



## REQUEST FOR BOARD ACTION

ITEM NO. 25

**DATE OF MEETING:** June 20, 2016

**REQUESTED BY:** Pender County Board of Commissioners

**SHORT TITLE:** Discussion and Approval of Sending a Letter of Joint Legislative Support for Prosperity and Economic Opportunity for All of NC Act –S826/H1090.

**BACKGROUND:** This is a request from Tony McEwen, Assistant to the City Manager for Legislative and Intergovernmental Affairs for the City of Wilmington. He is requesting that Chairman Brown sign onto a joint letter of support from chambers and local government leaders for Senate Bill 826. It is a bipartisan comprehensive Economic Development bill. Attached is a one page letter produced by Senator Rick Gunn (R-Alamance) and the proposed letter as well as a summary of the Prosperity and Economic Opportunity for All of NC Act –S826/H1090.

**SPECIFIC ACTION REQUESTED:** To approve a letter of support for the Prosperity and Economic Opportunity for All of NC Act –S826/H1090.

As community and business leaders in southeastern North Carolina we are calling on the North Carolina General Assembly to pass the Prosperity and Economic Opportunity for All NC Act (SB826 & HB1090) prior to the conclusion of the current 2016 Short Session. This is a bill with strong bipartisan support that will benefit the entirety of our state by better positioning us to compete for investment and jobs.

Some key provisions that we believe will benefit not only our region but the entirety of our state include:

Tourism and NC Marketing and Foreign Investment:

This provision would increase funding for the domestic and international tourism and advertising to expand awareness and inspire visitation to NC. Of the one-time \$12 million funding, \$250,000 will go directly to film tourism marketing.

Innovation 2 Jobs:

This program will address both a key source of the state's innovation (universities) and the key means by which those innovations are translated into commercial products. There is also a grant program to help develop businesses that build on innovations first developed at UNC system campuses.

New Market Tax Credits:

The New Market tax credit is a one-time 25% credit that will tie into federal resources to enhance private capital investments in companies that would otherwise have difficulty attracting capital. It would particularly benefit lower socio-economic areas of the state. Bill sponsors estimate that a minimum of \$700 million of private capital would be the result of adopting this tax credit.

Crowdfunding:

A safe, fair and easy to implement securities law exemption that enables new types of financing for NC's startup and small businesses. This is similar to federal Regulations and is a model that is used by thousands of businesses every year. Currently, there are 30 other states that already have this in place.

Small Business Venture Fund:

Creates a small-business venture capital fund of \$100 million over 5 a 5 year period overseen by the state treasurer and paid for through the escheats fund.

Small Town Main Street Revitalization Provision –

This will help provide economic development planning assistance and coordinated grant support to designated communities around NC. This will help with downtown economic development initiatives and historic preservation.

There are many other excellent proposals in this legislation including, but not limited to, NCDOT permit streamlining, encouragement of inter-tier cooperation for Job Development and Investment Grants, Rallying Investors and Skilled Entrepreneurs of NC (RISE NC), Food Manufacturing specific incentives, extension of R&D tax credit, community economic development support, and many more.

We believe that the time to act to improve our North Carolina's economic competitiveness is now. We thank Senator Gunn and other legislators that have led the effort to further this legislative proposal and call on the others to support and pass this the Prosperity and Economic Opportunity for All NC Act prior to close of session.

## Prosperity and Economic Opportunity for All of NC Act –S826/H1090

Strong, pro-growth measures taken during recent years have positioned North Carolina to compete for new jobs and achieve continued economic growth. However, over the past year our business leaders have recognized that a state as large and diverse as ours cannot be satisfied with a few places producing great economic results while many others stagnate or decline. We recognize that even more can be accomplished by placing a greater focus on smaller regional results in addition to statewide measurements. These large measures can allow for smaller areas of economic stagnation if we are serious about extending economic opportunity to more places.

Using a more refined method of measurement will reveal the areas in our large and diverse state economy that still need help reaching their full potential. This will allow us to coax our state's economic engine to fire on all cylinders and successfully compete for talent, investment and jobs on an international scale. We believe that by working together we will be able to increase the economic competitiveness of communities all across the state and nurture collaboration among North Carolina's cities, counties and regions to effectively compete alongside any other state or country.

