



Innovate. Prosper. Grow.

Economic Development Annual Report FY2015

Economic Development Metrics								
Goal: Create strategic business investment that enhances the quality of life in the county								
	Objective	Key Indicator	Data Source/Data Owner	Current Measurement	Hanover Target	Green	Yellow	Red
1.0	Encourage private land owners to ready commercial sites for sale and lease	Acres at stage 3 of readiness for commercial investment	Economic Development Department	381.1 Acres	Maintain 450 acres of stage 3 ready commercial property inventory	450 acres or more of stage 3 ready commercial property inventory	Between 400 and 450 acres of stage 3 ready commercial property inventory	400 acres or less of tier 3 ready commercial property inventory
2.0	Increase county tax base derived from commercial sources	Real property tax base derived from commercial sources	Assessor's Office	2014 new commercial assessed value \$49,142,357 (added in annual year)- total assessments of \$8,921,185,600 of residential property and \$2,520,214,900 of commercial property	\$50M of new commercial investments based on assessed value	Commercial property investments in excess of \$50M based on assessed value	Commercial property investments of \$40M - \$50M dollars based on assessed value	Commercial property investments of \$39.999M dollars or less based on assessed value
2.1		Ratio of commercial to residential property assessments	Assessor's Office	71% residential 20% commercial 2015 data (apartments are included in residential totals)	Incremental goal of attaining a minimum property base ratio of 25% commercial to 75% residential by 2017 with a long term goal of 30%	25% of the total county property assessments are derived from commercial property and 75% is residential	Between 20% and 25% of the total county property assessments are derived from commercial property and between 75% and 77.5 % is residential	20% or less of the total county property assessments are derived from commercial property
3.0	Expand stakeholder involvement with regards to economic development through engagement	Implement a business survey to engage current businesses in future economic development	Economic Development Department	Currently Implementing	To be completed by June 30, 2015	Survey completed	n/a	Survey not completed
4.0	Expand the number of jobs to available workforce	Number of jobs supported by Hanover County workforce	Virginia Employment Commission	48,149 Jobs	3% growth	3% or more	Between 1% and 3%	1% or less
4.1		Ratio of jobs to labor force	Virginia Employment Commission	0.8:1 (2014 data)	0.9:1 (long term 1:1)	0.9:1 or more	Between 0.8:1 and 0.9:1	Less than 0.8:1
4.2		Unemployment rate	Virginia Employment Commission	4.20%	4% or less	4% or less	Between 4% and 5%	5% or more

Executive Summary

For Fiscal Year 2015, unemployment decreased slightly and job growth was mixed. Capital investment increased and leasing and sales activity grew. Vacancy rates decreased for industrial, flex and retail.

Business attraction efforts with the Greater Richmond Partnership were successful with the addition of Mavalério, a Brazil-based manufacturer of confections for the baking industry. The company will invest \$5 million to add a new production facility and U.S. headquarters in Hanover County. The company plans to move into a 38,000-square-foot space at the Northlake Business Park. The investment is expected to create 55 new jobs.

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 our ability to attract new investment. Any effective economic development

strategy must include the aggressive development of available pad-ready sites and buildings.

Economic development in Hanover County can be successful by recruiting higher-wage industries, increasing densities in the suburban service area, and proactively converting raw land into pad-ready commercial product.

The Hanover County Board of Supervisors reduced the fees associated with commercial zoning applications and site plan review applications and to eliminate the cost per acre calculation. There is now a flat cost of \$1,100 to rezone property for business, office and service and industrial use. The cost for reviewing site plans is also now a flat cost of \$1,100.

In June, the tourism microsite VisitHanoverVA.com was launched. The site is branded specifically to promote tourism in Hanover County while benefiting from the 75,000 per month visitors to its parent site, VisitRichmondVA.com.

Goal: Create strategic business investment that enhances the quality of life in Hanover.

Objectives

- 1** Encourage private land owners to ready commercial sites for sale and lease.....Page 3
- 2** Increase county tax base derived from commercial sourcesPage 9
- 3** Expand economic development stakeholder involvement through engagement.....Page 11
- 4** Expand the number of jobs to available workforcePage 14
- 5** Increase the number of jobs that have above average wages.....Page 18



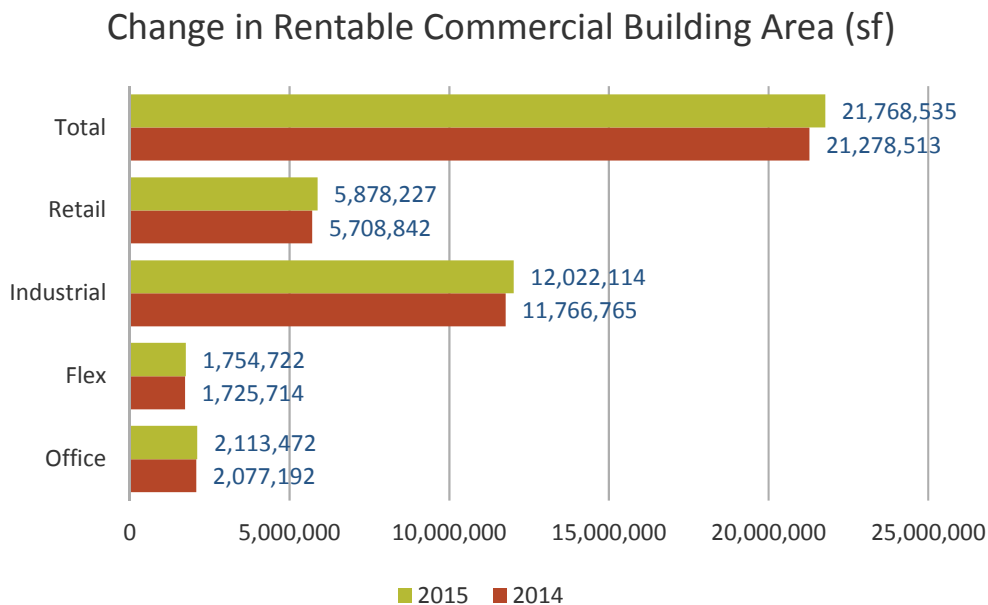
Objective 1: Encourage private land owners to ready commercial sites for sale and lease

Hanover competes regionally for new business investment, both from those recruited here from out-of-town as well as from the expansion of existing businesses. In either case, that investment must be housed somewhere so the stock and quality of available commercial property is critical for new business investment.

