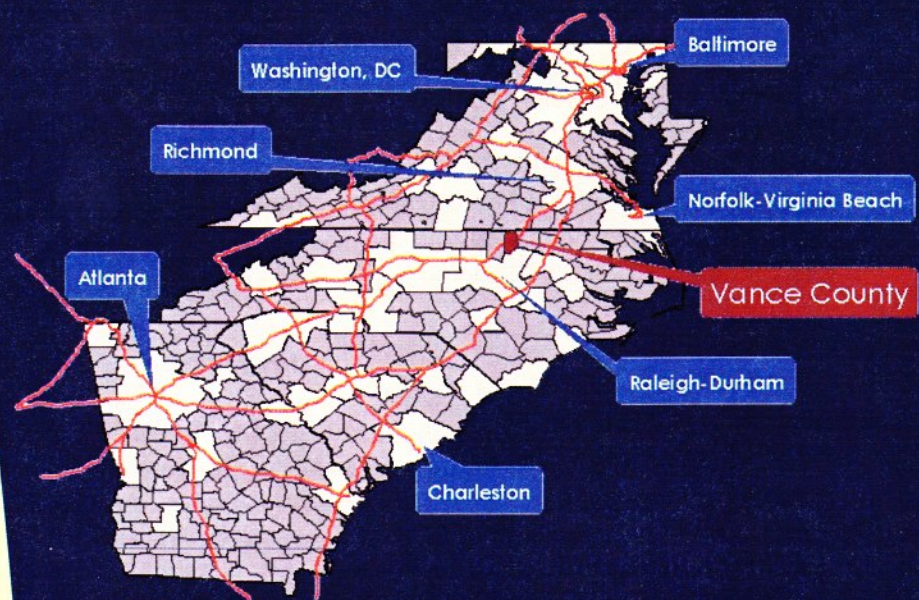


Business Climate Analysis

Vance County, North Carolina



April 16, 2003

Prepared By:

Market Street Services
Where Tomorrow's Great Communities Begin

www.marketstreetservices.com

Marble Homes.....

Business Climate Survey; Focus Groups and Interviews; Infrastructure
Key Findings.....

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INTRODUCTION AND METHODOLOGY

What is Business Climate?

Economic development has changed substantially from the days when recruiting new companies and counting new jobs defined it. Today, economic development has matured into a discipline recognizing that the strong performance of various place-based factors can lead to an economically robust community. The term for the perception and reality created by the effects of these place-based factors is *business climate*.

Why is business climate so important to Vance County's economic success? In the past, a community's economic success was often determined by where it was located (for example, a seaport on the ocean, a town over a large oilfield) or by its natural resources (near mountains or lakes). However, as use of the telephone, facsimile, videoconferencing and the Internet has exploded, the physical location and natural resources of a community have become less important than the subjective assets offered by it. While many companies still carefully consider a community's physical location when deciding where to expand or relocate, physical location alone has become less significant than in the past. More important are the assets a community can offer a company and its new workers. Communities must address the status of their local business climate to become and remain attractive to entrepreneurs, expanding businesses and new firms. In fact, place is more important than ever, but its meaning has been transformed.

Business climate includes not only the issues discussed in the *Economic, Demographic and Labor Force Analysis*, but additional factors that influence how people feel about their community. Place-based factors discussed in this report include a variety of indicators under the following elements: (1) Workforce and Education, (2) Infrastructure Capability (traditional and technology), (3) Business Costs and Taxes, and (4) Quality of Life.

The Business Climate Analysis

This *Business Climate Analysis* is the second step in a five-step process designed to assist Team Vance, comprised of civic, business and education leaders from Vance County, in evaluating the community's current economic realities and targeting business clusters with the highest potential for growth in the community. The first step, the *Economic, Demographic and Labor Force Analysis*, provided foundational information on the health, performance and structure of the County's economy and demography. The third step, the *Target Business Analysis*, will identify specific business clusters that hold the most promise and potential for growth and development within Vance County. The *Target Business Analysis* will incorporate data from this document and explain how relevant indicators will need to be strengthened and improved upon to help those business sectors thrive. These first three steps serve as the foundation for the creation of a comprehensive *Economic Development Strategy*. Finally, the *Implementation Plan* will ensure continued advancement of Team Vance's efforts with specific actions and measurable benchmarks.

This *Business Climate Analysis* assesses Vance County's ability to compete in today's economy. Competitiveness is determined by a wide variety of place-based indicators and their potential effect on (1) small business and entrepreneurial activity, (2) *retaining* existing businesses, and (3) attracting and recruiting new companies. Indicators in all four distinct categories (Workforce and Education, Infrastructure, Business Costs and Quality of Life) combine to form the County's perceived reputation and image. Vance County's image and reputation extend beyond county lines and affect how the area is perceived throughout the state, nation, and even the world. Expanding and relocating businesses, entrepreneurs, job seekers and other individuals and organizations consider this reputation carefully when choosing where to locate. None of the four areas can be discounted or viewed as less important than another. For long-term success, these issues must be confronted with a holistic approach and comprehensive strategies supported and maintained by the County's stakeholders.

Methodology

Providing a careful and meaningful examination of a community's business climate requires data from a variety of sources. In contrast to the *Economic, Demographic and Labor Force Analysis*, which relied primarily on quantitative data from national sources, the *Business Climate Analysis* relies on quantitative and qualitative data from national, state and (where possible) local sources. Information is included from a business climate survey, focus groups and individual interviews conducted April 2-3, 2003 in Vance County. Focus groups were conducted with small and large business owners and chamber of commerce board members, and individual interviews were held with leaders from various sectors of the community, including healthcare, workforce development, education and elected officials at the city and county levels.

As data is derived from a variety of sources, it may not be possible to make valid comparisons where data at the county level is not available or where data exists for public but not private entities. Data will be compared between Vance County, North Carolina and the United States wherever possible and germane.

THE WORKFORCE AND EDUCATION

The huge shift in the economy over the past 10 years reflects the diminishing importance of traditional agrarian and manufacturing jobs and emphasizes the service and information-oriented jobs of the new, knowledge-based economy. New economy jobs tend to require greater skills and education, and an area's workforce must keep pace with the new demands. An examination of the traits of the current workforce, including its educational attainment and the local educational system, along with workforce resources available to the community provides an indication of how well the community is preparing its workforce for today's and tomorrow's jobs. This part of the analysis is covered in three sections: (1) the Workforce, (2) Public Educational Systems, and (3) Workforce Resources.

The Workforce

An area's workforce, also referred to as the potential labor force, is determined by counting the total number of people in the community between the ages of 18 and 69. While this is a good estimate, it is important to remember that people at the lower end of this range may be attending school full-time, and therefore not participating in the workforce. Additionally, those at the upper end of the age range may continue to work past the age of 69, particularly in a poor economy. In 2000, the potential labor force in Vance County was 27,502, which was 64.0% of the total population.

Potential Labor Force	United States	Southern Region	North Carolina	Vance County
2000 Potential Labor Force	65.3%	65.6%	67.8%	64.0%
18-69 Population in 2000	183,669,886	65,754,105	5,459,083	27,502
1990 Potential Labor Force	65.9%	65.8%	67.8%	64.5%
18-69 Population in 1990	163,975,345	56,222,499	4,492,677	25,104

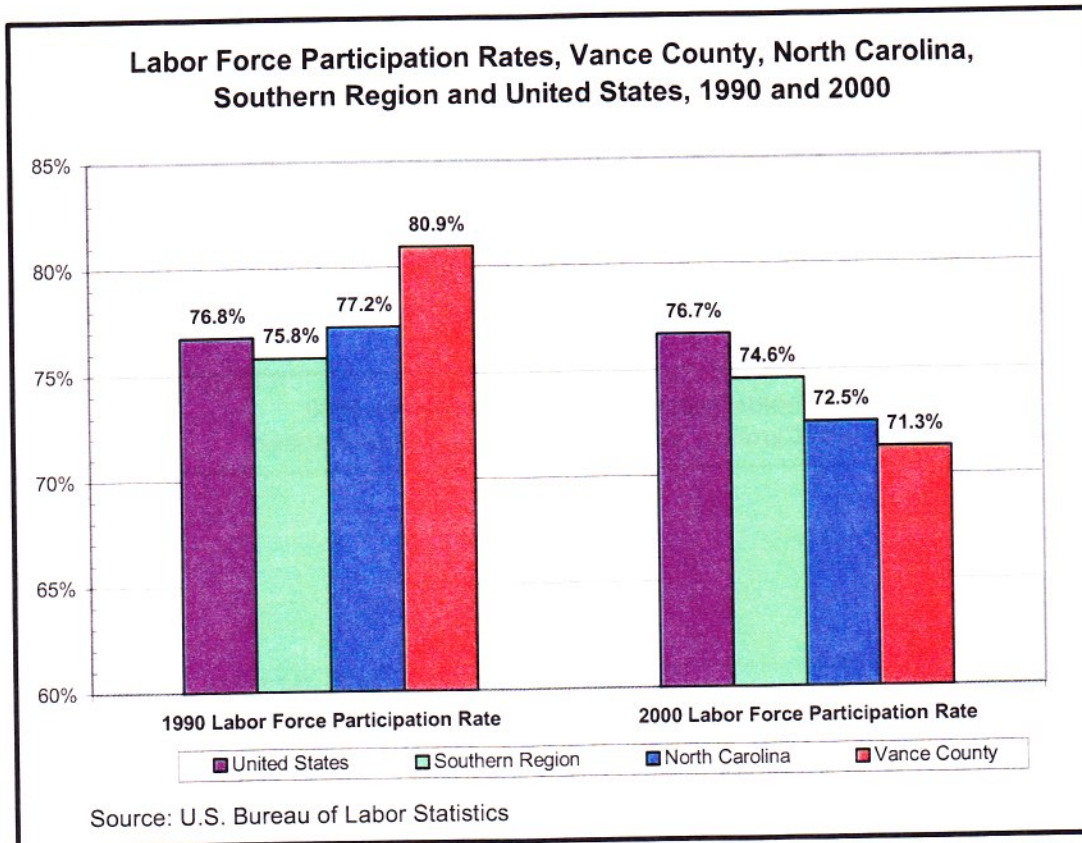
Source: U.S. Census Bureau

Vance County's potential labor force in 2000 was slightly lower than that of the state, region and nation, reflecting the County's higher percentage of children under the age of 18 as compared to state and national averages. The County's potential labor force has not changed appreciably since 1990, when it was 64.5%. However, the County's labor force participation rate, discussed in the following section, has changed significantly over the decade.

Labor Force Participation Rates

The labor force participation rate (LFPR) describes how many of Vance County's potential workers are participating in the workforce. The LFPR is the percentage of the total working age population (18-69) that is employed or unemployed *and* actively looking for work. For example, an area's labor force participation rate may increase in June as high school and college graduates enter the workforce and start looking for jobs. The LFPR can demonstrate the availability of

workers to an employer deciding whether to locate in an area, and changes in LFPR over time can reflect attitudes toward work. An area with a low LFPR and high unemployment rate such as Vance County has more potential workers to add to the labor force.

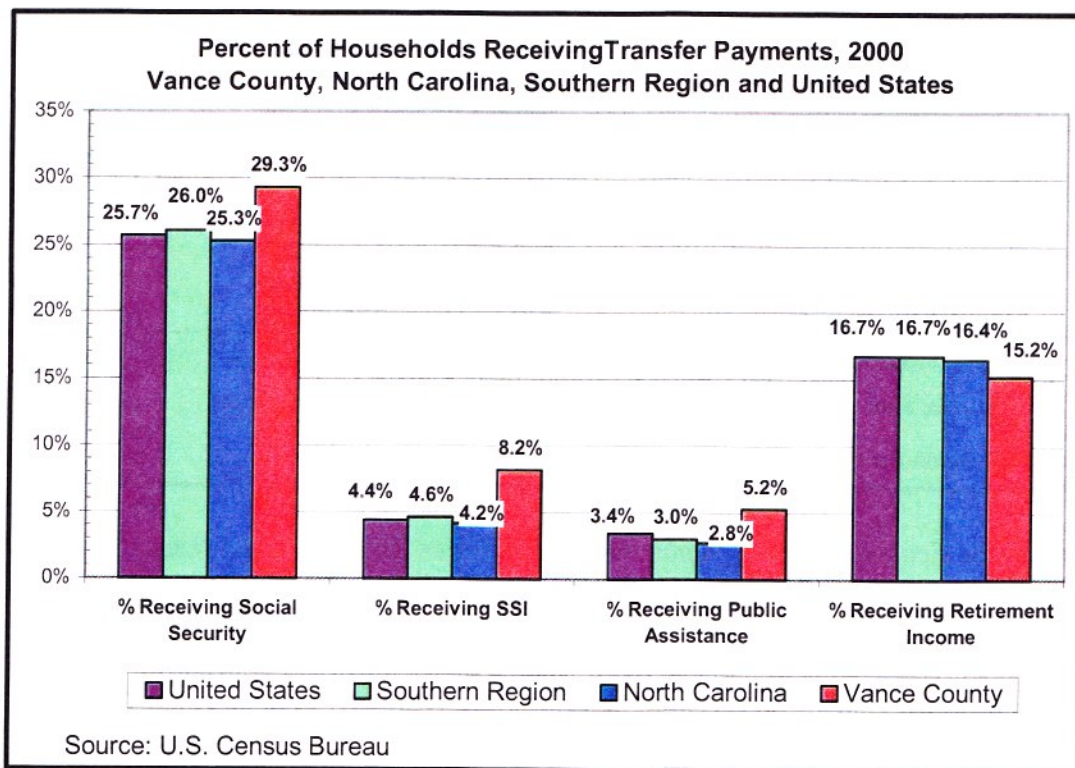


As discussed in the *Economic, Demographic and Labor Force Analysis*, while Vance County's LFPR in 2000 was relatively low compared to the national rate, the sharp decrease in the County's LFPR from 1990 is the real cause for concern. While the LFPRs of the United States and the Southern Region remained almost constant over the ten-year span, North Carolina's LFPR dropped over five percent from 1990 to 2000, and Vance County's dropped almost ten percent, reflecting a rapidly shrinking labor force. According to the age comparison data in the *Economic, Demographic and Labor Force Analysis*, Vance County does *not* have an unusually high number of residents over 70, which would ordinarily help explain why its labor force participation rate is so low.

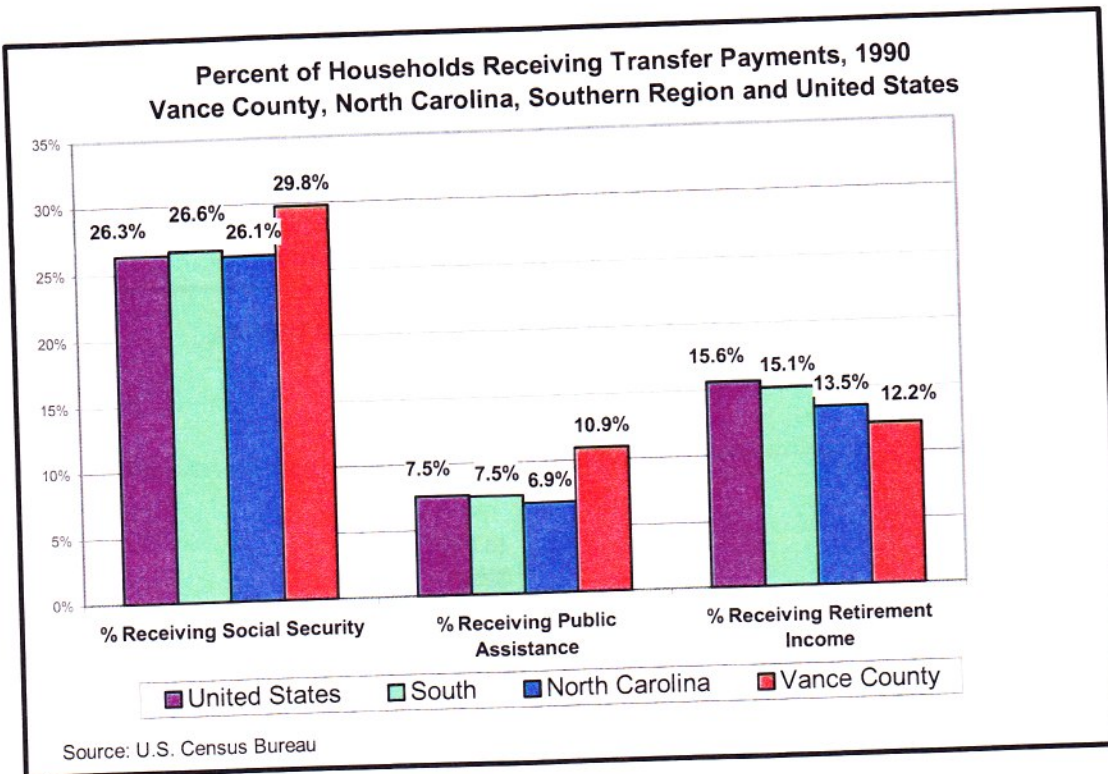
A 71.3% LFPR in 2000 meant that 7,894 people between the ages of 18 and 69 were not participating in Vance County's workforce that year. The contribution in terms of the County's real per capita personal income was zero for each of those people, significantly affecting the County's wealth measures. If Vance County's LFPR equaled that of the United States in 2000 (76.7%), 1,486 additional workers would have been added to the County's labor force, with a corresponding increase in the County's wealth and per capita income.

Transfer Payments

The causes of such a substantial change in the County's LFPR are difficult to determine and are often subjective. Many people who lost jobs over the past decade may have decided to retire early or may have quit looking for work. Others may have decided to stay home to focus on childcare or work in family businesses. One area worth additional examination is the relatively high percentage of Vance County households that received transfer payments in 2000 (including retirement, social security, supplemental security income and welfare). As discussed in the *Economic, Demographic and Labor Force Analysis*, transfer payments accounted for a disproportionately higher percentage of Vance County residents' incomes than earnings and investments when compared to state and national averages. The chart below illustrates the percentage of households receiving certain types of transfer payments in 2000, and the following chart compares it to households receiving those payments in 1990.¹



¹ The 1990 Census did not separately break out supplemental security income (SSI).



In 2000, 8.2% of households in Vance County received SSI and 5.2% received public assistance, respectively. This was almost twice the percentage of North Carolina households receiving such assistance, and substantially higher than the region and the nation. Because Vance County does not have a significantly higher population over the age of 65, residents over 65 receiving SSI and public assistance are not responsible for the increased percentages. The higher percentage of transfer payments contributes to the County's low per capita income. It may also be affecting the labor force participation rate, as 13.4% of households received SSI and public assistance in 2000, up from 10.9% receiving public assistance in 1990. This increase is significant, given the substantial welfare reform efforts of the mid-1990s and the corresponding reductions in welfare recipients.

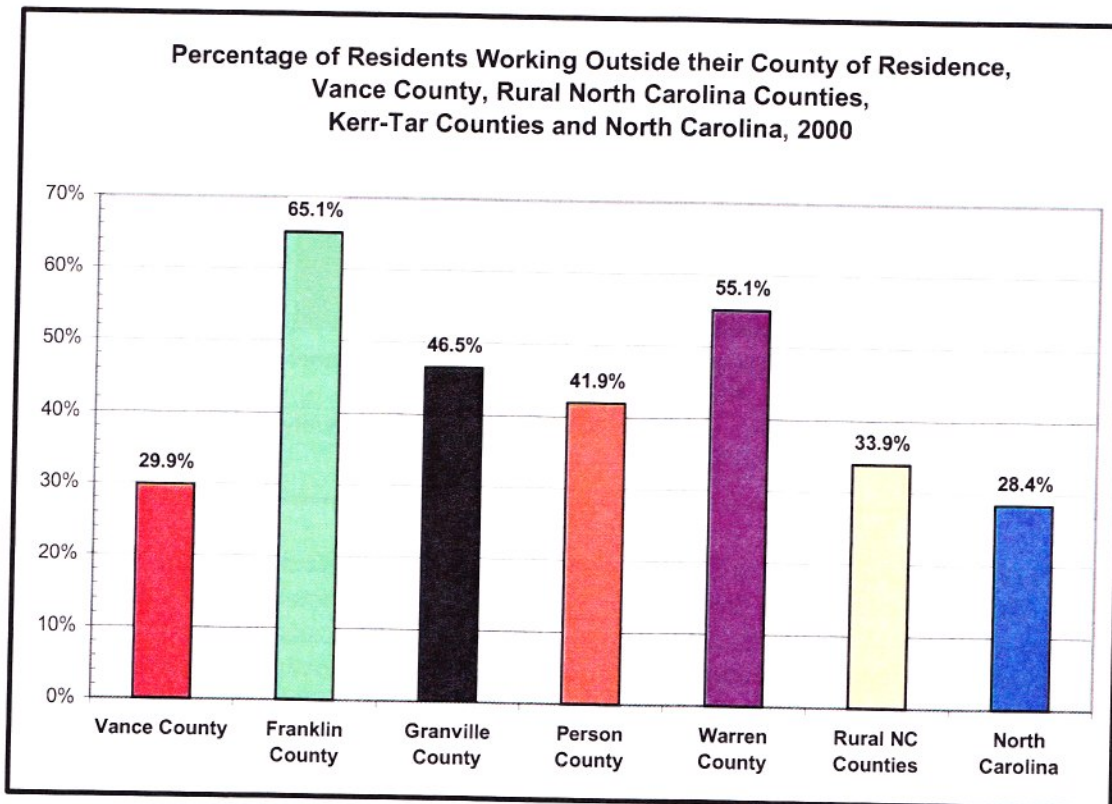
What is SSI?

