

# North Carolina Appalachian Regional Commission Program

2021-2024 Development Plan



Appalachian  
Regional  
Commission



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*State of North Carolina  
Office of the Governor*

*Roy Cooper  
Governor*

January 14, 2022

*20304 Mail Service Center  
Raleigh, N.C. 27699-0304*

Mr. Brandon McBride, Exec. Director  
Appalachian Regional Commission  
1666 Connecticut Ave., N. W., Suite 700  
Washington, D. C. 20009-1068

Dear Mr. McBride:

I am pleased to submit North Carolina's updated four-year Appalachian Development Plan for 2021-2024.

This 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.

We look forward to working with the Commission to help the people in our ARC counties build a better future.

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

Sincerely,

A handwritten signature in black ink that reads "Roy Cooper".

Roy Cooper

*RAC/sm/ew*

cc: Jim McCleskey  
Olivia Collier

Enclosures

## Acknowledgements

This 2021-2024 Appalachian Development Plan was prepared by the North Carolina Appalachian Regional Commission Program Office with the cooperation and support of the six Local Development Districts, North Carolina Department of Commerce, and staff in Governor Roy Cooper's office. These individuals each contributed significantly to the preparation of this report and their assistance is gratefully acknowledged:

Russ Harris  
*Executive Director*  
Southwestern Regional Planning  
Commission

Nathan Ramsey  
*Executive Director*  
Land of Sky Regional Council

Thadd Hodge  
*Interim Executive Director*  
Foothills Regional Commission

Julie Wiggins  
*Executive Director*  
High Country Council of Governments

Anthony Starr  
*Executive Director*  
Western Piedmont Council of  
Government

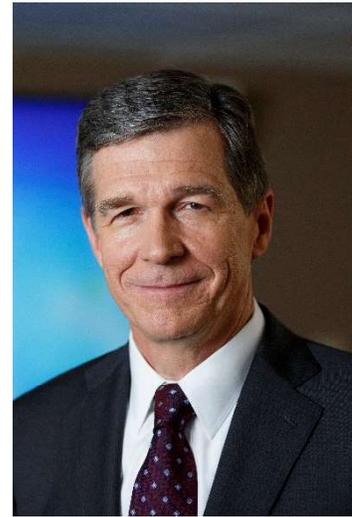
Matthew Dolge  
*Executive Director*  
Piedmont Triad Regional Council

Jim McCleskey  
*Director, Washington Office*  
Governor's Office

The Appalachian Development Plan was prepared by the staff of the North Carolina Department of Commerce's Rural Economic Development Division under the direction of Kenny Flowers, Assistant Secretary for Rural Economic Development. Staff direction for this project was provided by Olivia Collier, ARC Program Manager. NC Program Staff include Ann Bass, Kyle Case, Olivia Collier and David McRae.

# North Carolina Appalachian Development Plan 2021-2024

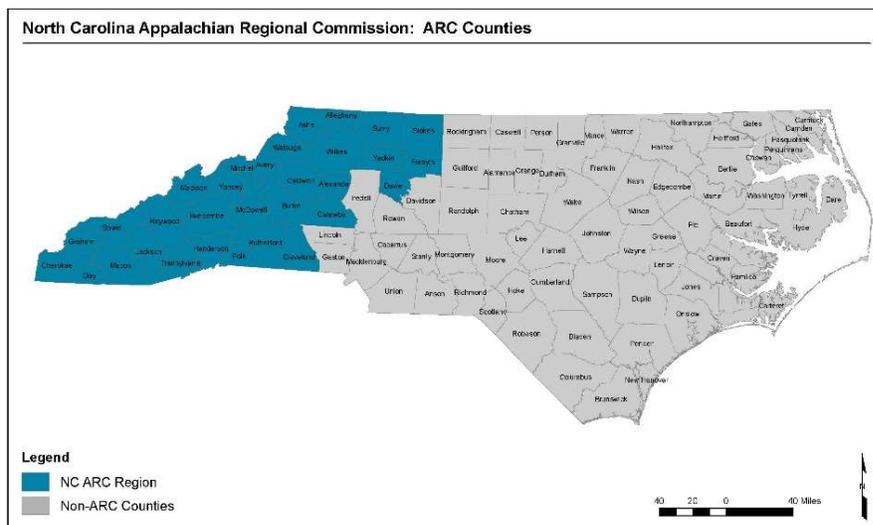
The Appalachian Regional Commission’s (ARC) Program in North Carolina supports Governor Roy Cooper’s vision to build a state with an economy that works for everyone. Governor Cooper was sworn into office for his second term on January 9, 2021. The Governor has spent over three decades in public service to the state as advocate for families, communities, jobs, and education. The Governor recognizes that for all North Carolinians to succeed, investments must be made to ensure that students have access to the tools they need to chart their future, support the creation and retention of jobs, and strengthen communities across the state. 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 support investments in projects that will enable communities and the region to be prepared and ready to compete for economic success. These investments will assist the Governor in continuing his mission to build a better North Carolina.



*Governor Roy Cooper*

This document, in accordance with Section 5.3 of the Appalachian Regional Commission Code, will serve as North Carolina’s Appalachian Regional Commission Development Plan for 2021-2024. The purpose of this plan is to establish a process that sets forth goals, objectives, priorities, and policies for North Carolina’s Appalachian Regional Commission (ARC) Program. This plan will also identify broad statewide issues and needs that the Governor has chosen to address with ARC resources and sets priorities for project development. The implementation of this plan will continue

to meet the diverse and changing needs of Western North Carolina by targeting resources to accomplish the defined goals and objectives of both ARC and the Governor.



