

CHARLOTTE REGION ROUND TABLE

Future focused

The Charlotte region is banking its past successes and looking toward the future by developing leadership and industries while solving challenges such as transportation.



As seen in the October 2015 issue of **BUSINESS NORTH CAROLINA** magazine

CHARLOTTE HAS MADE ITS PLACE IN NORTH CAROLINA, THE COUNTRY AND WORLD.

The Queen City is home to eight Fortune 500 company headquarters, and it is a top U.S. banking center and the crown of a 16-county region. But it isn't resting on its laurels. It's addressing its growing pains, including leadership and industry development and transportation. *BUSINESS NORTH CAROLINA* magazine gathered leaders and executives from the region to discuss how obstacles are being handled and what else is needed to continue the region's reign.

Ben Kinney, *Business North Carolina* publisher, moderated the discussion, which was held at the Charlotte headquarters of law firm Robinson Bradshaw & Hinson PA. The transcript was edited for brevity and clarity.



Ronnie Bryant
president and CEO,
Charlotte Regional
Partnership



Teresa Thorson Cox
president and CEO,
Charlotte-based Business
Innovation and Growth
Council



Allan Evora
founder and president,
Charlotte-based Affinity
Automation LLC



Andy Mueller, MD
senior vice president,
Winston-Salem-based
Novant Health



Allen Robertson
managing partner,
Charlotte-based
Robinson Bradshaw &
Hinson PA



Robert Wilhelm
vice chancellor for
research and economic
development,
UNC Charlotte

THE CHARLOTTE REGION'S ECONOMY IS A UNIQUE MIX OF INDUSTRIES. HOW IS BUSINESS FROM YOUR POINT OF VIEW?

BRYANT We have about 70 active projects, which is a prerecession amount. The Charlotte region is seen as strong domestically and increasingly so globally. We're adding almost 100,000 residents each year, and companies follow talent. UNC Charlotte is one of the state's fastest growing universities, and we're attracting graduates from educational institutions nationwide. We're served by five ports, and the new \$130 million intermodal yard at Charlotte Douglas International Airport, from which goods can reach 60% of the U.S. population overnight, is one reason why 42% of our active projects are international.

ROBERTSON We're seeing more mergers and acquisitions through private equity and some fund investments. Banks still are constrained in regards to leverage lending, so we see mezzanine capital — another type of junior capital — stepping into that space. Health care and energy sectors are active, too. We're helping a couple of young entrepreneurial clients fund solar farms and solar investments.

WILHELM There is growth across the campus. The university welcomed 28,000 students for its fall semester. Our research-and-development funding grew 30% to near \$50 million in the last year. Our Ventureprise business incubator and accelerator is home to 22 startups that together

“We have new sector-targeted programs, including energy, data science, advanced manufacturing and health care. Demand for our graduates continues to grow.”

ROBERT WILHELM
vice chancellor for research and economic development, UNC Charlotte



PHOTOGRAPHY BY JONNA JERNIGAN

employ more than 100 people. Fifteen more companies have located portions of their R&D teams on campus. We have new sector-targeted programs, including energy, data science, advanced manufacturing and health care. Demand for our graduates continues to grow.

EVORA It's been a strong year for Affinity Automation, especially with data centers because their electrical distribution systems are critical to their operation. We also have been a player in waste-to-power systems. Solar is probably our largest market in terms of distributed generation. Our expertise centers on technical engineering, so it helps that technical schools in the state train young, bright engineers, and the vocational schools are providing graduates who can install, test and verify operations in the field. Our workforce expanded by about 20% in the last quarter. We certainly are concerned that state sustainable energy policy could change in the next few years and idle growth of mandated use.

COX I started Business Innovation and Growth nine years ago after moving from San Francisco. At the time, Charlotte lacked an ecosystem for high-growth entrepreneurs. It's a similar situation

today. We're a conservative region, so changing that is a challenge. The entrepreneurial community is doing well, but it goes unnoticed. I worked with UNC Charlotte's Ventureprise and Urban Institute on a regional entrepreneurial growth report. The 250 companies that participated in it were positive about this year. They're expecting 44% growth for 2015, and that was about 25% over the last three years. This group contributes significantly — \$1.5 billion in annual revenue and 3,000 employees — but it's in the collective, so one company doesn't stand out.

MUELLER Health care is doing well regionally despite challenges nationally. That creates a dilemma for our day-to-day business. We have to meet increased demand as the region grows by advancing service initiatives such as creating a trauma center at our major hospital in the region, Novant Health Presbyterian Medical Center. This is the largest U.S. community with one trauma program; there are too many people here for just one. Construction should start this fall on a modern replacement for Charlotte Orthopedic Hospital. We also are building a hospital in Mint Hill. We plan to aggressively grow our physician