Supplemental Security Income (SSI) is a federal benefit payment administered by the Social Security Administration. SSI pays monthly benefits to people with limited income and resources who are age 65 or older, blind, or disabled. Blind or disabled children, as well as adults, can get SSI. SSI is not based on prior history and is not funded through Social Security taxes. It is funded through federal general revenue and requires that the recipient have limited resources. A person 65 and older may receive both Social Security and SSI if they have limited means. SSI applications often require that the recipient also apply for food stamps and Medicaid.

Source: United States Social Security Administration, www.ssa.gov.

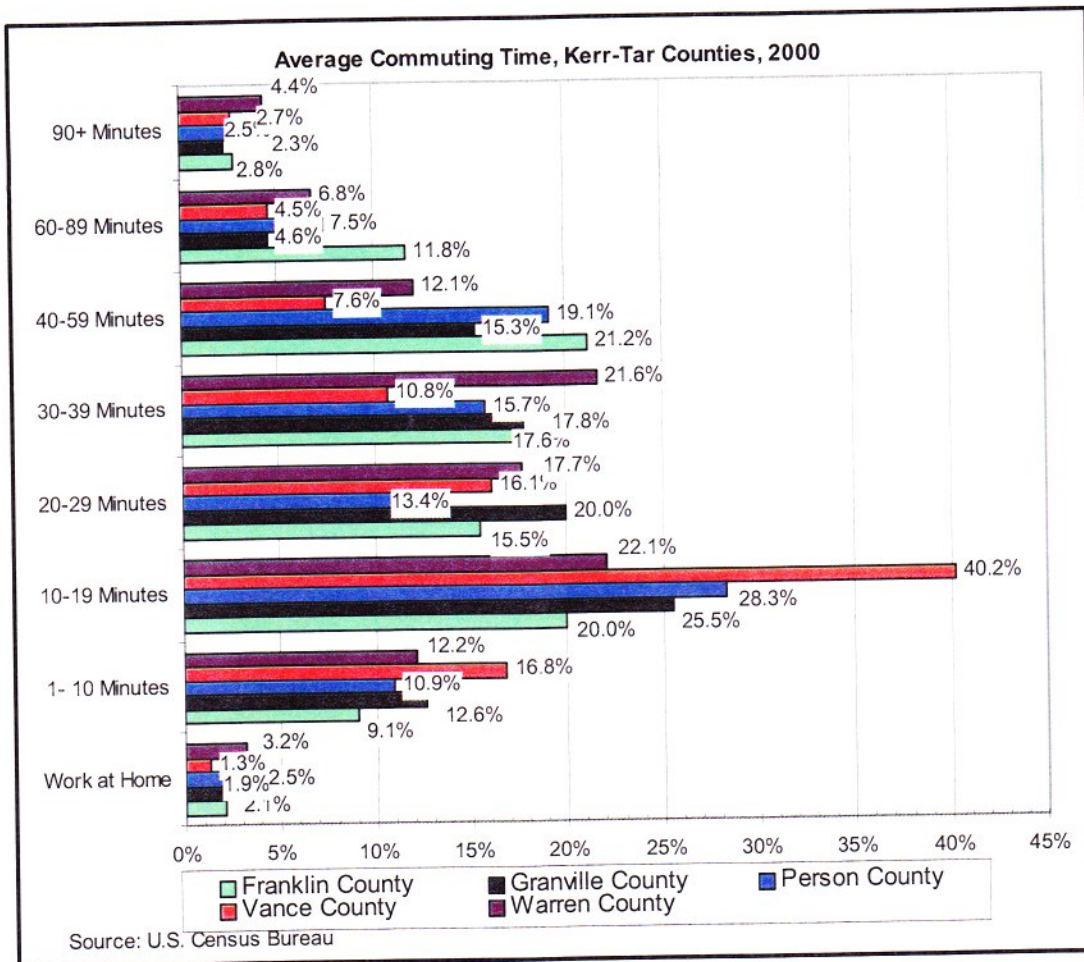
Commuting Patterns

An area's commuting patterns and the time people spend traveling to work illustrate the mobility of the workforce and workers' ability and willingness to travel to find a good job. The chart below shows the percentage of Vance, Franklin, Granville, Person and Warren County residents who travel out of their respective counties for work each day.



Despite significant job losses in the 1990s, Vance County remains a job center for surrounding counties in certain sectors, with as many as 65% of workers leaving surrounding counties to travel to work in other counties. With over 70% of its workers employed in the County, Vance County's commuting patterns are consistent with the state average. Compared to surrounding counties, Vance County's tax base is also likely to be more stable than that of neighboring "bedroom communities", where little industry is present to support residential growth.

Residents of rural areas must often travel greater distances to reach adequate employment. The chart on the next page illustrates the mobility of the area's workforce and compares the commuting times for residents of area counties.



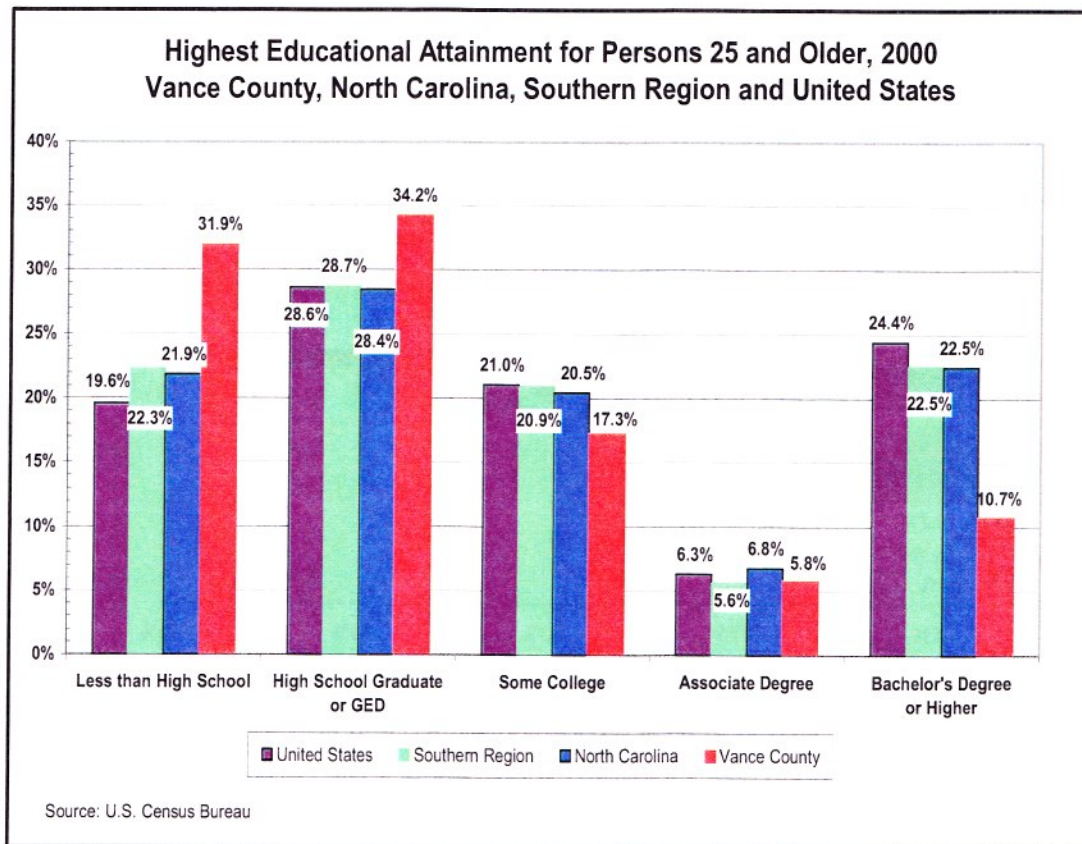
The average commuting time for Vance County workers differs significantly from those in surrounding counties. The majority (57%) of Vance County workers live within 20 minutes of their jobs. In Franklin, Granville, Warren and Person Counties, *less than 40%* of workers live within 20 minutes of their jobs. In Franklin County, *over half of the workers* (53.4%) spend 30 minutes or more commuting to their jobs. Warren County's numbers are almost as high, with 44.9% of workers spending 30 minutes or more each way commuting to their jobs. This shows that the workforce surrounding Vance County is highly mobile; workers are willing (or required) to spend significant time commuting to work. This is positive for Vance County employers, in that it provides a potentially larger labor force from which to hire workers.

Educational Attainment

One of the best indicators of the quality of a region's labor force is educational attainment. As the economy continues its shift from a manufacturing and agricultural focus to one that is concentrated in technology, service and knowledge-based jobs, education becomes crucial.

Employers and community leaders now discuss education in terms of K-16 and lifelong learning instead of simply K-12.

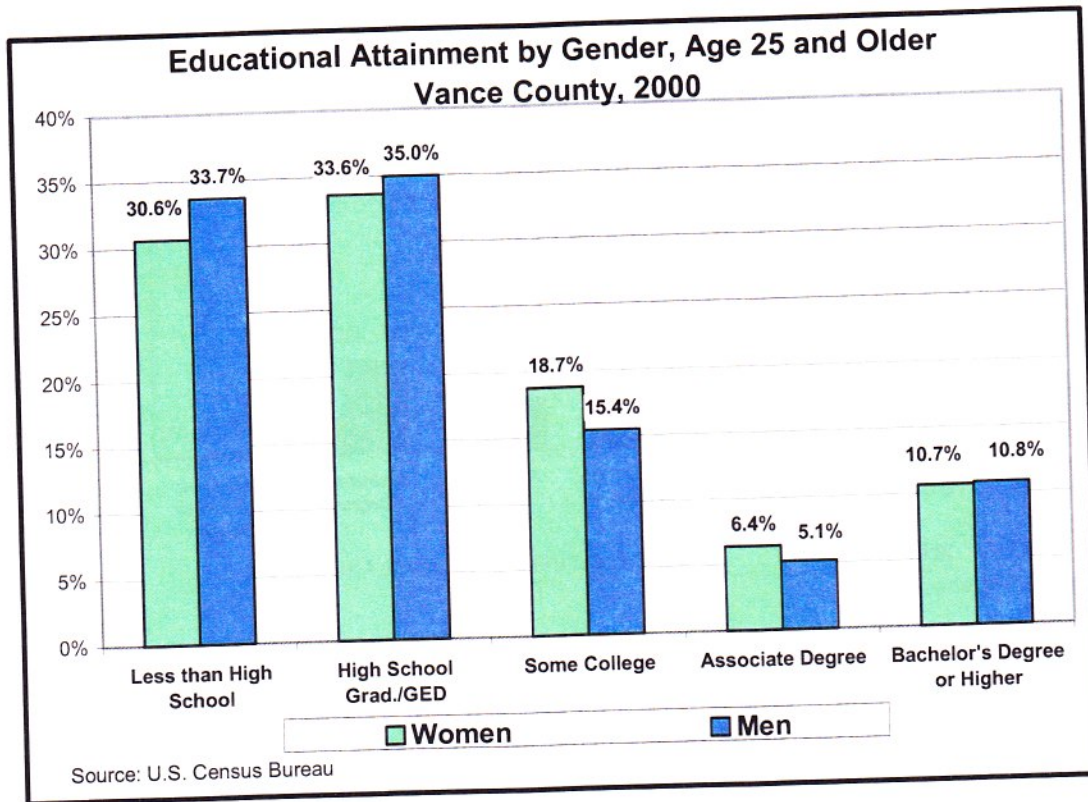
In 2000, only 68% of Vance County residents age 25 and over had a high school diploma or GED. In comparison, 78.2% of North Carolina residents, 80.3 % of United States residents and 73.7% of *rural* North Carolinians age 25 and older had a high school diploma or GED in 2000.



The large gap in Vance County's high school diploma achievement rate compared to state, rural and national levels increases when analyzing those residents holding a Bachelor's (or higher) Degree. Only 10.7% of Vance County residents have completed a four-year college degree. That number exceeds 22% for the state, region and nation and compares unfavorably with the 15.1% of residents living in rural North Carolina who hold at least a Bachelor's Degree.

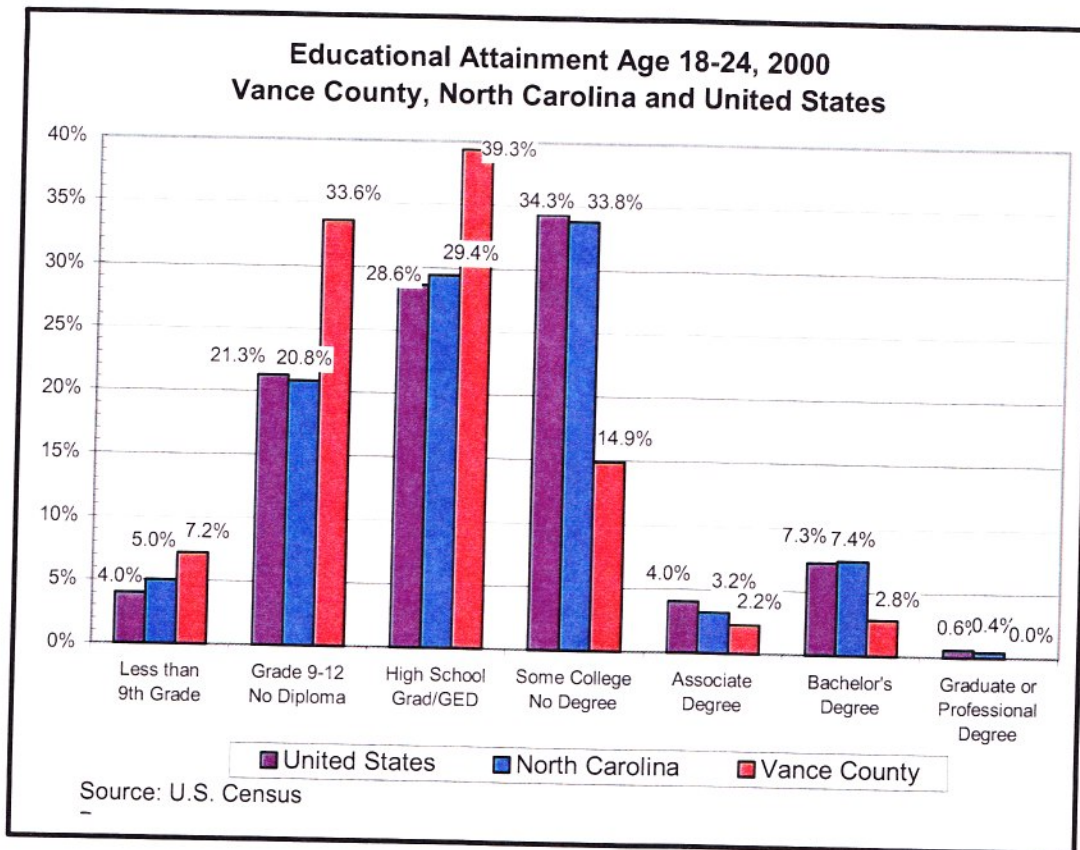
Associate Degree attainment was reviewed separately to determine if the County's attainment gap closes when the resources to obtain the degree (Vance-Granville Community College) are readily available to, and affordable for, residents. A higher percentage of Vance County residents hold Associate Degrees than in the Southern Region, and Vance County's rate is consistent with state and national averages. Arguably, the presence and affordability of Vance-Granville Community College has affected this statistic and is a significant asset for the area.

The changing role of women in the workforce over the past two decades increases the importance of ensuring similar economic opportunities for both genders. In many southern communities, the vast majority of increase in the labor force over the past two decades has been due to women entering the workforce. The following chart depicts educational attainment by gender in Vance County for those 25 and older.



In 2000, women comprised approximately 55.6% of Vance County's population over 25, while 44.4% were men. Women appear to be slightly ahead of men in terms of overall educational attainment in Vance County. A higher percentage of women than men have attended some college or hold an Associate Degree, with fewer women having less than high school or a high school diploma as their highest education level attained. In raw numbers, 2,851 women and only 1,875 men had some college or an Associate Degree in the year 2000. While the percentages of Vance County men and women with a Bachelor's Degree or higher were essentially even, men hold all of the 70 doctorate degrees in Vance County and outnumber women with professional degrees by 175 to 75.

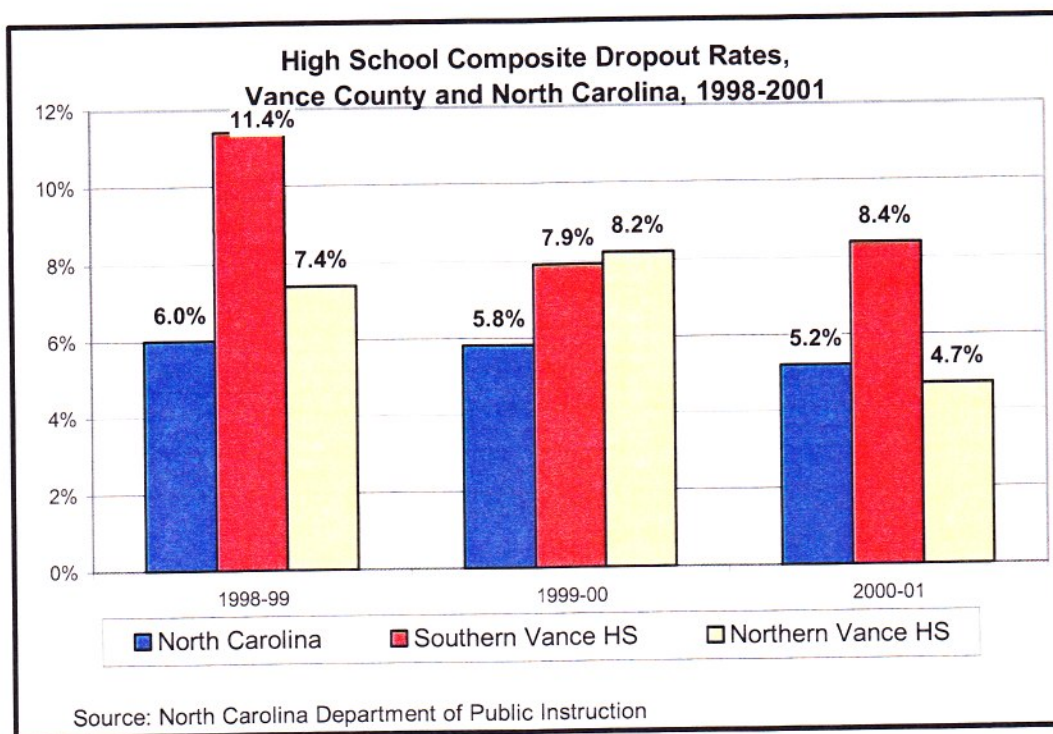
Comparing these statistics with the educational attainment for the population aged 18-24 helps illustrate current trends that may not have manifested themselves yet in the over 25 population. An example would be whether a program targeted to reducing the dropout rate was working. It also provides an indication of the numbers of young people attending college immediately after high school and young people not finishing high school prior to age 25. Unfortunately, as the chart below demonstrates, the numbers are not any better for this segment of the population.



