

MINUTES  
NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD  
West Jefferson North Carolina  
May 28-29, 2008

On Wednesday, May 28, 2008, the North Carolina Economic Development Board met at the Jefferson Landing Lodge in West Jefferson. At 2:30 p.m., Chairman Whichard called the meeting to order. He thanked everyone for coming to the meeting and read the Ethics Awareness & Conflict of Interest Reminder to all members present.

The meeting started with a windshield tour of the Barn Quilt Trail. Mr. Michael Almond, Special Assistant for Economic Development, Appalachian State University, welcomed the Board and guests. He was a great tour guide for the beautiful venues showcased in the tour of Ashe County. He introduced Ms. Jane Lonon, Director of Ashe County Arts Council, and she talked about the arts and the role they play in economic development in Ashe County. She pointed to several of the Barn Quilts and explained how they came to exist. Dr. Patricia Mitchell, Director of Economic Development for Ashe County, talked about some of the great assets in Ashe County during the windshield tour.

Following the windshield tour, the group visited GE Aviation and Creative Food Ventures. Lastly, a stop was made at the Hudler Christmas Tree Farm. West Jefferson Mayor and owner of the Hudler Christmas Tree Farm, Dale Hudler, briefed everyone regarding farming Christmas trees.

After a brief return to the Jefferson Landing Lodge, the meeting reconvened with a tour of St. Mary's Church's marvelous frescoes. A dinner meeting was held at the Glendale Springs Inn and Restaurant. Many of the local county officials welcomed the group and each shared with the members and guests their areas of expertise. They talked of the High Country and its attributes to economic development in North Carolina.

At 8:00 a.m. on Thursday, May 29, 2008, Chairman Whichard called the meeting to order. He thanked everyone for coming to the meeting and read the Ethics Awareness & Conflict of Interest Reminder. He also thanked all the hosts and sponsors for a wonderful day on Wednesday that included a tour that allowed the Board and guests to see a lot of the economic activities going on in Ashe County. He talked about the tour of Creative Food Ventures, GE Aviation and the Christmas tree farms. The group enjoyed the Barn Quilts that adorned the area, and there was a stop by St. Mary's Church to admire the frescoes.

A motion was made and seconded to approve the minutes of the February 13, 2008, Board meeting as presented. The motion carried.

Secretary Fain also thanked all the sponsors on behalf of the N.C. Department of Commerce for hosting the Board meeting. He gave an update on the Department of Commerce activities as follows:

1. Project assignment activity has been stronger than the last 3-4 years. The number of new projects assigned through May was 151; that is an increase of about 23%. The number of projects that announced is down 28%. The amount of investments associated with the projects during this period was up 26%.
2. Marketing and promotional activities in which Commerce is involved in that are underwritten, in part, by the Friends of North Carolina. An event was hosted for the aerospace companies' leadership in North Carolina. This brought together business leadership of aerospace companies in North Carolina, with economic development and higher education and other interests, to work more closely together. He talked about the consultants' event that was held in New York, and an event held in Pinehurst for location consultants. Also mentioned was an exhibit space at the Farnborough Air Show that is being planned for July outside of London and that North Carolina will host the Southeast Japan meeting in Raleigh. Secretary Fain thanked the General Assembly, Lloyd Yates, Board member and President and CEO of Progress Energy, and the North Carolina Partnership for Economic Development for helping to underwrite this meeting.
3. Secretary Fain discussed "***North Carolina – An Economy in Transition.***" This handout talks about the employment growth and shifts in North Carolina from January 2001 – March 2008.
4. Spirit AeroSystems located at the Global TransPark – Secretary Fain said this project would not have happened without the thoughtful grant provided by the Golden LEAF Foundation. He talked about the other tax credits that were given to the company and the training that will be provided by the Community Colleges System.
5. Formalizing the delivery of services for North Carolina businesses, large and small. Because there are a lot of services delivered from a number of providers, the idea is to form a partnership that will let people know what is available to them and how they can access that service. He talked about the Memorandum of Understanding titled **The North Carolina Partner Network**. This MOU documents the mutual commitments to enhance the state's services delivery rate. He emphasized that this is a **draft** marketing piece.
6. He talked about the many efforts put into education and renovation investments in the state by the Board.
7. Secretary Fain met with the Appropriations Subcommittee – this was an opportunity for him to submit to them some things that they may consider in the future. He stated that unless the State of North Carolina, which is a service business driven by people and their talent, finds a way to compensate folks for their services, the State is not well prepared to deal with the transition of people leaving the state.
8. Secretary Fain announced Rita Harris as the new Legislative Liaison with the Department of Commerce. In Rita's absence at the meeting, he gave a report on the ***Department of Commerce Legislative Update – May 28, 2008*** handout. This relates to the House NER Subcommittee and their budget recommendations and amendments. Also included in the handouts was the Department of Commerce Objectives for 2008. He asked for

support from Chairman Whichard and the Board by asking them to help support Commerce's efforts with the budget requests.

