

Northern Neck Economic Development Summit
“Economic Development Opportunities for Rural Areas”
October 28, 2003
Remarks of Christopher Lloyd

Thank you, Patti for that kind introduction. I really appreciate you inviting me to be here for the first Northern Neck Economic Development Summit. As this region considers its economic future, this kind of event is an important step in deciding priorities and developing an action plan.

Speaking for an hour is daunting. I will not go that long, but feel free to get coffee as needed. Let me begin by saying that it is a pleasure to be here with illustrious speakers such as Joe Morgan and Hugh Keogh with whom I have the pleasure to work with, and though I do not know Mr. Schwartz, as a reader of the Post, I know him by reputation. Finally, recognizing our last speaker of the day, let me say that just as some people say that only Nixon could go to China, isn't it appropriate that Linwood Holton, Virginia's first Republican governor, was the person who finally broke down for good the color barrier in education. For that bold act alone, he deserves the appreciation of all Virginians. Also, it is intimidating to be in front of a room that includes Neal Barber, who as dedicated his lifetime to community development and is a giant in public service and someone I looked to as a mentor when I entered state government over ten years ago.

When Patti Long asked me to speak at this event, I was given two tasks - first, review the current status of economic development policy in Richmond, which, I might note is in desperate shape, and second, share with you some of my thoughts and observations on what other rural communities around Virginia are doing to improve their economic prospects. I will warn you now, the first part will be depressing.

With just over two months from the start of the General Assembly session, all is relatively quiet at this time. Yet that will change dramatically after Election Day next week. All the pressure that has been building up to deal with the pressing problems facing this Commonwealth - the need for tax reform, funding for education,

out of control health care inflation, the threat to Virginia's bond rating, the looming transportation crisis, etc., will be released, and the posturing will begin. You may have noticed that in this laundry list, not once did I use the words "economic development." Well, I am not the only one.

1. Governor Warner went before the money committees in late August to talk about the state's finances and his priorities for the coming budget. While I think we would all agree that Governor Warner has been great on the marketing side for Virginia, participating in numerous visits with CEOs and being available to help in industry recruitment, not once in his 30-minute speech did he talk about the importance of economic development in helping to pave the way to renewed prosperity. He talked about health insurance for low income families, he talked about education, and he talked about the minutia of state finance, but not once did he say we need to invest in our economic development marketing efforts to help improve the economy. Equally at fault were the 50+ members of the legislature assembled before him who did not mention economic development either. What a change this is from the attention economic development enjoyed under George Allen or Governor Baliles. Economic development has become so removed from the political conscience that we are at risk of being forgotten.
2. I saw a chart recently that tracked the growth in state spending over the past decade. While we all focus on the state budget cuts, most of those cuts have been reductions in the rate of spending growth, not real reductions in funding. All areas of state government have been growing except Commerce and Trade and Natural Resources (which were lumped together in this analysis). The line was slowly rising in the 1990s, turned flat around 2000, and actually declined the past few years. I was astonished.
3. At a recent meeting of the Senate Finance Economic Development and Natural Resources Subcommittee, the group was there to hear reports on DEQ, state parks, and a new incentive program VEDP is contemplating. What was striking from being in that meeting was that a nearly packed room

was reduced to four people, me and the three presenters, after the DEQ and DCR presentations. That's how little interest there is in one of the most important functions in state government.

4. All 140 members of the General Assembly are up for re-election. For those of you in areas with contested races (not Richmond), look at the mailers you are getting. Is anyone talking about economic development? No, they are talking taxes, education, transportation, the environment, abortion, and health care.

And who is to blame for this? We are - economic development and business leaders.

We have thought for too long that either a strong governor like Governors Allen or Baliles would carry us. We have thought that great headlines of new jobs and expansions by Fortune 500 companies would carry us. And we thought the money would just keep coming.

Well, that has not been enough.

A combination of lower tax revenues, a lack of interest from public officials, a strong anti-growth movement, and an increasingly partisan atmosphere in Richmond has pushed economic development off the front page and closer to the obituaries. To raise the profile of economic development, the board of the Virginia Economic Developers Association has started planning a Governor's conference on economic development. Yet, as someone said to me recently, the idea that we are thinking of holding such an event to make ourselves known is a sad situation. Instead, it should be just the reverse. The Governor and the General Assembly should be courting economic developers to work with them to help turn around Virginia's economy.