Compared to their state and national counterparts, a much higher percentage of Vance County's young people do not have a high school diploma. Furthermore, only 14.9% of 18-24 year olds have taken some college courses or began working on a college degree. This is less than half the state and national averages. Unfortunately, the problem begins earlier than high school, with over 7% of 18-24 year olds having less than a ninth grade education.

Dropout Rates

The high school dropout rate is a key indicator of how a community is doing and how attractive it is to businesses and their workers. As discussed in the *Economic, Demographic and Labor Force Analysis*, the composite dropout rate for both Northern and Southern Vance High Schools has consistently exceeded the North Carolina composite dropout rate over the past three years. Vance County's high school dropout rate is the driving factor behind the high percentage of residents attaining "less than 9th grade" and "less than high school diploma" in the graph above.



Although both high schools have shown improvement in their dropout rates in certain years, there is no trend of ongoing improvement. As the chart on the previous page reflects, this may not just be a high school problem but a middle school one, as well. This problem is endemic throughout North Carolina, but programs in other areas of the state aimed at combating the high dropout rates have started to take hold and are promising.

Public Educational Systems

Educational attainment serves as a gauge of the structure and quality of an area's educational systems. If a community does not have the resources to produce a quality educational system, developing a highly educated, highly skilled workforce is nearly impossible. By examining and discussing some of the local educational system's traits and characteristics, the ability of the County to effectively develop its workforce can be further assessed.

Elementary and Secondary Education

The following table comes from the North Carolina School Report Cards, which are issued annually and posted on the Internet by the North Carolina Department of Public Instruction. The information provides insight into the performance of individual local schools and the corresponding qualifications of its teachers.

2001-2002 School Report Card

	School of Excellence (90% or more of students at or above grade level)	School of Progress (60-80% of students at or above grade level)	Priority School (50-60% of students at or above grade level)	Low Performing School (less than 50% of students at grade level)	No Recognition (60% or more of students at or above grade level)	High Growth*	Expected Growth	Growth Not Achieved
Aycock Elementary		X				X	X	
Carver Elementary		X					X	
Clark Street Elementary		X					X	
Dabney Elementary		X				X	X	
EM Rollins Elementary		X					X	
EO Young, Jr. Elementary		X				X	X	
LB Yancey Elementary		X				X	X	
New Hope Elementary		X				X	X	
Pinkston Street Elementary		X				X	X	
Zeb Vance Elementary	X					X	X	
Eaton-Johnson Middle					X			X
Henderson Middle			X					X
Northern Vance High School				X				X
Southern Vance High School			X				X	

Source: North Carolina Department of Public Instruction, School Report Cards, 2001-2002.

* Growth = expected amount of learning for the school year.

The chart above shows that Vance County schools perform well through the elementary school level. Zeb Vance Elementary was recognized as a School of Excellence for the 2001-2002 school year, with over 90% of its students performing at or above grade level on standardized test scores. By the middle school level, however, the momentum changes, and Vance County's middle and high schools struggle. This is reflected in the failure of one high school and both middle schools to achieve expected learning goals and in the high teacher turnover rates in the chart below.

2001-2002 School Report Card

	Percentage of Teachers Fully Qualified	State Ave.	Percentage of Teachers with Advanced Degree	State Ave.	Teacher Annual Turnover Rate	State Ave.
Aycock Elementary	97%	88%	29%	26%	21%	22%
Carver Elementary	79%	88%	11%	26%	17%	22%
Clark Street Elementary	63%	88%	11%	26%	40%	22%
Dabney Elementary	85%	88%	15%	26%	24%	22%
EM Rollins Elementary	78%	88%	8%	26%	27%	22%
EO Young, Jr. Elementary	71%	88%	21%	26%	21%	22%
LB Yancey Elementary	94%	88%	9%	26%	12%	22%
New Hope Elementary	57%	88%	14%	26%	27%	22%
Pinkston Street Elementary	42%	88%	13%	26%	13%	22%
Zeb Vance Elementary	81%	88%	22%	26%	23%	22%
Eaton-Johnson Middle	51%	78%	22%	24%	36%	25%
Henderson Middle	43%	78%	16%	24%	42%	25%
Northern Vance High School	62%	81%	24%	26%	32%	20%
Southern Vance High School	65%	81%	15%	26%	27%	20%

Source: North Carolina Department of Public Instruction, School Report Cards, 2001-2002 School Year

Teacher turnover rates are reported annually as part of the report cards. These rates can affect the quality and continuity of the educational system at particular schools and throughout a district. Without exception, every Vance County school that experienced a high rate of growth (learning) also had annual teacher turnover rates at or below the state average. The continuity and institutional knowledge of teachers at the high growth schools positively affected the level of effort and learning that occurred in the school that year. In the three schools that did not meet expected learning goals for the year (Northern Vance High School, Eaton-Johnson Middle School and Henderson Middle School), teacher turnover rates were 12, 11 and 17 percentage points above the state averages, respectively.

Four Middle School Models

Four North Carolina middle schools were recently named "Schools to Watch" as part of a national recognition program. North Carolina is one of three states participating in the National Forum to Accelerate Middle Grades Reform's Schools to Watch program as a way to recognize middle schools that meet or exceed that criteria. Ashe County Middle (Ashe County Schools), Durant Road Middle (Wake County Schools), Rugby Middle (Henderson County Schools), and Topsail Middle (Pender County Schools) were named Schools to Watch because of their "academic excellence, responsiveness to the needs and interests of adolescents and their commitment to helping all students achieve at high levels. In addition, each school has strong leadership, teachers who work together to improve curriculum and instruction, and a commitment to assessment and accountability in order to bring about continuous improvement."

Schools to Watch began in 1999 as a national program that identified four middle grades schools across the country that were meeting or exceeding a set of strict criteria for excellence. The Forum's website (www.schoolstowatch.org) features online tours of the original four schools, as well as information about the selection criteria used in the program. The National Forum selected North Carolina, California and Georgia in May 2002 to replicate the Schools to Watch program as a way to identify exemplary middle-level schools in each state. In North Carolina, the project is headed by the North Carolina Middle School Association in collaboration with the North Carolina Department of Public Instruction.

Source: Jan. 29, 2003 press release by North Carolina State Board of Education, www.ncpublicschools.org.

Teacher qualifications are also lower in Vance County's middle and high schools compared to state averages. Fully qualified teachers are those who are not teaching on temporary or provisional licenses but who have met all of North Carolina's requirements to teach in the subject matter and at the grade level which they currently teach. Under the federal reauthorization of the Elementary and Secondary Education Act (referred to as "No Child Left Behind"), all teachers must be fully qualified for the grade and subject matter they teach by December 31, 2005.

At Henderson Middle School (43%) and Pinkston Street Elementary (42%), less than half of the teachers are fully qualified to teach the grade and/or subject matter they are teaching. Just over half (51%) are fully qualified at Eaton-Johnson Middle School. Pinkston Street, with the lowest percentage of teacher qualification district-wide, also has the lowest cumulative math scores and among the lowest reading scores of all of Vance County's elementary schools. (*Economic,*

Demographic and Labor Force Analysis). At the County's high schools, 62% and 65% of the teachers are fully qualified, respectively.

Technology availability in Vance County schools appears to be a consistent with state averages in terms of computers with Internet access per child and books per child, according to the 2001-2002 Report Card. The North Carolina average age for a school media and library center is 1987. Media centers and libraries in Vance County schools range in age from 1962 (EO Young Jr. Elementary) to 1997 (Clark Street Elementary), with most being built in the 1980s or early 1990s. Vance County schools also compared favorably on attendance rates for elementary schools; attendance scores met or exceeded the North Carolina average (95%) in all of Vance County's elementary schools. The middle school and high school attendance rates ranged from 92-94%, near the statewide average of 95%. Finally, both high schools offer Advanced Placement (AP) courses, which help prepare students to take an AP exam for college credit after taking the course. On average, North Carolina high schools offer three AP classes; Northern Vance offers two, while Southern Vance offers one.

Higher Education

The complement to a strong primary and secondary education system is a comprehensive higher educational system, including community and technical colleges and four-year universities, which prepares and equips individuals with the skills and tools needed to compete and succeed in today's workplace. The University North Carolina System is comprised of 16 institutions statewide, which the North Carolina Higher Education Reorganization Act of 1971 placed under one governing board. The North Carolina Community College System has 58 comprehensive community colleges statewide and one specialized technology center. The system serves all 100 counties. While individual colleges have service areas that may include one or several counties, students may apply to the college of their choice, regardless of their counties of residence.

Accessibility is key to greater educational attainment. According to *University Business*, over 80% of students attend college less than 100 miles from their home, making location increasingly important, particularly after September 11.² Vance County residents are very fortunate to have numerous higher education options within 100 miles or less of Henderson. The chart on the following page lists community colleges, technical schools and public and private universities that are approximately **50 miles or less** from Henderson.

² www.universitybusiness.com.

FOUR YEAR COLLEGES IN NORTH CAROLINA WITHIN APPROX. 50 MILES OF HENDERSON
University of North Carolina at Chapel Hill
Duke University - Durham
North Carolina Central University - Durham
Mount Olive College - at RTP
Meredith College - Raleigh
North Carolina State University - Raleigh
Peace College - Raleigh
Saint Augustine's College - Raleigh
Shaw University - Raleigh
North Carolina Wesleyan College - Rocky Mount
Barton College - Wilson
COMMUNITY, TECHNICAL AND TWO-YEAR COLLEGES IN NORTH CAROLINA WITHIN APPROX. 50 MILES OF HENDERSON
Durham Technical Community College - Durham
Vance-Granville Community College - Henderson
Louisburg College - Louisburg
Wake Technical Community College - Raleigh
Nash Community College - Rocky Mount
Halifax Community College - Weldon
Wilson Technical Community College - Wilson
Piedmont Community College - Person/Caswell Counties

Together, these schools offer a comprehensive selection of majors, degrees, certificates and training, ranging from a single continuing education course to doctorate degrees from some of the nation's best research institutions. In addition to the North Carolina schools listed above, two schools located in Danville, Virginia are also within the 50-mile radius. While more expensive due to out-of-state tuition, Danville Community College and Averett College offer additional two and four year educational options, respectively.

Workforce Resources

In addition to primary, secondary and higher education institutions, there are a number of programs and initiatives that complement and supplement the local workforce development system. At the federal level, the Workforce Investment Act of 1998 (WIA) replaced the Job Training Partnership Act as the primary delivery mechanism for federal job training incentives. Locally and at the state level, a number of additional programs have been implemented to support the goal of developing a well-trained and highly skilled workforce.

With the passage of the WIA, states were given the flexibility to tailor workforce services to fit the needs of local employers and job seekers. In North Carolina, the North Carolina Commission on Workforce Development is the state-level entity that administers the WIA. The mission of the Commission is:

"To establish and guide a world class workforce development system in North Carolina. This system will be comprehensive, integrated, relevant, and effective. It will produce well-educated, highly skilled workers, who perform at high levels and work in economically viable enterprises that provide good jobs at good wages."

One of the WIA's primary objectives was to encourage the development of "one-stop" workforce delivery systems to decrease confusion and bureaucracy when applying for state or federal training and job assistance. In North Carolina, these systems are called "Joblink Career Centers." Joblink Career Centers were intended to provide a neighborhood location for customers to:

- Receive a preliminary assessment of their skill levels, aptitudes, abilities, and support service needs;
- Obtain information on a full array of employment-related services, including information about local education and training service providers;
- Receive help filing claims for unemployment insurance and evaluating eligibility for job training and education programs or student financial aid;
- Obtain job search and placement assistance, and receive career counseling; and
- Have access to up-to-date labor market information, which identifies job vacancies and skills necessary for in-demand jobs and provides information about local, regional and national employment trends.

Vance County is in the Kerr-Tar Joblink delivery region along with Franklin, Granville, Person and Warren counties. The Kerr-Tar Workforce Development Board (also called the Kerr-Tar Interlocal Cooperative Consortium for Job Training, www.kerrtarcog.org) is responsible for implementing the WIA and it also selects the operator of the Joblink Career Center in cooperation with the Required Joblink Partners. Vance County's main Joblink Career Center is in Henderson, with an affiliate Joblink Career Center at Vance-Granville Community College in Henderson. The North Carolina Department of Commerce, Division of Employment and Training also lists the Vance County Department of Social Services and Vocational Rehabilitation Services as additional employment and training resources for Vance County.

The following chart outlines workforce delivery mechanisms and responsibilities for various types of training in North Carolina. The WIA requires that the local Workforce Development Board work with these programs and organizations in delivering services through the WIA to promote a seamless delivery of services.

Required Joblink Partners

Program	NC Administering Organization
* Workforce Investment Act Youth, Adult, & Dislocated Workers' Programs * Welfare-to-Work * NC Employment & Training Grant Program	Department of Commerce/Local Workforce Development Boards
* Job Ready	Local Job Ready Partnerships
* Job Corps	Private Outreach Contractor/4 NC Centers
* Native American Programs	Commission on Indian Affairs
* Migrant & Seasonal Farmworkers Programs	Telamon Corporation
* Veterans' Workforce Programs * Wagner-Peyser Programs * Trade Adjustment Assistance * North American Free Trade Act Programs * Unemployment Insurance * Worker Profiling	NC Employment Security Commission
* Rehabilitation Act Programs	DHHS Division of Vocational Rehabilitation and Division of Services for the Blind
* Adult Education & Literacy * Carl Perkins Act Vocational Education Programs * Human Resource Development Program * Student Financial Aid	Community College System
* Senior Community Service Employment Program	DHHS Division of Aging
* Community Service Block Grant Program	DHHS Office of Economic Opportunity
* Dept. of Housing & Urban Development Programs	Local Housing Authorities
* Food Stamp Employment and Training * TANF/Work First Programs	Department of Social Services

As the chart above illustrates, the workforce development delivery system in North Carolina is far from streamlined, with responsibilities, and funding, divided among numerous entities. This adds to the confusion for consumers.

In an attempt to help educate consumers of workforce development services, North Carolina created the North Carolina State Training, Accountability and Reporting System ("NCSTARS") to provide consumers (job and training seekers) with information on eligible training providers and their performance to date. The North Carolina Consumer Guide provides employment and earnings information for completers of programs offered by the University North Carolina System (UNC) and the North Carolina Community College System (NCCCS). In the Vance County area, there are currently four eligible training providers: MasTec North America, Inc.; Person Industries; Piedmont Community College; and Vance-Granville Community College. NCSTARS only provides information on universities and community colleges, and not all of the information is current. The following chart illustrates the degrees and certificates earned and the

employment status of “completers” (those who finish coursework and all other requirements for the degree) of degrees from Vance-Granville Community College.

Vance-Granville Community College - Associate Degrees		
	Earnings	No Earnings*
ASSOCIATE IN ARTS	13	10
BUSINESS ADMINISTRATION	1	0
ASSOCIATE IN FINE ARTS	1	0
ASSOCIATE IN SCIENCE	4	0
FOREST MANAGEMENT TECHNOL	4	1
BUSINESS ADMINISTRATION	8	1
INFORMATION SYSTEMS	9	1
OFFICE SYSTEMS TECHNOLOGY	7	2
ELECTRICAL ENGINEERING TECH	3	1
ASSOCIATE DEGREE NURSING	32	3
MEDICAL LABORATORY TECH	5	0
INDUSTRIAL MAINTENANCE TECH	2	0
CRIMINAL JUSTICE TECHNOLOGY	4	3
EARLY CHILDHOOD ASSOCIATE	11	1
AIR CONDIT., HEAT., & REF	4	8
MASONRY	8	23
PLUMBING	9	18
ELECTRICAL ENGINEERING TECH	9	1
NURSING ASSISTANT	22	6
PHLEBOTOMY	9	1
INDUSTRIAL MAINTENANCE TECH	4	0
WELDING TECHNOLOGY	3	0
BASIC LAW ENFORCEMENT TRAIN	18	1
ELECTRICAL/ELECTRONICS TECH	3	0
PRACTICAL NURSING	17	2
INDUSTRIAL MAINTENANCE TECH	2	0
COSMETOLOGY	4	3
Total Number of Completers	216	86
Percentage of Completers	71.5%	28.5%

Source: North Carolina Department of Commerce, www.ncstars.org, Consumer Resource Listing. Information is for 1998-1999, the most recent year available.

*No earnings means unemployed, self-employed, employed out of state, or employed in a job that does not fall under the NC Employment Security Law.

Of the 302 people who earned an Associate Degree in the 1998-1999 school year at Vance-Granville Community College, 216 were employed in North Carolina in a job covered by the North Carolina Employment Security Law within one quarter of receiving their degree. Of those people, 40.1% were earning \$20,000 or more within one quarter of graduating.³ As reported in the *Economic, Demographic and Labor Force Analysis*, this places them near Vance County's median income of \$20,758.

³ Statistics were only available for 157 of those 216 due to confidentiality reasons; if fewer than 10 people finished the class or coursework, NCSTARS does not provide detailed wage information.

It is important to note that these statistics do not describe the completion rates for the courses; that is, how many students started and were unable to finish the degree or certificate. While local community colleges are clearly assets that can contribute to the improvement of the local workforce, the types of classes and the varying employment rates for each degree are instructive of VGCC's need to continually assess local employers to determine what types of skills and education are needed.

Business Climate Survey, Focus Groups and Interviews: The Workforce and Education

Overall, the category "quality of community colleges, technical colleges and two-year colleges" received more "excellent" ratings than any other indicator on the survey. Many of those interviewed called VGCC the "best in the state" and expressed concern that not more of Vance County's young people take advantage of the education offered there. Vance County residents clearly value the presence and contributions of Vance-Granville Community College. However, the different employment rates for associate degrees earned at VGCC demonstrate the high demand for healthcare, law enforcement, and computer-related skills, while those receiving training in some of the more traditional skills are either self-employed or are not finding employment soon after completing their degrees. VGCC must continue to survey and assess the needs of local employers to keep its offerings current and make sure it is producing all of the job training needed in the community.

The poor performance (and the *perception* of poor performance) of Vance County's elementary and secondary schools are clearly the biggest issues for local employers and residents. The schools uniformly received average and below average ratings and comments, although several people noted that the schools' collective reputation or perception of poor quality was worse than reality. Some residents felt the community lacked the necessary resources to invest adequately in the schools. Others believed race still plays a significant factor in the problems at the schools. High teacher turnover rates, particularly at the middle and high school levels, as well as high dropout rates and violence in the schools were all areas of concern. Residents wondered if the school system has the ability to produce results at Zeb Vance Elementary, why aren't all the schools of the caliber of Zeb Vance? Several business leaders spoke favorably about mentoring programs in the schools, although they were sometimes disappointed with the lack of encouragement they perceived students receiving.

With respect to the quality of the workforce, the responses varied significantly depending on the respondent and the sector of the workforce discussed. Some employers felt Vance County had an adequate workforce, as workers were able to assume new positions without new or additional training. However, respondents talked about a small but significant portion of the population that could not read or write well enough to properly complete employment applications, make change, or become self-sufficient on the job. This small but growing segment of the workforce (including lifelong textile workers) concerns local employers and community leaders as they try to find places for people to work. "Promotion of lifelong learning" received the most "poor" rankings among all the indicators under "Education, Workforce and Skills."

Key Findings

Vance County's labor force participation rate is significantly lower than it was ten years ago, meaning many people are on the sidelines and could be induced to work if the right job was offered. This is reflected in the County's low per capita income and high poverty rates. While Vance County is less than an hour's drive from numerous two and four-year institutions, including world-class research institutions and a highly respected community college a 5-10 minute drive away, the number of educational opportunities are not reflected in the numbers of residents holding or pursuing higher education degrees. The problem begins early, with Vance County residents age 18-24 attending college at *less than half* the rate of other North Carolina students.

Vance County's elementary schools approximate or exceed statewide averages in terms of the amount of learning achieved, teacher turnover rate, and technology in the schools. Zeb Vance Elementary School received a "School of Excellence" ranking last year, with over 90% of its students achieving at or above the expected grade level. Clearly, Vance County schools can compete with and rate well against schools throughout the state. By middle school, however, there is a disconnect, with Vance County schools failing to progress as expected. Higher teacher turnover rates, lower test scores, high dropout rates and fewer teachers fully qualified in their subject matters all combine to make the middle and high schools look much different than many of the County's grade schools.

