State of North Carolina
Office of the Governor

Roy Cooper
Governor

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August 31, 2020

Mr. Charlie Howard
Interim Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, N. W.
Suite 700
Washington, D. C. 20009-1068

Dear Mr. Howard:

I am pleased to submit North Carolina's 2021 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 2021 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 continue to support efforts to combat the opioid epidemic in the region. In addition, the program will work with communities to help in the recovery from the health and economic impacts from COVID-19. The program has had a tremendous impact on the 29 ARC counties. Last fiscal year, the ARC invested in 36 projects with over $8 million in funding, which leveraged over $65.7 million in private investments.

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

With kind regards, I am

Very truly yours,

Roy Cooper

Roy Cooper

RAC/sm/jw

Enclosure

Cover Photos by: NC Main Street & Rural Planning Center, Carolina Textile District, and Jackson County Tourism Development Authority

North Carolina Appalachian Regional Commission

2021 Annual Strategy Statement

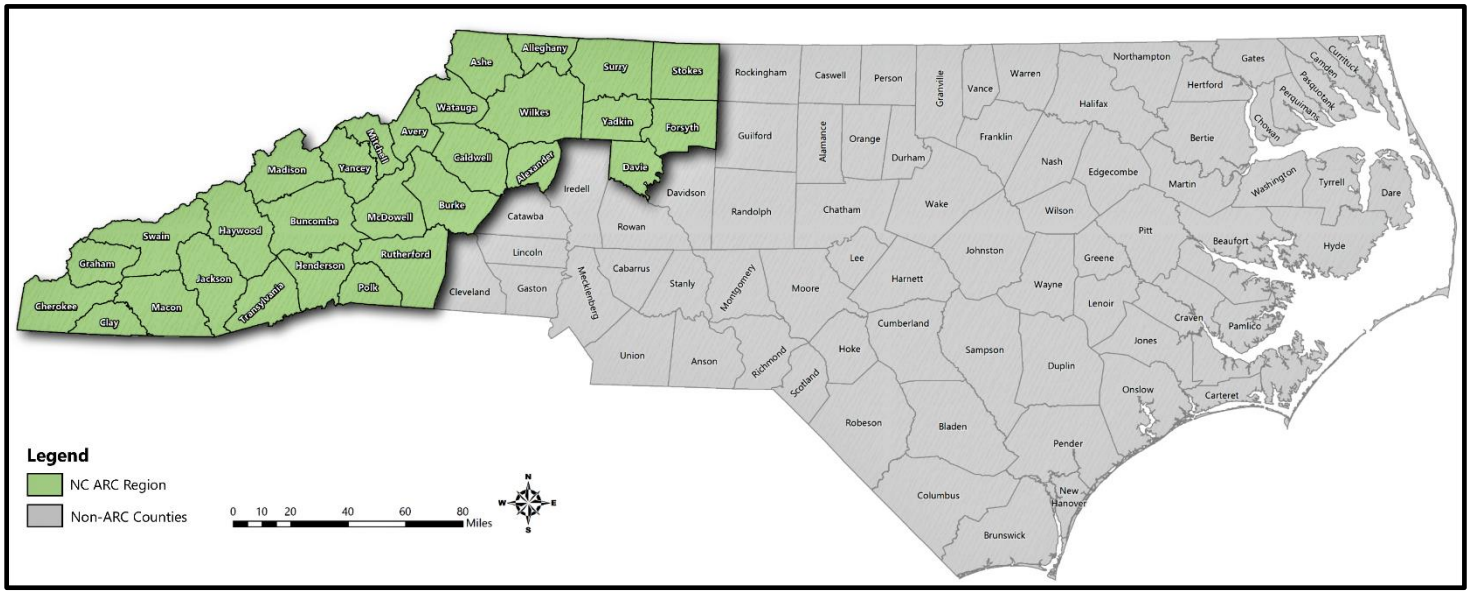
North Carolina ARC 2021 Strategy Statement

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 2021 (October 1, 2020– September 30, 2021). 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 2021 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.

