

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015**

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HOUSE BILL 1082*

Short Title: Eliminate Use of Development Tiers. (Public)

Sponsors: Representatives Davis and Horn (Primary Sponsors).

For a complete list of sponsors, refer to the North Carolina General Assembly web site.

Referred to: Rules, Calendar, and Operations of the House

May 11, 2016

A BILL TO BE ENTITLED

AN ACT TO ELIMINATE THE USE OF THE ECONOMIC DEVELOPMENT TIER
STRUCTURE.

The General Assembly of North Carolina enacts:

SECTION 1.(a) The Departments and Authority listed in this section shall, no later than July 1, 2017, discontinue the use of the development tier designations determined pursuant to G.S. 143B-437.08 for all purposes and programs, including taxes, the North Carolina Development Farmland Preservation Trust Fund, the Spay and Neuter Program, the Abandoned Manufactured Home Cleanup Grants Program, the State Wastewater Reserve, the State Drinking Water Reserve, the Public Safety Assistance Points Grant Program, Oral Health Preventive Services, Medication Assistance, Qualified Allocation Plan for Low-Income Housing Tax Credits, and the Strategic Prioritization Funding Plan for Regional Impact Transportation Investment Projects. This section applies to the following:

- (1) The Department of Agriculture and Consumer Services.
- (2) The Department of Environmental Quality.
- (3) The Department of Information Technology.
- (4) The Department of Health and Human Services.
- (5) The North Carolina Housing Finance Agency.
- (6) The Department of Transportation.
- (7) The Department of Revenue.

SECTION 1.(b) Each entity to which subsection (a) of this section applies shall independently develop criteria designed to achieve each program's objectives to be used in place of development tier designations and shall report by October 1, 2016, the developed criteria to the Fiscal Research Division and as follows:

- (1) The Departments of Agriculture and Consumer Services and Environmental Quality to the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources.
- (2) The Department of Information Technology to the Joint Legislative Oversight Committee on Information Technology.
- (3) The Department of Health and Human Services to the Joint Legislative Oversight Committee on Health and Human Services.
- (4) The North Carolina Housing Finance Agency to the Joint Legislative Oversight Committee on General Government.
- (5) The Department of Transportation to the Joint Legislative Transportation Oversight Committee.



(6) The Department of Revenue to the Revenue Laws Study Committee.

SECTION 1.(c) Notwithstanding G.S. 143B-437.08(c), an entity required to discontinue use of the development tier designations no later than July 1, 2017, as required by this section, may use the last development tier designations published by the Department of Commerce until the earlier of developed replacement criteria or July 1, 2017.

SECTION 2.(a) G.S. 143B-437.08 reads as rewritten:

"§ 143B-437.08. ~~Development tier designation.~~Economic distress index.

(a) ~~Tiers Defined.~~—A development tier one area is a county whose annual ranking is one of the 40 highest in the State. A development tier two area is a county whose annual ranking is one of the next 40 highest in the State. A development tier three area is a county that is not in a lower numbered development tier.

(b) ~~Development Factor.~~Index. – Each year, on or before November 30, the Secretary of Commerce shall assign to each county in the State a ~~development factor~~an index score that is the ~~sum-average~~average of the following:following factors:

(1) ~~The county's rank in a ranking of counties by average rate of unemployment from lowest to highest, for the most recent 12 months for which data are available.~~The average of the following factors:

a. For rate of unemployment, the State's average rate divided by the county's average rate, for the most recent 12 months for which data are available.

b. For employment to population ratio, the county's ratio divided by the State's ratio, for the most recent calendar year for which data are available.

(2) ~~The county's rank in a ranking of counties by median household income from highest to lowest, for the most recent 12 months for which data are available.~~For median household income, the county's median divided by the State's median, for the most recent calendar year for which data are available.

(3) ~~The county's rank in a ranking of counties by percentage growth in population from highest to lowest, for the most recent 36 months for which data are available.~~For average wage, the county's average divided by the State's average, for the most recent 12 months for which data are available.

(4) ~~The county's rank in a ranking of counties by adjusted assessed property value per capita as published by the Department of Public Instruction, from highest to lowest, for the most recent taxable year.~~For percentage of adults 25 years or older who have not received a high school diploma or equivalent certificate, the State's percentage divided by the county's percentage, for the most recent five-year period for which data are available.

(c) ~~Annual Ranking.~~ – After computing the ~~development factor~~index as provided in this section and making the adjustments required in this section, the Secretary of Commerce shall rank and publish all the counties within the State according to their index score average from lowest to highest. ~~development factor from highest to lowest.~~ The Secretary shall then identify all the areas of the State by development tier and publish this information. ~~A development tier designation.~~An index score average is effective only for the calendar year following the designation.

