



VIRGINIA'S
HAMPTON
ROADS
ECONOMIC DEVELOPMENT ALLIANCE

Regional Assessment Report

Submitted by:
Resource Development Group
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resource development
group

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ASSIGNMENT

Resource Development Group (RDG) was retained by the Hampton Roads Economic Development Alliance for the following:

Conduct a series of interviews with private sector leaders to determine the following:

- Depth of understanding and support for HREDA's marketing and new business recruitment programs.
- Test funding potential for a new five-year cycle commencing in 2007.
- Identify principal sources of potential funding.
- Identify potential leadership for a funding campaign.

Define the elements of a possible funding campaign including strategy, timing and approach.

The results of this Assessment are summarized herein.

METHODOLOGY

Resource Development Group experience –

- Participation in formulation and budgetary funding for more than eighty (80) economic and community development organizations throughout the country. Collectively, these total close to \$400 million in operating capital and include both chambers of commerce as well as separate economic development corporations;
- Familiarity with numerous economic and community development programs throughout the United States.

Background information provided by the HREDA staff.

Individual interviews with 65 strategically identified private sector leaders.

The Assessment focused on:

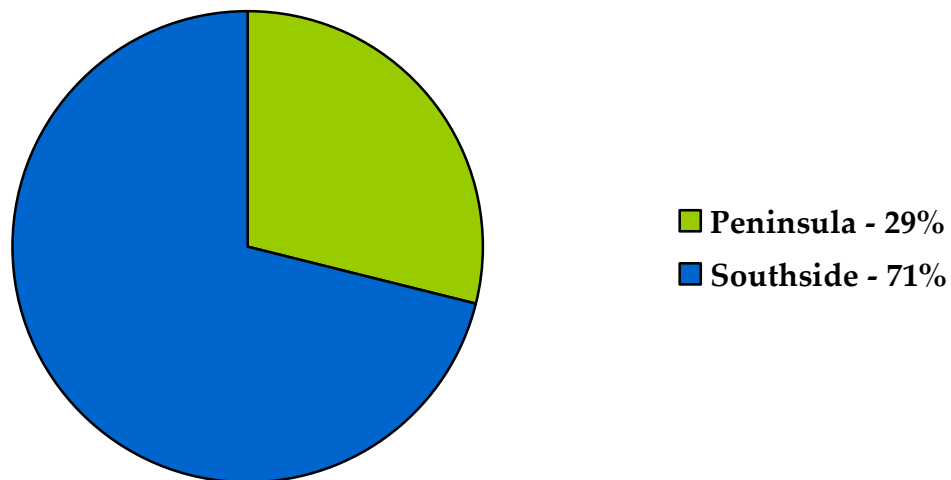
- Leadership perceptions of HREDA's past success and future potential.
- Identifying potential challenges impacting the success of a regional fundraising campaign.
- Identification of leadership for a funding effort.
- Determining investor reaction and support of the 2005 merger of the HREDA and PEDDA.
- Testing the viability of a private sector campaign to secure funding for another 5-year operating cycle.

KEY ASSESSMENT FINDINGS

How familiar/involved have you been with HREDA?

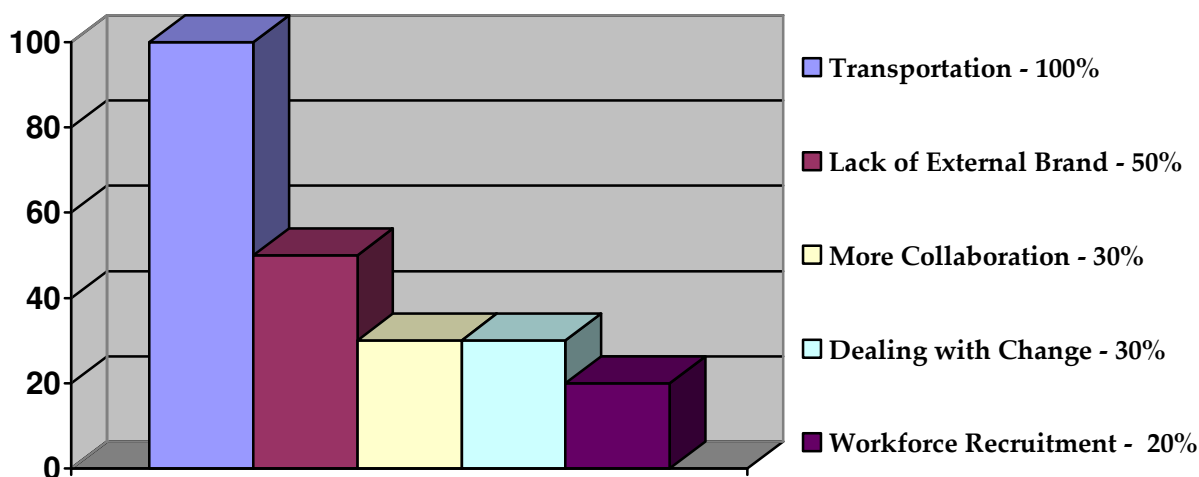
The vast majority of those interviewed were very familiar with HREDA and are current program investors. The regional assessment interview pool in total represented \$4,398,500 (72%) of the total \$6,100,000 private sector investment pool raised from the 2001 Momentum Campaign.

