads was a sponsor of the HireVirginia recruiting event held November 4-5, 2018 with university partners ODU, Norfolk State, VCU, William & Mary, Radford, Virginia Tech, JMU, and UVA. Students from each campus visited the region to experience what Hampton Roads has to offer. Thirty-eight employers registered for the Career Fair and another 12 conducted interviews on-site during the event. Hampton Roads served as the pilot for this program, intended to retain top talent in the Commonwealth of Virginia.

10. Regional Industry Cluster Scale-Up Project: The genesis of this project is the knowledge that significant job growth takes place by the expansion of existing small and medium sized business (SMEs). Reinvent Hampton Roads has contracted with GENEDGE (the Virginia Manufacturing Extension Partnership) to provide a range of consulting services to accelerate growth of SMEs throughout the region. Our goal is to assist 17 firms during the year long effort. Under the program, Reinvent will pay 75% of the consulting service costs. Despite the deep subsidy, the enrollment of firms has proven difficult. To date, five firms have participated. We have relied on referrals from our seven city funding partners. A plan to increase participation to reach the program goal has been developed and is currently being implemented.
11. Regional “Dashboard” Project: Under the leadership of the United Way of South Hampton Roads, we have worked with the ODU Strome College of Business, HREDA, and the HRPDC to complete the development of an “economic tile” data set to be an important part of the larger Regional Dashboard. This information tracks a wide array of economic indicators of regional performance that are available to all interested parties. The information sharing associated with this effort is invaluable in tracking trends, encouraging improved alignment among partnering organizations, and collaborative policy setting throughout the region.
12. Eastern Shore Sanitary Sewer Analysis: Aging, undersized and highly decentralized sanitary sewer systems present difficult infrastructure problems for efficient operation and maintenance for the Towns and Counties on the Eastern Shore. These conditions are a disincentive to economic growth throughout the area. Last summer, a collaborative proposal to study a comprehensive solution involving the local jurisdictions, HRSD and Reinvent Hampton roads was conceived. Under this approach, HRSD would study the feasibility of constructing a new service force main that would extend from Nassawadox, Exmore, Bell Haven, Painter, Kellar, Melfa, Olney and Accomac Courthouse to the Onancock Waterside Treatment Plant. This new system would allow the abandonment of old, inefficient treatment systems and could provide capacity through the design year of 2050. A preliminary report on the study results is scheduled for January 29, 2019, with public meetings scheduled to occur in April.
13. Offshore Wind: Reinvent Hampton Roads has been part of a growing regional and state effort to support the development of offshore wind energy in Federal waters off the coast of Virginia Beach. While the initial project is for the installation of two 6MW test turbines, scheduled for installation in 2020, the real significance is the potential for the Hampton Roads region to become a hub for the Offshore Wind industry on the east coast of the United States. Although the mid-Atlantic area is trailing the progress seen in the northeast, we believe that the presence of our vast shipbuilding and repair industry and the superior unobstructed port facilities in Hampton Roads will allow the development of substantial new economic activity associated with the development of manufacturing, installation, operation, and maintenance of offshore wind capacity along much of the East Coast. Job creation estimates potentially associated with the location of the various elements of the Offshore Wind Industry in our region total 10,000 to 14,000 high paying positions.

