



North Carolina Appalachian Regional Commission Program

2024 Annual Strategy Statement





STATE OF NORTH CAROLINA
OFFICE OF THE GOVERNOR

ROY COOPER
GOVERNOR

August 25, 2023

Mr. Brandon McBride
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Suite 700
Washington, DC 20009-1068

Dear Mr. McBride:

I am pleased to submit North Carolina's 2024 Strategy Statement. The document identifies our priorities for investing Appalachian funds to enhance the economic development potential of North Carolina's 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 2024 Strategy Statement continues to focus resources to the areas of highest need in our ARC counties. The program provides ongoing support to projects that provide access to quality infrastructure and educational opportunities. It also remains supportive of efforts to combat the opioid epidemic in the region.

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

Sincerely,

A handwritten signature in black ink that reads "Roy Cooper". The signature is stylized, with the first name "Roy" and the last name "Cooper" written in a cursive-like script.

Roy Cooper

Enclosure

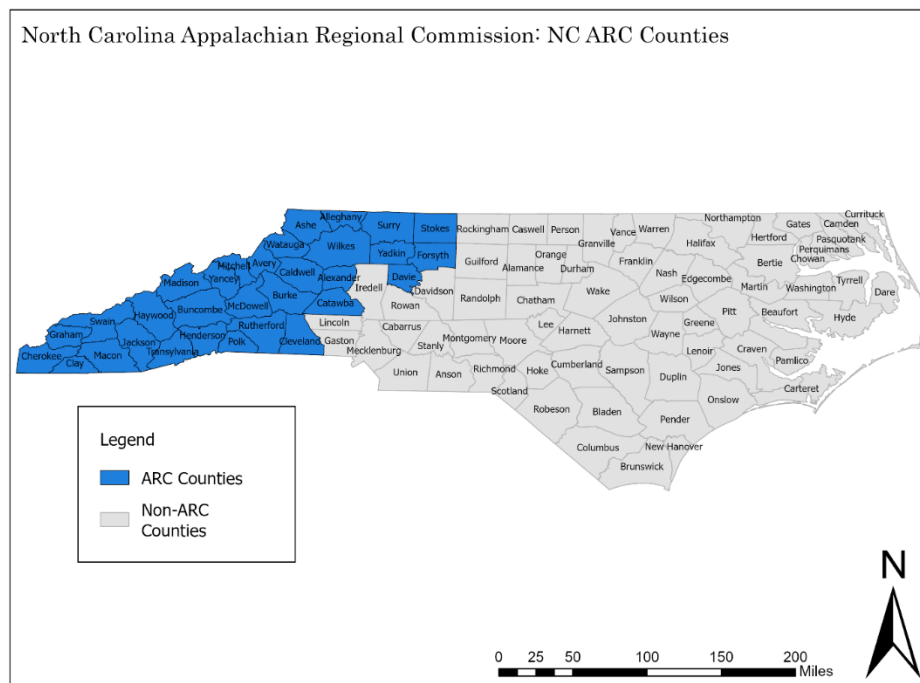
North Carolina ARC 2024 Strategy Statement

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 2024 (October 1, 2024 – September 30, 2024). The purpose of the Strategy Statement is 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 2024 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. Sets forth state operating program policies; and
4. 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.

