



State *of the* YEAR

BY JACK ROGERS

VIRGINIA MAY BE FOR LOVERS, BUT THESE DAYS THE COMMONWEALTH ALSO IS GETTING A TON OF LOVE FROM EMERGING HIGH-TECH GROWTH SECTORS AND BUSINESSES LOOKING FOR THE PERFECT CORPORATE HQ SITE.

When a state snares not one but two of the most coveted projects of the year, attention must be paid. When one of those projects already has been hailed as the "Deal of the New Century"—and it cements that state's reputation as a leading high-tech powerhouse—it's time to take a closer look.

Okay, we'll override the spoiler alert and say it loud and clear: Virginia is *Business Facilities'* 2018 State of the Year.

"Virginia snared more than \$5.5 billion in capital investment for its top two projects, and its top five job-creation efforts netted nearly 28,000 new jobs in a diverse and well-executed growth strategy that has made VA a high-tech force to be reckoned with," said BF Editor in Chief Jack Rogers, in his announcement of Virginia as the winner of BF's top honor for 2018.

Rogers noted that VA previously has been a perennial contender for BF's top honor due to its proximity to Washington DC, making it an attractive location for major corporate headquarters. In recent years, the Commonwealth has invested in fiber-optic networks that have made Northern Virginia the nation's leading data center hub.

"The 21st-century infrastructure that Virginia has meticulously installed will serve as a fertile root system that will nurture a lush forest of high-tech enterprises in the Commonwealth for years to come," Rogers said. "Virginia not only is ready to compete in the emerging high-tech battleground—it shows every intention of dominating the field."

When Amazon launched an unprecedented bidding contest across North America for its HQ2 project—which promised a \$5-billion capital investment and at least 50,000

least 50,000 new jobs—Northern Virginia and the Washington DC Metro area were on everyone's list of top contenders for a prize that instantly became a bidding frenzy involving 238 locations that responded to Amazon's unusual RFP.

But on the eve of what everyone expected to be the announcement of a single winning location for HQ2, Amazon boss Jeff Bezos abruptly decided to—big surprise here—think outside the box. Bezos bisected the HQ2 project; a few weeks later, Amazon announced that locations in New York City and Northern Virginia would each get a share of HQ2 [both of the winner locations are sharing our Gold Award as 2018's Deal of the Year; see p. 14 for details].

Virginia's HQ2 victory was secured by a site directly across the Potomac River

from Washington that had been renamed National Landing shortly before it was entered in the HQ2 sweepstakes.

Straddling the Crystal City neighborhood of Arlington County and the City of Alexandria, National Landing contains more than 17 million square feet of existing commercial space and 150 acres of developable land. According to the Virginia Economic Development Partnership, National Landing offers "the rare combination of a massive site in a vibrant, transit-rich, urban location.

The ultra-high-profile HQ2 victory was the second volley in an impressive one-two punch that also saw Micron announce in August a \$3-billion expansion of its semiconductor complex in Manassas, VA. Micron CEO Sanjay Mehrotra told *Reuters* the expansion would meet the burgeoning demand

for more powerful computer chips that run collision-avoidance systems and other semi-autonomous automotive systems, a global market expected to reach \$6 billion by 2021.

Northern Virginia is now the largest data center market in the U.S. In the 1960s, the federal government began experimenting with wide-area fiber optic networking in Virginia. In the past decade, the proximity to major government agencies has driven the voracious demand for greater data center capacity in the Northern VA region. Colocation requirements in the Northern VA market generally are higher than other U.S. markets. Major consumers of data bandwidth include the aerospace, financial, managed hosting and telecom sectors.

Digital Realty Trust, the biggest data

VIRGINIA'S GROWTH ALLIANCE

VAGROWTH.COM

1,700 ROUTE MILES OF REDUNDANT FIBER OPTIC NETWORK
MULTIPLE ADVANCED WORKFORCE TRAINING CENTERS
1 HOUR FROM PORT WITH LARGEST CRANES IN U.S.
ROBUST, RELIABLE, & SCALABLE INFRASTRUCTURE
CONVENIENT TO MAJOR HIGHWAYS & AIRPORTS
BELOW-AVERAGE ENERGY COSTS
CERTIFIED WORK READY REGION
FAA-DESIGNATED UAS TEST SITE
MILD CLIMATE



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center landlord in the region, recently announced the purchase of a 424-acre plot next to the Washington Dulles International Airport.

Hyperscale cloud platforms have been coming to Northern VA for several years due to the nexus of networks that interconnect through VA data centers; these platforms also are attracted by low utility rates. Large landlords like Digital have secured large-capacity, long-term leases with online giants including Amazon, Facebook, Google, and Microsoft.

According to Jones Lang LaSalle's 2018 data center market report, net absorption of 166MW of data center capacity during the first half of 2018 exceeded all previous leasing records in Northern VA; this is more than full-year absorption of 115MW in Northern Virginia in 2017, the prior record year.

TRADITIONAL INDUSTRIES ALSO ARE GROWING IN THE COMMONWEALTH

"Our State of the Year honorees usually have one thing in common," Rogers said. "They can walk and chew gum at the same time—which in this case means they're upgrading traditional industries while accelerating emerging growth sectors."

New investments in traditional industries in VA in 2018 included paper and packaging leader WestRock's decision to put \$248 million into its paper mill and extrusion facilities in Alleghany County.

