



**THE ECONOMIC DEVELOPMENT HORIZON CAN NO LONGER BE
CONFINED TO COMPETING ARIZONA CITIES AND NEIGHBORING STATES.**

**ARIZONA MUST BROADEN ITS VISTA TO TRULY SEE AND SEED ITS
POSITION IN THE SOUTHWEST MEGAPOLITAN CLUSTER AND THE
INTERLOCKING GLOBAL ECONOMIES.**

**ARIZONA MUST CONFIDENTLY AND COLLABORATIVELY DIFFERENTIATE
ITS ECONOMIC IDENTITY AND ASSERT ITS VALUE IN THE EVER-CHANGING
ECONOMIC LANDSCAPE.**

NOW IS THE TIME FOR UNIFIED ACTION.

Arizona's Economic Development Landscape:

Charting a Unified Course

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LETTER FROM OUR SPONSOR



Tracy L. Bame
President, Freeport-McMoRan
Copper & Gold Foundation
Director, Social Responsibility
and Community Development

Dear Fellow Arizonans:

As longtime champions of education, sustainability and economic development in Arizona, the Freeport-McMoRan Copper & Gold Foundation is pleased to have sponsored this Morrison Institute for Public Policy report, *Arizona's Economic Development Landscape: Charting a Unified Course*.

With jobs on the minds of just about every Arizonan, this report could not be more timely. Freeport-McMoRan is committed to helping metropolitan and rural communities in Arizona, particularly those rural communities where our mining operations are located, identify effective ways to create more and better-paying jobs to ensure a more prosperous future.

Arizona faces some big challenges if it is to compete regionally, nationally and globally for the cutting-edge jobs that will help determine our economic future. As hard as state and community leaders are working, the report suggests that Arizona needs even more participation in economic development leadership, more collaboration among economic development groups and a greater sense of urgency.

The report identifies a number of important issues that are key to advancing economic development in Arizona, including:

- With so many different and sometimes competing interests, Arizona must develop a culture of collaboration to provide the infrastructure and planning that rural Arizona requires and to exploit the potential of such emerging megapolitan areas as the Sun Corridor, stretching from Prescott to Nogales.
- Understaffing and the lack of economic development plans in many communities are making it difficult for these towns and cities to achieve sustained economic development over the long term.
- Arizona's large metropolitan regional organizations can be even more helpful to overall state development by aligning their major goals, sectors and activities to better leverage the resources they use to carry out their own individual economic development plans.

We hope this report is a catalyst for dialogue and action, providing a roadmap for economic development groups across Arizona to target key sectors and work more closely together in a concerted effort to diversify the economy and build a greater Arizona.

Sincerely,

A handwritten signature in black ink that reads "Tracy Bame".



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INTRODUCTION

Like most states, Arizona is recruiting new businesses and industries in an effort to develop its economy and fortify itself against future economic downturns. The state has traditionally relied upon population growth as its primary economic driver — building the economy via construction, tourism and retirement-related industries. However, the Great Recession, which began affecting Arizona in 2008, dramatically curtailed population growth and tourism, devastating the housing market, reducing state revenues, driving up unemployment, and sending shock waves through all economic sectors. The United States as a whole has suffered from the prolonged recession, but Arizona's economy took a disproportionately negative hit.

Ideally, disasters like the Great Recession contain lessons. The lesson this time, while not new, is clear: Arizona's historic reliance on growth has made the state too vulnerable to recessionary downturns — past, present and future.

As a result, local and state leaders have begun looking for ways to diversify Arizona's economy. To that end, most cities and towns in Arizona, as well as some counties and the state as a whole, have pursued economic development efforts to explore new economic sectors, better utilize existing resources, attract new businesses, retain current industries and promote a more-skilled workforce. Facing a similar one-industry dilemma, Nevada two years ago commissioned the development of an economic strategic plan and is moving forward with implementation.

Arizona has an uphill battle. The nation's other 49 states are chasing the same dream and, in many cases, the same dollars. Global competition is fierce and growing. Arizona is simply one economy competing in a world of thousands. And most industries and businesses are understandably inclined to set up shop wherever circumstances are most favorable.

In 2012, CNBC ranked the 50 states on their attractiveness to business and industry, based on 51 measures of competitiveness. Arizona came in 22nd overall with Texas, Utah and Virginia leading the nation. It is notable that, in addition to close neighbors Texas and Utah, several other western states — Colorado, Wyoming, Idaho, Oregon and Washington — also rank ahead of Arizona. The Milken Institute ranked Arizona 32nd on its Human Capital Investment Composite Index, which measures the "stock of human capital and the rate of investment (flow) between states by gauging the concentration and momentum of various science and engineering fields." Maryland,

Massachusetts and Colorado, respectively form the top three, while Western states ranking ahead of Arizona include Utah, California, Washington, Montana, New Mexico and Oregon.

And worse, in the advanced workforce arena, the National Center for Education Statistics reports that the state's percentage of science and engineering degrees, relative to all degrees granted in Arizona, has declined since 2000. Less than one-fifth of all college degrees granted in Arizona are science or engineering degrees (18.6%), the lowest in the nation. The national average is 28.9%, with Vermont (39.1%), the District of Columbia (37.6%), Maryland (37.2%), Wyoming (37.1%), and California (36.7%) leading the way.

These and other statistics underline the substantial challenge facing Arizona today. Adding to that challenge is the fact that Arizona is very late into the game. In 2000, a Morrison Institute for Public Policy survey asked Arizonans where they believed Arizona stood economically, and what they saw for its future. While 39 percent of respondents expected Arizona to become a leader in technology, far more thought Arizona would wind up being known for tourism (38%) or real estate (27%).

Today, 12 years later, little seems to have changed — the state continues to endure a harsh cycle of boom and bust, in part because of its persistent lack of economic diversification. Tourism and growth and their affiliated businesses remain mainstays of Arizona's economy.

But, while these will always be large and valuable sectors, they cannot by themselves produce broad prosperity in the global marketplace of today and tomorrow. Instead, Arizona's economic imbalance renders it an economy at risk.

"IF THE REAL ESTATE MARKET COMES BACK, OUR GREATEST TEST WILL BE WHETHER WE WILL FALL TO THE TEMPTATION OF EASY MONEY. BECAUSE GROWTH IS EASY MONEY. THE QUESTION IS, WILL WE REINVENT OURSELVES AND TAKE ADVANTAGE OF THIS LIKE OTHER STATES - WASHINGTON, COLORADO AND UTAH - DID WHEN THEY RAN INTO PROBLEMS IN PREVIOUS DECADES?"

-Mesa Mayor Scott Smith

MORRISON INSTITUTE ECONOMIC DEVELOPMENT SURVEY

As part of this research project, Morrison Institute sent an economic development survey to Arizona's 91 incorporated towns and cities, 15 counties, six councils of government and various chambers of commerce and regional economic development groups, plus the Arizona Commerce Authority.

Respondents included:

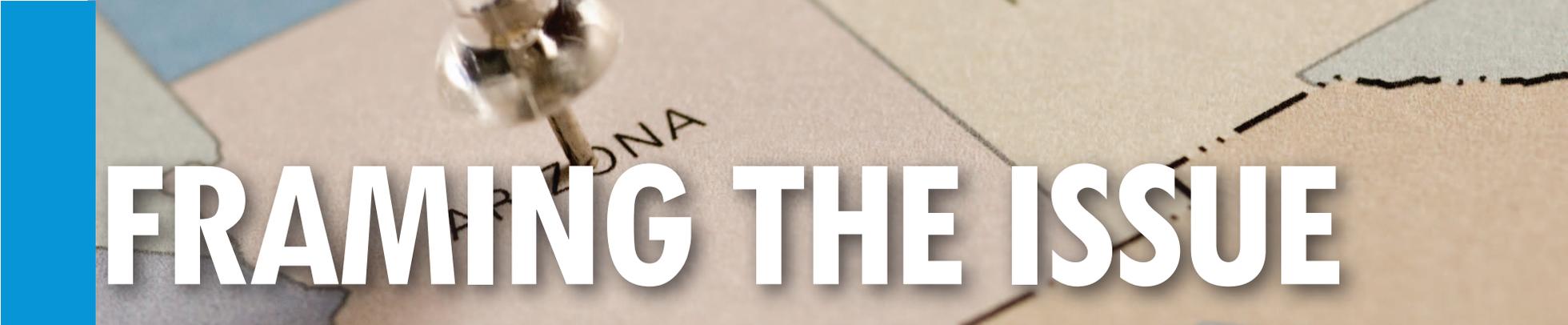
44 cities and towns,
13 counties, and
19 regional groups, chambers and others.

Of the **76** respondents, **49** represented a single jurisdiction while **27** represented multiple jurisdictions.

To read the full survey, visit:

morrisoninstitute.asu.edu





FRAMING THE ISSUE

Economic development is a highly competitive, “take no prisoners” game. Small, rural communities battle with their neighbors to attract the same businesses or to retain those they already have. Counties vie against other counties. Metro areas — both in and outside of Arizona — struggle in pursuit of the “holy grail” of high-paying jobs. States court new auto plants or high-tech industries. Finally, as economists are fond of pointing out, today’s globalized economy means that Arizona competes not only with North Carolina, Massachusetts and Washington, but also with China, Europe, India and Sub-Saharan African nations.

Economic development creates winners and losers, with the latter causing anything from economic stagnation to a less desirable quality of life. Observers viewing the economic development process from the 30,000-foot level may praise the virtues of taking a broad, inclusive approach to this demanding set of tasks. But mayors like those in Bisbee, Mesa, Tucson and Phoenix are expected by their constituents to promote local prosperity and “let the other places worry about themselves.” To complicate matters even further, there simply are not enough industries and businesses to go around.

But winning is critical. A strong economic base is the springboard to the rising revenues that fund enhanced public safety, housing, education, health care and other ingredients of an improved quality of life. Economic development, in short, is important.

For decades, Arizona’s economic development efforts have consisted chiefly of cashing in on a relatively low cost of living and lower-cost business operating environment, buoyed by the state’s sunshine and scenic vistas — a relatively passive approach that many nevertheless credit for the state’s longtime lead ranking in population and job growth. Until the Great Recession, the Arizona economy had consistently outperformed the national economy in terms of growth, according to research by Elliott D. Pollack & Co., an Arizona-based economic and real estate consulting firm. Although the state’s economy was notoriously cyclical, some of the negative impact of earlier recessions was eased as people continued to move into the state and spend money.

