



## **NORTH CAROLINA MILITARY AFFAIRS COMMISSION**

### **Minutes of the 2nd Quarter April 14, 2020 Economic Development Committee meeting** **Microsoft Teams/Conference CALL # (515-604-9063)**

#### **MEMBERS IN ATTENDANCE:**

David Hayden, Chairman  
Frank Bottorff  
David "Crockett" Long  
Arnold Gordon-Bray (phone)  
Rodney Anderson

#### **MEMBERS ABSENT:**

Mayor Will Lewis  
Tim McClain

#### **NCMAC MEMBERS:**

Paul Friday

#### **ADDITIONAL ATTENDEES:**

Will Best, Department of Commerce  
Jamie Norment, ACT  
Scott Dorney, NCMBC  
Ron Massey, City of Jacksonville (by phone)  
Larry Coleman, NC National Guard Association  
Mike Scalise, MCI-East/NCCC  
Bryan Ayers, MCI-East/NCCC  
Chris Chung  
LTC David Baker  
Kelly Jackson, DMVA

#### **WELCOME/INTRODUCTORY REMARKS: CHAIRMAN DAVID HAYDEN**

Chairman David Hayden called the meeting to order at 10:05 am. He welcomed everyone and had all the attendees introduce themselves. There were 5 committee members in attendance for a quorum.

#### **CONSENT MINUTES: CHAIRMAN DAVID HAYDEN**

Chairman Hayden requested a motion to approve the minutes from the 1<sup>st</sup> Quarter meeting of the committee on January 14, 2020. Rodney Anderson made a motion to approve the minutes, which was seconded by Frank Bottorff and passed by unanimous vote.

#### **OLD BUSINESS: CHAIRMAN DAVID HAYDEN**

Chairman Hayden asked if there was any old business to discuss? Chairman Hayden talked about the Strategic Goals for Economic Development. He has received comments from 3 of the members and will get that information updated and share with the committee. Chairman Hayden said he would summarize the priorities for the committee.

#### **BUDGET UPDATE: FRANK BOTTORFF**

Frank Bottorff gave an update on the budget and expenditures to date.

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<u>Item:</u>	<u>Spent:</u>
Cassidy and Associates (Lobbying Service)	\$ 229,500 (July – March)
Dr. Kathy Sturgis (Facilitator Svc)	\$ 4,640 (August – September)
EDPNC	\$ 120,000 (July- April)
NC Military Foundation (Cluster Analysis)	\$ 140,000 (July- March)
Sentinel Landscapes	\$ 150,000 (February)
NC4ME	\$ 40,000 (March)
Temporary Solutions (Stipend)	\$ 508.80 (September- January)
Office Supplies	\$ 274.51 (September-March)
Travel	\$ 9,491.91 (July –March)
ADC Fees	\$ 2,096.50 (October – December)
Misc.	<u>\$ 441.25 (April – October)</u>
<b>TOTAL</b>	<b>\$ 696,952.37</b>

Frank Bottorff said that everyone had been sent a copy of the current expenditures. The only other expenditures that the NCMAC will have is for the lobbying service (April – June) and one stipend payment. We would start the new year with about \$950,000 and we fenced the lobbying service for next year. The lobbying service is about \$336,000 annually which is the base contract and a small amount for additional travel which is outside of the contract. We have \$225,000 set aside for the Community Grant Program that we have out for applications and has been extended to give people more time to apply. If we take the \$950,000 - \$336,000 - \$225,000 = \$389,000. The normal expenditures are Sentinel Landscapes (\$150,000); EDPNC (\$120,000); and NC4ME (\$40,000) that equals \$310,000. If we have \$389,000 - \$310,000 = \$79,000 remaining. The \$79,000 would be for administration, travel, stipend and conferences. If there are no other funds provided by the state, then at the beginning of this year, we could go through our normal process and pay for the lobbying service, Community Grant, Sentinel Landscapes, EDPNC, NC4ME and some basic travel costs but there would be no other good idea money. This is the status of the funds at this time. No one had any questions about the budget at this time.