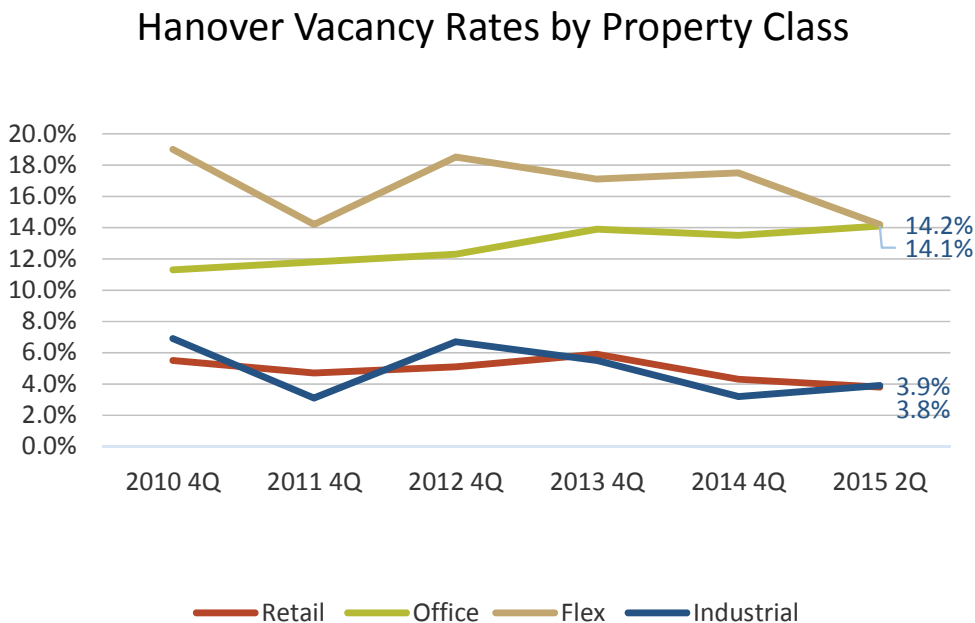
Over the past number of years, Hanover's competitiveness has been challenged by a lack of available sites and buildings. Among the four Greater Richmond Partnership localities, Hanover has only nine percent of the available commercial space. This disadvantage curtails Hanover's ability to be competitive for new investment dollars from not only new businesses, but our existing corporate community as well. While attracting new businesses is a viable economic development strategy, retaining and expanding existing businesses will always be a priority. Without commercial location options that accommodate their growth, Hanover could and does lose expanding existing local businesses.

In 2015, Hanover County saw leasing absorption in high-bay industrial and larger blocks of commercial / industrial space. This means that Hanover's industrial tax base grew and local businesses found location solutions. However, our industrial vacancy rate for high-bay space is at an all-time low so our ability to accommodate business investment is limited. The nation and region have not seen much activity in speculative industrial development since the recession in 2008. It is critical that Hanover position itself as a viable option for speculative development to stay competitive and provide locations for both existing and new businesses.

Annual Report FY 2015

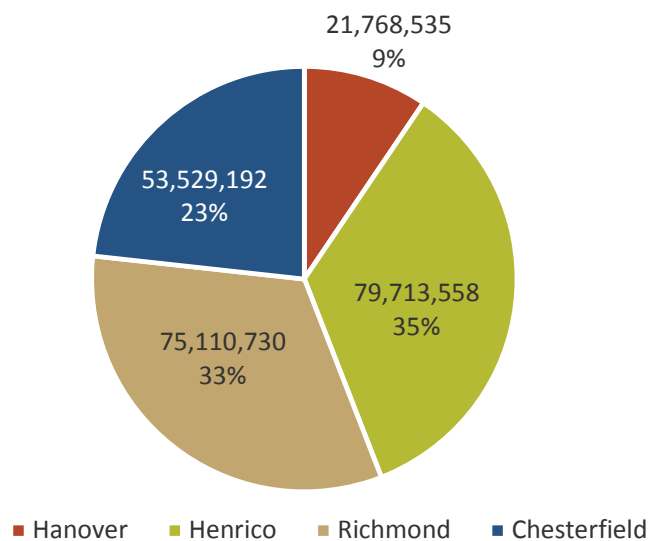


Source: CoStar, Data as of September 1, 2015



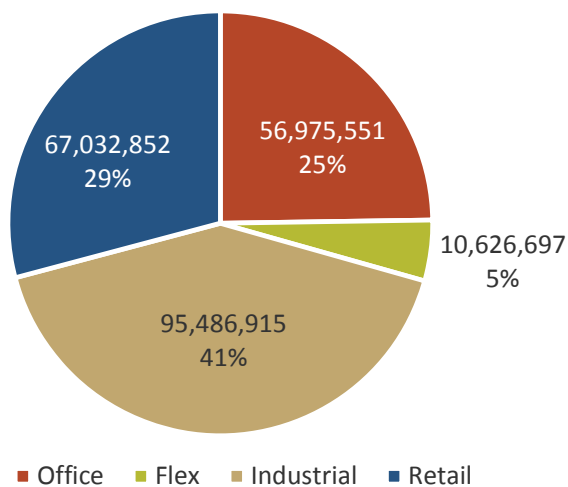
Source: CoStar, Data as of September 1, 2015

Total Rentable Building Area in GRP by Locality



Source: CoStar, Data as of September 1, 2015

Total Rentable Building Area in GRP by Class



Source: CoStar, Data as of September 1, 2015

Annual Report

FY 2015



Commercial Property – Rentable Building Area by Locality and Class					
	Hanover	Henrico	Richmond	Chesterfield	Total
Office	2,113,472	21,488,901	24,391,191	8,981,987	56,975,551
Flex	1,754,722	4,866,599	1,683,180	2,322,196	10,626,697
Industrial	12,022,114	27,805,656	32,728,740	22,930,405	95,486,915
Retail	5,878,227	25,552,402	16,307,619	19,294,604	67,032,852
Total	21,768,535	79,713,558	75,110,730	53,529,192	230,122,015

Source: CoStar, Data as of September 1, 2015

Candidate Tier Three Sites

The Board adopted an initiative in 2014 to develop strategies for increasing inventory of Tier Three pad-ready commercial product sites by at least 100 acres. Two new important zoning cases passed that recently added more than 200 acres of M2 product.