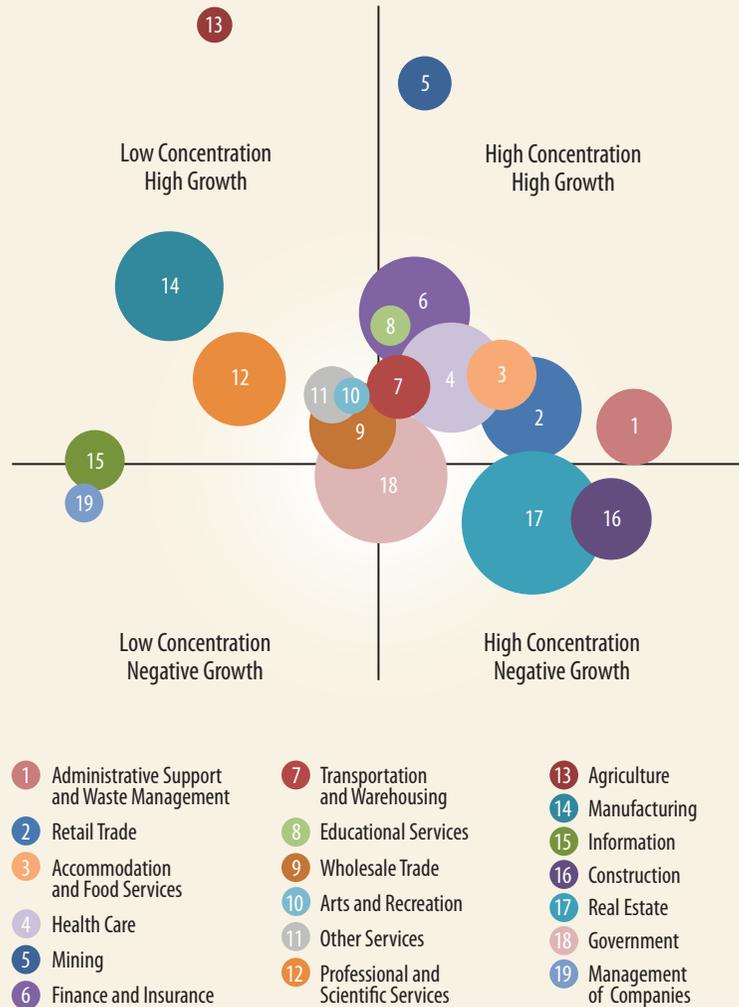
But when the steep national economic downturn caused population growth to stall, jobs to disappear and tourists to stay home, the risks of over-dependence on growth were harshly revealed. Indeed, Arizona lost some 300,000 jobs from 2008 to 2010, about half of them in construction. The jobs represented about 10 percent of Arizona’s workforce and were among the worst losses experienced by any state. Arizona’s descent to the bottom was swift and brutal. It plunged from No. 2 in job creation in the nation in 2006 to No. 47 in 2008, then to No. 49 in 2009 and 2010, according to Pollack’s calculations. Foreclosures and bankruptcies soared. Lending froze. Businesses held on, retrenched or closed. The faltering economy reaped fewer tax dollars, resulting in some \$3 billion in state budget cuts to health care, education and other basic programs.



PERFORMANCE OF SECTORS

The highest performing sectors in Arizona's economy are low-impact sectors such as administrative and waste management services, retail trade, and accommodation and food services. The two largest sectors, real estate and government, continue to contract. Mining and agriculture have grown dramatically, but they are relatively small sectors.

Arizona wants to attract high-value sectors in the high-concentration, high growth area to improve its competitiveness and build wealth. The state's leading economic development organizations are targeting such high value (but currently low concentration) sectors as professional and scientific services (biomedical/personalized medicine research) and manufacturing (electronics, renewable energy, aerospace).



Source: Office of the President, Arizona State University.
Illustrations on pages 9, 28 and 29 by Chalk Design.

Still, many of those familiar with Arizona's economic history said that the downturn, though extreme, was only temporary. The state would be back. And — at least in part — it is. By 2011, as the economy picked up, Arizona had climbed to 23rd in job creation. For the 12 months leading up to August, Arizona ranked No. 6. The state reported 55,000 more jobs in August than for the same month a year earlier. As in the past, lower-wage jobs lost during a downturn are also among the first to come back: construction jobs are again helping to lead Arizona's recovery. With business activity picking up, state revenues are increasing: a \$400 million surplus for a tight fiscal 2013 budget is forecast. But while every new job is welcome in a fragile recovery, the rejoicing over Arizona's gradual turnaround has been muted. Business and political leaders, economic development officials and many other Arizonans agree that it is not enough to create jobs; the state must create more quality jobs. They are determined to further diversify the economy, champion innovation and target economic sectors with long-term potential to avoid the peaks and valleys of the past.

Central to achieving these goals is a strong infrastructure, a highly skilled workforce — especially in the “STEM” fields (science, technology, engineering, and math) — and expanded trade with Mexico and other parts of the world where most future economic growth is projected to occur. These are long-term strategies, whose benefits might not be seen for years. They also require a broad range of stakeholders working in relatively close alignment. Cooperation is critical.

Arizona lawmakers in 2010 responded to the recession with a major jobs package that featured business tax reductions and job incentives. That was followed in 2012 by Jobs Bill 2.0, with more programs aimed at fostering job growth. In 2011, the public/private Arizona Commerce Authority (ACA) was created to bring a more businesslike approach to job creation and retention with a new toolbox to attract jobs. The ACA replaced the Arizona Department of Commerce, which had seen its funding reduced, its responsibilities multiply and its leadership turn over many times.

Arizona's overall response was in line with the state's traditional beliefs in the power of free enterprise and the central role of a business-friendly climate that reins in taxes and regulation, while using some incentives to entice new firms.



It's a strategy with a track record: a 2012 U.S. Chamber of Commerce report, *Enterprising States: Policies that Produce*, ranked Arizona No. 1 in entrepreneurial activity, No. 5 in business start-ups and No. 11 in long-term job growth.

Still, many of those looking beyond Arizona's current resurgence warn of long-standing structural problems that stand in the way of building an economy that provides not just jobs, but quality, high-paying jobs that can better withstand the busts that accompany the booms.

These are not novel concerns. Since 1967, similar conclusions have been reached by participants in 10 separate Arizona Town Halls, the most recent in 2010. Each of these sessions brought together leaders from around the state who produced thoughtful reports and made cogent recommendations to improve education, tackle tax reform and broaden the economy.

Among the conclusions that they and other observers have reached:

- Arizona generates jobs in droves in good times, but too few of these are cutting-edge jobs. In *The New Geography of Jobs*, University of California, Berkeley economist Enrico Moretti suggests there are three Americas — one whose cities offer a “well-educated labor force and a strong innovation sector,” another that is beset by lost jobs and dwindling population with the decline of traditional manufacturing, and a third in the middle whose cities could go either way. If he is correct, it's clear that Arizona's cities cannot afford to be caught standing in place.
- A skilled workforce is not only the top priority for many companies that are looking to expand or relocate; they want that skilled workforce to be there five, 10 and more years down the road. This requires a continued commitment to improving the quality of education in Arizona, particularly in the areas of science and math.
- Rural Arizona needs more state help in assessing assets and building infrastructure so that it can be more competitive.
- While Arizona's tax system is generally competitive and becoming more so, a heavy reliance on sales taxes motivates communities to pursue retail businesses. The result is often more time spent attracting retail jobs and less time attracting higher-paying ones.
- After years of inattention, Arizona must protect and nurture important base industries, such as aerospace and aviation, that provide high-paying jobs and help attract similar companies to strengthen clusters.



- Tourism seems to suffer from a lack of attention, or even respect, among policymakers. In fact, it is a leading industry in Arizona, pumping \$18.3 billion into the economy in 2011 and providing nearly 160,000 jobs. It provides not only entry-level jobs but numerous jobs for suppliers of products and services. And it has a particularly big impact in rural areas.
- At \$35,032, Arizona's per-capita gross domestic product in 2011 lagged well behind the \$42,070 national average.
- Arizona's independent attitude contributes to an entrepreneurial spirit that makes it the national leader in start-ups. But that attitude also means key elected leaders can be reluctant to fully support the efforts of university researchers and governments pursuing federal and other funding.
- Arizona's relative lack of business leadership is compounded by the absence of major corporate headquarters that typically provide guidance, volunteers and funding for community projects. In addition, many CEOs are devoting more of their time to keeping their companies competitive in today's economy, which leaves them with less time for community projects.

Arizona has seen numerous major economic development organizations come and go. These include the Arizona Economic Council, the Arizona Economic Resource Organization and the state Office of Economic Planning and Development. In the wake of the Great Recession, state officials have now created a public-private partnership in the Arizona Commerce Authority. To a far greater degree than in the former Department of Commerce, the ACA is designed to provide the governor with a leadership role as a co-chair, along with the speaker of the state House of Representatives and the president of the Senate as board members.

In addition, the Legislature's 2010 jobs package created a \$25 million "deal closing" fund to provide financing/grants to attract companies. Lawmakers also reduced the corporate income tax rate

The Number and Proportion of STEM Jobs by State

Rank (by Proportion)	State	2011 STEM Jobs	Proportion of All Jobs
1	District of Columbia	72,143	10.1%
2 (tie)	Washington	238,417	8.0%
2 (tie)	Virginia	302,219	8.0%
4	Maryland	202,100	7.9%
5	Massachusetts	249,900	7.7%
6	Colorado	167,347	7.3%
7	Delaware	24,847	6.1%
8 (tie)	Michigan	231,148	6.0%
8 (tie)	California	895,461	6.0%
8 (tie)	Minnesota	157,681	6.0%
11	New Jersey	225,629	5.9%
12 (tie)	New Hampshire	35,069	5.7%
12 (tie)	Alaska	19,902	5.7%
14	New Mexico	45,908	5.6%
15 (tie)	Utah	66,055	5.5%
15 (tie)	Connecticut	88,996	5.5%
15 (tie)	Idaho	34,725	5.5%
18	Texas	579,264	5.4%
19	Oregon	87,500	5.3%
20	Vermont	15,991	5.2%
21	Arizona	123,994	5.0%
22	Pennsylvania	273,038	4.9%
23	Ohio	242,913	4.8%

Source: EMSI, 2012

(from 6.7% to below 4.9% by 2017) and created a “Quality Jobs” program that provided incentives for creating and retaining high-paying jobs in base industries. Base industries, such as manufacturing, research and development, and high-tech, were targeted because they generate wealth through exports and help create more high-wage jobs. For example, every job in aerospace manufacturing in Arizona is estimated to create two more jobs in other industries.

At the state level, Arizona now is better poised to become more competitive. But economic development also depends on the myriad efforts of cities and towns, counties, chambers of commerce, and regional organizations. What is going on in these areas?

The question is a good one. It’s been years since anyone has looked at the structure and capacities of economic development programs in Arizona, from the smallest towns to the Sun Corridor megapolitan region. This report offers a scan of the current economic development landscape to help us better understand the challenges faced by businesses and governments. It identifies shared goals and common programs, as well as some of the shortcomings in Arizona’s economic development efforts.

What are Arizona’s economic development organizations and assets? Where should they focus their efforts? What kind of collaboration exists and what needs to be put in place? What, in short, is Arizona’s economic identity? If, indeed, it has one. This report addresses these questions with the aid of a statewide survey of 91 towns and cities, all 15 counties and numerous regional organizations and chambers of commerce. Every year Arizona expends millions of dollars, considerable talent and extensive rhetoric on economic development — a task that demands infrastructure, resources, programs and expertise. A broader look at the landscape is long overdue.



SANDRA WATSON
President and CEO,
Arizona Commerce Authority

To ensure quality, sustainable economic growth, Arizona must focus on attracting and supporting business in higher, value-added sectors.

A focus on these industries will create high-value jobs, provide a competitive advantage for Arizona, and generate significant economic benefits for the state.

The Arizona Commerce Authority's mission is to strengthen the state's economy and create quality jobs by growing, supporting and attracting businesses in these high-value sectors. The ACA's aggressive, five-year goals include creating 75,000 high-wage jobs, increasing the average wage of the jobs it creates, and increasing capital investment in the state to \$6 billion.

