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SENATE BILL DRS35355-MCz-193F* (01/08)

Short Title: Eliminate Use of Development Tiers. (Public)

Sponsors: Senators Hise, Krawiec, and D. Davis (Primary Sponsors).

Referred to:

A BILL TO BE ENTITLED

AN ACT TO ELIMINATE THE USE OF THE ECONOMIC DEVELOPMENT TIER
STRUCTURE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The Departments and Authority listed in this section shall, no later than July 1, 2017, discontinue the use of the development tier designations determined pursuant to G.S. 143B-437.08 for all purposes and programs, including taxes, the North Carolina Development Farmland Preservation Trust Fund, the Spay and Neuter Program, the Abandoned Manufactured Home Cleanup Grants Program, the State Wastewater Reserve, the State Drinking Water Reserve, the Public Safety Assistance Points Grant Program, Oral Health Preventive Services, Medication Assistance, Qualified Allocation Plan for Low-Income Housing Tax Credits, and the Strategic Prioritization Funding Plan for Regional Impact Transportation Investment Projects. This section applies to the following:

- (1) The Department of Agriculture and Consumer Services.
- (2) The Department of Environmental Quality.
- (3) The Department of Information Technology.
- (4) The Department of Health and Human Services.
- (5) The North Carolina Housing Finance Agency.
- (6) The Department of Transportation.
- (7) The Department of Revenue.

SECTION 1.(b) Each entity to which subsection (a) of this section applies shall independently develop criteria designed to achieve each program's objectives to be used in place of development tier designations and shall report by October 1, 2016, the developed criteria to the Fiscal Research Division and as follows:

- (1) The Departments of Agriculture and Consumer Services and Environmental Quality to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.
- (2) The Department of Information Technology to the Joint Legislative Oversight Committee on Information Technology.
- (3) The Department of Health and Human Services to the Joint Legislative Oversight Committee on Health and Human Services.
- (4) The North Carolina Housing Finance Agency to the Joint Legislative Oversight Committee on General Government.
- (5) The Department of Transportation to the Joint Legislative Transportation Oversight Committee.
- (6) The Department of Revenue to the Revenue Laws Study Committee.



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1 **SECTION 1.(c)** Notwithstanding G.S. 143B-437.08(c), an entity required to
2 discontinue use of the development tier designations no later than July 1, 2017, as required by this
3 section, may use the last development tier designations published by the Department of Commerce
4 until the earlier of developed replacement criteria or July 1, 2017.

5 **SECTION 2.(a)** G.S. 143B-437.08 reads as rewritten:

6 **"§ 143B-437.08. ~~Development tier designation.~~Economic distress index.**

7 ~~(a) Tiers Defined.—A development tier one area is a county whose annual ranking is one~~
8 ~~of the 40 highest in the State. A development tier two area is a county whose annual ranking is one~~
9 ~~of the next 40 highest in the State. A development tier three area is a county that is not in a~~
10 ~~lower numbered development tier.~~

11 ~~(b) Development Factor.—Index. — Each year, on or before November 30, the Secretary of~~
12 ~~Commerce shall assign to each county in the State a development factor an index score that is the~~
13 ~~sum average of the following: following factors:~~

14 ~~(1) The county's rank in a ranking of counties by average rate of unemployment~~
15 ~~from lowest to highest, for the most recent 12 months for which data are~~
16 ~~available. The average of the following factors:~~

17 ~~a. For rate of unemployment, the State's average rate divided by the~~
18 ~~county's average rate, for the most recent 12 months for which data are~~
19 ~~available.~~

20 ~~b. For employment to population ratio, the county's ratio divided by the~~
21 ~~State's ratio, for the most recent calendar year for which data are~~
22 ~~available.~~

23 ~~(2) The county's rank in a ranking of counties by median household income from~~
24 ~~highest to lowest, for the most recent 12 months for which data are~~
25 ~~available. For median household income, the county's median divided by the~~
26 ~~State's median, for the most recent calendar year for which data are available.~~

27 ~~(3) The county's rank in a ranking of counties by percentage growth in population~~
28 ~~from highest to lowest, for the most recent 36 months for which data are~~
29 ~~available. For average wage, the county's average divided by the State's average,~~
30 ~~for the most recent 12 months for which data are available.~~

31 ~~(4) The county's rank in a ranking of counties by adjusted assessed property value~~
32 ~~per capita as published by the Department of Public Instruction, from highest to~~
33 ~~lowest, for the most recent taxable year. For percentage of adults 25 years or~~
34 ~~older who have not received a high school diploma or equivalent certificate, the~~
35 ~~State's percentage divided by the county's percentage, for the most recent~~
36 ~~five-year period for which data are available.~~