The Land Use program expansion initiative can be credited in bringing these two cases, the Baldwin/Gilman Site and the Holland Cedar Lane, through the rezoning process. Adopted in 2013, the new land use policy allows for land owners in the Suburban Services Area to rezone out of land use and into certain commercial land use without paying higher taxes normally associated with upzoning a site. The sites must meet certain criteria as outlined in the Land Use Policy and the Economic Development Strategic Plan.

In 2015, all fees associated with qualifying commercial rezonings and site plan were amended to be more owner and business-friendly. These initiatives will be very important in Hanover's efforts to increase its inventory of development-ready sites and buildings.

Annual Report

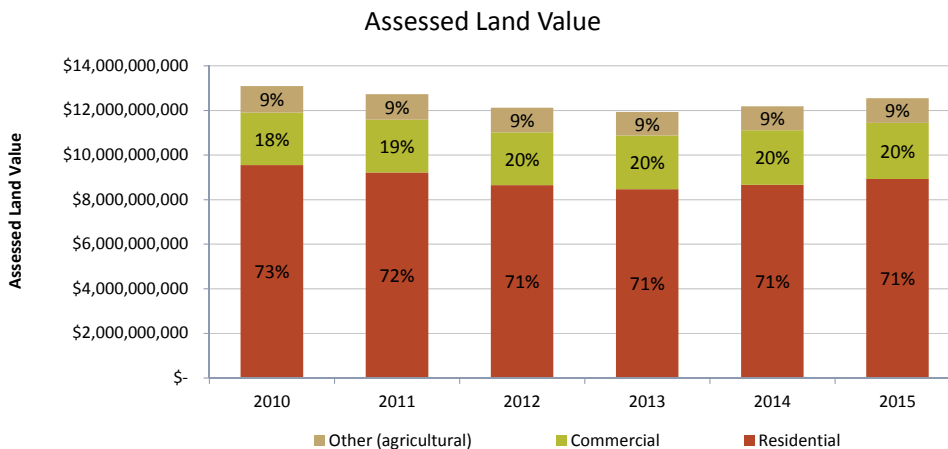
FY 2015



Site Name	Acres Available	Zoning	Existing Access?	Listed for Sale/Lease?	Master Plan?	Marketing Materials?	Survey?	Environmental?	Water At Site?	Sewer At Site?	Notes
Atlee Station	32	M1	✓	✓	✓		✓	✓	✓	✓	Two sites of 24 and 8 acres.
Northlake	42	M2	✓	✓	✓	✓	✓	✓	✓	✓	Largest parcel is 13 ac. Potential second 13 ac parcel with I-95 frontage. Other parcels are 2-3 ac. DGIF of 10 acres now available.
Bell Creek	60	M1	✓	✓	✓	✓	✓	✓	✓	✓	Property lends itself to medical uses.
Ashland Business Park	14.5	B2	✓	✓	✓	✓			✓	✓	Two parcels of 5.96 and 8.52 ac.
Cedar Run	25	M1		✓		✓					Airport / height restrictions. Access to be addressed. Parcel is pie-shaped.
Atlee Commerce Center	28.6	OS	✓	✓	✓	✓	✓	✓	✓	✓	Site consists of four, 1+ ac parcels is Flex b.
Quarles Road	14	M1	✓	✓		✓		✓	✓	✓	Rectangular site. Some wetlands
Crescent Business Center	4	M1	✓		✓	✓	✓	✓	✓	✓	Site isn't available for sale but developer can provide build to suit options.
VA Trans Park	16	M1	✓	✓	✓		✓	✓	✓	✓	One parcel remaining. No marketing materials developed.
Enterchange D Pad	16	M2		✓	✓	✓	✓	✓	✓	✓	Approved site plan for 315,000 sf; owner will sell site and/or build to suit.
Atlee Commons	11	M2	✓	✓				✓	✓	✓	Two sites of 7 and 4 ac.
Holland Cedar Lane	118	M2		✓		✓	✓		✓	✓	Route 1 frontage and infrastructure.
Subtotal	381.1										
Candidate Tier Three											
SuperValu	65	M2		✓		✓		✓		✓	Back parcels accessed by Erle Road. Upgraded rail crossing needed. Some wetlands in front but subdivide options are available.
Baldwin/Gilman	97	M2		✓		✓	✓		✓	✓	Prime location on I-95 adjacent to north boundary of Northlake.
Air Park Associates	217	M2		✓	✓	✓			✓		Some wetlands, can build out more than 1M SF, some utility extensions required.
Subtotal	379										

