

A taxing year

Accountants grapple with ghosts of 2020 this tax season

by Jason Roop

After a turbulent business year, accountants are bracing for a tax season filled with increased uncertainty, complexity and the looming reality that, eventually, 2020 taxes will be due and books must be reconciled.

Businesses navigating the pandemic — from entrepreneurs launching their first ventures to corporations with experienced CFOs — face new questions and challenges in preparing their 2020 taxes.

There is the potential for shifting tax deadlines. Virginia state and federal tax guidelines don't align. And there are pandemic-specific financial issues such as relief loans and grants, layoffs, unexpected losses and remote workers.

That's not to mention preparing for 2021 taxes, says Courtney Arrington, an accountant in the alternative assets group at Richmond-based Genworth Financial Inc. who also independently provides accounting and bookkeeping services. One big question her clients ask, Arrington says, is "how they can plan for this upcoming year."

However, clients could be forgiven for not yet thinking about 2021 — after all, so much still seems stuck in 2020. Waiting on vaccines. Waiting on relief funding. Waiting on tax returns, in some cases. One of the business owners Arrington works with had yet to receive a return from a 2019 filing as of December 2020. "It's literally just been a waiting game," she says.

In helping businesses work through answers to these challenges, CPAs and accounting firms find themselves in a sort of time warp. They must follow some traditional deadlines while other deadlines change, and wait on clarifications from the IRS, Congress and the Virginia General Assembly about various rules and regulations.

As of mid-January, no decisions had yet been made about possible

Courtney Arrington, who has a side business providing accounting and bookkeeping services, says her clients are already asking about preparing for 2021 taxes.



postponement of federal and state tax return deadlines this year, but delays are unlikely, "assuming no major shutdowns," says Gary Thomson with Richmond-based Thomson Consulting, which advises CPA and professional services firms.

The unique situation also has seen an evolution of the roles accountants play for clients.

"It's gone beyond traditional tax advice and consulting," says Stephen Kimberlin, a senior tax manager based in Richmond with Charlotte, North Carolina-based Dixon Hughes Goodman LLP (DHG). Accounting firms have become "more of a true adviser to our clients," he says.

And it isn't all about mopping up after a doom-and-gloom year. Many businesses, such as those focused on e-commerce,



Accountants have been taking a more active role in advising clients since the pandemic began, says Stephen Kimberlin with accounting firm Dixon Hughes Goodman LLP.

trucking or other essential services, have performed well during the pandemic, Kimberlin says, and accountants are helping those clients with financial planning to maintain that momentum.

For companies that have struggled, such as those in the hospitality or real estate industries, he says, the focus shifts to helping them navigate operational, budgeting and planning challenges. "We're trying to help them emerge stronger," he says.

Conformity woes

One major wrinkle for Virginia CPAs preparing 2020 taxes is the commonwealth's status as a static conformity (or fixed date) state for tax purposes. Virginia is one of about 20 states that freeze conformity of state tax rules with federal tax code as of a particular date. Currently, Virginia's state tax laws conform with pre-pandemic IRS code as it existed on Dec. 31, 2019.

The Virginia General Assembly is considering legislation this session (HB 1935, SB 1146) that would make 2020 state tax rules conform with the latest

IRS code, carving out some exceptions including provisions of the federal CARES (Coronavirus Aid, Relief, and Economic Security) Act related to the net operating loss limitation and carryback.

Whenever Virginia doesn't conform with federal tax laws, "it adds complexity" for accountants and CPAs, says Emily Walker, vice president of advocacy for the Virginia Society of CPAs.

Usually this is handled with the early passage of emergency legislation that can go into effect as soon as the governor signs it, she says. But conforming with federal tax laws this year would represent a loss of up to \$500 million in state tax revenues over the next two years. And that makes it a lot less clear whether lawmakers will support it during a tight time for revenues, Walker adds, though most of that \$500 million would stay in the coffers of businesses operating in Virginia if the legislature chooses to conform this year.

Another issue that falls under tax conformity is how Virginia will handle forgivable loans businesses received through the Small Business Administration's Paycheck Protection Program (PPP).

In its December 2020 stimulus package, Congress stipulated that PPP funds would be exempt from federal corporate taxes and also allowed businesses to deduct expenses paid with PPP funds. Typically with forgivable loans, either the loan is tax exempt or deductions are allowed, but not both, Walker says. The Northam administration is opposed to allowing corporate tax deductions for business expenses paid with PPP funds. On Jan. 18, the House Finance Committee voted that Virginia's conformity policy should not include PPP expense deductions for businesses. As of press time for this issue, it was unclear how the legislature would ultimately decide on these conformity issues.

"The more Virginia deviates from federal tax code, the more complex tax returns get" for accountants, Walker says.

Adding to that intricacy is the fact that unlike federal PPP loans, not all relief funds may be tax exempt or allow for tax deductible expenses.