37 ~~(c) Annual Ranking. — After computing the development factor index as provided in this~~
38 ~~section and making the adjustments required in this section, the Secretary of Commerce shall rank~~
39 ~~and publish all the counties within the State according to their index score average from lowest to~~
40 ~~highest. development factor from highest to lowest. The Secretary shall then identify all the areas~~
41 ~~of the State by development tier and publish this information. A development tier designation An~~
42 ~~index score average is effective only for the calendar year following the designation.~~

43 ~~(d) Data. — In measuring rates of unemployment and median household income, regarding~~
44 ~~employment and average wage, the Secretary shall use the latest available data published by a~~
45 ~~State or federal agency generally recognized as having expertise concerning the data. In measuring~~
46 ~~population and population growth, median household income and educational attainment, the~~
47 ~~Secretary shall use the most recent estimates of population certified by the State Budget~~
48 ~~Officer, published by the United States Census Bureau. For the purposes of this section, population~~
49 ~~statistics do not include people incarcerated in federal or State prisons.~~

50 ~~(e) Adjustment for Certain Small Counties. — Regardless of the actual development factor,~~
51 ~~any county that has a population of less than 12,000 shall automatically be ranked one of the 40~~

1 highest counties, any county that has a population of less than 50,000 shall automatically be
2 ranked one of the 80 highest counties, and any county that has a population of less than 50,000
3 and more than nineteen percent (19%) of its population below the federal poverty level according
4 to the most recent federal decennial census shall automatically be ranked one of the 40 highest
5 counties.

6 (f) ~~Adjustment for Development Tier One Areas.—Regardless of the actual development~~
7 ~~factor, a county designated as a development tier one area shall automatically be ranked one of the~~
8 ~~40 highest counties until it has been a development tier one area for at least two consecutive years.~~

9 (g) ~~Exception for Two County Industrial Park.—An eligible two county industrial park~~
10 ~~has the lower development tier designation of the designations of the two counties in which it is~~
11 ~~located if it meets all of the following conditions:~~

12 (1) ~~It is located in two contiguous counties, one of which has a lower development~~
13 ~~tier designation than the other.~~

14 (2) ~~At least one third of the park is located in the county with the lower tier~~
15 ~~designation.~~

16 (3) ~~It is owned by the two counties or a joint agency of the counties, is under~~
17 ~~contractual control of designated agencies working on behalf of both counties,~~
18 ~~or is subject to a development agreement between both counties and third party~~
19 ~~owners.~~

20 (4) ~~The county with the lower tier designation contributed at least the lesser of~~
21 ~~one half of the cost of developing the park or a proportion of the cost of~~
22 ~~developing the park equal to the proportion of land in the park located in the~~
23 ~~county with the lower tier designation.~~

24 (5) ~~Expired, effective July 1, 2012, pursuant to Session Laws 2009-524, s. 2.~~

25 (h) ~~Exception for Certain Multijurisdictional Industrial Parks.—An eligible industrial park~~
26 ~~created by interlocal agreement under G.S. 158-7.4, and parcels of land located within the~~
27 ~~industrial park that are subsequently transferred and used for industrial or commercial purposes~~
28 ~~authorized for cities and counties under G.S. 158-7.1, have the lowest development tier~~
29 ~~designation of the designations of the counties in which they are located if all of the following~~
30 ~~conditions are satisfied:~~

31 (1) ~~The industrial park is located, at one or more sites, in three or more contiguous~~
32 ~~counties.~~

33 (2) ~~At least one of the counties in which the industrial park is located is a~~
34 ~~development tier one area.~~

35 (3) ~~The industrial park is owned by three or more units of local government or a~~
36 ~~nonprofit corporation owned or controlled by three or more units of local~~
37 ~~government.~~

38 (4) ~~In each county in which the industrial park is located, the park has at least 250~~
39 ~~developable acres. A transfer of acreage that reduces the number of developable~~
40 ~~acres below 250 developable acres in a county does not affect an industrial~~
41 ~~park's eligibility under this subsection if the transfer is to an owner who uses or~~
42 ~~develops the acreage for industrial or commercial purposes authorized for cities~~
43 ~~and counties under G.S. 158-7.1. For the purposes of this subdivision,~~
44 ~~"developable acres" includes acreage that is owned directly by the industrial~~
45 ~~park or its owners or that is the subject of a development agreement between~~
46 ~~the industrial park or its owners and a third party owner.~~

47 (5) ~~The total population of all of the counties in which the industrial park is located~~
48 ~~is less than 200,000.~~

49 (6) ~~In each county in which the industrial park is located, at least sixteen and~~
50 ~~eight tenths percent (16.8%) of the population was Medicaid eligible for the~~
51 ~~2003-2004 fiscal year based on 2003 population estimates.~~

1 (i) Expired, effective July 1, 2013, pursuant to Session Laws 2009-505, s. 2, as amended
2 by Session Laws 2012-36, s. 1.

