The North Carolina Appalachian Regional Commission

2018 Annual Strategy Statement

Roy Cooper
Governor
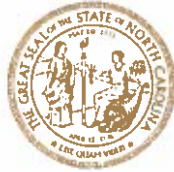
October 9, 2017

Mr. Scott T. Hamilton, Exec. Director
Appalachian Regional Commission
1666 Connecticut Avenue, N. W.
Suite 700
Washington, D. C. 20009-1068

Dear Mr. Hamilton:

I am pleased to submit North Carolina's 2018 Strategy Statement. The document identifies our priorities for investing Appalachian funds to enhance the economic development potential of North Carolina' portion of the region. The information in this submission is consistent with the Appalachian Regional Development Act of 1965, as amended, and Section 5 of the ARC Code.

The 2018 Strategy Statement continues to focus resources to the areas of highest need. The program will continue to place a strong emphasis on sustainable job creation and economic growth. The program will also support projects that provide access to quality infrastructure, educational opportunities and health care. The program has had a tremendous impact on the 29 ARC counties over the last seven years. The ARC has awarded 190 projects in North Carolina for an investment of over $31 million in ARC funding, which has leveraged over $73 million in other funds.

Please contact Jim McCleskey, my ARC alternate, or Olivia Collier, my Appalachian program manager, if there are any questions about this material.

Sincerely,

Roy Cooper

Enclosure

North Carolina ARC 2018 Strategy Statement

In accordance with Section 5.3 of the Appalachian Regional Commission (ARC) Code, this document serves as North Carolina's ARC Annual Strategy Statement for Fiscal Year 2018 (October 1, 2017 – September 30, 2018). The purpose of the Strategy Statement is to establish a process to set forth goals, objectives, priorities, and policies for North Carolina's ARC counties. Implementation of the Strategy will continue to meet the diverse and shifting needs of ARC counties in North Carolina by targeting resources to assist in meeting those needs. The 2018 Strategy Statement:

1. Discusses the economic challenges and opportunities, as well as new developments and resources, that are impacting the state's Appalachian counties;
2. Provides an overview of targeted investment priorities for the program year;
3. Lays out specific state strategies for the state's Distressed Counties;
4. Sets forth the state operating program policies; and
5. Describes the methods used to review proposals to ensure an equitable allocation of state contributions for projects in its Appalachian area.

Governor Roy Cooper serves as North Carolina's Commission member; Jim McCleskey, Director, Washington D.C. Office, serves as his Alternate. The North Carolina Department of Commerce is responsible for the administration of the North Carolina ARC Program.

The Appalachian region of North Carolina consists of twenty-nine counties: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Cherokee, Clay, Davie, Forsyth, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey.