Dr. Margaret Dardess, Associate Vice Chancellor for Strategic Alliances at the University of North Carolina at Chapel Hill's School of Medicine, Chair of the Science and Technology Board, and Economic Development Board member, gave a presentation on the One North Carolina Small Business and the North Carolina Green Business Funds. She strongly encouraged the Board to support Governor Easley's recommendation for funding for these funds in the 2008-2009 legislative sessions through the approval of two resolutions of support. She read the One North Carolina Small Business Program Resolution and asked the Board to approve this request. A motion was made and seconded. The motion carried. The second resolution related to the North Carolina Green Business Fund. After reading the resolution, a motion was made and seconded to support this request. The motion carried.

Chairman Whichard thanked Dr. Dardess and told her the resolutions would be signed and delivered promptly to the General Assembly.

Chris Harder, Senior Economist, Policy, Research & Strategic Planning Division, gave a presentation on the Economic Overview. As stated in the Executive Summary, the **2008 North Carolina Economic Index** is a tool created to assist the state's economic development leaders in addressing North Carolina's economic strengths, challenges and opportunities. The report focuses on North Carolina's performance against six comparison states (GA, MA, MI, PA, SC and VA) and the United States overall. North Carolina's economy is successful according to many measures. The state continues to attract people and business, and the productivity of its labor force continues to improve. Ensuring economic opportunity for all North Carolinians, regardless of income level or geographic location, should continue to be an essential goal of the state's economic development policy.

John Silvia, Wachovia Chief Economist and Economic Development Board member, talked about the national economy and trends. He said that North Carolina is not in a recession. He also noted that tax revenues are going to be down due to companies making less profit and workers will have to have more training.

Chris Harder introduced Michael Haley, Policy Analyst, and Anna Lea, Social Research Associate with the Policy, Research & Strategic Planning Division of the Department of Commerce. Mr. Haley explained a report titled ***Developing Strategies for Widely Shared Prosperity – A New Lens for Understanding Rural-Urban Integration***. This report applies Dr. Andrew M. Isserman's methodology to analyze all 100 counties in North Carolina through a new economic development lens. It defines counties using more detailed definitions of urban and rural, while simultaneously considering a county's level of economic interdependence or integration with a metropolitan or micropolitan area. This issue is of increasing significance, as counties, cities, and towns in North Carolina continue to become more economically interdependent.

Mr. Harder continued the presentation on the rural-urban integration report. There was much discussion related to how counties are classified and their benefits.

Stephanie McGarrah, Assistant Secretary for Policy, Research & Strategic Planning, North Carolina Department of Commerce, gave the Board an update on the status of the Development Hub Study. Ms. McGarrah said that she wanted to thank Leslie Boney for supporting a study with North Carolina State University and UNC-Chapel Hill working together. Dr. Michael Walden will take the first stab at defining how we should look at development hubs. This part of the study will be funded by the Department of Commerce. When Dr. Walden is finished, it will go to Will Lambe, UNC School of Government, for a look at best practices around the country in terms of how they have listed and implemented development zones. This part of the study will be funded by Progress Energy through the Friends of North Carolina. The final date for completion of this study is January 30, 2009.

Chairman Whichard thanked Ms. McGarrah for the update on the Development Hub Study. This project enabled the Board to spend some time in their last years doing something specific that would further the Board's and Administration's goal. He said that individual Board members will be asked to advocate on some policy and funding issues.

The meeting was recessed for a few minutes for everyone to visit the Mobile Wine Lab that was set up in front of the Jefferson Landing Clubhouse. Michael Almond, Appalachian State University, Special Assistant to Chancellor Peacock for Economic Development and member of Golden LEAF Board, explained the initiative that was put together to test wine in-state. This initiative would be to take the testing laboratory to the vendors. Funding from Golden LEAF made this effort possible.

Secretary Fain talked about a special provision in the budget that would use some reserves to fund a workforce commission plan on the value of education and the importance of people staying in school.

He also talked about the importance of industry clusters, starting with industry sectors, and the deadline of June to get the matrix finished by UNC Chapel Hill. It will focus on cluster analysis of our state and develop the tools that will enable the Board, Commerce and all of the partners to benefit and reap the opportunities from the clustering effect.

Michael Almond said that the Spirit announcement is a perfect example of how North Carolina vindicates aerospace defense and Homeland Security issues and will be for the foreseeable future. He said that he was proud to say that in Northwest North Carolina they are ahead of the game and will continue to be a major player in this industry in the years to come.

