

JOINT LEGISLATIVE ECONOMIC DEVELOPMENT AND GLOBAL ENGAGEMENT OVERSIGHT COMMITTEE

November 2, 2017

Room 643 of the Legislative Office Building

The Joint Legislative Economic Development and Global Engagement Oversight Committee met on Thursday, November 2, 2017 at 1:05 pm. The meeting was held in Room 643 of the Legislative Office Building. 18 Members were present including 9 Senators and 9 Representatives. House Members present were Susan Martin (Co-Chair); Stephen Ross; Debra Conrad; Ted Davis, Jr.; Ken Goodman; Edward Hanes, Jr.; Rodney W. Moore; Michele D. Presnell; Rena Turner. Senate Members present were Harry Brown (Co-Chair); Chuck Edwards; Rick Gunn; Floyd B. McKissick, Jr.; Erica Smith-Ingram; Tommy Tucker; Mark Brody; Josh Dobson; Angela R. Bryant.

Representative Susan Martin presided and called the meeting to order at 1:05pm.

Representative Martin recognized the Sergeant-at-Arms staff.: House: Young Bae, Jim Moran, Russell Salisbury. Senate: Becky Myrick, Billy Fritscher. covered administrative items by asking members to sign reimbursement forms to have S @ A pick up, introduced Williams Childs and staff, pointed out 2017 folder with docs and reports. Meeting notes will be posted on the website, Q & A taken at the end, meeting will last approximately 3 hours (2 hrs. presentations), and there will be no meeting in December.

Senator Brown (Co-Chair): Many bills were introduced last session, but nothing really moved forward. He wants to come up with something with consensus in this committee to move forward with in the short session. During the January meeting we will learn what was introduced in the last session and have that discussion.

Rep. Martin: 2nded that she wants to recommend legislation at the end of this session.

Presentation: Secretary of Commerce Anthony Copeland Department of Commerce Strategic Plan & Economic Development Grants

Secretary Copeland:

- . More than just change in manufacturing that hurt rural NC, but also the change in agriculture.
- . Rapidly becoming 8th most populous state in country
- . Understands rural NC – 4percent produce 90percent (disappearing) b/c of Corp – the times change in Ag – hasn't heard much about it
- . Making life better for others is the goal of all of us - 600k jobs added since recession



13% higher than national average

- . Manufacturing has not caught up – making progress (8th most pop state in country)
 - . We have universities and talented workforce
 - . Honda Jets – making engines in NC. When CEO asked why Greensboro, answered it has the talent and training, infrastructure, transportation, and friendly business climate.
 - . Thank you for working together for stability to Economic Development process
 - . Lowest tax rate, funding education, positive job growth (1% in 2001 – 2% in 2016), creating jobs; tech jobs are 36% (more than private sector growth as a whole) but still need to work on fixing the “two North Carolinas” (rural vs. urban).
 - . 2016 average wage was \$918/wk. Tech. jobs average wage is \$1400/wk.
 - . 60k unemployment applications in 2016 – 10k now
 - . Upon taking office, requested performance audit of department, which is still in process of being made – will share when available. Still growing
- Transportation-critical infrastructure (air, rail, ports, nat. gas, broadband, talent wf support, opioid epidemic)

Focus:

- . Governor Cooper and NCGA is intent on dealing with opioid academic – urge you to continue working on that.
- . Taxes & Incentives – One North Carolina. JDIG stability (thank you - they work because of your management together in legislature.)
- . Plan to continue to monitor those programs and work with them. (He and Senator Brown have talked about it.)
- . Wants to do something more robust for rural NC (tier system not perfect, but working fairly well).
- . Working with prosperity zones (regional in nature) rather than one-size-fits all; will continue working with legislators' help.
- . Hurricane Matthew money is still flowing out, although hoped it would have happened sooner.
- . NC Economy is larger than Sweden's – 8th most populated State

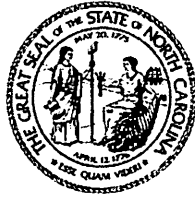
Questions/Comments:

Sen. Bryant: Is CXX on track? Anything happening with mega sites?

