



NORTH CAROLINA MILITARY AFFAIRS COMMISSION

**Minutes of the 1st Quarter, January 24, 2018, Economic Development Committee meeting
Havelock City Hall, 1 Governmental Drive, Havelock, NC 28532**

MEMBERS IN ATTENDANCE:

Acting Chair Cresswell Elmore
Frank Bottorff
Gary McKissock, (by-phone)
Tony Stimatz, (by-phone)

ADDITIONAL ATTENDEES:

Hon George Cleveland, NCMAC Member
Joseph Tew, NCMBC
Greg Sabin, NCMBC
Theresa Kostrezewa, Cap Adv
Willie Casey, DMVA
Kelly Jackson, DMVA
Will Best, Dept of Commerce (by-phone)
Ron Massey, City of Jacksonville (by-phone)
Whitney Campbell Christensen, ACT (by-phone)
Caroline Outten, ACT (by-phone)
Bryan Ayers, MCI-East, (by phone)
Erin Adams, MCI-East (by-phone)
Brad Helton, EDPNC (by-phone)

WELCOME/INTRODUCTORY REMARKS: ACTING CHAIR CRESSWELL ELMORE

Acting Chairman Elmore called the meeting to order at 11:00 am. He welcomed everyone to the meeting and hoped that we had a great and productive meeting. The voting member in attendance were Cresswell Elmore, Frank Bottorff, Gary McKissock and Tony Stimatz.

CONSENT AGENDA/MINUTES: ACTING CHAIR CRESSWELL ELMORE

Acting Chairman Elmore requested a motion to approve the agenda for the 1st quarter meeting. Frank Bottorff made a motion to approve the agenda, seconded by Gary McKissock and passed by unanimous vote. Acting Chairman Elmore requested a motion to approve the minutes from the 3rd quarter meeting of the committee on Jul 18, 2017. Frank Bottorff made a motion to approve the minutes, which was seconded Gen McKissock and passed by unanimous vote with no discussion. Acting Chairman Elmore stated that he did not have any old business to discussion and asked the committee if they had any old business to discuss. There was not old business so the committee moved forward with the agenda.

ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC): BRAD HELTON

- Army Futures Command (AFC): The Army announced at AUSA that it is going to establish a brand new 4-star command concerning approximately 1,000 jobs called "Army Futures Command" to oversee modernization. The proposal for AFC is an Amazon HQ2 level of effort. The Raleigh

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Triangle Region is on the Army's short list. At the request of DMVA, the NC Military Foundation has been leading the strategic coordination. I've been the lead author/integrator for developing the proposal outline and directing the content of the final presentation. For the proposal outline, a team involving several entities from the NCMBC, Raleigh/Wake/RTR EDOs, the academic institutions, EDPNC Research & Marketing team, EDPNC Business Recruitment Project Manager, and others has been meeting periodically for a few months now to provide input and data. The outline contains strategic messages and supporting data that reflects the discussion of the group. We handed off the final version of the outline to the EDPNC Marketing Strategist on 1/19. She has been converting the outline into a presentation (in this case we chose PowerPoint). The presentation will also include letters of support and endorsement. The final presentation will be submitted to the Chief of Staff of the Army on 1/30. The Army will announce its "preferred location" at the Army Global Force Symposium and Exposition in Huntsville, AL on March 26-28, 2018.