Peninsula leaders interviewed - 19
Southside leaders interviewed - 46



What are the major economic issues/challenges facing the region?

1. Transportation
2. Lack of External Brand
3. Region remains provincial and further local collaboration among the cities and counties is needed.
4. Dealing with Change (Ford, BRAC)
5. The need to attract knowledge workers to move into the Hampton Roads region.



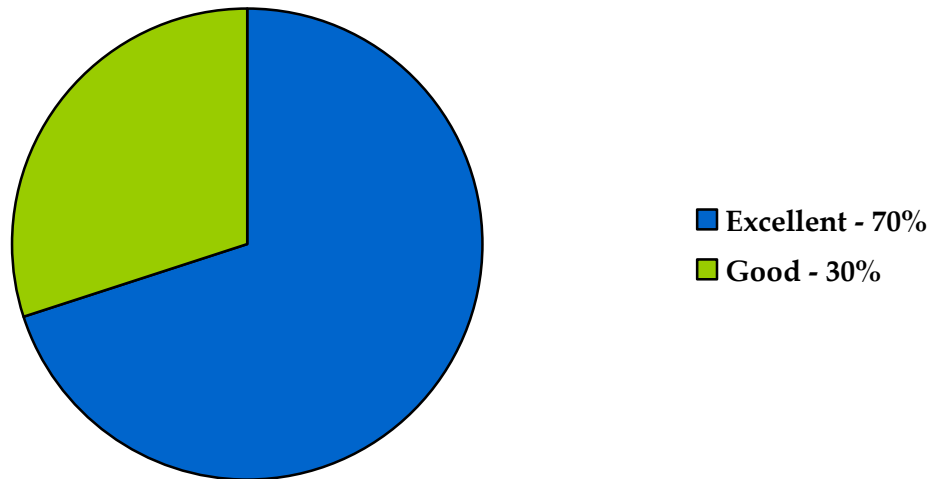
What do you think about the merger of HREDA and the Peninsula Economic Development Alliance?

Nearly 100% of assessment participants believe that the merger was an excellent step to enhance efficiency and promote greater regionalism. The business leaders on the Peninsula are appreciative of the outreach from the HREDA staff, program updates/communications and are pleased with the arrangement.

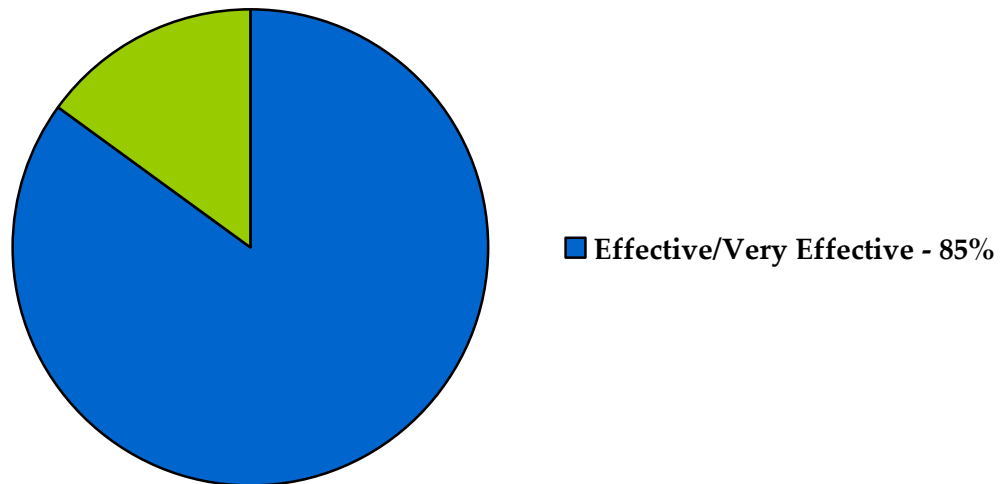
How would you rate the HREDA's marketing and new recruitment efforts during the past 5 years?

