

Virginia

Strong And Diversified For Greatest Stability

Virginians provide a vast array of services and manufactured goods to customers throughout the world. Our manufacturing base continues to be strong, producing everything from steel beams, wood flooring and pickup trucks to semiconductors, robots and rocket engines. As the birthplace of the Internet and one of the leading centers of software development, Virginia's high-technology economy continues to expand. And as one of four U.S. states currently licensed and capable of launching communications satellites and other commercial payloads into space, Virginia has all the right assets to continue our economic leadership throughout the 21st century.

- More than 10,900 high-tech companies operate in Virginia.
- Nearly 60 firms with annual revenue over \$600 million are headquartered in Virginia.
- Virginia is headquarters to 30 *Fortune* 1000 firms.
- More than 770 foreign-affiliated firms are located in the Commonwealth.
- Virginia ranks third among the 50 states as a recipient of federal R&D funds and fourth in federal R&D funds per dollar of gross state product.
- Virginia ranks ninth in terms of venture capital investment, is among the top 15 fastest growing states for venture capital investment and places within the top 10 states for total venture dollars invested.
- Virginia exported \$11.6 billion of merchandise in 2004.

Virginia is For Business

When you combine benefits such as streamlined business regulations, fair corporate taxes and state-supported workforce training and export assistance, you get one of the warmest business climates in the world.

- Streamlined permitting process
- Recruitment training programs to help new businesses become operational faster
- Right-to-work law allows individuals the right to work regardless of membership in a labor union or organization
- AAA bond rating
- 6 percent corporate income tax rate has not been increased since 1972
- Programs at little or no cost to help businesses increase international sales
- 32 publicly funded and nonprofit small business incubators
- Norfolk and Richmond placed within the *Top 50 Entrepreneurial Cities* in Visa's most recent Entrepreneurial Index.
- In terms of economic vitality, Virginia ranks 5th in the Milken Institute's *2004 National State Technology and Science Index*.
- In *Governing Magazine's* Government Performance Project, *Grading the States 2005* survey, Virginia earned an overall grade of A- for management of state government. This is a testament to Virginia's long-term planning and management

of money, people, infrastructure, and information. Among all 50 states, an A- was the highest grade earned, and was received by only Virginia and Utah, with Virginia being the only state to earn A's in every category.

- *Chief Executive Magazine* ranked Virginia as the 7th Best State for Business in its 2006 CEO Confidence Index.
- In *Forbes'* Special Report *Best Metro Areas for Business and Careers*, WashingtonDC/Northern VA, Norfolk and Richmond were ranked in the top 15. In addition, four other Virginia cities ranked within the Best Small Metro Areas to jump-start a business or a career. Virginia and Texas were the only states with more than one locale in the Top 20, citing our highly educated labor force and relatively low business costs as factors contributing to our remarkable rankings.

Virginia Is Reliably Competitive

Believe it or not, companies have improved their bottom lines just by locating in Virginia. From soft costs like healthier, more productive workers, to hard costs like cheaper, available and reliable electricity, these companies have benefited from the combination of resources that only a Virginia location can offer.

- Virginia manufacturers have one of the lowest average workers' compensation costs in the country. At \$2.20 per \$100 of payroll in January 2005, it ranks 4th nationally and is 47 percent lower than the U.S. average.
- Unemployment tax burden is more than 90 percent lower than the national average.
- Average hourly manufacturing wages that are lower than the national average
- Building construction costs in Virginia are 20-25 percent less than the national average.

Virginians Are The Advantage

Time and again, new businesses in Virginia comment about how pleased they are with their hardworking labor force of Virginians. In fact, Virginia facilities consistently earn productivity awards within their organizations. As a result of better-than-average training and education, combined with a vast diversity of skill sets, Virginia's workforce is one of our greatest assets, and one of business's greatest advantages.

- Virginia ranked in the top 10 in labor productivity.
- More than 430,000 students are enrolled in over 87 institutions of higher education.
- More than 20,000 doctoral scientists and engineers reside in Virginia.
- The Virginia Community College System, through its 23 colleges, provides occupational and technical training programs, many of which have been designed specifically to meet the needs of nearby industries.
- Annually, an estimated 17,000 highly trained, disciplined and motivated military personnel separate from the military in Virginia.

- Military personnel receive extensive trade skills in fast-paced, deadline-oriented fields.