(d) ~~Data.~~ – In measuring rates of ~~unemployment and median household income,~~ regarding employment and average wage, the Secretary shall use the latest available data published by a State or federal agency generally recognized as having expertise concerning the data. In measuring ~~population and population growth,~~median household income and educational attainment, the Secretary shall use the most recent estimates of population certified by the State Budget Officer.published by the United States Census Bureau. ~~For the purposes of this section, population statistics do not include people incarcerated in federal or State prisons.~~

1 (e) ~~Adjustment for Certain Small Counties.~~— Regardless of the actual development factor,
2 any county that has a population of less than 12,000 shall automatically be ranked one of the 40
3 highest counties, any county that has a population of less than 50,000 shall automatically be
4 ranked one of the 80 highest counties, and any county that has a population of less than 50,000
5 and more than nineteen percent (19%) of its population below the federal poverty level according
6 to the most recent federal decennial census shall automatically be ranked one of the 40 highest
7 counties.

8 (f) ~~Adjustment for Development Tier One Areas.~~— Regardless of the actual development
9 factor, a county designated as a development tier one area shall automatically be ranked one of the
10 40 highest counties until it has been a development tier one area for at least two consecutive years.

11 (g) ~~Exception for Two County Industrial Park.~~— An eligible two county industrial park
12 has the lower development tier designation of the designations of the two counties in which it is
13 located if it meets all of the following conditions:

14 (1) ~~It is located in two contiguous counties, one of which has a lower development~~
15 ~~tier designation than the other.~~

16 (2) ~~At least one third of the park is located in the county with the lower tier~~
17 ~~designation.~~

18 (3) ~~It is owned by the two counties or a joint agency of the counties, is under~~
19 ~~contractual control of designated agencies working on behalf of both counties,~~
20 ~~or is subject to a development agreement between both counties and third party~~
21 ~~owners.~~

22 (4) ~~The county with the lower tier designation contributed at least the lesser of~~
23 ~~one half of the cost of developing the park or a proportion of the cost of~~
24 ~~developing the park equal to the proportion of land in the park located in the~~
25 ~~county with the lower tier designation.~~

26 (5) ~~Expired, effective July 1, 2012, pursuant to Session Laws 2009-524, s. 2.~~

27 (h) ~~Exception for Certain Multijurisdictional Industrial Parks.~~— An eligible industrial park
28 created by interlocal agreement under G.S. 158-7.4, and parcels of land located within the
29 industrial park that are subsequently transferred and used for industrial or commercial purposes
30 authorized for cities and counties under G.S. 158-7.1, have the lowest development tier
31 designation of the designations of the counties in which they are located if all of the following
32 conditions are satisfied:

33 (1) ~~The industrial park is located, at one or more sites, in three or more contiguous~~
34 ~~counties.~~

35 (2) ~~At least one of the counties in which the industrial park is located is a~~
36 ~~development tier one area.~~

37 (3) ~~The industrial park is owned by three or more units of local government or a~~
38 ~~nonprofit corporation owned or controlled by three or more units of local~~
39 ~~government.~~

40 (4) ~~In each county in which the industrial park is located, the park has at least 250~~
41 ~~developable acres. A transfer of acreage that reduces the number of developable~~
42 ~~acres below 250 developable acres in a county does not affect an industrial~~
43 ~~park's eligibility under this subsection if the transfer is to an owner who uses or~~
44 ~~develops the acreage for industrial or commercial purposes authorized for cities~~
45 ~~and counties under G.S. 158-7.1. For the purposes of this subdivision,~~
46 ~~"developable acres" includes acreage that is owned directly by the industrial~~
47 ~~park or its owners or that is the subject of a development agreement between~~
48 ~~the industrial park or its owners and a third party owner.~~

49 (5) ~~The total population of all of the counties in which the industrial park is located~~
50 ~~is less than 200,000.~~

1 (6) ~~In each county in which the industrial park is located, at least sixteen and~~
 2 ~~eight tenths percent (16.8%) of the population was Medicaid eligible for the~~
 3 ~~2003-2004 fiscal year based on 2003 population estimates.~~

4 (i) ~~Expired, effective July 1, 2013, pursuant to Session Laws 2009-505, s. 2, as amended~~
 5 ~~by Session Laws 2012-36, s. 1.~~

6 (j) ~~Exception for Eco-Industrial Park.—An Eco-Industrial Park has a development tier one~~
 7 ~~designation. An Eco-Industrial Park is an industrial park that the Secretary of Commerce has~~
 8 ~~certified meets the following requirements:~~

9 (1) ~~It has at least 100 developable acres.~~

10 (2) ~~It is located in a county that is not required under G.S. 143-215.107A to~~
 11 ~~perform motor vehicle emissions inspections.~~

12 (3) ~~Each building located in the industrial park is constructed in accordance with~~
 13 ~~energy efficiency and water use standards established in G.S. 143-135.37 for~~
 14 ~~construction of a major facility.~~

15 (4) ~~Each business located in the park is in a clean industry sector according to the~~
 16 ~~Toxic Release Inventory by the United States Environmental Protection~~
 17 ~~Agency.~~

18 (k) Report. – By November 30 of each year, the Secretary of Commerce shall submit a
 19 written report to the Joint Legislative Commission on Governmental Operations, the Senate
 20 Appropriations Committee on Natural and Economic Resources, the House of Representatives
 21 Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research
 22 Division of the General Assembly on the ~~tier~~-rankings required by subsection (c) of this section,
 23 including a map of the State whereupon (i) the ~~tier~~-ranking of each county is ~~designated~~ designated
 24 and (ii) individualized programmatic data concerning eligibility or other determinations using the
 25 ranking of each county is clearly provided."

