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Hanover: People, Tradition and Spirit

ECONOMIC DEVELOPMENT ANNUAL REPORT 2010-2011

HANOVER COUNTY DEPARTMENT OF ECONOMIC DEVELOPMENT

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Introduction

Hanover County experienced the tragic loss of its Economic Development Director, Marc Weiss, to cancer in April 2011. Marc will be missed dearly, and he has left a great professional legacy in the work done here in Hanover. Marc's impact on the County will be felt long-term, as he implemented a sustainable economic development program that will yield many benefits in the years to come.

Economic Development is a critical part of Hanover County's efforts to both attract and retain needed jobs and commercial investment. Job creation is a national priority, and every community in the nation desires to keep their existing business base and bring new, quality jobs into their area.

Nationally we are surviving a withering recession, and business owners generally find themselves at once fatigued and frustrated. The question is – how best to build for the future, and how to innovate and expand our way out of this recession? It takes an entrepreneurial mindset, a dogged tenacity, and a healthy dose of optimism to make the necessary business investments and take the needed steps to move forward. The Department of Economic Development will be a resource to any Hanover business willing to move forward to the opportunities that are sure to come.

Despite the challenging economic environment, Hanover County has survived well and is positioned for future success as the national and regional economy begins to stabilize. For Fiscal Year 2011, the County experienced a few positive upticks – particularly in the healthcare sector – but did see small declines in other sectors. Overall, the net effect was a small decrease in the number of jobs in the County, a sharp curtailment of new construction activity, but a generally stable population of existing businesses. This last point is a very positive sign and is evidence of the strength of the Hanover business community. The business base here has seen many challenges, with some regrettable losses, yet the vast majority of the businesses are holding steady during this time of extreme economic volatility. Even in this downturn, there have been new companies created as well as relocations from other areas.

The County business community is our greatest economic development asset. Via expansion, it represents a terrific opportunity for quality jobs growth. From it will come ongoing feedback to improve the County business climate. Its network of corporate contacts can be a source of leads for recruiting new businesses to the County. Through our existing businesses the County will continue to grow in a way that enhances the quality of life we all hold dear.

While the year-over-year data since 2008 shows losses in employment, the number of establishments and wages - the five-year trend with annual data from 2005 to 2010 - shows overall growth in employment, establishments and wages in nearly all target sectors. Going back 10 years to 2001, the same is true with overall growth in most sectors and consistent increases in total employment,

establishments and wages. As we watch for the exit from these recessionary times, Hanover is well-positioned for future growth via the ever-resilient County business community.

Historically, Hanover has always had low unemployment, but the national and regional downturn has caused the County unemployment rate to rise over the last three years. However, the County is below the national, state and regional unemployment rate averages.

The Dominion Resources Greentech Incubator (DRGI) hosted its first international delegation this year. A small group of start-up alternative energy firms from Israel visited DRGI in April to identify potential U.S. partners to work with them to grow their ideas into solutions-oriented products. Additional activities and programs for DRGI are being planned to continue the County's strategy of growing its own jobs.

During this time of staffing transitions, the Department team moved to meet the metrics established for customer service to Hanover's corporate community. The Business First Program is under new leadership and has already seen enhancements.

Hanover has a long history of entrepreneurship, and it is expected that such opportunities will become a larger part of the local economy. The advent of more business start-up and social marketing and media seminars are planned for County citizens and business leaders so that the local economy can continue to grow and create quality jobs.