*Map 1: ARC Counties FY 2022*

The North Carolina Program will support the guiding principles of the ARC. The principles ensure that the support provided to the state by

the Commission provides the greatest impact. The program is committed to innovating, partnering, and investing in ways that:

- Ensure alignment of ARC investments and activities with the articulated goals of impacted communities;
- Address and alleviate persistent economic distress in the Region;
- Seek transformational outcomes for projects, investments, and other efforts by leveraging resources, capitalizing on assets, and stimulating investment;
- Drive collaboration, including collaboration across boundaries;
- Collaboration is the core of ARC's work and is reflected in the planning and implementation of ARC projects and investments;
- Remain flexible to ensure responsiveness to evolving regional needs and challenges;
- Seek out, disseminate, and advance ideas and solutions for regional challenges;
- Build the capacity of grassroots efforts;
- Actively seek equitable access, participation, and representation for all of ARC's activities and investments;
- Balance the opportunities offered through our unique geography with conservation of our natural and cultural assets and heritage;
- Encourage economic development efforts that consider environmental impacts;
- Ensure ARC focus, support, and engagement is inclusive of the entire Region;
- Hold itself, partners, and grantees accountable for achieving performance.



## Appalachian Regional Commission Overview

The ARC was created by the Congress in 1965 to address economic and quality of life issues in the thirteen-state Appalachian region. In the 1960s:

- One of every three Appalachians lived in poverty
- Per capita income was 23% lower than the U.S. average
- High unemployment and harsh living conditions had, in the 1950s, forced more than two million Appalachians to leave their homes and seek work in other regions

In 1960, the governors from New York, Pennsylvania, Ohio, Maryland, Virginia, West Virginia, North Carolina, Tennessee, Kentucky, South Carolina, Georgia, Alabama, and Mississippi formed the Conference of Appalachian Governors to develop a regional approach to resolving these problems. In 1963, President Kennedy formed a federal-state committee that came to be known as the President's Appalachian Regional Commission (PARC) and directed it to create a detailed program for the economic



*Map 2: The 13 ARC States*

development of the region. The resulting program was outlined in an April 1964 report that was endorsed by the Conference of Appalachian Governors. President Lyndon B. Johnson submitted legislation to Congress based on the PARC's report. The Appalachian Regional Development Act was passed early in 1965 by a broad bipartisan coalition and signed into law.

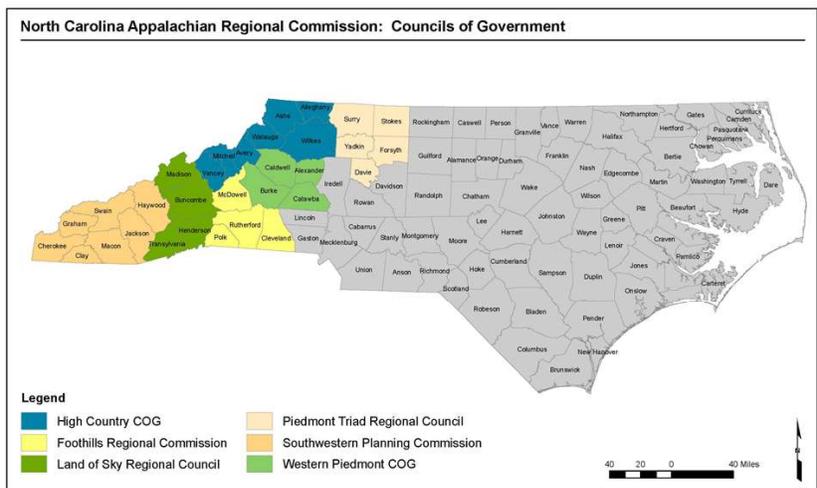
### Federal-State Partnership

This federal-state partnership works to create opportunities for self-sustaining economic development and improved quality of life for the people of Appalachia. The region includes 423 counties and stretches from southern New York to northern Mississippi. The governors from the thirteen Appalachian states and the Federal Co-

Chair, appointed by the President, comprise the Commission. Governor Roy Cooper is North Carolina’s member of the Commission; Jim McCleskey, the Director of the Governor’s 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 portion of North Carolina, commonly referred to as Western 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 31 counties are served by six Local Development Districts (LDDs). The LDDs 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.



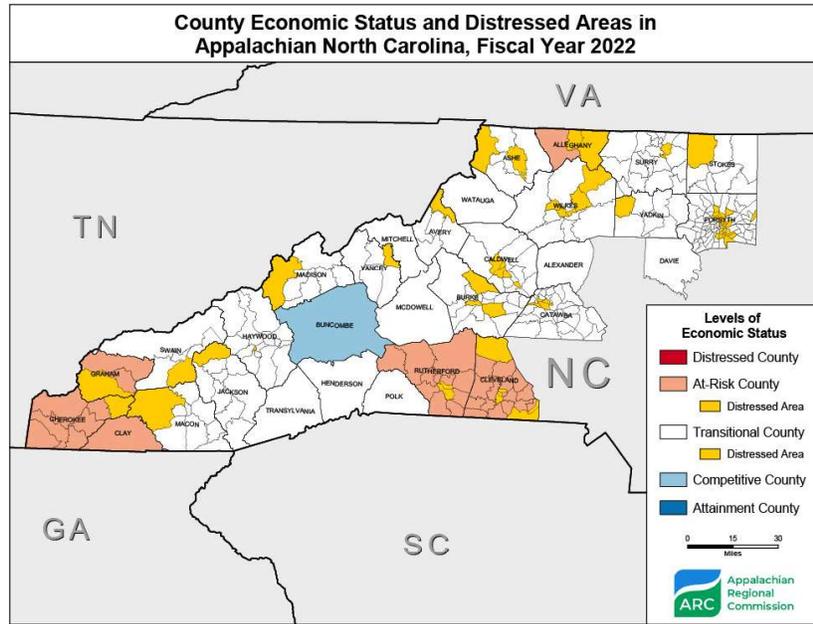
**Map 3: NC ARC Region Councils of Government FY 2022**

The North Carolina ARC Program works closely with the LDDs in the development of projects that are consistent with the ARC Code and guidelines. Each LDD is governed by a Board of Directors comprised of local government representatives. The LDDs are an active and critical part of the ARC partnership. The North Carolina ARC Program Manager meets

with the LDDs regularly to discuss regional issues and to gauge the need for ARC resources. The LDDs provide support to the North Carolina ARC program office in determining which projects should be recommended to the Governor for approval by ARC.