The *perception* of poor educational quality is pervasive throughout the community and the surrounding area. During interviews and focus groups, several residents discussed their decisions to move out of the County (or live in a different county if they are new to the area) solely because of the school system's reputation. Several people admitted they had no particular knowledge that the schools were poor, but based their decisions on reputation. Others described Vance County schools as a "teacher training ground" for other districts. As soon as something opened up in another county, teachers transferred to be closer to where they initially chose to live – in another county. Elected officials expressed concern that they did not have the resources to invest properly in the school system, even though four new facilities have been built in recent years.

INFRASTRUCTURE

In today's economy, *infrastructure* includes not only the physical resources that allow a community and its businesses to grow and prosper, but the way those resources are organized, operated and maintained. Infrastructure describes everything from transportation (city and county streets and roads, state highways, interstates, public transportation, railways and air transportation) to utilities (water, sewer, energy, and telecommunications, including high technology infrastructure) to housing and social services. In many ways, the educational system examined in the prior section is a crucial component of the community's infrastructure: a well-funded and supported educational system that prepares students for higher education and provides them with the necessary skills to compete in the workforce is essential to a prosperous community.

Infrastructure is acutely important to rural communities because of the inherent difficulty in providing these systems uniformly across the area. The comparative costs of providing infrastructure increase dramatically as the density of an area decreases. Providing similar infrastructure services throughout a rural community requires considerable financial resources. Consequently, these expenditures can be an overwhelming part of a local government's budget.

This section will assess and analyze the traditional types of infrastructure necessary for economic development, including (1) transportation - road, rail, air and public transportation, (2) utilities and services - water, sewer, power and telecommunications infrastructure, and (3) housing infrastructure and characteristics. It will also discuss the availability and importance of enhanced communications infrastructure such as high-speed Internet access and broadband capabilities.

High Technology Infrastructure

"The role of technology in today's site selection process cannot be under-emphasized" states a *Site Selection Magazine* survey from 1999. Communities are being considered and in many cases decided against without even knowing they were ever a candidate for a relocation or expansion project. "Web sites are becoming more and more important as initial sources of baseline information... The leading consulting firms are utilizing GIS technology to a greater extent, and Internet e-mail is a mainstay of communication. All of these technologies make the local developers more effective by making information more current, more able to be tailored to specific requests and more flexible in the hands of the user."

Economic developers concur. "In the old days, site searches typically had five or six stages, and we usually were involved by the second stage," says Richard D. Knowlton, president and CEO of the Savannah (Ga.) Economic Development Authority. "Most initial screening now is done internally or by consultants using databases of information, and companies don't need us for that."

Source: *Site Selection Magazine*, May 1999. "Survey Reveals New Factors Behind Site Location Decisions."

Transportation

For rural communities in particular, accessibility is one of the most crucial components of their infrastructure. Businesses need all types of access to effectively and efficiently serve their customers, find new customers and transport their goods. Individuals need access to find suitable job opportunities, good health care, quality education, retail stores and recreational amenities. While Vance County is considered a rural community by many standards, it enjoys advantages of access that many communities its size do not. This section will examine road transportation, airport accessibility, rail lines, and public transportation to assess Vance County's accessibility.

Road Transportation

In its December 2002 annual Corporate Survey, *Area Development Magazine* noted that over 85% of business leaders surveyed said highway accessibility was important to them. With just in time manufacturing becoming the standard for many companies, easy access to the nation's highway system is essential for their success. For companies that rely on imports, the importance of road transportation has heightened since September 11, 2001, with the increased scrutiny given to barges and imports entering United States' water. As those processes are slowed or delayed, companies will look for locations that expedite travel times and remove barriers to transporting goods. With manufacturing production line schedules based on projected arrival times of their inputs, reliable, predictable road transportation becomes essential.

Vance County is extremely fortunate to have an interstate highway passing through the County. The highway system's importance to economic development, including its potential impact on tourism, should not be underestimated. Interstate 85 links Atlanta to Washington, D.C. and brings the region's traffic through Vance County's front yard. With several interstate exits throughout Vance County, accessibility for businesses and tourism already exists. Other national highways provide crucial links for the community. U.S. Highway 1 connects the County to the closest commercial airport, Raleigh-Durham International Airport.

A brief study of the map on the front cover of this report reveals that almost every county along Interstate 85 from Atlanta to Washington is now considered a metropolitan county (those in yellow). The opportunity created by the presence of an existing interstate connecting substantial metropolitan areas cannot be discounted. While an interstate highway is not a guarantee of economic success, it provides a key foundation to economic success – accessibility.

State highways are managed and maintained by the North Carolina Department of Transportation (NCDOT). Construction projects are funded through the North Carolina Board of Transportation, which is responsible for (1) formulating policy and priorities for all modes of transportation, (2) ascertaining the transportation needs of the state and its regions, (3) approving a schedule of all major transportation improvement projects and their anticipated costs seven years into the future (the "Transportation Improvement Program"), (4) allocating all funding

approved by the North Carolina General Assembly and available federal funds, and (5) approving all highway construction programs, construction plans and maintenance functions. The Board is also responsible for awarding highway construction contracts and initiating eminent domain proceedings.

Vance County is in Division 5 under the Transportation Improvement Program, which includes Wake, Durham, Vance, Person, Franklin, Granville and Warren counties. Planned construction projects for the Vance County area over the next seven years are listed in the following chart as part of North Carolina's Transportation Improvement Program.

Draft Transportation Improvement Program – 2004-2010

ROUTE/CITY	DESCRIPTION
SR 1350 SR 1502	ISLAND CREEK. REPLACE BRIDGE NO. 73
SR 1306	FLAT CREEK. REPLACE BRIDGE NO. 19
SR 1303	FLAT CREEK. REPLACE BRIDGE NO. 21
SR 1107	RUIN CREEK. REPLACE BRIDGE NO. 3
US 1	US 1 BUS.-US 158. REHABILITATE BRIDGE NO. 44
SR 1523	SANDY CREEK. REPLACE BRIDGE NO. 53
SR 1526	SANDY CREEK. REPLACE BRIDGE NO. 56
US 1 BYPASS NBL	US 1 BUSINESS AND SCL RAILROAD. REPLACE BRIDGE NO. 4
I-85	GRANVILLE COUNTY LINE (MILE POST 208.5) TO US 158 (MILE POST 213.5) IN VANCE COUNTY. PAVEMENT AND BRIDGE REHABILITATION.
I-85	SR 1128 (RUIN CREEK ROAD), SR 1218 (GRAHAM AVENUE) TO US 158. WIDEN TO MULTI-LANES AND MODIFY INTERCHANGE.
I-85	US 1 INTERCHANGE. PROVIDE ADDITIONAL TRAFFIC MOVEMENTS.
I-85	GRANVILLE COUNTY LINE (MILE POST 209) TO VIRGINIA STATE LINE (MILE POST 234). BRIDGE REHABILITATION.
I-85	GRANVILLE COUNTY LINE (MILE POST 209) TO US 158 BYPASS (MILE POST 213). PAVEMENT REHABILITATION.
I-85	US 158 (MILE POST 213.5) IN VANCE COUNTY TO SOUTH OF SR 1210 (MILE POST 232.5) IN WARREN COUNTY. PAVEMENT REHABILITATION AND SAFETY IMPROVEMENTS.
US 1 BUSINESS	SR 1548 (PETER GILL ROAD) TO SR 1267 (DABNEY DRIVE). WIDEN TO FIVE LANES WITH CURB AND GUTTER.
NC 39, SR 1574 AND SR 1148	NC 39, LEFT TURN LANE AT SR 1148 (VANCO MILL ROAD). SR 1574 (MARTIN CREEK ROAD); STRENGTHEN PAVEMENT, SR 1148 TO SR 1115 (BEARPOND ROAD). SR 1148, ADD RIGHT AND LEFT TURN LANES AT EMPLOYEE PARKING ENTRANCE. SR 1148, ADD RIGHT TURN LANE AT SR 15
VANCE COUNTY	PROVIDE OPERATING ASSISTANCE TO COUNTIES AND COMMUNITY TRANSPORTATION SYSTEMS TO MEET WORK FIRST AND EMPLOYMENT TRANSPORTATION NEEDS.
VANCE COUNTY	PROVIDE OPERATING ASSISTANCE TO COUNTIES AND COMMUNITY TRANSPORTATION SYSTEMS TO MEET WORK FIRST AND EMPLOYMENT TRANSPORTATION NEEDS.
VANCE COUNTY	PROVIDE OPERATING ASSISTANCE FOR ADDITIONAL TRANSPORTATION SERVICES TO THE ELDERLY AND DISABLED.
VANCE COUNTY	PROVIDE OPERATING ASSISTANCE FOR ADDITIONAL TRANSPORTATION SERVICES TO THE ELDERLY AND DISABLED.
VANCE COUNTY	PROVIDE MAINTENANCE ASSISTANCE FOR COMMUNITY TRANSPORTATION SYSTEMS TO SERVE THE RURAL GENERAL PUBLIC.
VANCE COUNTY	PROVIDE MAINTENANCE ASSISTANCE FOR COMMUNITY TRANSPORTATION SYSTEMS TO SERVE THE RURAL GENERAL PUBLIC.
HENDERSON	WESTERN OUTER LOOP, SR 1101 (OLD COUNTRY HOME ROAD) TO SR 1128 (RUIN CREEK ROAD). MULTI-LANES ON NEW LOCATION.
HENDERSON	NEW ROUTE, SR 1126 (POPLAR CREEK ROAD) TO SR 1128 (RUIN CREEK ROAD). TWO LANE SERVICE ROAD ON NEW LOCATION.
HENDERSON	US 1, US 1 BUSINESS TO US 158. INSTALL MEDIAN GUARDRAIL.

Source: www.ncdot.org/planning.

Recent Transportation Initiatives

The following are several recent initiatives affecting or potentially affecting the Vance County area:

- At the North Carolina Board of Transportation's January 9, 2003 meeting, the Board approved funding for a variety of projects statewide, including resurfacing 153 miles of highways in Division 5 counties. Vance County projects include resurfacing 10.3 miles of N.C. 39 from the northern limits of Henderson to S.R. 1308 (Dean Road), and resurfacing four sections of secondary road in the County.⁴
- In February 2003, Governor Easley announced the "North Carolina Moving Ahead!" initiative, which will make additional transportation funding available in targeted program areas if approved by the legislature. The Highway Trust Fund currently requires cash expenditures for highway expansion. The change would allow the NCDOT to sell \$700mm in bonds to target three areas: (1) highway maintenance, (2) highway modernization, and (3) public transportation, increasing the budgets of those areas 45%, 25% and 25%, respectively. The program would be subject to the equity formula, which requires that rural and urban areas get their fair shares.
- On February 21, 2003, NCDOT awarded \$10mm to 104 projects statewide, including two in District 5 (both in Warren County), for "non-traditional transportation projects" which "preserve history, expand transportation options, improve the environment, or support economic development." These include pedestrian and bicycle projects and projects that "improve the aesthetic, cultural and environmental aspects of North Carolina's transportation system." NCDOT used Transportation Equity Act for the 21st Century (TEA-21) funds to target projects that work in tandem with Main Street and downtown revitalization programs, helping communities address parking and other downtown transportation needs that affect the types of businesses that locate there, the numbers of people and the regularity with which they shop downtown, and economic development.
- In 2002, Senate Bill 1005 created/re-authorized Rural Planning Organizations ("RPOs") in North Carolina, based on a recommendation from the Rural Transportation Planning Organizations Committee. The RPOs will be a forum for rural leaders to advocate their transportation needs to state decision and policy-makers. Of the 11 RPOs, the Kerr-Tar RPO was one of six that was chartered and operational as of November 1, 2002, providing the area with an early and hopefully strong voice in expressing its transportation needs to the state.

⁴ All of NCDOT's planned construction projects, with complete descriptions, funding schedules and projected timelines, can be viewed at www.ncdot.gov/planning.

Air Transportation

Access to commercial and private airports is increasingly important in today's 24-hour global economy. When selecting a site, site selection consultants know that business executives are concerned about air transportation options. Companies that depend on air transportation must have easy access to a commercial airport. Communities that cannot offer such access cannot compete effectively in attracting these types of companies.

Vance County is particularly fortunate to be less than a one-hour drive from Raleigh-Durham International Airport. The Airport has three runways, at 10,000 ft, 7,500 ft. and 3,570 ft., respectively. The Airport has an average of 698 operations (flights) daily, with 40% air taxi, 33% commercial, 25% transient general aviation, 2% military, and less than one percent local general aviation.⁵ Approximately 218 aircraft are based at the Raleigh-Durham International Airport, with 133 of those single engine, 36 multi-engine, 14 jets, 9 helicopters, and 26 military aircraft. The runways are listed in good condition.

Ten commercial airlines operate out of the Airport, including Air Canada, Air Tran Airways, America West Airways, Continental, Delta, Northwest, Skyway (corporate flights), Southwest, United and US Airways. Non-stop flights operate to 34 major U.S. cities and four international locations, including London, England; San Juan, Puerto Rico; Toronto, Canada; and Freeport, Bahamas. According to the Bureau of Transportation Statistics, operated by the U.S. Department of Transportation, Raleigh-Durham International Airport had 46,033 takeoffs in 2002, with 16.5% of those being late and 1.7% being cancelled. Of the 46,038 landings, 18% were late and 1.6% were cancelled.

The Henderson-Oxford Airport lies just over the county line in Granville County, where the 5,002-foot paved, lighted runway is capable of handling smaller private and charter aircraft. There is no control tower or commercial air service at the Henderson-Oxford Airport, but there is an instrument landing system. The airport averages 39 operations a day, with 64% being transient general aviation, 28% local general aviation, 7% military and less than one percent air taxi. The runway is listed in fair condition, and 32 aircraft are based at the airport (29 single engine and three multi-engine).

⁵ Runway length and condition, flight operations and aircraft information used in this document are provided by www.airnav.com, a website publishing detailed information from various industry sources about airports across the country. Information is stated to be accurate as of January 23, 2003.

Poplar Grove, IL: How to Save an Airport

Located some 50+ nm northeast of Chicago's O'Hare International Airport, Poplar Grove (Illinois) was typical of threatened, privately owned, public-use airports across the nation. These airports are closing at the rate of almost one per week, many times because aging owners can no longer operate them or pressure to develop the land has become too strong. But at Poplar Grove, Steve Thomas refused to allow his family airport to die. In 1994, he purchased the field from his father and, with wife Tina, began to develop the property into a first class General Aviation facility.

Today, the airport has a 3,800-foot lighted, paved runway, two grass strips, a thriving FBO and flight school, and modern condominium and rental hangars. The new hangars are a significant part of the airport's success. In 1994, there were 45 aircraft based there. Today, there are more than 200-based aircraft, and the hangars are the center of weekend social activity. "This airport is successful not only because it is a great facility, but because it has the personal and friendly atmosphere that is the common bond for all pilots," said AOPA President Phil Boyer. Thomas also developed Bel Air Estates, a residential airpark with taxiways connecting homes to the runway. More than 40 homes have already been built and 115 more lots have been sold. "Airports don't have to close," said Boyer. "It takes 'thinking outside the box' and a lot of grit and determination to preserve our valuable privately owned, public-use airports."

Source: Aircraft Owners and Pilots Association ("AOPA"), www.aopa.org, 1999. See also www.poplargroveair.com.

Rail Transportation

The historical development of many parts of this country can be traced back to the introduction and path of the railroad, and North Carolina is no different. Although road transportation is increasing, to the many companies that use rail transportation, the absence of adequate freight rail infrastructure or even a spur can eliminate a site from consideration. According to the North Carolina Department of Transportation, one in four of the state's 200 top manufacturing companies ships goods by rail.⁶ Twenty-five freight railroad companies operate the 3,379-mile rail system throughout North Carolina, serving 90 of the state's 100 counties. CSX Transportation and Norfolk Southern Railways operate the vast majority of the state's rail system. Both companies are considered Class I railroads, earning revenues of over \$259 million annually. In 1999, nearly 136 tons of freight were transported (shipped or received) via rail in North Carolina, an increase of 31% over 1989 traffic levels. Of the total freight traffic in 1999, 47% of goods were shipped to or from North Carolina businesses; the remaining 53% were shipped through the state.

Vance County is fortunate to be located on an active rail line, which is owned by CSX Transportation. Unfortunately, the lines over to Roanoke Rapids are no longer active, making Raleigh-Durham Vance County's main rail link. The map on the following page shows the freight lines throughout North Carolina.

⁶ North Carolina Department of Transportation, Rail Division; www.bytrain.org.



While the map above illustrates freight rail lines in North Carolina, the map below shows current passenger train service and routes in North Carolina. Although no passenger rail service operates in Vance County, Raleigh, Durham and Rocky Mount are all passenger rail depots within approximately an hour's drive of Henderson.

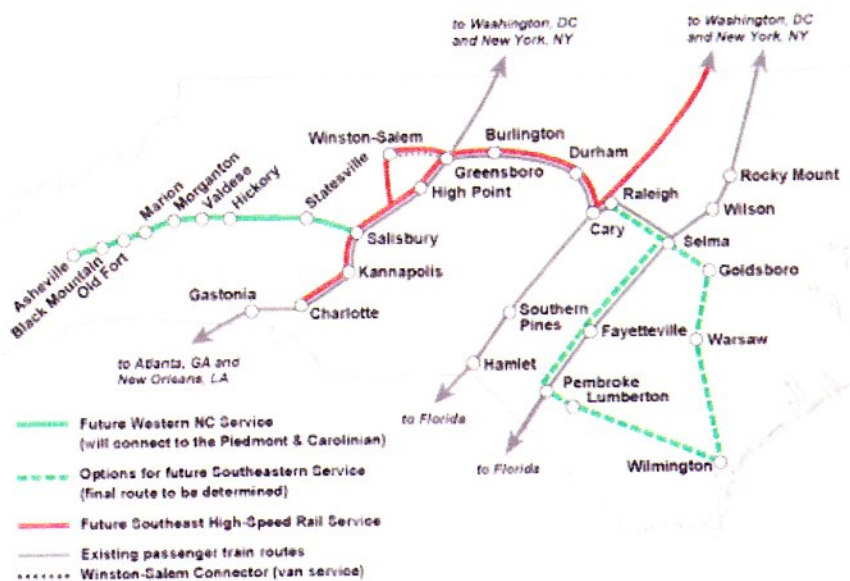


Several local residents noted during interviews that the Southeast High Speed Rail (“SEHSR”) initiative⁷ is promising for Vance County, and could increase the flow of people through Vance County and bring significant construction jobs to the area. The Southeast High Speed Rail

⁷ All information regarding the Southeast High Speed Rail initiative was obtained from the SEHSR’s website at www.sehsr.org.

corridor is a proposed 110 m.p.h. passenger rail line stretching from Washington, D.C. to Richmond, Raleigh and Charlotte, then on to Greenville, Spartanburg, Macon and Atlanta as well as from Raleigh to Columbia, Savannah and Jacksonville. SEHSR trains will also use the high-speed Northeast Corridor tracks beyond Washington, D.C. to Baltimore, Philadelphia and New York.

In October 2002, the Federal Railroad Administration and the Federal Highway Administration approved the preferred Southeast High-Speed Rail Corridor, shown on the map on the next page in red. While the exact stops have yet to be determined, according to the SEHSP website, "between Charlotte, Raleigh, Richmond, and Washington, DC, the high speed trains will make essentially the same stops as the current Piedmont and Carolinian trains, although not all trains will make all stops."



The preferred route runs parallel to Interstate 85, directly through Vance County. While this may create issues for local property owners who would lose land in eminent domain proceedings, the route may be very advantageous to Vance County, in terms of exposure and tourism opportunities. County and City officials stated that they are working with elected officials to try to locate a station or stop somewhere close to Henderson. The SEHSR's website describes the tremendous economic impact the Corridor will have on the economies of towns it passes through even where it doesn't stop:

"In North Carolina alone, it has been estimated the SEHSR will bring \$700 million in new state and local tax revenues, \$10.5 billion in employee wages over 20 years, over 31,400 new one-year construction jobs, more than 800 permanent new railroad operating positions, and nearly 19,000 permanent full-time jobs from businesses which choose to locate or expand in North Carolina because of the SEHSR".