North Carolina Appalachian Regional Commission: ARC Counties
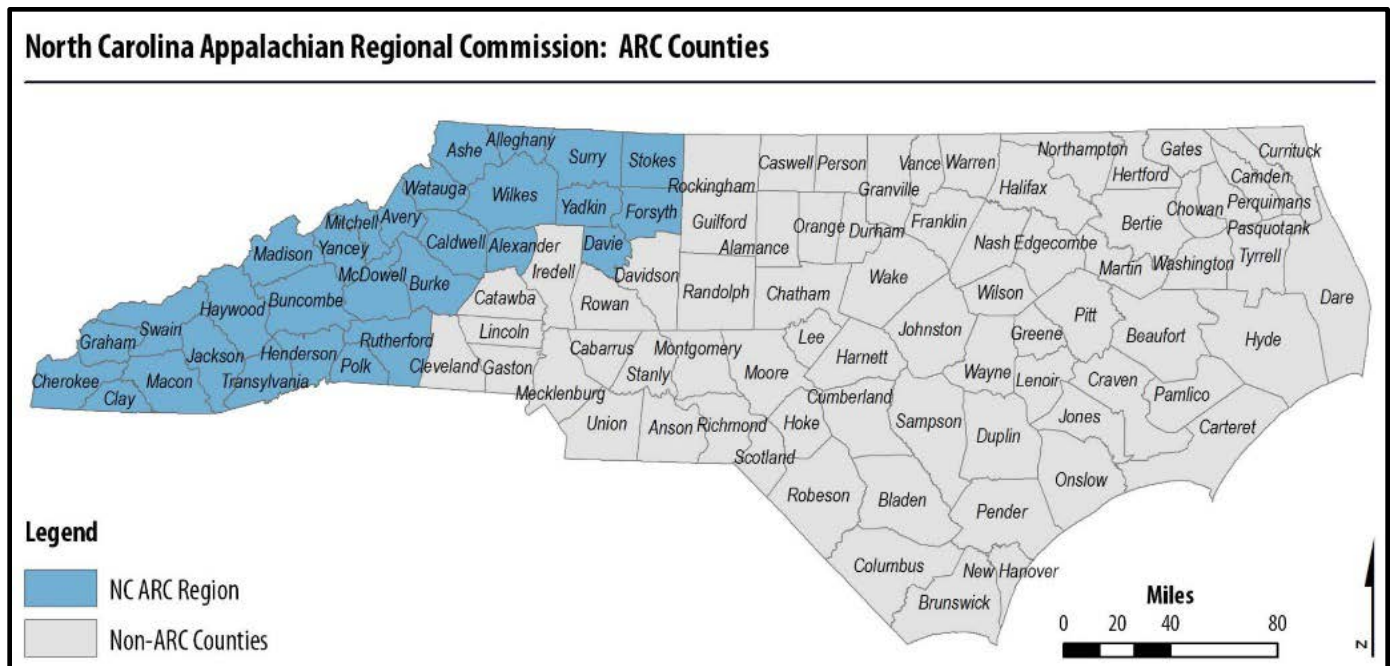
The Region's six Local Development Districts (LDDs) and various state and federal agencies assist North Carolina's ARC Program with project development.

The Local Development Districts are:

- Southwestern Commission (Region A): Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain counties;
- Land-of-Sky Regional Council (Region B): Buncombe, Henderson, Madison, and Transylvania counties;
- Isothermal Planning & Development Commission (Region C): McDowell, Polk, and Rutherford counties;
- High Country Council of Governments (Region D): Alleghany, Ashe, Avery, Mitchell, Watauga, Wilkes, and Yancey counties;
- Western Piedmont Council of Governments (Region E): Alexander, Burke, and Caldwell counties; and
- Piedmont Triad Regional Council (Region G): Davie, Forsyth, Stokes, Surry, and Yadkin counties.
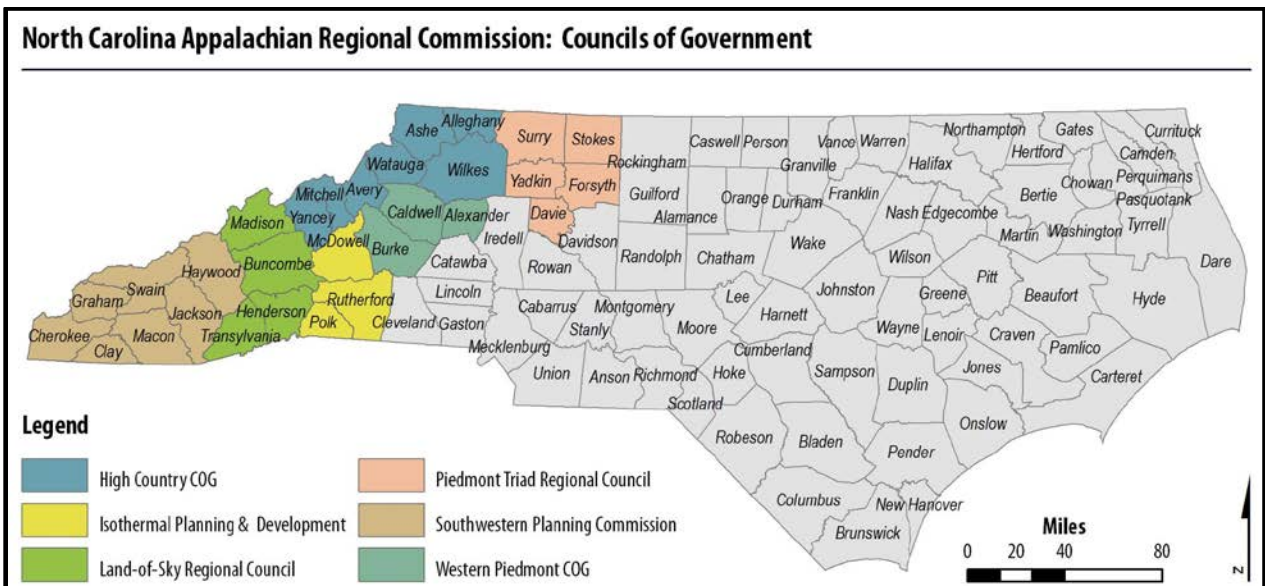
Federal, State and Local Partners: The close cooperation between the federal, state, and local governments, along with the non-profit sector, ensures transparency and comprehensiveness in development of the North Carolina ARC Program. The Program collaborates with federal agencies that include; the United States Department of Agriculture, the Environmental Protection Agency, the Economic Development Administration, and the Department of Housing and Urban Development. State agency partners include; the North Carolina Departments of Commerce, Agriculture and Consumer Services, Transportation, Health and Human Services, Environmental Quality, and Natural and Cultural Resources. The North Carolina ARC

