



VIRGINIA INITIATIVE FOR  
**GROWTH &  
OPPORTUNITY**  
IN EACH REGION

# Governance and Policy Committee

January 29, 2024  
Virtual Meeting



COgro Labs at Virginia Tech Corporate Research Center  
(Source: GO Virginia Region 2 Annual Report)



VIRGINIA DEPARTMENT OF HOUSING  
AND COMMUNITY DEVELOPMENT  
*Partners for Better Communities*



# Agenda

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## I. OPENING

- a. Call to order Chair
- b. Roll Call Cody Anderson
- c. Public Comment Chair

## II. COMMITTEE CHARTER – **Action Item**

- a. Governance and Policy Committee Charter Chair

## III. INFORMATION ITEMS

- a. Upcoming Expiring Terms and Board Membership Turnover Report Cody Anderson

## IV. DISCUSSION ITEMS

- a. Presentation: JLARC Recommendations Cody Anderson
- b. Prioritization of Recommendations

## V. ADJOURNMENT



# I. Opening

- a) Call to Order
- b) Roll Call
- c) Public Comment



## II. Committee Charter

### Action Item

- a) Approval of the Governance and Policy Committee Charter



## III. Information Items

- a) Upcoming Expiring Terms and Board Membership Turnover Report



## IV. Discussion Items

- a) Presentation: JLARC Recommendations
- b) Prioritization of Recommendations

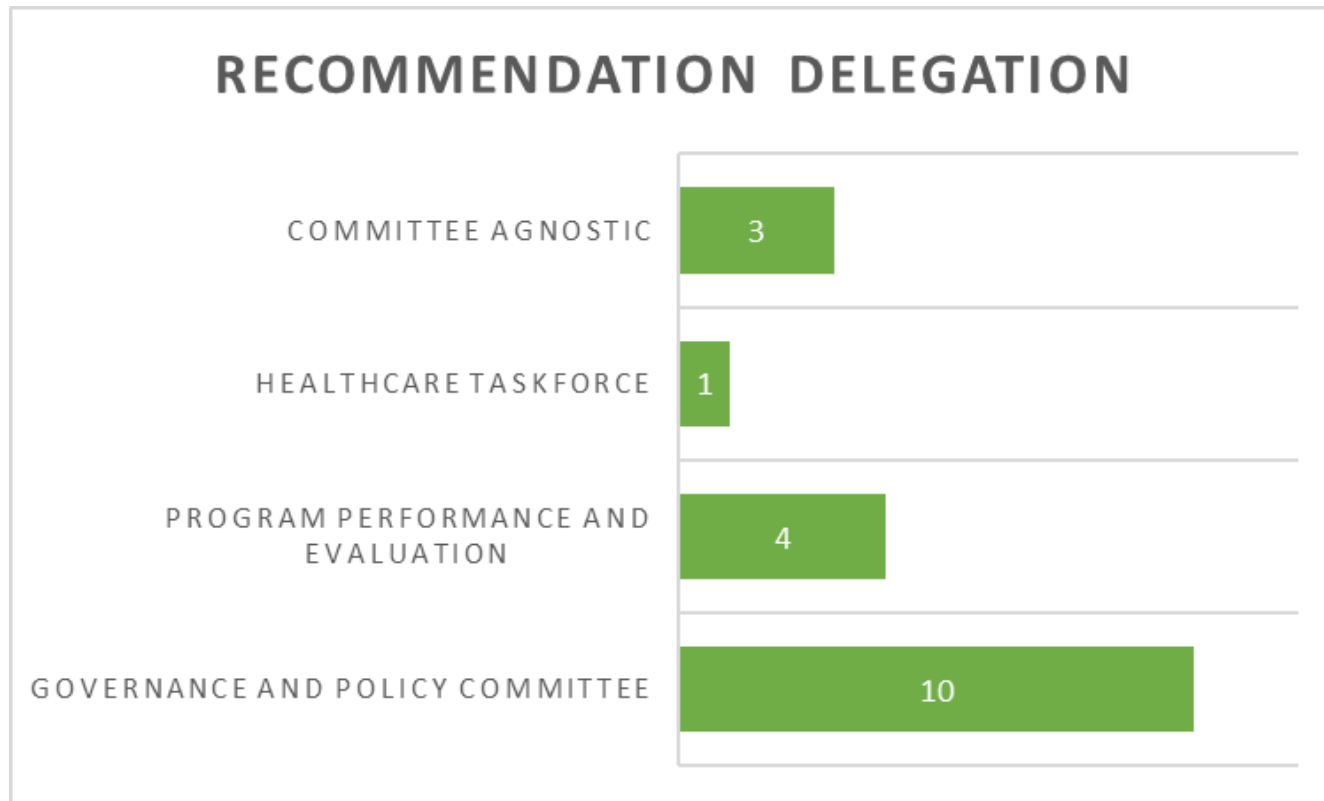


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# Overview of GO Virginia JLARC Report

## Breakdown of Responsibilities

- The JLARC report contains 16 different recommendations as well as 2 policy options.
- These recommendations have been delegated to one of three groups: Governance and Policy Committee, Program Performance and Evaluation Committee, and the Healthcare Taskforce.
- Today we'll review the 9 recommendations delegated to this Committee



# Traded Sector Activity Definition

## Recommendation #5

- **JLARC RECOMMENDATION:** The GO Virginia board should revise its policies to include a more detailed definition of traded sector activities, modeled on the definition utilized by the Virginia Economic Development Partnership's Virginia Jobs Investment Program, which can be used to determine project eligibility.