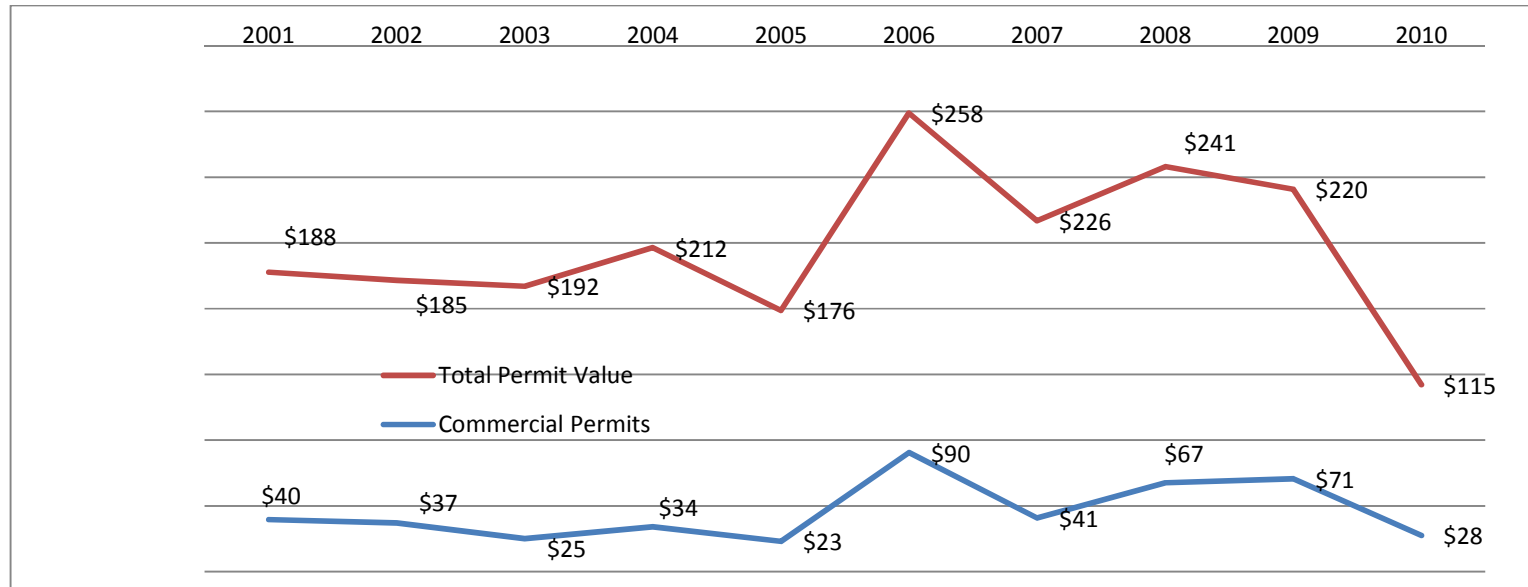
This Annual Report will focus on the four objectives as set forth in the Economic Development Strategic Plan.

- I. INCREASE IN COMMERCIAL/INDUSTRIAL TAX BASE**
- II. RETENTION AND CREATION OF HIGH QUALITY JOBS**
- III. INCREASE PROFESSIONAL/TECHNICAL JOB BASE**
- IV. INCORPORATION OF PROCESS MEASURES**



Objective 1: INCREASE COMMERCIAL/INDUSTRIAL TAX BASE

MEASURING CAPITAL INVESTMENT - NEW CONSTRUCTION PERMIT VALUE
(CALENDER YEAR, MILLIONS)



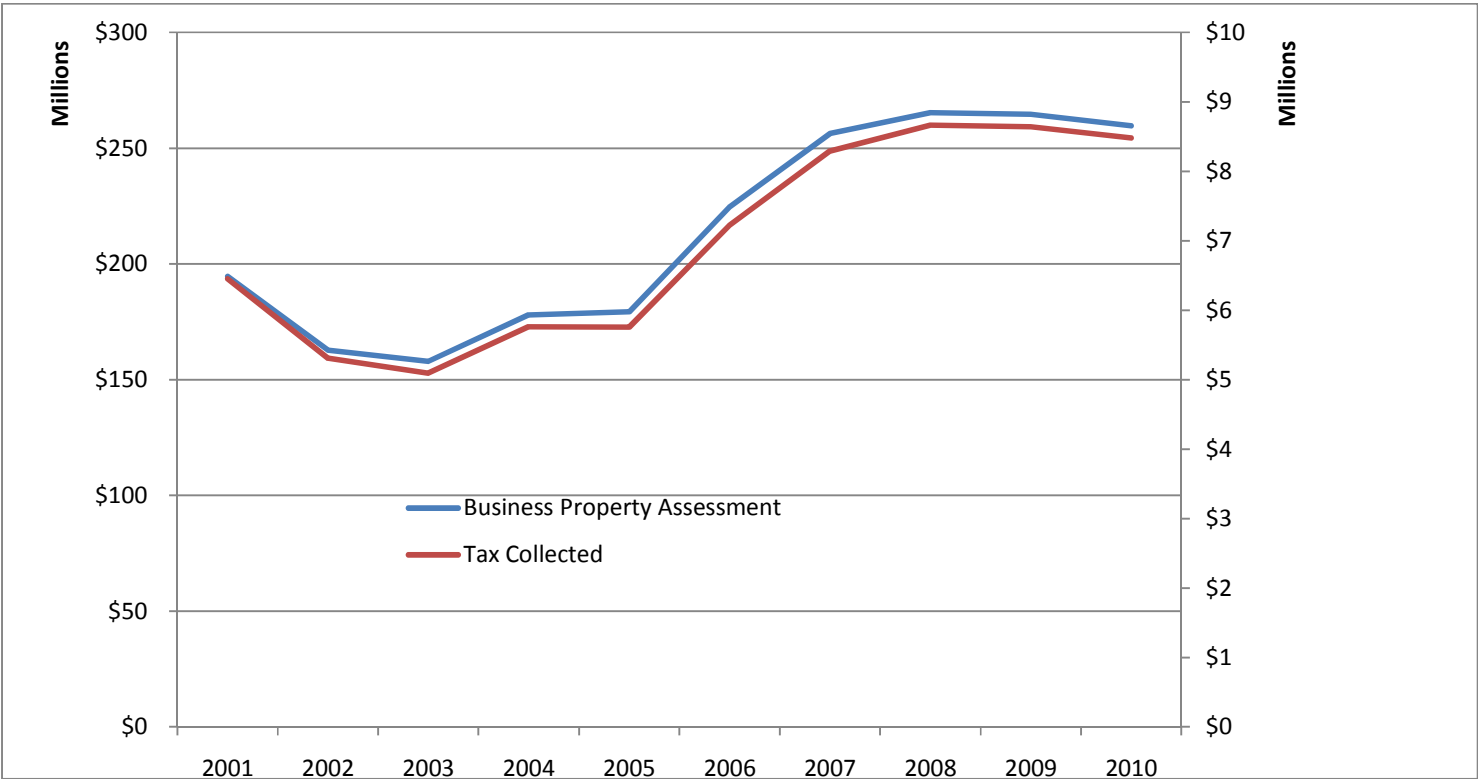
Due to a sharp curtailment of new construction activities, there was a 61% drop in new commercial permit values from 2009 to 2010. Following this directly-related trend, the tax collections for new commercial construction also dropped as sharply.