Across Virginia, accountants are working with clients who received various federal, state, local and private loans and grants to keep their businesses afloat.

And that's a situation that accounting firms are also experiencing when reconciling their own corporate finances. More than 6,600 U.S. accounting firms received PPP loans, potentially saving more than 210,000 jobs, according to CPA Trendlines Research. A Bloomberg Tax analysis showed almost 38,000 CPA firms had applied for PPP loans.

"This whole situation creates complexity across the board," Walker says.

Working from home

Another challenge facing taxpayers and their CPAs this year is dealing with the new landscape of closed offices, stay-at-home orders and people hunkering down in locations that may have been outside of the state in which their offices are located.

In Virginia, this is a normal situation for people in the northern area of the state who may work in Washington, D.C., or Maryland — or in Bristol, where someone might live in Virginia but work across the street in Tennessee, where there are no state taxes.



A variety of factors related to the pandemic and economic downturn are creating complexity for accountants this tax season, says Emily Walker, vice president of advocacy for the Virginia Society of CPAs.

Typically, payroll taxes are paid in the state where employees reside.

For D.C., Maryland and Virginia, there are commuter-based agreements in place that typically cover such cross-state situations, Walker says. But this wasn't necessarily the scenario during the pandemic, when people may have relocated farther away for long stretches of time — sometimes longer than the typical six months that could make one eligible for permanent residency in another state.

And that brings up new questions: Do employees owe taxes in more than one state? And where should employers pay the payroll taxes?

CPAs must iron it out. There's an attempt at the federal level for greater clarity and consistent guidelines across the country, but as of January, Walker says, "Virginia's law hasn't changed on this front."

Accounting firms also dealt with their own work-from-home issues, among

them the lack of face-to-face time with colleagues, adjusting to new workflows and home offices, and the technology needed to maintain confidentiality while passing client information among their staff.

Nevertheless, by December 2020, 81% of more than 220 U.S. accounting firms planned a moderate to significant increase in teleworking following the pandemic, according to 2020 Anytime, Anywhere Work Survey by leadership and management consulting firm ConvergenceCoaching.

The switch to teleworking went smoothly at DHG, which closed its offices March 15, Kimberlin says. Once teams finished up deadlines in the office, they headed home. The firm already operated in a paperless environment, he says, so employees were prepared with remote access to servers and the necessary equipment to telework. "It wasn't too bad," he says.

Strengthening approaches

With so much change, accounting firms sought new ways of working with clients. Sharpening and increasing communication was key for DHG, Kimberlin says, noting the firm's outreach efforts with educational webinars, blogs and articles, and reaching out directly to clients as needed.

In normal times, CPAs have a good understanding of tax rules before they advise clients. But the pandemic has required them to stay on top of ever-shifting tax forgiveness updates, deadlines and federal guidance. "We've had to digest that information quicker," he says.

In addition to its in-house experts, Kimberlin says, DHG kept up with resources provided by governing bodies within the industry and networked with colleagues at other firms.

For Arrington, who also runs a blog and YouTube channel called "The Accounting Struggle," outreach included educating new business owners. During the pandemic she saw an uptick in people getting more serious about side hustles such as e-commerce stores, catering companies and social media influencing.

In addition to helping fledgling entrepreneurs understand this new territory, she's working with them to plan for various if-then scenarios. That way, they will be prepared if certain legislation goes through, or not.

One strength for accountants, who tend to dislike unclear rules and regulations, is that they are "calm, rational people," Thomson says. "While we like order and process, we equally aren't people that overreact."

That means they're more likely to provide stability for clients by thinking through challenges and waiting things out, rather than making assumptions that could backfire in the face of uncertainty.

However, what's new for many professionals is learning to offer advice and calmness "with limited information," Thomson says. "And we just haven't had to do it that way for clients" in past years.

Kimberlin says accountants have it in them to help clients make the best decisions for their businesses, regardless of the trying circumstances. "We'll get through it," he says. "We always do." 

Virginia Business Editor Richard Foster and Deputy Editor Kate Andrews contributed to this story.

DR. DANNY AVULA,
state COVID-19 vaccine coordinator

Calling the shots

Virginia's vaccine czar sees light at end of the tunnel

by Kate Andrews

When the COVID-19 crisis began in early 2020, Dr. Danny Avula was the joint director of the Henrico County and Richmond health departments, a big job placing him in charge of public health for more than 560,000 residents. However, in early January, the scope of Avula's responsibilities widened considerably after Virginia Gov. Ralph Northam tapped him to become the state's vaccine coordinator — a position Avula says brought “a level of intensity that I've never experienced.”

Avula has dealt calmly with the pressure and achieved solid results. Initially, Virginia was one of the poorest-performing states for vaccine administration, at one point ranking worst in the nation. But, by early February, the commonwealth rose into the top 10 states for the percentage of available vaccine doses administered.