Copeland: Can't say everything to respond to those questions. Sees light at end of tunnel thanks to leadership. Continue to monitor CXX. Hoping soon some of these mega sites will not be empty. Must be ready – only real estate until infrastructure is there.

Rep. Goodman: Thank you. Natural Gas in rural areas - are there any initiatives to deal with Natural Gas now?

Secy. Copeland: Need to work together with you. Aren't going to find funds in one big pile for you. Need to put building blocks in place from several areas (local lead with state and federal government and gas companies.) Broadband also critical.



Rep. Goodman: Would like to see a plan and happy to be involved.

Sen. McKissick: Ex. Report. What do you see as the greatest challenge facing North Carolina now and achievements to get to where we need to be to attract the growth?

Secy. Copeland: Department of Commerce has been reduced by \$34M and trying to do same work done prior. I am trying to bring in professional people but their salaries are not commensurate. Continuing to professionalize staff is important. Would like to continue to beef up other things in the department and have ability to do that. Strapped for money to bring in young talent.

Sen. McKissick: We hear this from other agencies. What would it take to attract needed talent? How far under market rate are you?

Secy. Copeland: (taking Copeland out of equation) talking about exempt employees, they have chosen to work under \$.

Rep. Conrad: Winston/Salem – We are one of urban areas struggling over last 30 yrs. Largest employer is 2 hospital systems. Why?

Secy. Copeland: Largest employer used to be traditional industry of tobacco – When sectors collapsed, effected. 9/15/2008 was difficult. NC lost more manufacturing jobs than any in country. Pillowtex replaced by tech. Doesn't happen overnight – downtown doing right thing now, but Reynold's tobacco was so big. Most growth is coming with 50 miles of major universities – you will be back.

Spoke with your Chamber – growing by Wake Forest.

Rep. Conrad: Any suggestions to grow?

Secy. Copeland: Must adjust to having a disruptive economy forever – don't like, but reality (telecom business – in 4 months lost 10M in business – lots going through this). People will have multiple jobs with many companies. Community Colleges are critical component. Amazon wanted 50K employees in 17 yrs. 40% of Wake Forest have Master Degrees.

Rep. S. Martin: Saw positive in Winston Salem – local leadership.

Sen. Brown: To transform SE NC, rural NC – will take teamwork but what is your vision for Economic Development so that the state doesn't have to support them so much so they can support themselves?

Secy. Copeland: Generally – strategy at Dept. of Commerce, small business is critical to state (54% work for co. of 500 people), but in rural areas we need large manufacturing. Back these areas (tire, paper, etc.) as anchor for an area and helps grow small businesses. Working on incentivizing these. If Bridgestone left Wilson it would be crucial – we need more. It isn't one



size fits all – need to continue to help small businesses, but also bring large companies. Different areas of North Carolina go over the state lines – need to work both places so the investment comes across to North Carolina.

Rep. E Smith-Ingram: Report of 1/17 special task force on JDIG said we need to increase monies to tier 1 & 2. Have you developed a strategy for JDIG and tier system to promote more economical development in these areas?

Secy. Copeland: Caution to use only incentives to lift poor out (its workforce and infrastructure). Better model is to allow Dept. Of Commerce oversight to give to tier 1.

Sen. Edwards: Hears employers can't find enough help in business world. Goes much beyond other areas. Turn of skills gap – 6M unfilled jobs – 1/2M in North Carolina. Do you have a vision to close gap?

Secy. Copeland: On education Board & Spellings asked me what to do. Latest stats by 2025 automobiles will not have engines – we have many worker in this area – what are we doing to plan for this change? Skills gap is in technology. Banking industry says their problems are they can't find talent to work in banks. Must keep working harder and faster.

Rep. S. Martin: More to cover in this area of skills gap – we will be hearing more about this in future meetings.