Source: Hanover County Assessor's Office

Year	Commercial Assessment	Tax Rate	Tax Collected
2007	\$40,709,574	\$ 0.81	\$350,102
2008	\$67,390,484	\$ 0.81	\$545,863
2009	\$70,520,768	\$ 0.81	\$571,218
2010	\$28,053,700	\$ 0.81	\$227,235

Objective 1 - Continued

BUSINESS TANGIBLE PERSONAL PROPERTY COLLECTIONS 2006 - 2010
 (M & T, MERCHANT'S CAPITAL, BUSINESS PROPERTY)



Source: Hanover County Commissioner of Revenue (Personal Property Statistics)

Year	Business Property Assessment	Tax Collected
2007	\$256,293,090	\$8,294,458
2008	\$265,376,455	\$8,667,002
2009	\$264,676,520	\$8,644,028
2010	\$259,733,810	\$8,481,297

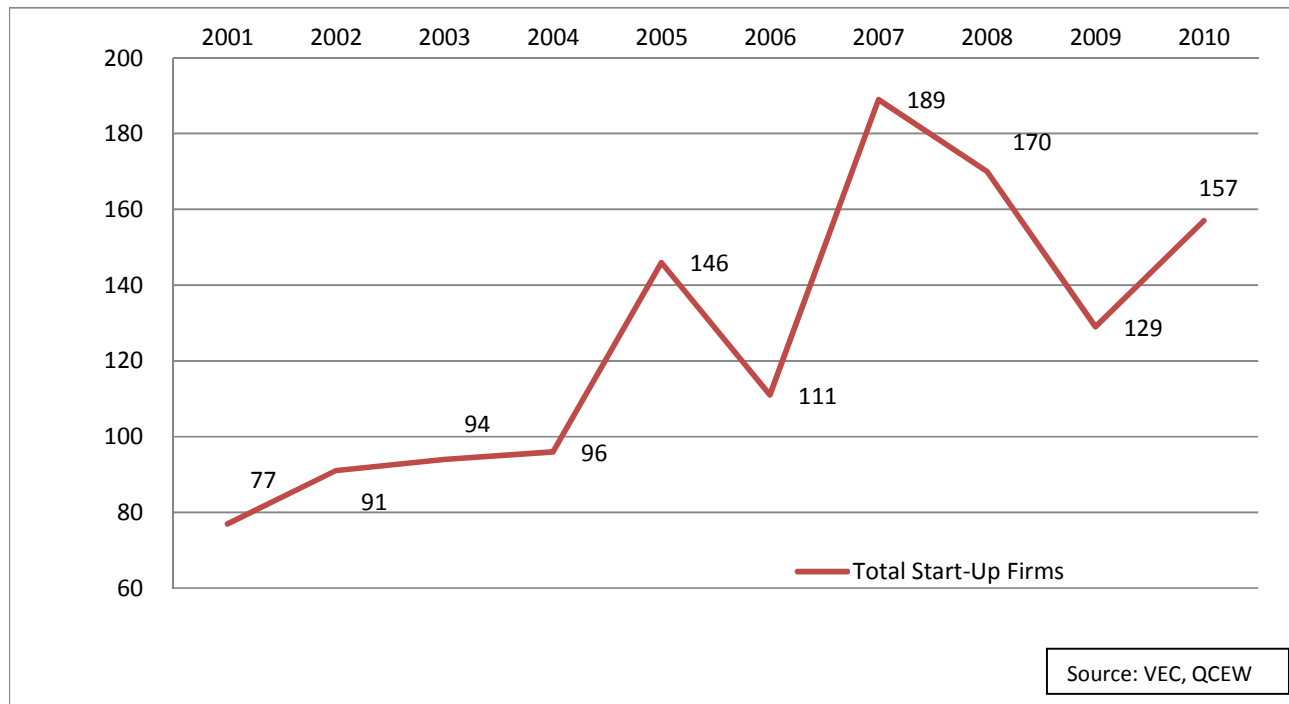
Stability is to be valued during these difficult economic times. The above metric shows remarkable stability among the existing business base during a very difficult period. Though there have been regrettable losses of valued businesses, overall the business community membership has held on, protecting their assets as reflected above.