Program also relies heavily on partnerships with various non-profits including, but not limited to, the North Carolina Rural Center, the Cherokee Preservation Foundation, the Western North Carolina Community Foundation, the Conservation Fund, the Golden Leaf Foundation, the Kate B. Reynolds Charitable Trust and the Z. Smith Reynolds Foundation.

Economic Challenges and Opportunities

The beginning of the 21st century dealt the Appalachian region of North Carolina a major blow as manufacturing companies left, leaving many without jobs and the skills to transition into more advanced and technology-oriented economic opportunities. Ever resilient, Western North Carolina has taken up this latest challenge. Through collaborative partnerships at the federal, state and local levels, the region is actively pursuing a re-invention of old traditions. Focusing on local food and animal production, creating new opportunities by capitalizing on its regional assets and strengths, and further diversifying its portfolio with economic prosperity and sustainable development pursuits are creating and retaining local jobs.

Economic Challenges

The Appalachian Region of Western North Carolina faces many economic challenges and continues to work to overcome:

Lack of Skilled Workforce: The lack of a skilled workforce to meet the needs of a global, advanced manufacturing economy remains a challenge in addressing the region's higher unemployment rates.

Lack of Adequate Infrastructure: Outdated and scarce infrastructure continues to be problematic and impedes the region's ability to retain and grow viable business and industry sectors.

Water and Sewer: There is still a need for water and sewer infrastructure in the region. Communities throughout the area are beginning to think regionally when planning these types of infrastructure projects. State, federal, and non-profit grant funders are working together to help develop and fund quality infrastructure systems.

Broadband: The lack of adequate high speed internet service continues to be a barrier to economic development and competitive educational opportunities. While approximately 100% of Western North Carolina households have basic broadband access (25 MB or greater), eight counties – Cherokee, Polk, Transylvania, Clay, Graham, Rutherford, Macon and Jackson – still have below average access to basic broadband.

Lack of Local Leadership: Many of the region's communities do not have the capacity or leadership skills needed to engage their residents and organizations or to identify the resources and opportunities necessary to develop viable economic development strategies to move their communities forward.

- **Lack of a Healthy Workforce**: The average resident in Appalachia feels unhealthy 12 more days per year -both physical and mental health- than the average American. This correlates with work absences, lower worker productive, and work injuries. The connection between health of the population and workforce is clear.