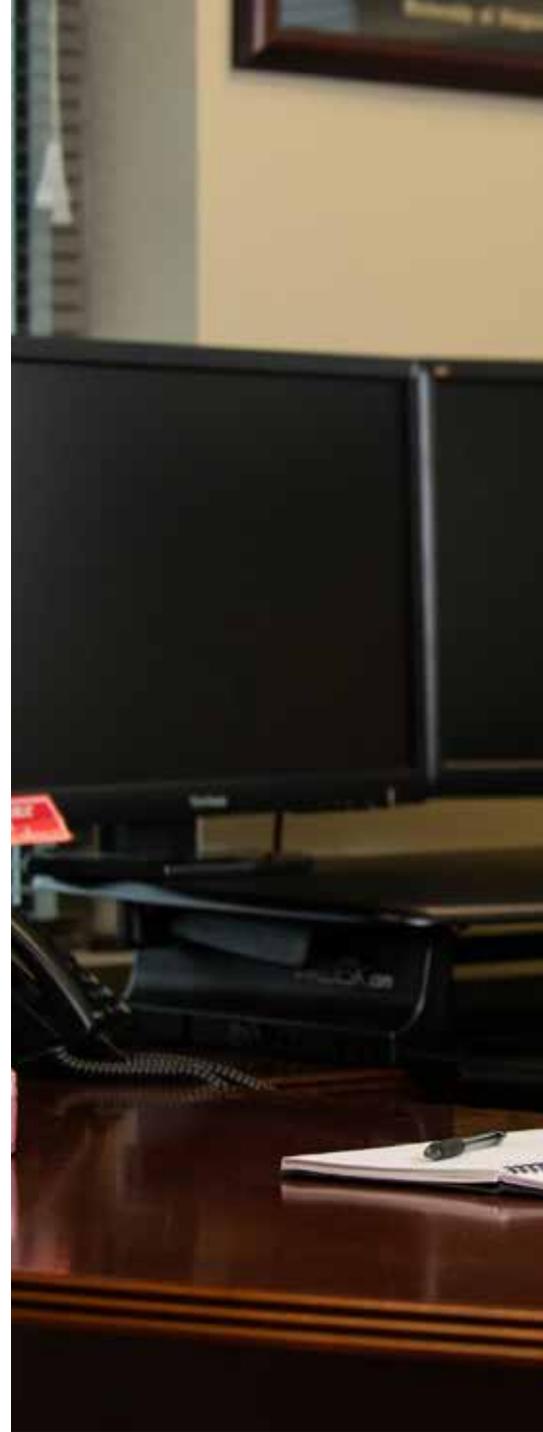
The state launched an online vaccine registration system and phone hotline in February. Like other states, Virginia prioritized vaccinations of people at higher risk for serious illness or death from coronavirus, including health care workers, nursing home residents and older adults. But by late May, any Virginian who wants a vaccination should be able to receive one, Avula forecasts.

Speaking with Virginia Business in early March after a month and a half as state vaccine coordinator, the pressure was still on, but the doctor could see a light at the end of the tunnel.

A University of Virginia and Virginia Commonwealth University School of Medicine alumnus, Avula has served as Richmond and Henrico health director since 2009. He and his wife, Mary Kay, a kindergarten teacher for Richmond Public Schools, have five children and live in the city. Avula says he will be happy to return to his regular job after laboring in the media spotlight — noting that working with his colleagues and in the communities he serves “is a huge part of what drives my work-life satisfaction.”

Virginia Business: When did you first think COVID was going to really affect people's lives in Virginia?

Dr. Danny Avula: The turning point was watching the speed of spread in Italy and Iran [in February 2020]. We started to see the headlines out of Italy, the severe numbers of hospitalization, just the rapid spread. I think that was the moment where this felt like a different kind of emerging global threat. We've lived through a bunch in the last decade: Zika and Ebola in 2014



and H1N1 in 2009, and even mutations or variants of COVID. We've seen these things emerge, but because of the different characteristics, the viruses have largely been either quickly identified or quickly contained — whereas this one was totally different. It felt like, “OK, this is going to be a real threat for the United States.”

VB: Have you had any personal encounters with COVID? Has anyone close to you had it?

Avula: Yes. For sure. My uncle died of COVID in India, and then one of my best



Dr. Danny Avula was tapped by Gov. Ralph Northam to become the state's coronavirus vaccine coordinator in January. Avula is the joint director of the Henrico County and Richmond health departments.

friends' fathers who I grew up around the dinner table with, he passed away early on. I think back in April, we all joined for my first Zoom funeral. Then my dad actually had COVID, although he recovered pretty well without much significant impact at all.

VB: You have several children at home. How have they adjusted to remote schooling?

Avula: I would say the kids have actually been great for the most part. My 20-year-old, it's been a harder hit just because they had to limit social connection. We've got

five [kids], who are 9, 11, 12, 14 and 20. We, from the beginning of this, had two families that were our quarantine bubble, and they live right in our neighborhood. They're our best friends. The men in those families were my roommates in college.