Objective 2: RETENTION AND CREATION OF HIGH QUALITY JOBS

The overall change in permanent jobs and wages from 2009 to 2010 produced the following results:

- Decrease of local employment by -1.1% (a net decrease of 517 jobs)
- Increase in local companies by 0.6% (A net increase of 20 businesses)
- Increase in average weekly wages by 0.0% (The average weekly wage remained flat)

Source: VEC, Quarterly Census of Employment and Wages (QCEW), 2009-2010



Many start-up companies launched in Hanover in 2010 (157), indicating a pervasive entrepreneurial spirit. Start-up companies tracked include those with private ownership, no prior VEC registration number, with an average employee count of less than 250.

Objective 2 - Continued

Highest Wage Industry Performance from (2009-2010)

- Management of Companies and Enterprises lost 0.2% of the workforce or 82 jobs. Wages increased 2.7%.
- Utilities increased 0.004% of the workforce or 2 jobs. Wages increased 0.2%.
- Professional and Technical Services decreased .06% of the workforce or 27 jobs. Wages increased 1.9%.
- Finance and Insurance decreased 0.1% of the workforce or 46 jobs. Wages increased 4.1%.
- Wholesale Trade decreased 0.1% of the workforce or 49 jobs. Wages increased 1.0 %.

Other Targeted Industry Performance (2009-2010)

- Health Care and Social Assistance increased 0.5% of the workforce or 230 jobs. Wages remained flat.
- Transportation and Warehousing increased 0.07% of the workforce or 34 jobs. Wages decreased 3.0%.
- Manufacturing decreased 0.13% of the workforce or 58 jobs. Wages increased 2.0%.
- Agriculture, Forestry, Fishing, and Hunting increased 0.07% of the workforce or 34 jobs. Wages increased 2.0%.
- Accommodations and Food Services increased 0.2% of the workforce or 100 jobs. Wages remained flat.

Source: VEC, Quarterly Census of Employment and Wages (QCEW), 2009-2010

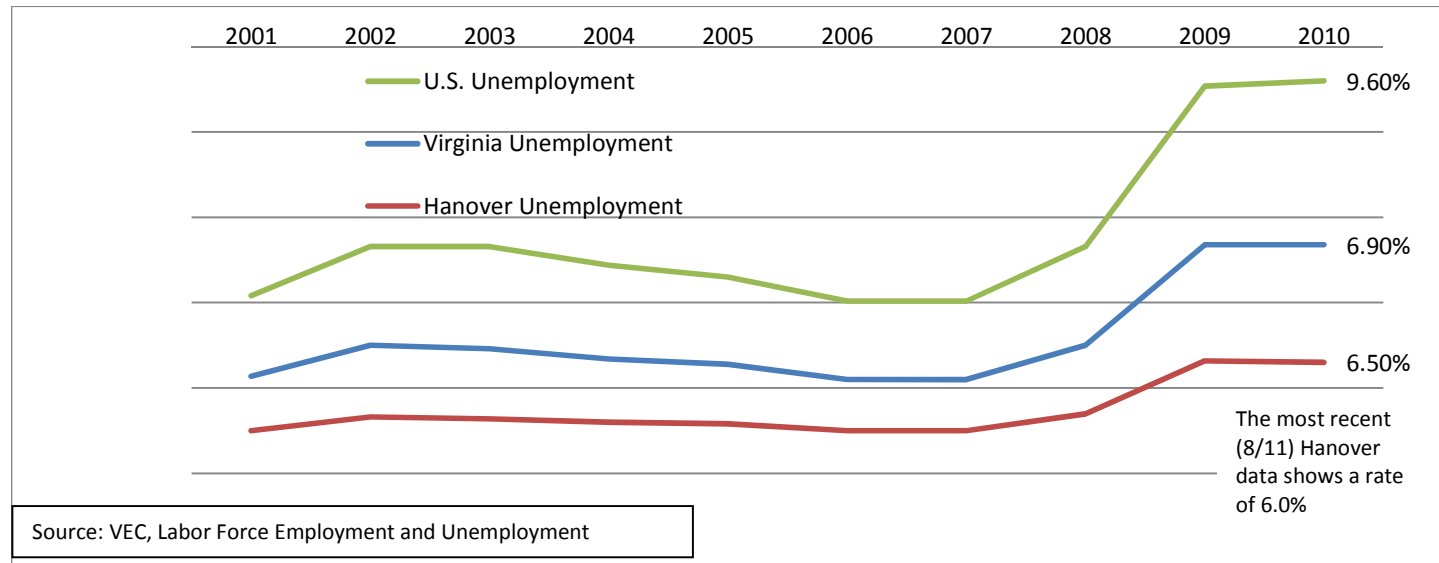
Interstate Traffic Through Hanover County, daily average from 2005-2010