The Commission recognizes that some areas in non-distressed counties have substantially higher poverty or lower income levels than national averages and should be considered economically distressed. Accordingly, ARC designates "distressed areas," those census tracts in at-risk and transitional counties that have a median family income no greater than 67 percent of the U.S. average and a poverty rate 150 percent of the U.S. average or greater. Designations are revised annually using the latest five-year estimates from the American Community Survey. These areas should be an important focus of ARC's assistance.



*Map 5: NC ARC Region Distressed Areas FY 2022*



# North Carolina ARC Region Overview

## Demographics

*Appalachia* refers to regions in the central and southern Appalachian Mountains and covers a 205,000-square-mile region that follows the spine of the Appalachian Mountains from southern New York to northern Mississippi. It includes all of West Virginia and parts of 12 other states: Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.<sup>1</sup> The North Carolina Appalachian region, bordered by southwest Virginia, eastern Tennessee, northeast Georgia, and upstate South Carolina, is in the Blue Ridge Mountains and covers the 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 following section provides a high-level overview of the region’s demographics.

## Population

**Table 1: Total Population Change in North Carolina, 2010-2020**

Population	Population, April 1, 2020	Change Since July 1, 2010	
		Number	Percent
<b>North Carolina</b>	<b>10,439,388</b>	<b>+ 903,905</b>	<b>+ 9.5</b>
Appalachian North Carolina	2,024,373	+ 73,029	+ 3.7
Non-Appalachian North Carolina	8,415,015	+ 830,876	+ 10.9

*Table 1 Data Source: US Census Bureau, 2020 Census and 2010 Census, PL94-171, Prepared by North Carolina Office of State Budget & Management, Demographic & Economic Section*

The population of Appalachian North Carolina, and North Carolina as a whole, increased from 2010 to 2020. Yet, Appalachian North Carolina’s population grew at a slower rate than the overall state and 15 out of 31 Appalachian North Carolina counties lost population during that same period.

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<sup>1</sup> *Appalachian Regional Commission* - <https://www.arc.gov/counties>

## Economic Status

**Table 2: Labor Force, Employment, and Unemployment Status of Persons Ages 25 to 64 in the Appalachian Region, 2015-2019**

Labor Force, Employment, and Unemployment	Total Number of Civilian Persons Ages 25-64	Total Persons Ages 25-64 in Civilian Labor Force		Employment Rate (Pct. of Civ. Labor Force)	Unemployment Rate (Pct. of Civ. Labor Force)
		Number	Percent		
<b>North Carolina</b>	<b>5,306,449</b>	<b>4,079,253</b>	<b>76.9</b>	<b>95.6</b>	<b>4.4</b>
Appalachian North Carolina	892,204	662,384	74.2	96.1	3.9
Non-Appalachian North Carolina	4,414,245	3,416,869	77.4	95.5	4.5

Table 2 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

Throughout the COVID-19 pandemic employment and labor force participation was significantly impacted. According to the Local Area Unemployment Statistics (LAUS), in April 2020 the average unemployment rate in Appalachian North Carolina counties was 14.4% and the statewide labor participation was 57.7%. By October 2021 the region's unemployment rate had dropped to 3.4% but the statewide labor force participation rate remained relatively unchanged at 59%. The COVID-19 pandemic created substantial disruptions and uncertainty in the labor market.

**Table 3: Household, Family, and Per Capita Income in the Appalachian Region (In Adjusted 2019 Dollars), 2015-2019**

Income	Household Income, 2015-2019 (2018 Dollars)		Family Income, 2015-2019 (2018 Dollars)		Per Capita Income, 2015-2019 (2018 Dollars)
	Mean HH Income	Median HH Income	Mean Family Income	Median Family Income	
<b>North Carolina</b>	<b>76,940</b>	<b>54,602</b>	<b>91,227</b>	<b>68,435</b>	<b>30,783</b>
Appalachian North Carolina	67,432	48,457	80,381	62,288	28,280
Non-Appalachian North Carolina	79,035	56,514	93,558	70,350	31,299

Table 3 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

Median household income in Appalachian North Carolina is more than \$8,000 less than the median household income in the rest of North Carolina and more than \$14,000 less than the median household income for the United States.

**Table 4: Number of Persons in the Appalachian Region in Poverty, by Age Group, 2015-2019**

Poverty Status	All Ages	Under Age 18	Ages 18-64			Ages 65 and Over
			Total	Ages 18-24	Ages 25-64	
<b>North Carolina</b>	<b>1,467,591</b>	<b>478,877</b>	<b>843,693</b>	<b>197,131</b>	<b>646,562</b>	<b>145,021</b>
Appalachian North Carolina	264,539	78,792	154,881	34,286	120,595	30,866
Non-Appalachian North Carolina	1,203,052	400,085	688,812	162,845	525,967	114,155

Table 4 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

**Table 5: Percent of Persons in the Appalachian Region in Poverty, by Age Group, 2015-2019**

Poverty Status	All Ages	Under Age 18	Ages 18-64			Ages 65 and Over
			Total	Ages 18-24	Ages 25-64	
<b>North Carolina</b>	<b>14.7</b>	<b>21.2</b>	<b>13.8</b>	<b>23.3</b>	<b>12.2</b>	<b>9.1</b>
Appalachian North Carolina	15.5	23.0	15.2	25.7	13.7	8.9
Non-Appalachian North Carolina	14.5	20.9	13.5	22.9	11.9	9.2

Table 5 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

**Table 6: Percentage Point Change in the Share of Persons in the Appalachian Region in Poverty, by Age Group, 2010-2014 to 2015-2019**

Poverty Status	Percentage Point Change in Share of Persons in Poverty					
	All Ages	Under Age 18	Ages 18-64			Ages 65 and Over
			Total	Ages 18-24	Ages 25-64	
<b>North Carolina</b>	<b>- 2.9</b>	<b>- 3.8</b>	<b>- 2.7</b>	<b>- 5.9</b>	<b>- 2.1</b>	<b>- 0.8</b>
Appalachian North Carolina	- 3.6	- 4.8	- 3.5	- 8.3	- 2.6	- 1.0
Non-Appalachian North Carolina	- 2.8	- 3.5	- 2.5	- 5.4	- 2.0	- 0.7

Table 6 Data sources: U.S. Census Bureau, 2010-2014 and 2015-2019 American Community Surveys

The percentage of people in poverty within Appalachian North Carolina is higher than that of non-Appalachian North Carolina. Although, the percentage of people in poverty within Appalachian North Carolina decreased by 3.6% from the period of 2010-2014 to 2015-2019.