- **Thunderdrone:** This is a drone-focused technology innovation and transition office that is part of Special Operation Command's DRONEWERX. Kyle Snyder and I met with GTRI at the Constellis facility in Moyock, NC on 1/12. GTRI has been assessing potential locations for Thunderdrone's first outdoor rapid prototyping event planned for March or April, 2018. Thunderdrone is also considering Fort Bragg, and other locations outside of North Carolina. SOCOM strongly prefers that the event be conducted near the end user. Approximately 30 out of 100 companies will be selected to participate. The focus is Counter-UAS, so they need a location that allows them to shoot a variety of weapon systems. Accommodating lasers, up to 30mm, HPMW, and other systems is a bit of a challenge, however, Constellis seems to be capable of doing it. The price sounds right too. The meeting went very well, and I am cautiously optimistic that Thunderdrone will select Constellis. Big media like "60 Minutes" may be involved. If NC is selected, it will raise the profile of the state's UAS industry, bring companies into the state that may not have otherwise walked in the door, and may provide a platform for the appropriate state leaders to promote the state's UAS programs and industry. Note, we were informed on 1/26 that Thunderdrone selected Fort Bragg. I am going to explore opportunities to leverage this event for the benefit of the state's UAS industry cluster.
- **AirLab Feasibility Study Phase II:** Kyle Snyder, NGAT, will be conducting the phase II of this feasibility study on behalf of NCDOT Aviation from January-May, 2018. I plan on working with him closely from February until completion to help coordinate meetings with the right companies so that we properly understand the economic value to the state of a UAS Advanced Aviation Command, Control and Communications (A2C3) corridor and incorporate those benefits into the final recommendation to the state's leadership.
- **GSO tour:** GSO/PTP invited me to join the tour they provided to a former executive from Lockheed Martin on 1/11. This contact spent 32 years with LM and now works for a private company doing site selection consulting. This was a great visit. We toured GTCC and met with the CEO, HAECO. We also had a chance to pick the guest's mind at the end of the visit about angles to pursue for generating leads that I will be incorporating into my aerospace lead cultivation efforts for 2018.

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HOUSE BILL (HB) 904: THERESA KOSTRZEWA (PRESIDENT CAPITOL ADVANTAGE ASSOCIATE, INC)

Ms. Theresa Kostrzewa presented on House Bill 904, North Carolina Rural Job Creation Fund.

- \$100 million private-public equity fund invested in only North Carolina small businesses.
 - Comprised of \$50 million state grant dollars matched with at least \$50 million in private capital
 - Invested in small businesses in rural North Carolina (at least \$70 million in Tiers 1 and 2) or low-income areas (Tier 3).
 - Invested in North Carolina small businesses in 3 years and remain invested for at least 6 years.
 - Fund managers work side-by-side with small business owners and provide valuable management advice.
- Performance-based metrics: State grant dollars are repaid if the funds fail to meet job-creation goals.
- What earns the grants?
 - Investment of capital into small businesses in North Carolina (30%).
 - Satisfaction of job creation targets.
- How do funds earn the grant through job creation targets?
 - Earning is adjusted for jobs created through investments in small businesses in only North Carolina.
 - 70 % of the \$100 mm shall be invested in small businesses location in Tier 1 or Tier 2 counties.
 - Earning is set at 50% of value for jobs retained through investments in small businesses.
- When is the fund required to repay unearned grant amounts to the state?
 - Rural job creation funds may continue to invest up to 10 years until the fund has reduced its repayment of the grant to \$0. After 10 years, the remaining balance must be repaid with interest.

Theresa Kostrzewa is a lobbyist. Everywhere in the country there is a problem with access to capital. Especially in rural parts of our state and that is compounded when you are talking about existing small businesses. That is the problem they are trying to fix. The other thing is how venture capital and private equity firms work. Institutions will give their money to investment managers to go out and make money with their money. They are looking for businesses that will give them the best return on their investment. As you can imagine some Marine supply company in Jacksonville, NC probably not make that list. So, if we as a state are looking to say how can we get the private industry to invest their money in NC and how can we make them put it into places. We have developed a way to make that work. My client is a company that is a venture capital company, private equity company called Stonehenge. They came up with this plan. This is how it works. The state puts in \$50 million and the law says private equity companies, if you want to participate you need to raise a minimum of \$50 million as a match and then here are the criteria that you need to use going forward, to invest that minimum of \$100 million. We say in the law that 70% must go to Tier 1 or Tiers 2 counties. The other 30% can go to the Tier 3 counties but that must go to the Census track zones within that county. Which means they are the poorest parts. The law also says that all the money must be invested within 3 years and stay invested