- I-95: 130,000 average daily vehicle count.
- I-295: 92,500 average daily vehicle count.
- Source: GRP, Virginia Department of Transportation-Annual Average Daily Traffic (AADT) counts.



Unemployment



Ratio of Jobs-to-Labor Force (Annual-CY)

The Labor Force column represents the number of Hanover citizens that are in the workforce and the Jobs column represents the actual number of jobs that are in the County from our Hanover businesses. The County’s ultimate goal is to have a 1:1 ratio (or 100%) of Jobs to Labor Force. Through annual data for 2010, Hanover is showing a stable trend this year for the ratio to approach 100%. This table shows the County jobs in proportion to the number of citizens that are currently in the workforce.

The estimated July 2011 population is 100,822, a 0.41% growth rate which is higher than the 0.36% growth rate reported by the U.S. Census Bureau for 2010. The revised growth rates for the past 5 years resulted in an average growth rate of 0.54%, which does not meet the targeted 1.5%-2.5% levels established in the Comprehensive Plan. Lower than normal growth rates can be expected due to the current economic climate and the continued slump in the housing market.

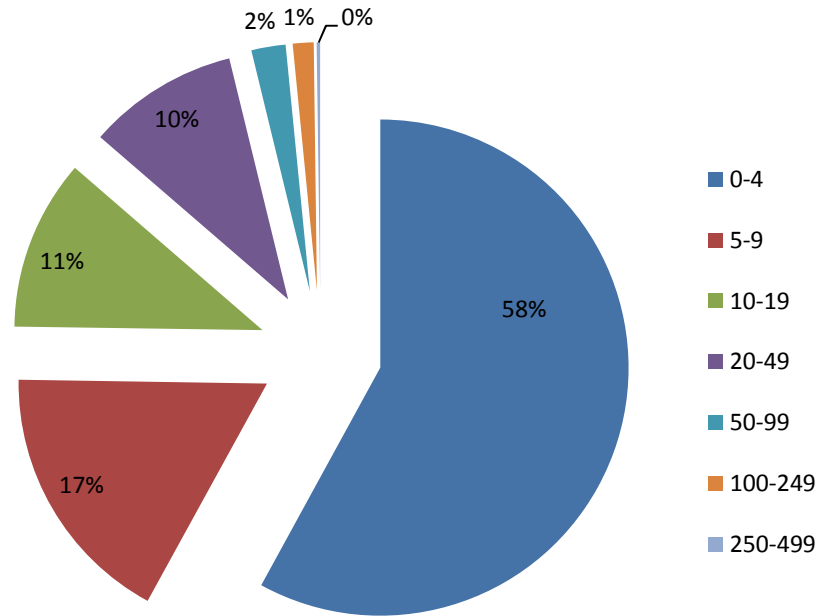
Source: VEC, Annual Labor Force and Jobs Data, 2009-2010

<i>Year</i>	<i>Labor Force</i>	<i>Jobs</i>	<i>Jobs/Labor Ratio</i>
2006	55,202	43,703	79%
2007	55,162	45,009	82%
2008	55,566	45,945	83%
2009	55,920	44,035	79%
2010	55,008	44,327	81%