3 (j) ~~Exception for Eco-Industrial Park. An Eco-Industrial Park has a development tier one
4 designation. An Eco-Industrial Park is an industrial park that the Secretary of Commerce has
5 certified meets the following requirements:~~

6 (1) ~~It has at least 100 developable acres.~~

7 (2) ~~It is located in a county that is not required under G.S. 143-215.107A to
8 perform motor vehicle emissions inspections.~~

9 (3) ~~Each building located in the industrial park is constructed in accordance with
10 energy efficiency and water use standards established in G.S. 143-135.37 for
11 construction of a major facility.~~

12 (4) ~~Each business located in the park is in a clean industry sector according to the
13 Toxic Release Inventory by the United States Environmental Protection
14 Agency.~~

15 (k) Report. – By November 30 of each year, the Secretary of Commerce shall submit a
16 written report to the Joint Legislative Commission on Governmental Operations, the Senate
17 Appropriations Committee on Natural and Economic Resources, the House of Representatives
18 Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research
19 Division of the General Assembly on the ~~tier~~ rankings required by subsection (c) of this section,
20 including a map of the State whereupon (i) the ~~tier~~ ranking of each county is ~~designated~~ designated
21 and (ii) individualized programmatic data concerning eligibility or other determinations using the
22 ranking of each county is clearly provided."

23 **SECTION 2.(b)** G.S. 143B-431.01 reads as rewritten:

24 "**§ 143B-431.01. Department of Commerce – contracting of functions.**

25 ...

26 (d) Limitations. – Prior to contracting with a North Carolina nonprofit corporation
27 pursuant to this section and in order for the North Carolina nonprofit corporation to receive State
28 funds, the following conditions shall be met:

29 ...

30 (2) The nonprofit corporation adheres to the following governance provisions
31 related to its governing board:

32 a. The board shall be composed of 17 voting members as follows: eight
33 members and the chair appointed by the Governor, four members
34 appointed by the Speaker of the House of Representatives, and four
35 members appointed by the President Pro Tempore of the Senate. The
36 Governor, the Speaker of the House of Representatives, and the
37 President Pro Tempore of the Senate shall each use best efforts to select
38 members so as to reflect the diversity of the State's geography. The
39 Speaker of the House and the President Pro Tempore shall each select
40 their appointed members so that one-fourth come from ~~a development~~
41 tier one area, an area with one of the top 40 rankings under
42 G.S. 143B-437.08 at the time of appointment, one-fourth come from a
43 development tier two area, an area with a ranking of between 41 and 80
44 under G.S. 143B-437.08 at the time of appointment, and no two
45 members come from the same Collaboration for Prosperity Zone. The
46 Governor shall select appointed members so that two-ninths come from
47 a development tier one area, an area with one of the top 40 rankings
48 under G.S. 143B-437.08 at the time of appointment, two-ninths come
49 from a development tier two area, an area with a ranking of between 41
50 and 80 under G.S. 143B-437.08 at the time of appointment, and no more
51 than two members come from the same Collaboration for Prosperity

Zone. The Governor shall use best efforts to ensure that each member appointed by the Governor has expertise in one or more of the following areas:

...

(e) Mandatory Contract Terms. – Any contract entered into under this section must include all of the following:

...

(2) A provision requiring the nonprofit corporation to provide by September 1 of each year, and more frequently as requested, a report to the Department on prior State fiscal year program activities, objectives, and accomplishments and prior State fiscal year itemized expenditures and fund sources. The report shall also include all of the following:

a. Jobs anticipated to result from efforts of the nonprofit corporation. This includes project leads that were not submitted to the Department for possible discretionary incentives pursuant to Chapter 143B of the General Statutes.

b. Developed performance metrics of economic development functions itemized by ~~county, by development tier area designation, as defined by G.S. 143B-437.08,~~ county and by Collaboration for Prosperity Zones created pursuant to G.S. 143B-28.1.

...

(k) Raised Funds. – For funds raised from sources other than State funds by the nonprofit corporation, at least twenty-five percent (25%) of the funds shall be used for the benefit of or for salaried positions located in or working solely on development in ~~development tier one or two areas, as defined in G.S. 143B-437.08,~~ an area with one of the top 80 rankings under G.S. 143B-437.08."

SECTION 2.(c) G.S. 143B-437.01 reads as rewritten:

"§ 143B-437.01. Industrial Development Fund Utility Account.

(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a special account to be known as the Industrial Development Fund Utility Account ("Utility Account") to provide funds to assist the local government units of the most economically distressed counties in the State in creating jobs. The Department of Commerce shall adopt rules providing for the administration of the program. Those rules shall include the following provisions, which shall apply to each grant from the account:

...

(1a) The funds shall be used for projects located in economically distressed counties except that the Secretary of Commerce may use up to one hundred thousand dollars (\$100,000) to provide emergency economic development assistance in any county that is documented to be experiencing a major economic dislocation.

...

(3) ~~There shall be no local match requirement if the project is located in a county that has one of the 25 highest~~Any local match requirement the Department, using the rankings under ~~G.S. 143B-437.08.~~G.S. 143B-437.08, determines is appropriate.