26 **SECTION 2.(b)** G.S. 143B-431.01 reads as rewritten:

27 **"§ 143B-431.01. Department of Commerce – contracting of functions.**

28 ...

29 (d) Limitations. – Prior to contracting with a North Carolina nonprofit corporation
 30 pursuant to this section and in order for the North Carolina nonprofit corporation to receive State
 31 funds, the following conditions shall be met:

32 ...

33 (2) The nonprofit corporation adheres to the following governance provisions
 34 related to its governing board:

35 a. The board shall be composed of 17 voting members as follows: eight
 36 members and the chair appointed by the Governor, four members
 37 appointed by the Speaker of the House of Representatives, and four
 38 members appointed by the President Pro Tempore of the Senate. The
 39 Governor, the Speaker of the House of Representatives, and the
 40 President Pro Tempore of the Senate shall each use best efforts to select
 41 members so as to reflect the diversity of the State's geography. The
 42 Speaker of the House and the President Pro Tempore shall each select
 43 their appointed members so that one-fourth come from ~~a development~~
 44 ~~tier one area, an area with one of the top 40 rankings under~~
 45 G.S. 143B-437.08 at the time of appointment, one-fourth come from a
 46 development tier two area, an area with a ranking of between 41 and 80
 47 under G.S. 143B-437.08 at the time of appointment, and no two
 48 members come from the same Collaboration for Prosperity Zone. The
 49 Governor shall select appointed members so that two-ninths come from
 50 ~~a development tier one area, an area with one of the top 40 rankings~~
 51 under G.S. 143B-437.08 at the time of appointment, two-ninths come

1 from ~~a development tier two area,~~an area with a ranking of between 41
 2 and 80 under G.S. 143B-437.08 at the time of appointment, and no more
 3 than two members come from the same Collaboration for Prosperity
 4 Zone. The Governor shall use best efforts to ensure that each member
 5 appointed by the Governor has expertise in one or more of the following
 6 areas:

7 ...

8 (e) Mandatory Contract Terms. – Any contract entered into under this section must include
 9 all of the following:

10 ...

11 (2) A provision requiring the nonprofit corporation to provide by September 1 of
 12 each year, and more frequently as requested, a report to the Department on prior
 13 State fiscal year program activities, objectives, and accomplishments and prior
 14 State fiscal year itemized expenditures and fund sources. The report shall also
 15 include all of the following:

16 a. Jobs anticipated to result from efforts of the nonprofit corporation. This
 17 includes project leads that were not submitted to the Department for
 18 possible discretionary incentives pursuant to Chapter 143B of the
 19 General Statutes.

20 b. Developed performance metrics of economic development functions
 21 itemized by ~~county, by development tier area designation, as defined by~~
 22 ~~G.S. 143B-437.08,~~county and by Collaboration for Prosperity Zones
 23 created pursuant to G.S. 143B-28.1.

24 ...

25 (k) Raised Funds. – For funds raised from sources other than State funds by the nonprofit
 26 corporation, at least twenty-five percent (25%) of the funds shall be used for the benefit of or for
 27 salaried positions located in or working solely on development in ~~development tier one or two~~
 28 ~~areas, as defined in G.S. 143B-437.08,~~an area with one of the top 80 rankings under
 29 G.S. 143B-437.08."

30 **SECTION 2.(c)** G.S. 143B-437.01 reads as rewritten:

31 "**§ 143B-437.01. Industrial Development Fund Utility Account.**

32 (a) Creation and Purpose of Fund. – There is created in the Department of Commerce a
 33 special account to be known as the Industrial Development Fund Utility Account ("Utility
 34 Account") to provide funds to assist the local government units of the most economically
 35 distressed counties in the State in creating jobs. The Department of Commerce shall adopt rules
 36 providing for the administration of the program. Those rules shall include the following
 37 provisions, which shall apply to each grant from the account:

38 ...

39 (1a) The funds shall be used for projects located in economically distressed counties
 40 except that the Secretary of Commerce may use up to one hundred thousand
 41 dollars (\$100,000) to provide emergency economic development assistance in
 42 any county that is documented to be experiencing a major economic
 43 dislocation.

44 ...

45 (3) ~~There shall be no local match requirement if the project is located in a county~~
 46 ~~that has one of the 25 highest~~Any local match requirement the Department,
 47 using the rankings under G.S. 143B-437.08.G.S. 143B-437.08, determines is
 48 appropriate.

