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HANOVER COUNTY
DEPARTMENT OF ECONOMIC DEVELOPMENT
ANNUAL REPORT – FISCAL YEAR 2012



EXECUTIVE SUMMARY

Despite the challenges seen in the national economy, Hanover County is positioned for economic growth following a few years of relatively flat economic activity. No dramatic changes occurred in growth or decline in the business sectors tracked; the overall trend was positive for the fiscal year (FY 2012.) Hanover's unemployment rate came down slightly, and - for the first time in few years - Hanover grew more jobs than it lost. Capital investment was largely flat, but without major declines. Vacancy rates in industrial, flex and office space were mostly flat, though retail leasing saw an increase. New staff joined the department during this period and - with those additions- new strategies were formed to move Hanover forward.

Existing businesses continue to be Hanover's economic strength. Despite the uncertain economic outlook, businesses still purchased new equipment and expanded their operations to meet the demands of a more competitive business climate. For example, the dynamic expansion of Morooka USA was exciting to watch as the company's owners identified a market need for rubber track carriers and - with the support of the parent company in Japan - began assembling and producing the carriers right here in Hanover.

The Business First visitation and interview program reached out to a record number of companies in FY2012, with staff dedicated to providing existing businesses support and service.

The Business Launchpad classes saw a huge increase in participation this year. These classes are sponsored by the Small Business Development Center and teach business plan development, business marketing via Facebook & LinkedIn, Google Analytics, and other contemporary topics. These classes provide valuable information to Hanoverians starting new ventures or to those wishing to enhance their marketing methods.

New business leads have been very positive and many of these leads have converted into actual prospect visits. This increased lead and visit activity indicate that Hanover is under consideration for new business investment. The new website, HanoverVirginia.com, launched with business testimonials as well as data and information designed to aid business prospects and/or site selection consultants.

Hanover's competitiveness for new business prospects is severely curtailed by a lack of available pad-ready sites and buildings. This lack of commercial product limits Hanover's ability to attract new investment. Any effective economic development strategy must include the aggressive development of available pad-ready sites and buildings in Hanover County.

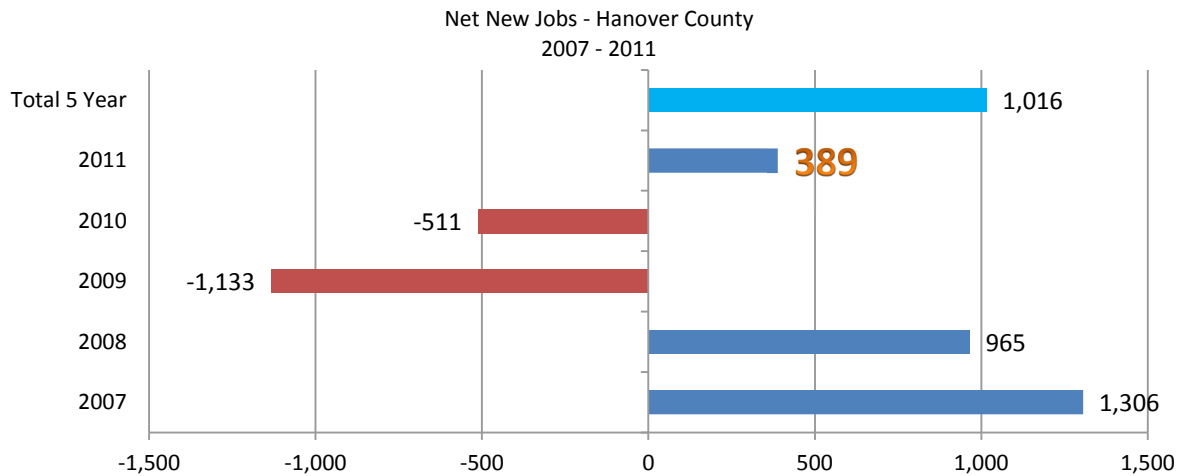
The economic challenges facing Hanover County can be met head-on with effective solutions. Economic development success will be realized by recruiting higher-wage industries, increasing densities in the suburban service area, proactively converting raw land into pad-ready commercial product, and allowing a range of housing options. These factors work together to promote business investment opportunities. Let's move forward with these initiatives and bring new business investment to Hanover County and with that higher-wage jobs and more prosperous future for all of its citizens.



STRATEGY I: INCREASE JOBS IN TARGETED INDUSTRIES

Hanover has an educated and skilled workforce; however many of them “out-commute” to jobs elsewhere. Our goal is to grow high-wage jobs within Hanover so that there is an in-commute of skilled workforce and ample job opportunities for all qualified job-seekers. Our economic development efforts specifically target key industries poised for growth and which offer higher-wage jobs, including: Advanced Manufacturing, Health Care, Professional Services, Supply Chain & Logistics, and Destination Retail.

NEW PERMANENT JOBS FROM 2010 TO 2011



Source: VEC Labor Market Statistics, Covered Employment and Wages Program, data as of 09.28.12

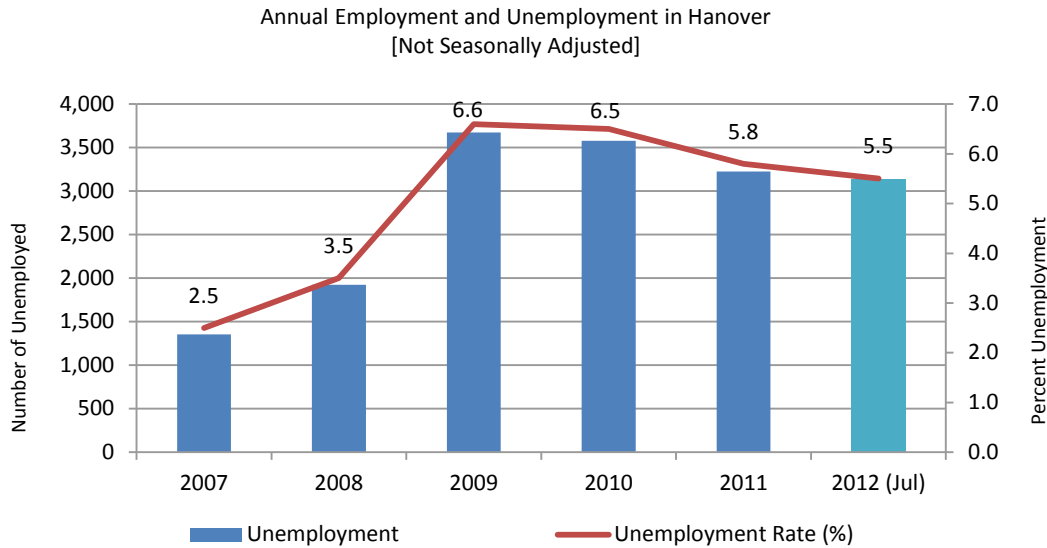
TARGET INDUSTRY JOB PERFORMANCE FROM 2010 TO 2011

Job growth occurred in Finance and Insurance; Management of Companies; and Professional and Technical Services. These sectors also saw growth in the Number of Establishments and Wages. Health Care saw a small loss of jobs but an increase in the Number of Establishments and Wages. Manufacturing and Supply Chain Management sectors (transportation and warehousing) experienced job growth as well.