- Very high marks for Jones and the HREDA staff
- Activity levels appear to be high
- Communications are excellent
- Must remain focused on marketing, branding, new business recruitment
- Would like to see more big and marquee projects locate in the region.

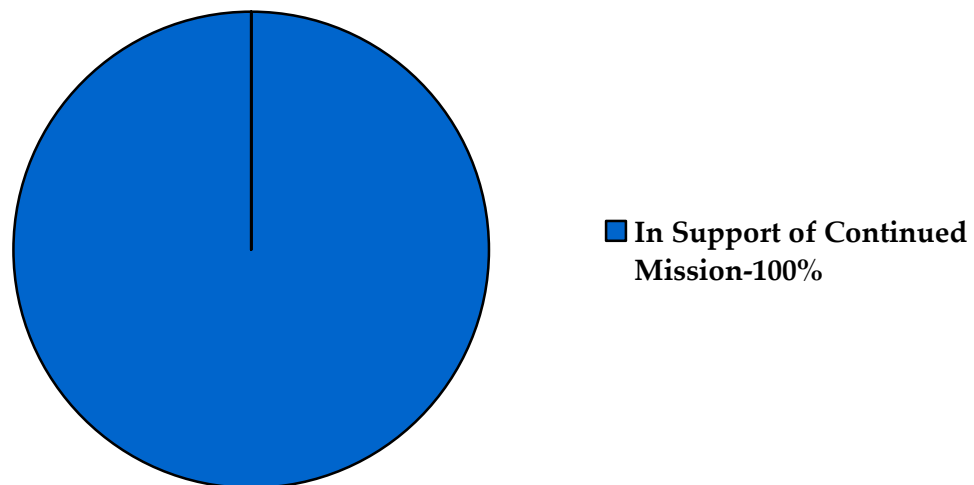
70% those interviewed feel that HREDA is doing an excellent job and 30% believe the HREDA is going a good job promoting the region and cultivating new business prospects.



85% of those interviewed rated the HREDA as effective or very effective in marketing the region and attracting new businesses to locate here.



100% of those interviewed support the HREDA's continued mission focused on proactive national and international marketing and new business recruitment.



How do you feel about your investment? Would you consider increasing your investment level?

100% of those interviewed indicated they would be willing to consider another 5-year investment pledge, with 47% indicating an increase is possible.

Reasons cited for an increase:

- 1) The HREDA 's track record of success
- 2) Confidence in the HREDA staff and good stewardship of past funding
- 3) The importance of remaining competitive with other regions with which we compete.

Only 5 current investors we interviewed indicated they may reduce their future funding:

- 1) Other organizational requests
- 2) Southside companies may eliminate their current Peninsula investment
- 3) Desire for further base broadening

How should the HREDA measure its effectiveness?

Traditional economic development organizations have been evaluated for many years in large measure by the number of new jobs created, new payroll and capital investment. It is not completely fair to judge a marketing and regional lead generation organization like the HREDA solely on new jobs figures and capital investment as other entities are directly involved in the process and have shared responsibility of closing deals. Additionally, the majority of a region's new job growth is derived from existing industry expanding local operations.

The vast majority of assessment participants appreciate the HREDA's detailed monthly activity reports. In addition to continuing to demonstrate a high volume of important marketing and lead generation activities, new measurement standards could include:

- The quality and enhancement of marketing/recruitment processes
- The quality and quantity of new business leads in high priority industry sectors (Corp. Headquarters, Modeling/Simulation, R&D, Logistics, etc.)
- Number and effectiveness of trade missions
- Number and quality of new prospects which visit the region

Although program success does include new jobs and new company locations in the region and are important benchmarks, 70%+ believe that the HREDA should be principally measured on activities, processes and outcomes it can control.

75% of respondents believe that developing a comparative analysis of other competing regions would also help gauge the progress of the Hampton Roads region. Benchmarking Economic Growth could include analysis of:

- Human Resource Flow Indicators
- Prosperity Indicators
- Wealth Creation
- Productivity Growth
- Per Capita Wage History
- Skill Sets of Workforce
- Entrepreneurial Attractiveness
- Economic Growth

Would a tiered investor benefit structure appeal to you?