The ACA is committed to robust, high-value growth and economic vitality in all regions across the state.

"WE NOT ONLY HAVE TO COMPETE WITH MARICOPA AND PIMA COUNTIES, BUT FIND WAYS TO PARTNER WITH THEM, TOO. SEPARATELY, WE MAY NOT HAVE EVERYTHING, BUT TOGETHER WE HAVE ASSETS TO PUT TOGETHER."

-Tim Kanavel, economic development manager of Pinal County





WHAT IS A HIGH-PAYING JOB?

A high-paying job is generally thought of as one that requires training and education, and offers opportunities for career and salary advancement. While there is no absolute definition of a high-wage job, some experts tie high wages to a percentage level (125 to 150 percent) over the median salary of a county or state. For instance, based on Maricopa County's median salary of \$35,235, a high-paying job would range from roughly \$44,000-\$53,000. Others would argue that a more accurate range is the 75th to 90th percentile. Based on this more rigorous definition, a high-wage job in Maricopa County would range from \$54,847 up to \$84,608.



MARIE LOPEZ ROGERS

Mayor of Avondale,
Chair, Maricopa Association of
Governments; Incoming President,
National League of Cities

The Maricopa Association of Governments is moving forward to create a more diverse economic environment for Arizona. Recent studies by MAG and trips to neighboring states have demonstrated that they have been more focused than our region on developing infrastructure and have enjoyed more political agreement from their legislatures and congressional delegations when it comes to funding that infrastructure. We believe that the will exists to change that dynamic.

The MAG Transportation Freight Framework Study envisions a freight system from Nogales, Arizona to Maricopa County and beyond. The goal is to make Arizona a global hub that can harness trade from Mexico, our No.1 trading partner, and from our neighboring states such as California. I am confident that the Arizona governments and businesses, working together, can implement the recommendations of the freight study and create a better tomorrow for future generations.



5 FIVE THINGS THAT ARIZONANS OUGHT TO KNOW ABOUT ECONOMIC DEVELOPMENT

BY IOANNA T. MORFESSIS, PH.D.
President and Chief Strategist, IO.INC

1. ECONOMIC DEVELOPMENT COMPETITION IS GLOBAL.

All states and regions are confronted with changing dynamics in the competition for business retention, business attraction and entrepreneurship. While the U.S. remains mired in the aftermath of the recession, emerging nations are benefitting from globalization. Goldman Sachs, which originally coined the BRIC nations – Brazil, Russia, India and China — has identified the “Next 11” countries that will see explosive economic growth, many in Sub-Saharan Africa and South America. Multinational corporations seeking to establish new R&D labs, offices, centers of excellence and production plants typically compare U.S. locations (if at all) with sites in these and other countries.

2. ENTREPRENEURSHIP IS THE MAJOR DRIVER OF JOB GROWTH IN AMERICA AND ARIZONA.

The Kauffman Foundation reports that in 2007 – the last pre-recession year – young firms between the ages of 1 to 5 accounted for two-thirds – or 8 million – of the 12 million new jobs created in the U.S. The rate of entrepreneurship has remained strong even during the recession and the ensuing “recovery.” More than 543,000 new businesses were created each month in 2011. Arizona was ranked by Kauffman as the No.1 state for entrepreneurship – 540 out of every 100,000 Arizonans between the ages of 18 to 64 created a new business, compared to the national average of 320. Solopreneurs – one-person business operations – account for 22 million businesses in the U.S., and there are more than 250,000 such enterprises in the Greater Phoenix region.

3. THE ECONOMIC DEVELOPMENT PROFESSION IS RELATIVELY NEW AND STILL EVOLVING.

The practice of economic development is relatively young. With its initial roots in “smokestack chasing” during the 1950s – when Southern states raided the wood-working and textile industry from the Northeastern U.S. – the profession expanded to include an urban focus in the late 1960s/early 1970s when the nation’s cities were in havoc. Today, economic development is highly inter-disciplinary, reflecting the breadth of functions that are fundamental to success. Through the International Economic Development Council (IEDC), economic development professionals are able to obtain a Certified Economic Developer Certification. Increasingly, more and more communities require this credential of their economic development staff.

4. ECONOMIC DEVELOPMENT ORGANIZATIONS ARE PROLIFIC.

While there is no national database available, estimates suggest that there are approximately 15,000 local, regional and state economic development organizations in the U.S. They come in all forms – public sector agencies, quasi-public, nonprofit and private-public partnerships – and at all levels – state, county, city, regional, neighborhood. Combined, U.S. public and private sector economic development budgets are estimated between \$500 million to \$1 billion – not including dollars available for incentives or other business assistance programs. Conservative estimates indicate that 20,000 to 25,000 professionals work full-time in economic development. In Arizona, economic development budgets range from \$5,000 to \$10 million, and staffing ranges from a half-time position to more than 50 FTEs.

5. BEST PRACTICES ARE THE NORM FOR HIGH-PERFORMING ECONOMIC DEVELOPMENT ORGANIZATIONS.

Economic development professionals and programs are expected to deliver the highest value and return on investment – much like a business. Communities and companies are paying far more attention to the performance of economic development organizations, and IEDC research shows that the highest-performing groups typically have the following best practices in common: consistency in economic development strategy, policies and programs; innovative approaches to growing/diversifying economy; positive business climate and image; rigorous metrics and accountability; and strong private public partnerships.

Dr. Morfessis is a recipient of the International Economic Development Council's Lifetime Achievement and Excellence Award, and the founding president/CEO of several economic development organizations, including the Greater Phoenix Economic Council.





BUILDING ARIZONA'S ECONOMIC IDENTITY

In 2001, Morrison Institute for Public Policy produced a report on vital Arizona policy issues entitled *Five Shoes Waiting to Drop on Arizona's Future*. One of those “shoes” was a concern that Arizona was unprepared to compete in the global economy. Among the report’s recommendations: Arizona must create a strong, clear economic identity, and should define a clear set of goals to invest in cutting-edge sectors.

More than a decade later, emerging from a punishing recession, Arizona still lacks a fully cohesive economic identity. The *2010 Governor's Commerce Advisory Council Report* pointed this out in making the case for creating the Arizona Commerce Authority to lead statewide economic development efforts. In fact, however, there are many economic development efforts at work in Arizona which, though fragmented, may be moving the state closer to that encompassing economic vision.

The state’s three biggest economic development organizations – Arizona Commerce Authority, Greater Phoenix Economic Council and Tucson Regional Economic Opportunities – joined by some of their smaller counterparts, are targeting cutting-edge sectors aimed at reshaping Arizona’s economy. These include biomedical, renewable energy and next-generation electronics, as well as building on such traditional industries as aerospace and aviation.

Cutting-edge sectors are important because they produce a product or service that is typically sold outside the state, so that money is brought into the Arizona economy. Adding an engineer, researcher or high-tech worker to the payroll, for example, results in the creation of other jobs in the community, from chefs to doctors, to help meet their needs. This fits well with the economic identity that is starting to emerge as Arizona reshapes its economy to become more diversified and globally competitive – an identity prominently featuring entrepreneurialism, innovation and opportunity.

That brand not only reflects the independent bent of Arizona, Inc., befitting its ranking as the nation’s No. 1 state for entrepreneurial activity, but also meshes with three far-reaching concepts that could dramatically transform Arizona’s economic landscape. They are:

- **THE SUN CORRIDOR.** Stretching from Prescott through greater Phoenix and Tucson to Nogales and the Mexican border, this mega-region is envisioned not just as a regional center, but a national or even global power for doing business. It would serve as an economic corridor in which freight is funneled to and from seaports in Mexico, and would also expedite the distribution of goods shipped from Asia to overcrowded ports in southern California. Right now, much of the freight coming out of Mexico is going east to Texas and then north to the Midwest. If the Sun Corridor successfully improves its transportation interconnectivity and freight capacity, increased activity would in



turn require distribution centers and “spin-off” new businesses. The concept, explored at length by Morrison Institute in a 2008 study, is prompting counties to work closer together to plan for new roads and improved infrastructure. The Maricopa Association of Governments is working aggressively to improve transportation infrastructure and better position Arizona to compete with states like Texas, which is a formidable player in the economic development arena. Also gaining support is a proposal to construct Interstate 11 between Phoenix and Las Vegas to speed the movement of goods and people.

- SOUTHWEST DIRECT.** With planning, political will and the leveraging of key assets, Arizona can become the commercial and business hub of the Southwest, according to the Arizona Chamber Foundation. Among the first steps: further develop an international cargo operation in greater Phoenix. Next, establish Arizona as the Southwest “hub” for such areas as manufacturing research and development, logistics, healthcare, medical research and sustainable/renewable energy. A related initiative would promote the education and training of potential employees to fill new jobs in these sectors.
- METROPOLITAN BUSINESS PLAN.** The Brookings Institution is working with various groups in greater Phoenix on a metropolitan business plan “to demonstrate the power of systematic, locally-driven regional strategies to transform, reposition and demonstrably improve the economic performance of greater Phoenix” (A New Horizon: Vision and Progress, GPEC). The planning model was pioneered by Brookings in northeast Ohio, Minneapolis-St. Paul and Puget Sound. The plan seeks to leverage concentrations of industries, develop workers, and push innovation and entrepreneurship. If successful, the planning process could be broadened and applied to the entire Sun Corridor. Participating in the project are the Maricopa Association of Governments, Arizona State University, Thunderbird School of Global Management, Maricopa Community Colleges, Greater Phoenix Economic Council and the Arizona Commerce Authority.

ENTREPRENEURIAL ARIZONA

For decades Arizona has attracted risk-takers eager to get a new start and launch their own businesses. The Arizona Commerce Authority is encouraging entrepreneurship through several new programs, including the \$3 million Arizona Innovation Challenge Grants (with awards of up to \$250,000 per firm). The ACA is collaborating with BioAccel on a statewide business accelerator, the AZ Furnace Accelerator, to encourage entrepreneurs from across the country to commercialize innovations within Arizona. The program includes initial seed funding, office space and access to industry mentors. Among those assisting with the venture are Arizona State University, Northern Arizona University, University of Arizona, and Dignity Health.

Kauffman Index of Entrepreneurial Activity by State	
State	Entrepreneurs per 100k
Arizona	520
California	440
Texas	440
Colorado	420
Alaska	410
Missouri	400
Nevada	390
Vermont	390
Florida	380
Idaho	380
Kentucky	370
New York	370
Maine	360
Georgia	350
Arkansas	340
Connecticut	340
Louisiana	340
Montana	330
South Dakota	320
U.S. Total	320

Source: Kauffman Foundation

Business incubators and accelerators are popping up around the state, from Casa Grande to Phoenix to Flagstaff. The City of Flagstaff's business incubator, operated by Northern Arizona Center for Entrepreneurship and Technology (NACET), has done so well—creating more than 200 jobs in the first three years since opening its doors—that it is planning a second facility as a business accelerator for Tier 2 companies and graduates of NACET. The facility will provide much needed space for expanding firms and will feature wet and dry laboratories, fulfilling a need within the community to retain existing businesses.

Arizona State University's SkySong in Scottsdale is viewed as perhaps Arizona's most significant incubator/accelerator; the center has been charged with creating jobs by capitalizing on ASU research and inventions to spur the development of new companies.