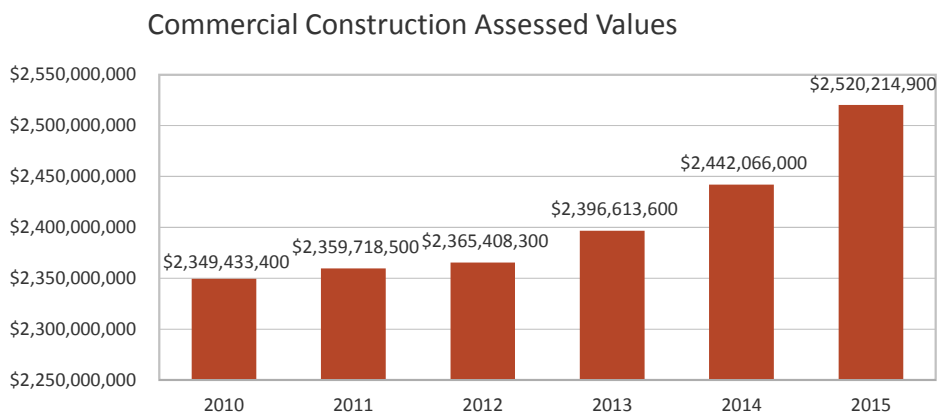
TOTAL ACREAGE: 760.1

Objective 2: Increase tax base derived from commercial sources



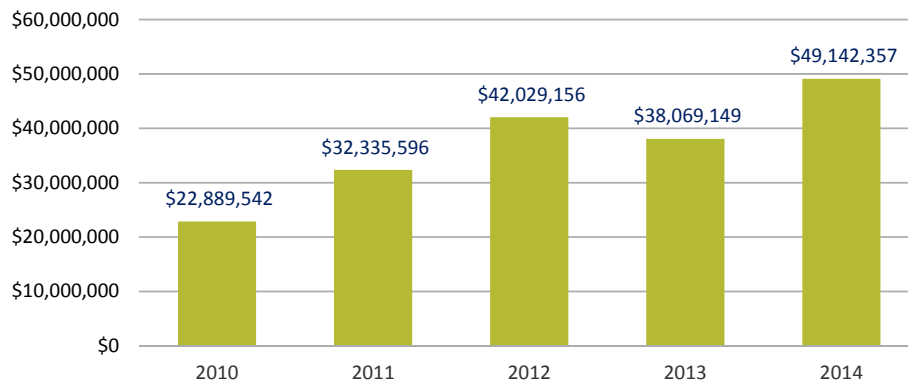
Source: Hanover County Building Assessor's Office. Data based on calendar year.

Significant capital investments in land development, machinery and tools, and buildings not only bolster the tax base, but also create permanence to retaining business operations within Hanover County. The frequency and volume of these capital investments often reflect the psychological outlook of business owners, who are understandably reluctant to invest should their economic prospects appear dim. FY 2015 saw increased capital investment by business owners, largely maintaining the ratio of residential investment in recent years.



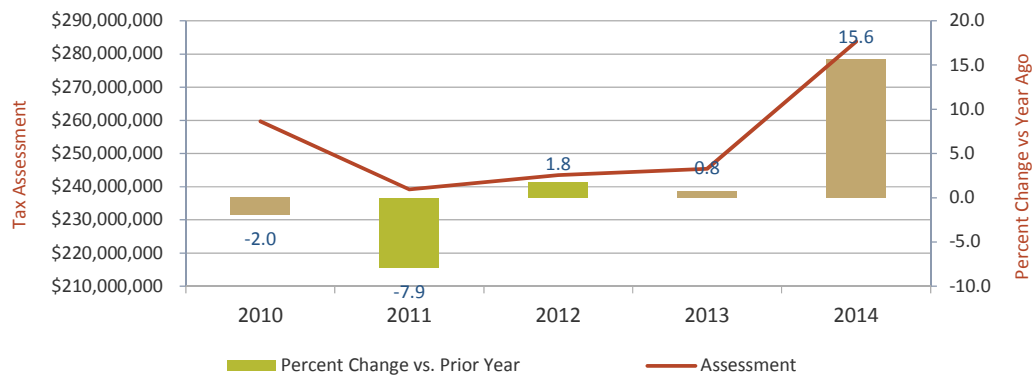
Source: Hanover County Building Assessor's Office. Data based on calendar year.

New Construction Commercial Permit Value



Source: Hanover County Building Inspector's Office. Data based on calendar year.

Business Personal Property Tax Assessment



Source: Hanover County Commissioner of Revenue - Personal Property Statistics. Data based on calendar year.

Objective 3: Expand stakeholder involvement with regards to economic development through engagement

Existing Business Assistance

Retaining and — where timely — expanding existing businesses is key to Hanover's economic development. Also vital is nurturing an entrepreneurial environment where existing businesses have growth opportunities and startups can thrive. Much of the FY 2015 program year focused on raising existing business awareness of the programs



and services available through this department.



Hanover manages outreach efforts to local businesses principally through the BusinessFirst program. This outreach aims to provide resources and technical support to existing businesses through the use of trained business volunteers. This year, 103 businesses interviews were performed, 25 of which by trained business volunteers. This was a 19% increase in the total number of interviews from the previous year. In addition to the 103 business officials interviewed 186 total businesses were assisted. Much of this additional reach of assistance provided was gained through the implementation of "Business Walks." Through these business walks alone, an additional 72 businesses were contacted and provided assistance, this is above and beyond the 103

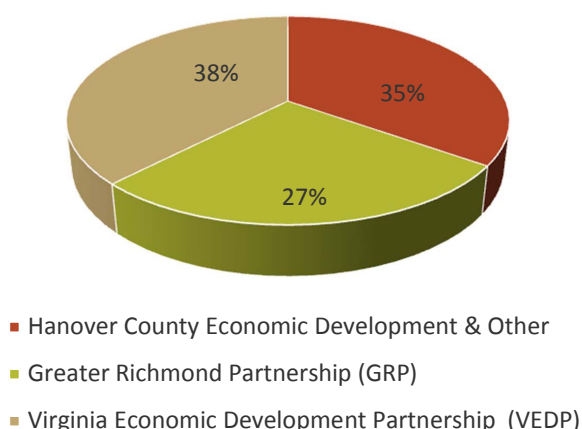
businesses that were interviewed. The Business First program focus has be altered to place a high emphasis on volunteer participation in business walks where there is a condensed participation window for volunteers with maximum business community impact.

The overall feedback from interviews was positive with most businesses beginning to see sales increase and approach pre-recession levels. Most immediate concerns are focused on federal taxation and other government regulations (federal, state and local). Of the 103 companies interviewed, 33 of them indicated currently undergoing or planning for some form of expansion within the year. Plans for expansion include new investment of equipment, software, and/or building expansion along with the addition of new jobs

Lead Generation

Business attraction is another vital component to a healthy economy. 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 receiving personal or a direct contact 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 proposal.