A recent report conducted by the North Carolina Chamber Foundation, *Spreading Economic Opportunity Across North Carolina* identified stronger links between nonurban communities and economic hubs located in cities, greater capital formation, regionalism, strategic action plans and local leadership, to be key needs to foster economic growth in all corners of our state. A statewide tour by the NC Chamber found that these challenges have been known and studied for decades, but rarely acted upon.

We believe that the time for action is now. With a new generation of leaders for North Carolina we are confident that this is the time to commit to working together in order to create opportunity for every community in our state; and each and every person who calls this great state home. The NC Chamber and the NC Chamber Foundation have already started working toward these goals with great community involvement and excitement building statewide. We thank you in advance for acting to address decades-long challenges and support efforts to advance the economic opportunities which will allow all of North Carolina to prosper.

House bill 1090/Senate bill 826 include the following provisions:

### Providing Access to Entrepreneurs – Crowdfunding

A safe, fair and easy to implement securities law exemption that enables new types of financing for NC's startup and small businesses. This is similar to federal Regulations and is a model that is used by thousands of businesses every year. This is a model that is well understood by the market place. There are 30 states that have this sort of intrastate crowdfunding and a few others, including NC in various stages of authorization.

### New Markets Tax Credits

The New Markets tax credit would bring at least \$700 million of private capital to enhance investments in lower socio-economic areas of the state. This one time 25% credit will tie to the federal dollars and private capital for seven years with a guaranteed 1:1+ ROI to the state. The

new capital enables businesses to increase payroll, expand and train the workforce, purchase manufacturing equipment and build facilities. According to the US Treasury, federal investment will leverage private money at a 13:1 ratio. When the state adds an additional credit this will guarantee additional dollars at a lower cost. This type of program has been and is being used in states like FL proving successful many times over.

#### Escheats Fund Provision –

This program will unleash NC's entrepreneurial spirit and give every business a chance to compete. This would use \$100 million from the escheats fund over a 5 year period - \$20 million/year to help everyday funding access to businesses. The fund could only use 1/3 of the money in major market areas such as the Triangle to maximize opportunities for non-urban areas of the state.

#### Repeal 1%/\$80 Mill Machinery Privilege Tax

The mill machinery tax is a privilege or excise tax imposed on manufacturers that purchase mill machinery (i.e., manufacturing equipment), parts and accessories. The tax is equal to 1% of the price of such machinery, parts and accessories. The tax is capped at \$80 per article. In other words, it is a direct tax on manufacturing.

Items subject to the mill machinery tax are not subject to the sales tax. Currently, the mill machinery tax costs NC manufacturers approximately \$50 million per annum. The mill machinery tax increases manufacturing costs and acts as a disincentive to capital investment. In addition, the mill machinery tax increases the sales price of finished goods, which are themselves subject to the sales tax when sold to consumers. The mill machinery tax thus has a pyramiding effect of subjecting the same value to multiple levels of taxation.

None of our neighboring states imposes such a tax. This makes it hard for NC to compete for manufacturing jobs and places a particular hardship on rural regions of the state that are struggling to attract and revitalize the manufacturing industry. There is no statutory definition of "manufacturing" or "mill machinery". This has led to much controversy and litigation over the years. In addition, taxpayers and the Department of Revenue are frequently at odds over what constitutes a single "article". For instance, the Department may assert that a single piece of machinery delivered in a multiple parts for on-site assembly or a single quantity of fungible goods constitute numerous taxable articles. These controversies and uncertainties drive up compliance costs and creates confusion. While the tax is a substantial burden on manufacturers, it generates less than .2% of the state's general fund revenue.

In summary, repealing the Mill Machinery Tax would substantially improve NC's business climate without imposing a significant revenue impact. It would remove a drag on capital investment, encourage the creation of manufacturing jobs, help in revitalizing NC's rural areas, enhance NC's competitiveness with neighboring states, reduce the economic inefficiencies of tax pyramiding and eliminate significant sources of tax controversy.