National Ranking of Virginia High-Tech Employment in 2003

- 2nd in Computer Systems Design Services
- 4th in Engineering Services
- 5th in Total High-tech employment

Labor With Military Training Possess Valuable "Soft" Skills

- Quick learning curve
- Self-discipline
- Teamwork mentality
- Leadership
- Decision-making skills
- Performance under pressure

University-Based Economic Development Resources

The Commonwealth is home to many outstanding and nationally ranked institutions of higher learning. Many of these institutions actively support economic development collaborations with industry, non-profit organizations, and government, and are one of businesses' greatest advantages. They include:

- The College of William and Mary
- George Mason University
- James Madison University
- Longwood University
- Old Dominion University
- Radford University
- University of Mary Washington
- University of Virginia
- Virginia Commonwealth University
- Virginia Military Institute
- Virginia Tech

Incubators For Innovation

The Commonwealth is home to many internationally recognized research and development (R&D) facilities. Federally funded R&D facilities, coupled with the research from Virginia universities, provide Virginia businesses access to leading researchers and cutting-edge technology. From the automotive industry to medical research to the next generation of high technology, these research facilities have something to offer your business.

- Virginia is home to 14 federal R&D facilities, including the new Homeland Security Institute in Arlington, NASA Langley Research Center, NASA Wallops Flight Facility and DOE's Thomas Jefferson National Accelerator Facility
- Langley facilities include the only wind tunnels in the United States capable of testing structures in winds up to 17,500 miles per hour
- Wallops Flight Facility, located on Virginia's Eastern Shore, is a unique research airport and is NASA's principal center for management and implementation of suborbital research programs
- Energy Efficiency and Renewable Energy Clearinghouse provides publications, research in response to your technical and business questions and referrals to energy organizations
- Nine university research parks offer private companies cooperative relationships with the following universities and colleges: the University of Virginia, Virginia Tech, Medical College of Virginia, The College of William and Mary, George Mason University and Old Dominion University.
- The National Institute of Aerospace in Hampton is a strategic partner of NASA Langley Research Center and conducts leading-edge aerospace research and development through a consortium of research universities including Virginia Tech, University of Virginia, Old Dominion University, William and Mary, Georgia Tech, University of Maryland and North Carolina State University.

Reliable Resources For Less

Virginia offers a wealth of excellent power, water, telecommunications and other business infrastructure resources necessary to succeed in today's global economy.

- Virginia provides a stable energy resource pool utilizing a variety of sources to serve present and future residential, commercial, industrial and transportation needs.
- Virginia's electric rates are among the lowest in the nation—under the latest deregulation legislation, the General Assembly capped the rates at the current levels through 2010.
- Virginia's restructuring act gives residents and companies alike the option to choose energy providers.
- In 2004, the average cost per unit of electricity for the industrial sector was 4.04 cents in Virginia, compared to 5.02 cents for the nation.
- Virginia has more than 50,000 miles of rivers and streams, with a combined total freshwater flow of 25 billion gallons per day.
- More than 1,000,000 miles of fiber optic cable have been installed by local telephone companies.

Easy Access To Domestic and Global Markets

Virginia offers unparalleled transportation opportunities to get you anywhere in the world with ease. Centrally located on the U.S. East Coast, our integrated transportation system

of highways, railroads, airports and seaports ensures that you can reach every one of your markets and get shipments from suppliers more efficiently.

- Eleven railroads operate on more than 3,600 miles of railway in Virginia, of which over 3,100 miles are Class I. One of the nation's largest railroads is headquartered in Norfolk, Virginia: Norfolk Southern Corporation.
- Fourteen commercial airports serve Virginia, including two of the nation's busiest: Washington Dulles International and Ronald Reagan Washington National.
- The Port of Virginia offers world-class shipping facilities and a schedule of over 5,100 sailings annually to over 250 ports in 100 foreign countries. The Port offers one of the largest intermodal networks on the East Coast, handled 1.98 million TEUs (Twenty-Foot Equivalent Units) in 2005, and moved over 244,000 rail containers.
- The Virginia Inland Port in Front Royal serves as an intermodal collection point for containers from West Virginia, Ohio, Pennsylvania, Northern Virginia and elsewhere.
- The Port of Richmond is a multi-modal freight and distribution center located on the James River, adjacent to I-95, in Richmond.
- There are more than 70,000 miles of interstate, primary and secondary roads, including six major interstate routes: I-95, I-85, I-81, I-77, I-66 and I-64.
- Virginia offers six foreign trade zones designed to encourage businesses to participate in international trade by effectively eliminating or reducing customs duties. Numerous subzones are designed to enhance the trade capabilities of specific companies. Also, numerous subzones are provided and additional ones can be designated to enhance the trade capabilities of specific companies.

Streamlined For Success

The regulatory environment in Virginia is one of the most fair and least complicated of all U.S. states. On the other hand, the process can seem daunting at times. The VEDP works diligently with our allies in other state organizations to help make the permitting process smooth and simple for new and expanding businesses. Listed below is an outlined overview of potential regulations that may affect new businesses.

Environmental Regulations

Most environmental regulations on business are under the stewardship of the Department of Environmental Quality. Created in 1993, DEQ consolidated the functions of four former agencies to streamline both the environmental permitting process and communications with business, government and the public.