- **JLARC REASONING:** The Board adopted a traded sector eligibility requirement because these activities typically have the biggest potential for economic impact by bringing new revenue from outside of the state. GO Virginia's traded sector definition, however, is not clear, contributing to confusion about which projects are eligible.

- **DHCD STAFF RECOMMENDED ACTION:** VEDP's definition is very specific to an individual firm. Adopting the VJIP Traded Sector definition, which requires a wage scale of 120% of the Virginia minimum wage and 51% of individual firms' revenues from out of state, could unnecessarily complicate GO Virginia grants. Staff recommends that a definition and list of eligible Traded Sector Industries be established using a recognized source such as Porter or Harvard Business school.



## Recommendation #7

- **JLARC RECOMMENDATION:** The GO Virginia board should replace the eligibility requirement that all grant projects must create higher wage jobs with a requirement that all grant projects must create a new or expanded workforce or economic development activity.
- **JLARC REASONING:** The board and DHCD guidance require proposed projects create new, high wage jobs to be eligible for program funding. However, most GO Virginia projects do not directly create jobs, and this is a much stricter requirement than prescribed by statute. The high-wage portion of the requirement can also conflict with GO Virginia's statutory intent to focus on regional priorities, because some projects that address regional priorities may not be in areas or industries that pay above average wages.
- **DHCD STAFF RECOMMENDED ACTION:** The Board should establish policy that eligible projects must create a new or expanded workforce or economic activity in an eligible traded sector industry prioritized in a Regions Growth and Diversification Plan. Board may want to reconsider the program's mission statement for clarity and consistency.

# Local Match Requirements

## Recommendation #8

- **JLARC RECOMMENDATION:** The GO Virginia board should either eliminate or reduce the local match requirement for all grants.

- **JLARC REASONING:** The Code requires GO Virginia grants to be matched 1:1 with funding from non-state sources, and the board added a further requirement that a portion of the match must come from local sources. Lowering GO Virginia's match requirements would likely result in greater utilization of grant funds. The match requirements for regional per capita grants, which account for most GO Virginia grants, were temporarily reduced from FY21-FY23 in response to the COVID-19 pandemic and local match was temporarily dropped. During this period, GO Virginia funded 22 percent more per capita projects, and the average grant size was twice as large.

- **DHCD STAFF RECOMMENDED ACTION:** The Committee should consider the memo which describes "[meaningful local participation](#)" and the description in code "Regional activity" means an economic or workforce development-focused collaborative project or program that is (i) endorsed by a regional council, (ii) consistent with the economic growth and diversification plan developed by the regional council, and (iii) carried out, performed on behalf of, or contracted for by two or more localities, political subdivisions, or public bodies corporate and politic within a region. There is a Local Match Waiver process in place.

# Expansion of Competitive Fund Eligibility



## Recommendation #9

- **JLARC RECOMMENDATION:** The GO Virginia Board should expand eligibility requirements for statewide competitive funds by making these grants available to (i) any region that has awarded or is about to award all or almost all of its per capita funds in a given year and is not carrying a significant unobligated funding balance, and (ii) projects that require a grant amount that is equal to or greater than half of the region's unobligated per capita funds. Projects that involve multiple regions should continue to be eligible for these funds.

- **JLARC REASONING:** DHCD's guidance requires that to be eligible for statewide competitive funds, a project must involve at least two different GO Virginia regions. This is much stricter requirement than prescribed by statute and appears to limit the program's ability to make effective use of these funds. Less than half of statewide competitive funds have been awarded because it is challenging for regions to identify and carry out projects that meet this requirement.

- **STATUS: COMPLETE**
  - New guidance expanding eligibility for the Competitive Fund was included in the December Regular Meeting Board packet.
    - (i) Creates a pathway for single region applications if their request exceeds their per capita allocation unobligated balance
    - (ii) Enables multi-regional planning grant applications
    - (iii) Preserves a pathway for multi-regional applications

# ■ ■ Elimination of Return on Investment for Evaluation



## Recommendation #10

- **JLARC RECOMMENDATION:** The GO Virginia board should eliminate the requirement that all projects show a positive Return on Investment (ROI) to the state to be eligible for GO Virginia funding.
- **JLARC REASONING:** The only quantitative outcome measure that applications were required to include was Return on Investment (ROI) to the state. However, ROI is not a good measure of value for the types of projects GO Virginia funds.
- **DHCD STAFF RECOMMENDED ACTION:** Current guidance states that projects that have a positive ROI will be viewed more favorably but acknowledges the long-term nature of GO Virginia funded projects. Staff recommends ROI be calculated by an independent third party for all awards that exceed \$1M and that the Board consider the adopted Core Performance Measures and related outcomes in project contracts as sufficient evidence of "economic impact".