Employers by Size of Establishment

Source: VEC, Hanover County Profile 2010, page 19
 (Per VEC) 3,384 Employers

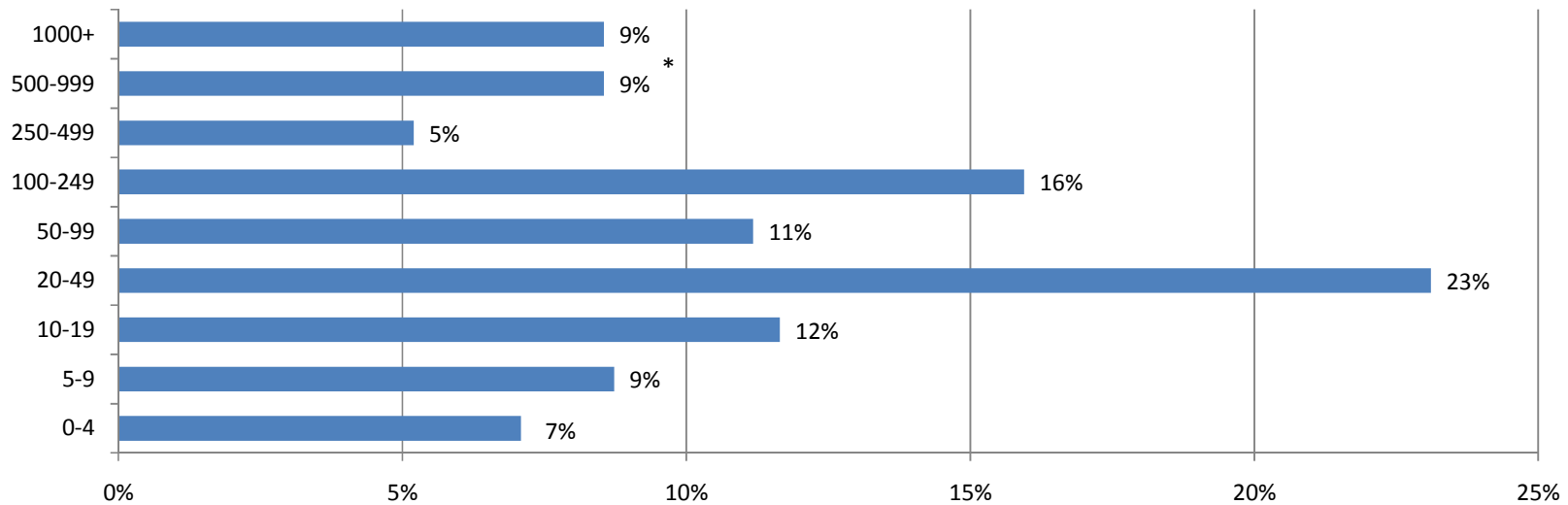
Hanover Employers by Size of Business



Employment by Size of Establishment

Hanover Employment by Business Size

44,105 Total Employees



Source: VEC, Hanover County Profile 2010, page 19. * Top two categories are estimates only, as data was undisclosed.

Objective 3: INCREASE PROFESSIONAL/TECHNICAL JOB BASE

Sample of Technology Companies in Hanover County

Company

Flexicell
 Spec Ops
 Analytics Laboratory
 Tech Turn
 Infinity Medical
 Lyotropic Therapeutics
 EEE Consulting
 Law Engineering
 Data Directions
 Host I Can

Product

Robotic Controls
 Mobile Command Centers
 Environmental Testing
 IT Asset Recovery
 Medical Equipment and Supplies
 Cancer treatments
 Environmental Engineering and Education
 Environmental Engineering
 Software Development/Custom Applications
 Web Hosting Service

Jobs and Establishments in Select Professional and Technical Occupations

The data from 2006 to 2010 showed general positive trends over that time period for Hanover County. By meeting this objective, the County seeks to improve the citizens’ ability to pursue high-wage jobs within Hanover so that we can reverse the out-commuting trends of our highly-educated and skilled workforce. The 2008 report showed the beginning of the economic decline in these targeted jobs and wages sectors, though employment and wages did show some positive growth in some categories. From 2009 to 2010, Hanover saw positive trends in wages for every target sector except Real Estate, and some positive growth in the number of establishments in three of the six sectors with one remaining flat. However, Hanover saw a decline in employment in all but one sector, with Healthcare being the only sector to see positive growth in employment, the number of establishments and wages, though the growth was not dramatic. Healthcare showed the most stability and growth of all of the professional and technical occupations.