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for 6 years, and then after 10 years the program is complete. We are going to say in the statute, an incentive for investing in veteran owned business. In the statute, we are putting a structure where the company must demonstrate that they created the jobs or they retained jobs in those counties and in those areas of the state. We would put a higher dollar amount on the jobs that are Veteran owned jobs. That is how we would incentivize veteran owned businesses. If I am a venture capital company and I invest in a company in Jacksonville and it is a loan that is going to be paid back in 3 years. After that money is repaid, I must reinvest the money in another business. So, the minimum of \$100 million will be more because it will continue to be reinvested.

-Question: Cresswell Elmore. Where does HC 904 stand now? Answer: It is in a House committee. Funding is the big thing. Passing the bill is secondary to securing the funding.

-Question: Cresswell Elmore. Does the bill have support to get the funding? Answer: Yes, it does.

-Question: Greg Tew. Are these loans? Answer: It depends. The Company and the Venture Capital Company will make that decision.

-Question: Tony Stimatz. Do you have a packet of information and Point of Contact? Information packet to give to County Commissioner and other local leaders. Answer: They will get that done.

Frank Bottorff commented that he is still trying to see how this is a NCMAC issue. He understands the value of the bill and the Veterans opportunities but not necessarily a NCMAC priority. Tony Stimatz commented if you created a layout of the installations and the economic impact zones of the installations, and color coded the tiers. Frank Bottorff commented that if the statute said that 25% had to be spent within 25 miles from a military installation boundaries. Then you are a direct impact.

George Cleveland commented if you can identify Veteran owned businesses. We have 87 counties in the state that have DOD contracts. If you can identify veteran owned businesses that are within the geographic area of installations that could be targeted. Tony Stimatz commented about this incentive. Make it that you get additional points if you are near a military installation.

Joe Tew had 3 questions.

1. In the incentive should it also include Veteran employees in addition to the proximity to an installation?

2. From an investment understanding point of view. Private equity firms that decide to participate, what is the benefit for them? Answer: The state match is important and the reason that they will participate.

3. What if the Private equity firms only come up with \$40 million? Answer: Then they never get to start. The firms have 3 months to get the capital and then present their qualifications to the Department of Commerce.

COMMUNITY COLLEGE ACCEPTING MILITARY COURSE/QUALITY FOR JOBS WITHIN STATE: GARY MCKISSOCK

Gary McKissock gave a presentation on Community College accepting military courses and the quality of jobs in NC. The Economic Development Committee has looked at folks leaving the military bases in NC not as an employment issue but as an economic development issue. We have been trying to keep as many of these folks in NC as possible. We have put together a program called NC4ME which puts employers with potential employees. Trying to figure out other ways to encourage people to stay in NC and prepare them for jobs. One of the initiatives that we have been working on for a couple of years' is

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working with the Community College System to try to determine what military education can be taken to the Community College, have it reviewed and get credit for academic achievement because of their military training. The committee that have been working this issue have not been very productive. We have not had an update in the past 4-5 months. I had a conversation with a school administrator recently that informed him that the Community College is an independent organization and does not need to wait for to State to give them approval to give credit for military training. That was news to Gary McKissock. If that is true, then we need to have a discussion with 3-4 of the Community Colleges that are around military bases. We are talking about Fayetteville Tech, Carteret, and Coastal Carolina. It is the 80/20 rule. We need to get the ground truth on their awarding of credits and what they are willing to do. Do they work with American Council Education (ACE)? A group that has been doing this for 30 years. This fits in with what Brad Helton was talking about. Qualified people that make them attractive for companies/industries coming to the state with the knowledge that they have fully qualified people to hire as employees. This is straight forward but we have not taken advantage of the great Community Colleges that we have within the state and given these great service members that are great employees credit for the training that they have received. How do we go forward?