Secy. Copeland: Trade and Community College is more acceptable today which is good. Apprenticeship programs growing.

Sen. Edwards: Comment to committee: Copeland said tier works OK. I have different opinion. I don't think abolishing the system is the answer. I suggest revamping the tier system – 3 is not enough – should probably be in quintiles. Puts unequal communities with each other. Spend time into system that works.

Rep. S. Martin: We have been working on this extensively as a high priority. You may join us.

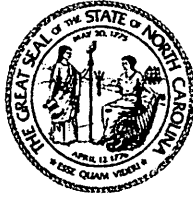
Sen. E. Smith-Ingram: Still question collaborative effort between Commerce, Transportation – is underfunded. Is something going to be done? Strategy for economically distressed areas?

Secy. Copeland: Back to you. I cannot appropriate dollars. I will work with this body to put infrastructure in place.

Rep. S. Martin: Strategy of prosperity zones will have a follow up detail. Please give update

Secy. Copeland: Prosperity Zone is being developed now and look forward to sharing.

Sen. Tucker: You pass.



Rep. S. Martin: Administrative Motion to move minutes

Rep. Moore: first

Sen. Brown: second

**Presentation: Christopher Chung, CEO, EDPNC
Economic Development Partnership of NC Performance Measures
(slide presentations attached)**

Comments in addition to his slide presentation:

Frequent request is work force, also permitting, help to grow their business with exports.

Major support to help start small business in every aspect.

Acknowledged Dave Crazen, Mark Zimmerman, Sheila White, and Tom Looney – Gov., House and Senate appointees to the board who are present today.

Minority, Veteran and Women owned companies are area of focus for helping small start-ups.

Questions/Comments:

Rep. Goodman: Basic concept of retail is best opportunity for new business is to keep customers you have. Concern is access to capital. Has state provided a tool to make this easier through a match to expand who can't get traditional capital?

Mr. Chung: We know this is true. Yes, important esp. for smaller businesses. These tools would be helpful.

Sen. E. Smith-Ingram: Impressed with 40% going to tier 1 & 2. That means Tier 3 is getting 3 times as much. Are you doing anything to increase partners in local area? What is goal for tier 1&2?

Mr. Chung: Goal is to get it up. Getting word out at local library, local Chambers – catch people in areas where they would be. We don't have enough money to fund at this grows – current does a good job of making due with funds they have. Sustainable only to a point and service will suffer.

Sen. Tucker: It is an educational opportunity having you here since you can't lobby. What penalty does it put upon you with \$20m JDIG cap?

Mr. Chung: Ohio has identical program to NC JDIG – they don't have a cap. In OH there was never a forced decision because of a cap. If you do this, you incentivize the larger deals. Larger



tend to look in larger areas – smaller look in smaller areas. This is not going to be a good outcome for rural.

Sen. Tucker: Thank you for candid answer. Your board has publicly stated that they don't want that cap out there (attracts companies to other states without caps.) Regarding the JDGI policy that 150 jobs are required, and based on comments in my area and your comments some education needs to be in Econ. Development field and among legislatures about flexibility that perhaps should be offered on the caps (esp. among tier 1 & @ counties). I'm amazed we would even entertain a JDIG with 40 jobs – tier 1 & 2, would you speak to this?

Mr. Chung: This was before I was here. My hunch is this tier 1 & 2 got put in place quickly.

Sen. Tucker: I wanted it stated publicly that the 150 requirement jobs was made back in the Easy days but it is not statutory. We need your help in how to help tier 1 & 2 counties.

We were being hurt by various stigmas placed on our state. What is annual growth of tourism you saw?

Mr. Chung: 4% state wide increase. Those were some impacted. Tourism needs booked a year out so it may take time to see full impact. We've seen growth in tourism here which is our focus.

Secty. Copeland: It depends on what way of economic development. Recruitment of industry tend more toward more populace counties. When we broke out county tourism growth, highest were in tier 1 or 2 areas. Triad focuses more on industry – Outer banks more on tourism.