**Table 7: Travel Time to Work for Workers Ages 16 and Over in the Appalachian Region, by Amount of Time, 2015-2019**

Travel Time to Work (Minutes)	Workers Ages 16 and Over	Percent of Workers Ages 16 and Over				Mean Travel Time to Work (Minutes)
		Less Than 15 Minutes	15 Minutes to 29 Minutes	30 Minutes to 59 Minutes	60 Minutes or More	
<b>North Carolina</b>	<b>4,482,594</b>	<b>26.6</b>	<b>39.8</b>	<b>27.3</b>	<b>6.3</b>	<b>24.8</b>
Appalachian North Carolina	730,321	29.4	42.1	23.3	5.2	23.1
Non-Appalachian North Carolina	3,752,273	26.0	39.3	28.1	6.5	25.1

Table 7 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

**Table 8: Place of Work (State and County Level) for Workers Ages 16 and Over in the Appalachian Region, 2015-2019**

Place of Work (State and County Level)	Workers Ages 16 and Over	Percent of Workers Ages 16 and Over			
		Worked in County of Residence	Worked Outside County of Residence		
			Total	Worked in State of Residence	Worked Outside State of Residence
<b>North Carolina</b>	<b>4,758,740</b>	<b>71.1</b>	<b>28.9</b>	<b>26.3</b>	<b>2.6</b>
Appalachian North Carolina	773,420	71.6	28.4	26.0	2.5
Non-Appalachian North Carolina	3,985,320	71.0	29.0	26.4	2.7

Table 8 Data source: U.S. Census Bureau, 2015-2019 American Community Survey

On average, commute times are shorter in Appalachian North Carolina than other parts of the state. Twenty-eight percent of Appalachian North Carolina’s workers travel outside of their county of residence for employment.

## Education

The region is served by five public universities—Appalachian State University, the University of North Carolina at Asheville, the University of North Carolina School of the Arts, Winston-Salem State University, and Western Carolina University—as well as 16 community colleges and numerous private colleges and universities. These institutions provide numerous benefits and resources to their communities and the region. Continued partnerships and collaboration with the educational institutions provide great opportunities to advance community and economic development within Appalachian North Carolina.

**Table 9: Educational Attainment of Persons Ages 25 and Over in the Appalachian Region, 2015-2019**

Education (Highest Level Attained)	Total Population Ages 25 and Over, 2015-2019	Percent of Population Ages 25 and Over					
		Less than High School Diploma	High School Diploma or More				
			Total	H.S. Grad, No Post-secondary Degree	Associate's Degree or More		
				Associate's Degree	Bachelor's Degree or More		
<b>North Carolina</b>	<b>6,983,859</b>	<b>12.2</b>	<b>87.8</b>	<b>46.9</b>	<b>40.9</b>	<b>9.7</b>	<b>31.3</b>
Appalachian North Carolina	1,248,726	13.3	86.7	49.6	37.1	10.1	27.0
Non-Appalachian North Carolina	5,735,133	12.0	88.0	46.3	41.7	9.6	32.2

*Table 9 Data source: U.S. Census Bureau, 2015-2019 American Community Survey*

Fewer individuals in Appalachian North Carolina have obtained a high school diploma compared with the rest of North Carolina. Also, there are fewer individuals in the region with a bachelor’s degree compared to other parts of the state. However, the number of individuals with a bachelor’s degree has risen by 2.5% from the periods of 2010-2014 to 2015-2019.

## Built Environment

### Transportation

North Carolina boasts over 78,000 miles of state-maintained roads and has the largest state-maintained highway network in the country, giving the region excellent access to Interstates 40, 85, 81, 95, 77, and 26, future I-73/74, and several other major U.S. highways. This highway system puts the region within a day’s drive of 75% of the U.S. population.

The region is served by three railroads: Norfolk Southern, Winston-Salem Southbound (which connects with CSX south of Charlotte, NC), and Yadkin Valley Railroad. Norfolk Southern Railroad Corporation provides rail lines through Knoxville, TN, to the west and Greenville, SC, to the south. To the east, rail lines adjoin North Carolina’s 3,600-mile rail network. Regional facilities offer loading and unloading, and a piggyback service is available. Passenger rail service is available approximately an hour away in Greer, SC, and thirty minutes away in Greensboro, NC.

Asheville Regional Airport is served by Allegiant, American Airlines, Delta Air Lines, Sun Country Airlines, and United Airlines, with short flights to nearby international airports in Atlanta and Charlotte, and other direct flights to 10 major cities. More than 200 destinations around the world can be reached with a single connection. Piedmont

Triad International Airport is located about 25 minutes east of Winston-Salem, just off Interstate 40, and provides daily non-stop flights to 17 cities. Major airlines include Allegiant, American, Delta, Spirit, and United. Smith Reynolds Airport, located about 10 minutes north of downtown Winston-Salem, is primarily a corporate aircraft base. The region is home to 14 commercial service and general aviation airports, which collectively generate more than \$3.8 billion in annual impact each year and are responsible for nearly 21,000 jobs. These airports support vital industries within their communities, connecting passengers and cargo to global markets.

North Carolina has two modern deep-water ports in Wilmington and Morehead City. Inland port services are available in adjoining regions like Charlotte and upstate South Carolina. Some western North Carolina companies also use ports in Charleston, SC, and Savannah, GA.

## **Broadband**

The NC Department of Information Technology, Division of Broadband and Digital Equity, works with local governments, private telecommunication companies and public/private networks to support the deployment of accessible telecommunications across North Carolina. The region has benefited from efforts to extend middle and last mile service throughout the region. The state works with partners to improve broadband service and access by encouraging competition and empowering communities. Furthermore, the Division of Broadband and Digital Equity is working to achieve digital equity throughout North Carolina to fully close the digital divide. They seek to accomplish this by providing affordable broadband internet service, increasing access to internet-enabled devices that meet the needs of the user, and offering digital literacy training.