The Virginia DEQ has primacy over the U.S. Environmental Protection Agency; as such, our permitting process is much quicker and easier than when dealing directly with the federal government. Once a satisfactory permit is forwarded to the DEQ, an expeditious turnaround is likely to follow. This allows for little time lost to waiting for approval(s) so that a company can proceed with its plans. Virginia administers its environmental

programs through the Department of Environmental Quality and the Virginia Marine Resources Commission.

It is highly recommended that any business or industry that is new to Virginia seek early guidance from the appropriate regulatory agency before proceeding with modifying an existing facility or modifying a process. This can be done directly, or with our help. Regardless, permits must be obtained before construction or installation of equipment can begin.

Water Compliance

The Virginia Marine Resources Commission is the primary point of contact for joint local, state and federal applications for all wetlands and navigable waterways permitting requirements. All localities in Virginia have erosion and sediment control ordinances that establish soil conservation requirements for land-distributing activities associated with new construction. Information concerning these requirements may be obtained from the local government or from the Virginia Department of Conservation and Recreation's Division of Soil and Water Conservation.

Occupational Regulation

The Virginia Department of Professional and Occupational Regulation issues state licenses and regulates many businesses and occupations, including architects, barbers, geologists, land surveyors, opticians and real estate agents.

Some occupations require certification, such as plumbers, electricians and building-related mechanical workers. The Virginia Certification of Tradesmen Standards is a uniform statewide regulation that ensures the competency of the certificate holders.

Producers of agricultural products, chemicals, and many other goods and services are required to satisfy particular regulations or obtain special permits.

Virginia Occupational Safety and Health Program

Motor vehicle transporters of loads exceeding statutory size and weight limits must obtain a hauling permit from the Virginia Department of Transportation's permit and truck weight manager. The permit controls time of travel, day, location, and the type of road used. It also controls load overhang, maximum speeds, lights, warning signs, and flags.

Virginia has also adopted several unique state standards to protect employers and employees. These include standards for the construction and telecommunications industries concerning entry into confined spaces such as manholes and tanks.

The confined space standards require employers to establish a written permit entry system and to provide training, atmospheric testing, mechanical ventilation, and personal protective equipment.

Building Code and Construction Regulations

Construction of new buildings requires a building permit, which effectively implements a number of local and statewide regulations. State building codes require building construction to conform to the Uniform Statewide Building Code, which is based on the Building Officials and Code Administrators International, Inc. (BOCA), Code. The Uniform Statewide Building Code is adopted by the Virginia Department of Housing and Community Development and is enforced by the local building departments.

The Uniform Statewide Building Code, Volume II Building Maintenance Code is based on the BOCA Property Maintenance Code. The USBC regulations require compliance in all buildings to protect the occupants from health and safety hazards that might arise from improper maintenance and use.

Compliance is also required with the Virginia Statewide Fire Prevention Code. It is intended to protect life and property from the hazards of fire or explosion. Local enforcement of the Fire Prevention Code is optional; the State Fire Marshall has enforcement authority in jurisdictions where the local government does not so choose.

Clearance from the Virginia Department of Environmental Quality is required before a local building permit may be issued to construct a heating system, exhaust system, incinerator, or refuse chute. Since the issuance of a clearance may require a public hearing, it is advisable to contact the department early in the facility-planning process.

The Virginia health laws require authorization by the Virginia Department of Health prior to issuance of a construction permit. For wastewater discharging systems, this involves the issuance of a Virginia Pollutant Discharge Elimination System (VPDES) construction approval by the Department of Environmental Quality.

Manufactured buildings are governed by the Virginia Industrialized Building Safety Regulations and Virginia Manufactured Home Safety Regulations, which are administered by the Department of Housing and Community Development. The regulations provide for the voluntary participation of manufacturers in a state-approved labeling program for manufactured buildings. Labeled buildings are accepted as meeting the building code in all localities of the state. Local building officials perform field enforcement of the regulations to ensure that installed buildings comply with the code.

Virginia Certification of Tradesman Standards

In Virginia, trade licenses are required for plumbers, electricians, and building-related mechanical workers. The Board for Contractors Tradesman Licensure regulates the certification and standards of practice for tradesmen. This statewide regulation uniformly gauges a worker's ability, proficiency, and qualifications, and ensures the competency of licensed tradesmen.

Stable and Reasonable

Virginia's moderate corporate income tax has not been raised in nearly thirty years. At 6 percent, our rate is one of the lowest in the nation. The combined state and local sales tax is 5.0 percent. Counties and cities are separate taxing entities. Consequently, companies pay taxes to either a county or a city, not to both. In some instances towns do assess local taxes which would be added to county taxes.