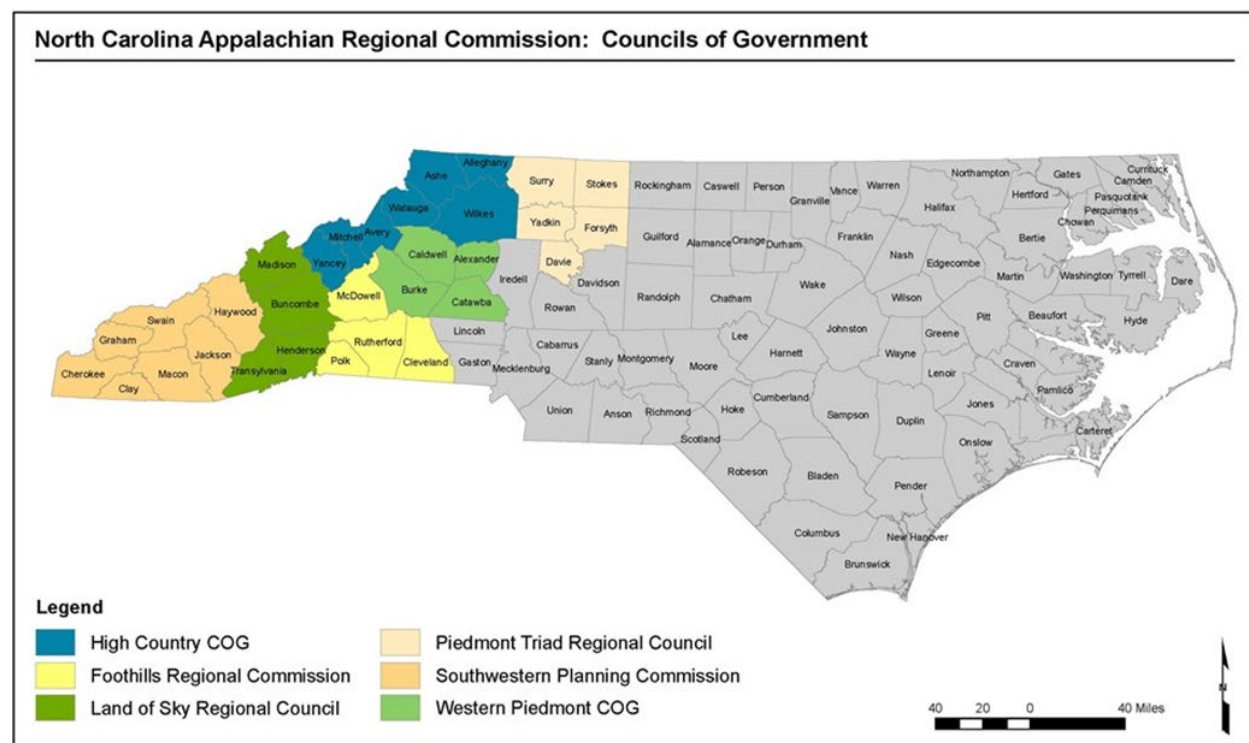
The Appalachian region of North Carolina consists of 31 counties: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Catawba, Cherokee, Clay, Cleveland, Davie, Forsyth, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga, Wilkes, Yadkin, and Yancey.



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;
- Foothills Regional Commission (Region C): Cleveland, 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, Caldwell, and Catawba 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, Information Technology, Administration, 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, and the Dogwood Health Trust.

Economic Challenges

The Appalachian region of Western North Carolina faces many economic challenges. The ARC program will work with our partners and grantees to continue to overcome these challenges which include:

Building a 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. The region's workforce is aging faster, has lower educational attainment and higher unemployment rates than the rest of the state. The COVID-19 crisis has underlined the need for a more diversified workforce to support the needs of the region.

Sustaining 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. Infrastructure requires continual investments, and many communities have financial difficulty in maintaining and improving systems to meet state requirements and economic development goals.

Water and Sewer

There is still a need for updated water and sewer infrastructure as old systems age out and as communities seek investments in capacity expansions to respond to shifting economic and community growth. Communities throughout the area are beginning to think more regionally when planning these types of infrastructure projects. State, federal, and non-profit grant funders must work together to help develop and fund quality infrastructure systems.

Broadband

Access to broadband is necessary for economic development, education, healthcare, and the provision of government services. Yet affordable broadband access is lacking in many communities in Western North Carolina. The viability and livability of the region depends on access to high-speed internet services. The COVID-19 crisis has underlined the lack of access to this critical infrastructure for education, business development, job creation, and health care services.