If you asked any of my kids, they're like, "Yes, virtual school is great," because they don't have to do as much work, it feels easier, it's less time, and then they just have the afternoon to go hang out with their best friends.

I would say they're clearly not getting a great education. I don't think the virtual

format translates well for younger kids, and then I'll say my wife has had the hardest time. She's a kindergarten teacher in the city, and so trying to engage kindergartners through the virtual platform has just been extraordinarily difficult.

VB: You were named state vaccine coordinator more than three weeks after the first Virginian was vaccinated for COVID. What do you think would have happened if the governor had decided to create that position a couple of months ahead of the vaccinations?

A University of Virginia and VCU School of Medicine alum, Avula is married to a Richmond Public Schools kindergarten teacher. The couple have five children, ages 9 to 20.



Avula: It's impossible to know. I just think that at every step of this response, there had to be a combination of looking back and asking, "What are we learning from what we've done?"

[It's] about being in the present and constantly having to generate new responses. At each turn, there [was] a new, unexpected unknown, and then trying to be able to pull yourself out of that and look forward and say, "OK, what do we need to be anticipating and planning for down

the road?" I will say more than half the time, we had no idea. Nobody could have predicted the degree to which our understanding of COVID would change — the degree to which we went from thinking this was highly spread through contact to the fact that contact's really not that big a deal. It's really about respiratory spread.

You remember the early messaging in March and April [2020]: "Don't really worry about masks. Let's keep the masks for health care personnel." Then by the

end of April, we were saying, "OK, actually, masks are going to be the most important thing we can do to stem the spread of this disease." I think it's really hard to know what we could have anticipated differently. Right now, I would say the work around [COVID] variants falls into that category.

VB: How did the state government determine that retail pharmacies were best positioned to focus on vaccinating people ages 65 and older?



At each turn, there
[was] a new, unexpected
unknown ...



really is the risk factor that most skews towards hospitalization and death.

It became the intersection of what does the data say, and how do you practically operationalize this? When you think about people ages 16 to 64 with underlying conditions, that's a big group of people with a wide range of risk. You have 30-year-olds with asthma and a 64-year-old with lymphoma that are in the same bucket.

Meanwhile, people who are 65 to 74 have a 90 times greater chance of dying if they were to contract COVID, and people who are 75 to 84 have a 220 times greater chance of dying.

VB: When do you think your job will shift from vaccinating as many people as fast as possible to convincing reluctant Virginians that it's safe to get vaccinated?

Avula: I think that'll start in May. Based on our anticipated supply, what we've mapped out over the next few weeks, I think we'll be able to get through all of the [Phase] 1b population that wants to get vaccinated, by the second or third week of April. As we get into May, we're going to open up to [Phase] 1c, and then to the general population. *[Editor's note: Phase 1c comprises essential workers in sectors such as construction, energy, finance and legal services.]*

I see, towards the end of May, the supply and demand are going to flip, where we have gotten to 65% or so of the population, and we're going to have to really work hard to get that last 10% [to reach herd immunity]. Even this far into our vaccination effort, there's still a significant amount of vaccine hesitancy, particularly among

younger Americans, and then among Black and Hispanic Americans.

VB: Do you think that businesses can legally enforce employees to get vaccinated?

Avula: Because these vaccines are under an emergency use authorization, there's no way for there to be a governmental mandate that requires vaccination. What I don't know are the legal pathways for private entities to require it. My guess is that if the government can't require it, then probably private entities won't be able to require it either. I don't see that happening anytime soon.

VB: You've talked about herd immunity. When we reach that point, will we still need to take precautions?

Avula: I think it depends on what happens with these variants. The variants are real concerns. We're increasingly seeing the U.K. variant pop up around the country and here in Virginia. What we've seen in other countries — the United Kingdom, Denmark, Israel [and] multiple countries across the world — is that really, within the course of two months, the new variant has become the dominant strain. Our CDC modelers, at least a couple of weeks ago, were saying likely by the end of March, the U.K. variant will be the dominant strain here in the United States. *[Editor's note: As of March 15, Virginia had identified 49 U.K. variant cases.]*

I think what we're doing right now is the right thing. It's maintaining our commitment to mask wearing, [social] distancing and staying home when you're sick, but also [getting] people vaccinated as quickly as possible. The hope is that the

Avula: Really, the data. When the Federal Retail Pharmacy [Program] came in, the entire state was in [Phase] 1b. *[Editor's note: Phase 1b includes frontline essential workers, people over 65, people under 65 with certain health conditions and correctional facility inmates.]* [We had] gotten through the very high-risk 1a [group] — long-term care facilities, nursing homes, assisted living facilities and health care workers. No matter how you slice the data, age

combination of adherence to mitigation and rapid vaccination will temper the degree to which the U.K. variant becomes a new issue and a new spike of disease in our community.