Economic Opportunities

The Appalachian Region of Western North Carolina is rich in natural resources and talented people. Tourism and agricultural-based ventures and advances in manufacturing continue to provide opportunities for economic growth. Areas of emerging economic opportunities exist in the following areas:

Building Adequate Infrastructure:

Broadband: Continuing to expand the reach of broadband and high speed internet capabilities to all Western North Carolina rural communities will increase educational and workforce training opportunities and encourage business and industry development.

Roads and Highways: Building and maintaining the region's transportation infrastructure will provide safer, more efficient and less costly commercial commodity transport, and community connectivity.

Increasing the Manufacturing Base: Western North Carolina has a strong craftsman tradition and these skills provide opportunities in both the region's returning textile industry and growing advanced manufacturing sectors – particularly in the aerospace and aviation, biotechnology and pharmaceutical, and the green and sustainable energy sectors.

Tourism: Revenues generated from tourist spending continue to bolster the region's economy. This sector offers excellent opportunities for Western North Carolina to continue to develop new attractions and venues to draw visitors into its rural communities.

Workforce Development: Economic opportunity is dependent on a highly skilled workforce. Western North Carolina boasts fourteen community colleges, eight private and five public colleges and universities. With a strong network of accessible and customized educational training programs in Western North Carolina, students and adults returning for further education have access to the resources they need to compete in emerging business and industry opportunities.

North Carolina Targeted Investment Priorities

Governor Cooper will engage the resources provided by the ARC to attract more jobs, improve higher educational attainment rates, and support investments that improve the region's health status. The state will utilize ARC resources to provide technical assistance and when appropriate financial investments in the 29 ARC counties, with a special emphasis on those in areas of persistent and severe economic distress.

Governor Cooper will utilize ARC resources to support the region's ability to respond to the challenges of the 21st century workplace and keep pace with advances in technology. ARC investments in North Carolina

will be used to enhance economic opportunity in the region. The Governor believes that economic development requires leadership, planning, and action. Therefore, it is critical for communities in the region to have access to ARC resources that will allow them to prepare for and then compete for economic development. All ARC investments in North Carolina will assist communities moving towards economic success.

North Carolina ARC Investment Priorities:

- Projects that enhance long-term infrastructure commitments that allow for the creation and retention of jobs;
- Enrichment of partnerships between local industries, k-12 schools, universities, and community colleges to expand and enhance apprenticeships and workforce development opportunities to ensure a pipeline of skilled workers in the region,
- Efforts that support local school systems' ability to enhance STEAM and STEM education opportunities, encourage CTE achievement and certificate or degree attainment;
- Projects that spur economic activity in the health care sector and improve the quality of health care services in rural communities throughout the region; while supporting local efforts to tackle health care challenges, specifically the growing opioid crisis, and;
- Support the deployment of digital infrastructure that allows the region to connect to global markets.

North Carolina ARC Investment Opportunities (Project Types) Overview:

Governor Cooper is focused on ensuring that all North Carolinians are better educated, healthier and have more money in their pockets.

The following are examples of types of projects Governor Cooper would like to support with ARC resources. (Examples are listed by ARC Strategic Investment Goals.)

Goal 1 – Economic Opportunities – Invest in entrepreneurial and business development strategies that strengthen Appalachia's economy.

Examples of potential projects include: shared used kitchens, co-package plants, small business incubators, regional agriculture markets, community loan funds, small business plan competitions, and small business mentorship programs.

Goal 2 – Ready Workforce – Increase the education, knowledge, skills, and health of residents to work and succeed in Appalachia.

Examples of potential projects include: STEM and STEAM Education programs, career pathway program development, apprenticeships, health care training programs, rural health care clinics, college access programs, and workforce development programs.

Goal 3 – Critical Infrastructure – Invest in critical infrastructure – especially broadband; transportation, including the Appalachian Development Highway System, and water/wastewater systems.