The state supports efforts to provide access to affordable internet service to rural communities. This access is vital to increase their ability to engage in commerce, healthcare, education, and government services. The importance of access to reliable broadband service has been underscored during the COVID-19 pandemic. Most counties in the North Carolina Appalachian region have an average 70% to 90% broadband access at 25 MB and greater. Sixteen counties – Ashe, Stokes, Burke, Caldwell, Catawba, Cleveland, Watauga, Mitchell, Surry, Buncombe, Yancey, Wilkes, Yadkin, Davie, Forsyth, and Madison – have above 90% internet connectivity. Only eight counties – Cherokee, Polk, Transylvania, Clay, Graham, Rutherford, Macon, and Jackson – have less than 70%.

## **Water & Sewer**

North Carolina has a goal of establishing viable water utilities throughout the state. The North Carolina Department of Environmental Quality (DEQ) has recorded that

many of our state’s systems need substantial improvements to remain viable and provide clean drinking water and wastewater treatment. In 2017, DEQ completed a statewide “Infrastructure Master Plan”, that found over the next 20 years, the estimated capital costs for water system needs range from \$10 billion to \$15 billion, while costs for wastewater system needs range from \$7 billion to \$11 billion. There are almost 550 water systems owned by units of local government operating in the state; of these, more than 200 are small, with 2,000 or fewer water connections. More than 90 of these local government operated water systems are within Appalachian North Carolina. There are nearly 300 publicly owned sewer systems and treatment plants that collect, treat, and discharge more than 1.4 billion gallons of wastewater per day. In April of 2021, the State Water Infrastructure Authority identified 87 distressed water and wastewater units, as jointly designated by the Local Government Commission (LGC) and the State Water Infrastructure Authority (SWIA). Of those 15 are within the region.

Infrastructure investments have often been deferred which has led to many communities needing additional capital investments from a number of funding sources. Many units rely on subsidized loans to help fund infrastructure improvements. Communities throughout the region will continue to rely on loans coupled with resources from both state and federal agencies to update and extend necessary water and wastewater systems.

### Electricity & Gas

Utilities for the region are served by Duke Energy and several other electric membership corporations, commonly known as EMCs or Co-ops. Municipal electric providers also serve several communities in part of the region. Natural gas service is furnished by four companies: PSNC Energy, Piedmont Natural Gas, Toccoa Natural Gas, and Frontier Energy. Out of the 31 counties, Alleghany, Clay, Cherokee, and Graham are not assigned to any state’s natural gas local distribution companies due to funding issues and high cost of extending service into these rocky, mountainous counties.

### Housing

**Table 10: Housing and Affordability**

<b>Housing &amp; Affordability</b>	<b>% Owner Occupied</b>	<b>% Rental</b>	<b>% Vacant</b>	<b>Median Home Value</b>	<b>Persons per Household</b>	<b>ESRI Wealth Index</b>
Appalachian North Carolina	56.3	24.4	19.3	\$204,523	2.36	72
Non-Appalachian North Carolina	57.3	30.5	12.3	\$220,888	2.51	85

*Table 10 Data source: ESRI, 2021*

Rates of home ownership in Appalachian North Carolina are on par with the state as a whole. Although, median home values in Western NC are lower on average. Homeownership is a primary method for building wealth and financial equity. The lower wealth index reflects the result of lower median household incomes and home values in Appalachian North Carolina.



*Photo 1: Breaking ground on Pine Crossing, a 66 unit, multifamily housing development in Valdese, NC*

A recent *Housing Needs Assessment* of 18 ARC counties was conducted by Bowen National Research (BNR) for the Dogwood Health Trust. The study estimates the overall immediate need for family rental housing serving households that earn up to 120% of Area Median Household Income (AMHI) at the end of 2021 as 13,609 units and an additional 3,096 units of for-sale family housing serving the same income groups. The study indicates that the area's largest need is rental units for those families earning up to 50% of the AMHI. Housing quality is also a concern for the study area as these western North Carolina counties also exceed percentages in every indicator of substandard housing as compared to state levels.

### **Small Business Supports**

Small businesses and entrepreneurship are a critical component of the western North Carolina economy. Entrepreneurs and small businesses receive a broad range of support and training from a variety of organizations within the NC ARC region. Networks and collaboration among organizations including CDFIs, small business assistance providers, economic development officials, and other community leaders provide a strong entrepreneurial ecosystem within the region. North Carolina Small Business and Technology Development Centers (SBTDCs), a service administered by the University of North Carolina System, and the Small Business Centers, housed within the state's Community Colleges, provide accessible business development services across the state.

In the wake of COVID-19, strengthening entrepreneurial ecosystems can help communities become more economically strong and resilient.

## Tourism

Western North Carolina is home to some of the finest resorts, golf courses, spas, scenery, wineries, festivals, and attractions in the world. Places such as Cherokee, Biltmore House, Yadkin Valley Wineries, Chimney Rock Park, the Blue Ridge Parkway, and the Great Smoky Mountains National Park have attracted many tourists and created a significant economic impact. In 2003, the United States Congress designated the Western North Carolina region as the Blue Ridge National Heritage Area in recognition of the natural abundance and richly varied cultural history of the North



*Photo 2: Eastern Band of Cherokee Indians*

Carolina mountains. Also, in the same year, the United States' Bureau of Alcohol, Tobacco, Firearms and Explosives approved the new appellation for the Yadkin Valley American Viticulture Area (AVA) which allowed winemakers to bottle wines with a label indicating they came from the Yadkin Valley. This was the first AVA to be approved in the ARC region.

According to VisitNC, tourism spending totaled \$5.26 billion in western North Carolina during 2020, a year in which travel was disrupted by COVID-19. This figure is down from \$6.86 billion in 2019. After several years of sustained visitor spending increases in the NC mountains, only 6 of 31 NC ARC counties experienced an increase from 2019 to 2020. The remaining 25 counties experienced a decrease in visitor spending. Despite the complications to the industry brought on by COVID-19, in 2020 the region maintained more than 45,000 jobs and \$1.546 billion in payroll that are directly attributable to travel and tourism. State and local tax revenues from travel in the region amounted to \$488.6 million.