**MARINE CORPS AIR STATION (MCAS) CHERRY POINT AND FLEET READINESS CENTER-EAST (FRC-EAST)**  
**UPDATES: JAMIE NORMENT**

Jamie Norment gave an update from MCAS and FRC-East. He said that Cherry Point is still open, and they are flying airplanes. The Depot is almost at near full employment. They have 2 shifts going to keep everyone working and getting paid. This is great because most of the private sector is shut down. They have cancelled the Air Show it was scheduled for the first week of May which is a huge economic engine for the community. The efforts in Washington DC to provide additional funding for Cherry Point continues. Our top priority at FRC-East is the F-35 Hanger new construction and the new construction at the Slocomb gate and related transportation improvements. Everything is going as well as it can.

**FORT BRAGG UPDATES: RODNEY ANDERSON/ARNOLD GORDON-BRAY**

Arnold Gordon-Bray said that his last contact with anyone on Fort Bragg was on March 3<sup>rd</sup>. They had gone to United States Army Special Operations Center (USASOC) in February and received a great tour. He has been in contact with Ray and his team about giving us insight. Then since the Coronavirus hit he

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has nothing to report. His comments are that there are companies in NC that are starting to make contact with Fort Bragg. We were working something but that is when the virus hit. He has not had any contact with Fort Bragg since that time.

**NORTH CAROLINA MILITARY BUSINESS CENTER (NCMBC): SCOTT DORNEY**

Scott Dorney said that he appreciated the opportunity to speak today. He said he wanted to start with good news. They had compiled the federal contracting statistics from NC in Fiscal Year 2019. Federal Contracts executed in NC were \$7.18 billion which is an increase of over \$1 billion over fiscal year 2018. Department of Defense (DoD) contracting which is a component of that federal contracting. Prime contracting in NC for 2019 is \$4.66 billion which is up \$960 million over 2018. If you think about that, it was a \$1 billion increase in federal contracting and \$960 million increase in DoD contracting. Which means the lion's share of the increase of federal contracting in our state came from DoD contractors. That only reflects prime contracts which comes from the federal procurement data system. It does count some sub-contracting because it is based on place of performance. If a construction contract is executed in NC, we will capture the sub-contracting for that. We put out a press release on this information. This is great news and he doesn't see a slowdown in 2020. Federal contracting is not down right now due to COVID-19. It is currently increasing. The NCMBC team is working remotely at this time but keeping very busy.

They have great COVID-19 resources on their website. They have a couple pages, one for businesses, one for opportunities and one for general information. They distributed over 400 contracts opportunities to businesses in March. Their normal battle rhythm is about 200 opportunities per month. DEFTECH is very busy during COVID-19 and distributed over 30 high priority government requirements to businesses during March. Another highlight is the Hurricane Florence Recovery Military construction project. There is \$1.7 billion in new construction being executed at Camp Lejeune, New River and Cherry Point. All of the 7 packages of the \$1.7 billion, 6 packages for construction at Camp Lejeune and 1 package for construction at Cherry Point. All of the packages have been short listed. The government uses a 2 phase process and down selects primes to 3 or 4. Now the prime contractors are putting their sub-contracting teams and their price proposals which are due in April, May and June depending on their packages. We have done physical teaming events for the first 3 packages that were released which was pre-COVID-19. Since COVID-19 we can't do that, but we are doing teaming via the web. Now we have an active teaming web page. We have had questions about base access and appreciate the bases assistance on getting this information to the contractors. Security is high at the bases and 100% identification checks.

NC Military Business Center and DEFTECH are distributing hot requirements from federal agencies. The hot items right now are Personal Protection Equipment (PPE) and specifically masks. Everyone wants masks but Federal Emergency Management Agency (FEMA) is the lead for procuring this item for the federal government. There are a lot of producers coming online to produce this stuff, but the log jam is the Food and Drug Administration (FDA) certification of this PPE. There is also a lot of requirement for non-certified PPE. We have 300 producers in NC that are joining the coalition that is being put together by the Carolina Textile district and the Manufacturing Solution Center. There is a requirement to have a mask on when entering installations such as Fort Bragg. So, there is a big requirement for masks for non-medical purpose

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The NC Military Business Center and other agencies are hosting semi-weekly web conferences (Tuesday/Thursday). There are a lot of participants for the conference. Most of the web conferences have focused on State agencies and their support to federal contracting. On Thursday they will be hosting the web conference with Defense Alliance. Senator Tillis will be part of this web conference and talk about federal support to small businesses and the federal contracting environment. He is very engaged in procurement.