49 ...

50 (a1) Definitions. – The following definitions apply in this section:

51 ...

- 1 (4) Economically distressed county. – A county that is defined as a development
 2 tier one or two area under G.S. 143B-437.08 after the adjustments of that
 3 section are applied. the Department determines, using the rankings of
 4 G.S. 143B-437.08, is undergoing short- or long-term economic hardship.

5"

6 **SECTION 2.(d)** G.S. 143B-437.04(a) reads as rewritten:

7 **"§ 143B-437.04. Community development block grants.**

8 (a) The Department of Commerce shall adopt guidelines for the awarding of Community
 9 Development Block Grants to ensure that:

- 10 (1) ~~No local match is required for grants awarded for projects located in counties~~
 11 ~~that have one of the 25 highest rankings under G.S. 143B-437.08 or counties~~
 12 ~~that have a population of less than 50,000 and more than nineteen percent~~
 13 ~~(19%) of its population below the federal poverty level according to the most~~
 14 ~~recent federal decennial census. Local match requirements, if any, using the~~
 15 ~~rankings under G.S. 143B-437.08, are appropriate.~~
 16 (2) To the extent practicable, priority consideration for grants is given to projects
 17 located in counties that have met the conditions of subdivision (a)(1) of this
 18 section or in urban progress zones that have met the conditions of subsection
 19 (b) of this section.
 20 (3) Priority consideration is given to projects located in areas annexed by a
 21 municipality under Article 4A of Chapter 160A of the General Statutes in order
 22 to provide water or sewer services to low-income residents. For purposes of this
 23 section, low-income residents are those with a family income that is eighty
 24 percent (80%) or less of median family income."

25 **SECTION 2.(e)** G.S. 143B-437.07(a) reads as rewritten:

26 **"§ 143B-437.07. Economic development grant reporting.**

27 (a) Report. – The Department of Commerce must publish on or before October 1 of each
 28 year the information required by this subsection, itemized by business entity, for each business or
 29 joint private venture to which the State has, in whole or in part, granted one or more economic
 30 development incentives during the relevant time period. The relevant time period ends June 30
 31 preceding the publication date of this subsection and begins (i) for incentives not awarded under
 32 Part 2G of this Article with the 2007 calendar year and (ii) for incentives awarded under Part 2G
 33 of this Article with the 2002 calendar year. The information in the report must include all of the
 34 following:

35 ...

- 36 (4) ~~The development tier designation~~ ranking under G.S. 143B-437.08 of the county
 37 in which the site is located on the date the incentive is awarded.

38"

39 **SECTION 2.(e1)** G.S. 143B-437.4 reads as rewritten:

40 **"§ 143B-437.4. NC Green Business Fund and grant program.**

41 ...

42 (b) Purposes. – Moneys in the NC Green Business Fund shall be allocated pursuant to this
 43 subsection. The Department of Commerce shall make grants from the Fund to private businesses
 44 with less than 100 employees, nonprofit organizations, local governments, and State agencies to
 45 encourage the expansion of small to medium size businesses with less than 100 employees to help
 46 grow a green economy in the State. Moneys in the NC Green Business Fund shall be used for
 47 projects that will focus on the following three priority areas listed in this subsection. ~~In selecting~~
 48 ~~between projects that are within a priority area, a project that is located in an Eco-Industrial Park~~
 49 ~~certified under G.S. 143B-437.08 has priority over a comparable project that is not located in a~~
 50 ~~certified Eco-Industrial Park.~~ The priority areas are:

51 ...

1 (c) Cap and Matching Funds. – The Department of Commerce may set a cap on a grant
 2 from the NC Green Business Fund and may require a private business to provide matching funds
 3 for a grant from the Fund. ~~A grant to a project located in an Eco-Industrial Park certified under~~
 4 ~~G.S. 143B-437.08 is not subject to a cap or a requirement to provide matching funds."~~

5 SECTION 2.(f) G.S. 143B-437.51 reads as rewritten:

6 "§ 143B-437.51. Definitions.

7 The following definitions apply in this Part:

8 ...
 9 (4a) ~~Development tier. — The classification assigned to an area pursuant to G.S.~~
 10 ~~143B-437.08.~~

11"

12 SECTION 2.(g) G.S. 143B-437.52 reads as rewritten:

13 "§ 143B-437.52. Job Development Investment Grant Program.

14 (a) Program. – There is established the Job Development Investment Grant Program to be
 15 administered by the Economic Investment Committee. In order to foster job creation and
 16 investment in the economy of this State, the Committee may enter into agreements with businesses
 17 to provide grants in accordance with the provisions of this Part. The Committee, in consultation
 18 with the Attorney General, shall develop criteria to be used in determining whether the conditions
 19 of this section are satisfied and whether the project described in the application is otherwise
 20 consistent with the purposes of this Part. Before entering into an agreement, the Committee must
 21 find that all the following conditions are met:

22 ...
 23 (6) For a project located in ~~a development tier three area, an area that the~~
 24 Department determines, using the rankings of G.S. 143B-437.08, lacks short- or
 25 long-term economic hardship, the affected local governments have participated
 26 in recruitment and offered incentives in a manner appropriate to the project.