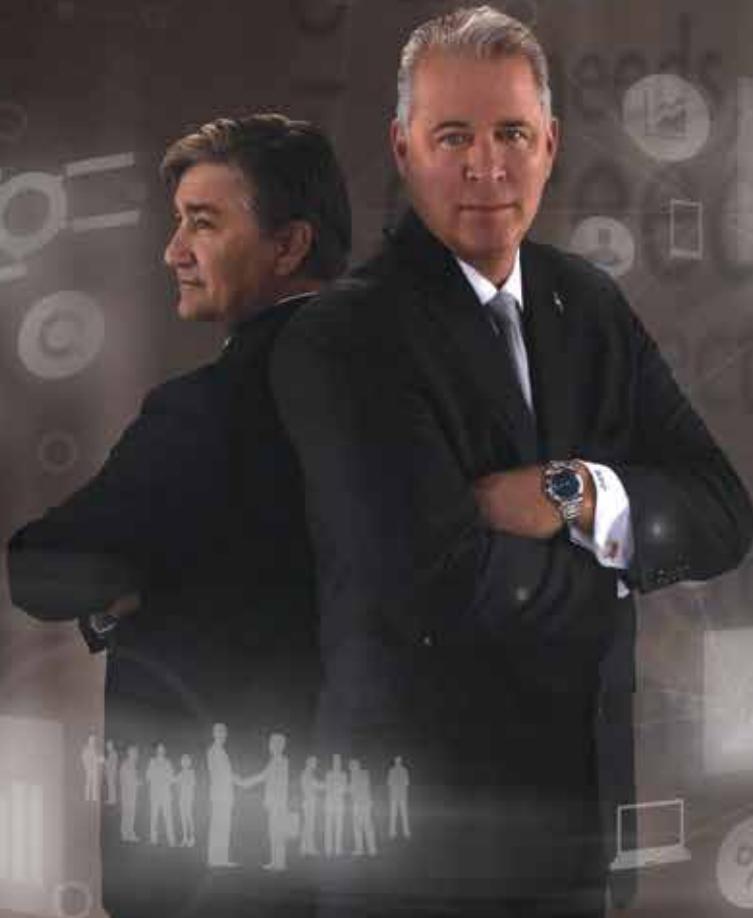
“This is a welcoming place. That's very different than many communities. Embracing openness and diversity will keep the region in a strong position for years to come.”

ALLEN ROBERTSON

managing partner, Charlotte-based
Robinson Bradshaw & Hinson PA

practices — opening 15 in 18 months — to deliver care where people live. We're adding physicians, nurses and other health professionals. We're seeing double-digit or near double-digit growth in almost every service line we offer in this market, including physician practices with lots of young patients who engage health care in new ways. We've spent a lot of effort providing digital access. We serve an incredible breadth of customer, all with very different needs.

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DAVID B. SPENCER
Senior Executive Vice President,
Chief Financial Officer

RICK CALLICUTT
President,
Chief Executive Officer

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HOW CAN BUSINESS AND CIVIC LEADERS COOPERATE TO BETTER THE REGION?

BRYANT The business leadership has galvanized around the chamber of commerce or our organization, and big business usually drove the agenda. Most cities have a formal CEO group, such as Pittsburgh's Allegheny Conference on Community Development. Charlotte hasn't, though it might soon. Charlotte-based Duke Energy Corp. CEO Lynn Good is leading the creation of one, the Charlotte Executive Leadership Council. But there is a shift with CEOs, especially those in charge of public companies. Their ability to engage in civic activity has diminished. They have a different level of accountability to their board than the CEOs of the past. Charlotte is home to eight Fortune 500 CEOs, but only a few are civically involved. We have to galvanize, because they have a lot of influence.

WILHELM We see companies in different sectors collaborating. We have dozens of companies helping us define a curriculum that's relevant to the developing, changing and growing needs of analytics and computing, and we're funding different business development activities that are important to these companies, including retraining workers or education for executives. We're seeing more Charlotte companies from different sectors cooperate and go after R&D funds. The three biggest R&D players in the region are UNC Charlotte, the health-care industry and Palo Alto, Calif.-based Electric Power Research Institute, which is an electricity research organization with a large Charlotte presence. Together they spend about \$150 million annually. The top three at Research Triangle Park spend about \$2 billion. So we have work to do, but we're seeing more companies getting involved.

ROBERTSON We need to have broader leadership that brings together different sectors and folks. Previous leaders did that. Anybody who showed up and was willing to work was put to work. That's an asset we have to showcase: This is a welcoming place.

That's very different than many communities. Embracing openness and diversity will keep the region in a strong position for years to come.

EVORA For a region to take the initiative to invest in responsible energy use is forward thinking. CLT Joules is a group that's promoting and supporting startups in the Charlotte energy sector. And certainly here the last three years at the Charlotte Convention Center, there's been the Critical Facilities Summit, which centers on the critical aspects of data centers. I'm sure having Google, Apple and Facebook data centers nearby have helped it. The Washington, D.C.-based Energy Storage Association will bring 120 member companies, nonprofits and individuals to Charlotte for its annual meeting in April 2016.

WHAT ROLE DO ENTREPRENEURS PLAY IN THE REGION?