INNOVATIVE ARIZONA

This facet of today's economic progress is characterized by research breakthroughs at the state's three public universities and by the growth of cutting-edge sectors such as high technology, biomedical, renewable energy, personalized medicine, remote sensing technologies and aerospace. The City of Phoenix is positioning itself as the hub of the biomedical industry in the Southwest. The city estimates that Arizona has more than 800 bioscience firms, nearly half of which are involved in research, testing and medical labs. Among the big contributors: Translational Genomics Research Institute (TGEN), the International Genomics Consortium, and the Biodesign Institute at Arizona State University.

The Flinn Foundation, a Phoenix-based philanthropic grant-making organization, has played a leading role in supporting the advancement of the biosciences in Arizona, including commissioning Arizona's Bioscience Roadmap, a 10-year strategy to build a critical mass of bioscience firms and jobs.

In its 2007 report, *Next Twenty: A New, Progressive Agenda for Chandler*, this East Valley city took a big-picture look at how to ensure its own innovative future, and suggested that Arizona is building centers of excellence in what might be called the Five Big O's: bio, nano, info, cogno, and condo – meaning bioinformatics and information technology, nanotechnology, cognition-based technology, and construction/sustainability “green building.”

Arizona ranked 15th in the Milken Institute's 2010 State Technology and Science Index, “providing a nationwide benchmark for states to assess



BARRY BROOME
President and CEO,
Greater Phoenix Economic Council

The Kauffman Foundation recently ranked our region – and its rich culture for new venture creation – No. 1 in the country for startups. This speaks directly to Greater Phoenix's potential as an innovation leader, and the current opportunity to transform our economy in areas of strength like renewable energy, education technology, personalized medicine, information technology and next-generation electronics and aerospace.

As such, the region must be bold to compete in a new global economy that is driven by technology and knowledge assets. We can do that by committing to a long-term investment strategy in science and technology. It must include coordinated local plans to create synergy between the knowledge assets based in our universities, industries and people – adding value to the region and anchoring investments.

Finally, it will take coordinated leadership among our community, business and civic leaders to fully realize the region's potential as a center for innovation.





JULIE ENGEL
President and CEO,
Greater Yuma Economic
Development Corporation

Arizona's lawmakers have made significant improvements to the operating environment for base industry. However, these same lawmakers continue to pass laws that contradict the concept of "Open for Business."

Arizona can't be both. Therefore a decision has to be made. Which Arizona are we? Lawmakers will need to fund education to the level where that becomes our identity. Arizona will attract the industries that need high quality labor and pay higher-than-average wages.

In Yuma County several programs are underway that are focused on K-12 education. STEM and the Cambridge curriculum have been integrated into the curriculums with an enormous grant from the Helios Foundation.

Higher education played an intimate role in these programs. Pathways have been created where students will graduate from high school with college credit towards their career objectives. Base industries in this region that are supporting this program include renewable energy, aerospace, automotive and, of course, agriculture.

Prescott as potential sites. If Arizona wins designation as a test range, government and business see an opportunity to attract unmanned aircraft manufacturers, as well as suppliers and research and development activities.

The potential impact is thousands of jobs. Fort Huachuca near Sierra Vista is home to the world's largest UAS training center. While heavily used by the military, unmanned aircraft also have many potential civilian uses, including agriculture, traffic monitoring, mine exploration, pipeline/power line surveillance, mail/freight transport, real-estate mapping and service in combating forest fires.

their science and technology capabilities, along with their ecosystems for converting them into companies and high-paying jobs." That ranking, up from 17th in 2008, still trails several other Western states; Colorado at third, California at fourth, Utah, fifth and Washington, sixth.

Science Foundation Arizona (SFAz) is among the state's biggest champions of innovation. Since its founding five years ago, SFAz has created 1,776 jobs by rigorously screening applications and then investing millions of dollars in research in such areas as genetics, solar, algae, aerospace and defense. The research has helped bring universities and industry together. In addition, has put new businesses on the path to generate more jobs and spin off other companies.

The independent Battelle Technology Partnership Practice reports that the SFAz funding has led to the formation of 22 technology companies, the filing or issuing of 179 patents, and 16 technology licenses with industry. SFAz has also been awarded a multi-million dollar grant by the state to help K-12 teachers prepare their students to meet new state standards in STEM (science, technology, engineering and math) and fill the demanding jobs of tomorrow.

OPPORTUNITY ARIZONA

In its ongoing study of greater Phoenix, the Brookings Institution has identified unmanned aerial systems as a potential center of excellence, suggesting that the underlying technologies could be applied to such commercial sectors as information technology, remote and unmanned medical functions, and cyber security. Arizona already bills itself as "the de facto leader in Unmanned Aircraft Systems (UAS) testing and training," yet doesn't have many jobs to show for it.

That could change if Arizona is selected by the Federal Aviation Administration to be one of six test ranges for development of unmanned aircraft. In its proposal, the Arizona Commerce Authority has identified Benson/Safford, Yuma and



PRIORITIES, BUDGETS AND STAFFING

As the economy slowly improves, Arizona's economic development groups are positioning themselves to help lead the way in creating jobs. And given the loss of 300,000 Arizona jobs during the last recession, it's no surprise that these groups say their efforts to create or retain jobs are a priority for decision-makers and government officials.

Nearly three out of four towns, cities and counties responding to a recent Morrison Institute survey rated economic development as a high priority. Another 25 percent rated economic development a medium priority; only 4 percent rated it a low priority. But a key question remains: How did the importance placed on economic development translate into funding?

The survey shows that budgets and staffing for economic development generally weathered the recession and are now on the upswing. Predictably, some organizations did take budget hits. Overall, however, 38 percent of economic development budgets are bigger now than they were two or three years ago, 43 percent are the same, and 20 percent have been cut.

Budgets varied widely in size and resources. Seven towns and cities and one county reported annual economic development budgets of \$50,000 or less. One county reported a \$5,000 budget and three towns reported budgets of \$6,000, \$7,000 and \$12,000, respectively. Another four communities operate on less than \$100,000. Three communities have budgets between \$110,000 and \$200,000, and nine operate on budgets of between \$200,000 and \$400,000.

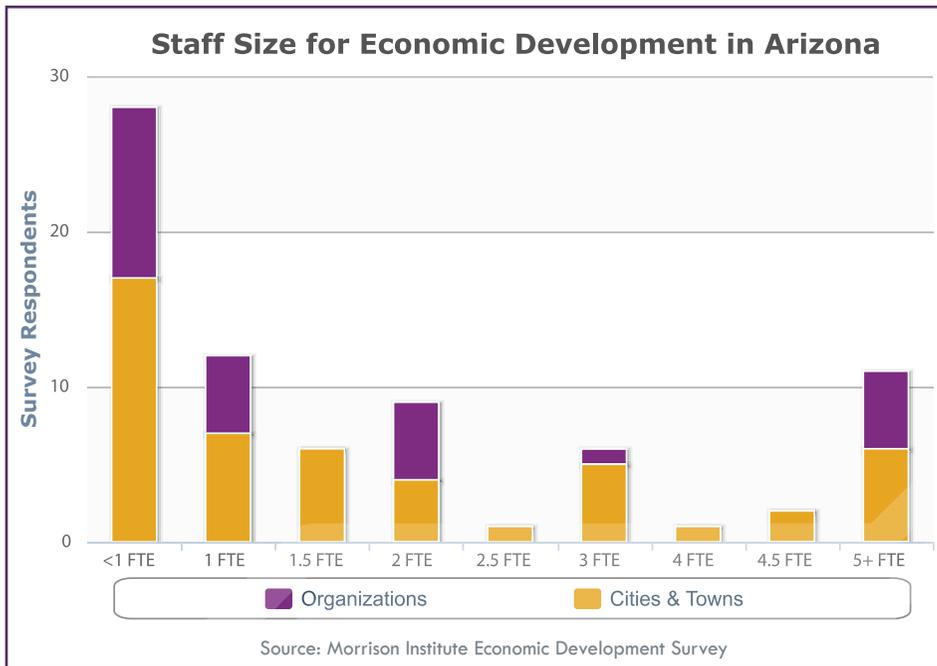
A handful of cities run on budgets in excess of \$1 million for economic development. The published annual budget of the Greater Phoenix Economic Council is \$4.6 million. The Arizona Commerce Commission operates on a \$10 million budget.

The story for staffing is fairly positive, according to the survey. Nearly 60 percent of respondents report that the number of staff full-time equivalencies (FTEs) in economic development is the same as two or three years ago, while 20 percent have more staffers and 20 percent report fewer.

However, of the 14 percent of respondents who reported "poor" success in implementing their economic development plan, staffing, insufficient funds and a lack of commitment from city or county officials were most commonly cited as impediments.



Even though statewide economic development staffing is generally holding steady or growing, it's important to note that many organizations are modest in size. Nearly 40 percent of the entities are either so small or spread so thin that they have less than one full-time person working on economic development. Sixteen percent reported having one person assigned to that area. That means more than half of Arizona's economic development organizations employ one or fewer persons. About 30 percent tap the full-time equivalency of 1.5 to 3 people, while 11 percent – mostly representing the largest cities – employ five or more.



JOE SNELL
 President and CEO, Tucson
 Regional Economic Opportunities, Inc.

The best way to attract more high-quality jobs is to continue to diversify Arizona's traditional growth-based economy by nurturing and expanding existing export-based industry strengths and leveraging the incredible intellectual capital within Arizona's university system.

Arizona is primed to establish a national reputation for excellence and innovation in existing industries with massive potential, while furthering our reputation for fostering entrepreneurship and growing our own. Arizona can become a place known for providing the foundations for consistent business growth – smart workers, market access, intellectual property and low operating costs.

Southern Arizona has an established corporate base in a number of key industries – aerospace and defense, bioscience, and alternative energy/solar – as well as a geographic location ideal for managing manufacturing relationships with Mexico and distribution throughout the southwestern United States. Coupled with the University of Arizona, these strengths provide Southern Arizona the assets to flourish.





ECONOMIC DEVELOPMENT PLANS AS A ROADMAP

According to the Morrison Institute survey, economic development is a priority for most towns, cities and counties in Arizona. But nearly half of these organizations are traveling the road of job-creation without a map. The survey shows that 52 percent of responding organizations have a formal economic development plan, while 48 percent do not.

A strategic plan – in this case for economic development – has multiple benefits. Most importantly, it helps to clearly identify specific goals in the direction an organization wishes to take, and to provide markers against which planners can measure success. In public-sector economic development, plans are invaluable tools for understanding a community’s relative competitive strengths and for effectively focusing scarce resources on expanding the economy and on creating jobs and business opportunities.

Communities with an economic development plan typically have a sound understanding of where they are, where they want to go, and how they are going to get there. Communities without a plan often are challenged to maintain this focus, and to appreciate where their competitive strengths lay. This often positions communities – many of them small, rural and with scant resources to begin with – for lackluster results.

Those plans that do exist can vary widely. Some are sophisticated, 100-page examinations of a community’s strengths and weaknesses, workforce, and other areas influencing where it should set its sights. Some are general overviews that help a community frame its thoughts and set goals. Still others are simply a few pages tucked in a community’s general plan.