Industry	Employment 2009	Employment 2010	Percent Change	Establishments 2009	Establishments 2010	Percent Change	Weekly Wage 2009	Weekly Wage 2010	Percent Change
Finance & Insurance	746	700	-6.1%	150	147	-2.0%	\$933	\$971	4.1%
Information	576	555	-3.6%	34	41	21%	\$626	\$625	0.0%
Management of Companies	976	894	-8.4%	28	29	0%	\$1,571	\$1,613	2.7%
Professional, Scientific, Technical	1,572	1,545	-1.7%	339	337	0.6%	\$1,010	\$1,029	1.9%
Real Estate	566	489	-13.6%	116	106	-8.6%	\$820	\$749	-8.6%
Healthcare	5,058	5,288	4.5%	345	396	14.7%	\$846	\$847	0.0%

Objective 3 - Continued

Dominion Resources Greentech Incubator (DRGI)

In addition to being part of the Hanover Economic Development Strategic Plan to create new jobs and investment, the activity associated with DRGI will also support the specific strategy of increasing the County's professional and technical job base.

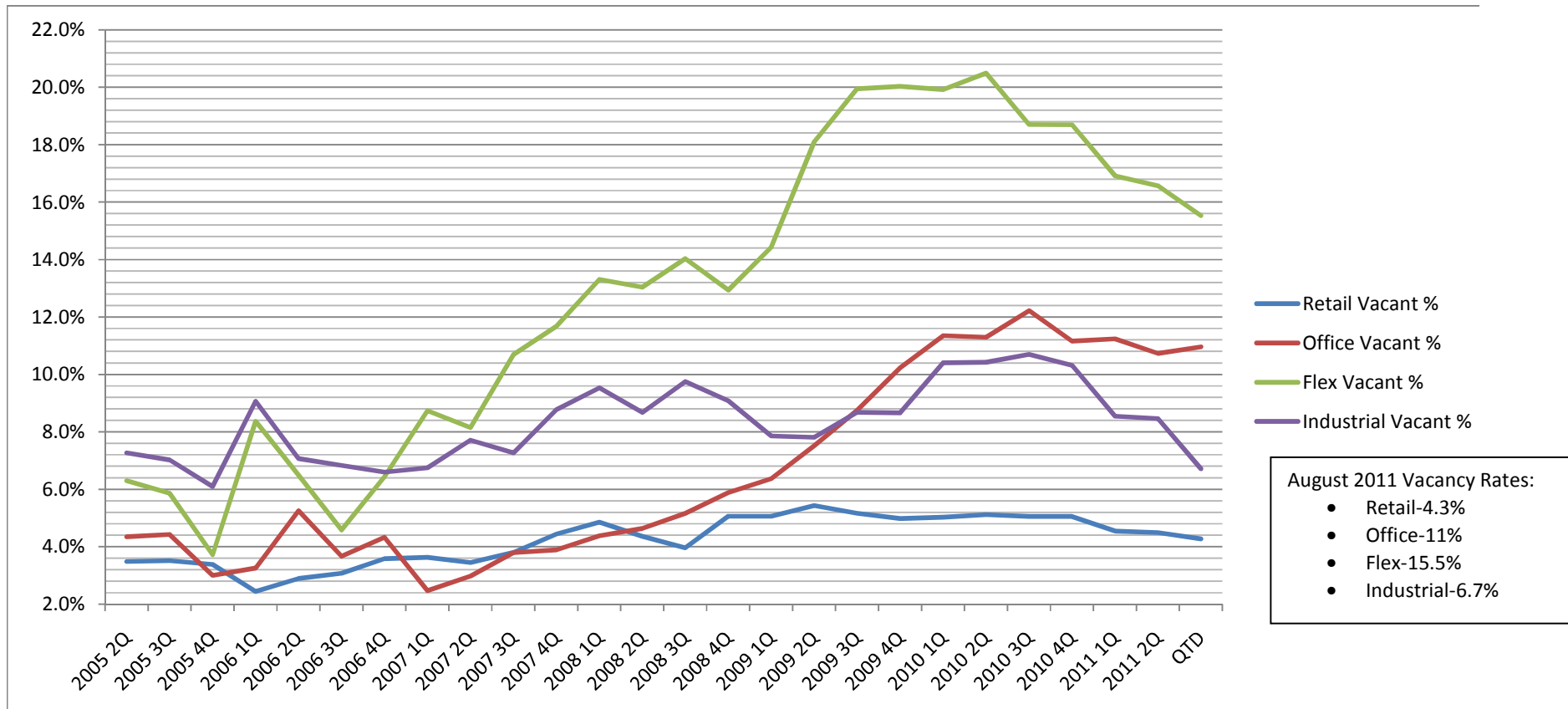
DRGI graduated its first company, Eastlight Renewable Ventures. Eastlight Renewable Ventures develops, finances, owns and operates commercial scale, solar energy projects. They manage all aspects of the project development process including financing, system design, and installation. Eastlight works with Fortune 500 companies, educational institutions, REITs, municipalities, and sports and entertainment venues. The company leverages its expertise in the use of tax credits, low-interest debt financing, monetization of RECs, as well as traditional equity and debt capital, to deliver electricity cost savings for their customers and attractive project returns for their investors. Additionally, Marz Industries, one of DRGI's first tenants, was successful in securing a CIT Grant which will provide funding for them to begin production of their hydrogen fuel cell prototype.