There was very little interest in a tiered investor benefits program, in which more benefits would accrue to larger financial investors.

RECOMMENDATIONS

1. Most believe that in the long term it is very important to more effectively brand the “Hampton Roads” region. HREDA can and should play an increasingly pro-active role in working to brand Hampton Roads.
2. In collaboration with local elected officials and Economic Development Directors, the HREDA should consider developing and executing a high level corporate calling program on 20 or more selected, large employers annually.
3. New business prospect dissemination protocols should be fine tuned if needed, and annually communicated to program investors including banks, real estate brokers, developers, law firms, accounting firms, etc.
4. The top 25 investors should receive a personal visit and program update annually.
5. 25% of those interviewed would like to see the HREDA assume a more active role in collaboration with the Hampton Roads Partnership and Hampton Roads Chamber of Commerce regarding the transportation funding issue currently stalled in Richmond. Although many also believed that the HREDA must remain non-political and be mindful of differing local transportation priorities.

FUNDING CAMPAIGN

When establishing the goal for an organization that has been through more than one funding cycle, a key component is the assessment of the top 25 investors past track record to determine the historic rate of support from previous campaigns.

The top 25 normally track very consistently from one campaign to the next. Coupled with the one-on-one interviews, we are able to establish a goal that is both aggressive and attainable. In HREDA's case, records were reviewed dating back to the 1997 and 2001 campaigns and revealed the following data from the top 25 investors.

FUNDING TREND ANALYSIS

	<u>1997</u>	<u>2001</u>	<u>2006</u>	
AMOUNT RAISED	\$5,500,000	\$6,100,000		
Number of Investors	84	198		
Top 25 Investors	\$4,510,000	\$3,602,000	\$3,807,500	+5.6%
Percent of Total	82%	59%	Projected	
65 Assessed Investors		\$4,398,500	\$4,852,500	+10%
Percent of Total		72%	Projected	

- 47% of Assessed investors will consider an increased investment level.
- Only 5 current investors interviewed indicated they might reduce their current funding level.

If the top 25 investors again represent 59% of the amount to be raised –
the Campaign Goal should be.....\$6,450,000

If the Assessed Investors ultimately represent 72% of the amount to be raised –
the Campaign Goal should be..... \$6,740,000

If the anticipated increased investment trend of 10% holds true throughout –
the Campaign Goal should be.....\$6,710,000

CAMPAIGN FUNDING GOAL

Resource Development Group recommends commencing the regional private sector funding campaign immediately with the anticipation of successfully completing the campaign by January 2007. **We are recommending a Campaign Goal of \$7 million, which represents \$1,400,000 annually in private sector funding beginning in 2007 through 2011.** This level of private sector investment will alter the current funding balance of 40% private and 60% public to 47% private and 53% public beginning in 2007.

RDG's performance guarantee, outlined in our campaign management agreement, will apply to the \$7 million campaign goal.

RDG will commit our best efforts to oversubscribe the \$7 million goal and establish an internal campaign objective of reaching \$8 million in 5 year budgets.

Positive variables impacting the Funding Campaign:

- The HREDA staff and Board leadership is very well regarded throughout the region.
- Key industry sectors throughout the region can be more fully penetrated and solicited, including: (Maritime, construction, retail, professional services, distribution, real estate and wholesale).
- Opportunity exists to solicit Peninsula companies which have not been solicited previously.
- Favorable current economic conditions.
- Current and future job loss potential (Ford Assembly Plant, Military base closure/redeployment).
- Increasing economic development budgets of competing regions.

Other variables impacting the Funding Campaign:

- Favorable economic conditions – some risk of complacency
- Compared to Southside companies, the Peninsula companies have been accustomed to a low level of investment
- Potential new Peninsula campaign prospects will need further education about the HREDA mission and perhaps leadership encouragement to invest

CAMPAIGN LEADERSHIP

We believe that for this first post-merger campaign, a two tiered campaign leadership structure be created and utilized throughout the campaign.

Campaign Co-Chairmen (4 – 6)

High profile business leaders who can provide overall campaign leadership and lend credibility and importance to the campaign through their involvement.

Campaign Council (20 - 25)

Engaged business leaders representing various industry sectors throughout the Hampton Roads region.