The plans share a number of development priorities, including:

- **Attracting new businesses, 97%**
- **Retaining or expanding existing businesses, 94%**
- **Targeting specific business/industry sectors or clusters, 86%**
- **Promoting entrepreneurship, 75%**
- **Enhancing workforce development, 72%**
- **Improving infrastructure—transportation and telecommunications, 72%**
- **Developing small business, 69%**
- **Attracting tourists, 58%**
- **Developing new commercial sites or zones, 56%**

Most plans are fairly recent and therefore grounded in current economic realities and information:

25%

of the plans were developed in 2012

22%

of the plans were developed in 2011

25%

of the plans were developed in 2010

A few date back as far as 2006.



More than half of the respondents expect their plans to be useful for three to five years. Another 31 percent envision a six-to-10-year lifespan.

However, even if a community has an economic development plan, it's a challenge to measure how well that plan performs over a span of years. Asked which metrics they use to measure the effectiveness and progress of their economic development plan, 26 percent of respondents said their plan did not include metrics. Sixty-three percent judge their plan's effectiveness by the number of jobs created and forty-three percent by the number of high-wage jobs created. Fifty-four percent said the number of companies assisted was a measure of their success, while 43 percent said the number of companies retained and/or expanded was a measure.

Asked to assess their success in implementing the economic development plan, only 11 percent of respondents rated their progress as excellent. Forty-four percent said good, followed by fair at 25 percent; and poor at 14 percent.

What ingredients make a successful plan? Ninety percent of respondents agreed that input from many key stakeholders was critical, followed by sound research (60 percent). Thirty-five percent said the plan had to be realistic about resources available for implementation. Most respondents (70 percent) did not consider it critical to include concrete action steps and target dates for implementation; 85 percent did not make it a priority to designate who is responsible for each step of implementation. Unfortunately, in choosing not to lay out concrete steps or assign responsibility, some towns or cities may be setting themselves up to fail – or at least to achieve limited success.

Only 25 percent of respondents believed it critical to include an evaluation component and/or specific metrics to measure outcomes. Again, without metrics, it is difficult to hold people responsible for their goals and to provide feedback that is essential to knowing whether or not a plan needs adjustment.

Thirty percent believe the plan should include a focus on education and workforce development. Asked to choose one, from a list of elements that contribute to a successful plan, 35 percent pointed to strong political support, 25 percent chose perseverance, 20 percent cited good planning, and 10 percent picked a ready workforce.



STACEY BUTTON
Economic Vitality Director,
City of Flagstaff

Science and discovery have long been a part of Flagstaff's DNA. Our community identity is akin to what I envision for Arizona – a state rich in innovation and one that is recognized as producing a highly educated workforce making unique advances in a science and technology driven economy.

Flagstaff's unsurpassed quality of life is rich in arts, culture and recreational opportunities that provide a strong foundation for the "innovative spirit" felt communitywide. Flagstaff's aspiration to be a STEM-excellent community supports and will enhance the existing cluster of science and technology-based companies in the Northern Arizona region.

We are creating community together and Flagstaff is a model of collaboration worthy of duplication across the state. Our partners are aligned to ensure a robust and resilient economy long into the future.



For those who have plans, a common criticism of economic development plans is that they are merely “wish lists” that fail to realistically assess and set forth how a community can foster more jobs and retain or expand existing ones. Indeed, the Morrison Institute survey showed that many respondents were doubtful they can accomplish all of their plans’ goals. Nearly 20 percent contend they can accomplish most of their plan; 31 percent thought they could achieve more than half of it; and 31 percent thought less than half. Nineteen percent of respondents thought they would accomplish only 25 percent or less of their plan.

Too few of Arizona’s communities have an economic development plan. More importantly, the existing plans don’t knit together to form a cohesive economic identity for the state – or serve as the foundation for a state economic development strategy.

BUCKEYE – ECONOMIC DEVELOPMENT 101

Buckeye lives by the adage, “Buckeye is Open for Business.” That starts with taking care of the companies that already call Buckeye home.

The commitment was put to the test one morning a few years ago when Buckeye learned that a team from Worley Parsons, a global environmental consulting firm headquartered in Colorado, was on its way to scout new offices for its Arizona operation.

Worley Parsons – whose clients include APS and the Palo Verde Nuclear Generating Plant – planned to expand its office to 88 engineers from the eight based in Verrado, a master-planned community in Buckeye. The company wanted to make a decision quickly but, unfortunately for Buckeye, there were few vacant office buildings in the city big enough to accommodate the expansion.

Within an hour, the city’s mayor, Jackie Meck, was meeting with the town manager, fire chief, development services staff, and principals of DMB Associates, Inc., the Verrado developer. By noon, the mayor, his Buckeye team, and DMB were meeting with the Colorado executives, asking what it would take to keep the firm’s Arizona offices in Buckeye. Buckeye committed to providing the company with options within 48 hours, and DMB Associates was able to arrange for more office space in Verrado.

Today, Worley Parsons is thriving in Verrado. A business that could have been lost is now 10 times its former size, providing high-paying jobs. While it’s the landing of a new company that typically makes headlines, the reality is that most new jobs are the result of companies expanding their operations at current locations. One estimate is that 70 percent of new jobs can be traced to the expansion of existing businesses, just as in Buckeye.

In a tight economy where every job matters, from the smallest town to the biggest city, business retention and expansion are perhaps the most fundamental of economic development activities, and underscore the importance of knowing what businesses need to thrive.





TARGETING ECONOMIC SECTORS FOR HIGH-VALUE GROWTH

Mesa Mayor Scott Smith and his staff were discussing the city's strengths several years ago when they realized that their key assets could be summed up in the acronym HEAT: Healthcare, Education, Aerospace/Aviation and Tourism. The mayor introduced the concept at his 2009 State of the City address; HEAT is now a familiar part of conversations in Mesa on the topic of where to focus energies in creating, expanding and retaining jobs.

Smith releases a yearly update on HEAT and credits the easy acronym with helping to train attention on strengthening education. The payoff for Mesa: five liberal arts colleges in 2012 chose to establish a campus in the city's downtown. HEAT has since been expanded to include technology, giving Mesa five targeted economic development sectors.

Across Arizona, towns, cities and counties are identifying targeted economic sectors or clusters as they seek to capitalize on their strengths and competitive advantages in recruiting companies and assisting existing ones.

THE TARGETED SECTORS FOCUS JOB-CREATION EFFORTS AND CONTRIBUTE TO AN UNDERSTANDING THAT COMMUNITIES CANNOT CHASE EVERY SMOKESTACK OR TREND, BUT MUST BUILD ON THEIR OWN UNIQUE STRENGTHS.

Concentrations of like business activities enable states and communities to develop a solid base of jobs, technologies and products. For companies, concentrated sectors or clusters create economies of scale through their greater pool of skilled workers, infrastructure elements, suppliers and potential collaborators. For some Arizona communities, like Pinetop-Lakeside, that means targeting such sectors as retail, tourism and forest products. For others, like Bullhead City, it's light manufacturing, warehouse/distribution and health care. For larger cities, like Chandler, it's advanced manufacturing, financial services and biomedical, among others.

The state's three leading economic development organizations – Arizona Commerce Authority (ACA), Greater Phoenix Economic Council (GPEC) and Tucson Regional Economic Opportunities (TREO) – all target cutting-edge sectors. ACA targets aerospace and defense, semiconductor, renewable energy, bioscience, and optics. For GPEC, it's aerospace and aviation, renewable energy, biomedical/personalized medicine, advanced business services, manufacturing and distribution, and emerging technologies. TREO's priorities are aviation and aerospace, bioscience, solar and transportation and logistics. The striking commonality in sectors suggests that they are generally reading off the same page to build such industries as aviation and aerospace, renewable energy, bioscience, manufacturing (semiconductor) and distribution/logistics.



As the optics, biosciences and renewable energy sectors continue to grow in Arizona's economy, they are viewed as having strong growth potential for high-paying jobs. The Arizona Commerce Authority has set a goal of contributing to the creation of 75,000 jobs over five years. Two-thirds of those new jobs are to be well-paying and within the targeted sectors.

The Morrison Institute survey asked communities and economic development organizations to select their top targeted-growth area from a list of 24 economic sectors. Leading the way was tourism/hospitality (23%), followed by retail (15%) and aviation and aerospace (10%). Many of those citing tourism/hospitality were small towns, which depend heavily on visitors to keep their cash registers ringing. The frequent selection of tourism as a major target is a reminder that, while some downplay tourism as a growth sector, it has a major impact on Arizona's economy – especially in rural areas. Tourism accounted for a mere 4 percent of jobs in Maricopa and Pima counties, but fueled 9 percent of jobs in the other 13 counties, according to a 2011 study for the Arizona Office of Tourism. In the state as a whole, tourism pumped \$18.3 billion in direct spending into the economy, creating nearly 160,000 jobs.

The popularity of retail as a targeted sector reflects the fact that so many smaller and even mid-sized communities are seeking a greater variety of stores and consumer choices. Equally important, retail generates sales taxes, and all Arizona cities depend more heavily on this revenue source than those in most other parts of the country.

The long-running importance of aviation and aerospace to Arizona is illustrated by how many cities of all sizes list it as a key sector. Phoenix, Tucson, Flagstaff, Payson, Prescott, and Mesa are among those identifying that sector as important. Indeed, this sector contains some of Arizona's biggest firms, including Raytheon Missile Systems in Tucson and Boeing in Mesa. It also encompasses Phoenix's Sky Harbor International Airport and many other airports across the state. It's estimated that more than 500 direct and indirect aerospace/defense companies employ 94,000 in Arizona and contribute nearly \$9 billion to the state's economy.

Concerns about the vitality of the aerospace industry in Arizona prompted Science Foundation Arizona to undertake a study and recommend creating an Aerospace Institute to leverage the power of the sector's many components, bringing industry, government, universities and military facilities together to foster more research and ensure that Arizona is in a position to protect and grow this and related assets.



CHRIS GIBBS
Mayor of Safford

Arizona's economic identity needs to be export-oriented and known for our high-quality workforce, bringing value to every job and every business. Arizona's community colleges and university system should be known for innovation and technological advancements, aiding our excellent workforce.

Safford and the Copper Corridor play a large part in the economic identity of Arizona. Our mining industry workers are extremely skilled and talented. Through research and development, Arizona's mining industry is creating new technology and techniques in ore extraction and refining, minimizing America's material dependence from other nations. These technologies are transferred into other disciplines, including water conservation practices critical in our desert environment. These Arizonan accomplishments are exported and implemented globally.

Safford's mining, agriculture and small business development exemplifies the potential Arizona's rural communities have while providing unique opportunities for businesses and companies to grow and flourish.

In 2006 the Arizona Legislature established Arizona's Aerospace and Defense Commission to coordinate aerospace and defense-related commercial partnerships. Among its goals is to collaborate with the Arizona Commerce Authority to improve the state's business competitiveness, work with stakeholders to develop an Unmanned Aerial Systems framework for the state and promote collaboration between Arizona prime contractors and small business.

Other top sectors cited by respondents to the Morrison Institute survey were health care, advanced manufacturing, agribusiness, defense manufacturing/testing, education, transportation/logistics, biomedical, renewable energy, and forest products.

Many new initiatives to grow economic sectors over the past five years already are bearing fruit. Gila Bend is emerging as a solar energy powerhouse. Chandler continues to lead the U.S. in the semiconductor industry. Phoenix is a major center of advanced business services. Flagstaff has carved out a huge niche in medical device manufacturing as part of its bioscience focus.