...

(a1) Definitions. – The following definitions apply in this section:

...

(4) Economically distressed county. – A county that is ~~defined as a development tier one or two area under G.S. 143B-437.08 after the adjustments of that~~

1 ~~section are applied.~~ the Department determines, using the rankings of
 2 G.S. 143B-437.08, is undergoing short- or long-term economic hardship.

3"

4 **SECTION 2.(d)** G.S. 143B-437.04(a) reads as rewritten:

5 **"§ 143B-437.04. Community development block grants.**

6 (a) The Department of Commerce shall adopt guidelines for the awarding of Community
 7 Development Block Grants to ensure that:

- 8 (1) ~~No local match is required for grants awarded for projects located in counties~~
 9 ~~that have one of the 25 highest rankings under G.S. 143B-437.08 or counties~~
 10 ~~that have a population of less than 50,000 and more than nineteen percent~~
 11 ~~(19%) of its population below the federal poverty level according to the most~~
 12 ~~recent federal decennial census.~~ Local match requirements, if any, using the
 13 rankings under G.S. 143B-437.08, are appropriate.
 14 (2) To the extent practicable, priority consideration for grants is given to projects
 15 located in counties that have met the conditions of subdivision (a)(1) of this
 16 section or in urban progress zones that have met the conditions of subsection
 17 (b) of this section.
 18 (3) Priority consideration is given to projects located in areas annexed by a
 19 municipality under Article 4A of Chapter 160A of the General Statutes in order
 20 to provide water or sewer services to low-income residents. For purposes of this
 21 section, low-income residents are those with a family income that is eighty
 22 percent (80%) or less of median family income."

23 **SECTION 2.(e)** G.S. 143B-437.07(a) reads as rewritten:

24 **"§ 143B-437.07. Economic development grant reporting.**

25 (a) Report. – The Department of Commerce must publish on or before October 1 of each
 26 year the information required by this subsection, itemized by business entity, for each business or
 27 joint private venture to which the State has, in whole or in part, granted one or more economic
 28 development incentives during the relevant time period. The relevant time period ends June 30
 29 preceding the publication date of this subsection and begins (i) for incentives not awarded under
 30 Part 2G of this Article with the 2007 calendar year and (ii) for incentives awarded under Part 2G
 31 of this Article with the 2002 calendar year. The information in the report must include all of the
 32 following:

33 ...

- 34 (4) ~~The development tier designation~~ ranking under G.S. 143B-437.08 of the county
 35 in which the site is located on the date the incentive is awarded.

36"

37 **SECTION 2.(e1)** G.S. 143B-437.4 reads as rewritten:

38 **"§ 143B-437.4. NC Green Business Fund and grant program.**

39 ...
 40 (b) Purposes. – Moneys in the NC Green Business Fund shall be allocated pursuant to this
 41 subsection. The Department of Commerce shall make grants from the Fund to private businesses
 42 with less than 100 employees, nonprofit organizations, local governments, and State agencies to
 43 encourage the expansion of small to medium size businesses with less than 100 employees to help
 44 grow a green economy in the State. Moneys in the NC Green Business Fund shall be used for
 45 projects that will focus on the following three priority areas listed in this subsection. ~~In selecting~~
 46 ~~between projects that are within a priority area, a project that is located in an Eco Industrial Park~~
 47 ~~certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a~~
 48 ~~certified Eco Industrial Park.~~ The priority areas are:

49 ...

50 (c) Cap and Matching Funds. – The Department of Commerce may set a cap on a grant
 51 from the NC Green Business Fund and may require a private business to provide matching funds

1 for a grant from the Fund. ~~A grant to a project located in an Eco-Industrial Park certified under~~
 2 ~~G.S. 143B-437.08 is not subject to a cap or a requirement to provide matching funds."~~

3 **SECTION 2.(f)** G.S. 143B-437.51 reads as rewritten:

4 **"§ 143B-437.51. Definitions.**

5 The following definitions apply in this Part:

6 ...
 7 ~~(4a) Development tier. — The classification assigned to an area pursuant to G.S.~~
 8 ~~143B-437.08.~~
 9 ~~...."~~

10 **SECTION 2.(g)** G.S. 143B-437.52 reads as rewritten:

11 **"§ 143B-437.52. Job Development Investment Grant Program.**

12 (a) Program. – There is established the Job Development Investment Grant Program to be
 13 administered by the Economic Investment Committee. In order to foster job creation and
 14 investment in the economy of this State, the Committee may enter into agreements with businesses
 15 to provide grants in accordance with the provisions of this Part. The Committee, in consultation
 16 with the Attorney General, shall develop criteria to be used in determining whether the conditions
 17 of this section are satisfied and whether the project described in the application is otherwise
 18 consistent with the purposes of this Part. Before entering into an agreement, the Committee must
 19 find that all the following conditions are met:

20 ...
 21 (6) For a project located in a ~~development tier three area,~~ an area that the
 22 Department determines, using the rankings of G.S. 143B-437.08, lacks short- or
 23 long-term economic hardship, the affected local governments have participated
 24 in recruitment and offered incentives in a manner appropriate to the project.