Expanding Local Leadership Capacity

Many of the region's communities do not have the capacity or leadership skills needed to engage their residents, businesses, and organizations, or to identify the resources and opportunities necessary to develop viable economic development strategies to move their communities forward. ARC's work with partners across the region has shown that communities need access to targeted educational programming, community-level

engagement, and focused guidance to implement strategic plans. Supporting enhanced local capacity will ensure communities in the region have the foundation to succeed.

Building and Supporting a Skilled and Healthy Workforce

According to a 2017 study conducted by the Appalachian Regional Commission, the average resident in Appalachia feels unhealthy twelve (12) more days per year – both physically and mentally – than the average American. This correlates with work absences, lower worker productivity, and work injuries. Additionally, contributing factors such as the lack of access to affordable healthcare and mental health services as well as the struggle with chronic health issues like diabetes, heart disease, and substance abuse, have had a negative impact on the region's workforce. The connection between health of the population and workforce is clear.

Bolstering the Tourism Economy

Tourism is a significant component of Western North Carolina's economy. Communities will need resources and assistance to recover lost revenue, attract and retain new visitors, and establish strategies to provide better paying jobs within the tourism sector.

Distressed Counties and Areas

ARC recognizes that there are counties and areas within Appalachia characterized by high poverty or low-income levels to such an extent as compared to national averages that these areas should be considered severely and persistently distressed. NC ARC partners are encouraged to focus investments and programs on objectives which address persistently distressed counties and areas.

Economic Opportunities

The Appalachian region of Western North Carolina is rich in natural resources and talented people, where a strong heritage of outdoor recreation, music, and craft making continues to thrive. The mountain region of the state draws in thousands of tourists to dine on local food in award winning restaurants, take scenic drives along the Blue Ridge Parkway, raft on swift whitewater rivers, camp in the national forests, and fish for fresh mountain trout and smallmouth bass. Advances in manufacturing, in both textiles and furniture, are on the rebound in providing job opportunities and economic growth.

Emerging economic opportunities exist in the following areas:

Building Adequate Infrastructure

Telecommunications

Continuing to expand the reach of cell service and broadband capabilities to all Western North Carolina rural communities will increase educational and workforce training opportunities and encourage business and industry development. The COVID-19 pandemic has only further highlighted the economic development potential that increased access to affordable broadband and other telecommunication technologies will provide.

Roads and Highways

Building and maintaining the region's transportation infrastructure will provide safer, more efficient, and less costly commercial commodity transport, quicker commutes to jobs, better community connectivity, and better access to healthcare services.

Increasing the Manufacturing Base

Western North Carolina has a strong craft 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.

Workforce Development

Economic opportunity is dependent on a highly skilled workforce and Western North Carolina proudly boasts sixteen community colleges, eight private colleges, 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. In July of 2018, Governor Cooper created the Finish Line Grant program, which allows community college students to be able to complete their education when an unforeseen financial emergency occurs. This program has supported over 5,400 students statewide and provided over \$4.7 million in assistance.

Collaborating with partners in the region to develop a robust “Recovery to Work” ecosystem is an important component of workforce development efforts and provides vital resources to individuals struggling with substance use disorder. Recovery ecosystems are networks of organizations that are designed to help individuals in substance abuse recovery access a diverse array of support services and training needed to maintain recovery and successfully obtain employment. This could be a critical solution to workforce availability concerns at a time when many businesses are having trouble filling positions.

Tourism

Much of the region's economy is built on revenues generated from tourist spending and this sector offers excellent opportunities for Western North Carolina to continue to develop new attractions, services, and venues to draw visitors into its rural communities. Outdoor recreation is a growing component of this sector and its popularity continued to increase since the COVID-19 pandemic. Additionally, the developing outdoor recreation economy in the region offers opportunities in related industries such as manufacturing, facility development, and hospitality training.