Target Industries	Change in # Jobs in Hanover County			% Chg. vs. Prior Yr	% Chg. vs. 5 Yrs Ago
	2007	2010	2011		
FIRE	798	700	720	2.9	-10.8
Healthcare	4,455	5,288	5,249	-0.7	15.1
Management of Cos	560	894	926	3.6	39.5
Manufacturing	3,671	3,147	3,250	3.3	-13.0
Prof/Tech	1,629	1,545	1,574	1.9	-3.5
Real Estate	665	489	469	-4.1	-41.8
Logistics	1,221	1,110	1,171	5.5	-4.3

Source: VEC; Data as of 09.21.2012

UNEMPLOYMENT RATE

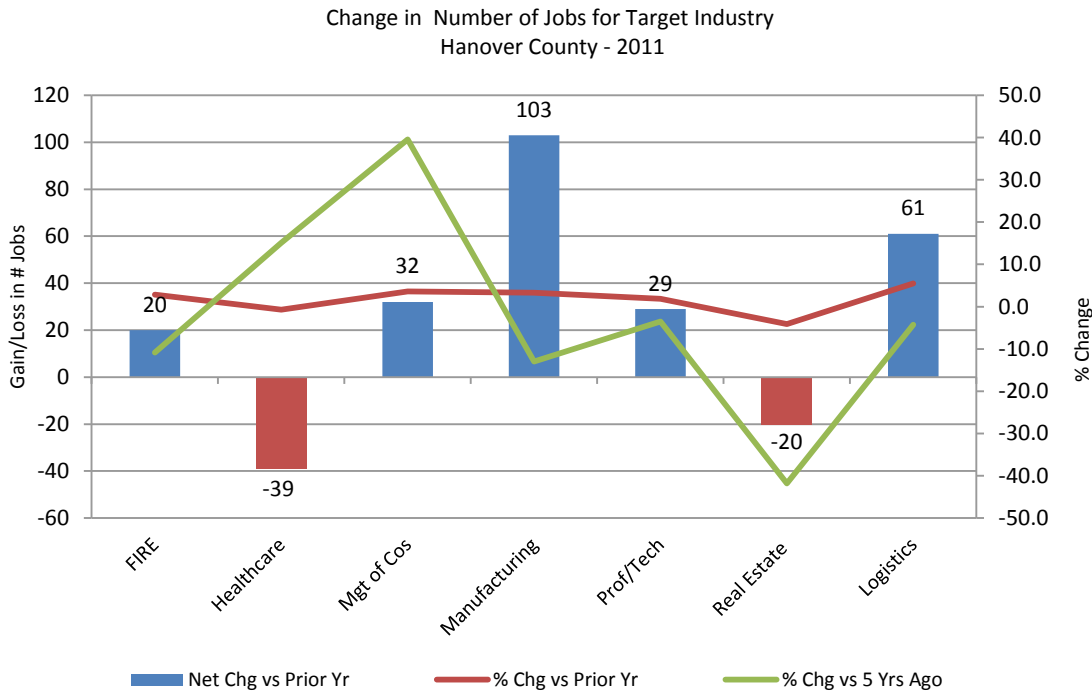


Source: LAUS Unit and Bureau of Labor Statistics, data as of 09.2012

GROWTH AND DECLINE INDUSTRIES 2010 - 2011

Wholesale Trade added 511 new jobs and saw the highest job growth in 2011. Retail added 113 jobs; Manufacturing, a target industry sector, added 103 jobs and also saw growth in the Number of Establishments and Wages. Transportation and Warehousing added 61 jobs but stayed relatively flat in the Number of Establishments and Wages.

The largest job contractions, by industry, were in Construction, with the loss of 319 jobs, and Accommodation and Food Service with a loss of 280 jobs.