27 (b) ~~Priority. — In selecting between applicants, a project that is located in an Eco-Industrial~~
 28 ~~Park certified under G.S. 143B-437.08 has priority over a comparable project that is not located in~~
 29 ~~a certified Eco-Industrial Park.~~

30"

31 SECTION 2.(h) G.S. 143B-437.53(a) reads as rewritten:

32 "§ 143B-437.53. Eligible projects.

33 (a) Minimum Number of Eligible Positions. – A business may apply to the Committee for
 34 a grant for any project that creates ~~the minimum number of eligible positions as set out in the table~~
 35 ~~below. If the project will be located in more than one development tier area, the location with the~~
 36 ~~highest development tier area designation determines the minimum number of eligible positions~~
 37 ~~that must be created.~~ eligible positions. The Department, using the rankings of G.S. 143B-437.08,
 38 shall determine the number of minimum eligible positions a project must create.

Development Tier Area	Number of Eligible Positions
Tier One	10
Tier Two	20
Tier Three	50"

43 SECTION 2.(i) G.S. 143B-437.55(c) reads as rewritten:

44 "§ 143B-437.55. Applications; fees; reports; study.

45 ...

46 (c) Annual Reports. – The Committee shall publish a report on the Job Development
 47 Investment Grant Program on or before April 30 of each year. The Committee shall submit the
 48 report electronically to the House of Representatives Finance Committee, the Senate Finance
 49 Committee, the House of Representatives Appropriations Subcommittee on Natural and Economic
 50 Resources, the Senate Appropriations Committee on Natural and Economic Resources, and the
 51 Fiscal Research Division. The report shall include the following:

1 ...
 2 (3) The number and ~~development tier area~~ county rank under G.S. 143B-437.08 of
 3 eligible positions to be created by projects with respect to which grants have
 4 been awarded.

5 ...
 6 (11a) A listing, ~~itemized by development tier,~~ including the county rank under
 7 G.S. 143B-437.08, of the number of offers that have been calculated, estimated,
 8 or extended but were not accepted and the total award value of the offers.

9"

10 **SECTION 2.(j)** G.S. 143B-437.56 reads as rewritten:

11 **"§ 143B-437.56. Calculation of minimum and maximum grants; factors considered.**

12 (a) Subject to the provisions of subsections (a1) and (d) of this section, the amount of the
 13 grant awarded in each case shall be a percentage of the withholdings of eligible positions for a
 14 period of years. The percentage shall be no more than ~~eighty percent (80%) for a development tier~~
 15 ~~one area and no more than seventy five percent (75%) for any other area.~~ the percentage
 16 determined by the Department to be appropriate for the location where the eligible positions are to
 17 be created after consideration of the rankings of G.S. 143B-437.08. If the project will be located in
 18 more than one area designation, the location with the highest area designation determines the
 19 maximum percentage to be used. The percentage used to determine the amount of the grant shall
 20 be based on criteria developed by the Committee, in consultation with the Attorney General, after
 21 considering at least the following:

22 ...

23 (a1) Notwithstanding ~~the any percentage specified set by the Department pursuant to~~
 24 subsection (a) of this section, if the project is a high-yield project, the business has met the
 25 investment and job creation requirements, and, for three consecutive years, the business has met
 26 all terms of the agreement, the amount of the grant awarded shall be no more than one hundred
 27 percent (100%) of the withholdings of eligible positions for each consecutive year the business
 28 maintains the minimum job creation requirement and meets all terms of the agreement. A business
 29 receiving an enhanced percentage of the withholdings of eligible positions under this subsection
 30 that fails to maintain the minimum job creation requirement or meet all terms of the agreement
 31 will be disqualified from receiving the enhanced percentage and will have the applicable
 32 percentage set ~~forth in~~ by the Department pursuant to subsection (a) of this section applied in the
 33 year in which the failure occurs and all remaining years of the grant term.

34 (b) The term of the grant shall not exceed the duration listed in this subsection. The first
 35 grant payment must be made within six years after the date on which the grant was awarded. The
 36 number of years in the base period for which grant payments may be made shall not exceed five
 37 years. Maximum durations are:

38 (1) For high-yield projects in which the business receives the enhanced percentage
 39 pursuant to subsection (a1) of this section, 20 years starting with the first year a
 40 grant payment is made. If a business is disqualified from the enhanced
 41 percentage in one of the first 12 years, the term of the grant shall not exceed 12
 42 years starting with the first year a grant payment is made. If a business is
 43 disqualified from receiving the enhanced percentage after the first 12 years, the
 44 term of the grant ends in the year the disqualification occurs.