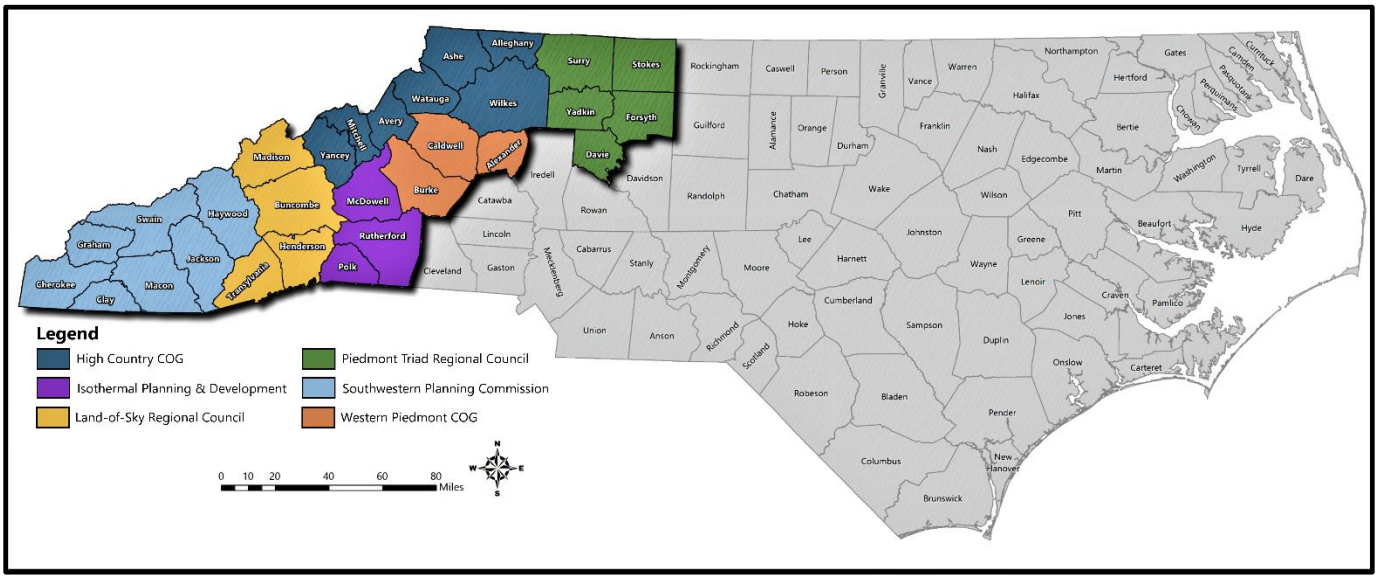
The Appalachian region of North Carolina consists of twenty-nine counties: Alexander, Alleghany, Ashe, Avery, Buncombe, Burke, Caldwell, Cherokee, Clay, Davie, Forsyth, Graham, Haywood, Henderson, Jackson, Macon, Madison, McDowell, Mitchell, Polk, Rutherford, Stokes, Surry, Swain, Transylvania, Watauga,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



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, 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, the Kate B. Reynolds Charitable Trust, the Dogwood Health Trust, Mountain Area

Health Education Center (MAHEC), the Z. Smith Reynolds Foundation, and the multiple Community Development Finance Institutions that serve the region.

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 foods, textiles, forestry, arts, crafts, and outdoor recreation, WNC is creating new opportunities by capitalizing on its regional assets, and strengths, and further diversifying its portfolio with sustainable development pursuits that are creating and retaining local jobs.

Economic Challenges

The Appalachian Region of Western North Carolina faces many economic challenges, which have only been exacerbated by the COVID-19 pandemic. 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 investment and many communities have financial difficulty in maintaining and improving systems to meet state requirements.

> 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.

Supporting a Healthy Workforce: According to a 2017 study conducted by the Appalachian Regional Commission study, the average resident in Appalachia feels unhealthy twelve (12) more days per year - both physical and mental health- 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, mental health services and the struggle with chronic health issues like diabetes, heart disease and substance abuse has 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 substantial component of Western North Carolina's economy. The effects of the COVID-19 pandemic and an associated decreased willingness to travel have severely reduced economic opportunities within this segment of the economy. Communities will need resources and assistance to recover lost revenue, encourage tourists to visit again, and establish strategies to provide better paying jobs within the tourism sector.