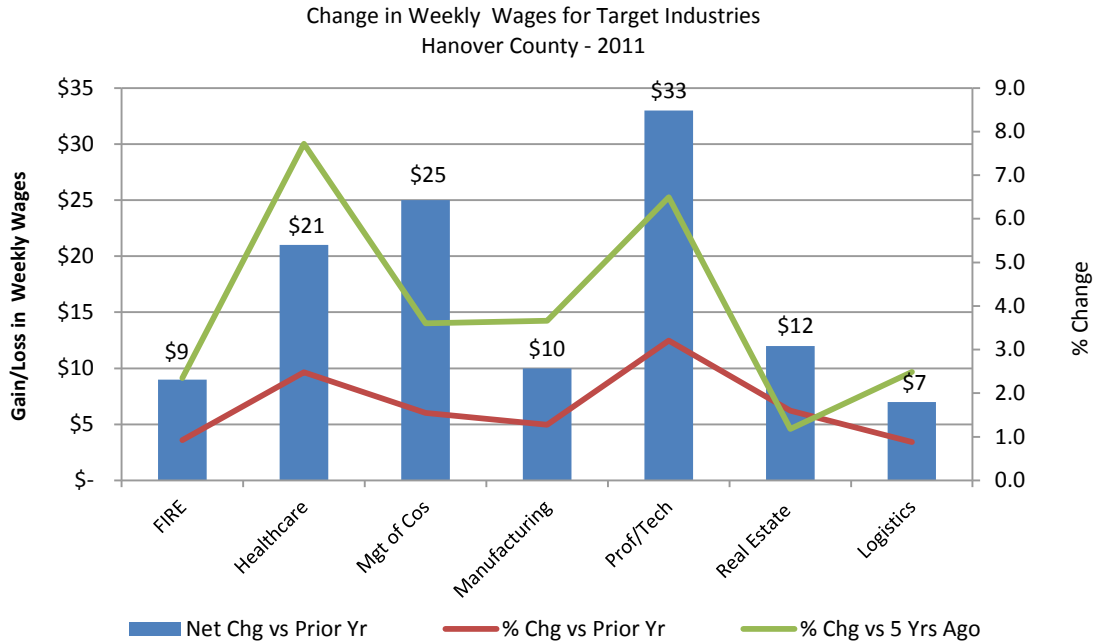


Source: VEC, data as of 09.21.2012

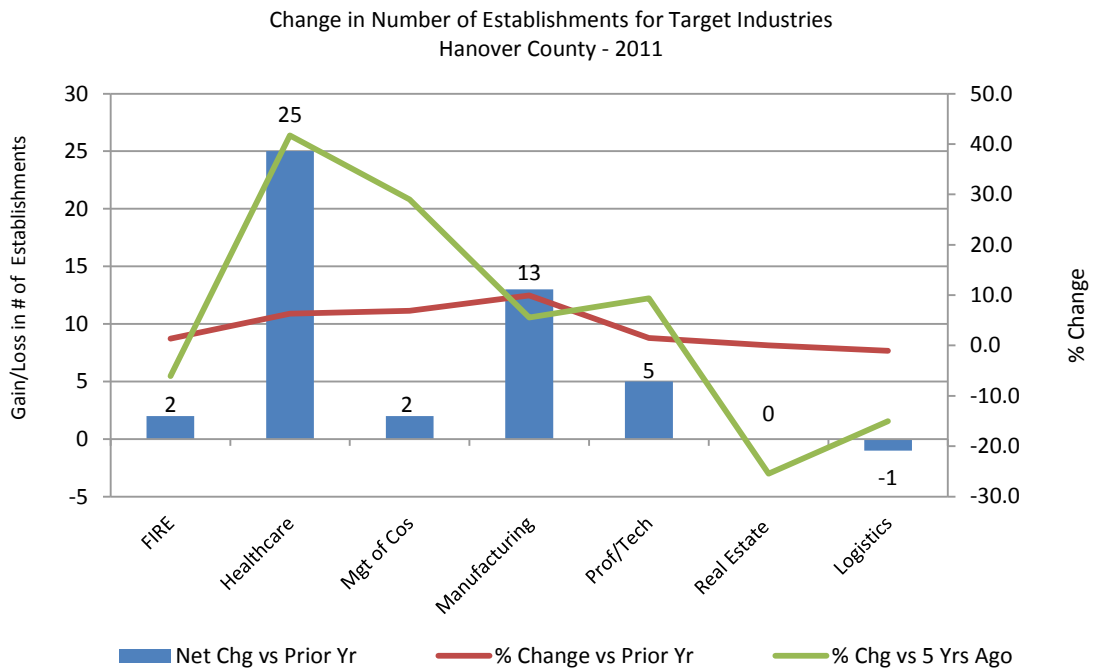
HIGHEST WAGE INDUSTRY PERFORMANCE FROM 2010 TO 2011

Targeted industry sectors, to include Healthcare, Finance, Professional and Technical Services, and Management of Companies saw a solid growth in wages. Agriculture and Forestry also saw some wage growth.

The highest wage performers overall were Management of Companies; Utilities (private); Professional and Scientific Services; FIRE; Wholesale Trade; Mining/Quarrying/Oil; and Healthcare.



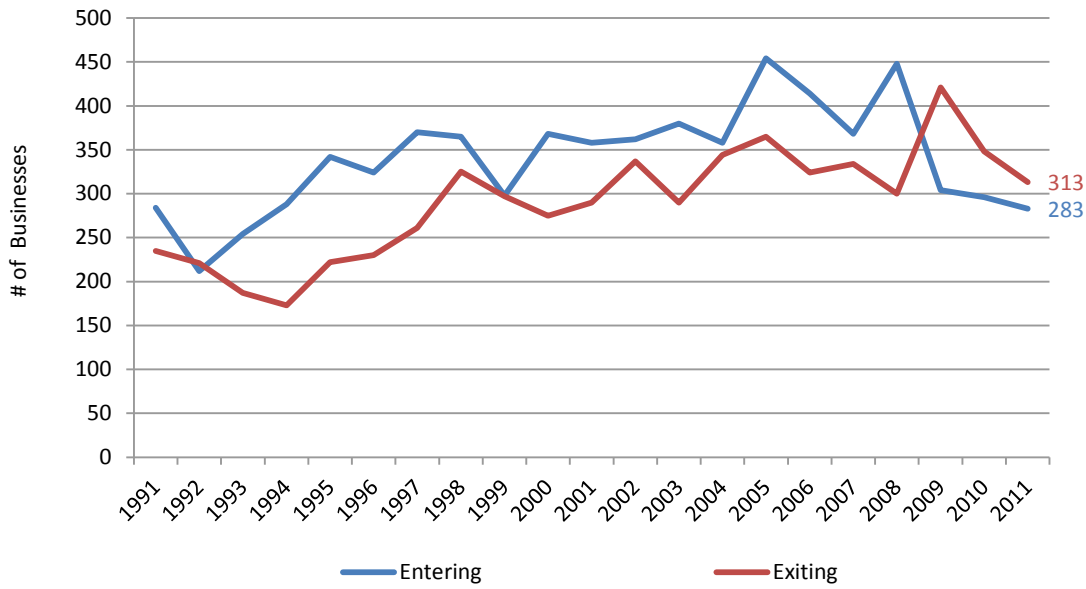
Source: VEC, data as of 09.21.2012



Source: VEC, data as of 09.21.2012

ENTREPRENEURIAL START UPS

Entrepreneurial Activity - Hanover County

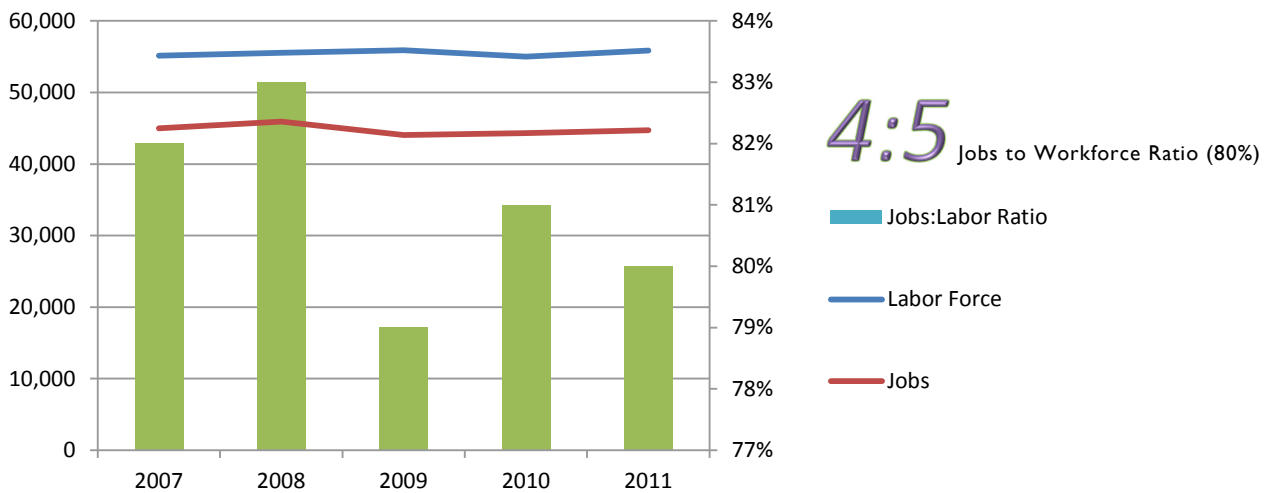


Source: Jobs EQ, data as of 07.2012

RATIO OF JOBS-TO-LABOR FORCE BY ANNUAL CALENDAR YEAR

Hanover's workforce to labor ratio, ideally at a 1:1 ratio, is struggling to recover from its recession lows, but is showing an upward trend, from the substantial downturn experienced in 2009.