45 (2) For all other projects, 12 years starting with the first year a grant payment is
 46 made.

47 (c) The grant may be based only on eligible positions created during the base period.

48 (d) ~~For any eligible position that is located in a development tier three area, seventy five~~
 49 ~~percent (75%) of the annual grant approved for disbursement shall be payable to the business, and~~
 50 ~~twenty five percent (25%) shall be payable to the Utility Account pursuant to G.S. 143B-437.61.~~
 51 ~~For any eligible position that is located in a development tier two area, ninety percent (90%) of the~~

1 ~~annual grant approved for disbursement shall be payable to the business, and ten percent (10%)~~
 2 Using the rankings of G.S. 143B-437.08, the Department shall determine the appropriate
 3 percentage of the annual grant approved for disbursement that shall be payable to the business and
 4 that shall be payable to the Utility Account pursuant to G.S. 143B-437.61. A position is located in
 5 the development tier area that has been assigned to the county in which the project is located at the
 6 time the application is filed with the Committee. This subsection does not apply to a high-yield
 7 project in years in which the business receives the enhanced percentage pursuant to subsection
 8 (a1) of this section.

9 (e) A business that is receiving any other grant by operation of State law may not receive
 10 an amount as a grant pursuant to this Part that, when combined with any other grants, exceeds the
 11 ~~applicable maximum percentage of the withholdings of the business, as provided in subsections~~
 12 ~~(a) and (a1) of this section, percentage determined by the Department to be appropriate for the~~
 13 location where the eligible positions are to be created after consideration of the rankings of
 14 G.S. 143B-437.08 or the percentage provided in subsection (a1) of this section, unless the
 15 Committee makes an explicit finding that the additional grant is necessary to secure the project.

16 (f) The amount of a grant associated with any specific eligible position, including any
 17 amount transferred to the Utility Account pursuant to G.S. 143B-437.61, may not exceed six
 18 thousand five hundred dollars (\$6,500) in any year."

19 **SECTION 2.(k)** G.S. 143B-437.72 reads as rewritten:

20 "**§ 143B-437.72. Agreements required; disbursement of funds.**

21 (a) Agreements Required. – Funds may be disbursed from the One North Carolina Fund
 22 only in accordance with agreements entered into between the State and one or more local
 23 governments and between the local government and a grantee business.

24 ...

25 (c) Local Government Grant Agreement. – An agreement between the State and one or
 26 more local governments shall contain the following provisions:

27 (1) A commitment on the part of the local government to match the funds allocated
 28 by the State, as provided in this subdivision. A local match may include cash,
 29 fee waivers, in-kind services, the donation of assets, the provision of
 30 infrastructure, or a combination of these. Using the rankings of
 31 G.S. 143B-437.08, the Department shall determine the applicable local match
 32 requirement.

33 a. ~~For a local government in a development tier one area, as defined in~~
 34 ~~G.S. 143B-437.08, the State shall provide no more than three dollars~~
 35 ~~(\$3.00) for every one dollar (\$1.00) provided by the local government.~~

36 b. ~~For a local government in a development tier two area, as defined in~~
 37 ~~G.S. 143B-437.08, the State shall provide no more than two dollars~~
 38 ~~(\$2.00) for every one dollar (\$1.00) provided by the local government.~~

39 e. ~~For a local government in a development tier three area, as defined in~~
 40 ~~G.S. 143B-437.08, the State shall provide no more than one dollar~~
 41 ~~(\$1.00) for every one dollar (\$1.00) provided by the local government.~~

42"

43 **SECTION 2.(l)** G.S. 143B-472.35 reads as rewritten:

44 "**§ 143B-472.35. Establishment of fund; use of funds; application for grants; disbursal;**
 45 **repayment; inspections; rules; reports.**

46 ...

47 (a1) The Main Street Solutions Fund is a reimbursable, matching grant program. The
 48 Department of Commerce and the North Carolina Main Street Center are authorized to award
 49 grants from the Main Street Solutions Fund totaling not more than two hundred thousand dollars
 50 (\$200,000) to each eligible local government. Funds from eligible local governments, main street
 51 organizations, downtown organizations, downtown economic development organizations, and

1 sources other than the State or federal government must be committed to match the amount of any
 2 grant from the Main Street Solutions Fund on the basis of a minimum of two non-State dollars
 3 (\$2.00) for every one dollar (\$1.00) provided by the State from the Main Street Solutions Fund.

4 (a2) Definitions. – For purposes of this section, the following definitions shall apply:

5 (1) Active North Carolina main street community. – A community ~~in a Tier 1, 2, or~~
 6 ~~3 county~~ that has been selected by the Department of Commerce to participate
 7 in the Main Street Program or the Small Town Main Street Program and that
 8 meets the reporting and eligibility requirements of the respective Program.

9 ...