Virginia's long tradition of fiscal discipline has earned the Commonwealth a coveted AAA bond rating.

Corporate Income Tax

- Tax rate of 6%, not raised in over thirty years
- Has a three-factor apportionment formula of payroll, property and sales (with sales double-weighted)
- A double-weighted sales factor, which has the effect of reducing tax liability for firms with significant sales to customers outside Virginia
- Tax credits for job creation and investment in economically stressed areas
- No franchise or net worth tax

Sales and Use Tax

- The total tax is 5 percent (4 percent state and 1 percent local)
- A seller is subject to a sales tax on gross receipts derived from retail sales or leases of taxable tangible personal property.
- Manufacturers do not pay tax on purchases used for production; distributors do not pay tax on items purchased for resale.

Investing in Each Other

Virginia works enthusiastically with new and expanding Virginia employers that create a higher standard of living for Virginians, enhance the local and state economies, and increase revenues to state and local governments. Incentives are Virginia's investment in her economic future and a business decision for both the Commonwealth and the company. As a result, they must make good fiscal sense for all parties.

Designed to target the needs of the company and the development plans of localities and the state, Virginia offers a variety of performance-based incentives. From tax credits to tax exemptions, Virginia continues to demonstrate her willingness to invest in those who invest and reinvest in the Commonwealth.

Governor's Opportunity Fund

Discretionary funds available to the Governor to secure a business location or expansion project for Virginia. Grants are awarded to localities on a local matching basis with the

expectation that the grant will result in a favorable location decision for the Commonwealth.

Workforce Services

A program that offers customized recruiting and training assistance to companies that are creating new jobs or experiencing technological change. The program is designed to reduce the human resource development cost of new and expanding companies.

Virginia Investment Partnership Grant Fund

A discretionary investment performance grant program for existing Virginia manufacturers, research and development services supporting manufacturing and large basic employers. The program is targeted to companies that have operated in Virginia for at least five years and that are proposing expansion projects that meet certain criteria.

Sales and Use Tax Exemptions

Virginia offers some of the broadest sales and use tax exemptions in the U.S.

Property Tax Exemptions

Virginia does not tax intangible property, manufacturers' inventory, and manufacturers' furniture, fixtures and corporate aircraft.

Virginia Small Business Financing Authority (VSBFA)

VSBFA offers programs to provide businesses with access to capital needed for growth and expansion. The programs are as follows:

- Industrial Development Bonds and the Umbrella Bond Program
- Virginia Economic Development Loan Fund
- Loan Guaranty Program
- Child Day Care Financing Program
- Virginia Capital Access Program
- Small Business Environmental Compliance Assistance Fund
- Southside Region Tobacco Capital Access Program

Enterprise Zones

Virginia's Enterprise Zone program provides state and local incentives to businesses that invest and create jobs within Virginia's enterprise zones, which are located throughout the state.

Technology Zones

Virginia authorizes its communities to establish technology zones to encourage new technology business to develop. Presently, 16 localities have created zones throughout the state.

Foreign Trade Zones

Virginia offers six foreign trade zones designed to encourage businesses to participate in international trade by effectively eliminating or reducing customs duties. Numerous

subzones are designed to enhance the trade capabilities of specific companies. Also, numerous subzones are provided and additional ones can be designated to enhance the trade capabilities of specific companies.

A Great Life in Virginia

If you live in Virginia, you'll know why visitors spend billions of dollars each year to enjoy our beautiful state. Boundless outdoor and cultural activities and one of the nation's highest concentrations of historic resources all combine to provide limitless opportunities for recreation and relaxation. Add in Virginia's variety of amusement parks and countless local attractions, and you and your family will discover just how rewarding living in Virginia year-round can be.

- Virginia ranked 5th in the nation in 2005 for being the most livable state, as rated by Morgan Quitno Press.
- Virginia is blessed with beautiful mountains, rivers and beaches and offers abundant outdoor opportunities in 34 state parks, 33 natural areas and 30 national parks.
- Virginia's highways and towns are filled with historic markers and attractions, including those at Colonial Williamsburg, the Jamestown Settlement, Yorktown National Battlefield Monument, Monticello, the National D-Day Memorial and numerous Civil War sites.
- Virginians enjoy a wide array of cultural activities, through institutions such as the Virginia Museum of Fine Arts, the Chrysler Museum, the Virginia Opera and the Barter Theatre.
- Virginia is home to over 330 golf courses located throughout the state, many of which are consistently ranked as some of the best in the country by Golf Magazine and Golf Digest.
- Tourism's contribution to Virginia's economy reached \$15.2 billion in 2003, up 5.6% from 2002.
- Morgan Quitno's Health Care State Ranking 2005 ranks Virginia as the healthiest state among South Atlantic states.
- Four Virginia cities were named in Money Magazine's 2005 list of best places to live in the United States.