Lead Source By Organization

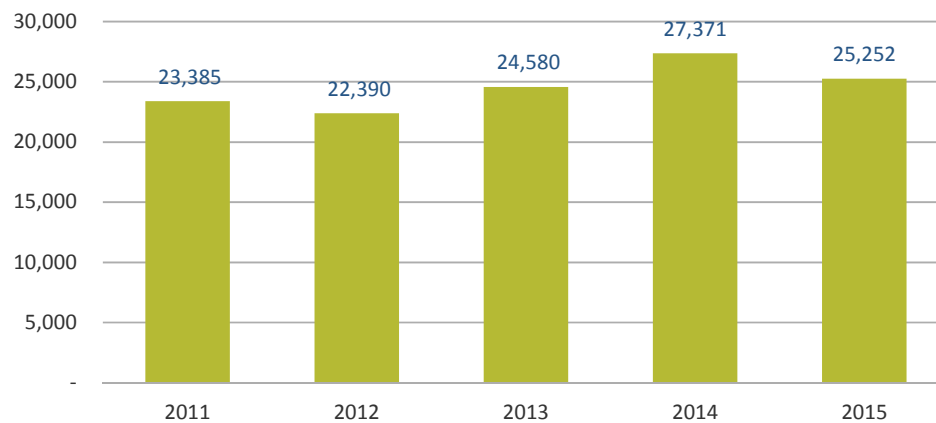


Source: Hanover County Economic Development

Tourism in Hanover

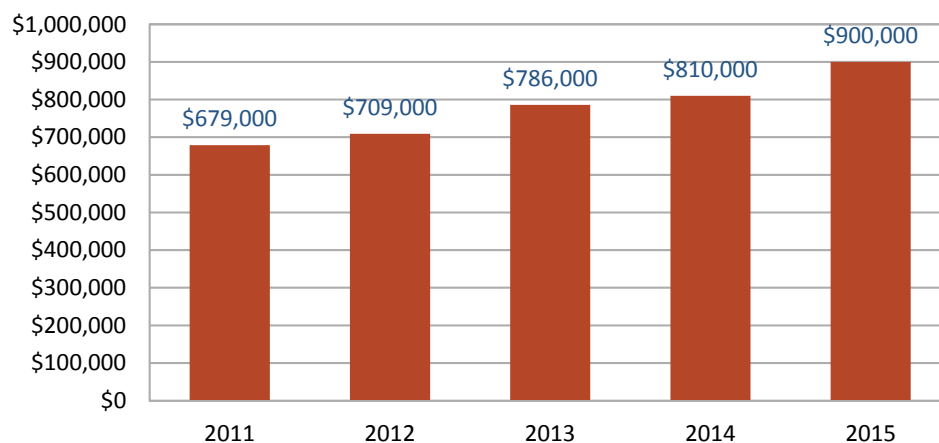
Tourism has a huge impact on a wide range of businesses within our community. Millions of tourists visit each year, and a very small percentage drop by the visitor centers in Ashland and Bass Pro Shops. Recorded visits fell by approximately 3,000 in November 2014 most likely due to overcast and rainy weather on Train Day in Ashland.

Annual Visits to Visitor Centers



Source: Hanover County Economic Development. Data is based on fiscal year.

Lodging Tax Revenue



Source: Richmond Region Tourism. Data is based on fiscal year.

Objective 4: Expand the number of jobs to available workforce

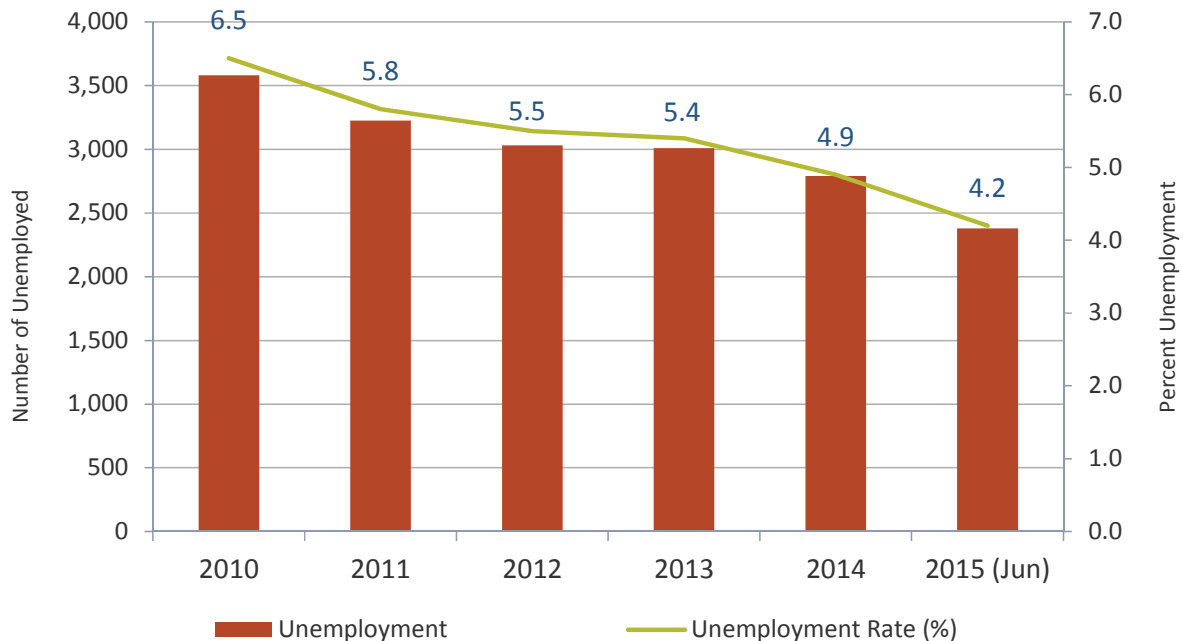
Hanover can be very competitive for professional services, creative and knowledge-based services and finance operations because Hanover does not assess a Business Professional and Occupational License (BPOL) tax. This is unique among the GRP four communities, with whom Hanover competes for Target Cluster investments within the region. However, Hanover lacks the “Class A” real estate product that these businesses traditionally prefer, so those investments often go elsewhere — along with their higher-wage jobs. While Hanover’s economic base is growing steadily, Hanover is still falling behind the region on wage growth — mainly due to the lack of real estate needed to attract knowledge-based jobs from these Target Clusters.