25 (b) Priority. ~~In selecting between applicants, a project that is located in an Eco-Industrial~~
 26 ~~Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in~~
 27 ~~a certified Eco-Industrial Park.~~

28
 29 **SECTION 2.(h)** G.S. 143B-437.53(a) reads as rewritten:

30 **"§ 143B-437.53. Eligible projects.**

31 (a) Minimum Number of Eligible Positions. – A business may apply to the Committee for
 32 a grant for any project that creates ~~the minimum number of eligible positions as set out in the table~~
 33 ~~below. If the project will be located in more than one development tier area, the location with the~~
 34 ~~highest development tier area designation determines the minimum number of eligible positions~~
 35 ~~that must be created.~~ eligible positions. The Department, using the rankings of G.S. 143B-437.08,
 36 shall determine the number of minimum eligible positions a project must create.

Development Tier Area	Number of Eligible Positions
Tier One	10
Tier Two	20
Tier Three	50"

41 **SECTION 2.(i)** G.S. 143B-437.55(c) reads as rewritten:

42 **"§ 143B-437.55. Applications; fees; reports; study.**

43 ...
 44 (c) Annual Reports. – The Committee shall publish a report on the Job Development
 45 Investment Grant Program on or before April 30 of each year. The Committee shall submit the
 46 report electronically to the House of Representatives Finance Committee, the Senate Finance
 47 Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic
 48 Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the
 49 Fiscal Research Division. The report shall include the following:

50 ...

(3) The number and ~~development tier area~~ county rank under G.S. 143B-437.08 of eligible positions to be created by projects with respect to which grants have been awarded.

...

(11a) A listing, ~~itemized by development tier,~~ including the county rank under G.S. 143B-437.08, of the number of offers that have been calculated, estimated, or extended but were not accepted and the total award value of the offers.

...."

SECTION 2.(j) G.S. 143B-437.56 reads as rewritten:

"§ 143B-437.56. Calculation of minimum and maximum grants; factors considered.

(a) Subject to the provisions of subsections (a1) and (d) of this section, the amount of the grant awarded in each case shall be a percentage of the withholdings of eligible positions for a period of years. The percentage shall be no more than ~~eighty percent (80%) for a development tier one area and no more than seventy five percent (75%) for any other area.~~ the percentage determined by the Department to be appropriate for the location where the eligible positions are to be created after consideration of the rankings of G.S. 143B-437.08. If the project will be located in more than one area designation, the location with the highest area designation determines the maximum percentage to be used. The percentage used to determine the amount of the grant shall be based on criteria developed by the Committee, in consultation with the Attorney General, after considering at least the following:

...

(a1) ~~Notwithstanding the any percentage specified set by the Department pursuant to subsection (a) of this section,~~ if the project is a high-yield project, the business has met the investment and job creation requirements, and, for three consecutive years, the business has met all terms of the agreement, the amount of the grant awarded shall be no more than one hundred percent (100%) of the withholdings of eligible positions for each consecutive year the business maintains the minimum job creation requirement and meets all terms of the agreement. A business receiving an enhanced percentage of the withholdings of eligible positions under this subsection that fails to maintain the minimum job creation requirement or meet all terms of the agreement will be disqualified from receiving the enhanced percentage and will have the applicable percentage set ~~forth in~~ by the Department pursuant to subsection (a) of this section applied in the year in which the failure occurs and all remaining years of the grant term.

(b) The term of the grant shall not exceed the duration listed in this subsection. The first grant payment must be made within six years after the date on which the grant was awarded. The number of years in the base period for which grant payments may be made shall not exceed five years. Maximum durations are:

(1) For high-yield projects in which the business receives the enhanced percentage pursuant to subsection (a1) of this section, 20 years starting with the first year a grant payment is made. If a business is disqualified from the enhanced percentage in one of the first 12 years, the term of the grant shall not exceed 12 years starting with the first year a grant payment is made. If a business is disqualified from receiving the enhanced percentage after the first 12 years, the term of the grant ends in the year the disqualification occurs.

(2) For all other projects, 12 years starting with the first year a grant payment is made.

(c) The grant may be based only on eligible positions created during the base period.