Essel Propack, a global specialty packaging company serving the consumer goods and pharmaceutical sectors, will invest \$31.2 million to expand

its manufacturing facility in the City of Danville, VA. The Mumbai, India-based company also considered Brazil and Argentina for this project, which will create 45 new jobs.

"Essel Propack America is committed to community outreach around the world as a part of our Community Involvement Strategy, which focuses on contributing to and supporting the communities where we work," noted Essel Propack Head of Finance Anindya Bagchi. "This region offers many advantages, including low operating costs and a talented workforce that has allowed us to grow and innovate at our facility."

Essel Propack produces a wide range of multilayer collapsible tubes and laminates used for packaging in personal care, food, pharmaceutical and industrial applications. Essel Propack employs over 2,850 employees worldwide, including 252 at its Danville facility. The expansion will allow the company to double production at the Danville plant through the introduction of new Super High-Output tubes (SHOT) technology.

Smyth County Machine, LLC, a full-service machining and fabrication facility, will invest \$2.1 million to add equipment and expand its product line in Smyth County, VA. The company also considered Tennessee for the project, which will create 35 new jobs.

"Virginia is a manufacturing-friendly, technology-driven state that fosters business integration and, through its team of state, regional and local partners, supports business owners with a

multifaceted range of resources," said Smyth County Machine President and CEO Greg Sanders. "The economic development professionals are agile, quick to respond, accommodating and make Virginia attractive by collaborating with local partners to offer training assistance and financial guidance. Smyth County is the place we want to be, and we are blessed to be in a position to provide jobs to the hardworking people of Southwest Virginia."

The Virginia Economic Development Partnership (VEDP) worked with Smyth County, Virginia's Industrial Advancement Alliance and the Virginia Tobacco Region Revitalization Commission to secure the project for Virginia. Gov. Ralph Northam approved a \$100,000 grant from the Commonwealth's Opportunity Fund to assist Smyth County with the project. The Virginia Tobacco Region Revitalization Commission approved \$200,000 in Tobacco Region Opportunity Funds for the project. Smyth County Machine, LLC is also eligible to receive state benefits from the Virginia Enterprise Zone Program, administered by the Virginia Department of Housing and Community Development, as well as Sales and Use tax exemptions on manufacturing equipment. Funding and services to support the company's employee training activities will be provided through the Virginia Jobs Investment Program.

"Smyth County Machine has been creating jobs and stimulating the economy of Southwest Virginia for more than 40 years, helping make this region



2018 Accomplishments

BELMONT PEANUTS

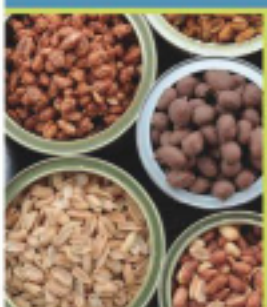
Awarded \$30,000 from Governor's AFID Grant
New processing facility and retail store
\$2.5 million investment
15 new jobs

HAMPTON FARMS

Awarded \$100,000 from Governor's AFID Grant
\$5.7 million investment
14 new jobs created

ENVIVA

Awarded \$400,000 VIP Grant
\$75.7 million expansion
Allows for the processing of sustainably sourced pine



Southampton Business Park
27 developable acres



221 Progress Parkway
138,000 sf



Pretlow Industrial Park
150 developable acres



Southampton Commerce
and Logistics Center
80 developable acres



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a hub for the Commonwealth's manufacturing industry," said Gov. Northam. "We are pleased that this homegrown company has decided to expand and add new jobs in Smyth County, which will provide opportunity for our skilled workforce and result in a significant local economic impact."

Virginia also excelled as a prime destination for foreign direct investment, including an announcement from Press Glass, the largest independent flat glass processing operation in Europe, to establish its first Virginia manufacturing facility in Henry County.

A TOP CHOICE FOR CORPORATE HEADQUARTERS

As its selection as an Amazon HQ2 winner showcases, Virginia continues to be a prime location for corporate headquarters. In April, Gerber Products Company announced it will invest \$5 million to relocate its U.S. headquarters from New Jersey to the new U.S. corporate headquarters operation of its sister company, Nestlé USA, in Arlington County, VA.

Nestlé USA now occupies more than 250,000 square feet at 1812 North Moore Street, the tallest building in the metropolitan area. The project will create 150 new jobs.

"Closer proximity to Nestlé USA's new headquarters in Arlington will provide efficiencies that will be reinvested in our people, products and production to fuel growth," said Bill Partyka, President and CEO of Gerber. "Northern Virginia also offers a great quality of life for our employees and provides access to strong talent for our current and future needs."

The Virginia Economic Development Partnership worked with Arlington County Economic Development to secure the project for Virginia. Gov. Northam approved a grant in the amount of \$862,500 from the Commonwealth's Opportunity Fund to assist the County with the project. The company is also eligible to receive a Major Business Facility Job Tax Credit.

Funding and services to support the company's employee training activities will be provided through the Virginia Jobs Investment Program.

"One year after Nestlé announced its U.S. corporate headquarters relocation to Arlington County, this global giant is bringing another top household brand to Virginia," said Gov. Northam. "The company's decision to reinvest and grow in the Commonwealth is a powerful testament to the advantages of our strategic location, infrastructure and top-rated talent, and reaffirms that Virginia is a prime location for headquarters operations. We are proud that Nestlé USA calls Arlington County home, and we look forward to a successful corporate partnership with Gerber."

(Continued on page 74)

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