VB: Do you think that people are sufficiently aware that we still need to be careful and wear masks even after getting vaccinated?

Avula: Yes. Certainly, in our communications from the Virginia Department of Health, that's been really consistent. As I followed the national headlines and watch some of the international voices on this, that is really consistent. Like I said, I think that guidance could actually change over the next couple of months, just as we gather more data. I do think that's pretty clearly and consistently the guidance. Now, how that actually is lived out, I imagine there are a lot of people who, once they get their vaccine feel like, "OK, this is my newfound life."

VB: What takeaway lessons have you learned from this pandemic that could help for the next public health crisis?

Avula: I started my career in 2009 when H1N1 hit, and while local governments were very supportive, this was largely public health-led. Federal funding allowed us to expand our teams and set up vaccination all over the place. The scope of the response was able to be managed within the agency of public health. I think with COVID, it's a completely different story.

It happened on a scale like nothing anybody has ever experienced. I think the localities that moved to this whole-of-government mentality — that this is not something that the health department by itself can solve or address, but really requires the full weight and planning and integration of all of our sectors — I think that's the learning I would apply. We would move to that mindset much quicker than we did. I think the same is true in state government.

The move from [Phase] 1a to 1b, which was largely initiated by the federal government, happened in a context where we were thinking and being told we would get a ton more vaccine [doses] to be able to support that increased demand, and it didn't happen. We went from a very manageable Phase 1a to a very difficult to

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Even this far into our vaccination effort, there's still a significant amount of vaccine hesitancy ...



manage Phase 1b, where you had 50% of Virginians who were eligible yet still only getting ... about 100,000 or 105,000 new doses a week.

It would have been clearer for the people of Virginia ... to have more narrowly defined who was eligible at that point, based on incoming supply. Instead, a lot of people were frustrated. I think that's what drove so much anxiety and fear and concern. I think if we had the ability to do that over again, it would be really keeping our demand in more manageable buckets.

VB: How is the state vaccination registry working out?

Avula: I think for the most part, it definitely has worked. More than half a million people have registered since that went live. I also think having a centralized call center has made a huge difference, because when we went from [Phase] 1a to 1b and totally opened up the eligibility, that led to a scenario where local health departments just couldn't manage the [call] volume.

VB: Have you gotten the vaccine?

Avula: I have not yet. I am still in group 1b. I'm in that tier, what do we call it? Continuity of government.

VB: When do you think you will?

Avula: I think by the end of March. When I look at how quickly we're moving through the tiers, and especially when I look at how much vaccine is coming in, by the end of March we should get to that continuity of government tier.

VB: Has your wife gotten vaccinated, as a teacher?

Avula: She has been offered it. We talked about it, [but] we can do social distancing

in our lives. We can do most of our work from home. I'm doing a lot more in the office these days, but she's home all the time. From that standpoint, she just said, "Why don't I wait so that we can make sure our 65-and-ups get their vaccine?"

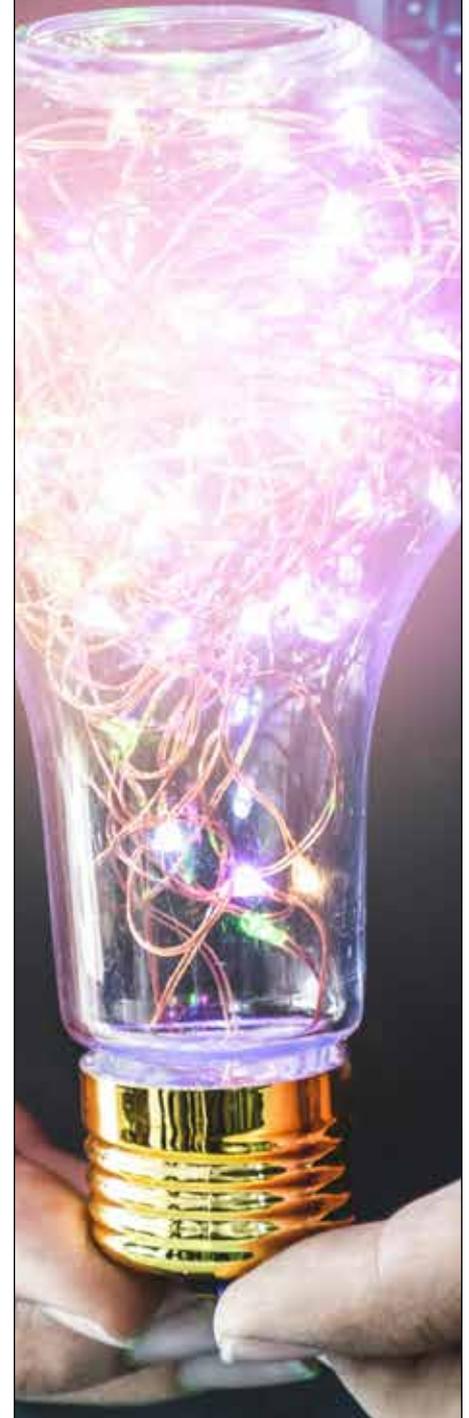
VB: Do you think that this whole experience is going to interest more people in public health careers?