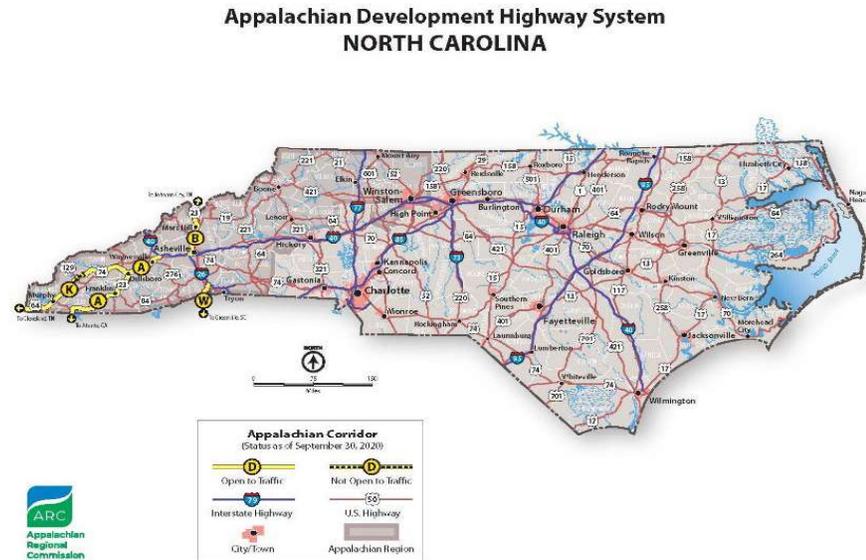
## Appalachian Development Highway System

In 1964, the President's Appalachian Regional Commission (PARC) reported to Congress that economic growth in Appalachia would not be possible until the region's isolation had been overcome. Because the cost of building highways through Appalachia's mountainous terrain was high, the region had never been served by adequate roads. The nation's interstate highway system had largely bypassed the Appalachian region, going through or around the region's rugged terrain as cost-effectively as possible.

The PARC report and the Appalachian governors placed top priority on a modern highway system as the key to economic development. As a result, Congress authorized the construction of the Appalachian Development Highway System (ADHS) in the Appalachian Development Act of 1965. The ADHS was designed to generate economic development in previously isolated areas, supplement the interstate system, connect Appalachia to the interstate system, and provide access to areas within the region as well as to markets in the rest of the nation.

The ADHS is currently authorized at 3,090 miles. By the end of FY 2020, 2,814 miles – 91.1% of the miles authorized – were complete or under construction. Many of the remaining miles will be among the most expensive to build. Completion of the ADHS remains a top priority for ARC.

Four ADHS corridors are located in North Carolina's portion of Appalachia. Corridor



**Map 6: ADHS in North Carolina**

A and Corridor K serve the southwestern portion of the region, both originating in Haywood County and tracking south and west into Jackson County. In Jackson County, Corridor A turns south and connects with Georgia. Corridor K continues through the tip of the state into Tennessee.

Corridor K includes the most expensive section that remains to be completed. The current cost estimate to complete North Carolina's ADHS system is over \$823.2 million, the majority of which is the \$760.5 million estimated cost of completing Corridor K. This roughly 18-mile section will provide improved highway access in Graham County. The expansion of Corridor B (Interstate 26) from Buncombe County north through Madison County provides the only four-lane road in Madison County. The final corridor, Corridor W, is nearly complete and passes through Henderson County, leading south into South Carolina. The state's intrastate highway system complements the ADHS. This network of state roads will bring four-lane access to 90% of the state's population when it is completed.

## **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 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. The effects of the COVID-19 pandemic have severely reduced or altered economic opportunities within this segment of the 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 river, 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**

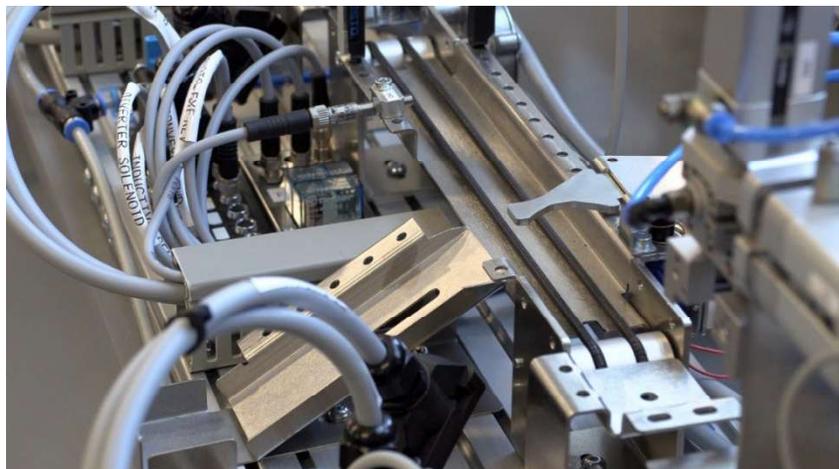
Building and maintaining the region's transportation infrastructure will provide safer, more efficient, and less costly commercial commodity transport, quicker commutes to jobs, better community connectivity, and better access to healthcare services.