“IF WE GET ENOUGH INFRASTRUCTURE, LIKE BROADBAND, RURAL ARIZONA CAN BE COMPETITIVE IN THE 21ST CENTURY. THERE’S NOT THAT MUCH DIFFERENCE FROM BEING LOCATED IN DOUGLAS THAN GLENDALE FROM THE STANDPOINT OF ACCESSING THE MARKET.”

-Alan Stephens, Arizona director of USDA Rural Development



GREG STANTON
Mayor of Phoenix

Technology-based and green jobs are vital to a vibrant and sustainable Arizona economy. Phoenix is leading the way by making smart investments in our schools to keep and attract these high-wage jobs.

While bioscience has grown by a third in Arizona and progress is happening, we are lagging behind other states and regions. It's a race against time, and Phoenix is working with our regional partners and Arizona to do things that aren't just good for the city, but for the entire region.

We are continuing investment to create more bioscience and health-care jobs and working round the clock to support our schools. We are breaking the bonds of the status quo to involve new members of our communities and move Phoenix forward.





Mariposa Land Port of Entry

The five-year, \$213 million expansion of the Nogales complex is to be completed in 2014. Potential Impact: Improved trade between the U.S. and Mexico, and business savings with faster inspections at the nation's third-busiest border crossing. Among the additions: eight commercial inspection lanes.



Phoenix Mart

The proposed 1.5-million-square-foot "sourcing center" in Casa Grande will serve as a display place for a half-million products. Potential Impact: Major business center with 2,000 vendors, thousands of jobs. Estimated payroll of more than \$300 million.



The Chan Soon-Shiong Institute for Advanced Health

Billionaire physician Patrick Soon-Shiong plans to build a headquarters in Phoenix and develop a \$200 million data center with a supercomputer to process health information. Potential Impact: Jobs and positions Phoenix to be a major player in personalized medicine and revamping of U.S. health care system.



Mayo Medical School – Arizona Campus

The Mayo Clinic plans a \$266 million medical-school campus in Scottsdale, with Arizona State University, that will offer an innovative approach to training physicians. The campus could open in 2014 with a class of 48 physicians-in-waiting. Potential Impact: More doctors for Arizona and heightening of Valley's profile in health care and medical education.



Mayo Clinic Cancer Center

Mayo is consolidating its Arizona cancer operations with construction of a \$130 million structure on its Phoenix campus. The 217,200-square-foot facility will be built atop Mayo's \$182 million proton-beam therapy center now under construction. Potential Impact: Strengthens the Valley as a destination for innovative cancer treatment in the Southwest. Expected to add nearly 1,000 employees over the next decade.



Odysea in the Desert

The \$170-million entertainment complex is taking shape east of Scottsdale on the Salt River Pima-Maricopa Indian Community. It will start with a rainforest butterfly pavilion and later add an aquarium, Ripley's Believe It or Not museum, IMAX theater and retail stores. Potential Impact: Major tourism attraction to unfold over five years, spinning off other developments and employing thousands.



Mohave County Wind Farm

BP's proposed \$1 billion project would include up to 258 wind turbines on 49,000 acres of public land, about 40 miles northwest of Kingman. Potential Impact: Renewable energy, generating up to 500 megawatts of electricity. Some 200 to 300 construction workers could begin work in 2013. Permanent Employment: 10 to 20 jobs for operations and maintenance.



Boyer Co. Laboratory

A \$50 million research laboratory, including wet labs, is planned by the Boyer Co. on the Phoenix Biomedical Campus. Construction of the six-story, 150,000-square-foot building could start this year. Potential Impact: As many as 400 biomedical jobs, and 500 construction jobs.



AZ Sun Program

The Gila Bend-area is adding its fourth solar facility with the 32-megawatt Arizona Public Service solar photovoltaic facility. Potential Impact: An estimated 400 to 600 construction jobs with completion scheduled for 2014. Will provide electricity to 8,000 homes and strengthens Gila Bend's image as the "Solar Heart of Arizona."



Rosemont Copper

The Tucson subsidiary of Augusta Resources is seeking to mine copper in the Santa Rita Mountains southeast of Tucson. Potential Impact: 500 permanent jobs, with 1,000 employed during construction and in support roles while the mine is in operation. Company projects total economic benefit at \$9.2 billion over two decades.



Accel8 Technology Corp.

The Denver biotech company, which develops technology to detect pathogenic organisms, is moving to Tucson, drawn by such firms as Ventana Medical Systems. Potential Impact: Add to biotech hub, create as many as 300 jobs, manufacturing facility.



University of Arizona / St. Joseph's Hospital

Construction of the \$135 million University of Arizona Cancer Center is expected to start this year on the downtown Phoenix Biomedical Campus. UA and St. Joseph's Hospital and Medical Center are partnering on the center. Potential Impact: Staffing of nearly 100 physicians and hundreds more health-care and administrative workers. Within 10 years, expected to treat about 60,000 patients a year.



Florence Copper Project

Curis Resources wants to build an underground copper mine near Florence. Potential Impact: Create and support an average of 681 jobs per year over nearly three decades.



Intel Corp. Research Facility

The world's leading chip maker is building a \$300 million research-and-development facility in Chandler. Potential Impact: Will employ 300 highly skilled workers, about half with advanced engineering degrees. Construction will require nearly 1,000 workers.



Southwest Direct

Business and political leaders are working to establish Arizona as the international commercial and business hub of the Southwest. Key to the Southwest Direct project is developing a major cargo hub (with increased air service, warehousing and freight forwarders) in greater Phoenix. Potential Impact: Billions in economic activity with greater Phoenix vaulting past Denver, Salt Lake City and other cities as the hub of the Southwest, not only for commercial cargo, but in such areas as manufacturing, health care/medical research, and renewable energy.



Morenci Mine

Freeport-McMoRan is undertaking a \$1.4 billion project to expand mining and milling capacity at its mine in Morenci by 2014. Potential Impact: Add about 600 jobs to the more than 2,500 now at the mine. Boost total direct and indirect economic impact of the mine which, combined with the Safford mine, was estimated at \$379 million on Graham and Greenlee counties in 2011.



Douglas Port of Entry

The second largest commercial port in Arizona is undergoing a \$60 million expansion in Douglas. Potential Impact: A savings in time and cost and improved trade between the United States and Mexico with expedited inspection of commercial trucks and movement of private vehicles and pedestrians.



Red Rock Project

Union Pacific envisions creating one of the largest logistics centers in the western U.S. with construction of a 250-acre classification center near Picacho Peak in Pinal County. Potential Impact: Hundreds of jobs with the sorting of cargo containers and rail cars for their next destination. Expected to spur industrial development along the nearby I-10 corridor.



Luke Air Force Base

The Glendale base will undergo a \$100 million renovation to carry out its new F-35 pilot-training mission. Potential Impact: 1,000 direct and indirect jobs around the base with mission, and 2,290 construction jobs.



Tucson Logistics Center

With the Port of Guaymas in Sonora, about 260 miles south of the Arizona border, now handling container cargo, Tucson is positioning itself to handle increased rail traffic from the deep-water port destined for other parts of the U.S. Potential Impact: Strengthens Tucson's position as a logistics center; speeds movement of products.



ECONOMIC DEVELOPMENT IN RURAL ARIZONA

When a recycling plant in Snowflake closed in 2012, the loss of 300 well-paying jobs was felt across northeastern Arizona, where unemployment already runs well above the state average. If the plant cannot be reopened, the area hopes to replace many of those lost jobs by tapping potential energy projects such as the mining of potash near Holbrook. With related construction, hundreds of jobs could be generated.

Snowflake and Holbrook are part of a rural Arizona that accounts for just over 10 percent of the state's population of 6.5 million. The unemployment rates there are often several points higher than in the metropolitan areas; per capita income is 20 percent lower than the state's average of \$35,292, according to the U.S. Department of Agriculture (USDA) Economic Research Service. In short, rural Arizona has felt the recession even more acutely than urban Arizona.

Through the first seven months of 2012, Arizona's unemployment rate averaged 8.4 percent, according to the Arizona Department of Administration. During that same period, the average unemployment rate in rural counties ranged from 8 percent in Cochise County and 8.5 percent in Coconino County to 15.3 percent in Navajo County, 19.2 percent in Apache County and 26.7 percent in Yuma County.

Rural communities face challenges in economic development that include basic infrastructure shortcomings (roads, sewers, railroads, and airports), limited workforce skills, and relatively few available buildings. On the other hand, these communities can pitch prospective employers on their quality of life, lower operating costs, a veteran labor force willing to travel long distances to work, and the care and attention that smaller communities often pay to new, highly prized businesses.

In many rural communities and counties, the day-to-day responsibilities for economic development rest with a city manager or county administrator who is already juggling other tasks. Tight budgets often preclude hiring a full-time economic development director whose work, in the view of elected officials, may not yield dividends for two or three years. These communities also may be hamstrung by the lack of an economic development plan.

THE VALUE OF PARTNERSHIPS

Rural Arizona may still evoke the image of a solitary cowboy winding his solitary way through a red rock canyon or ponderosa forest. And even as the state begins its second century, there remains some truth in the image. But when it comes to economic development, Arizona's rural communities are finding it often makes more sense to work together rather than to go it alone. From the Copper Corridor in eastern Pinal County to the Real





MIGNONNE D. HOLLIS
Executive Director, Sierra Vista
Economic Development Foundation

Arizona has always focused on the Five “C”s – Copper, Cotton, Climate, Cattle, and Citrus. While these five elements remain an important part of Arizona’s history and to some extent define who we are and where we are heading, we also need to focus on how to capitalize on what we have.

Currently, the Arizona Commerce Authority is focusing on aerospace and defense, renewable energy, bioscience and healthcare, and technology and innovation. Arizona is also vying to become one of the six Unmanned Aircraft Systems test sites.

Should Arizona become one of the six test sites, attracting aerospace and defense industry to the state becomes that much easier. Cochise County, which is home to the Benson Airport and a portion of local airspace in the San Pedro River Valley, has been identified as having one of the best locations for a UAS test range in Arizona. The Sierra Vista Economic Development Foundation has made this effort a priority.

The SVEDF has recently relocated to a facility which will house businesses seeking government contracts specifically related to aerospace and defense. The facility will also house a business that specializes in asset-based lending as well as an Arizona procurement technical assistant counselor.

AZ Corridor in northeastern Arizona to the Verde Valley Regional Economic Development Council in Yavapai County, rural communities and counties are forming partnerships. The alliances may be tenuous and sometimes marked by friction, but they enable the communities to leverage key assets.

Among the biggest alliances is the Real AZ Corridor, with Real standing for resources, energy, access and lifestyle. The 100-mile wide corridor in northeastern Arizona encompasses the non-reservation areas of Navajo and Apache counties, and nine communities – Holbrook, Pinetop-Lakeside, Show Low, Snowflake, Taylor, Winslow, Eagar, Springerville, and St. Johns, plus the governments of Apache and Navajo counties and numerous area businesses and financial institutions.

Operating on a \$45,000 budget, Real AZ relies on its members to work together and share information, marketing the corridor in such areas as renewable energy development, transportation, tourism and entrepreneurship. The Taylor town manager serves as the point person. This fall, ACA awarded a total of \$250,000 to Real AZ Corridor and four other groups under its Vision Grants program. The money is to be used in such areas as drafting strategic economic development and marketing plans, and doing research to better understand the available workforces.