Entrepreneurship

Establishing and supporting vibrant entrepreneurial ecosystems is vital for communities to foster small business development, particularly in essential services and high growth potential sectors. According to research by the North Carolina Rural Center, small business and entrepreneurship is a major component of North Carolina's economy with 95% of all business entities maintaining less than 50 employees. These firms account for 44% of all employment within the state. Continued efforts to promote entrepreneurship as an economic development strategy and to invest in local initiatives are needed.

Rural Community Capacity Building

Governor Cooper has made rural North Carolina a top priority and in 2018, he launched the Hometown STRONG initiative to leverage local, state, and federal resources to support the needs of local communities. The Hometown STRONG initiative provides counties with direct access to state government leaders who work in tandem with local leaders to identify local

priorities and work to implement focused projects that boost the economy, improve infrastructure, and strengthen these communities. The state is focused on supporting local priorities and leveraging resources to assist with project implementation.

Recovery and Resiliency

In January 2021, the NC Department of Commerce's Rural Planning Program launched the Community Economic Recovery and Resiliency Initiative (CERRI) to help communities, with populations under 5,000, recover from the economic impacts of the COVID-19 pandemic and build resilient local economies. The initiative provides communities with a planning process to develop local economic recovery and resiliency strategies and technical services to implement them. Communities in four of North Carolina's ARC counties are currently participating in the program – Caldwell, Cherokee, Madison, and Yadkin.

ARC Focus for North Carolina

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 31 ARC counties, with a special emphasis on those 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 NC 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 NC will assist communities moving towards economic success and support efforts to create more equity across the region.

The NC ARC Program will also support the implementation of the *First in Talent: Strategic Economic Development Plan for North Carolina*. In July of 2021, the North Carolina Department of Commerce released the Economic Development Strategic Plan for the State of North Carolina. The plan, titled First in Talent, recognizes that investing in North Carolina's workforce is the key to building a more prosperous and resilient economy for all North Carolinians.

The plan highlights three key goals critical to the state's economic development strategy:

- Prepare North Carolina's workforce for career and entrepreneurial success.
- Prepare North Carolina's businesses for success by growing and attracting a talented workforce.
- Prepare communities across North Carolina to be more competitive in growing and attracting a talented workforce and businesses.

The NC ARC program will support the implementation of the plan by focusing on the following Investment Priorities:

- Projects that enhance long-term infrastructure commitments that allow for commerce and creation and retention of jobs,

- Enrichment of partnerships between local industries, k-12 schools, and community colleges to expand and enhance 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, as well as project-based learning and creative thinking skills development,
- 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;
- Encourage project design and development to specifically target Distressed Counties and Areas that will help improve economic conditions.
- Support the strategic deployment of digital infrastructure that promotes conditions that allow firms to effectively conduct business and individuals to access educational opportunities, particularly in the wake of COVID-19.

NC 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 Governor will utilize ARC resources to make investments in projects throughout the region that will enable communities and the region to ensure they are prepared and ready to compete for economic development.

Governor Cooper will utilize the resources provided by the ARC to make focused investments that will further support the region's ability to be prepared and compete for economic development.

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.)

Investment Goal 1 – Building Appalachian Businesses

Strengthen and diversify the Region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Examples of potential projects include shared-use kitchens, co-package plants, small business incubators, regional agriculture markets, community loan funds, industry cluster development, small business plan competitions, and small business training programs.

[NC Investment Highlight](#)

The Manufacturing Solutions Center (MSC), an extension of Catawba Valley Community College (CVCC), was established to help US manufacturers increase sales, improve quality, and increase efficiency to assist in the creation or retention of jobs in the manufacturing sector. MSC recently expanded their facility to allow for the testing and prototyping of fibers and fabrics needed to produce Personal Protective Equipment (PPE), along with other needed products in the wake of COVID-19 and the efforts to re-shore American textile production. This is an additional resource added to the organization's services that allow the MSC to assist businesses in testing, prototyping, and product development utilizing state-of-the-art technologies to improve advanced manufacturing throughout the NC ARC region.



A Manufacturing Solutions Center employee explains the new equipment used to develop and test Personal Protective Equipment and other innovative products.