Examples of potential projects include: downtown Wi-Fi, broadband fiber deployment, access roads, water and sewer projects that result in the job creation and/or retention, industrial site development, and transportation planning.

Goal 4 – Natural and Cultural Assets – Strengthen Appalachia's community and economic development potential by leveraging the Region's natural and cultural heritage assets.

Examples of potential projects include: local food and farm programs, downtown streetscape projects, downtown revitalization, regional craft and art trails, tourism development, establishment of gateway community programs, and regional tourism development.

Goal 5 – Leadership and Community Capacity – Build the capacity and skills of current and next-generation leaders and organizations to innovate, collaborate, and advance community and economic development.

Examples of potential projects include: regional planning projects, community economic development planning, local leadership development training, youth leadership development, and community engagement programs.

Strategies for Distressed Counties

North Carolina places special emphasis on the two counties Graham and Swain, that ARC has designated as Distressed for FY 2018. These counties will receive access to additional technical assistance and participate in project planning workshops. The additional assistance and workshop are designed to support the development of quality applications. The outcome of the additional assistance will be enhanced local capacity that will assist local leaders in moving their communities towards increased economic prosperity. County teams will be organized by their LDD Director. Teams will represent a cross-section of the community. Potential team members could be: County Manager, Mayor, School Board Member, Small Business Owner, Teacher, Non-Profit Executive Director, and Local Economic Developer. Teams must have at least five individuals, but no more than ten. Teams will be invited to attend a project development workshops to be held in October of 2017. Following the workshops, the application timeline will apply. However, these dates are subject to change. All application materials will be published on-line at www.nccommerce.com/rd/arc.

- Distressed County Project Development Workshop October 10 and 11, 2017.
- Distressed County Pre-Application Packet published on-line October 13, 2017.
- Pre-Applications will be due December 13, 2017.
- Applicants will be invited to submit full applications by January 2, 2018.
- Full Applications will be due February 28, 2018.
- Governor's Distressed County Project Recommendations will be submitted to ARC by March 16, 2018.

North Carolina ARC Operating Policies

In North Carolina, the level of ARC funds requested may not exceed 50% of the total project cost; except: 1) in designated at-risk and distressed counties where the state determines the project is not feasible without the injection of a higher percentage of Appalachian dollars; and 2) in multijurisdictional projects that meet requirements set out in the Appalachian Regional Development Reform Act of 1998, which generally involve the participation of distressed counties. The level of ARC funds requested for projects in designated competitive counties may not exceed 30% of the total project cost unless the applicant provides adequate justification to meet exceptions in the ARC Code. Projects involving designated attainment counties must be multi-county in scope and meet the stringent criteria defined in the 1998 law.

Proposals for the following activities are not eligible: construction of schools, libraries, government offices, hospitals, community centers, social services facilities, law enforcement facilities, or day-use recreational facilities. However, the ARC program will consider the jobs created by these and other facilities as part of the justification for water and wastewater projects. Generally, funding is not available to cultural facilities and activities; however, activities related to sustainable development initiatives may be considered where the jobs and wealth resulting from those activities can be documented and are equivalent to the performance measures generated by more traditional economic development and entrepreneurial activities.

The state will work with the LDDs, local governments, and basic agencies to continue efforts to obligate the State's ARC allocation in a timely manner and to achieve dual objectives of better serving applicants and more efficiently deploying ARC's investments in North Carolina.