The federal government recognizes the importance of rural communities working together, particularly as rural economies become more regional. To help these communities and counties work together, USDA Rural Development in Arizona provided instruction to officials and citizens through its “Stronger Economies Together” program.

Partnerships can cross many county lines. As part of the Arizona Sun Corridor partnership, the Greater Phoenix Economic Council (which represents 20 communities and Maricopa County, plus businesses) has teamed with Tucson, Yuma, Flagstaff and Pinal County to build relationships with businesses in Orange County, California as well as the Los Angeles and the San Francisco Bay areas.



ARIZONA COMMERCE AUTHORITY

The Arizona Commerce Authority is encouraging more partnerships and, in its new role as a public-private group, is launching initiatives to help rural communities, such as:

- Preferred Prospect Profiles is designed to identify which industry sectors realistically fit with a community. It also will identify which assets, such as infrastructure and labor force, would best support those sectors. Gathering that information takes work, but business site selectors expect such data when they begin scouting for sites. Once the assets have been identified, ACA will research potential companies that might relocate to these communities and make sales calls to those companies. ACA also will invite representatives of communities to join them on trips to meet with these companies to promote Arizona.
- Certified Sites will identify those sites in a community that have the entitlements and infrastructure in place to help a base industry employer get up and running in a short time. ACA will require documented proof of such pre-development work and will then "certify" that the site is ready to be marketed to prospective employers. Programs such as this have become a standard in the site-selection industry. While only two other states in the western U.S. have such programs – California and Oregon – many individual regions in the West have certified sites.

LOCAL FIRST ARIZONA

This non-profit organization seeks to inform rural Arizona of the power of shifting just 10 percent of its spending from national to locally owned businesses, and tapping social media to boost business. Local First's work with rural communities was initially supported by ACA and is now aided by Freeport-McMoRan. Three times as much money stays in a community when spent in a locally owned business, according to Local First's "Shift Arizona" campaign. In workshops around the state, Local First teaches small business owners how to exploit technology – using search engine optimization to ensure that their firms pop up on phones when visitors are searching for somewhere to eat or shop, and developing Facebook pages and online videos. An online video pitching Cottonwood sold 740 vacation packages in 2½ months. Ninety-six percent of the buyers had never visited Cottonwood. Local First also is promoting "Explore Arizona," urging Arizonans to redirect at least 5 percent of their tourism dollar to rural communities.

ARIZONA RURAL DEVELOPMENT COUNCIL (ARDC)

One of the best-known players in rural economic development, the Arizona Rural Development Council, temporarily suspended operations in August with the aim of beginning anew in 2013. The council's board of directors is reviewing the organization's mission and funding "to determine how we can best serve rural Arizona." ARDC was created in 2005 to provide a voice for rural Arizona and to link rural communities with resources to spur economic development. In recent years, ARDC has held economic development workshops, brought grantmakers and rural communities together and introduced rural students to health care as a possible profession.



RURAL OPPORTUNITIES

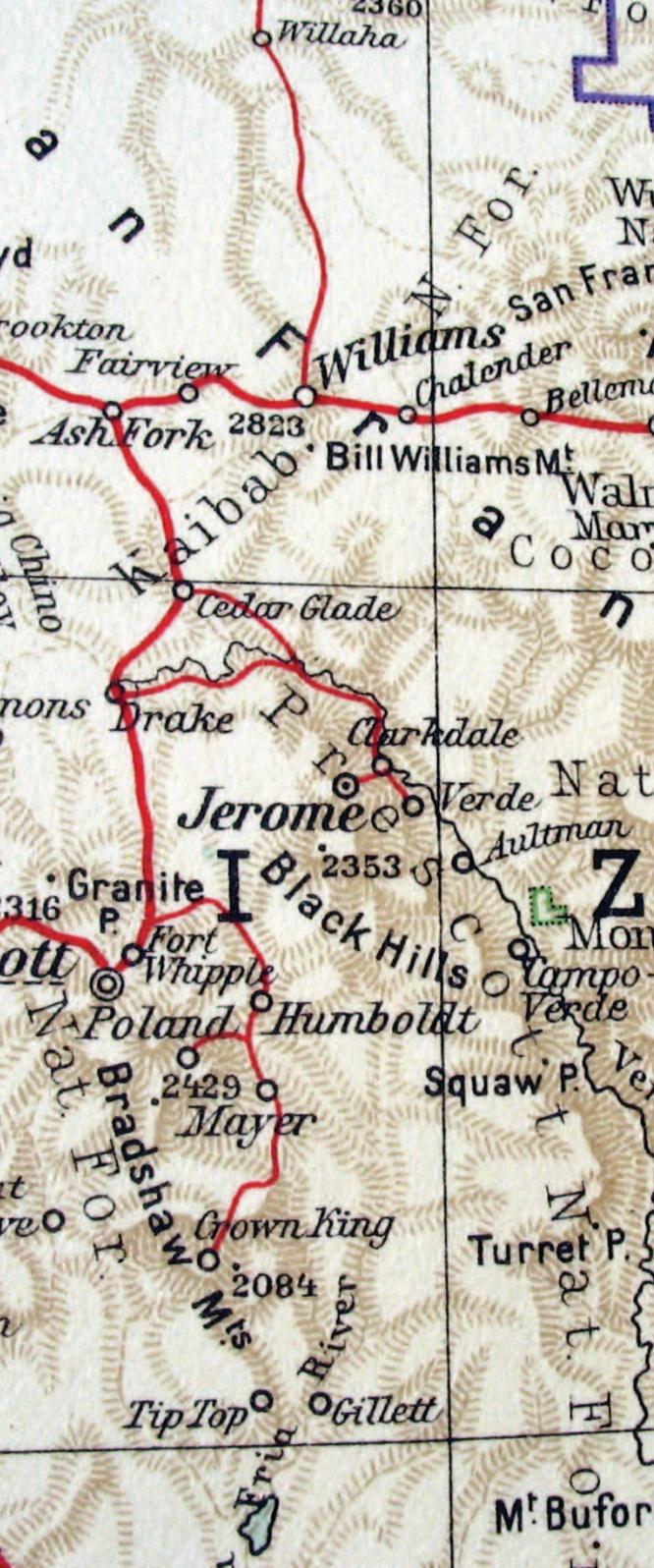
Beyond tourism, agriculture and natural resources, rural Arizona often looks to retail, health care, light manufacturing, and retirees as ways to expand their economies. Along those lines, possible economic development opportunities for rural Arizona include:

- **Attracting retirees and Baby Boomers seeking an encore career to help grow the local population to achieve critical economic mass.** The challenge is the same for rural communities as it is in metropolitan areas – how can the economic base be expanded, and what are the opportunities to recruit firms in the value and supply chains to serve these population segments or existing business and industry? Population weighs heavily in determining the size of a community's skilled workforce and its ability to fund infrastructure.
- **Taking advantage of the Internet (though availability is still a problem in some areas) and the state's proximity to California and Mexico to foster business opportunities.** With the Internet, entrepreneurs can relocate to a small town and still have access to the same information as people and firms residing in urban areas. In sharing a border with Mexico and California, Arizona's rural communities are in a position to expedite the shipping and sorting of freight, and to provide warehousing and light manufacturing.
- **Looking for areas in which to cooperate with other rural communities.** And, where applicable, capitalizing on their proximity to larger areas to key on some of their industry clusters. Safford, for example, sees opportunities in working with western New Mexico in retail and tourism trade, and with Tucson on creating more activity around the Mount Graham International Observatory and the other international telescopes located around the community.
- **Attracting service-oriented businesses in base industries.** These businesses have even greater flexibility in terms of location compared to what we have seen in the past. While "a haircut cannot be exported," technical analysis or other forms of research and product development can indeed be located in many places.

COTTONWOOD – ECONOMIC DEVELOPMENT 101

The rebirth of Old Town Cottonwood as a tourism destination is hailed as one of the best examples in Arizona of how a rural community can turn around a dying downtown and create jobs. Old Town, whose heyday may have been the bootlegger days of the 1920s, now caters to Sedona-based tourists, packed tour buses out of greater Phoenix and families venturing a few miles off of Interstate 17. A bustling mix of some 60 antique shops, quaint retail stores, restaurants, and – perhaps most importantly – wine-tasting rooms has revitalized a once boarded-up downtown. As an extra attraction, the Verde River flows just a short hike from Main Street.





By 2013, Old Town projects that employment will double to 200 and result in an annual economic impact of \$10 million. Its ingredients for success:

- The hard work and entrepreneurial passion of business owners.
- A city administration and local groups working in partnership with their Main Street neighbors.
- A spirit of collaboration among shop owners.

Old Town has had the good fortune to attract two or three large investors who believe in the downtown's future. But the groundwork was laid by dozens of small business owners who saw promise where others saw vacancies little more than five years ago. Also playing a big role was an economic development strategy built, in part, on the area's budding wine industry.

To encourage the wine business, Cottonwood is an active member of the Verde Valley Wine Consortium and supported Yavapai College's new program in viticulture (the growing of wine grapes). One example of Old Town successes is the renovation of an old grocery store/gym into an 11-room boutique hotel. Nearby, the Tavern Grille was rebuilt from a vintage movie theater that burned down.

A new candy store and hair salon have set up shop, relocating from Sedona to take advantage of lower costs and the influx of tourists. And one business, Verde Valley Olive Oil Traders shop, has been so successful that it expanded to Flagstaff and Jerome. Even more shops are expected to open if a growing Cottonwood consolidates its municipal offices in one place, opening up several storefronts on Main Street now used for city business. In 2012, the town's revitalization was recognized by the Arizona Commerce Authority for excellence in economic development.

"ARIZONANS SPEND \$6.5 BILLION A YEAR VACATIONING IN CALIFORNIA. IF WE COULD GET JUST 10 PERCENT OF THAT REDIRECTED TO RURAL TOWNS IN ARIZONA, THAT WOULD MAKE A HUGE ECONOMIC IMPACT ON OUR STATE. WE WANT THE MONEY TO TRICKLE DOWN AND RECIRCULATE, CREATING ADDITIONAL REVENUE AND JOBS"

-Kimber Lanning, founder and executive director of Local First Arizona

CONCLUSION

In *Five Shoes Waiting to Drop on Arizona's Future*, Morrison Institute observed that it is difficult to achieve economic greatness without a singleness of purpose. In the intervening decade, Arizona's lack of a cohesive economic development plan, one driven by a unified effort, has made that singleness of purpose elusive. Add to that the impacts of the Great Recession – which also reinforced the need to wean ourselves off the real estate/development industry – and it is apparent the need for a clear economic vision and a collaborative spirit that supersedes individual towns and counties is even greater today than when *Five Shoes* issued its warning.

Many feel the urgency surrounding Arizona's uncertain economic future, but the economic development landscape has been uncharted and difficult to navigate. What is certain is the increased competitiveness of the regional and global marketplace.

To address this pressing issue, Morrison Institute undertook this study with two primary objectives. First, to inventory and characterize the important economic development work that is underway. Secondly, and most importantly, to build the case for a unified effort accelerating economic planning and development to ensure Arizona's competitiveness by closing gaps and leveraging shared strengths.