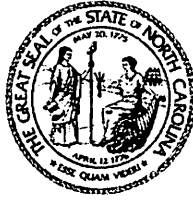
Sen. McKissick: Helpful to see it categorized. We always wanted to be sure private sector came in and created funds. Where do we stand now?

Mr. Chung: Private funds help do more. Don't want to rely only on public. How is it marketed to get more resources? We've come off our best year over 3 yrs. 1.35M in funding. Optimistic if economy continues to grow. You in commerce are our boss. In private they expect us to perform.

Sen. McKissick: What resources would you target to be more effective?

Mr. Chung: On small business counseling, concern as we promote this service we will outpace our staff availability. We try to do a great job in prosperity zone presence – 8 people for 100 of 1,000s chips away. Surge in foreign – over sees markets. India would be a great market but hard to prospect in Cary, NC. Boots on ground would show dividends.

Rep. Brody: I've been in the legislature while we've developed this. I took beltway around Chicago. I saw Corp. after Corp. HQs. We have better tax, regulations, structure, good business climate....however, those companies anchor there in Chicago. What can we do? They don't have to be there for any particular reason. We have much to offer and they are not moving.



Mr. Chung: More difficult with HQs b/c of living, etc. NNInc. Relocated not long ago because of need for talented workforce. Sealedair is another from NJ. Still it's very difficult – esp. a homegrown company. They would need to have several frustrations to get them to pick up and move. We are a state looked at positively.

Sen. Brown: Good job on presentation. Thinking about numbers – back 7 years, \$22B budget. \$19B at bottom of recession. Now \$29B in today's budget with tax cuts and rainy day fund. We've generated \$10B more in budget in 10 years – we are doing something right. To me, these are impressive #s when you start breaking it down. Thank you Chris and team for being a part of that. Talking about those #s is important as they are impressive.

Presentation: Napoleon Wallace, Deputy Secretary for Rural Economic Development and Workforce Solutions Rural Economic Development Division Grants and Reports

Slide Presentation Attached

Staff here Melody Adams, Mark Pool, A Pain, Liz Par, Olivia Collin, Tom Hesser.

Questions/Comments:

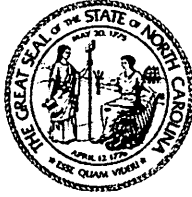
Rep. S. Martin: I appreciate all your work out in areas. Kept coming back from stakeholders that we need a plan, collaboration, etc. How well do you see the team working together – How is it going on the ground?

Mr. Wallace: Pretty well esp. since it is a newer system working in. We need to find a way in local zones to be responsive to the local communities – whether it's local workforce dev boards, - many have said this is what we need to do. Take some existing plans and say we have heard the supports you need (business, local community, ect.) let's make sure we are working together.

Sen. Brown: Prospect Zones can't afford to hire an Economic Development Expert so locals are juggling a lot of hats. How are you reaching out to help support those people?

Mr. Wallace: Two examples earlier in Prospect Zone – how you bake a cake approach – have ingredients, have tools but if don't have the right recipe it doesn't work. Other part, once you have cake baked, how do you sell it? Regional reps with EDPNC have been helpful with that. Can now sell this to instate outstate.

Rep. Ross: Following on same theme. 3.8M appropriated in Prospect Zone and LIDL is an example – I know that was a collaborative effort between several communities. Greater effort to collaborate with local government. My past experience is that has not only been the case – no effort to work across lines, etc. LIDL happened because of collaboration. Going forward, is



there going to be a greater effort to use this kind of example like polling resources to make these happen because reality is in rural areas it will take these kind of joint efforts?

Mr. Wallace: Yes and Yes. Economic Development has always needed collaboration. Smaller has always had need for different resources. Local has incentive to collaborate. Recently I've seen a change in how much people are trying to work across local political boundaries – LIDL is great example. Haven't figured out how to incentivize.