Public Transit

Public transportation is not less important in rural areas because of the relatively fewer people who reside there. On the contrary, because necessities (groceries, health care, schools) are not within walking distance in communities where the population is more disbursed, the elderly and the poor, in particular, may be dependent on the public or others to provide transportation services. While those residents would clearly benefit from a public transportation system, the smaller population, the area's geographical size and its widely disbursed population make a comprehensive public transportation cost-prohibitive.

Not surprisingly, public transit services in the Vance County area are limited. The Kerr Area Rural Transit System ("KARTS") provides subscription and dial-a-ride transportation services for service within Vance County and the neighboring counties of Franklin, Granville, Person and Warren. Hours of operation are 6:15 a.m. to 6 p.m., Monday through Friday. General public fare is determined by specific county and city rates. The Kerr Area Transportation Authority provides scheduled service and para transit service for people with disabilities, although their website information states that anyone may ride except in emergencies. This service is provided from 8:00 AM to 5:00 PM, Mondays through Fridays. Greyhound Lines Inc. provides scheduled intercity bus service to the Henderson terminal.

The yellow pages for Henderson and Vance County list four taxicab companies - Bullock Cab, Dave's 24-7 Page a Taxi, Earlybird Cabs and Pool's Cabs. No shuttle service to the Raleigh-Durham International Airport currently exists, according to local residents. An airport shuttle, and bus service to Vance-Granville Community College, are options that community leaders may wish to consider to increase residents' (and visitors') transportation options.

Utilities

The availability of quality utilities in a region can help reflect the potential for development within a community. While development is driven by infrastructure, it by no means assures it; utility infrastructure is a prerequisite for most development, not a predictor. However, the lack of adequate utilities or capacity may certainly be a predictor that no significant development will occur. Rural communities face substantial challenges in making affordable utilities available for development.

Water and Sewer

Safe drinking water is an increasingly important issue, particularly in rural communities that have a history of industrial pollution and/or agricultural runoff. Post- September 11, the security of an area's drinking water is also a consideration. In 1990, as the chart below illustrates, just over half of Vance County's residents received their drinking water from a community or public system.

SOURCE OF WATER-1990	United States	North Carolina	Vance County
Public system or private company	84.2%	65.4%	52.2%
Individual drilled well	13.2%	27.4%	38.1%
Individual dug well	1.6%	5.0%	8.4%
Some other source	1.0%	2.2%	1.2%

There are currently 10 active Community Water Systems serving Vance County. The largest of these, the Henderson Kerr Lake Regional Water Plant, is operated by the City of Henderson. Its source is surface water (Kerr Lake), and the plant supplies water to approximately 16,900 people in Henderson. It also sells water to surrounding communities. According to the Vance County Economic Development Commission, the plant currently has a rated capacity of 10.0 million gallons per day and produces approximately 5.5 million gallons per day, meaning that there is room for growth, in addition to the allowable expansion plans. The plant has a good water quality history, with only three minor EPA violations since 1993, none of which reportedly affected water quality.

Of the 10 active Community Water Systems in the area, only the Henderson Kerr Lake Regional Water Plant and the Kittrell Water Association (which serves 725 people and purchases water from the Henderson Kerr Lake Regional Water Plant) use surface water as their source; everyone else in Vance County depends on some type of ground water system for their water. The remaining residents are served by a combination of non-transient, non-community water systems (several schools and daycares on wells), transient, non-community water systems (churches, businesses, campgrounds and gas stations on wells) and individual wells. While wells are necessities in rural areas where it is cost-prohibitive to bring a public system to all areas of the County, the number of residents relying on groundwater makes contamination issues from industry and agricultural runoff more important considerations.

Over the past decade, many of Vance County's waters systems using ground water have closed:

- 11 Community Water Systems serving 25-65 people each closed between 1992 and 1997;
- 38 Transient, non-community water systems closed between 1993 and 2002; and
- 7 Non-Transient, non-community water systems closed between 1993 and 2002.

Depending on the reason for the closures, this could be positive news for the community or cause for concern. If the closures were due to expanded public services and additional homes and businesses being added to the public system, those improvements are positive for development in the community. However, if some of the closures were due to poor water quality or dry wells, the community has a potential problem given the high percentage of citizens on well water.

The ways a community disposes of its sewage also has implications for development. The following chart, from the United States Census Bureau, shows how Vance County disposed of its sewage compared to the state and nation.

SEWAGE DISPOSAL-1990	United States	North Carolina	Vance County
Public sewer	74.8%	49.8%	44.6%
Septic tank or cesspool	24.1%	48.5%	52.6%
Other means	1.1%	1.8%	2.8%

Not unexpected in a rural area, less than half of Vance County's residents were on a public sewer system in 1990 (the most recent year for which accurate figures are available). This was fairly consistent with North Carolina at the time but substantially below the United States, where a sanitary public sewer served almost three quarters of the population. The high rate of septic system use has ramifications for soil and land quality in the area, particularly with the majority of County residents relying on groundwater for drinking water.

Failing Septic Systems

In a press release dated March 3, 2003, the US Environmental Protection Agency (www.epa.gov) stated that it would be providing "approximately 4,000 city and county public health officials with materials to continue efforts to educate citizens about proper septic system management. Communities can inexpensively produce customized versions of brochures, utility bill inserts, and other useful information so citizens will know how to obtain additional information.

"Failing and improperly managed septic systems are a significant source of water pollution, potentially causing contamination of drinking water wells" as well as rivers, lakes and streams. With the tendency nation-wide to develop agricultural land and green space into residential housing, the development often far precedes infrastructure. The EPA noted that *one in every three* new homes built today relies on a septic system – making proper maintenance essential for protecting America's waters.

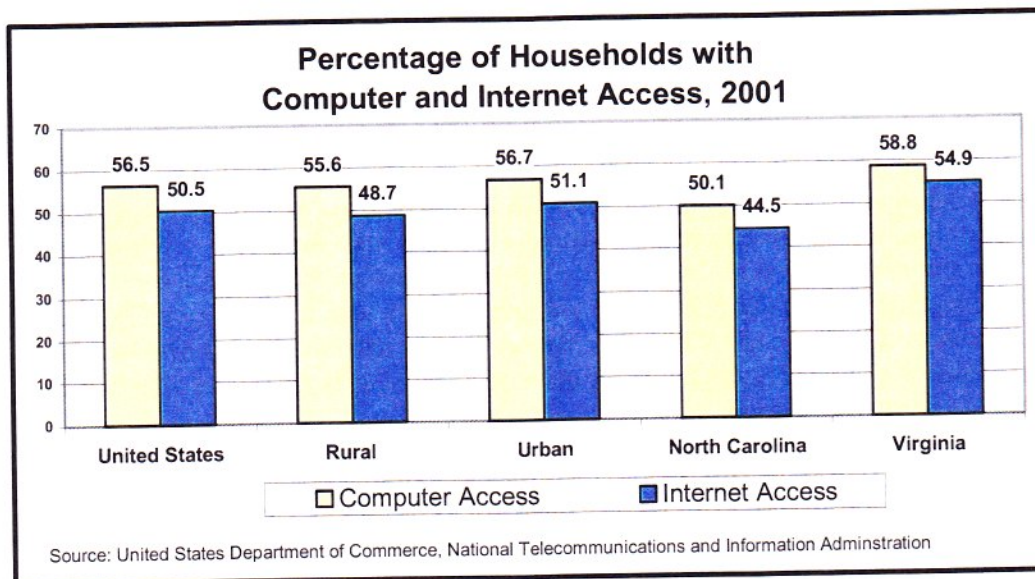
Telecommunications and High Technology Infrastructure

Internet access and computer skills have become critical components of broad-based education in today's knowledge-based economy. According to the latest quarterly report from Nielsen-Netratings, over half a billion people worldwide now have Internet access.⁸ Globally, the number of people with access to the Internet via a home PC increased from 563 million people in the third quarter of 2002 to 580 million in the fourth quarter. The U.S. has largest Internet population, accounting for 29% of global users, followed by Europe with 23%, Asia & the Pacific with 13%, and Latin America with 2%

According to the United States Department of Commerce's National Telecommunications and Information Administration, rural areas lag urban areas and the nation in the number of households that have a computer and Internet access. The *Economic, Demographic and Labor Force Analysis* reported that high-speed Internet access was available to 63.4% of the households in Vance County, ranking the County 52nd in the state in terms of availability. In a rural

⁸ Source: www.nielsen-netratings.com/pr/pr_030220.pdf

community, well planned, well-maintained and efficiently operated high technology infrastructure can narrow the distance between the community and larger metropolitan areas. Telecommunications and broadband infrastructure narrow the distance through the telephone, facsimile, cable, wireless communication and the Internet. New businesses and markets become more accessible if a community has invested in and maintains this infrastructure. In Vance County, Sprint is listed as the County's telecommunication services provider. Two local Internet providers recently merged, narrowing the area's choices but hopefully providing better rates and accessibility. The following chart offers a comparison in computer ownership and the availability of Internet access.



While North Carolina lags Virginia in both households with computers and households with Internet access, the North Carolina Rural Internet Access project discussed in the *Economic, Demographic and Labor Force Analysis* has made significant strides in reducing the "digital divide" in North Carolina's rural counties.

What is the Last Mile?

The link between the location where a telecommunications service provider can obtain economies of scale ("point of presence") and the individual customer is frequently referred to as the "last mile" because "it represents a bottleneck that constrains the benefits the consumer gets from the rest of a network, which is literally at some distance. Greater difficulty and cost are associated with dispersed populations, whether they have low density, with homes being far apart and farther from the local point of presence, or are remote, with an entire community, whatever its density, being many miles from the nearest existing point of presence."

"In the long-term, two last mile technologies will dominate: fiber for maximum performance and wireless for coverage and mobility."

Source: (2002) Broadband: Bringing Home the Bits, a report of the Computer Science and Telecommunications Board (CSTB). www.cstb.org. The CSTB was established in 1986 to provide independent advice to the federal government on technical and public policy issues relating to computing and communications.

Housing

The type of housing prevalent in a community is important because it provides insight into the standard of living within a community and can affect the type of infrastructure that needs to be provided. This section will address infrastructure as it relates to housing in the community.

Vacancy Rates

In 2000, Vance County had 18,196 total housing units. Of those 18,196 units, 1,997, or 11%, were vacant⁹. In comparison, North Carolina had an average vacancy rate of 11.1%, while the United States' vacancy rate was 9%. Vacant homes not only increase crime opportunities and diminish housing values but also create a feeling of blight that can spread throughout the neighborhood if left unchecked.

Age of Housing

The median year a community's housing structures were built provides insight into the age of the housing stock and how much recent residential development has occurred. While newer developments and communities are not necessarily better – many of the nation's most vibrant neighborhoods are located in areas with relatively old homes – this indicator can be enlightening, especially when analyzed collectively with other factors in this section. It can also provide a glimpse into the value a community places on its older residential structures, and whether those structures are being saved and restored.

The median year the housing structures were built in Vance County was 1976, compared with 1978 for North Carolina and 1971 for the United States. Vance County is in line with state averages, and its housing stock is newer than that of the United States as a whole.¹⁰

Homeownership

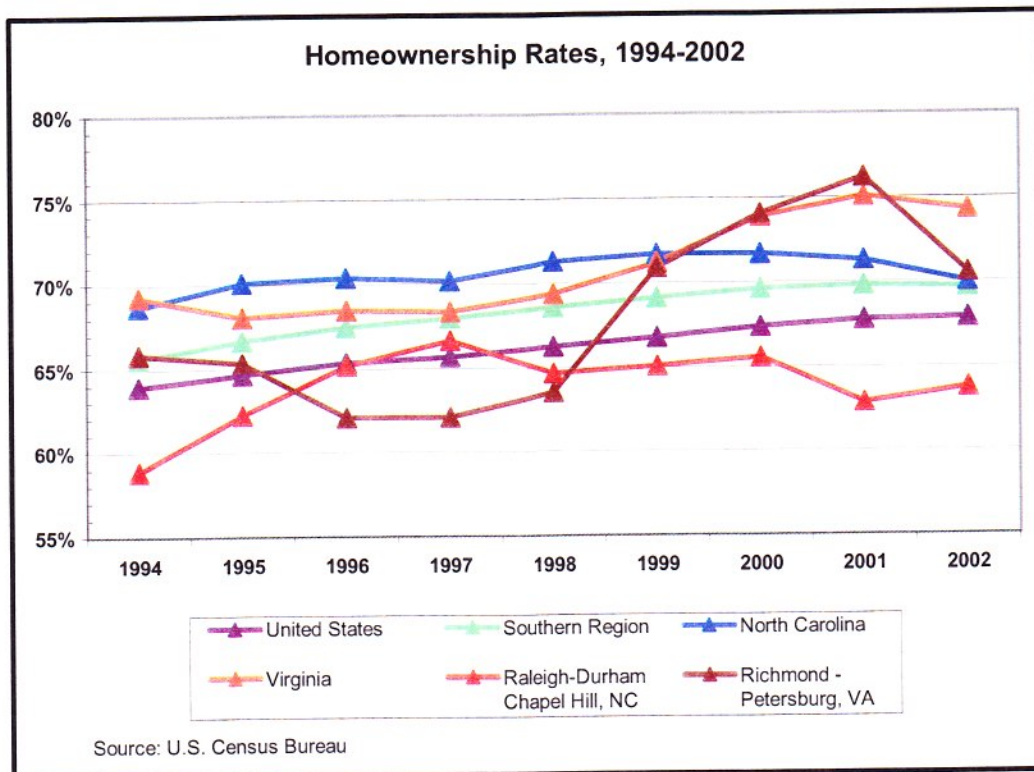
Owning a home has numerous tangible and intangible benefits, not only for the individual owners, but for the community, as well. High home-ownership rates are associated with stable neighborhoods, increased property values, better schools, lower crime rates, and a more civic-minded community. While homeownership alone cannot guarantee these outcomes, it is often a predictive factor. A study by professors from the Research Triangle Institute and the University of North Carolina at Chapel Hill suggests that increasing the homeownership rate for a neighborhood or area would result in an approximate \$4,000 increase in the mean single-family property values in the area, above and beyond regular increases in property values.¹¹

⁹ Vacancies include dwellings for sale or rent and not occupied, those already rented or sold but not occupied, seasonal or occasional use dwellings, and dwellings for migrant workers, according to the U.S. Census Bureau.

¹⁰ Based on 2000 U.S. Census Bureau figures.

¹¹ *Homeownership and Neighborhood Stability*, Housing Policy Debate, Volume 7, Issue 1, Fannie Mae Foundation, 1996. William Robe, University of North Carolina at Chapel Hill, and Leslie Stewart, Research Triangle Institute.

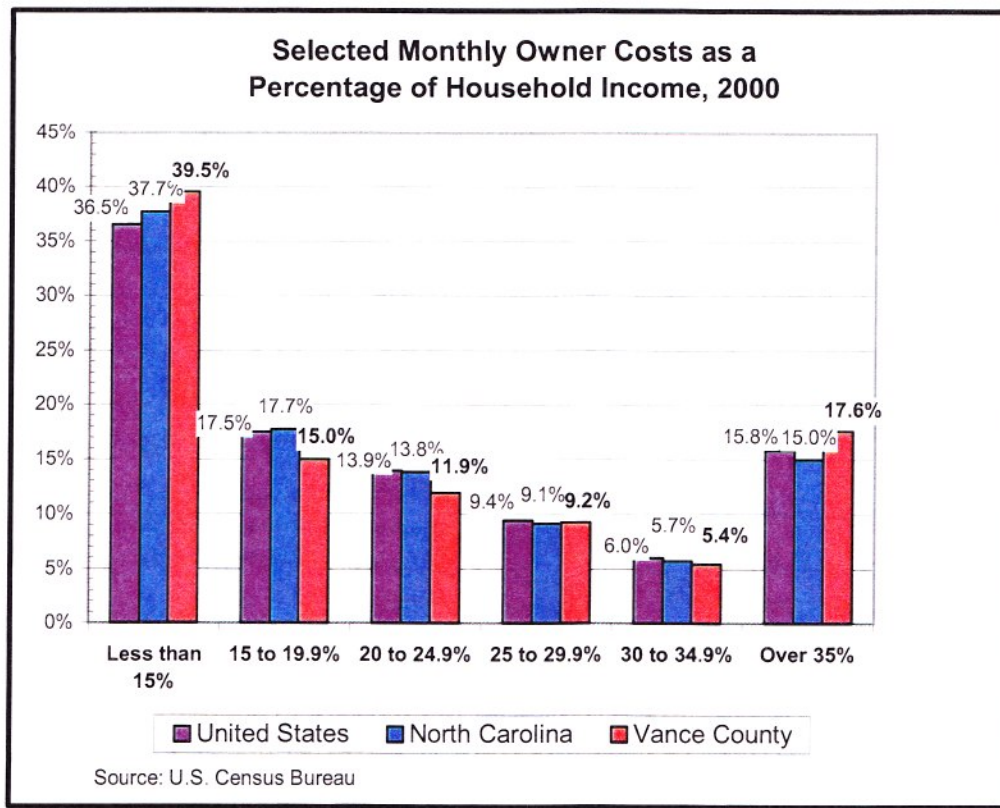
The Southern Region of the United States is generally a high homeownership area, topped only by the Midwest in total homeownership rates. The following chart illustrates the homeownership rates for North Carolina, Virginia and the United States between 1994 and 2002. As information is not available from the census at the county level, comparisons are provided for Raleigh-Durham-Chapel Hill, NC and Richmond-Petersburg, VA.



While Virginia lagged North Carolina in homeownership rates for the latter part of the 1990s, it has since surpassed North Carolina and the other communities analyzed, with only the Richmond, VA area briefly exceeding the Virginia statewide average in homeownership rates.

Costs of Homeownership

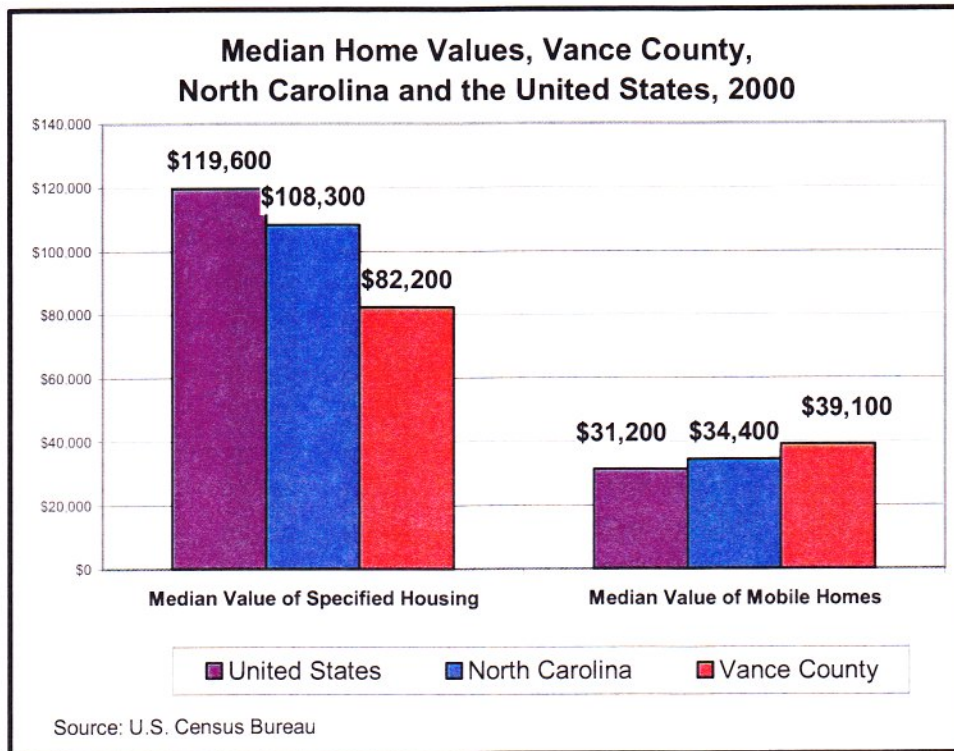
An area's poverty rates and cost of living can particularly affect low-income residents' ability to move into homeownership. Low-income residents are forced to use a higher percentage of household income to pay for items that accompany home ownership, such as mortgage, insurance, taxes, repairs, and improvements. The chart below illustrates the monthly costs of homeownership as a percentage of household income in Vance County, North Carolina and the United States.