Later this month we will have semi-weekly agency specific web conferences on Wednesdays and Fridays. Federal agencies will talk about what they are going to be buying during 3<sup>rd</sup> & 4<sup>th</sup> quarter of FY 2020 as well as any hot short term COVID opportunities. That will start on April 22. The Defense Logistics Aviation will be briefing on April 22. The US Corps of Engineers district which does a lot of construction for Special Operations at Fort Bragg will be briefing on April 24. The Savannah District of the Corps of Engineers which does the other military construction on Fort Bragg will brief on April 29. Tentatively USASOC will be briefing May 6<sup>th</sup> and they are working with NAVFAC and other installations such as MCI-East to schedule them for an agency web conference. The web conference will be agency specific. They will be focused on what the agency will be buying in 2020. The mission continues.

### **ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC): DENNY LEWIS**

No update.

### **DEPARTMENT OF COMMERCE (DOC): WILL BEST:**

Will Best briefed for the Department of Commerce and gave an update. He said their biggest effort is to figure out how they move forward with the recovery effort and primarily in rural communities in NC. Those areas are in line with a number of military installations. There is still a learning curve for our regional prosperity and our planners. He wanted to thank David Hayden for the update from Smith-Anderson on the main street federal funding. That has been spread out and a lot of these communities like Goldsboro has a strong downtown and main street. As do a number of other communities related to the military and those businesses have been impacted. We are doing it 3 times a week. We have Microsoft Teams meetings with rural economic division and 2 Assistant Secretaries. We are also trying to encumber funds and earmark those funds before May 1<sup>st</sup>. That is where we are at this time.

### **ECONOMIC DEVELOPMENT FOR NORTH CAROLINA (EDPNC) DISCUSSION: DAVID HAYDEN**

Chairman Hayden had a computer issue so Frank Bottorff lead the discussion. Frank Bottorff asked Chris Chung to give the committee his thoughts from the EDPNC side the impact this has had around the state of NC and how he sees it playing out. Chris Chung said that he was glad to be a part of this meeting today. He will talk about the impact that he is seeing across the different responsibilities of EDPNC. He said that the area that is getting hit the hardest is on the Tourism front. As you know, one of EDPNC's responsibilities is tasked with marketing NC as a tourism destination. For both in state tourism and primarily out of state tourism. With this complete lock down and very little leisure travel by anyone, that is hurting our tourism economy. Many of you live in communities that depend on outside visitors coming to the coast, beaches and mountains. Most of that is at a virtual standstill. That is a big reason that we have seen the unemployment claims spike, not only in NC but in the country. What we are trying to do as a result, is to provide some leadership to our local tourism partners on what the game plan is going to look like when people feel that they are in somewhat of an all clear sign. People are

going to have different definitions of what all clear means. When that happens, we want to be in a position to drive as much of that tourism travel here to NC. We have developed a marketing campaign or the foundation of a marketing campaign that is aimed at that timing when we feel the we are turning the corner. We want to encourage people to travel to NC. That will need to coincide with when the tourism businesses are ready to reopen. When they reopen is also a function of some of the public health guidelines. All of these things have to be synched up for the maximum impact. What we can have an impact on is to drive that demand, when the timing is right. We don't want to be drafting the plan when people are ready to travel.

The existing industry which also encompasses some of our small business international trade assistance efforts. Most of these tend to be in the manufacturing space. That activity, if you went back 4 weeks ago, a lot of our interaction with existing companies around the state was just helping them figure out whether or not they would eventually be determined essential businesses. Would they be permitted to operate in case of a local or state stay at home order. What would be the process to appeal that designation if they were not determined essential. All of those various questions that a business owner has about whether they can continue their continuity of operations. That is what our existing industry team was very busy fielding. Once that got resolved with the Statewide stay at home order, and much clearer guidance, the effort has been on PPE and helping get some of those businesses the resources that they need produce more, and staff up quickly. We have been also helping companies figure out if they are able and interested in pivoting to the production of PPE and other high demand supplies. The existing industry team has been a wonderful consistent resource for the companies that they engage with all of the time. We have built up some strong relations in the industrial base in NC. We have all also seen the growing list of resources that has been put together, primarily financial resources at the federal and state levels. Helping companies navigate with the tools that are available to help them.