Consider the current business and technology trend that enhanced power capabilities and redundant fiber are a critical need of many of the sectors with higher-wage jobs. Data centers, advanced manufacturing and food processing (in addition to Supply Chain Management) represent the majority of the types of companies that are looking to expand or locate in the GRP region. High-speed Internet is needed to recruit and develop knowledge-based/higher-wage jobs. Without the right public infrastructure in place, these projects often bypass Hanover for better infrastructure situations.

Workforce automation is a growing trend that can threaten communities that have larger growth among low-skilled and low-wage jobs. Currently Hanover has an increased concentration of lower-wage jobs as compared to our regional partners which puts Hanover more at risk from automation. Lower-wage jobs typically equate lower-skilled jobs, and these jobs are more prone to elimination by workplace automation deployments. We need to be in the business of creating high-wage/high-skilled jobs that move our community forward.

Annual Unemployment in Hanover

[Not Seasonally Adjusted]



Data based on calendar year.

Source: LAUS Unit and Bureau of Labor Statistics

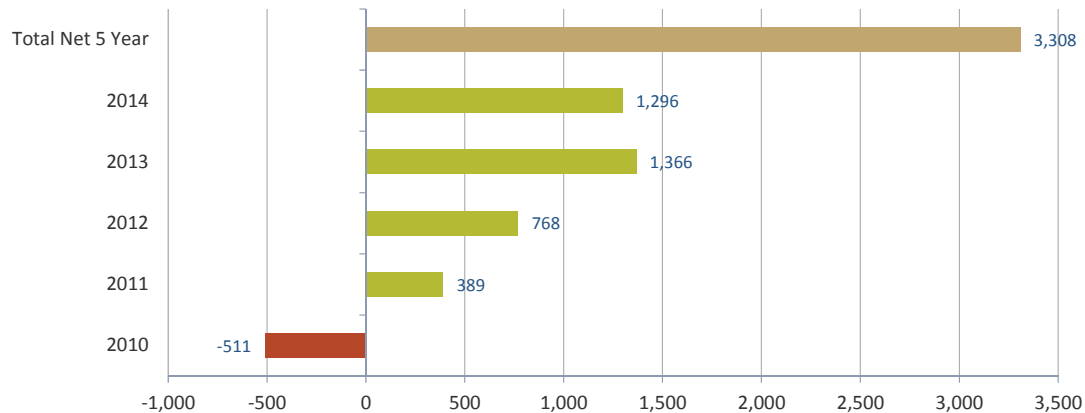
Hanover has an educated and skilled workforce; however, many out-commute to jobs in neighboring localities. Our goal is to grow high-wage jobs here creating an in-commute of skilled workers.

Our efforts specifically target key industries poised for growth including: Professional Services, Advanced Manufacturing, Healthcare, Supply Chain and Logistics, and Destination Retail. Within these growth industries, we specifically work to recruit those with higher wage jobs.

Annual Report FY 2015



Net New Jobs in All Industries



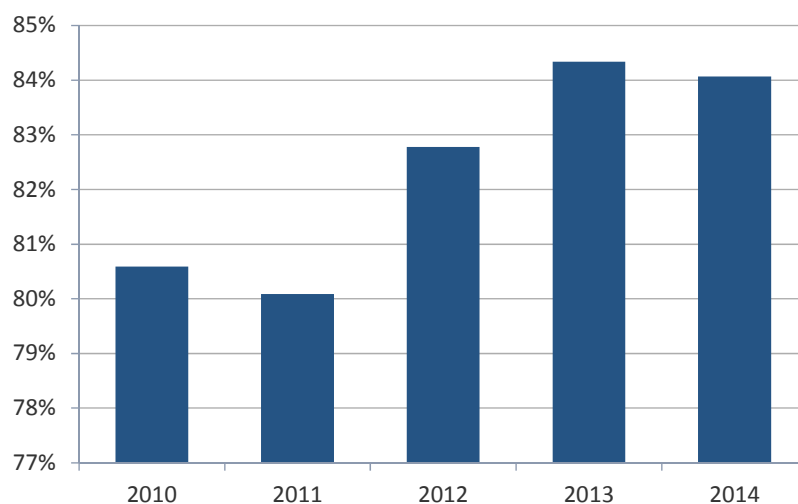
Source: VEC Labor Market Statistics, Covered Employment and Wages Program. Data based on calendar year.

Ratio of Jobs-to-Labor Force

Hanover's workforce to labor ratio, ideally at a 1:1 ratio, is showing an upward trend.