(d) ~~For any eligible position that is located in a development tier three area, seventy five percent (75%) of the annual grant approved for disbursement shall be payable to the business, and twenty five percent (25%) shall be payable to the Utility Account pursuant to G.S. 143B-437.61. For any eligible position that is located in a development tier two area, ninety percent (90%) of the annual grant approved for disbursement shall be payable to the business, and ten percent (10%)~~

1 Using the rankings of G.S. 143B-437.08, the Department shall determine the appropriate
2 percentage of the annual grant approved for disbursement that shall be payable to the business and
3 that shall be payable to the Utility Account pursuant to G.S. 143B-437.61. A position is located in
4 the development tier area that has been assigned to the county in which the project is located at the
5 time the application is filed with the Committee. This subsection does not apply to a high-yield
6 project in years in which the business receives the enhanced percentage pursuant to subsection
7 (a1) of this section.

8 (e) A business that is receiving any other grant by operation of State law may not receive
9 an amount as a grant pursuant to this Part that, when combined with any other grants, exceeds the
10 ~~applicable maximum percentage of the withholdings of the business, as provided in subsections~~
11 ~~(a) and (a1) of this section, percentage determined by the Department to be appropriate for the~~
12 location where the eligible positions are to be created after consideration of the rankings of
13 G.S. 143B-437.08 or the percentage provided in subsection (a1) of this section, unless the
14 Committee makes an explicit finding that the additional grant is necessary to secure the project.

15 (f) The amount of a grant associated with any specific eligible position, including any
16 amount transferred to the Utility Account pursuant to G.S. 143B-437.61, may not exceed six
17 thousand five hundred dollars (\$6,500) in any year."

18 **SECTION 2.(k) G.S. 143B-437.72 reads as rewritten:**

19 **"§ 143B-437.72. Agreements required; disbursement of funds.**

20 (a) Agreements Required. – Funds may be disbursed from the One North Carolina Fund
21 only in accordance with agreements entered into between the State and one or more local
22 governments and between the local government and a grantee business.

23 ...

24 (c) Local Government Grant Agreement. – An agreement between the State and one or
25 more local governments shall contain the following provisions:

26 (1) A commitment on the part of the local government to match the funds allocated
27 by the State, as provided in this subdivision. A local match may include cash,
28 fee waivers, in-kind services, the donation of assets, the provision of
29 infrastructure, or a combination of these. Using the rankings of
30 G.S. 143B-437.08, the Department shall determine the applicable local match
31 requirement.

32 a. ~~For a local government in a development tier one area, as defined in~~
33 ~~G.S. 143B-437.08, the State shall provide no more than three dollars~~
34 ~~(\$3.00) for every one dollar (\$1.00) provided by the local government.~~

35 b. ~~For a local government in a development tier two area, as defined in~~
36 ~~G.S. 143B-437.08, the State shall provide no more than two dollars~~
37 ~~(\$2.00) for every one dollar (\$1.00) provided by the local government.~~

38 e. ~~For a local government in a development tier three area, as defined in~~
39 ~~G.S. 143B-437.08, the State shall provide no more than one dollar~~
40 ~~(\$1.00) for every one dollar (\$1.00) provided by the local government.~~

41"

42 **SECTION 2.(l) G.S. 143B-472.35 reads as rewritten:**

43 **"§ 143B-472.35. Establishment of fund; use of funds; application for grants; disbursal;**
44 **repayment; inspections; rules; reports.**

45 ...

46 (a1) The Main Street Solutions Fund is a reimbursable, matching grant program. The
47 Department of Commerce and the North Carolina Main Street Center are authorized to award
48 grants from the Main Street Solutions Fund totaling not more than two hundred thousand dollars
49 (\$200,000) to each eligible local government. Funds from eligible local governments, main street
50 organizations, downtown organizations, downtown economic development organizations, and
51 sources other than the State or federal government must be committed to match the amount of any

1 grant from the Main Street Solutions Fund on the basis of a minimum of two non-State dollars
2 (\$2.00) for every one dollar (\$1.00) provided by the State from the Main Street Solutions Fund.

3 (a2) Definitions. – For purposes of this section, the following definitions shall apply:

4 (1) Active North Carolina main street community. – A community ~~in a Tier 1, 2, or~~
5 ~~3 county~~ that has been selected by the Department of Commerce to participate
6 in the Main Street Program or the Small Town Main Street Program and that
7 meets the reporting and eligibility requirements of the respective Program.

8 ...
9 (18) ~~Tier 1, 2, or 3 counties. — North Carolina counties annually ranked by the~~
10 ~~Department of Commerce based upon the counties' economic well being and~~
11 ~~assigned a Tier designation. The 40 most distressed counties are designated as~~
12 ~~Tier 1, the next 40 as Tier 2, and the 20 least distressed as Tier 3.~~

13 (a3) The purpose of the Main Street Program is to provide economic development planning
14 assistance and coordinated grant support to designated micropolitans ~~located in Tier 2 and 3~~
15 ~~counties~~ that the Department, using the rankings of G.S. 143B-437.08, has identified as
16 appropriate recipients of the assistance and to active North Carolina main street communities. To
17 achieve the purposes of the Main Street Program, the Main Street Center shall develop criteria for
18 community participation and shall provide technical assistance and strategic planning support to
19 eligible local governments. Local governments, in collaboration with a main street organization,
20 downtown organization, or downtown economic development organization, and the small
21 businesses that will directly benefit from these funds may apply for grants from the Main Street
22 Solutions Fund as provided in this section.