For small businesses, we are still seeing a lot of traffic calling into that hotline. These are individual entrepreneurs that want to understand what they need to do to set up a business in NC. Even in the midst of this situation there is still a very solid level of interest among individuals looking to start a new business of some sort. The final group is Business Recruitment which they are best known for. The week of March 9<sup>th</sup> that things started getting serious in the US. The recruitment activity fell off the cliff. One of their metrics is number of new recruitment deals that come in through the door. That was essentially 0 for about a 2 week period. Since that time, the last 2 weeks of March and first 2 weeks of April they have seen a steady flow of new projects that are coming through the door. These are new companies that are launching a new search for a new expansion or new location. That is encouraging. That is only a few weeks of data, so we don't need to draw too much from the data. The deals that they were working prior to COVID-19, about 20% of them have hit pause due to COVID-19. We continue to reach out to those active clients.

Chairman Hayden said that he appreciated this information from Chris Chung. The economy we had before is not going to be the same after this epidemic. There is going to be a slow start and not a flip on a switch. When we originally planned to have you come on here, we wanted to talk about the position that the NCMAC has been funding to grow the defense industry in NC. We have had Brad Helton in that position the first 2 years and now we have Denny Lewis in that position. He is interested in his views on

how the position has evolved or changed with the new personnel. Also, how can this committee help him if he thinks we should be doing something different? Chris Chung said that he appreciates the NCMAC's continued support of this position. This is the 4<sup>th</sup> year that the NCMAC has supported this position in EDPNC. This all started in mid-2015 with some discussion for a dedicated business development or business recruitment role within an economic development organization. The Agri businesses had pushed for a business recruitment role focused on the food processing industry in mid-2015. So, there was a push for a similar position for the defense industry. The funding is for one year funding and renewed annually. Once we realized that the NCMAC would be funding this position and directing it to EDPNC, the task became how do we set this up in a way to most effectively match to the source of funding. We decided that a business development role would make the most sense if we only knew that funding would be available one year at a time. When we say business development at EDPNC, that is different than business recruitment. We have 3 different teams; one is recruitment and one is business development. Business recruitment is the sales team. They work projects. Opportunities that come in through the door. We are talking about specific companies that have a site selection requirement or expansion need coming up in the next 18 months. We are trying to win as many of those deals that we can. One way that projects come into the recruitment team are through the efforts of the business development group. The business development group is responsible for generating deal flow. That is the proactive piece of what we are trying to do to get more companies interested in locating a presence in NC. This position is one we decided to house within that business development group. Since the funding is for only one year, what you want to avoid is having someone work recruitment projects where projects can be worked from 3 months to 2 years. He thinks this position is valuable but the NCMAC has to make the ultimate call on that. Since there has never been a dedicated effort focused on the defense industry, that itself has value. The bigger questions for the NCMAC is does it make sense to have someone in this state focused on the economic development opportunities from the defense industry on a continuing basis. If the answer is yes, then he hopes that EDPNC is the group for the NCMAC since they have the infrastructure to support that. He said that Denny Lewis brings a lot to the table and has a lot to offer. He has the relationships and understanding to do this job. He also brings the connections with NCMBC and DEFTECH which are very helpful. He has a specific measurable goal of qualified deals that he uncovers and identifies and hands off to the business recruitment team to complete. That is his major metric and the major metric of the business development team as a whole. He is also there to support the business recruiters when they are working defense industry projects. Whether or not he sourced it, he is there as a Subject Matter Expert (SME) to support the business recruiters.