Jobs to Labor Ratio - Hanover County



Source: VEC, data as of 08.2012



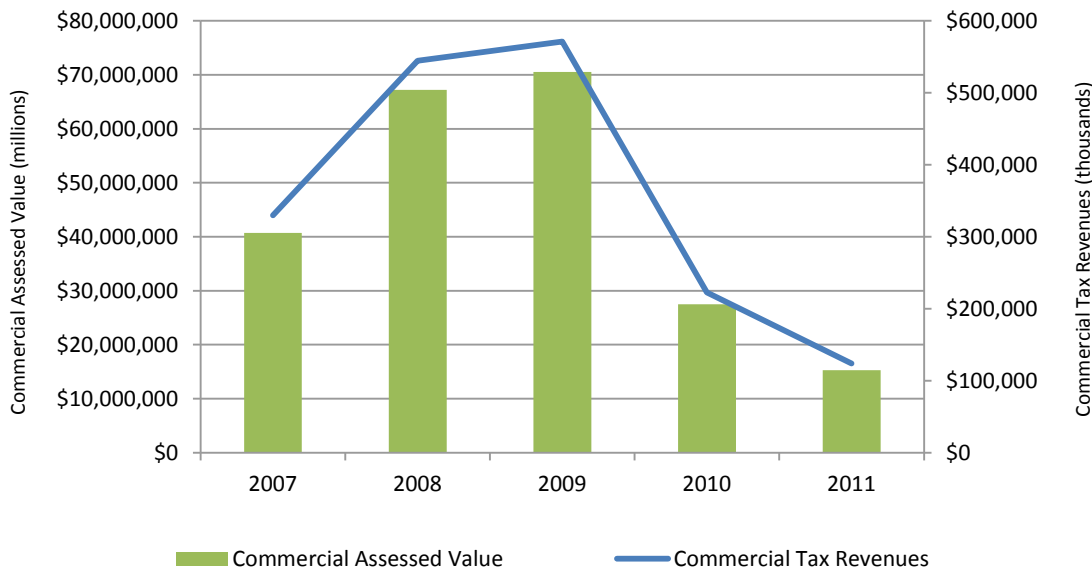


STRATEGY II: NEW CAPITAL INVESTMENT

Economic development consists not just of the jobs created; but also, the capital invested to support the business process. Significant capital investments in land development, buildings, machinery and tools not only bolster the tax base, but also create a longevity to that business operation being retained within Hanover County. These capital investments – in terms of frequency and volume – often reflect the psychological outlook of business owners, who are understandably reluctant to invest should their economic prospects appear dim. FY 2012 witnessed mixed signals with regard to capital investment, surely a sign of these uncertain times.

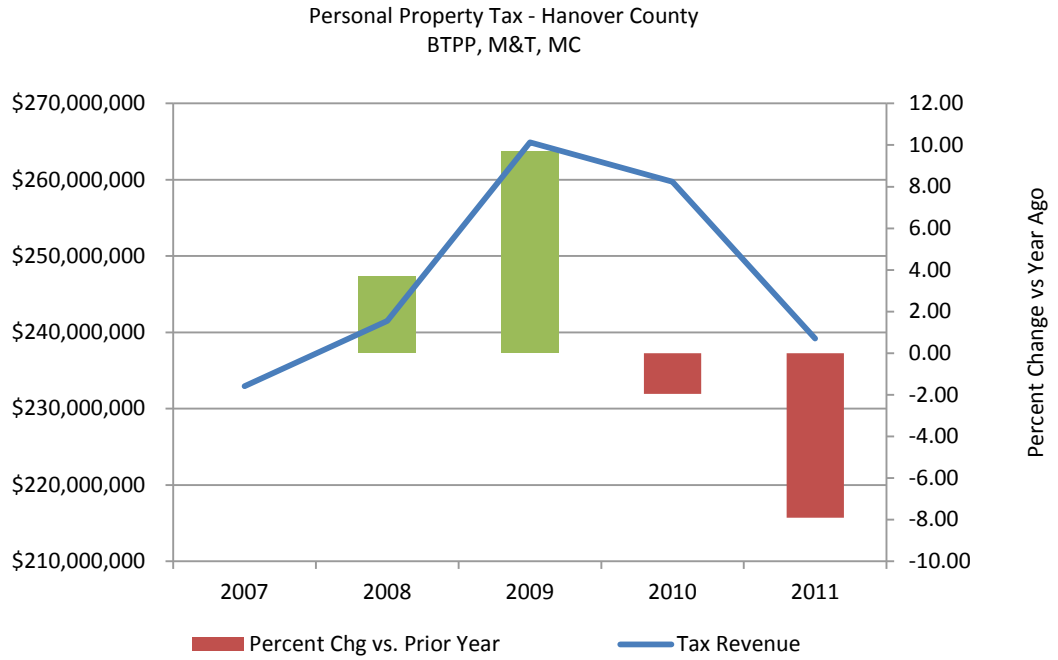
NEW COMMERCIAL TAX COLLECTION BY CALENDAR YEAR (FOR COMMERCIAL CONSTRUCTION)

Commercial Commercial Assessed Values
& Tax Revenue [New Construction] - 2011
Hanover County [Tax Rate \$0.81]



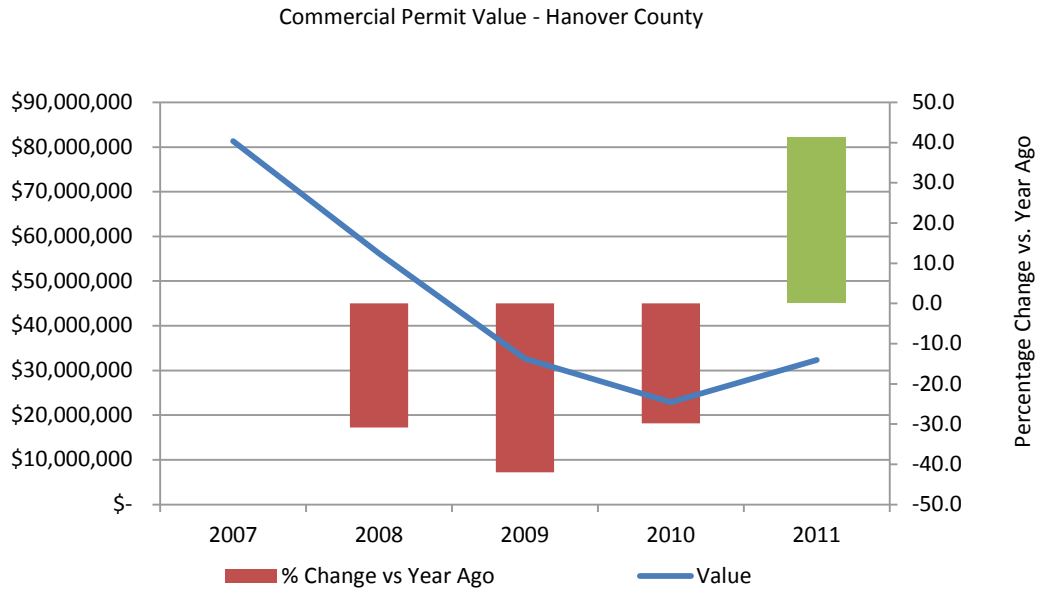
Source: Hanover County Assessor's Office, data as of 08.2012

BUSINESS TANGIBLE PERSONAL PROPERTY COLLECTIONS



Source: Hanover County Commissioner of Revenue - Personal Property Statistics, data as of 08.2012