Jobs to Labor Ratio



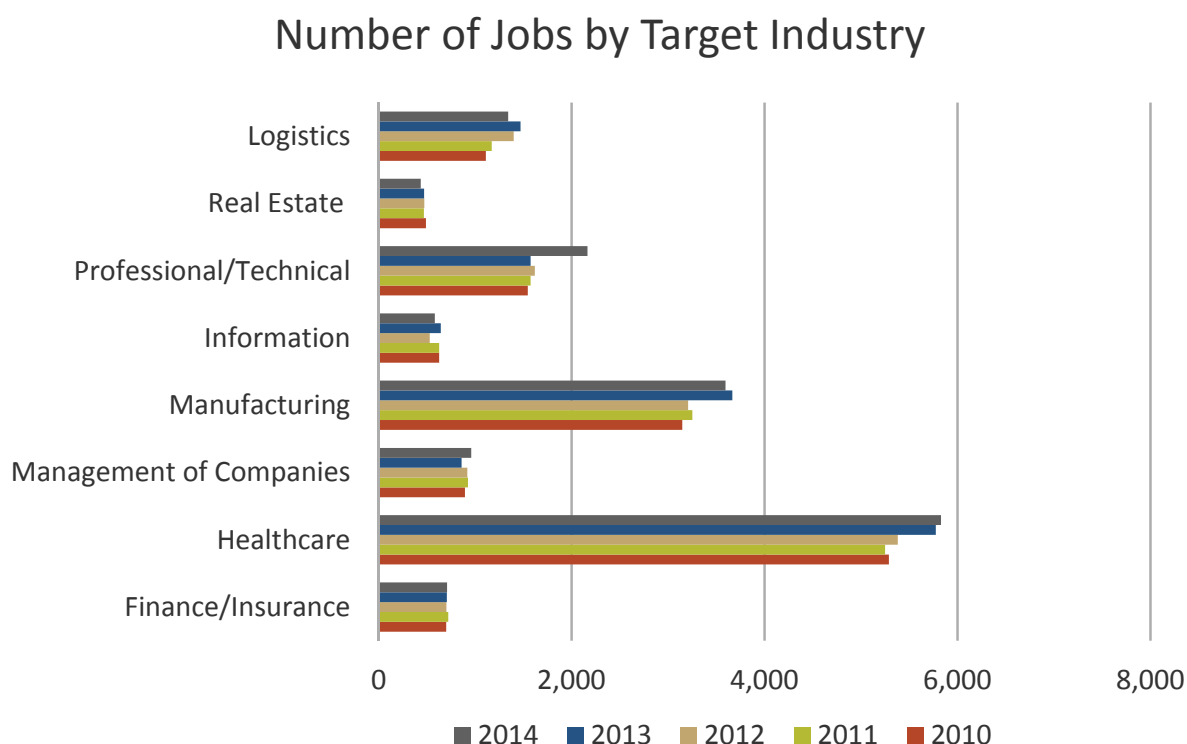
1 : 0.8
jobs to workforce

Source: VEC. Data based on calendar year.

Growth and Decline Industries

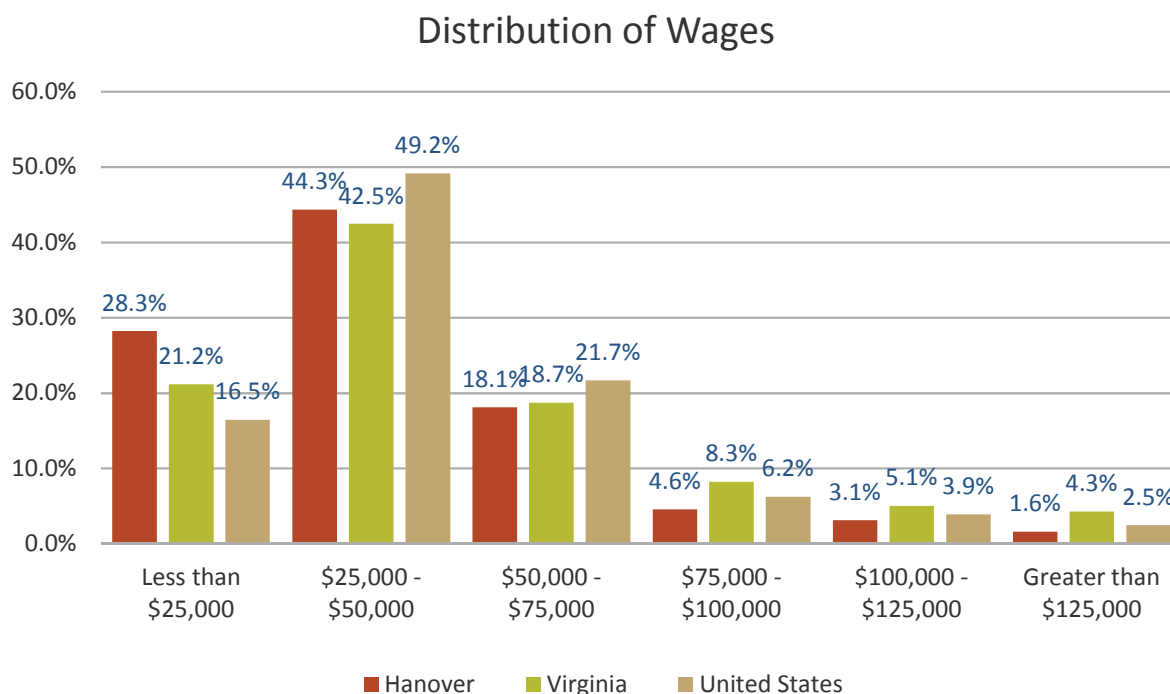
Within Hanover County's targeted industries, Professional/Technical experienced the largest increase, adding 591 new jobs over the previous year. Management of Companies has bounced back in employment.

Three target industries — Information, Logistics, Real Estate and Manufacturing — experienced the most losses among our target industries.



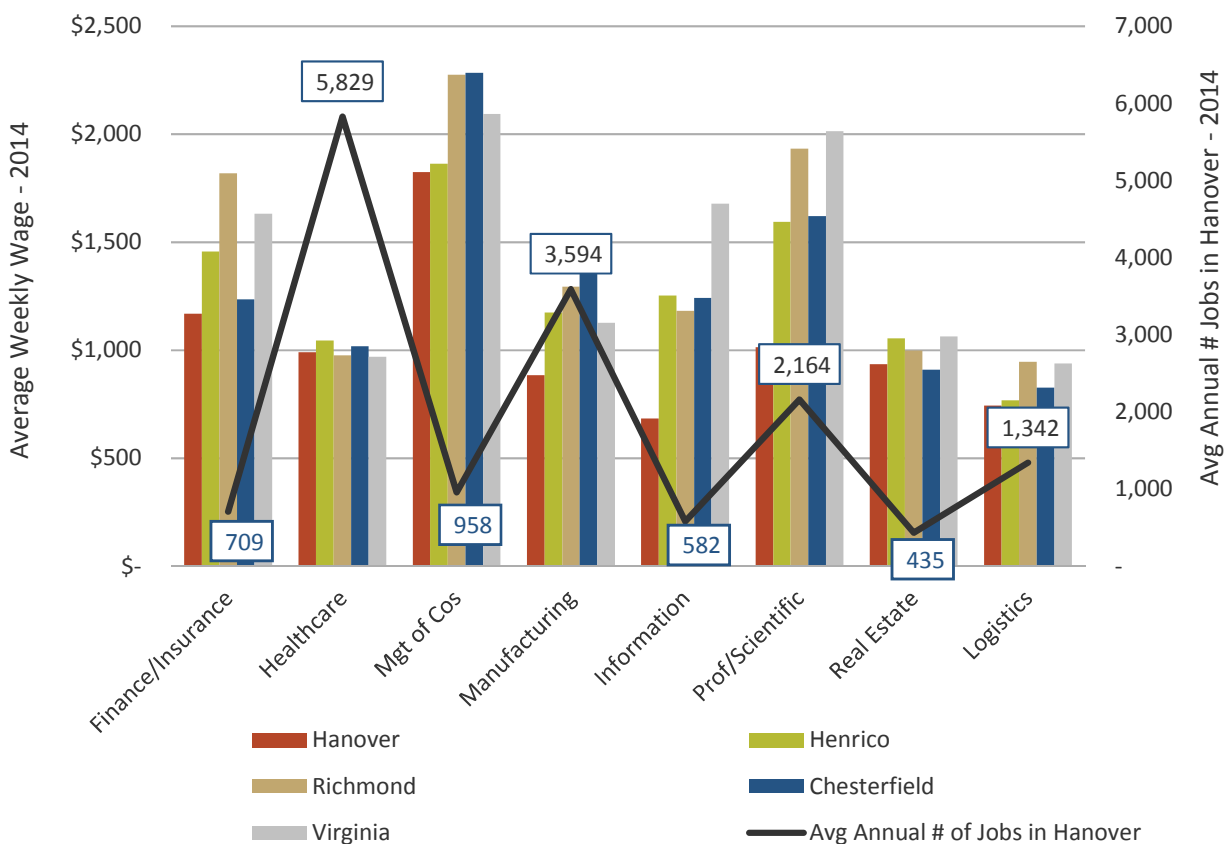
Objective 5: Increase the number of jobs that have above average wages