23 ...
24 (b) Funds in the Main Street Solutions Fund shall be available only to designated
25 micropolitans ~~in Tier 2 and 3 counties~~ that the Department, using the rankings of
26 G.S. 143B-437.08, has identified as appropriate recipients of the assistance and to active North
27 Carolina main street communities in the State. Funds in the Main Street Solutions Fund shall be
28 used for any of the following eligible activities:

29"

30 **SECTION 2.(m)** G.S. 143B-472.127 reads as rewritten:

31 **"§ 143B-472.127. Programs administered.**

32 (a) The Rural Economic Development Division shall be responsible for administering the
33 program whereby economic development grants or loans are awarded by the Rural Infrastructure
34 Authority as provided in G.S. 143B-472.128 to local government units. The Rural Infrastructure
35 Authority shall, in awarding economic development grants or loans under the provisions of this
36 subsection, give priority to local government units of the ~~counties that have one of the 80 highest~~
37 ~~rankings under G.S. 143B-437.08 after the adjustment of that section.~~ counties the Department,
38 using the rankings of G.S. 143B-437.08, determines is experiencing economic distress. The funds
39 available for grants or loans under this program may be used as follows:

40 (1) To construct critical water and wastewater facilities or to provide other
41 infrastructure needs, including, but not limited to, natural gas, broadband, and
42 rail to sites where these facilities will generate private job-creating investment.
43 The grants under this subdivision shall not be subject to the provisions of
44 G.S. 143-355.4.

45 (2) To provide matching grants or loans to local government units located in either
46 (i) ~~a development tier one or tier two area counties~~ the Department, using the
47 rankings of G.S. 143B-437.08, determines is experiencing economic distress or
48 (ii) a rural census tract in ~~a development tier three area~~ any other county that
49 will productively reuse or demolish buildings and properties or construct or
50 expand rural health care facilities, with priority given to towns or communities
51 with populations of less than 5,000. ~~The development tier designation of a~~

1 county shall be determined as provided in ~~G.S. 143B-437.08~~. For purposes of
 2 this section, the term "rural census tract" means a census tract having a
 3 population density of less than 500 people per square mile according to the
 4 most recent decennial federal census.

5"

6 **SECTION 2.(n)** G.S. 143B-472.128(j) reads as rewritten:

7 **"§ 143B-472.128. Rural Infrastructure Authority created; powers.**

8 ...
 9 (j) Powers and Duties. – The Authority has the following powers and duties:

10 ...

11 (2) To award grants or loans as provided in G.S. 143B-472.127. In awarding grants
 12 or loans under G.S. 143B-472.127(a), priority shall be given to local
 13 government units of ~~the counties that have one of the 80 highest rankings under~~
 14 G.S. 143B-437.08 after the adjustment of that section, counties the Department,
 15 using the rankings of G.S. 143B-437.08, determines is experiencing economic
 16 distress.

17"

18 **SECTION 2.(o)** G.S. 153A-15.1(e) reads as rewritten:

19 **"§ 153A-15.1. Agreement to make payment in lieu of future ad valorem taxes required**
 20 **before wetlands acquisition by a unit of local government.**

21 ...

22 (e) Application. – This section applies only to land acquired in counties ~~designated as a~~
 23 ~~development tier one area~~ with one of the 40 highest rankings under G.S. 143B-437.08."

24 **SECTION 2.(p)** G.S. 158-7.3(a) reads as rewritten:

25 **"§ 158-7.3. Development financing.**

26 (a) Definitions. – The following definitions apply in this section:

27 (1) Development project. – A capital project that includes capital expenditures by
 28 both private persons and one or more units of local government and that
 29 increases net employment opportunities for residents of the development
 30 district or within a two-mile radius of the project, whichever is larger, and
 31 increases the local government tax base.

32 If the district in which such a project will occur is outside a city's central
 33 business district (as that district is defined by resolution of the city council,
 34 which definition is binding and conclusive), then, of the private development
 35 forecast for a development project by the development financing plan for the
 36 district in which the project will occur, a maximum of twenty percent (20%)
 37 of the plan's estimated square footage of floor space may be proposed for use in
 38 retail sales, hotels, banking, and financial services offered directly to
 39 consumers, and other commercial uses other than office space. The twenty
 40 percent (20%) limitation in the preceding sentence does not apply to
 41 development financing districts located in ~~a development tier one area, as~~
 42 ~~defined in a county with one of the 40 highest rankings under~~
 43 G.S. 143B-437.08 and created primarily for tourism-related economic
 44 development, such as developments featuring facilities for exhibitions, athletic
 45 and cultural events, show and public gatherings, racing facilities, parks and
 46 recreation facilities, art galleries, museums, and art centers.