NEW CONSTRUCTION (PERMIT) VALUE



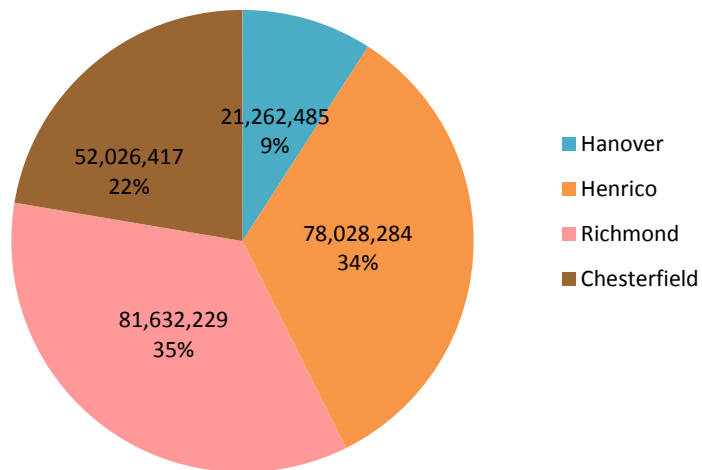
Source: Hanover County Building Inspector's Office, data as of 08.2012



STRATEGY III: INCREASE AVAILABLE COMMERCIAL PROPERTY

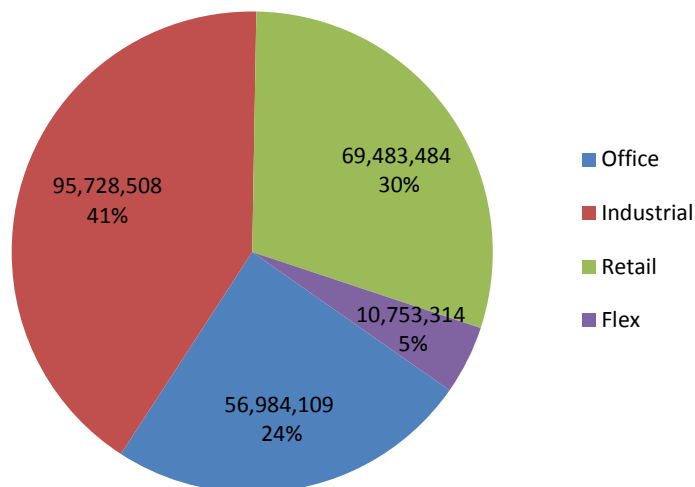
Hanover County competes regionally for new business investment, both from the kind recruited here from out-of-town as well as business investment from the expansion of existing businesses. In either case, that business investment must be housed somewhere – and thus, the stock and quality of available commercial property is vital to Hanover in terms of being able to host new business investment. Hanover’s competitiveness is severely curtailed by a lack of available pad-ready sites and buildings. Regionally (among the four Greater Richmond Partnership localities) Hanover is home to only approximately 9% of the available commercial space; and – relating to this - Hanover enjoys only a small percentage of the regional new business investment. Any effective economic development strategy must include the aggressive development of available pad-ready sites and buildings in Hanover. The amount and quality of available commercial property here must be increased.

Total Rentable Building Area (SF)
Regional (GRP-4) Total By Locality



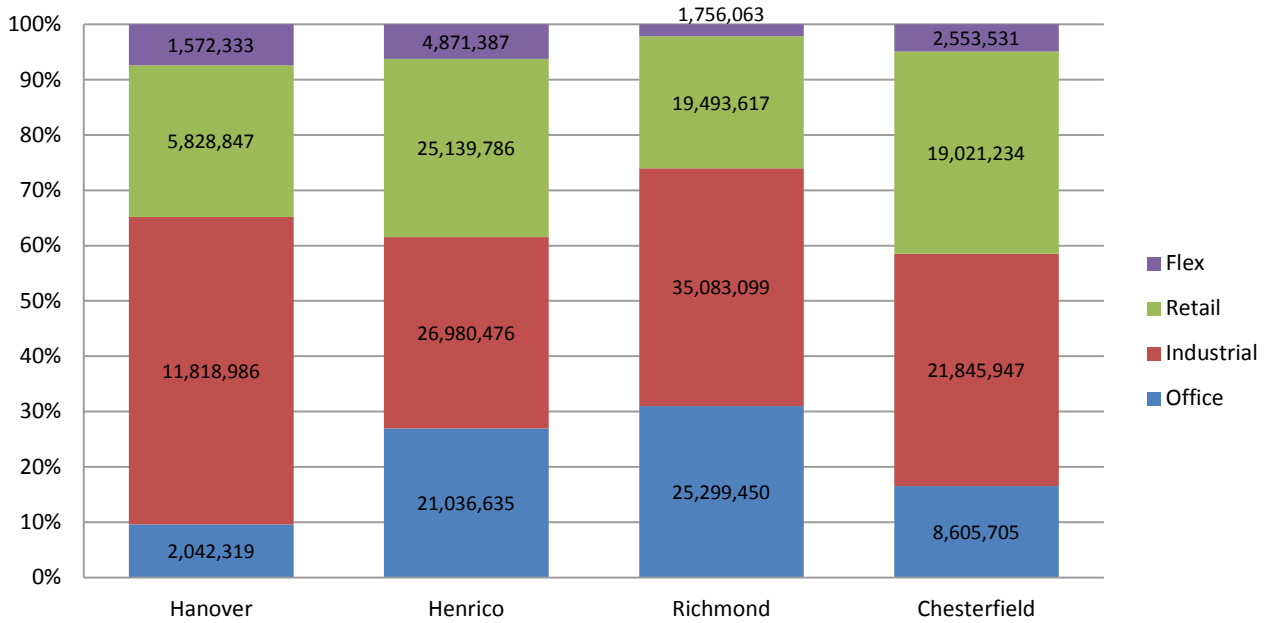
CoStar, data as of 09.28.12

Total Rentable Building Area (SF)
Regional (GRP-4) Total By Class



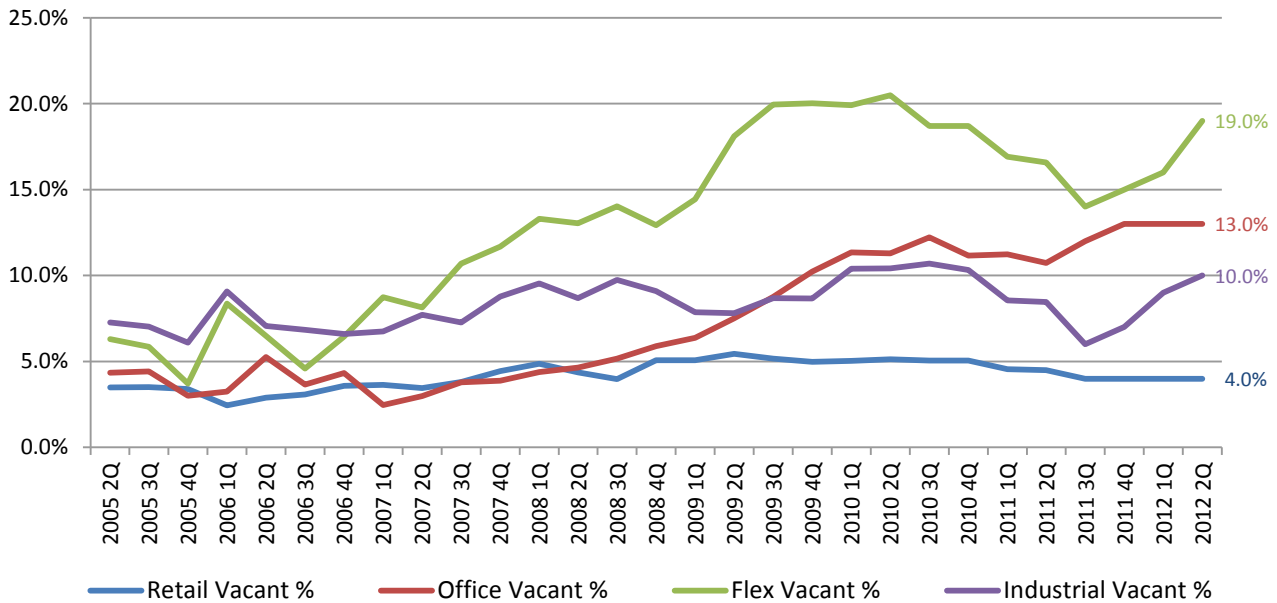
CoStar, data as of 09.28.12

Commercial Property - Rentable Building Area & Percent of Locality Total
Regional (GRP-4) Comparison - 2011
by Class by Locality