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 white river waters, camp in the national forests and fish for fresh rainbow trout and smallmouth bass. Advances in manufacturing, in both textiles and furniture, are on the rebound in providing job opportunities and economic growth.

Areas of 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 and quicker commutes to jobs; provide better community connectivity and better access to healthcare services.

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.

Workforce Development: Economic opportunity is dependent on a highly skilled workforce and Western North Carolina proudly boasts fourteen 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. To date, more than 4,576 Finish Line Grants have been awarded to deserving students in need: totaling more than $2.8 million. An on-going priority for the State's Division of Workforce Solutions (DWS) is supporting businesses affected by COVID-19. DWS is collaborating with local area Business Services Representatives and more than 1,960 businesses, across 21 industries in 89 counties, that have been adversely affected by the crisis to-date. In partnering with local Workforce Development Boards, NCWorks Career Center staff are providing virtual services for job seekers and employers.

Tourism: 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. In addition, outdoor recreation offers opportunities in 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. Continued efforts to promote entrepreneurship as an economic development strategy and to invest in local initiatives are needed.

Hometown STRONG: Governor Cooper has made rural North Carolina a top priority and launched the Hometown STRONG initiative in 2018, to leverage local, state and federal resources to support the needs of local communities. The following 13 ARC counties are currently participating in this effort: Alexander, Burke, Graham, Madison, McDowell, Mitchell, Polk, Rutherford, Surry, Swain, Yadkin, Yancey, and Wilkes. 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. https://hometownstrong.nc.gov/

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 twenty-nine (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 throughout 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 sustained 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 mental and physical 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 to meet their needs.

The following are examples of types of projects Governor Cooper supports, using 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: co-package plants, small business incubators, regional agriculture markets, community loan funds, small business plan competitions, and small business mentorship programs.

NC Project Highlight

The Town of Drexel was awarded a $300,000 ARC grant for critical sewer rehabilitation on the site of the former Drexel Heritage Plant, once the leading employer in town. Once complete this 72-acre parcel will be ready for redevelopment with hopes to attract new advanced manufacturing companies to the town.

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, STEAM and Entrepreneurship Education programs, career pathway program development, apprenticeships, health care training programs, rural health care clinics, recovery to work programs, 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.

NC Project Highlight

The Blue Ridge Parkway Foundation was awarded a $300,000 ARC grant to help renovate the historic Bluffs Restaurant along the Blue Ridge Parkway in Alleghany County. For over sixty years, the Bluffs Restaurant, located at the mid-way point of the Blue Ridge Parkway, was one of only three places where travelers could have a meal. The remodeled restaurant should open in 2020.

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 production and distribution, forestry and farm programs, downtown streetscape projects, downtown revitalization, regional craft and art trails, tourism development, establishment of gateway community programs, and regional outdoor recreation and 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.

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 efficiently deploying ARC's investments in North Carolina.

General Information

- All application materials will be published on-line at www.nccommerce.com.
- 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.
- Project must show economic viability and sustainability.
- 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 aid;

- 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 at least 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 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.

<u>Funding Guidance</u>

- 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.
- 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.

<u>Match Guidance</u>

- All projects require match; match amount ranges depending on county(ies) served.

- Match may be cash or in-kind. Can use other federal funds for match.
- If there is a distressed county in the project and at least half of the counties are distressed, the project may be funded at up to 80% of project costs.
- If least half of the counties are some combination of distressed and at-risk counties, ARC assistance can be the higher of 70% of project costs or the average percentage applicable to the various counties in the project.
- If fewer than half the counties are distressed, ARC assistance can be the higher of 50% of project costs or the average percentage applicable to the various counties in the project.
- If there is no competitive county nor attainment county in a project, and at least half the counties are at-risk, the project may be funded at up to 70% of project costs.

Economic Status of County Project will Serve	ARC/Applicant Match Rate
Distressed County	80% / 20%
At-Risk County	70% / 30%
Transitional County	50% / 50%
Competitive County	30% / 70%

General Funding Timeline for FY 2021*

- Pre-Application Packet published on-line March 1, 2020.
- Pre-Applications will be due on April 20, 2020.
- Applicants will be invited to submit full applications by June 3, 2020.
- Full Applications will be due on July 31, 2020.
- Governor's Project Recommendations will be submitted to ARC by October 1, 2020.

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