Looking forward, he thinks that one thing we may see as a result of the pandemic is a renewed push for reassuring the manufacturing of critical items and supplies that the US has learned that we don't need to outsource to foreign countries or US companies that manufacture overseas. That is most pressing in the health care product sector. Those are areas of focus that he thinks Denny Lewis has zeroed in on. In addition to taking some of those sectors identified in the Cluster Study, in making credible arguments around those 6 target industries in the study. He thinks there is going to be plenty to do for Denny Lewis or anyone who is in this position. He thinks there is value in having someone in this position. Chairman Hayden said that he appreciated the update and all of the information that was given to the committee. He knows that there is value in this position. He appreciated all of the detail that he gave the committee during his presentation. He agrees that Denny Lewis brings a lot of expertise to the

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position from his career and had his fingers in a lot of different entities in NC that give him great networking. He asked Chris Chung how could the NCMAC help him to be more efficient in growing the defense industry in this area since it is the 2<sup>nd</sup> largest industry in this state. He said that we had made baby steps in the past couple of years and this is hard to do. After we get through this epidemic how can we take steps to help grow the defense industry. He thanked Chris Chung for his time today.

Arnold Gordon-Bray said that he has been looking at the environment. There are been an environmental impact from all of this. Just the fact that we are moving less, working less and on a personal level people have adjustments. He is asking people to think about this a little harder. There is going to be a new normal. We do this in the military. I have started doing video conferences and we haven't lost a step with the change. Everyone is going to have to figure this out. Education is going to change. We have been playing with the teleconferences and telemedicine. So, the question becomes, what are going to be the changes that must take place. We are going to learn the real value of interface. He would like everyone to take note and ask themselves, when we come out of this, what has to be done and what does not have to be done? What thinks will impact us? What do we think are the 4 things that are a plus or a minus? So, when we do come out of this, what should we look like? Chairman Hayden said he thanked Arnold Gordon-Bray for his comments.

**OPEN DISCUSSION:**

Chairman Hayden said that he wanted to go around the room to see if anyone had anything to share.

Crockett Long said that things are tough for the Bars and Restaurants since they have been shut down. His business is still open, and they have applied for the Payroll Protection Program (PPP) and hope to be approved. He has been communicating with other business owners and some of them have been having a hard time filling out the applications. There seems to be some disconnects but things are improving. He anticipates that 20% of his business will not come back which is very unfortunate. He has not laid off any of his employees and he hopes he will not have to lay off any employees. Things are tough out there for small businesses. Chairman Hayden said that the service industry has been significantly impacted by this and this is not something that you can flip a switch and turn it back on. He feels for all of these small businesses and everyone that has been laid off. The uncertainty affects everyone. Crockett Long said that the next 10 days are critical, and everyone needs to stay home and be safe.

Larry Coleman, NC National Guard Association said that NC National Guard had 250-300 members on State Active duty at this time. They are mainly providing logistics support for County Emergency Response. The request for their support came from Mike Sprayberry, Emergency Management Director. The NC Air Guard has a large size logistical warehouse operations and they have some on State Active duty around Charlotte to help one of the medical facilities with warehousing operations. This is one of the National Guard State Duty missions. The National Guard Association of the United States (NGAUS) annual convention which is similar to the Association of the United States Army (AUSA) but smaller in scope. The NGAUS was scheduled to be in Boston, MA this year in August, but it has been cancelled this year. We will be hosting the same conference in Charlotte, NC in September 2021. We also had to cancel our State Conference which was scheduled in a couple of months.

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Paul Friday said that from the NCMAC side he still has a meeting scheduled with MCI-East on April 28. He will get an update from them at that time reference Camp Lejeune, Cherry Point and New River from the Command respective. On the Defense Alliance of North Carolina (DANC) side they continue to help companies looking for partners, materials or other ways to ensure that they are in the hopper for competing for funds that are out there. That is an on-going issue. They are getting us to video conferencing due to all of these changes. This is a trying time.

LTC David Baker, NC National Guard said that the National Guard is sending out primarily logistics support packages. They have one going on in Durham. Also, Emergency Operations Center (EOC) personnel are on duty. They have Engineering assets that are supporting alternate care sites. They have Liaison Officers (LNO) in each part of the state (West, Center, East) for emergency action centers. For the NC National Guard service members that are currently affected, they have 26 quarantined that are Active members of the National Guard and 3 isolated. We are using Personal Protective Equipment (PPE) when our servicemembers are out there on duty. They are also Teleworking as much as possible.

**ADJOURNMENT:**

Chairman David Hayden adjourned the meeting at 11:32 am.