Rep George Cleveland commented that a couple of days ago he had asked the Community College System and the University System to update him on their progress in excepting military training. He hopes to get a report from them in the next week. This might be something for the Full NCMAC to take up. One of the problems that he sees with each Community Colleges excepting courses going forward in their program is that if it is a transferable program then next educational establishment might not if it isn't coordinated across the state. Gary McKissock commented ACE approved courses throughout the US are transferable. He thinks that the state education system needs to be more flexible and help our military veterans. We need to make the effort. Chairman Elmore commented that after Rep Cleveland receives the report we need to determine if we have information to brief on this topic at the Full NCMAC. Frank Bottorff commented that the foundational work is going to be valuable at those community colleges that are directly related to our military installations. That is the key to success. Getting them on board and flushing out all the problems. If we can determine knows how to get it through the Community College system hierarchy, then the UNC system, and that is where to start. Maybe we can get them all together at a central location for a meeting. Gary McKissock commented that the Committee could have someone from ACE talk to us about what success they have had Nation-wide. How they have broken through barriers at the College and University level. They have been in business for 30 years. Check out the ACE website for more information. Do they want to look at attending the next Community College meeting and make a presentation? Frank Bottorff commented that we have work on and with good success was credits for basic law enforcement training. Approximately 1/3 to 1/2 of the courses are waived for military MP with experience. But reality is that the way the courses are taught it takes them just as long. They may not have to sit in every hour of training but since the course is structured to be 10 weeks they can't graduate until the 10 weeks' course in done. So, we did not get the benefit we hoped for.

REVIEW ECOM PRIORITIES: ACTING CHAIRMAN CRESSWELL ELMORE

Acting Chairman Cresswell Elmore lead the committee in reviewing the priorities. This committee has 2 priorities # 3 and #6. Current Priority #3: Encourage Defense and Homeland Security related economic

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development opportunities associated with logistics and supply chain support for military aircraft and aviation equipment. Current Priority #6 Integrate transitioning military members, veterans, Guard and Reserve, and military dependents into the NC workforce. Both priorities need to be reviewed and rewritten.

NORTH CAROLINA MILITARY BUSINESS CENTER (NCMBC) UPDATE: JOESPH TEW

Joseph Tew presented for the NCMBC.

-Scott Dorney would be making a presentation to the Community Colleges System on Feb 2nd. What the NCMBC does for their counties. Developing a map of the 100 counties.

-SBC meeting in March.

Operations Update:

Offices in 12 Community Colleges state-wide

2749 Contracts, 8.2 Billion, 22%

Concerns:

-They do not have offices in the western part of the state. Don't have the coverage that they need.

-Retention of staff, the budget has not increased but it has decreased.

-DefTech unfunded opportunities

- Scott Dorney will ask for an additional 250K in the State Budget.

- Establish operations in 3 additional geographic areas (far west, west and northwest). Expand our operations into larger regions by part time staff so moving 5 to full time.
- Deftech, continue
- Reinforce operations
- Expand industry focus operations
- Grow Aerospace Industry
- Medical
- Military Construction

Our vision is to be the go to source for existing industry to help them get federal government work.

How we see that helping with Economic Development is if you are out recruiting another defense business to come into this area and you are recruiting to keep Veterans as employees within the state.

A great tool would be to say if you come to NC look at the service that we give you as an existing industry. We continue to work with you to secure government contracts.

REAL ID: CHAIRMAN CRESSWELL ELMORE

Acting Chairman Elmore lead the discussion on Real ID. He encouraged everyone to get the Real ID. NC is a compliance state. Need to clarify if the dates for getting onto a military base without the Real ID.

MISCELLANEOUS:

Tony Stimatz commented that we have an un question on education issues. We need to fix the education system. Frank Bottorff should the NCMAC have a Strategic meeting annual or bi-annually.

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ADJOURNMENT:

Acting Chairman Elmore requested a motion to adjourn the meeting. Frank Bottorff made a motion to adjourn the meeting, seconded by Gen McKissock and passed by unanimous vote at 12:05.