The following list represents business leaders recommended by assessment participants in order of frequency.

SOUTHSIDE

Bob Aston – TowneBank
Bill Butler – SunTrust Bank
Vince Mastracca – Kaufman & Canoles
Deborah Stearns – GVA Advantis
Frank Bowers – Cox Communications
Don Jellig – Sentara Health Care
David Bernd – Sentara Health Care
Mike Barrett – Runnymede Corp.
David Goode – Norfolk Southern
Bruce Bradley – Landmark Publishing
Frank Batten, Jr. – Landmark Publishing
Lin Earley – Bank of America
John Matson – Wachovia Bank
Hank Lingenfelter – Virginia Nat. Gas
John Padgett – McGuireWoods, LLP
Wick Moorman – Norfolk Southern
Jeff Dykeman – Wachovia Bank
Bob Boyd – BB&T Bank
Joe Luter – Smithfield Foods, Inc.*
John Rinehart – Maersk Line LTD
Jeffrey McWaters – Amerigroup Corporation*
Conrad Hall – Trader Corporation
John Malbon - PAPCO Oil Company
Bob Sasser – Dollar Tree Stores

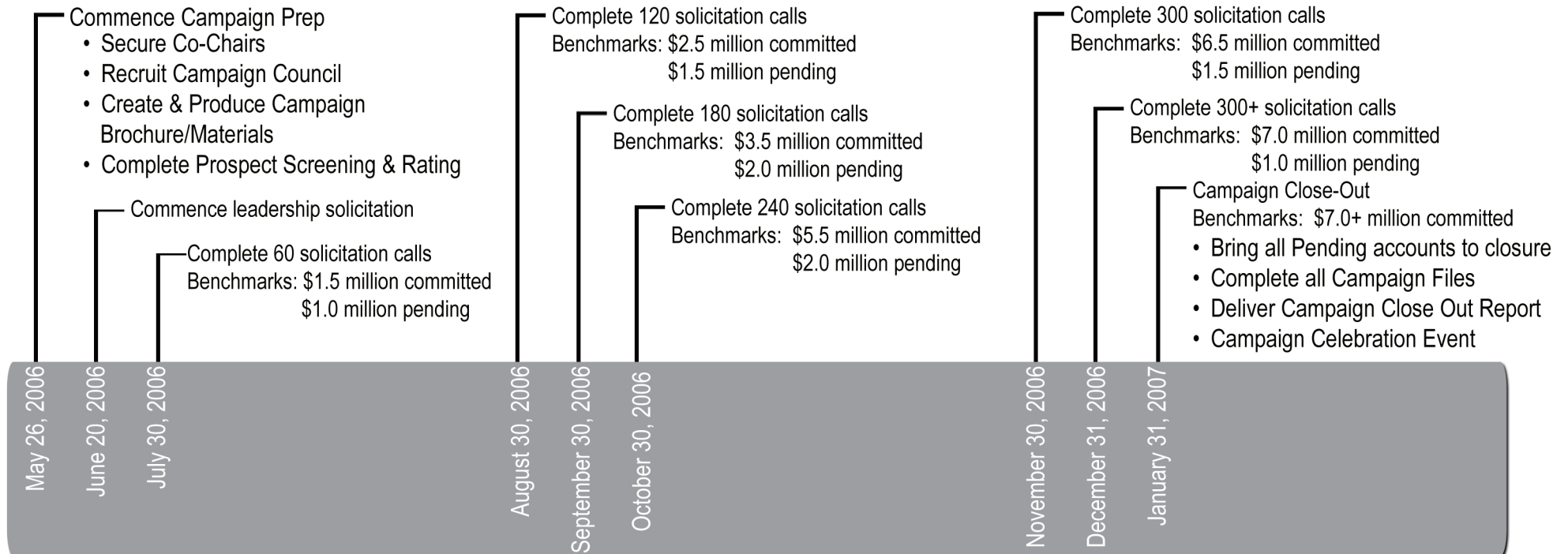
PENINSULA

John Lawson – W.M. Jordan Company
Chip Hornsby – Ferguson Enterprises
Alan Witt – Witt Mares
Mike Peters – Northrup Grumman
Paul Tribble – Christopher Newport Univ.*
Gordon Gentry – TowneBank
Rick Pierce – Riverside Regional Med. Ctr.
Robert Yancy – John Yancy Companies
Ronnie Matthews – The Daily Press
Rob Brown – Robert Brown & Assoc.
Tom Mitchell – Ferguson Enterprises
Tom Robinson – CBRE
Charlie Brinley – Dominion Terminal

*Not current HREDA investors.