Almost 40% of Vance County residents spend less than 15% of their household income on housing-related costs. This likely includes residents who own their homes outright or have chosen to live well within their means. However, 23%, or almost one out of every four Vance County residents, spends more than 30% of household income on homeownership costs. These numbers, and particularly the 17.6% of residents who are spending over 35% of their household income may reflect a higher number of low-income residents for whom homeownership is a struggle.

Median Home Values

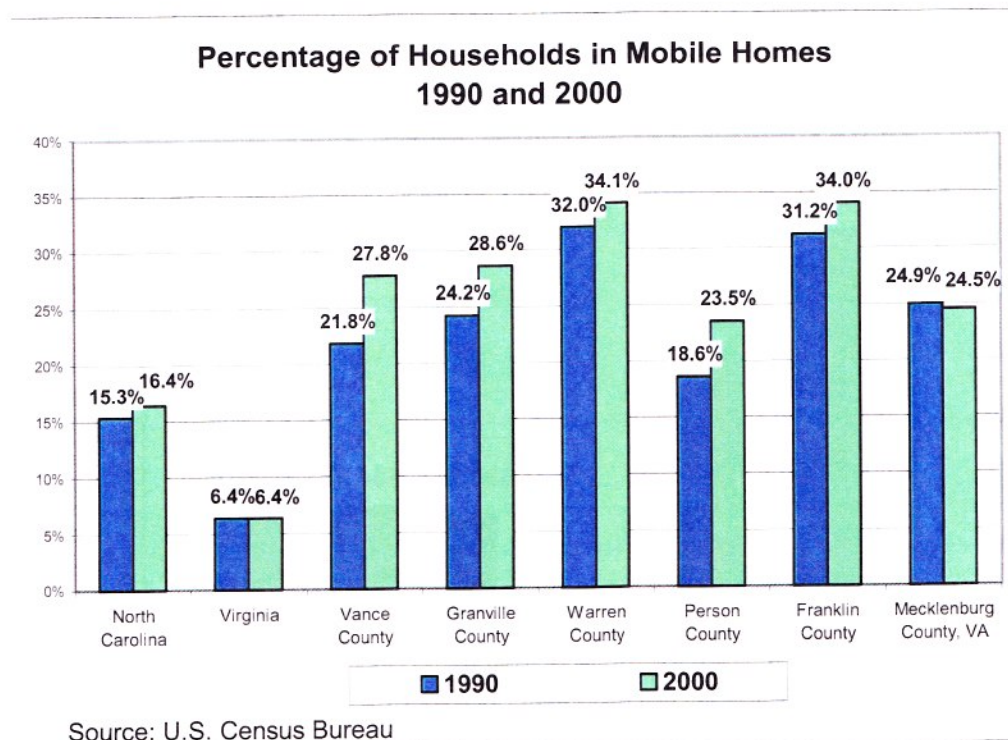
Home values are another indicator of how well a community is doing. As the chart on the following page illustrates, average home prices in Vance County are well below the state and national averages, similar to many rural areas. However, in Vance County, mobile and manufactured homes are higher in value than state and national averages. This may indicate that Vance County residents are selecting better quality mobile and manufactured housing and maintaining them, on average, better than their state and national counterparts, or it may reflect the higher percentage of Vance County residents who live in mobile homes and manufactured housing.



Mobile Homes

The U.S. Department of Agriculture's Economic Research Service reports that rural households are three times more likely to live in a mobile home than urban households. While mobile homes are not inherently less desirable than other types of housing, the lower overall value of mobile homes combined with the fact that mobile homes tend to have less public services and rely more heavily on septic systems and well water mean that a high percentage of mobile homes may indicate a relatively lower income population.

In 2000, North Carolina was one of eight states in the nation (in addition to Wyoming, New Mexico, Arkansas, Mississippi, Alabama and West Virginia) with the highest percentage of housing units being mobile homes, ranging from 14.9% to 20.3% of residents living in mobile homes. North Carolina was also one of seven states in the nation in 1990 with the highest percentage of housing units being mobile homes. As shown in the chart on the following page, North Carolina and all of the counties in the Kerr-Tar Regional Council of Governments experienced an increase in the percentage of households living in mobile homes from 1990 to 2000, with Vance County leading the increase.



During the same time period, Virginia's very low rate of households living in mobile homes remained constant, while Mecklenburg County across the state line decreased slightly.

According to a recent series of stories in *The Daily Dispatch*, the Vance County area has not been free from predatory lending practices and fraud, particularly for buyers and potential buyers of mobile and manufactured homes. Foreclosure rates in Vance County almost quadrupled between 1998 and 2001, with the majority of foreclosures on mobile homes owned less than two years.¹² Charges against at least one manufactured housing company have been filed with the North Carolina attorney general.

In an effort to educate low-income homebuyers, North Carolina's predatory lending law requires mandatory credit counseling for people considering high-cost home loans. The purpose of the counseling is to ensure that the borrower fully understands the material terms of the loan, including the fees and costs the borrower will be required to pay. The counselor must be approved by the North Carolina Housing Finance Authority and must certify to the lender that counseling services were provided prior to the loan closing.¹³

¹² In 1998 there were 58 foreclosures in the county, but by the end of 2001 the number had climbed to 200. In the first quarter of 2002 there were at least 52 on the foreclosure list. *The Daily Dispatch*, Barbara Arntsen, www.hendersondispatch.com.

¹³ North Carolina Housing Finance Agency, www.nchfa.com.

Business Climate Survey, Focus Groups and Interviews: Infrastructure

Indicators within the survey category “Infrastructure” received the widest range of rankings of any in the survey. Many thought the area’s infrastructure overall was good to excellent. Interviewees commented favorably on the area’s abundance of good water and its regional water plant, including the fact that the plant sells water to other areas. Ironically, water was noted as a growing problem outside Henderson, where most residents depend on well water. Numerous wells have closed in the past decade, and several residents noted a concern about possible contamination and wells running dry.

Roads generally ranked better than air or rail transportation options. Residents liked the accessibility from Interstate 85 and U.S. Highway 1, and most believed the roads were adequate to service the current population. Very few people mentioned the availability or cost of telecom infrastructure, including high speed Internet access.

Without exception, all those interviewed thought the County needed to implement countywide zoning. Several people thought the City and County planning and zoning efforts (including permitting and inspections) should be combined. Residents were concerned about the large number of sub-standard mobile home parks that were developed in the County prior to implementation of the County’s new subdivision regulations. Residents were also very concerned that the new subdivision regulations would deter responsible, interested developers because of their complexity.

Key Findings

The Henderson Kerr Lake Regional Water Plant provides Henderson with reliable, abundant drinking water, and it also serves as a revenue source through the sale of water to almost 55,000 additional users. However, the majority of Vance County residents outside Henderson depend on ground water from wells for their drinking water (typically individual wells), and many wells have been closed over the past decade for a variety of reasons. Several residents noted that the Regional Water Plant should provide water to all of Vance County, in addition to selling to other counties. Because the majority of Vance County residents utilize individual septic systems for sewage disposal, the County’s reliance on well water is more problematic.

Interstate 85 is a clear benefit to the area, as is Highway 1, which leads to the Raleigh-Durham International Airport, less than one hour away. However, several residents commented that it is difficult to get to Highway 1 from the opposite side of Henderson, and the route into town via Highway 1 is not one they want first-time visitors to see due to the trash and dilapidated structures. Additionally, there is no airport shuttle or bus service to and from the Raleigh Airport. Vance County leaders see the Southeast High Speed Rail Corridor as a potential boon for the area, as it is currently planned to be routed through Vance County along Interstate 85. Vance County leaders are working with elected officials at both levels to try to get a train stop located in Henderson.

Housing options are a major issue in the area, particularly with new employers and management and executive level staff. Many of those interviewed discussed the lack of mid- to high-range housing in the area. New subdivisions that include swimming pools, tennis courts and other amenities in the Wake Forest area are luring management-level workers away from Vance County, particularly those with children. One resident commented that developers are no longer building "spec housing", that is, houses that are not ordered by a particular buyer. The lack of zoning in the County allowed the development of numerous substandard mobile home parks throughout the County, and residents believe the complexity of the "70 page" new subdivision ordinance will drive developers away from much needed housing development.

BUSINESS COSTS

Business costs are all of the expenses associated with the initial investment and customary business operations in a local community. Traditionally, these business costs have fallen into the three basic categories of *land, labor and capital*. Business costs remain a definitive factor in the site selection process because of the bottom line financial impacts of this component to the local business environment. This section will also provide a brief discussion and comparison of the business costs and incentives in North Carolina versus Virginia. This comparison will help Vance County leaders evaluate whether the County has a competitive advantage over neighboring counties to the north.

Land

The availability of land properly zoned for industrial and commercial use is a crucial factor when companies determine where to locate. The supply of, and demand for, land, industrial buildings and office space drives real estate and rental prices and can affect location decisions. Additionally, the type of land available can also affect decision-making. Communities desiring to redevelop downtown areas must consider not only remediation of prior contaminated areas but proactively parceling land together. Land parceling can help downtown areas compete with green space areas for appropriate development and businesses. Increasingly, companies are also interested in the availability of high technology infrastructure and capabilities available in a community. From high-speed Internet access to clean rooms, the types of facilities available or easily constructed helps determine where companies locate. Sites without infrastructure are of little assistance to site selection consultants and businesses.

North Carolina's "Certified Sites" program helps consultants and companies determine the availability of desired types of infrastructure at locations throughout North Carolina. The program requires sites to meet the following requirements prior to certification:

- Geo-technical studies
- Topographic analysis and map
- Aerial photography
- Availability of public utilities
- Industrial quality power
- Engineered site development plans
- Detailed analysis of development cost
- Competitively priced
- Marketed for Business/Industrial use
- Phase-I Environmental Audit

Companies or consultants can access information about every certified site on-line by clicking on the site identification number for full information, including a photograph and map, which can be enlarged.

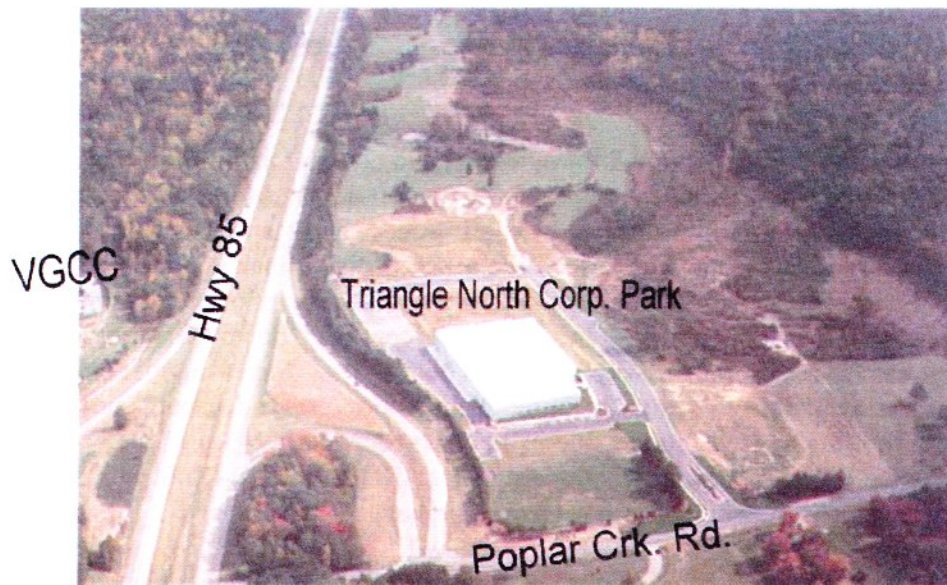
Vance County has three sites listed on the North Carolina Department of Commerce's website, but only one is certified under the Certified Sites Program – Triangle North Corporate Park. The map below is the picture seen by potential businesses and site selection consultants when they are doing initial Internet research.

94.00 Acres Available

Vance

Triangle North Corporate Park

RTR-101142



Ten buildings in Vance County are also certified buildings under the program, including the building in the picture on the previous page.

Building ID	Building Name	Available Ft.	Sq. County	Status
RTR-101076	Ruin Creek Office Facility	8,560	Vance	Available
RTR-101075	H & H - Office	20,000	Vance	Available
RTR-100840	860 Commerce Building	30,000	Vance	Available
RTR-50117	Henderson-Vance Shell Bui	40,000	Vance	Available
RTR-100865	H & H	60,000	Vance	Available
RTR-101074	Triangle North Corporate	82,000	Vance	Available
RTR-101131	Homestar	90,000	Vance	Available
RTR-100716	Jackson	96,000	Vance	Available
RTR-101124	Ellington Warehouse	100,000	Vance	Available
RTR-101146	JP Taylor	616,000	Vance	Available

The Vance County Economic Development Commission's website lists several of these buildings and some additional industrial and office buildings throughout the County. The sites all differ in infrastructure availability and additional amenities, which are described in further detail on the website.

INDUSTRIAL	
Building Name	Square Feet
NCLT Partners	30,000
Texel	40,000
Henderson-Vance Shell	40,000
H & H	60,000
Triangle North Corporate	82,000
Jackson	96,000
OFFICE	
Building Name	Square Feet
Ruin Creek Office Facility	8,560
Universal Commerce Center	10,500
H & H Office	40,000

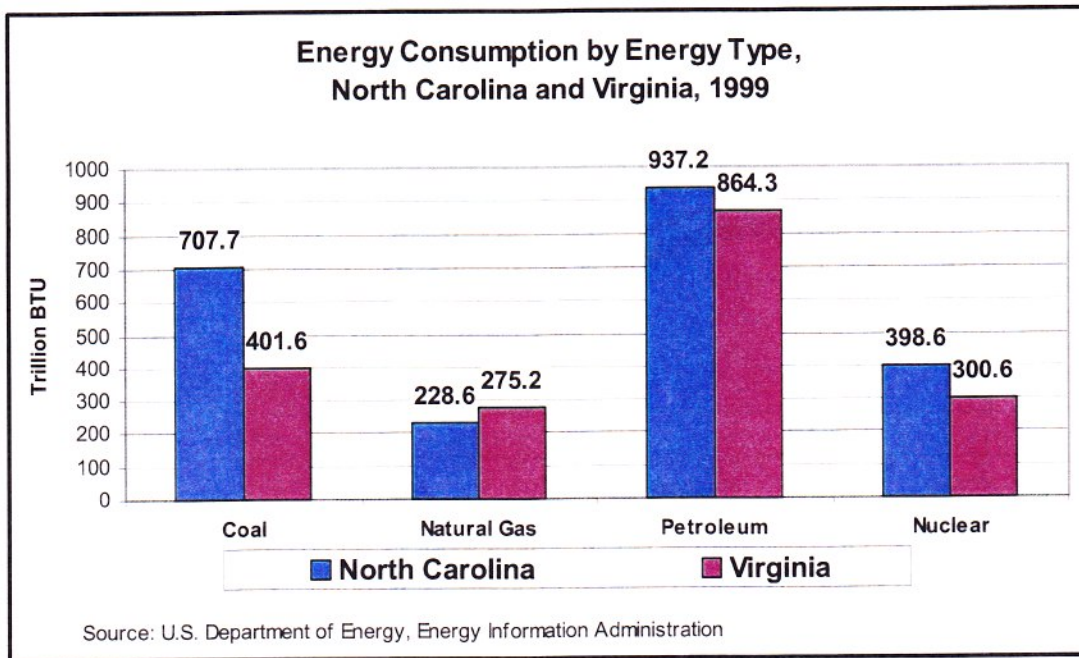
Energy Costs

Energy cost, availability and reliability, particularly in peak times, are major considerations for traditional manufacturing companies. However, they are also crucial issues for healthcare and technology firms that rely on consistent, affordable power. The cost and availability of energy is an issue in many site selection decisions, and most power companies recognize this and have their own team of economic development professionals to assist in business recruitment and expansion.

Energy costs can vary significantly by state, an important consideration for a border community such as Vance County. The following chart compares the costs of various types of energy in 1999 among North Carolina, Virginia and the United States. Costs are also ranked by state, with number 1 being the most expensive in the country and 50th being the least expensive. The graph below it compares the cost of various types of energy in North Carolina and Virginia.

	North Carolina		Virginia		United States
	\$/Million BTU	Rank	\$/Million BTU	Rank	\$/Million BTU
Total Energy	9.76	12	8.78	19	8.41
Motor					
Gasoline	8.77	38	8.91	35	9.31
Petroleum	7.61	29	7.44	34	7.33
Natural Gas	5.14	13	5.46	11	4.26
Coal	1.45	21	1.43	23	1.26
Electricity	18.89	21	17.22	31	19.37

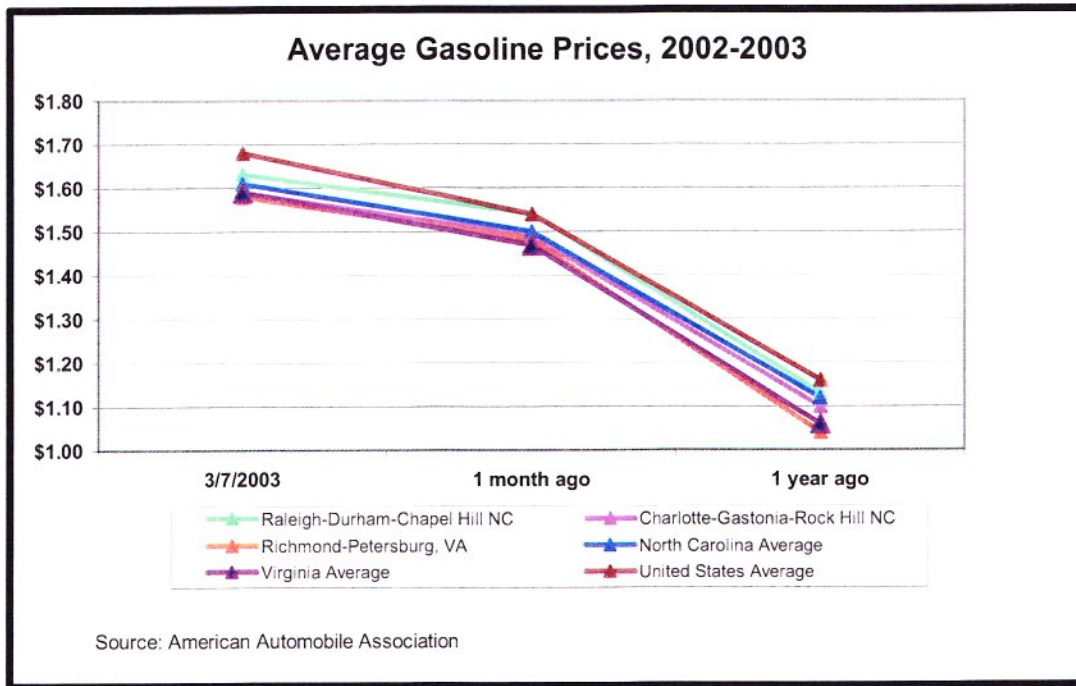
Source: U.S. Department of Energy, Energy Information Administration – 1999.



Overall, Virginia's energy costs were less expensive than North Carolina's, although both were slightly higher than the national average. This is partially due to the high cost of natural gas in both states, pulling both averages up. The relative high cost of natural gas, however, is somewhat mitigated by the fact that it is the least commonly consumed energy source based on the four largest sources: coal, natural gas, petroleum and nuclear power.

Gasoline prices

As illustrated in the chart on the previous page, only gasoline and petroleum were less expensive in North Carolina than in Virginia in 1999, and only by a slight margin. As the graph below shows, that margin has been eliminated over the past three years with respect to the cost of gasoline at the pump. Both North Carolina and Virginia have relatively inexpensive gasoline prices, with both consistently below the national average.