He also stated that in North Carolina, particularly Northwestern North Carolina, there is a lot of very good manufacturing left to be done here. General Electric Aerospace doubled their output in one year's time from \$80-\$166 million of output by adding seven people.

John Hauser, Dean, Wilkes Community College, Industrial and Engineering Technologies Division led the presentation and discussion on *Rural Prosperity with a Multi-county Approach*. He talked about the history, development and goals of the cluster development. “Traditional economic development policy has been an effective tool and while these tools are effective, they are not innovative. Legislators, government and academic leaders need to become entrepreneurs. Now is the time for new ways of thinking about policy development, the future of North Carolina and the poverty levels that continue to widen our socio-economic gaps,” stated Hauser.

Mr. Hauser continued to state that “North Carolina has a significant opportunity to strengthen its efforts and focus on the advanced materials industry. There is strong evidence in our State, and in the nation, that advanced materials are thriving and are moving our traditional materials toward another transformational change in technology. The way we fabricate and manufacture products are undergoing momentous change. To be successful in the advanced materials sector we must change the way we think about and the way we practice economic development. We must provide our businesses and industries, educators and government with the policies, resources and tools to succeed in the new economy. The development of the discussed economic development policy tools will help to ensure our success.”

Dan McMillan, Ashe County Manager, explained how the discussion on multi-county approach originated. There was a need of some kind of organization that could benefit everyone. County managers are responsible for their territory. Mr. McMillan said that he is going to make sure his people have what is necessary for them to have opportunities for growth, jobs and advancement within his county. He said he felt that what was good for the region, will also benefit his employees and people. He stressed the importance of each county providing the opportunities for their people to work in the county in which they reside, but realizes that folks are going to work where they choose. And that said, the multi-county approach would be successful if they could find someone that all parties could trust. Mr. McMillan said that Mr. John Hauser was the logical choice since he was familiar with all three counties, (Ashe, Allegheny and Wilkes), but was not from any of these counties. One of his final comments was “if we don’t have the ability to use it here, then I want to make sure that all the regions are given an opportunity.” That is called regional collaboration.

Grant Godwin, Vice President, Martin Marietta Composites, gave his presentation on a public sector prospective. Mr. Godwin talked about county and state boundaries being blinders. Speaking from a private industry perspective, he stated that going over state lines was not a concern of his. “Getting people focused on commonalities and convincing them that they are stronger as a group, then you are ahead of the game, and you can always accomplish more,” he stated. He continued to talk about advanced materials sectors and the enormous opportunity the State has to be a leader across the board in all sectors. He talked about a product that Martin Marietta is currently working on that is a commercial freight trailer that will increase capacity by 15%. That has the potential of removing one of every seven trucks from the roads of the United States. They are also working on a truck project that will be taking fuel efficiency commercial delivery trucks and make them more than 50% fuel efficient. A concern he raised was

how to transition the existing manufacturing person in North Carolina to run computers, read blueprints, and adapt to the new skill requirements for these positions.

Mr. Dale Carroll, President and CEO, Advantage West and Economic Development Board member, talked about regional partnering. The *Five-Year Vision Plan for the Economy of the Advantage West Region: 2004-2009* contains:

1. Realistic economic development goals for the AdvantageWest region,
2. A profile of the clusters of innovation expected to drive the future job market of the region and its four sub-regions; and
3. A corresponding plan for developing the necessary higher-education curricula to prepare the region's workers for that future job market.

Mr. Carroll noted that in western North Carolina that crossing boundaries started in tourism. An example of that is when Tweetsie Railroad decided to do some marketing with Grand Father Mountain in an adjoining county; recognizing that they would be more effective and more efficient in their efforts. He explained this was accomplished by utilizing all the resources within the region to accomplish the ultimate goal of marketing all the assets within this area.

He gave several examples of cross-county cooperation in the manufacturing sector and how the collaboration helped promote and sustain the companies located within their respective areas.

Mike Almond concluded the meeting by stating there are three basic things to take away from this meeting.

1. If the 21<sup>st</sup> Century knowledge based economy is real, higher learning must be part of the economic development process, strategy, and goals of the state of North Carolina.
2. Connect the dots – regionalism, clusters and workforce development and training.
3. Leveraging your resources in terms of funding and financing economic initiatives.

Questions and answers followed the discussions.

Chairman Whichard thanked the panelist and presenters. He also thanked Libby Smith, Stephanie McGarrah and Kay Langston for assisting with the planning of the meeting. He reminded the Board members that the next scheduled meeting is September 24-25 at the North Carolina Biotechnology Center at the Research Triangle Park. The November meeting will be held in Asheville.

As there was no further business to come before the Board, the meeting was adjourned at 12:05 p.m.