COX I came here from San Francisco, where entrepreneurs are like rock stars. I felt entrepreneurs had little respect here, and they were seen as people who couldn't get jobs in corporate America. The recent recession was probably the best thing that happened to the entrepreneurial community. That's what pushed the startup movement across the country. Entrepreneurism is definitely more visible now. There is a new public-private city fund for entrepreneurial initiatives. It's small, and Charlotte-based philanthropic organization Foundation for the Carolinas is helping with it. When it grows, it will propel the entrepreneur ecosystem. We need talent and capital. They are big issues for this entrepreneurial community, and can't be changed overnight.

GROWTH INDUCES TRANSPORTATION ISSUES. WHAT ARE THE CHARLOTTE REGION'S CHALLENGES?

WILHELM I'm chairman of University City Partners, the business-development district that surrounds the university. We have had some planning in this region for a number of years, investing in different transportation modes, whether

it's bikeways, buses or light rail, which in Charlotte's case is more than halfway through an extension project that will connect south Charlotte, center city and UNC Charlotte. If you look at car transportation around the region, there are congested places, and I don't think many will improve soon. They will only change if we invest in multiple modes of transportation.

ROBERTSON As the region's population continues to grow, we'll encounter affordability issues. Demand in Charlotte's central neighborhoods will increase prices, so residents will look farther away for affordable living. We have cities up to 40 miles away, but can you commute to Charlotte from there?

BRYANT Southern Iredell County is one of the fastest growing places in the region. People are moving farther north but still want connectivity to Charlotte's central business district. That's why the I-77 toll lane proposal discussion is so heated. At one time, we had more than 12,000 apartment units being built, and that was mostly inside the I-485 beltway. That's a lot of people. We compete for scarce state and federal resources, and I think that the new CEO group should make being involved in transportation plans a top agenda item. The region is at the edge of EPA air-quality standards, and that dictates the types of industry that can be recruited to the region. Last year, 85% of automobile commuters in this region were single occupants. Automobiles are big air polluters, especially when they're idling on a blocked interstate. Motor vehicles contribute about half of toxic air pollutant emissions in the U.S, according to the Environmental Protection Agency, and 75% of carbon monoxide emissions nationwide. We have to continue to invest in public transportation

EVORA I live in Cornelius. Our congestion is not like a major city's congestion, but people often ask, how does such traffic happen in a small city? It's a place where perhaps foresight hasn't gone into growth planning. We have a jewel there with Lake Norman. The challenge is getting there and

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RONNIE BRYANT
president and CEO,
Charlotte Regional Partnership



back. The only option is to drive I-77. There was a plan for a railway to Davidson, but that was scuttled. People need options.

THE ENERGY, BANKING AND FINANCE SECTORS ARE IMPORTANT TO THE REGION. WHAT OTHER INDUSTRIES ARE GROWING HERE?

BRYANT Aerospace is one, which includes UTC Aerospace Systems. It was created in 2012 when Hartford, Conn.-based United Technologies Corp. acquired Charlotte-based Goodrich Corp. There are about 160 defense contractors in the region. Much of the work at North Carolina Research Campus in Kannapolis concerns nutrition and biotechnology. Some of it is in collaboration with major North Carolina-based educational institutions. It's positioning this region as a leader in those fields and complementing work at RTP.

MUELLER Higher education is a growth industry. It has helped our business. Over the last several years, we had needs that would have had us looking outside the region for graduates to hire and partnerships. But we're finding more and more that we don't have to leave home. There are opportunities here to engage our centers of higher learning and hire their graduates.

COX Craft breweries are growing. There are 17 in operation in and around Charlotte with 20 more planned, according to the Charlotte Chamber of Commerce.

WHAT CHALLENGES DOES THE REGION FACE? HOW CAN THEY BE SOLVED?

BRYANT The current state political environment has damaged our image nationally and in some cases globally. We need to make North Carolina a progressive state again and understand that if we want to continue to attract multinational companies, we need to be sensitive to how we are received. The track that we're on has been detrimental to attracting expansions and relocations.

ROBERTSON What happens in the General Assembly can dramatically impact our growth, development and future. The state allowed branch banking, which gave us an edge as we came through the 1800s into the 1900s. It positioned our banks to be dominant. It's a legal decision that still has dramatic effects almost 150 years later. The annexation laws adopted in 1959 allowed Charlotte to develop differently than Atlanta and other major cities in the South. We've put restrictions on annexa-

tion the last few years that may impact our future. We also are talking about tax policy now. The corporate and personal income tax rates have been cut, and there is talk of changing renewable energy policy. We need the folks in Raleigh to make wise decisions about our region's and state's future.

MUELLER A few years ago, we recruited a young physician to our practice, which is in a fairly affluent Charlotte suburb. He was hesitant to join, so I asked why. "I'm just worried about the diversity of patients I'm going to be able to see in the clinic," he said. So I suggested he join us and see what it was like for himself. A few months later, I asked him what he thought. He brought me into an exam room, where a world map was filled with pins, each marking his patients' hometowns. The region and its industries attract people from around the world. They bring great ideas that they've seen successfully implemented in places well beyond our horizons. These bright thinkers can help solve some of our challenges and structure a plan for the region's next 100 years. It's important to create a culture of listening and a mechanism for acting, not just here but across the state. We'll continue to really play a big role if we're smart in how we embrace this diversity. ■