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Q&A: Chris Chung, CEO, North Carolina Economic Development Partnership

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Chris Chung is the next participant in our Q&A series with prominent economic developers across the country. Chris is a native of Columbus and a graduate of The Ohio State University. For the past four years, Chris has served as CEO of North Carolina's Economic Development Partnership (EDPNC), which serves as, among other things, the recruiting arm for the state. We asked Chris to answer questions regarding the development of the organization, how North Carolina has responded to certain challenges in the economic development industry, and some steps the state has taken to land projects in a competitive market.

You have been leading EDPNC since it was established in 2014. Please explain how the organization has developed and evolved over that time.

First off, thanks for featuring me in this newsletter. Back in 1997, during the summer between my junior and senior years at Ohio State, I worked as a "walk messenger" at Vorys (or Vorys Sater Seymour and Pease as it was known then). It was a fascinating (and humbling) look at what goes on "behind the scenes" at a large law firm like Vorys, and to now be featured in the firm's newsletter more than 20 years later is a real treat.

As for the organization I've been leading for the past 3+ years, one of the clearest ways that the EDPNC has evolved since we opened our doors is in terms of the credibility we enjoy with both in-state and out-of-state stakeholders. Most of our local economic development partners – be they in business-recruitment, tourism, or some other economic development arena where the EDPNC is active – were apprehensive about the state changing from a traditional public-sector economic development agency to the increasingly popular public-private, non-profit model. Not surprisingly, change is always harder to accept for some, and that can make things especially challenging for new organizations at the beginning. Additionally, more

than a few of our important clients – i.e. site selection consultants – outside the state were concerned about a bumpy transition affecting the level of customer service they and their clients received, and were likely holding their judgment until they'd had the chance to work with members of the new organization. Even the state legislature, which enabled the state to make this shift in its economic development approach, at best had a vague idea of how the new organizational model would ultimately compare to the way things had been done before. In those early years, that made things especially interesting when it came time for state budget discussions around how much public funding would be invested in the new organization.

Fast forward three years, and I'm very confident that we have earned the trust and confidence of all our key stakeholder groups. In fact, our strongest advocates are now the many local economic development organizations we work with daily, and I'd like to think we enjoy a strong reputation for professionalism and responsiveness among the external clients we serve. We're seen as a credible voice and force in economic development by the executive and legislative branches of our state government, and we've secured private funding from dozens of North Carolina firms that support our work with their contributions. Having been through the start-up phase for a similar organization during my time in Missouri, I'm nevertheless gratified at the progress our organization has made in this regard. That said, we still have plenty of room to grow and improve, but I'm excited to be working with such a supportive Board of Directors and energetic, hard-working team of colleagues.

What are some of the factors that have led to North Carolina to develop such a strong track record of landing foreign direct investment (FDI) projects?

First off, we're fortunate as a state to enjoy very strong third-party rankings. Be it Forbes, Fortune, Chief Executive, CNBC, or any of the other various "Best States for Business" rankings, North Carolina is consistently in the top 10, if not the top 5, as one of the most attractive locations for business in the U.S. It was especially validating to see Forbes put us at the top of their annual rankings this past year. These things speak to the reputation North Carolina has, due to its long tradition of excellent universities, its enviable quality of life, and an economy and population that both continue to grow at a much faster clip than many other states. And that reputation probably helps us get "on the list" – whether for FDI or for investment projects involving U.S.-based companies – more often than other places do.

We also have a broad and deep base of FDI already here. Hundreds of firms from Germany, Japan, France, Canada, and Switzerland dot the state in every sector from financial services to automotive components. We're now one of the largest states for employment tied to Chinese FDI, due to Chinese ownership of firms like Lenovo and Smithfield Foods. A strong existing cluster of FDI no doubt helps us when other companies in those same markets are looking at where their peers or competitors have chosen to establish operations in the U.S.

And of course, being located in the heart of the East Coast has to be a strategic locational advantage – not one that anyone can take any credit for creating, but still an advantage we can tout nevertheless! The East Coast location certainly makes us all that more familiar for European FDI prospects, and of course, we have extensive air service to Europe from our major airports, which also helps our efforts to court FDI from that part of the world.

Having available, project-ready sites is a critical factor in winning multi-state site selection projects. Describe North Carolina's efforts over recent years to develop project-ready sites.

Absolutely, what we call "available product" is absolutely critical. A lot of work has been done in recent years here, especially with respect to developing an inventory of qualified "megasites," or tracts of land that can accommodate a large, transformational end user like an automotive assembly plant. Perhaps as recently as five years ago, and certainly going back a decade, North Carolina struggled to put together even one such megasite should the right opportunity come along. This had very real consequences on our ability to compete for the types of large manufacturing site-selection projects that all states covet.

However, in the ensuing years, recognizing this as a potential deficiency in the state's otherwise strong value proposition, multiple organizations have collaborated to invest pre-emptively in assembling the right acreage and even prospectively developing infrastructure ahead of a particular opportunity. Groups like the North Carolina Railroad, Golden LEAF (the state nonprofit that dispenses tobacco settlement funds for economic development priorities), and the Bryan Foundation (a civic non-profit in the Greensboro area), as well as numerous state and local government agencies, represent the entities that have put their own financial resources into this product readiness initiative.