Avula: That's an interesting question. I think it will. ... On a really practical level, it actually [already] has brought a lot more people into public health. All this federal funding, when I was at the local health department, we went from an organization of about 250 to an organization of over 400. There's many, many people who now know what the health department does who didn't before. Yes, I think it will lead a lot of people to the field, which is good, because the reality is that COVID has also led to a lot of burnout, right? We've lost a lot of folks; we had a lot of people move to other careers. We've had a lot of people who just need a break because the public health infrastructure has been under incredible strain.

VB: After the vaccinations are over, will you resume your position as health director for Richmond and Henrico?

Avula: Absolutely. I can't wait to get back. Part of it is just that this [state job] is just ... a level of intensity that I've never experienced. But those are my people, our local health department — we have an incredible team. So much of the joy and satisfaction of the work for me is in the team, but it's also the integration into our local communities. Really feeling that deep connection to the work on the ground is a huge part of what drives my work-life satisfaction. ■

Knowledge is power.



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Loudoun County is known as Data Center Alley because it has the world's highest concentration of data centers. It has received \$1.5 billion in tax revenue from the centers over the last six years.



Heads in the cloud

Data centers are prime gets for Va. localities

by Jenny Kincaid Boone

Compare economic development wish lists across Virginia, and you'll find one item in common. It's not a specific manufacturer, a large health care system, or even a lucrative brewery.

It's a data center — or two, or three.

These massive warehouse-like structures, full of computers, servers, and other digital equipment, hold the keys to internet connectivity, and they have become darlings of the economic development world.

Community leaders laud the many benefits that data centers can bring, from large capital investment and high-paying jobs to significant tax revenues and renewable energy. But they also bring some development challenges, such as requiring large tracts of land and fiber networks. Plus, not every resident wants a massive data center in their backyard.

Even so, data centers are multiplying throughout Virginia. And nowhere is that more apparent than in Loudoun County,

which houses the largest concentration of data centers in the world.

Growing demand

"There aren't that many growth industries in the country right now, places where there is ready capital and ready demand," says Buddy Rizer, Loudoun's executive director for economic development. "Data centers would be on that list. In our internal research, we think globally that demand for data centers will outstrip supply for the majority of the decade. The better the commonwealth does [with data center development], the better it is for all of us. It impacts education, ... taxes and ... quality of life."

In fact, the data center drive is one of the primary reasons that Will Payne swapped his urban Richmond lifestyle for rural Southwest Virginia. He relocated his marketing business, Coalfield Strategies, to take on a major project to attract economic

development investment — including data centers — to Southwest Virginia.

"It's kind of a point of pride that this region should not be limited to certain industries," says Payne, who formerly worked as chief deputy for the Virginia Department of Mines, Minerals and Energy, now rebranded as the Virginia Department of Energy as of Oct. 1. "We can go for the growing data center industry."

Southwest Virginia has some big acts to follow, in particular Loudoun County, which has more than 25 million square feet of data center space.

Other localities in Virginia are attracting data center companies and eagerly eyeing growth, much of which has been sparked in the past year by a pandemic that intensified demand for cloud-based and streaming data services. From streaming movies on Netflix to holding Zoom meetings, if it's an online activity, it originates from a data center.



“There’s no doubt that COVID-19 significantly increased the need for data or cloud services,” says Stan Blackwell, director of customer service and strategic partnerships for Dominion Energy Inc., one of the state’s top suppliers of power for data centers. “Our view is that this industry is not going to slow down. It’s the adoption of technology by society that’s driving growth.”

Loudoun County’s maximum daily energy use for its data centers is 2 gigawatts — “roughly the equivalent of powering 500,000 homes,” Rizer says. Also, data centers require “miles and miles” of fiber cables installed underground. In Loudoun, companies are adding fiber ducts underneath the center of roads, and the cables need to be replaced regularly. Some date back to America Online’s earliest days at Dulles, where its headquarters opened in 1996.

Henrico County’s data center industry got its start in the mid-1990s, when construction began on White Oak Technology Park, now home to the county’s burgeoning data centers. In 2017, QTS, a data center company, opened a 1.3 billion-square-foot building at the park, its fourth-largest location in the world. Since then, Facebook launched the first phase of a \$1 billion data center there in 2020, and there’s still

1,000 acres left at the park, says Anthony Romanello, executive director of the Henrico Economic Development Authority.

One of the attractions for data centers in Henrico is a network access point adjacent to the technology park. Established by QTS, the access point links to three ultra-high-speed, subsea fiber-optic telecommunications cables that come ashore in Virginia Beach, connecting data networks in the United States, Europe and South America.