# ■ ■ Delegation of Grant Approval Authority



## Recommendation #11

- **JLARC RECOMMENDATION:** The GO Virginia board should revise its policies to delegate grant approval authority to the director of the Department of Housing and Community Development for any regional per capita implementation grant that has been dutifully reviewed and approved by a regional council and recommended for administrative approval by a board designated workgroup.

- **JLARC REASONING:** Requiring grant applications to be voted on by the board is an unnecessary formality for most applications and delays their approval. GO Virginia grant applications are reviewed and approved through an extensive regional and state-level process. By the time applications reach the board, they have been vetted by regional support staff, approved by regional councils, and reviewed in-depth by a state workgroup that includes board members and DHCD staff.

- **DHCD STAFF RECOMMENDED ACTION:** Staff has no recommended action for this recommendation item. It is worth noting that the time required to reach approval at the regional level, followed by staff and workgroup review and subsequent additional information gathering typically take a large amount of time and this recommendation would likely decrease the time to decision by approximately ten days.

# Requirement of ROI Evaluation by Third Parties

## Recommendation #12

- **JLARC RECOMMENDATION:** The GO Virginia board should revise its policies to clarify that only grant applications that would require a significant investment of state funds are required to include an estimated return on investment (ROI). The ROI should be tailored to each project and calculated by experienced professionals using established methodologies, and the costs should be paid for by the GO Virginia program out of its existing fund balances.
- **JLARC REASONING:** The ROI estimates calculated for GO Virginia projects have been unreliable.
- **DHCD STAFF RECOMMENDED ACTION:** Current guidance states that projects that have a positive ROI will be viewed more favorably but acknowledges the long-term nature of GO Virginia funded projects. Staff recommends ROI be calculated by an independent third party for all awards that exceed \$1M and that the Board consider the adopted Core Performance Measured as sufficient evidence of "economic impact".

# Growth and Diversification Plan Update Cycle Policy



## Recommendation #15

- **JLARC RECOMMENDATION:** The GO Virginia board should adopt a policy that defines a cycle for full and lighter reviews of regional growth and diversification plans.
- **JLARC REASONING:** Regional councils are statutorily required to review these plans every two years, but the board and DHCD determine what this review entails. In 2019 and 2021 reviews, councils undertook large-scale efforts, including contracting with consultants to update and analyze data and conducting extensive stakeholder outreach. For the 2023 review, the board and DHCD recognized such an extensive effort was not needed and allowed councils to undertake less intensive reviews. Regional support staff said the less intensive 2023 review was preferable, because the plans do not change much over two years.
- **DHCD STAFF RECOMMENDED ACTION:** This was the process established for the 2023 G&D Plan review. That alternate review schedule should be formalized in a new Board Policy.

# Increased Regional Planning Grant Cap

## Recommendation #16



- **JLARC RECOMMENDATION:** The GO Virginia board should revise its policies to allow regions to award up to 25 percent of their annually allocated per capita funds for planning grants and raise or eliminate the \$100,000 per grant limit.

- **JLARC REASONING:** Regional support staff indicated that planning grants are critical for identifying future implementation projects, and there are many instances of planning grants leading to large-scale projects with positive impacts. Under board policy and DHCD guidance, regions cannot award more than \$250,000 per year for planning grants. For smaller regions, this limit appears appropriate, because it represents 25 percent of their regional per capita funds. However, for larger, more populous regions, which often pursue larger and more complicated projects, this is only 5 to 10 percent of funding. In addition, individual planning grants are limited to \$100,000, which can limit the scope of planning efforts, especially because labor costs have risen substantially since this cap was established in 2018.

- **DHCD STAFF RECOMMENDED ACTION:** Staff will review the planning grant activity for each region (including those that moved forward to implementation) and bring forward a recommendation. If the Board approves of a change, staff recommends creation of a new Board Policy.



# Increased Regional Planning Grant Cap

## Recommendation #16



### • Eligibility

- **Traded Sector Industry Definition:** Consider redefining traded industry activities with a focus on clarity.
- **Higher Wage Jobs:** Consider removal of higher wage jobs as an eligibility requirement of GO Virginia projects.
- **Local Match Requirements:** Consider a reduction or elimination of local match requirements.
- **ROI/ROI Threshold:**
  - Consider creation of a threshold for third party ROI assessments.
  - Consider removal of ROI as an eligibility requirement and measure of economic impact.

### • Process

- **Administrative Approval Threshold:** Consider expanding administrative approval authority of DHCD staff, pending workgroup approval, past \$100,000 Planning, Pilot, and Feasibility Studies.
- **Growth and Diversification Plan Update Cycle:** Solidify the practice of alternating “light” Growth and Diversification Plan update cycles.
- **Increased Planning, Pilot, and Feasibility Study Cap:** Consider removing the \$250,000 cap on Planning, Pilot, and Feasibility Studies and replacing the cap with a 25% cap.

## Discussion and Next Steps



# V. Adjournment