Today, we are sitting ready with half a dozen credible megasite options, with one site having landed the first U.S. production facility for a large Chinese tire manufacturer (Triangle Tire) in December and another coming a close second in the pursuit of the Toyota-Mazda joint-venture assembly plant.

The demand for skilled labor is a major problem for jurisdictions across the U.S. What steps has North Carolina taken to develop a strong workforce?

No doubt, we're seeing the effects of a strong economy and tight labor market on skilled labor availability. We're helped in North Carolina by the fact that our population continues to grow at among the fastest rates within the U.S. Most of this population growth occurs thanks to in-migration, whereby recent graduates, mid-career professionals, and of course, retirees, are moving to North Carolina from elsewhere in the U.S., primarily the Northeast and Midwest. A growing population helps to feed a growing talent pool, which mitigates the tight labor market in some respects. It doesn't hurt that North Carolina is seen as an attractive place to live, making it easier for employers to convince prospective hires to move to the state for in-demand professions.

That said, our policymakers are also taking steps to prime the workforce pipeline for the future. Facilitating more widespread implementation of apprenticeship programs – both in terms of participation by students and usage by employers – has been one tactic of late.

We're also fortunate to be home to one of the largest active-duty military presences in the country, including Fort Bragg (U.S. Army), Camp Lejeune (U.S. Marine Corps), Seymour Johnson Air Force Base, and the Marine Corps Air Station at Cherry Point – with more than 100,000 active-duty military personnel today, we will see between 15,000 and 18,000 military servicemen and servicewomen re-enter civilian life each year for the next several years. Helping transition many of these individuals into private-sector industry is another workforce pipeline solution.

Our state's 58 community colleges continue to be at the vanguard of bridging the workforce needs of private industry. Many of these colleges are working closely with industry to add or modify curriculum either for degree programs or continuing education, so that graduates and students are being taught the skills that industry is looking for. North Carolina was a pioneer in leveraging its community college system for so-called "customized training" incentives used by industry, so this is an area in which our community colleges have plenty of experience and know-how.

And of course, shoring up support for strong K-12 education continues to be a priority strategy for ensuring that students possess the foundational skills and knowledge they will need when entering the workplace of tomorrow.

Do you think we will see mega projects more frequently over the coming years, and if so, what steps can a state take to quickly respond and be in position to compete for a mega project?

2017 was certainly the year of the "mega project." Foxconn, Toyota-Mazda, and Amazon's "HQ2" were three high-profile searches that focused considerable public attention on the work of economic development professionals nationwide. We certainly hope more such projects are on the horizon, because we believe that from a site-readiness standpoint and from the standpoint of being prepared to lay down an aggressive package of state and local incentives, at no point has North Carolina ever been better prepared for such opportunities.

Again, available "product" and sufficiently aggressive incentives are two competitive dimensions in which North Carolina has been found to be wanting in previous years. We stand on much firmer ground today. Case in point: While it didn't turn out the way any of us had hoped, the near loss of the Toyota-Mazda assembly plant was the closest that North Carolina has ever come to snagging an automotive OEM investment of that magnitude – that we finished as a close runner-up is a credit to the bipartisan cooperation demonstrated by the Governor and General Assembly leadership, as well as to the hard work put in by numerous partner organizations that comprised the team effort.

So, while we are confident in our level of preparedness for transformative opportunities, the one thing we cannot do is predict when that next opportunity will walk through the door.

Are there any other North Carolina initiatives or programs you would like to highlight?

North Carolina continues to attract the attention of companies seeking a new location because of our fast-growing population (now more than 10 million, making us the 9th-largest state in the U.S. and closing in quickly on Georgia in 8th-place, thanks to significant in-migration from the Northeast and Midwest), our deepening talent pool (thanks to the growing population base), our excellent universities (including the three points of the "Research Triangle" – Duke, University of North Carolina at Chapel Hill, and North Carolina State University), and what many would objectively call a desirable quality of life that offers mild winters and a geography that runs from the Smoky Mountains to the Outer Banks.

We also enjoy a strong reputation as a business location, whether it's Forbes, Fortune, Chief Executive, or CNBC and any of their annual "best states of business" rankings. To that we've added in recent years comprehensive tax reform that's made our corporate income tax the lowest (3 percent, falling to 2.5 percent in 2019) of the 40-plus states that have such a tax, and that's also narrowed our personal income

taxes to a single-bracket system and low rate of 5.49 percent (set to fall to 5.25 percent in 2019).

All of the above contribute to an exceptionally attractive business climate that gets North Carolina “on the list” for an enviable number of business recruitment and expansion conversations. On top of those factors, we can layer on financial incentives such as our Job Development Investment Grant (i.e. rebate of state income tax withholdings for new jobs created) and Customized Training Program (i.e. skills training delivered and paid for by community colleges), as well as aggressive local tax incentives. It’s a powerful combination of features that entices hundreds of companies to expand in the state each year, and we look forward to working with Vorys’ many clients as they consider their next corporate location.