And don't expect this situation to change anytime soon. While most people are thinking about a \$1 billion budget gap this coming year, I am here to say that the real

gap, which has only been exacerbated by the hurricane and the need to fund the emerging funding gap at the Virginia Retirement System, likely exceeds \$2 billion. While we would like to see new money, we will be lucky to hold what we have.

The latest earthquake to hit Richmond is the notice by Moody's that it is putting Virginia on a negative outlook regarding our ability to hold a AAA bond rating. The fiscal impact of such a move would be small, but the political fallout is huge. How can the state continue to increase funding, create new tax incentives for business when the state's fiscal integrity is being questioned. The political finger pointing has also started in earnest. Democrats blame Republicans for reckless tax cuts and underinvestment in infrastructure. Republicans attack Democrats and the Governor saying this happened on their watch. The cures are equally different. Many Republicans see this as a chance to fundamentally change government to reduce its size and scope. Many Democrats see this as a chance to raise taxes to shore up finances and fund other programs. These are not partisan attacks, but just reports of what is happening. Obviously things are not good, and I don't expect much to turn around soon.

Now turning to the future of economic development for Northern Neck; let's also begin with a quick review of the landscape for this region.

As I mentioned earlier, Governor Warner talks about economic prosperity for all Virginians, with special emphasis on Southside and Southwest Virginia. When does he ever talk about this region? This is not meant as a criticism of Governor Warner but it is a fact. Joe Morgan, as the person here from Southside, some may say you have just done a better job of "marketing" the economic distress of that region. As everyone here knows, unemployment here is higher than the state average and the decline in natural resources has hurt. While the areas around the Northern Neck - Northern Virginia, Southern Maryland, Richmond are booming, some might say this area is stagnating. I am here today to say that is not necessarily true and that there is a sliver lining to the clouds.

First, let's be honest. The Northern Neck will never be Henrico or Fairfax Counties. For 99% of you, that is just fine. Motorola is not going to locate a plant here (but for that matter, they didn't go to Goochland either). Instead, in looking around the state at what other rural communities are doing to maintain vibrant economies and quality of life, I offer the following ideas. There are essentially four areas where I suggest you look.

Health care

With the increasing number of retirees coming to this area, and the aging of the existing population, health care is not only a necessity, but a great area for growth. These are great paying jobs and the support jobs are those who can achieve much with specialized training at local vocational schools or community colleges. Dr. Scott will be a key ally in this effort. But health care goes far beyond just hospitals and nursing homes. I recently heard a story on NPR about a small Midwestern community that was encouraging pharmacists to locate there to support a custom drug manufacturing (by hand facility). It may have 20 jobs maximum, but what an impact this could have here. On an even bolder front, some of you may be aware of the success of the Appalachian School of Law in Grundy. Those of you have ever been to Grundy know it is about as close to the end of the earth as anywhere. Yet, that community, realizing coal was in the past and that consumers equal economic development, pulled together various public and private resources to start, from scratch, a new law school. While most people here would agree that the last thing the world needs is new lawyers, first, you need to understand that there is a shortage in Appalachia. Yet look beyond the education side. Think about 400 plus new consumers being brought into a small town and the economic impact they have on restaurants and other small businesses. For the first time in decades, new homes and apartments are being built in Grundy. The economy has been helped and the community's support of this school has put it on the fast track to accreditation. Now, the Appalachian School of Law is looking to add a pharmacy school. Seeing the aging population and the projected gap (15,000 plus) in the need for pharmacists by 2015,

the people of Southwestern Virginia are uniting behind this concept. An additional 225 students per year will do wonders for the economy. And while the number of pharmacy schools is probably limited, training for assistants, which can be done at VCCS, is still needed. Complementing the growth in health care related activities is a retirement boom. Earlier this year, Roanoke was named by Money magazine as one of the 10 best places to retire. That alone has put the area on the map and they are already seeing a mini building boom because of it. The consumer benefits of such activities are large.