This year, the DRGI Commercialization Program hosted six Israeli companies as part of the Clean Tech Gateway USA Program in March 2011 at the facility in Ashland. This visit with a delegation of six companies is the result of an extensive interview process in Israel which initially included more than 30 Israeli companies. The DRGI Commercialization Team traveled to Tel Aviv, Israel in January 2011 to meet and identify companies that had good commercialization potential that could be cultivated through the DRGI program. The Israeli companies spent three days in the Richmond area and attended a series of meetings with Dominion Resources technical and business experts, as well as a number of additional meetings that DRGI arranged for each company. The companies also made presentations to potential investors, technical experts, local and state officials and others who may be able to assist the Israeli companies with U.S. market entry. DRGI companies as of July 2011 include:

- Marz Industries, Hydrogen Fuel Cells
- EnviroDock, Portable Docking Stations
- Marine Renewable Technologies, Hydrokinetic Energy
- butyfuel, Technology provider for green biofuel innovations
- Energy Conversion Research Ventures, Inc., Service provider for implementing advanced waste-to-energy (biomass) technologies
- Kennison Renewable Energy Solutions, Consultant for renewable energy projects

Objective 3 - Continued

Commercial Space



Office Space Summary (Source: CoStar, September 2011)

- Class A Space: 160,000 is one building (Owens & Minor), no vacancy
- Class B Space: 1,200,000 includes 123 buildings and a 12.4% Vacancy Rate
- Class C Space: 540,000 includes 100 and a 10.9% Vacancy Rate

Objective 4: INCORPORATION OF PROCESS MEASURES

Departmental Website Traffic

FY	2007	2008	2009	2010	2011
Mo. Avg.	3031	2880	2191	1461	1438
% Change	42%	-5%	-24%	-33%	-2%

Existing Business Assistance

Businesses assisted by Department staff are very concerned about where the economy is heading but do feel that conditions have improved over 2009. Number of businesses assisted include: 2007-41, 2008-170, 2009-188, 2010-151, 2011-42.

The Business First program is undergoing new enhancements in the level of support provided by staff. The updated program will create a more structured process and greatly improved accountability to our local business community. 2010 proved to be a challenging year for Business First volunteers in trying to schedule one on one visits with the existing business community. However, those businesses that did meet with the Business First volunteers shared a wealth of information, from concerns over the upcoming health reforms and how those changes will affect their business, to strategies implemented in an effort to prevent layoffs of their loyal employees.

FY	Visits	Follow-Ups
2007	34	4
2008	109	28
2009	121	32
2010	110	29
2011	75	21

Companies Contacted and Visits to Hanover County by New Companies

FY	Leads	Company Visits	Total Visits
2007	51	28	47
2008	42	14	22
2009	35	21	29
2010	40	22	27
2011	44	23	26

Lead generation and tracking is a vitally important metric in benchmarking and reporting activities in Economic Development. Despite the economic downturn, Hanover is seeing some success in converting leads to visits and new investment. For the purposes of this report, a qualified lead is any company that has received personal or a direct contact or response from the staff. The contact could be in the form of a real estate recommendation, information on business operating costs, or a response to a formal proposal.

Objective 4 - Continued

Tourism

The chart shows the number of tourists that visited tourism information centers in Bass Pro and the Town of Ashland.

Hanover has 8 hotels with 764 total rooms, Ashland has 12 hotels with 981 total rooms.

	3 rd Q 2010	4 th Q 2010	1 st Q 2011	2 nd Q 2011
Bass Pro Visitors Center	2263	1286	1154	1139
Ashland Visitors Center	4524	5507	2940	4572

Economic Development Authority (Approved Funding)

FY	2005	2006	2007	2008	2009	2010
Amount	\$5,500,000			123,170,000		29,575,000
Recipient	Rhapsody Land Dev.			Bon Secours		Covenant Woods
Amount	\$96,625,000					22,000,000
Recipient	Bon Secours					Hanover County

Contact Information

- New Address: 8200 Center Path Lane, Suite E, Mechanicsville, VA 23116
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