According to a daily survey taken by the American Automobile Association, North Carolina residents were paying an average of \$1.61 per gallon at the pumps on March 7, 2003, while the average in Virginia was \$1.59. Both states and the three MSAs surveyed were lower than the United States average of \$1.68 per gallon. One year ago, both states and the three MSAs were still lower than the national average of \$1.16 per gallon, with North Carolina averaging \$1.12 per gallon and Virginia averaging \$1.06 per gallon.

Labor

Labor costs are a major concern for most businesses, and for many companies labor costs constitute the largest percentage of expenses. Many of the factors that affect overall labor costs in an area are the result of state policies, such as worker's compensation. However, reviewing the average pay in each major business sector provides some indication of the relative labor costs in Vance County compared to state and national averages. As Vance County is a border community with Virginia, that state's wage information is also provided.

Average Annual Pay by Private Business Sector - 2000

Sector	Vance County	North Carolina	Virginia	United States
Agriculture	ND	\$21,086	\$20,923	\$20,283
Mining	ND	\$45,085	\$45,595	\$58,084
Construction	\$22,140	\$30,579	\$32,880	\$36,622
Manufacturing	\$24,574	\$37,003	\$37,331	\$44,776
TCU	\$30,067	\$40,512	\$48,676	\$43,623
Wholesale Trade	\$28,671	\$40,727	\$50,918	\$46,740
Retail Trade	\$17,269	\$17,438	\$17,817	\$18,430
FIRE	\$29,641	\$48,117	\$46,470	\$56,029
Services	\$22,429	\$29,373	\$38,315	\$33,678
Total	\$22,405	\$30,998	\$34,967	\$35,337

Source: U.S. Bureau of Labor Statistics; ND = Non-Disclosable for confidentiality reasons.

Clearly, Vance County's wages are significantly below both state and the national averages. While these figures may not be positive for the area's workers, they are a potential benefit for economic developers seeking to attract businesses. Businesses which relocate into the area should be able to compete effectively for employees.

Another factor which influences labor costs and which is often cited by site selection consultants and companies as a major factor is worker's compensation rates. While a direct and valid state-to-state comparison is extremely difficult due to the complex structure of worker's compensation laws and the variances between industries, a discussion of North Carolina's relative position is warranted. The North Carolina Industrial Commission, a division of the Department of Commerce, is responsible for administering both worker's compensation claims and tort claims against the state. According to the U.S. Department of Labor, North Carolina and Virginia are similar in some aspects of their respective worker's compensation laws. Both states have compulsory coverage through private carriers (as opposed to a state fund), yet both allow exemptions, including exemptions for businesses that employ fewer than three employees. Benefits for total temporary disability are paid at two-thirds salary; payments range from \$30 to \$620 in North Carolina, and from \$151.50 to \$606 in Virginia. Virginia limits coverage to 500 weeks, while North Carolina provides coverage so long as the disability exists.

North Carolina vs. Virginia

This section compares the tax structure and incentive programs of North Carolina and Virginia. While state policies are always an essential part of local economic development efforts, that effect is compounded in a border community such as Vance County, where companies only have to move a few miles across the Virginia state line to reap the benefits, or avoid the detriments, of a state's business climate. It is crucial that local leaders know the difference between the cost of doing business and the economic development programs in the various states, which seek to offset or affect the cost of doing business. Local economic development officials use this knowledge to help prioritize their local strategies in conjunction with these state-level differences.

Although regional economies and characteristics are increasingly influential to a community's business climate, a state's corporate tax structure and its economic development incentives still affect a region's development capacity. While the cumulative effect of state tax and economic development incentives is debatable, recent cases in Alabama, South Carolina and now Georgia demonstrate that companies are clearly swayed by these incentives.

The economies of Virginia and North Carolina have some structural differences, as demonstrated by a comparison of the gross state products in several sectors. In 1998, the Manufacturing Gross State Product was \$62.2 billion in North Carolina and \$31.8 billion in Virginia, while the Services Gross State Product was \$42.3 billion for North Carolina and \$54.7 billion for Virginia. Although North Carolina's economy continues to diversify, Virginia's economy more closely resembles that of the nation, with much less reliance on the manufacturing sector.

North Carolina had greater foreign direct investment in 1998, at \$28.6 billion compared to \$21.6 billion for Virginia, but Virginia received over five times the federal research funds as North Carolina, at \$5.7 billion to \$1.0 billion, respectively. In 1998, Virginia had committed over \$63 million to a small business innovation research fund, where North Carolina had committed just \$13 million. Both states enjoy a AAA bond rating by Standard & Poor's, meaning that they borrow money for public purposes at the lowest rates and enjoy the highest amount of investor confidence in their paper.¹⁴

Corporate and Individual Income Tax Rates

Companies and site selection consultants often focus on local and state taxes as reasons to select or eliminate a particular site. While this section will describe the various tax rates in North Carolina and compare them against Virginia, it is important to note that both North Carolina and Virginia are generally viewed as low or very low tax states. This can be positive for the states in terms of competing with other regions of the country, but may be problematic in that very low tax rates indicate an unwillingness to tax in order to make targeted investments in education, healthcare, and infrastructure.

Corporate tax rates were similar for the two states in 2001, although North Carolina was higher at 6.9% compared to a 6% rate for Virginia. North Carolina's 6.9% corporate rate reflects a cut in taxes from the previous 7.75% - a cut that costs the state approximately \$208 million each year.¹⁵ The difference is much larger with respect to individual income tax rates. Although the rates were tiered in both states, providing more progressive tax structures, North Carolina's individual income tax rate is higher, ranging from 6.0% to 8.25%. Virginia rates range from 2% to 5.75%. Overall, the North Carolina Department of Commerce estimated that North

¹⁴ North Carolina Department of Commerce.

¹⁵ North Carolina Justice and Community Development Center, *How North Carolina Got into This Budget Deficit and How We Can Get Out*, K. Cartron and C. Estes of the North Carolina Budget and Tax Center, 2002.

Carolínians paid approximately \$1,909 per capita in state and local taxes, while their counterparts in Virginia paid \$1,745.¹⁶

Retail Sales and Excise Taxes

The retail sales tax in North Carolina in 2003 is 4.5%. Food is exempt from state retail sales tax but not local sales taxes. The maximum sales tax rate at the local level is 3%, and the maximum combined state and local sales tax rate is 7.5%. In Virginia, taxes are again lower, with a 3.5% state retail sales tax rate. The maximum local rate is 1%, for a combined maximum retail sales tax rate of 4.5%. Food is taxed in Virginia, but at a lower level than other retail items.¹⁷

Not unexpectedly, excise taxes on cigarettes are the lowest in the country for Virginia at 2.5 cents a pack, and 48th in the country for North Carolina at 5 cents a pack. The United States median rate is 48 cents per pack, with Massachusetts highest at \$1.51 per pack.

Property Taxes

Property tax rates in Vance County are generally high compared to the rest of North Carolina, at a rate of 0.88 per \$100 assessed valuation for the 2002-2003 tax year. According to the North Carolina Department of Revenue, only 11 out of North Carolina's 100 counties had property tax rates higher than Vance County for the 2002-2003 year:

<u>NC County</u>	<u>2002-2003 Rate</u>
1. Hertford	1.09
2. Scotland	1.08
3. Washington	1.015
4. Tyrell	1.00
5. Franklin	0.9995
6. Hyde	0.95
7. Cumberland	0.925
8. Gaston	0.9183
9. Edgecombe	0.91
10. Robeson	0.91
11. Bertie	0.89
12. Vance	0.88 (tied)
13. Northampton	0.88 (tied)

By comparison, Pittsylvania County over the state line in Virginia (where Danville is located) had a rate of 0.60 per \$100 of assessed value in tax year 2001-2002.¹⁸ However, Vance County's property tax rate when compared to the rest of the country is very average.

¹⁶ Figures were for the 1999 tax year. North Carolina Department of Commerce.

¹⁷ Federation of Tax Administrators, www.taxadmin.org. All rates are as of January 2003.

¹⁸ Weldon Cooper Center, *Tax Rates 2001: Virginia's Cities, Counties and Selected Towns*.

Business Development Incentives

Every state offers some type of incentive to try to attract and retain jobs in the area. Many states target their incentives to development zones or areas that are blighted or in need of special assistance. North Carolina uses a system of five tiers, with the first tier counties described as “distressed” and therefore in need of the most assistance. Vance County was a Tier One county in 2002. This designation recognizes the County’s current economic difficulties and presents an important opportunity to use state incentives to their maximum potential in attracting and retaining companies. The chart below illustrates North Carolina’s major business development incentives and highlights the added benefits to companies locating in Vance County or other Tier One counties.

Business Tax Incentive	North Carolina	Vance County Incentive
Job Creation Tax Credit	\$500 -\$12,500 per new job created	\$12,500 per job, plus \$4,000 in State Development Zone
Machinery & Equipment Tax Credit	7% of amount invested over threshold	Threshold \$0
Worker Training Tax Credit	\$1,000 -\$500 per full-time employee trained	Up to \$1,000 per employee
Research & Development Credits	5%-25% of amount apportioned to NC	Same
Central Administrative Office Credit	7% for eligible investments	Same
Business Property Tax Credit	4.5% up to maximum of \$4,500	Same
Industrial Development Bonds	Low cost capital financing for certain manufacturing and solid waste disposal private projects	Same
Community Development Block Grant Funding	State distributes federal funds to non-entitlement communities	Priority Funding for State Development Zones
Industrial Development Fund	Water, sewer, wastewater funding for economically distressed communities	Eligible for all programs as Tier 1 community
Business Energy Loans	Direct loans to companies for energy conservation measures, including building and industrial process improvements	Same

North Carolina’s tax credits are available to companies in certain SIC/NAICS codes, generally those engaged in manufacturing-processing, warehousing, wholesale trade, electronic mail order, data processing, or air courier services. Credits are also available to companies with central administrative offices in the state employing at least 40 people. Companies claiming tax credits

must pay certain wages in relation to county averages (lower in Tier One and Development Zone counties), and they must provide health insurance that is at least 50% employer subsidized for full-time workers.

Virginia also offers numerous tax incentives to relocating or expanding businesses.¹⁹ The Major Business Facility Job Tax Credit provides a \$1,000 tax credit over three years for companies creating over 100 full-time qualifying jobs. However, in Virginia's enterprises zones, this credit applies to companies creating over 50 full-time qualifying jobs.

Virginia has designated 56 areas around the state as enterprise zones. Current zones include two in Mecklenburg County, VA and one in Hampton, VA, all directly across the state line from Vance County. Some of the special tax credits available in these zones include:

- *General Tax Credit* – a varying state corporate income tax credit depending upon the size of the business.
- *Refundable Real Property Investment Tax Credit for Investment up to \$100 Million* – state corporate income tax credit up to 30% of qualified property construction and improvements.
- *Invest Tax Credit for Investment over \$100 Million* – state corporate tax credit for businesses investing over \$100 million and creating over 200 jobs can receive a state income tax credit for up to 5% of investment.
- *Job Grants* – up to \$500 credit per job, or \$1,000 if filled by a zone resident, for up to three years up to a total of \$100,000 over a that three-year period.

Virginia also offers property tax incentives, a Recycling Equipment Tax Credit, a Day Care Facility Investment Tax Credit, and a Worker Retraining Tax Credit.

Entrepreneurship

In today's economy, innovative ideas provide communities with the foundation for future success. "Home-grown" businesses and firms are more likely to remain and grow in the area, and business owners tend to be more dedicated to the community. As discussed in the *Economic, Demographic and Labor Force Analysis*, Vance County has a relatively high rate of entrepreneurship ("nonfarm proprietorship employment"), with Vance County businesses paying wages above the North Carolina average.

A recent effort by Vance County business and community leaders helped solidify and grow this "non-traditional" infrastructure. Vance County participated in the North Carolina Rural Center's Community Education for Enterprise Development (CEED) Project - one of only five rural communities competitively chosen statewide. The effort targeted small business development in rural communities. It resulted in the creation of an ongoing committee of leaders in small

¹⁹ Virginia business incentives are described in further detail at www.yesvirginia.org.

business development, a Small Business Resource Guide, small business round tables, a small business survey, and enhanced marketing efforts in Vance County. Increased communication among various groups with small business and economic development responsibility in the community was cited as one of the most positive outcomes of the project. Vance County's growing recognition of the importance of small business and enterprise development created an infrastructure of awareness and appreciation of the special challenges that face small businesses and the value they create in terms of jobs, wages, community leadership and the overall economy. All of this has helped make the area more conducive to small business development.

The number of local businesses owned by minorities and women impacts a community's business climate. It is indicative of the diversity of the community and the availability of and access to capital by women and minority business owners. As the chart below illustrates, Vance County has a higher percentage of minority owned businesses than nation, and a substantially higher percentage than North Carolina.

1997	Percentage of Firms Owned by Females	Percentage of Firms Owned by all Minorities
Vance County	21.5%	17.3%
North Carolina	24.5%	10.8%
United States	26.0%	14.6%

Women-owned firms are not as prevalent in Vance County as in North Carolina and the United States. Vance County's percentage of women-owned businesses is particularly low considering the fact that Vance County's population is approximately 55% women. The total number of women-owned firms in Vance County in 1997 was 544, 88 of which had paid employees. The total number of minority owned firms in Vance County in 1997 was 437, 43 of which had paid employees. Of the minority firms, firms owned by African-Americans constituted 86.5% of the minority firms in Vance County and 64.8% of the minority firms in North Carolina.

Business Climate Survey, Focus Groups and Interviews: Business Costs

Overall, survey respondents ranked Vance County's business costs and business environment as average. Utilities, land and office space were generally rated higher, while incentives, support for entrepreneurship, the permitting process and dealings with North Carolina state government received the lowest rankings. The majority of those interviewed felt that, while city and county government have increased efforts to work together (by combining functions and departments, for example) local government was not as responsive as it could be to citizens. Focus group members and individuals were proud of the community's joint effort to bring Wal-Mart to the area, but they were concerned that those efforts were not being duplicated on a daily basis. Others were concerned with the lack of information and lack of cohesion on county and city websites, and with the fact that businesses could not do business with the City and County on-line.

Many interviewees remarked that board and commission positions are often filled with the same people and are either not advertised or the advertisement is not provided sufficiently in advance to provide new candidates for consideration. Local civic leadership has dwindled as companies closed and new executives choose to live in places other than Vance County. One person commented that Rotary membership was over 100 in 1990 and now is between 15-20 people. Some commented on the lack of connectivity among residents and business owners, noting that differences in race or background still contributed to the problem. One focus group member described the positive effects on race relations stemming from a softball game.

Numerous people noted that Vance County has great state and federal political connections but fails to take advantage of them and ask for help and resources. State legislators sit on or chair important committees governing the state budget and economic development. Other local residents who operate at a state level are deeply involved in and committed to Vance County but are not tapped to help solicit resources. Finally, local residents stressed that Vance County needs a balanced strategy, one that is implemented through a unified approach to economic development. They recognized that implementation of this strategy may require different structures than those that currently exist. City, County and Chamber of Commerce economic development and tourism efforts may be more effective when delivered through one entity, particularly with respect to marketing. They stressed that the area needs to begin to speak with one voice.

Key Findings

North Carolina has long been admired by other states for its Research Triangle Park and the homegrown innovation nurtured there. However, while Vance County is part of the Research Triangle Regional Partnership, residents believe little attention and resources are devoted to Vance County, and consequently Vance County does not share in the benefits of that area. Vance County is also very disconnected to the Research Triangle area, both physically and psychologically.

The collaborative effort used to bring Wal-Mart to the community must be institutionalized so that it is an effort that occurs everyday, where relocating *and existing businesses* are treated with the same high level of service. Local government must recommit itself to customer service, including 24-7 service that allows businesses and residents to conduct all of their business with local government on-line. Local economic developers and tourism officials may need to reconfigure current delivery systems to ensure a seamless, balanced, cohesive approach, particularly with respect to marketing efforts.

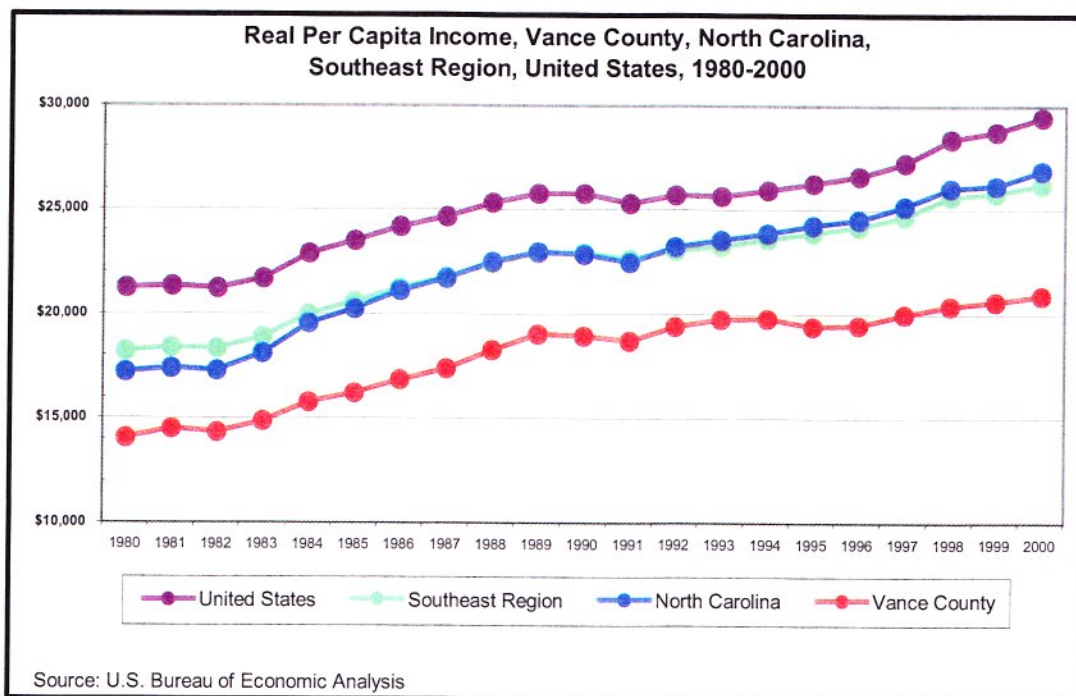
While North Carolina incentives may not be as aggressive as some of those across the state line in Virginia, Vance County, as a Tier 1 county, has an opportunity to obtain greater amounts of those incentives for new and existing companies if it actively promotes them. The County must also aggressively pursue federal incentives, stepping up efforts and solidifying relationships with elected officials at the state and national levels. Other residents in the community hold positions of power and influence at the state level, and the County must make a concerted effort to utilize those valuable relationships.

QUALITY OF LIFE

Just as the characteristics important to companies have changed over the years, so too have the community features that are highly valued by individuals. While quality of life still encompasses traditional elements such as cost of living and cost of housing, it now includes the availability and quality of healthcare, the quality of K-12 and higher education opportunities, and the cultural and recreational amenities of a community. While a community cannot be all things to all people, it needs to recognize that different generations, and people within those generations, define quality of life differently. Communities need to assess and acknowledge their own strengths and weaknesses to understand how they can better provide a quality of life that will attract and retain highly educated and highly skilled workers. This section evaluates the quality of life in Vance County by exploring the advantages and disadvantages in the area on a variety of quality of life indicators, including wealth, cost of living, housing, health care and overall health, traffic, public safety, recreational and cultural options and natural resources and the environment.

Local Wealth

Understanding how current residents in a community are doing economically provides prospective businesses with a sense of the potential quality of life that new residents could experience. As discussed in the *Economic, Demographic and Labor Force Analysis*, Vance County's Real Per Capita Income (RPCI) (adjusted for inflation) continues to lag that of North Carolina and the United States.



The most telling part of the graph above is in the 1990s, where it accurately reflects the County's mounting job losses in the high-paying manufacturing sector. Unfortunately, the gap in RPCI between Vance County and the state and national averages has increased since 1990, as the following chart demonstrates.

	1980	1990	2000
Vance County RPCI	\$14,104	\$18,966	\$20,923
North Carolina RPCI	\$17,235	\$22,856	\$26,882
Vance and NC Gap	\$3,131	\$3,890	\$5,959
United States RPCI	\$21,280	\$25,787	\$29,469
Vance and US Gap	\$7,176	\$6,821	\$8,546

Source: U.S. Bureau of Economic Analysis

Vance County experienced strong gains in RPCI during the 1980s, and the gap between Vance County's RPCI and that of the United States decreased by \$355 from 1980 to 1990. During the 1980s, Vance County's RPCI grew by \$4,861, more than that of the United States' growth (\$4,507). However, by 2000, the gap between Vance County's RPCI and the United States' was 25.3% higher than in 1990. By 2000, the gap with North Carolina had widened by 53.2%.