47"

48 **SECTION 3.(a)** There is created the North Carolina Commission on Economic
 49 Development for Distressed Communities (Commission).

50 **SECTION 3.(b)** The Commission shall consist of 23 members as follows:

51 (1) Ten members appointed by the President Pro Tempore of the Senate as follows:

- 1 a. Six persons who are members of the Senate at the time of appointment.
- 2 b. Four persons who are members of the general public representing local
- 3 government and businesses from counties ranked, pursuant to
- 4 G.S. 143B-437.08, as the 20 most distressed counties for the previous
- 5 six years, without making adjustments for certain small counties
- 6 provided in G.S. 143B-437.08(e). Ensuring representation of distressed
- 7 subareas of eligible distressed counties is encouraged in considering
- 8 persons for appointment pursuant to this sub-subdivision.
- 9 (2) Ten members appointed by the Speaker of the House of Representatives as
- 10 follows:
- 11 a. Six persons who are members of the House of Representatives at the
- 12 time of appointment.
- 13 b. Four persons who are members of the general public representing local
- 14 government and businesses from counties ranked, pursuant to
- 15 G.S. 143B-437.08, as the 20 most distressed counties for the previous
- 16 six years, without making adjustments for certain small counties
- 17 provided in G.S. 143B-437.08(e). Ensuring representation of distressed
- 18 subareas of eligible distressed counties is encouraged in considering
- 19 persons for appointment pursuant to this sub-subdivision.
- 20 (3) The following persons, or each person's designee, shall serve as an ex officio,
- 21 nonvoting member of the Commission:
- 22 a. The Secretary of Commerce.
- 23 b. The President of the North Carolina Community College System.
- 24 c. The President of the Golden L.E.A.F. (Long-Term Economic
- 25 Advancement Foundation), Inc.

26 **SECTION 3.(c)** The Secretary of Commerce, or the Secretary's designee, shall be
27 chair. Vacancies on the Commission shall be filled by the same appointing authority that made the
28 initial appointment. A quorum of the Commission shall be a majority of its members.

29 **SECTION 3.(d)** The Commission shall reexamine North Carolina's strategy for
30 identifying and assisting economically distressed communities to develop a comprehensive State
31 strategy to address chronic distress and target State aid to those communities. As part of this study,
32 the Commission shall do at least the following:

- 33 (1) Determine how and at what geographic levels economic distress should be
- 34 measured.
- 35 (2) Decide what measures, including, at a minimum, educational attainment and
- 36 labor force participation rates, data sources, and time periods should be utilized
- 37 to determine which areas of the State are experiencing economic distress.
- 38 (3) Review the mission and resources of existing development programs and tools
- 39 provided to assist distressed communities.
- 40 (4) Identify how State resources can be directed to alleviate distress within North
- 41 Carolina.
- 42 (5) Consider the Appalachian Regional Commission model for identifying
- 43 distressed areas and offering capacity-building strategies for use in the State.
- 44 (6) Recommend strategies for new economic development programs and for
- 45 improving access to existing economic development tools for businesses and
- 46 individuals in distressed communities.
- 47 (7) Create a measurement plan with goals, objectives, time frames, and action steps
- 48 that will assess progress toward the overall goal of reducing or eliminating
- 49 economic distress within North Carolina.

50 **SECTION 3.(e)** The Commission may meet at any time upon the call of the chair and
51 may contract for assistance from non-State personnel as the Commission deems necessary. The

1 Department of Commerce shall provide facilities for meetings and shall assign administrative and
2 professional staff to assist the Commission in its work. Members of the Commission shall receive
3 subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as
4 appropriate. All State departments and agencies and local governments and their subdivisions shall
5 furnish the Commission with any information in their possession or available to them.

6 **SECTION 3.(f)** There is appropriated from the General Fund the sum of two hundred
7 thousand dollars (\$200,000) for the 2016-2017 fiscal year and the sum of two hundred thousand
8 dollars (\$200,000) for the 2017-2018 fiscal year to fund the Commission established in subsection
9 (a) of this section. Funds remaining unexpended at the end of the 2016-2017 fiscal year shall not
10 revert to the General Fund but shall remain available for use by the Commission in completing its
11 work.

12 **SECTION 3.(g)** The Commission shall submit a final report of the results of its study
13 and its recommendations for meeting the needs of North Carolina communities with chronic
14 economic distress, including any proposed legislation, to the General Assembly no later than
15 March 1, 2018. The Commission shall terminate on March 1, 2018, or upon the filing of its final
16 report, whichever occurs first.

17 **SECTION 4.** Sections 1 and 3 of this act are effective when they become law. Section
18 2 of this act becomes effective November 30, 2016, and applies to economic development awards
19 made and related determinations occurring on or after January 1, 2017. The remainder of this act is
20 effective when it becomes law.