#### NCDOT Permitting Modifications

Reducing the cycle time for obtaining a NCDOT permit will help bring predictability to the permitting process, improve turnaround time and reduce cost. Doing so will benefit NC, particularly non-urban areas as industry will be able to deploy infrastructure that meets the needs of the state and its citizens in a more efficient and cost-effective manner.

### Innovation 2 Jobs –

This program will address both a key source of the state's innovation (universities) and the key means by which those innovations are translated into commercial products. This will create a statewide network that develops and leverages existing NC entrepreneurial management talent, and recruits world-class investors, skilled entrepreneurs and managers to NC. By working in conjunction with the universities and private sector, the I2J program will put NC in a better position to attract world-class entrepreneurs and grow jobs and the economy.

### NC Food Processing and Manufacturing initiative –

Further development in the food manufacturing and production industry can add up to 38,000 jobs and \$10.3 billion annually to NC's economy – *The NC Food Processing and Manufacturing Industry: An Economic Feasibility Study (2014)*. The Governor's Food Manufacturing Task Force concurred that there is a tremendous economic growth opportunity if we act now to take advantage before other states put aggressive plans in place. To start, the state must develop a leadership team made up of government, business and economic development leaders and will have access to its own staff, marketing dollars and a business development manager.

### Tourism and NC Marketing and Foreign Investment –

This provision would increase funding for the domestic and international tourism and advertising to expand awareness and inspire visitation to NC. As part of the benefits, previous ROI studies show these types of efforts can generate approximately:

- \$828 million in new visitor spending
- \$43 million in new state revenue
- \$26 million in local tax revenue
- 8,000 new tourism related jobs

### Strengthening NC's Innovative Economy – Research and Development Program

North Carolina's economy thrives on innovation, with world-class scientists, engineers and inventors working around the clock to propel our state forward into the 21<sup>st</sup> Century and beyond. This level of innovation requires significant investment in cutting-edge research and development programs. However, this investment ended last year when research and development tax credit expired.

An R&D grant program would award employers in key industries for investing in technological innovation and creating jobs. And these research programs drive job growth, as intellectual property supports 1.77 million workers in North Carolina – more than half of all private sector jobs – and IP-intensive companies produce more than 100 percent greater economic output per employee than other sectors (Source: [Global Intellectual Property Center, US Chamber](#)). Without a R&D grant program to attract new businesses and fund more jobs for companies already here, employers in key industries will be less competitive. This would provide an important addition to our state's economic development toolbox, attracting and growing the innovation needed to foster a secure future for all North Carolinians.

### Surplus Property

There is some legal discussion that there may be some gray areas in the Umstead Act that may prohibit the state from either leasing land that is currently owed to a third party for private development or the ability to lease underutilized parking spaces to a third party. This would

allow the state to enter into agreements to lease real property and parking spaces for private use.

#### Small Town Main Street Revitalization Provision –

The purpose is to provide economic development planning assistance and coordinated grant support to designated micropolitians around NC. This will help with downtown economic development initiatives and historic preservation.

#### Prosperity Zone Planner Positions

Placing individuals in offices throughout the state, specifically in all of NC's prosperity zones facilitates that person becoming more directly invested in the regional community. Having a person in all prosperity zones will aid in economic development strategic planning, land use planning, implementation services and technical support. This section applies money in order to accomplish this.

#### Community Economic Development Support

A public-private, place-based, multi-year effort to assist North Carolina's economically challenged communities to conduct competitiveness assessments, and to develop, and implement local strategic action agendas. Using a private model, the program will; anticipate future economic opportunities, bring together expertise, align and leverage existing resources from education, government and the business community, support local leadership, and take specific actions to improve local economic prosperity.

The program will identify and engage 8 communities each year, one from each of the state's Prosperity Zones. Each community will receive;

- A consultant team to manage the action agenda development and support implementation
- An economic analysis of the community
- Local training on global trends and their impact on the community
- Local leadership training and support to engage all groups within the community
- Public input collection and management
- A multi-year strategic action agenda
- Two years of plan implementation support from various existing state organizations and private consultants
- A multiple community joint learning and support process. All eight communities will bring their leadership teams together twice each year for joint training, best practice sharing, and support.