CoStar, ata as of 09.28.12

Vacancy Rates - Hanover County By Class



Source: CoStar, data as of 08.2012

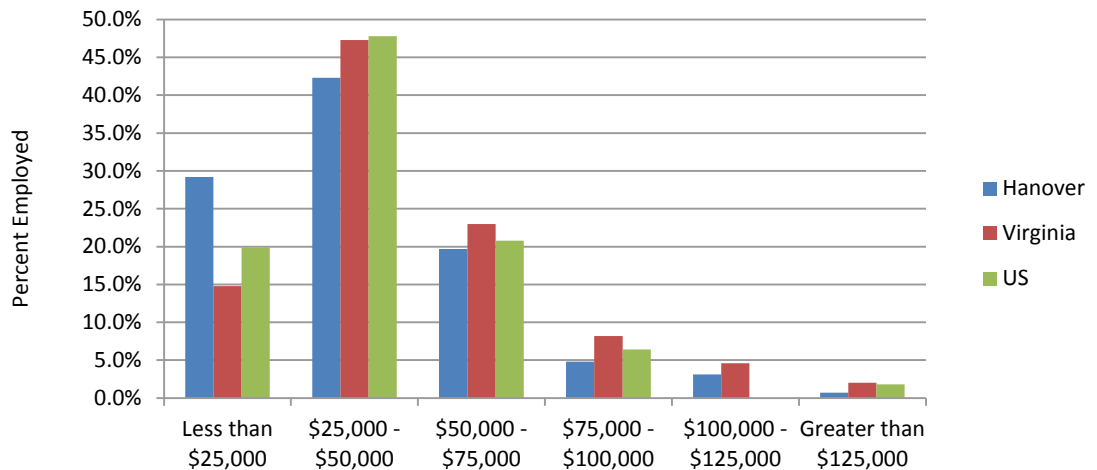


STRATEGY IV: INCREASE THE AVERAGE WAGE

Hanover seeks job growth; however the long-term goal is to increase higher-wage job growth. This is done by the recruitment of targeted industries, so targeted for their many community benefits (including higher wages). The attainment of higher-wage jobs will increase the overall county “average wage”. When these gains are realized, Hanover will provide more “in-county” job opportunities for its educated and skilled workforce, enjoy a more diverse and stable job base, and be able to offer a wide-range of employment opportunities for all qualified job-seekers.

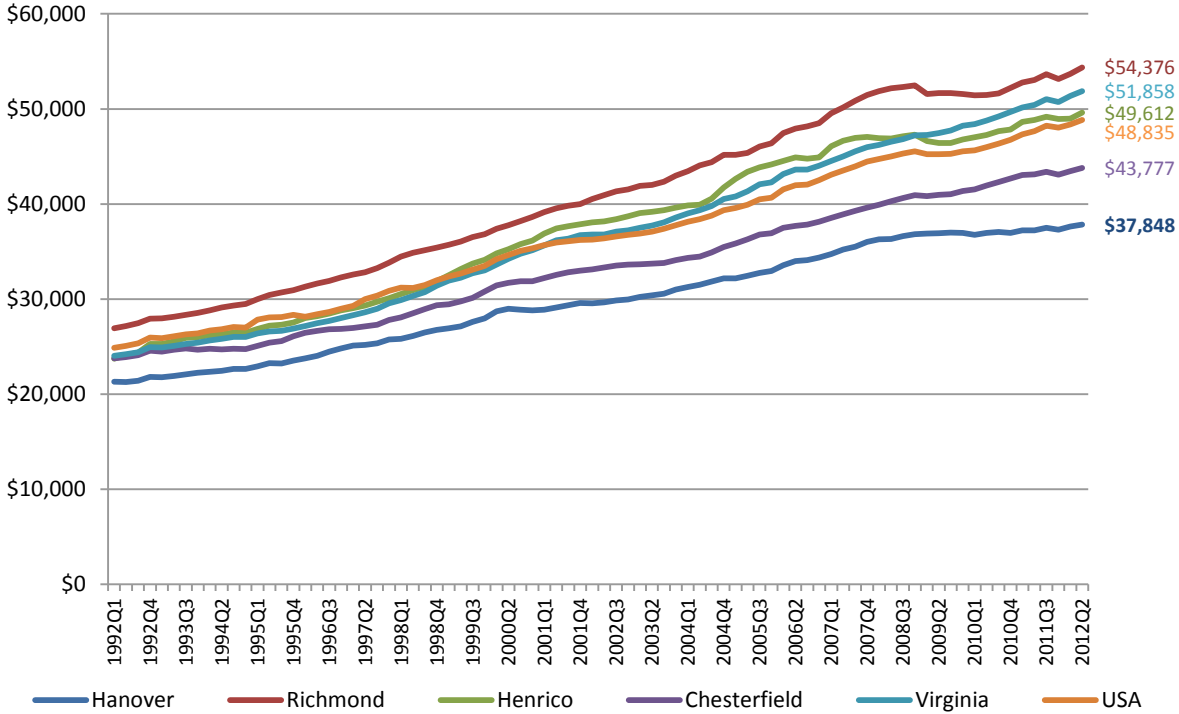
INCREASE WAGES IN PROFESSIONAL/TECHNICAL JOB BASE