Rep. S. Martin: Criteria for grants – look at collaboration incentive.

Sen. Brown: Capacity of small towns to take advantage of grants being offered. Halifax is getting help in making a plan to move forward in becoming more of a player for those left out.

Rep. Brody: 3 questions:

Regards to reuse of existing buildings – will these grants help reuse of buildings?

Mr. Wallace: Yes

Rep. Brody: Next on LIDL Company – what is your policy on doing Economic Development to an industry that has direct competition? Don't see them making new product – just taking from another?

Mr. Wallace: In some places if there is a grocer around the corner, we are thinking around retail – LIDL had a retail and distribution aspect, too. Strategy is to have area that people are attracted to. We don't necessarily give the full amount in all cases - dollars associate with number of jobs. Prioritize wages – example: retail gets a little less.

Rep. Brody: Community Block Grant – You mentioned you will do new construction. If correct, then can these dollars be used as revolving (such as Habitat for Humanity that resells)?

Mr. Wallace: Short answer is yes. We have program on the shell of buildings where we do 50% of the loan for a property. The local county manager understands it doesn't burden the budget so much.

Sen. E. Smith-Ingram: To recruit companies to come to outlying areas, you said you get a map. Do you provide some kind of a survey for why an area has not received a grant?

NW: Local developers with EDPNC is an example. They know the local area very well, and they are just thinking about what's possible – we give the ideas to them of what's possible. Not always us.

Sen. E. Smith-Ingram: Any goals by Prospect Zone?



Mr. Wallace: We thrive on aspects of Prospect Zones. Some are more assertive than others making sure they're getting the deals. We are making sure there is balanced distribution by watching and knowing what places have not been getting the grant incentives, so there is balance.

Sen. Tucker: Randy Parton theatre? I always look from a business view, and I see a ton of redundancy in EDPNC and you. May I ask Senator Brown a question?
Does this group get the money from the division of water resources?

Sen. Brown: Counties had to apply for those grants/loans. They are 2 pots of money. \$100M grants and \$100M for loans. This is a different project.

Rep. S. Martin: Recognize W. Childs

Mr. William Childs: There is money from specific water/sewer projects that are focused.

Sen. Tucker: To follow up, comparison of a couple of things. I see several processes that overlap. Help me Mr. Wallace to understand our bang for our buck. Metrics were mentioned in both presentations. Are there job numbers coming back from these metrics?

Mr. Wallace: Showed slide with money and jobs. I would say I don't see a tremendous amount of overlap. We have leadership looking to see how we best utilize our resources.

Sen. Brown: Follow up on Prospect Zones - it has been a slow process in getting those staffed up in proper locations to do some of this work with smaller rural counties. When it does start to take place, these numbers will look a lot better.

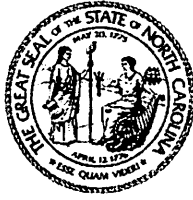
Rep. S. Martin: Very appreciative. We've done a lot of work and we have a lot of work ahead of us. We have the opportunity to see these across the state with a plan that evenly distributes funds. Prospect Zones are working. All are at a place within the plan. We may need metrics to follow the progress. If we are not at that place, we will continue to work at it. Good plan. There is no December meeting. Those interested, please be in touch with one of our offices. Suggest we bring some of these people on the ground to ask if it is really working and how we can be supportive. William let's coordinate.

Adjournment

There being no further business, the meeting adjourned at 3:44pm.

A handwritten signature in blue ink, reading "Susan Martin", is written over a horizontal line.

Representative Susan Martin, Co-Chair
Presiding




Susie Farrell, Committee Clerk

Attachments:

- 1 Committee Notice
- 2 Agenda
- 3 Minutes from January 10, 2017 meeting
- 4 Visitor's Registration
- 5 Presentation by Christopher Chung, CEO, EDPNC on Economic Development Partnership of NC Performance Measures
- 6 Presentation by Napoleon Wallace, Deputy Secretary for Rural Economic Development Division Grants and Reports