### **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



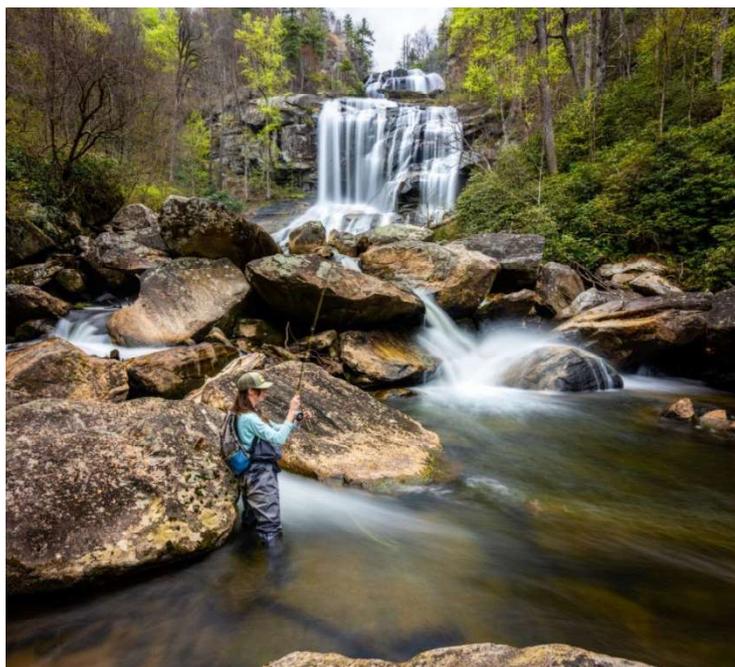
*Photo 3: Communities in western North Carolina need continued support to ensure they have access to the necessary resources to benefit from the growing advanced manufacturing sector*

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 3,000 Finish Line Grants have been awarded statewide to deserving students in need, totaling more than \$3 million. An ongoing priority for the State's Division of Workforce Solutions (DWS) is supporting businesses affected by COVID-19. In partnering with local Workforce Development Boards, NCWorks Career Center staff are providing virtual and in-person services for job seekers and employers.

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 due to 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.



*Photo 4: Outdoor recreation in western North Carolina offers an opportunity to strengthen community and economic development potential by leveraging the region's outdoor recreation culture to create entrepreneurial opportunities. Photo Credit: Brookings Anglers*

## 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 following 14 ARC counties are currently participating in this effort: Alexander, Burke, Caldwell, Cleveland, 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.

**HOMETOWN  
STRONG**

COMMUNITY FOCUSED PARTNERSHIPS

Photo 5: <https://hometownstrong.nc.gov/>

## 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 Strategic Investment Goals, Objectives and North Carolina Strategies

## Goal 1 – Building Appalachian Businesses

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

### Objective 1.1

Provide financing, technical assistance, and other support for entrepreneurship and small business development in the Region.

#### NC Strategies

1.1.1: Support programs that are responsive to entrepreneurial needs by providing training and skills development opportunities to allow businesses to thrive.

1.1.2: Support investments in small business support programs.

1.1.3: Support comprehensive efforts to promote and develop entrepreneurial culture and innovation ecosystems in local communities and regions.

### Objective 1.2

Pursue economic and enterprise development strategies that grow existing industries, support economic diversification, and advance economic prosperity at the regional level.

#### NC Strategies

1.2.1: Assist regional economic efforts to identify and support asset-based economic sectors, value and supply chain opportunities and implement strategic plans for their development.

1.2.2: Support development of facilities and programs addressing regional business needs.

1.2.3: Support programs to grow existing and emerging businesses especially as they fill a gap in the local economy with an emphasis on Minority and/or Women Owned Businesses.

## **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.

### **Objective 2.1**

Develop and support educational programs and institutions from early childhood through post-secondary that provide the building blocks for skills development and long-term employment success.

#### **NC Strategies**

2.1.1 Support programs that ensure the availability of a trained and diverse workforce that allow for economic opportunity, retention, and growth.

2.1.2 Increase access to STEAM and STEM and other skills training on state-of-the-art technology and processes across all educational levels.

2.1.3 Encourage use of creative problem-solving, business development and financial principles in K- 12 school and community programs.

### **Objective 2.2**

Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn, and advance along a career pathway.

#### **NC Strategies**

2.2.1 Support programs that ensure the availability of a trained workforce with the skills and abilities required to promote economic retention and growth, particularly in industries with potential for high employment demand.

2.2.2 Increase access to programs offering certifications, industry recognized credentials, work-based learning, and apprenticeship opportunities.

### **Objective 2.3**

Develop a network of employment supports to help Appalachians enter and remain in the workforce.

#### **NC Strategies**

2.3.1 Support partnerships and programs that seek to reduce barriers to employment, especially for historically underserved populations.

2.3.2 Support programs that promote a recovery ecosystem by building bridges between employers, workforce development agencies, and recovery organizations.

### **Objective 2.4**

Expand access to high quality healthcare as well as programs and services that support overall mental and physical health, for workers and their families.

### **NC Strategies**

2.4.1 Work with the Office of Rural Health in locating health care professionals, with an emphasis on aiding primary care HPSAs, in Western North Carolina (using the J-1 Visa program and other resources).

2.4.2 Support the availability and access to high quality healthcare (primary care, dental care, substance abuse, mental health and/or obstetric services) including the use of telehealth, especially in Health Professionals Shortage Areas (HPSAs) to reduce burdens on workers and their families.

## **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.

### **Objective 3.1**

Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.

### **NC Strategies**

3.1.1 Assist Appalachian communities in providing the physical infrastructure necessary for the creation or retention of jobs and businesses.

3.1.2 Assist communities in water and sewer improvements that alleviate health or environmental hazards (emphasizing those involving moratoria or special orders by consent), especially where these hazards constitute a barrier to continued economic development.

### **Objective 3.2**

Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.

### **NC Strategies**

3.2.1 Assist North Carolina’s Appalachian counties in securing assistance in implementing short- and long-term innovative telecommunications strategies for community and economic development efforts.

3.2.2 Make strategic investments that enhance the availability and use of quality and accessible telecommunications technology.

### **Objective 3.3**

Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.

### **NC Strategies**

3.3.1 Support alternative energy programs and strategies that lead to business growth and job creation, particularly those in emerging markets.

#### **Objective 3.4**

Complete the Appalachian Development Highway System and invest in innovative intermodal transportation systems to connect businesses and residents within the Region with global opportunities.

### **NC Strategies**

3.4.1 Support local access road, intermodal transportation, and other transportation projects which will result in job creation or retention opportunities and facilitate economic expansion.

3.4.2 Encourage planning, coordination, and cooperation to achieve a reliable, safe, and cost-effective transportation system in Western North Carolina.