Wage Distribution - Hanover County - 2011



Source: JobsEQ; Data as of 2012 2Q

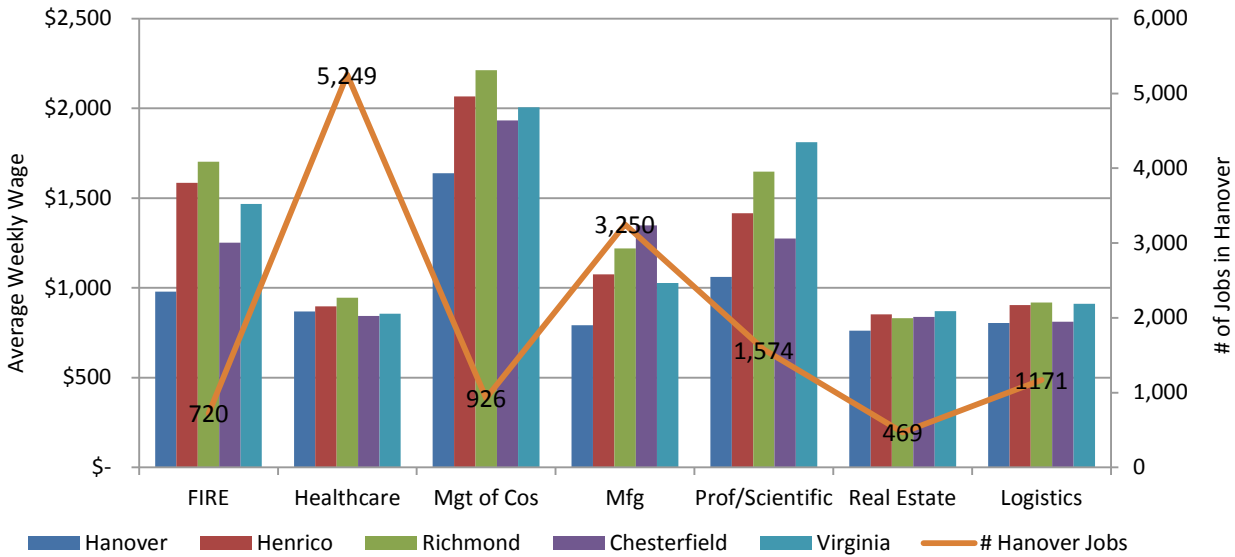
Average Annual Wage Regional Comparison 1996 - 2012



Source: JobsEQ, data as of 10.01.12

Note: Industry-level employment and wage data before 2001 may be based on partial data due to nondisclosed data. Data not

Average Wage in Selected Industries
Regional Comparison - 2011



Source: VEC, data as of 09.21.2012

DEPARTMENT METRICS: BEING EFFECTIVE

Hanover taxpayers fund this department with the expectation that we are effective in increasing economic development. All that we do as staff is scrutinized (internally and externally) against the standard of “does this activity help generate economic development in Hanover County?” We are constantly evaluating and culling less-effective techniques and less-productive demands on staff time in the hopes we can deliver on our mission. What we do, and how we do it, positions Hanover County for economic development success in an ever-changing marketplace.

EXISTING BUSINESS ASSISTANCE

91 # of Existing Companies Interviewed + 21% vs. Prior Year [75]

69 # of existing Businesses Assisted + 130% vs. Prior Year [30]

Hanover’s Business First program year 2011 – 2012 almost doubled the business interviews accomplished in the prior year, meeting with 101 Hanover businesses. The past year’s snapshot on the local business climate shows a sense of overall optimism, with over 90% of businesses anticipating the business climate will improve over the next five years. There



were more concerns in the short term over strategies to handle immediate indicators of the economy, healthcare reform and the upcoming elections in November. Nearly 90% of companies interviewed rated local government operations as Excellent or Good. Overall government services were given high remarks but not surprisingly taxing remained the least satisfactory with local tax structure, state tax structure and state-controlled worker compensation rates the least popular. Please find attached to this document the Business First Annual Report.

COMPANIES CONTACTED, VISITS BY NEW COMPANIES & MARKETING TRIPS.

43 # of Prospect Leads + 43% vs. Prior Year [30]

36 # of Prospect Visits + 56% vs. Prior Year [23]

5 # of Marketing Trips + 66% vs. Prior Year [3]

Lead generation is paramount in achieving economic development success with new business recruitment. The volume and quality of leads translate directly into landed investments. For this report, a qualified lead is any company that has received personal or a direct contact or response from Hanover 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.

BUSINESS LAUNCHPAD CLASSES:

Starting and running a business can be a lonely adventure, and often small-business owners lack easy access to instruction on topics that can aid them in being successful. These classes are taught via a partnership with the Greater Richmond Chamber of Commerce Small Business Development Center, by experienced professionals. In FY2011, these classes were under-marketed and poorly-attended. Staff re-launched the marketing for and incentives to attend these classes, and attendance has blossomed in FY2012.

187 # of Participants **+450%** vs. Prior Year [34]

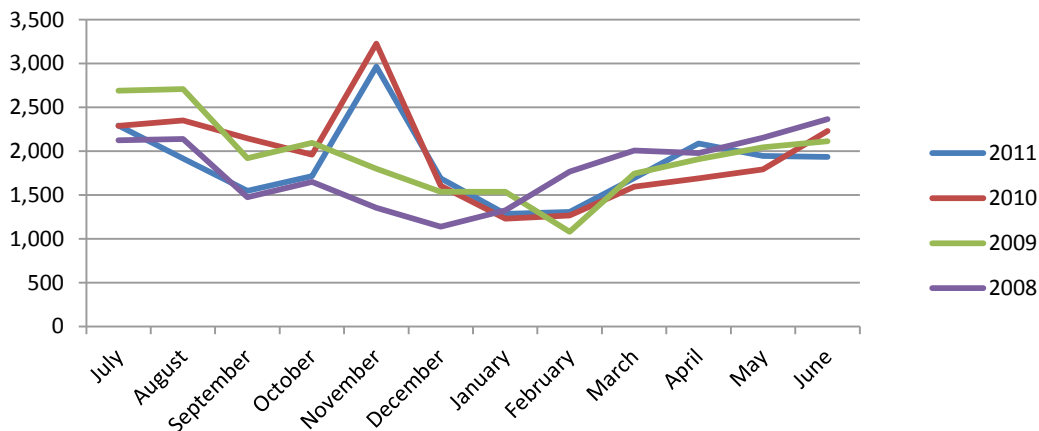
21 # of Classes **+11%** vs. Prior Year [19]

8.9 Average # Participants per Class **+398%** vs. Prior Year [1.8]

TOURISM VISITS TO VISITOR CENTERS FY 2012: 22,390

Hanover offers a rich bounty of tourism offerings to a wide variety of interest groups. From pastoral countryside road trips to historic sites to destination shopping to festivals to sporting events to eye-popping thrill rides – there are plenty of reasons to visit Hanover. Tourism is a vital part of the Hanover economy, because its impact does touch such a wide range of business within our community. Millions of tourists visit Hanover County each year, and a very small percentage of those tourists drop by the Visitor Centers in Ashland and Bass Pro Shops. Recorded visits to these Centers dropped slightly in FY12.

Tourism - Visits to Visitor Centers
Ashland & Bass Pro



Source: Hanover County Economic Development, data as of 08.2012

DOMINION RESOURCES INNOVATION CENTER

Dominion Resources Innovation Center (formerly known as the Dominion Resources Greentech Incubator) launched a rebranding process to build broader awareness of and interest in the



facility. The strategic framework for this rebranding initiative is the reengineering and redesign of the corporate identity from a green tech incubator to a start-up & early stage business acceleration program. Implementation tactics to attract a broader array of potential tenants include a redesigned logo, new website, and high-profile business plan competition supported by a major public relations initiative.

The Dominion Resources Innovation Center was successful in attracting three new companies in FY2012, and graduating one of its original tenants, Marz Industries following the award of a CIT grant for their innovation. EnviroDock, LLC remains a tenant and continues in its efforts to develop portable docking stations for the truck industry to cool and heat the cabs and reduce engine idling.