“This is big, big data,” Romanello says. “That’s why this is so critical for the ongoing development of Henrico and of Virginia, really.”

But Henrico isn’t trying to be the next Loudoun County, Romanello says. Rather, Henrico views itself as positioned for international connectivity, and it wants the benefits that data centers have proven to bring to many communities.

In 2017, Henrico slashed its tax rate for data centers from \$3.50 to 40 cents per \$100 of assessed value, which was likely a big factor behind Facebook’s decision to come to Henrico.

“Data centers are one of our target industries,” Romanello says. “They bring tremendous capital investment, and they are a good, clean industry.”

He points out that Facebook is offsetting its energy consumption at its Henrico data center with in-state solar energy farms. “Even though they consume energy, they are committed to providing renewables equal to what they consume,” Romanello says.

Attracting companies

Like Henrico, other Virginia localities are also lowering tax rates in an attempt to woo data centers.

Dickenson, Lee, Scott and Wise counties and the city of Norton entered into a pact in March to lower data center tax rates to 24 cents per \$100 of assessed value to lure the lucrative data centers to Southwest Virginia.

The low rate is one carrot, but another is offering less costly opportunities for renewable energy, says Duane Miller, executive director of the LENOWISCO Planning District Commission.



Anthony Romanello, executive director of Henrico County’s economic development office, says the county is marketing itself for international connectivity.

For example, last year, InvestSWVA, a Southwest Virginia economic development marketing campaign directed by Payne, commissioned a study that found that former mining sites in Southwest Virginia would offer natural geothermal cooling cost benefits for data centers. According to the Project Oasis study, companies could save more than \$1 million in reduced electric costs and municipal water purchases by taking advantage of the site's naturally cool underground pools.

"It's nature's refrigerator, but that in and of itself is cost savings," Miller says. "That's one jewel in our crown for data center recruitment."

So far, the Project Oasis study results have led to inquiries from some companies, though, as of late August, there have been no announcements of companies intending to locate data centers in Southwest, Payne says.

Conducted by Richmond-based OnPoint Development Strategies, the Project Oasis study identified six Southwest Virginia sites that meet the criteria for a 36-megawatt hyperscale data center, and four sites suitable for a smaller data center of up to 10 megawatts. Also, the study estimates that a large data center in the region would generate more than 2,000 construction jobs, as well as 40 direct jobs and 59 additional permanent jobs. A data center could result in more than \$50 million in economic activity annually once operations begin.

"We're at a point where we are trying to sell the region based on that analysis," Payne says.

Data centers are responsible for about 13,000 jobs in Loudoun County, including employees working for internet companies that operate inside data center buildings, Rizer says.

When Rizer was trying to sell county supervisors on the idea of building data centers in 2007 and 2008, the county's population was starting to grow exponentially, with "tens of thousands" of new residents, who were putting a greater burden on county services like schools and emergency responders.

Data centers, however, provide about \$15 in revenue for every dollar spent on government services, appealing to cost-conscious politicians — even when they weren't clear about the technology itself.

"Early on," Rizer recalls, "one of the supervisors said, 'Mr. Rizer, if we have this

cloud, why do we need these data centers?' It's been a constant education."

In 2018, the average annual wage for Virginia's data center jobs was \$126,250, a 106% increase from 2001, when the average wage was \$61,310, according to a 2020 report by Henrico County-based Mangum Economics for the Northern Virginia Technology Council.

"The jobs are very high-paid jobs, they are skills jobs. It's important work," says Rizer. The self-styled godfather of Loudoun's Data Center Alley, he advises countries around the world on data center development.

Typically, data center jobs include equipment installers, engineers, security personnel, operators, and executive functions. And the data centers also result in ancillary jobs, such as HVAC contractors needed to keep the centers cool. Servers running constantly in centers produce heat, but Rizer notes that newer technology allows data centers to operate at an average temperature of 90 degrees, up from 80 degrees several years ago. "Ten degrees may not seem like much, but it is when you're cooling a 450,000-square-foot building," he says.

Still, data centers typically are not the largest employers in a locality. What counts the most toward their economic investment is tax revenue, Rizer says. The industry has