14. Hampton Roads/Richmond “Mega-Region”: Following several years of conceptual discussions about the global competitive advantages derivative from jointly marketing a larger regional footprint by “combining” the Hampton Roads and Richmond Regions, real progress was achieved in 2018. In mid-October, a two-day joint regional visitation event occurred between delegations representing the two regions. It was decided that both regions contained substantial assets that if promoted in a collaborative manner, could result in benefits to both regions. Follow-on meetings have been held that will result in a joint meeting on January 11, 2019 to formalize a joint agenda and to establish an on-going collaborative process for its achievement. Reinvent Hampton Roads as well as the Chambers of Commerce in Richmond and Hampton Roads have provided administrative support for this important collaborative initiative. Financial support for the inter-regional visit was provided by the Richmond Chamber Foundation and the Hampton Roads Community Foundation. Both Planning District Commissions and the Port of Virginia have been active partners as well.
15. Hampton Roads Economic Development Alliance: During 2018 Reinvent Hampton Roads has spent considerable time working with several partners including HREDA, HRPDC, the Chamber of Commerce, and the Chief Administrative Officers/Economic Development Directors exploring strategic and organizational options for the future conduct and success of regional economic development in Hampton Roads. Considerable focus was achieved with the unanimous adoption of the Strategic Analysis and Plan prepared for HREDA by IBM-Plant Location International on May 31, 2018. This strategy includes a competitive analysis of the Hampton Roads Region (from the stand point of a site selection consultant), a go-to-market strategy for the region, and business environment improvement recommendations to overcome our weaknesses and enhance our chances for successes in improving economic performance. With the refocused direction reflecting a more comprehensive new model of economic development achieved, attention has turned to the determination of how best to realize this new regional direction. The urgency of the effort was elevated with the year end retirement of the HREDA President and the earlier departure of a key Vice President. Working closely with HREDA leadership and the HRPDC staff, we developed a detailed comparison of behavioral expectations between current practice and the requirements of the new model. These details were shared with the region’s Chief Administrative Officers, Reinvent Hampton Roads Board, and the Hampton Roads Business Roundtable. A joint meeting was held in July to start the process of concurrence on the new focus and direction for HREDA. An approach to increase the level of funding required for the success of the new effort was developed after comparative analyses in similar regions were completed. A doubling of current funding to a \$4M annual level will need to be achieved over a three year program ramp-up. It is proposed that the level of increased financial support will be shared 50/50 between the private and public sector members of the new HREDA. In order to memorialize these new relationships, a Memorandum of Agreement has been drafted and circulated for consideration by the public sector members of HREDA. It is anticipated that the MOA will be considered and adopted this spring as localities vote to approve budgets taking effect on July 1, 2019. Finally, in mid-December an interim HREDA president was hired and will commence work in the new year.

16. “Next Gen” Leadership: Early in our efforts to comprehensively address regional economic development in a strategic way, Reinvent Hampton Roads developed a “Job Creation Model” as a framework to guide our systematic efforts. The model highlights the overarching need for leadership if any of our desired outcomes are to be achieved. Historically, we have relied on older, experienced leaders who will remain critically important to our region’s success; but we want to place renewed emphasis on recruiting, mentoring, and supporting the next generation of leadership to champion these efforts. This is a complex subject given competing priorities for time, community interest and achievement, passion for the subject, and the like. We have collaborated with the CIVIC Leadership Institute, LEAD Hampton Roads, VolunTier Vision and others to begin to identify this next generation of needed regional leadership, and engage them in designing and implementing specific regional initiatives to improve economic performance. The initial meeting to determine potential leadership interest and commitment was held on December 10, 2018. Identified Specific Regional Opportunities (previously highlighted by the Reinvent Hampton Roads Board and the HRBR) were presented and discussed as well as the overall concept and role of engaged leadership in ultimately achieving meaningful progress. A follow-up meeting is scheduled for February to continue this effort.
17. Communicating the Work of Reinvent Hampton Roads and GO Virginia Region 5: In addition to numerous presentations made throughout the region, Reinvent Hampton Roads approached Inside Business in April, 2018 about publishing a feature each month on priority projects underway by Reinvent Hampton Roads and regional partners. The first feature was published on May 13, 2018 and highlighted Reinvent and GO Virginia, *Who We Are and What We Do*. The features that followed include: 757 Accelerator; Virginia Cyber Alliance; Virginia Digital Shipbuilding Workforce Program; Scale-Up/GENEDGE; Entrepreneur-In-Residence Program; Port Economic Opportunities; and the Greater Hampton Roads Connects Dashboard. Upcoming features scheduled for 2019 include Broadband, Site Inventory & Assessment Project, and Alternative Energy/Off-Shore Wind. The social media tools, Facebook and LinkedIn, have also broadened our connections, adding many followers who are interested in our work.

Conclusion

In conclusion, during 2018, working with our numerous partners, we have built upon the concepts, strategies and efforts developed over several years to systematically and thoughtfully build a winning collaborative regional culture in Hampton Roads. By continuing to build upon our vast regional assets and the growing appreciation of alignment and collaborative efforts our prospects for improved regional economic performance have never been brighter.

With Pride In Our Region,

James K. Spore
President & CEO