New tenants and their technology include:

Company Name	Technology
Electric Force Motors, LLC	Electric motor technology
Green Vision Energy, LLC	Algae Based Bio-Reactor CO ₂ to Biodiesel
Green Biologics, LLC	Chemical process producing butyl acids from cellulous
Energy Conversion Research Ventures, Inc.	Converting organic waste to gases



HANOVERVIRGINIA.COM

Business First Greater Richmond 2011-2012

Business First Hanover is a business retention and expansion program aimed at helping local businesses grow and succeed – right here in Hanover County. As part of the Business First Greater Richmond regional collaborative, Hanover works with the Greater Richmond Partnership, the City of Richmond and the counties of Chesterfield and Henrico to ensure local businesses operate in a business-friendly environment.

As part of the local business outreach effort, the Business First team conducts face-to-face interviews with business owners and CEOs. Information gathered during these interviews helps economic development staff appropriately match businesses with available resources to support growth and assist with areas of need.

Business First interviews give business owners the opportunity to voice opinions about conducting business in Hanover County and the greater Richmond region.

Data collected during the interview process provides a snapshot of how the local business community perceives the business climate. The information contained in this report is based on interviews conducted between July 1, 2011 and June 30, 2012.

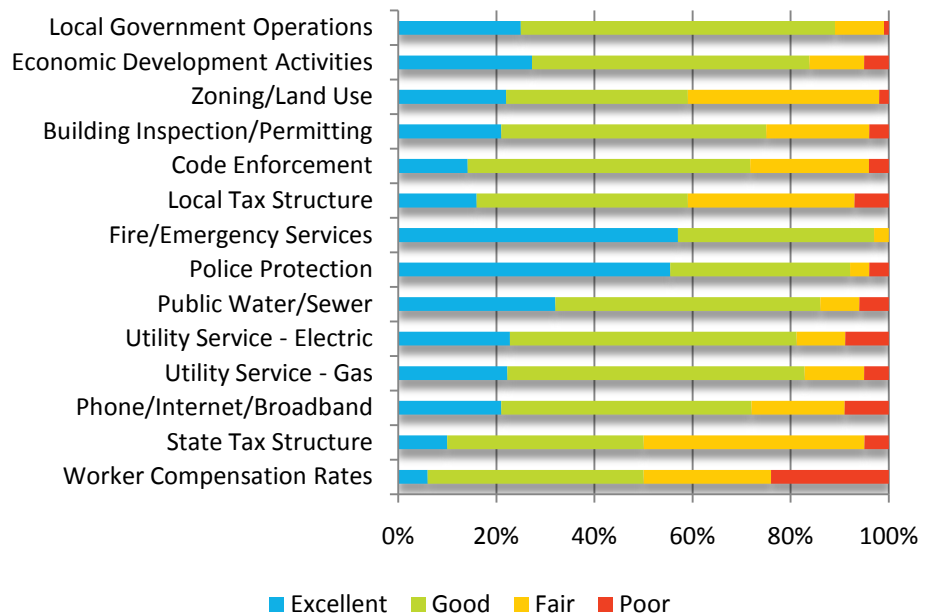
This year's outreach effort included 101 Hanover businesses which represent 5,082 jobs in the community. Interviewed businesses operate in a wide variety of industry sectors, with Wholesale Trade and Professional, Scientific, and

Technical Services being strongly represented. The average firm interviewed has 50 employees, but size ranged from 1 employee to several hundred.

The majority of Hanover business leaders are positive about the overall business climate, with nearly three-quarters rating it Excellent or Good. The recession still lingers, however, as a full 55% feel the business climate is worse today than it was five years ago. Looking forward, nearly 90% of interviewed businesses are optimistic that the business climate will improve over the next five years.

During interviews, participating businesses ranked a number of factors that contribute to Hanover's overall business climate. The results are presented in the chart below. As in previous years, the most highly rated factors are in the areas of public safety and utilities. Nearly 90% rated local government operations as Excellent or Good, with other county-provided services also given high marks.

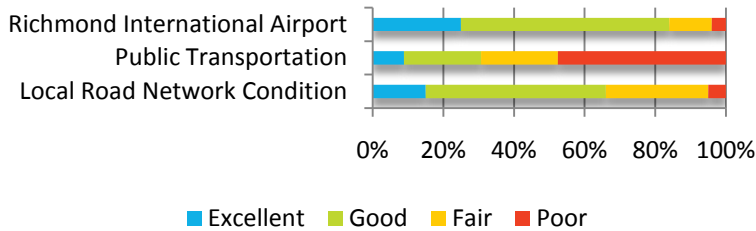
Hanover Business Climate Factors



Not surprisingly, taxing remains the least satisfactory government function amongst Hanover businesses, but the local tax structure proved slightly more popular than the state tax structure and state-controlled worker compensation rates.

Interviewed firms were also asked to rank transportation factors. The chart below shows that, as in years past, the Richmond International Airport has received high marks with nearly 85% of respondents ranking it Excellent or Good. Public transportation continues to struggle, with almost 50% of respondents ranking it Poor.

Hanover Transportation Factors



As unemployment rates tick downward, more than 30% of interviewed businesses plan to hire more in the upcoming year, while only 7% plan to reduce staff.

Hanover businesses appear satisfied with the area workforce. More than three-quarters claim no trouble recruiting employees and a full 94% indicate no problems with retention. Almost 95% rated the quality of the labor force as Excellent or Good. However, respondents suggested that the post-recession labor market is tightening with about a fifth indicating dissatisfaction with employee availability.

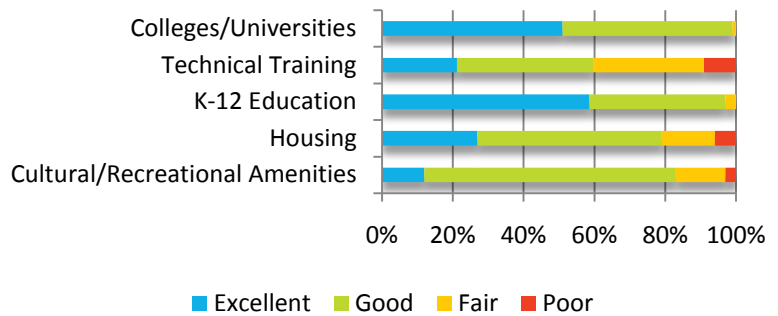
This year’s interviews revealed many growth opportunities for Hanover businesses, with 36% of businesses planning local expansions in the upcoming 18 months. These 30 businesses will require an estimated 295,000 sq. ft. of additional real estate combined. Most

companies are using more than 90% of their facility’s space, but only 40% reported using a similar percentage of equipment capacity. A full 70% indicated that there is room for expansion at their current facility, suggesting that Hanover businesses have the capacity to quickly expand to meet increased demand as the economy grows.

Quality of place factors are critical to businesses looking to attract top talent to their organizations.

As the chart below demonstrates, Hanover businesses are overwhelmingly positive about the high quality of life offered by the county. Area educational resources, which are critical in supporting a high-quality workforce, received high marks with 99% approving of colleges and universities and 97% rating K-12 education favorably.

Hanover Quality of Place Factors



To learn more about Business First Hanover or to schedule an interview for your business, contact:



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 Economic Development
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 tjmiller@HanoverVirginia.com