10 (18) ~~Tier 1, 2, or 3 counties. — North Carolina counties annually ranked by the~~
 11 ~~Department of Commerce based upon the counties' economic well being and~~
 12 ~~assigned a Tier designation. The 40 most distressed counties are designated as~~
 13 ~~Tier 1, the next 40 as Tier 2, and the 20 least distressed as Tier 3.~~

14 (a3) The purpose of the Main Street Program is to provide economic development planning
 15 assistance and coordinated grant support to designated micropolitans ~~located in Tier 2 and 3~~
 16 ~~counties that the Department, using the rankings of G.S. 143B-437.08, has identified as~~
 17 appropriate recipients of the assistance and to active North Carolina main street communities. To
 18 achieve the purposes of the Main Street Program, the Main Street Center shall develop criteria for
 19 community participation and shall provide technical assistance and strategic planning support to
 20 eligible local governments. Local governments, in collaboration with a main street organization,
 21 downtown organization, or downtown economic development organization, and the small
 22 businesses that will directly benefit from these funds may apply for grants from the Main Street
 23 Solutions Fund as provided in this section.

24 ...

25 (b) Funds in the Main Street Solutions Fund shall be available only to designated
 26 micropolitans ~~in Tier 2 and 3 counties that the Department, using the rankings of~~
 27 G.S. 143B-437.08, has identified as appropriate recipients of the assistance and to active North
 28 Carolina main street communities in the State. Funds in the Main Street Solutions Fund shall be
 29 used for any of the following eligible activities:

30"

31 **SECTION 2.(m)** G.S. 143B-472.127 reads as rewritten:

32 **"§ 143B-472.127. Programs administered.**

33 (a) The Rural Economic Development Division shall be responsible for administering the
 34 program whereby economic development grants or loans are awarded by the Rural Infrastructure
 35 Authority as provided in G.S. 143B-472.128 to local government units. The Rural Infrastructure
 36 Authority shall, in awarding economic development grants or loans under the provisions of this
 37 subsection, give priority to local government units of the ~~counties that have one of the 80 highest~~
 38 ~~rankings under G.S. 143B-437.08 after the adjustment of that section.~~ counties the Department,
 39 using the rankings of G.S. 143B-437.08, determines is experiencing economic distress. The funds
 40 available for grants or loans under this program may be used as follows:

41 (1) To construct critical water and wastewater facilities or to provide other
 42 infrastructure needs, including, but not limited to, natural gas, broadband, and
 43 rail to sites where these facilities will generate private job-creating investment.
 44 The grants under this subdivision shall not be subject to the provisions of
 45 G.S. 143-355.4.

46 (2) To provide matching grants or loans to local government units located in either
 47 (i) a development tier one or tier two area counties the Department, using the
 48 rankings of G.S. 143B-437.08, determines is experiencing economic distress or
 49 (ii) a rural census tract in ~~a development tier three area~~ any other county that
 50 will productively reuse or demolish buildings and properties or construct or
 51 expand rural health care facilities, with priority given to towns or communities

with populations of less than 5,000. ~~The development tier designation of a county shall be determined as provided in G.S. 143B-437.08.~~ For purposes of this section, the term "rural census tract" means a census tract having a population density of less than 500 people per square mile according to the most recent decennial federal census.

...."

SECTION 2.(n) G.S. 143B-472.128(j) reads as rewritten:

"§ 143B-472.128. Rural Infrastructure Authority created; powers.

(j) Powers and Duties. – The Authority has the following powers and duties:

(2) To award grants or loans as provided in G.S. 143B-472.127. In awarding grants or loans under G.S. 143B-472.127(a), priority shall be given to local government units of ~~the counties that have one of the 80 highest rankings under G.S. 143B-437.08 after the adjustment of that section.~~ counties the Department, using the rankings of G.S. 143B-437.08, determines is experiencing economic distress.

...."

SECTION 2.(o) G.S. 153A-15.1(e) reads as rewritten:

"§ 153A-15.1. Agreement to make payment in lieu of future ad valorem taxes required before wetlands acquisition by a unit of local government.

(e) Application. – This section applies only to land acquired in counties ~~designated as a development tier one area~~ with one of the 40 highest rankings under G.S. 143B-437.08."

SECTION 2.(p) G.S. 158-7.3(a) reads as rewritten:

"§ 158-7.3. Development financing.

(a) Definitions. – The following definitions apply in this section:

(1) Development project. – A capital project that includes capital expenditures by both private persons and one or more units of local government and that increases net employment opportunities for residents of the development district or within a two-mile radius of the project, whichever is larger, and increases the local government tax base.

If the district in which such a project will occur is outside a city's central business district (as that district is defined by resolution of the city council, which definition is binding and conclusive), then, of the private development forecast for a development project by the development financing plan for the district in which the project will occur, a maximum of twenty percent (20%) of the plan's estimated square footage of floor space may be proposed for use in retail sales, hotels, banking, and financial services offered directly to consumers, and other commercial uses other than office space. The twenty percent (20%) limitation in the preceding sentence does not apply to development financing districts located in ~~a development tier one area, as defined in a county with one of the 40 highest rankings under G.S. 143B-437.08~~ and created primarily for tourism-related economic development, such as developments featuring facilities for exhibitions, athletic and cultural events, show and public gatherings, racing facilities, parks and recreation facilities, art galleries, museums, and art centers.