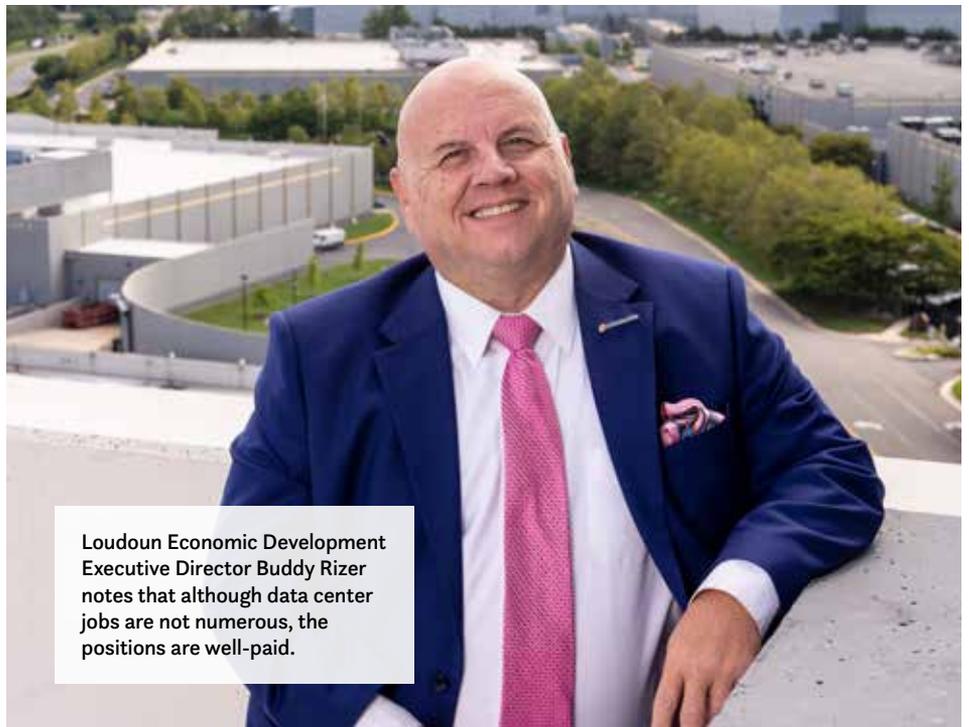
supplied about \$1.5 billion in tax revenue for Loudoun County between fiscal years 2015 and 2021, and Rizer anticipates data centers generating \$500 million in county revenue for fiscal year 2022, mainly from business property taxes.

Even so, this year the county received \$60 million less in tax revenue from data centers than projected. Rizer attributes the shortfall to some data centers not replacing equipment as quickly as in the past. Also, "we as a county are so far out ahead of everybody else, we're still figuring out how to project it," he says.

In Virginia Beach, economic development officials see data centers as drivers of large capital investment and a complement to growth in the city's tech industry and its subsea cable connectivity.

PointOne Development Corp., a data center developer, is now building the first of two data centers at Virginia Beach's Corporate Landing Business Park, which also houses Globalinx Subsea Colocation, a carrier-neutral, colocation data center space that provides access to the MAREA and BRUSA high-speed subsea telecommunications cables that connect Virginia with Spain, Puerto Rico and Brazil.

Smaller data center companies also are inquiring about space in the Corporate Landing Business Park.



Loudoun Economic Development Executive Director Buddy Rizer notes that although data center jobs are not numerous, the positions are well-paid.

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Globalinx is key to many of these daily inquiries, says Taylor Adams, deputy city manager and director of economic development for Virginia Beach.

“When those [subsea] cables were originally built, we didn’t have the ability to offload and distribute signal [bandwidth] here in Virginia Beach,” he says. “Globalinx was part of the solution to that problem. Now we can take advantage of the bandwidth. We are seeing considerably more activity.”

Like other economic development officials, Adams expects data center demand will only continue to grow. “In professional environments with telework and remote work being part of the framework, it’s going to increase the need for cloud computing solutions and data storage,” he says. “I think that’s very good for the data center industry, and Virginia Beach is well positioned for that.”

Develop vs. preserve

But not everyone wants to see data centers multiply.

In Prince William County, which already has a significant data center presence, Elena Schlossberg leads The Coalition to Protect Prince William County. She is opposed to data center development in areas that should be preserved, including close proximity to neighborhoods and in the county’s rural crescent, which has been designated for preservation.

“We know that data centers are not going away, but we believe they belong in the appropriate places,” says Schlossberg, who has lived in the county for 20 years. “We are turning into a digital gateway.”

Conversely, another group of Prince William County landowners wants the county to become a digital gateway and allow for more data center development. At least 12 landowners who live on Pageland Lane want their agricultural land, which already holds numerous Dominion Energy transmission lines, rezoned to allow up to 21 million square feet of new data centers. They call the project the Prince William Digital Gateway.

Although the county already has about 4.75 million square feet of data centers, these residents want more in order to bring jobs, help the county’s tax base and allow Prince William to compete economically with neighboring localities such as Loudoun. Plus, they want money for their land, claiming that the area’s once-rural atmosphere already has been disrupted by transmission lines and traffic.

“Where we live now is not the same as it was 22 years ago,” says Mary Ann Ghadban. One of the landowners leading the digital gateway project, she has lived in the county for 40 years. “Our way of life has been ruined. Our area is no longer rural. As landowners, we want to win. Why shouldn’t we make money off our land?”

There already are discussions underway with data center developers who are interested in the Pageland Lane land, she says.

“This is citizen activism at its best,” Ghadban says. “It’s the golden goose for us. It’s the golden goose for Prince William County. It’s a win-win.” ■

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