Tourism.

Tourism has long been a staple of this region's economy. Yet, when you mention it, most people probably think George Washington, R. E. Lee and weekends on the river. But there are many other opportunities. Two weeks ago, I drove through the town of Damascus, Virginia about 7 hours from here. As I approached, I was expecting to see another dying Southwestern Virginia town with boarded up buildings and a dying Main Street. Instead, I saw vibrancy, though on a small scale. See, Damascus is where the Appalachian Trail crosses the Virginia Creeper Trail, a rails to trails project that snakes through the area. In a two block section of Main Street, there were 4 sports outfitting stores -- that's more than is in the West End of Richmond - all catering to a generally affluent and well educated leisure traveler. Sure, these shops probably represented no more than 40 jobs, but then add the restaurants, the B&B's and other related services, and the full impact is pretty clear. What I am saying is that it does not take a shell building and a national gas pipeline to have economic development. Instead, look at your assets and invest modest amounts of money in them. Look at a building a bike trail connecting tourist attractions in this area. Get Governor Warner up here, put him in a kayak and talk about an eco-trail along the rivers and tributaries. Embrace the NPS effort to create a Chesapeake Bay Sanctuary composed of various sites around the shoreline. Just the NPS name alone draws people. They have this Passport that is an obsession for people who want to get as many stamps as possible. Any more people equal more dollars in the economy. And the best thing about tourists is that they leave in a few days and you don't have

to educate their kids. Wine is also a big tourism draw. If you doubt it, go to Napa, or the Finger Lakes of New York, or the North Fork of Long Island. I saw on the way in today the new White Fense Winery and Vineyards. Exploit these assets and the spin-offs they generate.

Hospitality

Third, and as somewhat of an extension of tourism, is the hospitality industry. By this, I mean restaurants and conference centers. If you doubt the ability of a world class restaurant to generate economic development, then go to Washington, Virginia and see what the Inn at Little Washington had done for Rappahannock County or what the French Laundry has done for Yountville, CA. These are 5 star restaurants in the middle of nowhere that are now international attractions. They bring in around them gift shops, antique stores, other restaurants, and B&B's, all of which create jobs for locals. Even a 4 star restaurant would bring in people from hundreds of miles to enjoy an evening here on the Northern Neck.

Similarly, conference centers can have that kind of draw. In this month's issue of Virginia Business, I saw the first ad for Stratford Hall's facilities. They may be modest in comparison to here or what exists in Richmond or Virginia Beach, but that is attractive to people. You should also target your marketing of these. I was recently appointed to the RMCVB Board and at our last meeting, we had a presentation by our branding consultant. Their message was that Richmond is a lot more than just what happened from April 1861 - April 3, 1865. That is true. There are many stories. But we cannot forget our history. Instead, we need to leverage what people know you for and then build on that. Use your competitive advantage to bring in people and then expose them to other tourist assets. This area can do the same.

Defense and Homeland Security.

Believe it or not, Dahlgren is a real asset for this community, and after the BPAC process in 2005, I think it could be a stronger facility. Think about the jobs this facility supports. Northrop Grumman alone, one of the largest companies in the

world, has 200 people just off base. I encourage you to join up with the Fredericksburg Chamber to support the efforts to retain and grow this facility. Homeland Security is a hot area and Dahlgren can be a magnet. Get to know the people who work there and manage the operations to look for opportunities. This region can also be an example to others in the use of technology for public safety. Many communities across Virginia are now using the PPEA to put in place an interoperable, state-of-the-art public safety communications and emergency operations center. These centers can also be a magnet for growth and for training people for other homeland security activities.

All this leads to a strategic plan. And at the core of this plan is small business. As I said earlier, this area will not attract Fortune 500 headquarters facilities. Instead, small business development and growth should be the focus. Sure, that does not grab the headlines, but it leads to jobs, to growth, to tax revenue, and to quality of life. And to capitalize on this, you should have a plan. One of the charges I want to give everyone attending this event is to take what you have learned and get together in the next two months and begin writing that plan. Get community input and buy in, and then implement it. Only you can control your economic future. The answers are not in DC, Richmond or even Fredericksburg. They are right here. Good Luck!