...."

SECTION 3.(a) There is created the North Carolina Commission on Economic Development for Distressed Communities (Commission).

SECTION 3.(b) The Commission shall consist of 23 members as follows:

- 1 (1) Ten members appointed by the President Pro Tempore of the Senate as follows:
 - 2 a. Six persons who are members of the Senate at the time of appointment.
 - 3 b. Four persons who are members of the general public representing local
4 government and businesses from counties ranked, pursuant to
5 G.S. 143B-437.08, as the 20 most distressed counties for the previous
6 six years, without making adjustments for certain small counties
7 provided in G.S. 143B-437.08(e). Ensuring representation of distressed
8 subareas of eligible distressed counties is encouraged in considering
9 persons for appointment pursuant to this sub-subdivision.
- 10 (2) Ten members appointed by the Speaker of the House of Representatives as
11 follows:
 - 12 a. Six persons who are members of the House of Representatives at the
13 time of appointment.
 - 14 b. Four persons who are members of the general public representing local
15 government and businesses from counties ranked, pursuant to
16 G.S. 143B-437.08, as the 20 most distressed counties for the previous
17 six years, without making adjustments for certain small counties
18 provided in G.S. 143B-437.08(e). Ensuring representation of distressed
19 subareas of eligible distressed counties is encouraged in considering
20 persons for appointment pursuant to this sub-subdivision.
- 21 (3) The following persons, or each person's designee, shall serve as an ex officio,
22 nonvoting member of the Commission:
 - 23 a. The Secretary of Commerce.
 - 24 b. The President of the North Carolina Community College System.
 - 25 c. The President of the Golden L.E.A.F. (Long-Term Economic
26 Advancement Foundation), Inc.

27 **SECTION 3.(c)** The Secretary of Commerce, or the Secretary's designee, shall be
28 chair. Vacancies on the Commission shall be filled by the same appointing authority that made the
29 initial appointment. A quorum of the Commission shall be a majority of its members.

30 **SECTION 3.(d)** The Commission shall reexamine North Carolina's strategy for
31 identifying and assisting economically distressed communities to develop a comprehensive State
32 strategy to address chronic distress and target State aid to those communities. As part of this study,
33 the Commission shall do at least the following:

- 34 (1) Determine how and at what geographic levels economic distress should be
35 measured.
- 36 (2) Decide what measures, including, at a minimum, educational attainment and
37 labor force participation rates, data sources, and time periods should be utilized
38 to determine which areas of the State are experiencing economic distress.
- 39 (3) Review the mission and resources of existing development programs and tools
40 provided to assist distressed communities.
- 41 (4) Identify how State resources can be directed to alleviate distress within North
42 Carolina.
- 43 (5) Consider the Appalachian Regional Commission model for identifying
44 distressed areas and offering capacity-building strategies for use in the State.
- 45 (6) Recommend strategies for new economic development programs and for
46 improving access to existing economic development tools for businesses and
47 individuals in distressed communities.
- 48 (7) Create a measurement plan with goals, objectives, time frames, and action steps
49 that will assess progress toward the overall goal of reducing or eliminating
50 economic distress within North Carolina.

1 **SECTION 3.(e)** The Commission may meet at any time upon the call of the chair and
2 may contract for assistance from non-State personnel as the Commission deems necessary. The
3 Department of Commerce shall provide facilities for meetings and shall assign administrative and
4 professional staff to assist the Commission in its work. Members of the Commission shall receive
5 subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as
6 appropriate. All State departments and agencies and local governments and their subdivisions shall
7 furnish the Commission with any information in their possession or available to them.

8 **SECTION 3.(f)** There is appropriated from the General Fund the sum of two hundred
9 thousand dollars (\$200,000) for the 2016-2017 fiscal year and the sum of two hundred thousand
10 dollars (\$200,000) for the 2017-2018 fiscal year to fund the Commission established in subsection
11 (a) of this section. Funds remaining unexpended at the end of the 2016-2017 fiscal year shall not
12 revert to the General Fund but shall remain available for use by the Commission in completing its
13 work.

14 **SECTION 3.(g)** The Commission shall submit a final report of the results of its study
15 and its recommendations for meeting the needs of North Carolina communities with chronic
16 economic distress, including any proposed legislation, to the General Assembly no later than
17 March 1, 2018. The Commission shall terminate on March 1, 2018, or upon the filing of its final
18 report, whichever occurs first.

19 **SECTION 4.** Sections 1 and 3 of this act are effective when they become law. Section
20 2 of this act becomes effective November 30, 2016, and applies to economic development awards
21 made and related determinations occurring on or after January 1, 2017. The remainder of this act is
22 effective when it becomes law.