General Information
- All application materials will be published on-line at www.nccommerce.com/rd/arc.
- Higher priority is given to projects that are deemed ready to go. To meet this requirement, the applicant should have all other funding for the project committed.
- Both the worth of the individual project in achieving the State's objectives and the level of assistance are determined on a case-by-case basis.
- Initial screening of proposals focuses on the following elements:
    - Feasibility of the project approach;
    - Eligibility under ARC Code and Appalachian Act;
    - Consistency with State and Commission goals and strategies;
    - Economic impact within the context of the region and the area to be served.
- ARC assistance is the source of last resort. As such, projects may only use ARC funds where there is no other source of funding and/or where Commission money will make a project feasible.
- Project applications must include measurable outputs and outcomes that are consistent with federal performance measurement requirements.
- Individuals and for-profit enterprises are not eligible for direct grant assistance; but may benefit from, and be served by, the investment of ARC funds.
- Special provisions related to operating projects:

- o ARC funding for operating projects normally will be limited to start-up costs and two years of operation (three years of assistance);
- o No project will be guaranteed more than one year of support and applicants are advised that projects requesting multiple year funding generally will not be given a high priority;
- o Any project requesting start-up funds should be prepared to identify the sources that will underwrite the costs after the first year of ARC aid;
- o Generally, continuation projects (those operating in multiple years with no appreciable changes in project design or scope) should reduce the level of ARC support by 10% of the amount of their previous grant or show other efforts to enhance the program attaining self-sufficiency;
- o Operating projects also will be encouraged to propose an 18-month initial project period. Since most projects need this additional time to meet unexpected start up delays, the proposed longer performance period should help avoid the need to extend project periods to meet the first year's objectives;
- o Any project seeking continuation funding (a second or third application for assistance) will need to initiate discussions with the State's ARC office at least a month in advance of the application submission deadline to determine if an application will be considered. Prior to seeking continuation consideration, the project sponsors should compile information documenting satisfactory performance in meeting the accepted output and outcome measures to support the request for continued assistance.

- ▪ Decisions to consider projects for Appalachian funding are based on summary information that provides enough detail to enable the State ARC office to determine the proposal's eligibility. Construction projects should have preliminary commitment of jobs and a preliminary engineering report prior to requesting consideration. Construction projects also must obtain the review and approval of another federal grant-financing agency, and any ARC funding consideration is contingent upon obtaining the participation of another federal agency.

Funding and Match Guidance

- ▪ The state has set a general guideline that ARC assistance will not exceed $300,000 for construction projects, $100,000 for non-construction projects and will constitute no more than 50% of the total project cost. However; special consideration will be given to infrastructure projects in distressed and at-risk counties. Selected projects may request up to $500,000 in ARC funding. Special consideration may also be given to non-construction projects with an emphasis on workforce development and education with an allowable funding amount up to $300,000.
- ▪ The level of ARC funds requested for projects in designated competitive counties may not exceed 30% of the project cost unless justification is provided to meet exceptions in the ARC Code.
- ▪ To comply with Congressional instructions, the matching requirements in multicounty projects will vary, depending on the designated economic status of the counties involved. Multicounty projects serving fewer than the 29 counties will be computed based on the average of the eligible financing level for the counties involved.
- ▪ Cost overruns and significant changes of project scope on previously approved ARC projects generally will not be considered for funding. Changes required by design modifications or changes that will generate additional jobs will constitute rationales for consideration of overrun requests.

- ARC funds cannot supplant or diminish the level of other funds (federal, state, or local) going into the Appalachian region or the project area. ARC funds cannot replace other funds to continue a project, nor may ARC funds be used to allow the diversion of existing resources to other purposes or to reduce the amount of bonds to be sold to finance local improvements.
- This application process will allow the Program to continue to be responsive to local needs while ensuring timely obligation of ARC funds.
- Applicants are encouraged to work closely with other agencies involved in their project to meet the cut-off dates. Proposals involving construction should be especially aware of the time constraints and applicants should alert their engineers to strictly observe these time deadlines.

General Funding Timeline for FY 2018*

- Pre-Application Packet published on-line March 1, 2017.
- Pre-Applications will be due on April 17, 2017.
- Applicants will be invited to submit full applications by May 15, 2017.
- Full Applications will be due on July 1, 2017.
- Governor's Project Recommendations will be submitted to ARC by September 30, 2017.
- Staff will work with ARC staff to complete the project approval process after October 1, 2017.

*North Carolina begins project development during the prior Federal Fiscal Year.