Cost of Living

Cost of living describes the cumulative amount of money it takes to purchase a variety of goods and services in a particular area. The same salary in Orange County, California has far less purchasing power than it would in Paris, TX, which has one of the lowest costs of living in the nation.

While national data sources do not evaluate the cost of living for Vance County, ACCRA, a national community and economic development research organization, publishes quarterly cost of living indices for metropolitan areas around the country and smaller communities that choose to participate in the survey. The metropolitan communities participating in the survey which are closest in proximity to Vance County are Raleigh and Durham in North Carolina and Richmond in Virginia. The chart below depicts the cost of living for these three communities.

Cost of Living Index Comparison, Fourth Quarter, 2002

Cost of Living Indices	Raleigh, NC	Durham, NC	Richmond, VA
Composite (100%)	101	94.9	99.1
Grocery Items (16%)	108	100.5	104.6
Housing (28%)	96.6	90.8	91.4
Utilities (8%)	99.5	91.2	108.3
Transportation (10%)	97.4	98.1	101.4
Health Care (5%)	102	105.3	84.1
Miscellaneous (33%)	102.4	94	102.3

Source: ACCRA Cost of Living Index, Vol. 35, No. 4

The national average in each category is 100; a score over 100 means that category of goods or services is more expensive in that community. Therefore, if 100 is the national average and the grocery index for Raleigh is 108, groceries are 8% higher in Raleigh than the national average. The percentage next to each of the cost of living indices is the percentage or weight each category contributes to the overall cost of living. The ACCRA quarterly listing also breaks out numerous items under each heading and provides actual costs. For example, the total energy costs in the fourth quarter of 2002 averaged \$121.89 per month in Raleigh, \$108.88 in Durham and \$127.21 in Richmond.

Raleigh is the most expensive of the three places to live overall, although healthcare and transportation costs are slightly less expensive there than in Durham. While Richmond has very low healthcare costs, overall it is just slightly more expensive than Raleigh. Durham is the least expensive overall, at 95% of the average costs in the nation.

Health Care and Community Indicators

The quality, availability and affordability of health care have become increasingly important as people are living longer throughout the nation. Health care affordability, in particular, is one of the most important issues to Americans. A 2002 survey by National Public Radio, the Kaiser Family Foundation, and Harvard's Kennedy School of Government showed that, while only 9% of American households making more than \$50,000 per year said they had problems paying for medical bills over the past year, nearly four out of 10 households (38%) making less than \$25,000 per year had financial problems. Nearly a quarter (23%) of households earning \$25,000 to \$50,000 per year had problems paying healthcare bills.²⁰

While affordability may be an issue in Vance County with the area's high poverty rates and high numbers of low-income families, Vance County residents have access to excellent healthcare. Maria Parham Hospital is a 102-bed facility fully accredited by the Joint Commission on Accreditation of Healthcare Organizations. Maria Parham offers a wide range of services that are typically available only in larger cities, including cardiac catheterization, cardiac echo and

²⁰ NPR/Kaiser/Kennedy School Health Care Study, 2002. Access online at www.npr.org/news/specials/healthcarepoll/.

noninvasive vascular studies, sleep lab studies, and radiation/chemotherapy oncology treatments. In addition to being one of the community's largest employers, the facility boasts over 150 physicians in a wide variety of specialties, including Allergy and Immunology; Anesthesiology; Cardiology; Dermatology; Ear, Nose and Throat; Emergency Medicine; Endocrinology; Family Practice; Gastroenterology; Infectious Disease; Internal Medicine; Neurology; OB/GYN; Oncology; Ophthalmology; Orthopedics; Pathology; Pediatrics; Podiatry; Psychiatry; Psychology; Pulmonology; Radiology; Surgery; Surgery – Plastic and Reconstructive; and Urology. The Hospital, created when the area's two segregated hospitals merged, is currently undertaking an \$8 million addition.

In addition to an excellent hospital, the area is fortunate to have highly respected public health officials. The local health department tracks a variety of public health indicators and is currently engaged in a community-wide public health survey. Public Health indicators help describe how a community is doing and what portions of the population may be at risk for additional problems in the future. The following table compares Vance County with North Carolina on some key public health indicators.

Indicator	North Carolina	Vance County
% Births to Women Who Smoke	14.8%	16.2%
% Women Receiving Prenatal Care in First Trimester	83.8%	73.6%
% Low Birth Weight Babies	8.8%	11.5%
Children in DSS Custody per 1000 (2000)	6.1	12.4
Percent of Children 14 and Under in Regulated Childcare Homes and Centers (1999-2000)	13.1%	11.7%

Source: North Carolina Child Advocacy Institute; North Carolina State Center for Health Statistics

All indicators are for the years 1996-2000 unless otherwise noted. Vance County has a much higher rate of low birth weight babies than the state average, and more expectant mothers smoke, with fewer receiving prenatal care early in their pregnancies than the state average. The percentage of women receiving prenatal healthcare in the first trimester drops for minorities at the state and county levels, with 73.9% of minorities statewide receiving prenatal care, and only 65.9% of minorities in Vance County.

The most alarming statistic on the previous page is the fact that over twice the number of children in Vance County are in the Department of Social Services' custody than the state average. Not only is this costly for the state and County, but it indicates a higher incidence of significant problems within families in Vance County. It is also problematic because children in foster care typically have lower educational attainment and are in the juvenile justice system at higher rates than children not in foster care.

Public Safety

The amount of crime in a community and the reputation that crime creates can impact the ability of a community to attract businesses and residents to the area, particularly to a downtown area. It also affects how people feel about their own quality of life within their community, and whether they feel safe and enjoy living there. The following crime rates are from the North Carolina State Bureau of Investigations, and are per 100,000 people.

		Index Crime Rate	Violent Crime Rate	Property Crime Rate
Vance County	1999	7,174.4	623.7	6,550.7
Vance County	2000	7,156.5	756.6	6,399.9
North Carolina	1999	5,269.2	550.8	4,718.4
North Carolina	2000	4,921.5	498.3	4,423.2

Vance County has exceptionally high crime rates, particularly for a small community. These rates are consistent with Vance County residents' perceptions of high amounts of all types of crime. While the property crime rate and the index crime rate both decreased slightly in Vance County from 1999 to 2000, Vance County's 2000 property crime rate was still 44.7% higher than that of North Carolina. In 2000, Vance County's violent crime rate was 51.8% higher than the state's, a major challenge for the community.

Several residents commented in interviews that the County, in particular, is significantly understaffed, with only three officers on duty at night for the entire County. They also expressed concern that city resources are not being devoted to the proper areas since Henderson's crime rate continues to climb.

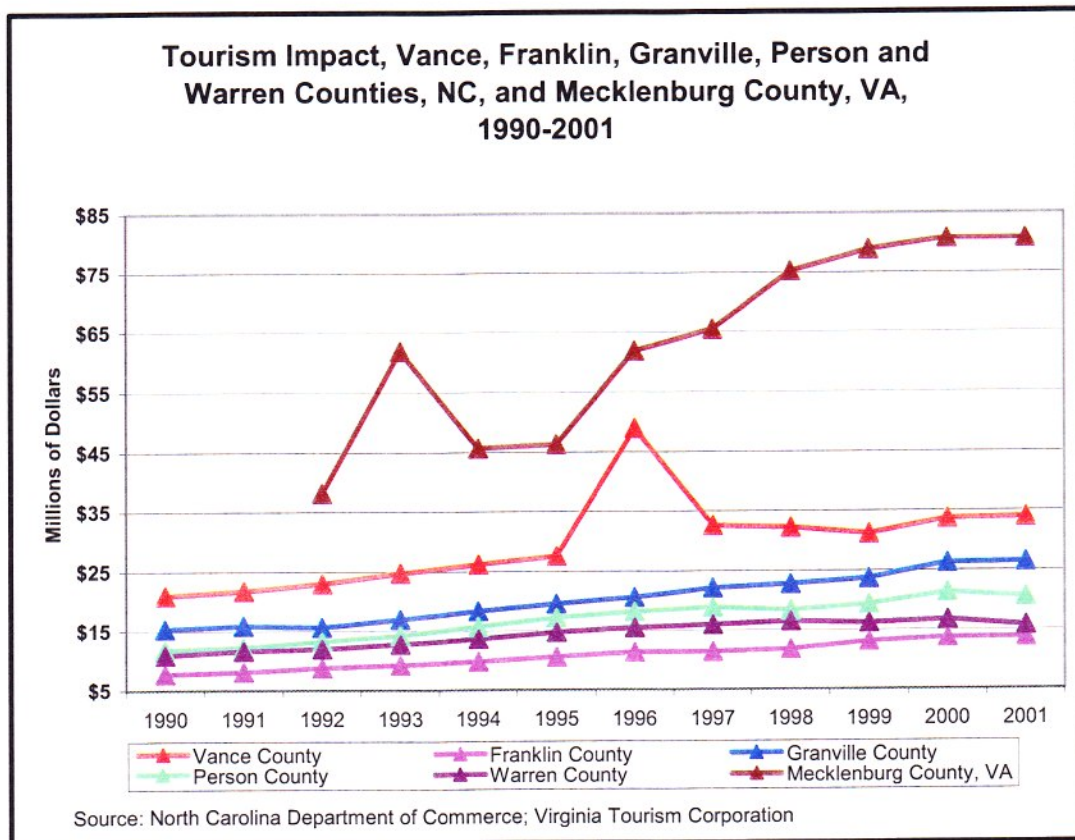
Natural Resources, Recreation, Entertainment and Cultural Opportunities

Many people look for recreational opportunities and cultural options before considering whether to move to a community. In rural communities, it is simply not possible to offer all the recreational and entertainment amenities available in larger metropolitan areas. However, rural communities can work to capitalize on their natural assets and establish a niche identity that attracts people who value the numerous positive qualities available in small towns and rural areas.

Vance County enjoys a large recreational asset that many surrounding communities do not - Kerr Lake. The area features two commercial marinas, boat ramps, camping, hiking, fishing, and community room facilities. With over 800 miles of shoreline and located in one of North Carolina's most popular state parks, Kerr Lake is key to Vance County's overall tourism strategy. According to the North Carolina Department of Commerce, Tourism Division, domestic tourism in Vance County had a \$33.9 million economic impact in 2001, up 0.7% from 2000. This placed the County 55th out of North Carolina's 100 counties in terms of travel impact, with the county in first place enjoying the most impact from tourism activity. The

Department of Commerce reports that over 350 jobs in Vance County were directly attributable to travel and tourism in 2001, and state and local tax revenues from travel to Vance County totaled \$3.3 million. The graph above shows the tourism revenues, or economic impact of tourism, from 1990 to 2001 in Vance County.²¹ While tourism impact in Vance County has risen steadily over the past decade, with a substantial jump in 1996, the potential exists for incredible growth.

In comparison, Mecklenburg County just over the state line in Virginia had a population of 32,380 in 2000 but a tourism impact of nearly \$80 million. It had 12 hotels, 4 of which were economy and 8 of which were mid-range. Mecklenburg County, VA has steadily developed its tourism opportunities, and the results are clear in the impact it has achieved. Many parts of Kerr Lake and the state park are extremely close to Interstate 85 in Vance County, much closer than they are in Mecklenburg County. While local tourism officials have been very successful at developing fishing tournaments, it will take the cooperation and involvement of elected officials at the state and federal levels and the Army Corp. of Engineers to create lasting changes in the Kerr Lake environment.



²¹ It should be noted that the 2000 and 2001 figures for Mecklenburg County, VA, are estimates, and that no figures were available for Mecklenburg County for 1990 and 1991. While both North Carolina and Virginia purport to measure the same thing, i.e. economic impact, these comparisons may use different measures and methodologies to achieve the same end numbers.

Aside from Kerr Lake, residents noted that the YMCA and the new recreational complex are substantial community assets and sources of recreational activities. There are also several malls, movie theatres, and restaurants for residents to enjoy. However, beyond those activities, most residents interviewed as part of the Business Climate Survey and in individual interviews would like to see more to do in the area. They believe there are limited offerings in the County with few activities for youth, in particular, which may be a contributing factor to the area's high crime rate.

Environment

Vance County has enviable natural resources, which need to be protected as the community works to attract businesses and retain current employers. These resources need to be protected so they can be enjoyed by current and future generations. From an economic development perspective, these resources add value to the area's quality of life.

The United States Environmental Protection Agency offers communities a way to keep track of industrial activity and pollutants released into the environment. The EPA publishes "Envirofacts" on its website, www.epa.gov. Residents can access county-level information on businesses that have permits to discharge wastewater, and information is also available on toxic and hazardous releases in the County.

Vance County currently has 92 businesses and facilities listed as either holding a permit to discharge wastewater, being hazardous waste handlers, or discharging toxic waste. In Vance County, 25 of the 92 listed businesses have NPDES permits to discharge wastewater. Eight of the businesses had toxic waste releases reported, and 39 of the firms had air pollution releases reported.²² Some of this information helps highlight the importance of attracting and retaining diverse types of businesses, including those companies which have "green business" policies, engage in clean manufacturing, or are low or no waste companies.

Business Climate Survey, Focus Groups and Interviews: Quality of Life

Many Vance County residents enjoy the natural amenities in the area and highly value the quality of healthcare available in the community. Both indicators received uniformly high ratings in the business climate survey and positive comments in interviews. Kerr Lake and Maria Parham Hospital are clearly two of the area's most substantial assets. Residents also enjoy living in a small community with less congestion and traffic.

However, residents do not believe they are receiving the benefits typically associated with living in a small community, such as a low crime rate. Vance County's high crime rate overwhelmingly received the lowest rankings in the business climate survey and the most negative comments during interviews. The high crime rate and its effects were pervasive throughout the community, affecting residential and commercial neighborhoods alike. Business owners were exasperated by the frequency with which they experienced crime, and almost every

²² Facts are for zip code 27536 for 2002. Envirofacts at www.oaspub.epa.gov.

person interviewed had a personal anecdote to relate regarding crime. Interviewees also commented on the amount of trash on the sidewalks and roads in the area, despite both the City and County governments having separate 'Appearance Commissions' to educate the public on keeping Vance County clean.

An additional factor that was repeatedly mentioned was the lack of "things to do" in the area. While outdoor recreational opportunities are available at Kerr Lake and the surrounding area, residents who do not enjoy those activities or want something else to do saw few other opportunities. Some commented that the YMCA and new recreational facilities are not really places where people (and especially kids) congregate socially. Several residents noted that they felt somewhat intimidated to go to the movie theatre with all the kids hanging around outside in and around their cars. While the community is taking positive steps in this direction with the inclusion of a cultural facility in the new downtown development, residents uniformly asked for more amenities.

Key Findings

Vance County's overall quality of life is characterized by sharp contrasts. Its proximity to North Carolina's second most popular state park and Kerr Lake are strong advantages for the community. Almost unanimously, residents interviewed listed the Lake as an asset for the area, although most believe it is underutilized. In addition, Maria Parham Hospital provides healthcare accessibility and availability that many communities several times its size cannot rival. Yet many of the area's public health indicators are not as positive as they should be, given the community's resources. This indicates that the healthcare options offered may be unaffordable for those without jobs or health insurance, or that people are uneducated about the resources available and the need for proper healthcare.

The area's exceptionally high crime rate and the lack of recreational and cultural opportunities for youth and adults are possibly the most serious drawbacks of living in Vance County. One arguably has a great deal of influence on the other; with little to do, and faced with high poverty and unemployment rates, crime becomes a viable option for some residents. During interviews, residents frequently mentioned the high rate of drug activity in the schools and in the area as significant challenges for the community. Others related anecdotes of crime literally occurring in their front yards while they were at home.

While a smaller community cannot be expected to offer the same types of cultural and recreational amenities as larger cities, the County must be responsive to residents' need for alternative recreational and cultural outlets. As Vance County is a retail center for the surrounding area, it must exploit the fact that people come to the County to shop, and utilize those opportunities to keep people there with additional amenities. The downtown revitalization project has the potential to be a big step in offering alternative recreational options for residents and visitors, but area officials must focus on providing amenities that cater to a variety of interests and budgets.

CONCLUSION

Evaluating Vance County's overall business climate is not an exact science. The analysis presented in this document helps provide an inventory of the area's business climate assets, along with an understanding of how well those assets are performing. Overall, even accounting for the state-level tax and incentive issues between North Carolina and Virginia, the County's business climate needs continuing improvement. Like other rural communities in North Carolina and throughout the nation, Vance County is experiencing extreme transformations at all levels of its economy.

On the business climate survey, a total of 35.5% of respondents view the area's business climate as *poor or fair*, while only 16.1% view it as good. All other respondents believe it is simply average. The information gleaned from the *Business Climate Analysis* helps focus on the challenges that the community must address if the County is to turn its economy around and grow for the future. The major issues for Vance County are:

- The **labor force participation rate** is significantly lower than it was ten years ago. Adding more people to the workforce will increase the County's per capita income, decrease the unemployment rate and decrease the high number of residents dependent on transfer payments.
- The County's **low educational attainment** is consistent among age groups, and the high dropout rate ensures that this problem will perpetuate unless action is taken at the high school and even middle school levels.
- By the middle school level, **Vance County schools are not progressing as expected**, with higher teacher turnover rates, lower test scores and fewer teachers fully qualified in their subject matters. All of Vance County's schools need to achieve what Zeb Vance Elementary has achieved.
- **Water and sewer infrastructure** continue to be a challenge in the County, where most residents outside of Henderson are on septic systems and individual wells, making water quality a concern. The majority of the water processed at the Regional Water Plant is sold outside the County, while County wells continue to experience problems and are frequently closing.
- The **lack of zoning in the County** has created an environment where substandard mobile home parks have flourished, and complex new subdivision regulations may deter responsible developers.
- Vance County needs to take advantage of the additional state incentives available to it as a **Tier 1 county** to incent existing and relocating businesses to invest in the area.

- The lack of recreational opportunities for youth and the high unemployment rate have combined to create an exceptionally **high crime rate** in the County. Bringing the crime rate down must be one of the County's and City's top priorities.
- **Civic leadership** in the community is concentrated in a few individuals while others feel shut out of the process, and there is a lack of connectivity among residents of the community. Leadership Vance graduates, new residents and others must be nurtured and encouraged to take positions on key commissions and boards.
- **State and federal political and other connections** are significantly underutilized. Vance County must ask for more in terms of assistance, grants, loans and tax dollars returned to the community.

These are by no means all of the issues that need attention, but they are the major ones standing in the way of Vance County's progress. Successful economic development strategies confront challenges concerning all four of the major categories of business climate: Workforce and Education; Infrastructure; Business Costs; and Quality of Life. The County cannot be truly successful if it addresses only one or two of these categories. The County must focus on how to *prioritize* these business climate issues.

Despite the significant challenges it is facing, the *Business Climate Analysis* also fleshed out numerous positive assets that can help lay the foundation for the improvements the County will undertake:

- **Raleigh-Durham International Airport, major research universities and the Research Triangle** are less than an hour's drive away from the area.
- **Maria Parham Hospital** is not only one of the County's major employers, but is also a state-of-the-art regional healthcare facility, with specialists in many areas on-site. Most communities several times the size of Vance County do not have a resource like MPH.
- **Kerr Lake** and the beautiful natural resources surrounding it are already assets, with the potential for more. With the assistance of federal elected officials and the Army Corp. of Engineers, Kerr Lake may ultimately be able to achieve its full potential.
- **Vance-Granville Community College** offers a variety of degrees and training options for local employers. By keeping its programs current and remaining focused on local employers' needs, VGCC will continue to be one of the area's best assets.
- **Interstate 85** offers the accessibility many companies require and many communities lack. It is also a connector for residents to all that the Research Triangle area has to offer.

By building on these assets while simultaneously working on the challenging areas facing the community, the County can create an environment that stimulates the development of entrepreneurial activity, encourages the expansion of existing businesses and attracts new companies.