Investment Goal 2 – Building Appalachia’s Workforce Ecosystem

Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

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

NC Investment Highlight

The Mediation and Restorative Justice Center initiated the Watauga Healthy Workforce & Recovery Ecosystem project. This Watauga County program will implement a recovery-friendly workplace initiative, continue recovery-to-work efforts with regional and local partners, engage in the effort to establish supportive and transitional housing in the High Country, and facilitate the implementation of the Watauga Community Justice Coalition's action plan. Partners in this initiative include Wilkes Recovery Revolution, AppHealthCare, and the Boone Area Chamber of Commerce, which will help serve as connectors to resources and employment for individuals with substance use disorder. The program intends to serve 15 businesses, 75 workers/trainees, and 60 other participants.

Investment Goal 3 – Building Appalachia’s Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable and affordable utilities and infrastructure in order to successfully live and work in the Region.

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

NC Investment Highlight

ARC is providing assistance to the Town of Burnsville to extend water and sewer lines to the Micaville Industrial Site in Yancey County. This critical infrastructure will support the development of a hydroponic agricultural entity that will create a proposed 100 jobs and contribute substantial private investment into the county. The project will install 11,000 linear feet of 12-inch ductile iron water line and 440 linear feet of 8-inch sewer line to connect to existing infrastructure near the proposed site. This infrastructure expansion will also position the county to market the remainder of the industrial park for additional business development.

Investment Goal 4 – Building Regional Culture and Tourism

Strengthen Appalachia's community and economic development potential by preserving and investing in the Region's local, cultural heritage, and natural 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, regional tourism development, and outdoor recreation economy planning and development.

NC Investment Highlight

ARC Community Economic Development Planners are facilitating economic development strategic planning focused on leveraging outdoor recreation to bolster local economic vitality. Strategy development focuses on utilizing the unique natural assets and recreational opportunities in a community to increase tourism, encourage small business development, enhance quality of life for residents, plan for asset and infrastructure development, and position communities to grow and attract outdoor gear manufacturing industries. In several communities across the region, this work is collaborating with and complimenting economic development activities undertaken by the Made x Mountains Partnership as part of an ARC POWER Initiative grant. This process has helped communities foster broad stakeholder engagement to increase local capacity and intentionally examine how outdoor recreation can promote economic opportunity, while preserving and maintaining natural assets.



Local stakeholders in Jackson County, NC examine a map and discuss strategies to leverage outdoor recreation to increase economic opportunity.

Investment Goal 5 – Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

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

NC Investment Highlight



Dig In! Yancey Community Garden grows and shares produce from their gardens so that neighbors have access to fresh produce that is reliable and of the highest quality to increase food security. Photo credit: Dig In! Yancey Community

ARC has initiated a new program, *READY Appalachia*, to help build community capacity by offering training and flexible funding to organizations in four key economic development pillars: nonprofits, community foundations, local governments, and Local Development Districts. As part of this program, READY Appalachia awarded \$25,000 each to three NC non-profits: Dig In! Yancey Community Garden, RiverLink, Inc., and Haywood Christian Ministry, Inc. Prior to accessing this funding each organization participated in 10 weeks of intensive courses covering board development, financial management, fundraising, employee recruitment and retention, marketing communications, and programs and operations. The technical assistance and funding will strengthen these organizations and help them better serve their communities.

State Program 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 initiating 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 proceed. 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:

- ARC funding for operating projects normally will be limited to start-up costs and two years of operation (three years of assistance);
- 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;
- Any project requesting start-up funds should be prepared to identify the sources that will underwrite the costs after the first year of ARC support;

- 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;
- 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;
- 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 in order 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 \$1,000,000 for construction projects and \$300,000 for non-construction projects. Funding 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 \$1,500,000 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 \$500,000. 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 31 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.

Timing Considerations

The ARC Program will publish application forms on the Program's website:
<https://www.nccommerce.com/about-us/divisions-programs/rural-economic-development/appalachian-regional-commission#documents>

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.