#### **Objective 3.5**

Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

### **NC Strategies**

3.5.1 Assist in efforts to develop needed business development sites, including brownfield reuse and other infill development projects.

## **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.

#### **Objective 4.1**

Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.

### **NC Strategies**

4.1.1 Promote development projects that encourage density in downtowns to create a hub of businesses and activity to utilize existing infrastructure most efficiently.

4.1.2 Promote the principles of placemaking and asset-based development to emphasize the uniqueness of Appalachia’s natural, cultural, and historic resources.

4.1.3 Encourage downtown development that meets local needs and enhances quality of life for current and future residents along with visitors.

## **Objective 4.2**

Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural, and heritage traditions.

### **NC Strategies**

4.2.1 Encourage the expansion of regional tourism by promoting Appalachia's natural, cultural, and historic resources.

4.2.2 Leverage natural, cultural, and historic resources of the region to increase economic opportunity

## **Objective 4.3**

Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.

### **NC Strategies**

4.3.1 Promote the development of an outdoor recreation economy through support of regional tourism, entrepreneurship, and industry.

4.3.2 Support the enhancement of the region's natural assets for outdoor recreation while emphasizing sustainability and conservation of resources.

4.3.3 Promote the use of the region's natural assets in order to enhance quality of life for current and future residents along with visitors.

## **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.

### **Objective 5.1**

Develop, support, and empower community leaders that are representative of local communities, inclusive in their approach, and focused on long-term, innovative strategies and solutions.

#### **NC Strategies**

5.1.1 Assist communities with strategic planning and project development that fosters innovative approaches to solving community and regional issues.

5.1.2 Support leadership development amongst a broad base of community stakeholders including youth and other emerging leaders.

### **Objective 5.2**

Build capacity of community organizations and local development districts to

effectively access and manage funding, administer programs, and execute projects through implementation.

### **NC Strategies**

5.2.1 Provide tools that enable communities to increase their ability to identify, secure, and implement community economic development goals.

5.2.2 Support organizations and programs that provide community and economic development project implementation assistance to local communities.

5.2.3 Promote regional partnerships and collaboration to provide more effective and efficient project development and implementation

### **Objective 5.3**

Invest in developing the capacity of communities to build ecosystems where government, non-profits, businesses, and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

### **NC Strategies**

5.3.1 Support long-term community economic engagement programs and tools which build ecosystems that strengthen a community's ability to address economic and community prosperity, especially in historically underserved places.

5.3.2 Encourage collaboration and partnership between a broad base of stakeholders to address community issues resulting effectively and efficiently in positive community economic impact.

5.3.3 Support programs that strengthen and increase community engagement, broaden participation, and expand leadership opportunities that provide for positive community economic impact.



## 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:

NC ARC 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.)

### **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 mentorship programs.

### **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.

### **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.

### **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.

### **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.



## State Program Operations

The Governor, as the state's member of the Commission, establishes the program's direction and priorities. North Carolina's ARC priorities track the Governor's agenda for North Carolina and the input received from the region and its leaders. Governor Cooper's Alternate, Jim McCleskey, Director of the Governor's Washington D.C. Office, works closely with the Governor's senior staff and oversees daily operation of the program and coordinates the state's work on behalf of the program. The program administration is housed with the Rural Economic Development Division of the North Carolina Department of Commerce but takes policy and program direction from the senior staff in the Governor's Office. Fiscal support for the Consolidated Technical Assistance Program and the state's assessment, as well as ARC program-related travel and physical operations are provided through the Commerce Department.

The North Carolina ARC Program partners with several organizations both at the state and federal level, along with a number of nonprofits. Staff work daily with colleagues in the Rural Economic Development Division including, the North Carolina Main Street and Rural Planning Center, and the Community Development Block Grant Program. Staff also work with the staff with the Division's Rural Grants Program. These programs provide assistance for building reuse and restoration, water and sewer infrastructure, and economic innovation in rural communities. Other Commerce ties include all elements of business and industry development, tourism, and workforce development. Coordination also occurs with other state agencies including, but not limited to:

- The Department of Environmental Quality, which currently includes water and wastewater programs for the state, as well as other environmental programs;
- The Department of Health and Human Services, which provides rural health and child development services;
- The State Treasurer's Office, which oversees and regulates local fiscal affairs;
- The Department of Public Instruction, which governs elementary and secondary education;
- The North Carolina Community College System which oversees 58 public, two-year institutions; and
- The University of North Carolina System, which oversees 16 institutions.

The program continues to maintain strong relationships with these federal agencies:

- The United States Department of Agriculture state and district offices that serve ARC counties;
- The Economic Development Administration's state representative as well as the regional office in Atlanta; and
- The United States Department of Housing and Urban Development area office in Greensboro, North Carolina.

There is also limited contact with the Environmental Protection Agency, the Small Business Administration, and staff with the National Park Service.

Program staff relies extensively on state and federal agencies for technical review and engineering support of proposed project activities and request their aid in determining project readiness, assessing if a potential project duplicates already existing efforts, and for joint funding of projects and administration of ARC funds, when applicable. Close cooperative relationships also are maintained with several non-profits including the North Carolina Rural Center and the Golden LEAF Foundation. Continuing contact and information sharing among the agencies and partners promotes a coordinated development effort for the state and aids in resolving problems and meeting the needs of its communities, especially in efforts to support or develop local capacity.

The six LDDs serving North Carolina's ARC region, as agents of their member governments, maintain constant contact with the state and provide feedback, suggest areas of concentrating efforts, and supply multicounty perspectives on issues. The LDDs also provide most of the direct technical assistance to applicants in the region. Technical assistance runs from the development of projects to the packaging of applications and in some cases, includes aid in bidding, administering, and closing out projects. The state relies heavily on input from the LDDs in developing new project directions and in soliciting input from other organizations in the region.

Local governments' input comes in many forms. Contacts may be made:

- Through the LDDs;
- Directly with the Governor, their Alternate, or members of the Governor's staff;
- Through local government associations (the NC League of Municipalities and the NC Association of County Commissioners);
- Through referrals from other agencies; or
- Through advisory groups used as a source of program development (such as the State Economic Development Board).

## **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](http://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:

- 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>

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