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 offering higher wages. The attainment of higher-wage jobs will increase the overall 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 offer a wide-range of employment opportunities for all qualified job-seekers.



Source: JobsEQ. Data based on calendar year.

Average Weekly Wage in Target Industries



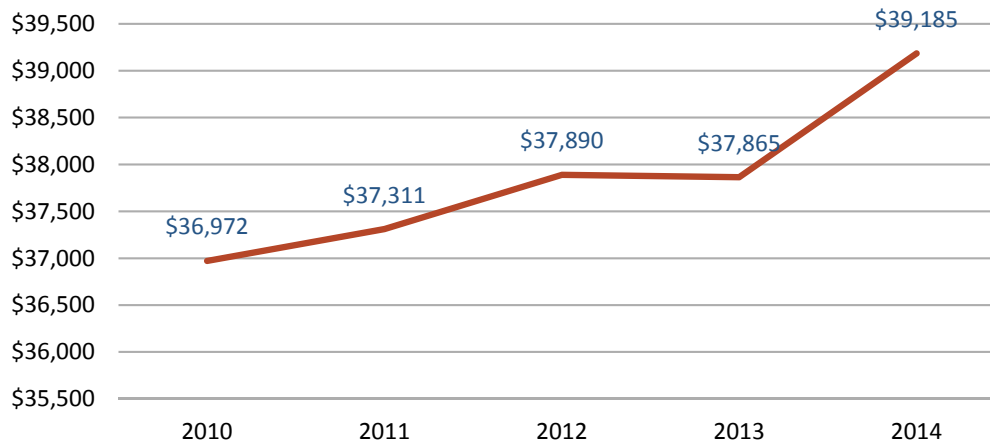
Source: VEC/QCEW. Data based on calendar year.

Job creation is paramount to a bright future as a community. Hanover's wages are 15% to 43% less than the other localities within the Greater Richmond Partnership (GRP), and Hanover's average wage growth has noticeably lagged compared to the region, state, and the country. As businesses are recruited, knowledge-based jobs should be the top priority, as they have higher wages.

Annual Report FY 2015

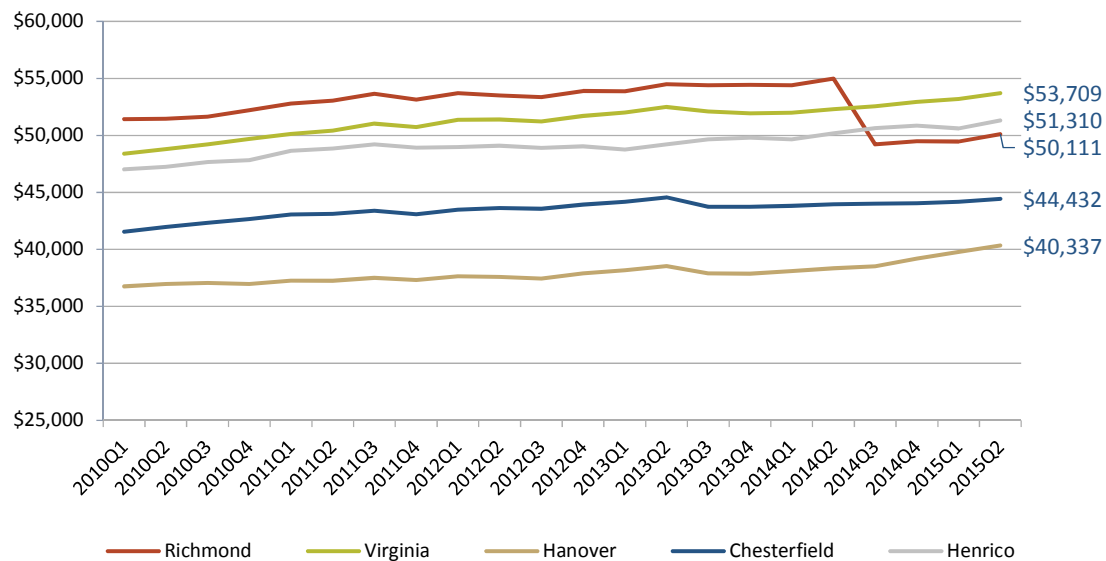


Average Annual Wages for Hanover



Source: JobsEQ. Data based on calendar year. Data points reflect last quarter of each calendar year.

Average Annual Wage — Regional Comparison



Source: JobsEQ. Data based on calendar year.



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Hanover County Economic Development **Innovate. Prosper. Grow.**

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