CAMPAIGN TIMELINE



LEADERSHIP INTERVIEWS

Mr. Michael L. Aliff	VIRTEXCO Corporation
Mr. Richard M. Bagley, Jr.	Wachovia Securities
Ms. Laura W. Barnes	Verizon Communications
Mr. Michael J. Barrett	The Runnymede Corporation
Mr. Max Bartholomew	Dominion Virginia Power
Mr. Franklin Bowers	Cox Communications
Mr. Robert M. Boyd	BB&T
Mr. Bruce Bradley	Landmark Publishing
Mr. Charles Brinley	Dominion Terminal Associates
Mr. Robert R. Brown, Sr.	Robert Brown & Associates, Inc.
Mr. Jerome F. Clark	SunTrust Bank
Mr. Dan Cooper	Electronic Systems
Mr. Paul J. Cozza	MAERSK Line, Limited
Mr. Brien Craft	Wal-Mart Import Distribution Center
Mr. Doug Davis	WAVY-TV 10 and Fox 43 WVBT-TV
Dr. Deborah M. DiCroce	Tidewater Community College
Mr. William B. Downey	Riverside Regional Medical Center
Ms. Wendy Drucker	Drucker & Falk
Mr. Robert Duvall	Virginia Natural Gas, Inc.
Mr. Lin Earley	Bank of America
Mr. James H. Evans, Jr.	NN-Williamsburg International Airport
Mayor Joe Frank	City of Newport News
Mr. Rick Gallaer	The Pomoco Group, Inc.
Mr. Greg Garrett	Greg Garrett Realty
Mr. Gordon L. Gentry	TowneBank
Mr. William W. Hamner	Hamner Development Company
Mr. Richard A. Hanson	Bon Secours HR Health System
Mr. Chris Harvey	Armada Hoffler
Mr. Terry Hitt	Norfolk Waterside Marriott
Mr. Bruce Holbrook	Goodman & Company
Mr. Jack Hornbeck	Hampton Roads Chamber of Commerce
Ms. Kris K. Inderlied	Armada Hoffler
Mr. Donald V. Jellig	Sentara Healthcare
Mr. Robert W. Jones, Jr.	D. D. Jones, Inc.
Mr. Herbert V. Kelly	Jones, Blechman, Woltz & Kelly, PC
Mr. Jeff Keever	Virginia Port Authority
Mr. Michael J. King	Southern Hospitality Automotive Group

Mr. Aubrey Lane
Mr. Miles B. Leon
Mr. John F. Malbon
Mr. Matthew Manock
Mr. John P. Matson
Ms. Rondra J. Matthews
Mr. Michael W. McCabe
Mr. Charles McPhillips
Mr. William W. Newell
Mr. Brett Noll
Mr. John Padgett
Mr. Hugh L. Patterson
Mr. Ron Pearman
Mr. Craig Poppen
Mr. Burrell Saunders
Mr. C. Grigsby Scifres
Mr. Kenneth R. Scott
Mr. C. J. Smith, III
Mr. Edward Snyder
Ms. Deborah Stearns
Mr. Kenneth G. Stepka
Mr. James R. Tollenaere
Mr. Raymond Tripp
Mr. Franklyn B. Wilson, P.E.
Mr. F. Blair Wimbush
Mr. Alan S. Witt
Mr. James Wofford
Mr. Gary Wright

Great Atlantic Management
S. L. Nusbaum Realty Co.
PAPCO Oil Company
Anthem Blue Cross & Blue Shield
Wachovia Bank, N.A.
The Daily Press, Inc.
NAI Harvey Lindsay Real Estate
Kaufman & Canoles
RBC Centura
Langley Federal Credit Union
McGuireWoods, LLP
Willcox & Savage
Long & Foster Realtors
Cherry, Bekaert and Holland, LLP
CMSS Architects, P.C.
Williams Mullen
Norfolk Airport Authority
W. M. Jordan Company, Inc.
Checkered Flag
GVA Advantis
Clark Nexsen, P.C.
Clancy & Theys Construction
Mall Properties, Inc. (Coliseum Mall)
McKinney and Company
Norfolk Southern Corporation
Witt Mares
MacArthur Center
Sara Lee Foodservice