POLICY RECOMMENDATIONS:

- Arizona must continue to diversify its economy by targeting such cutting-edge sectors as bioscience and advanced electronics, while also protecting and expanding such traditionally strong sectors as aerospace and aviation (notably the highly promising area of unmanned aircraft systems).
- Arizona must develop a culture of collaboration to provide the infrastructure and planning that rural Arizona requires and to exploit the potential of the Sun Corridor and the role of the state as the economic hub of the Southwest.
- Rural Arizona merits special attention, especially in light of high unemployment rates in some counties. New programs being rolled out by the Arizona Commerce Authority to help identify community assets and potential sectors for development should also include professional development resources to aid the often understaffed rural organizations.
- Rural communities should look for more opportunities to create regional partnerships to take advantage of synergies in pursuing economic development.
- Arizona's large metropolitan regional organizations can be even more helpful to overall state development by aligning their major goals, sectors and activities to better leverage the resources they use to carry out their own individual economic development plans.
- Despite the political rhetoric of cooperation and collaboration, the fact is that economic development is a highly competitive activity. It is important that all economic development organizations in the state begin to practice what they proselytize – there is strength in a group of many working together as one.

In order for these findings to generate action and a singleness of purpose, Arizona needs to empower itself to think bigger than the sum of its many parts. Today's global economy demands mega-thinking and mega-action to compete.

The economic development horizon can no longer be competing Arizona cities and neighboring states. The state must broaden its vista to truly see and seed Arizona's position in the Southwest megapolitan cluster and the interlocking global economies. Arizona must confidently and collaboratively differentiate its economic identity and assert its value in the ever-changing economic landscape. Now is the time to act.



APPENDIX A:

ARIZONA'S ECONOMIC DEVELOPMENT ORGANIZATIONS

If you were to climb Humphreys Peak, Arizona's highest point, and survey the patchwork of economic development efforts across the state, here is what you would see:

- Many smaller rural communities struggling to find their footing coming out of the Great Recession.
- The emergence of Yuma, Flagstaff, Prescott, Sierra Vista, Kingman, Lake Havasu City, and the Casa Grande region, among others, as competitors for such sectors as manufacturing, health care and logistics.
- And the metropolitan areas of Phoenix and Tucson targeting industries built on knowledge and innovation to further diversify their economies.

While the expertise and resources that each of these towns and cities brings to economic development varies widely, just about every community wants to keep the jobs it already has and create and attract more, with the goal of creating a prosperous community.

But economic development is hardly limited to the 91 incorporated towns and cities in Arizona, and their non-incorporated neighbors. Many of the state's 15 counties do some kind of economic development, though it can be fairly limited. Yavapai County generally leaves economic development to its communities, including Prescott and Prescott Valley. In contrast, Mohave County is heavily committed to economic development, aggressively seeking new business for its communities, including Kingman, Bullhead City and Lake Havasu City.

The state's six Councils of Government, comprised of one to four counties each, are involved, to varying degrees, in encouraging economic development. The six councils are:

- The Central Arizona Governments (Gila and Pinal Counties)
- Maricopa Association of Governments (Maricopa County)
- Northern Arizona Council of Governments (Apache, Coconino, Navajo and Yavapai Counties)
- Pima Association of Governments (Pima County)
- Southeastern Association Governments Organization (Cochise, Graham, Greenlee, and Santa Cruz Counties)
- Western Arizona Council of Governments (La Paz, Mohave and Yuma Counties)

Chambers of commerce around the state work to retain businesses and may offer a hand in helping to attract a business, especially in the smaller communities without a full-time economic development official.

The largest of these groups is the Greater Phoenix Economic Council, a public-private group representing 20 cities, Maricopa County and numerous businesses. GPEC markets the Valley nationally and internationally, sharing leads with its members and promoting the image of Greater Phoenix. In 2005, the public-private Tucson Regional Economic Opportunities was created to serve as the lead economic development agency for greater Tucson and its regional partners. Since 1985, the Greater Yuma Economic Development Foundation has represented the city and county of Yuma, San Luis, Somerton and Wellton to prospective businesses.

The Central Arizona Regional Economic Development Foundation is a regional, public-private partnership working to improve and promote the economies of Casa Grande, Coolidge, Eloy and Pinal County.

The recently launched Economic Collaborative of Northern Arizona, supported by 16 area agencies, including Flagstaff and Coconino County, plans to accelerate economic growth in Northern Arizona.

Other organizations include the Real AZ Corridor, the Verde Valley Regional Economic Organization, Gila Valley Economic Development Foundation, and the Southeast Arizona Economic Development Group (communities in Cochise County).

Within greater Phoenix, such organizations as Greater Phoenix Leadership, the East Valley Partnership and WESTMARC (Western Maricopa Coalition) provide business and community leadership to encourage and spur economic growth.

Working with these various government bodies and organizations is the Arizona Commerce Authority (ACA), a public-private partnership formed in 2011 after realizing a new economic development model was necessary. The ACA, whose board is co-chaired by the governor and a business leader, has a toolkit that includes incentives and a deal-closing fund that was not available to its predecessor.

The Arizona Association for Economic Development is particularly attuned to the needs of rural practitioners, coordinating roundtables, publishing a newsletter and providing networking for members.

The utilities – Arizona Public Service, Salt River Project, Southwest Gas, among others – also have an interest in promoting economic development. For years, APS has helped communities, particularly rural ones, advance their economic development planning efforts by creating community and economic development plans.

USDA Rural Development also plays a big role in economic development, funding housing, community facility, business, water and waste, and utility projects throughout eligible rural communities. In fiscal 2011, investments through USDA research and development in rural Arizona topped \$400 million. USDA also provided support for the pilot program “Stronger Economies Together,” teaching participants from three regional Arizona groups to draft economic development plans.

The three state universities (ASU, UA, NAU) are active in economic development through research and analysis, research parks, incubators and offices that handle technology transfer functions, points out Erik Glenn, a University of Arizona researcher. Many community colleges also provide economic development services.

APPENDIX B: STATEWIDE ECONOMIC DEVELOPMENT SNAPSHOT

These tables provide a quick look at which industry sectors are being targeted by Arizona's cities, towns, counties and various economic development organizations, plus their program priorities and whether they have an economic development plan. The information is based on responses to a Morrison Institute survey and/or their individual economic development plans or master plans. To read the entire Morrison survey, visit MorrisonInstitute.asu.edu.

County	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors	Program priorities
Apache	Yes	2008	71,518	Survey	Tourism and hospitality, forest products, mining, agribusiness, renewable energy, aerospace and aviation	
Cochise	No		131,346	Survey	Aerospace and aviation, renewable energy, agribusiness, tourism/hospitality, biomedical, and education	
Coconino	No		134,418	Survey, comprehensive plan	Education, tourism/hospitality, biomedical, health care, forest products, and aerospace and aviation	Encourage establishment of clean, basic sector industries, as well as support eco-tourism and ethno-tourism as part of tourism sector
Gila	Yes	2009	53,597	Survey	Mining, natural resources, forest products, agribusiness, tourism/hospitality, and aerospace and aviation	
Graham	Yes	2012	37,220	Survey	Mining, agribusiness, education, natural resources, retirement, and defense manufacturing/testing	
La Paz	No		20,489	Survey	Tourism/hospitality, agribusiness, renewable energy, environmental technology, transportation and logistics, and aerospace and aviation	
Maricopa	No		3,800,000	Survey	Biomedical, tourism/hospitality, renewable energy, information and communications technology, defense manufacturing/testing, and advanced manufacturing	
Mohave	Yes	2006	200,186	Survey	Transportation and logistics, advanced manufacturing, plastics, aerospace and aviation, renewable energy, and mining	
Navajo	No		107,449	Survey	Natural resources, forest products, tourism/hospitality, renewable energy, aerospace and aviation, and defense manufacturing/testing	
Pima	Yes	2006	980,263	Survey, county memo	Tourism/hospitality, aerospace and aviation, defense manufacturing/testing, biomedical, transportation and logistics, and retail	Support expansion of airport and other key employment centers as part of comprehensive infrastructure plan. Leverage intellectual capacity of University of Arizona.
Pinal	Yes	2011	375,770	Survey	Transportation and logistics, aerospace and aviation, health care, business and professional services, retail and mining	
Santa Cruz	No		47,420	Comprehensive plan	Tourism/hospitality, retail, ranching, farming, aviation and astronomy	Establish I-19 from Nogales through Rio Rico as the core of the county's commercial activities
Yavapai	No		211,033	Survey	Renewable energy, agribusiness, environmental technology, information and commercial technology, and forest products	
Yuma	Yes	2009	195,751	Survey, comprehensive plan	Agribusiness, aerospace and aviation, defense manufacturing/testing, military (installations), advanced manufacturing, and renewable energy	Protect Yuma Proving Ground and other military land/operations from incompatible development. Minimize encroachment on agricultural lands.

Data not available for Greenlee County.

City/town	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors	Program priorities
Apache Junction	Yes	2012	35,840	Economic development plan	Tourism, freeway retail, commercial revitalization, manufacturing and office	Build on scenic assets and unique character of the area
Avondale	Yes	2007	76,238	Survey, economic development plan	Health care, tourism, information and communications technology, sports and entertainment, advanced manufacturing and renewable energy	Leverage proximity to the West Coast and port districts to attract international industries and high-tech companies
Benson	Yes	2011	5,105	Economic development plan	Tourism, retail center, industrial and commercial areas around airport and rail	Attract and expand small- to mid-sized companies
Bisbee	No		5,575	General plan	Promote tourism, create small business incubator, and develop commercial and industrial land around airport	
Buckeye	Yes	2012	50,876	Survey	Retail, advanced manufacturing, transportation and logistics, aerospace and aviation, agribusiness, and health care	
Bullhead City	Yes	2002	39,540	Master plan	Warehouse/distribution centers, light manufacturing, renewable energy, health care and tourism	Diversify job base and increase educational opportunities, including locating a four-year degree program
Camp Verde	Yes	2005	10,873	Survey, master plan	Tourism/hospitality, transportation and logistics, education, aviation and aerospace, advanced manufacturing, and retail	Attract businesses that require skilled and professional labor; commit to quality education
Casa Grande	Yes	2004	48,571	Survey, economic development plan	Advanced manufacturing, tourism and hospitality, agribusiness, health care, aviation and aerospace, and retail	Attract capital investment and new, quality jobs in the industrial (manufacturing and distribution) sector. Assist existing industry and maintain historic downtown.
Cave Creek	Yes	2005	5,015	Master plan	Support tourism and commercial development in the Historic Town Core compatible with the town's rural character and western heritage	
Chandler	Yes	2012	236,123	Survey	Advanced manufacturing, financial services, biomedical, high-tech software, defense manufacturing/testing, information and communications technology	Identify and market parcels and buildings key to the city's future. Take downtown revitalization to next level. Create linkages with ASU and UofA.
Chino Valley	Yes	2006	10,817	Economic development plan	Agriculture/agricultural technology, health care and biotechnology, engineering services, telecommunications, tourism and transportation	Focus on expanding export-oriented industries in which Arizona has a competitive edge
Clarkdale	Yes	2012	4,097	Survey	Tourism and hospitality, retail, advanced manufacturing, education, and natural resources	Revitalize downtown, maintain town's historic character, create arts district and possibly an industrial area
Clifton	No		3,311	Survey	Tourism and hospitality, retail, retirement, natural resources, business and professional services	
Coolidge	No		11,825	Survey	Agribusiness, tourism/hospitality, retail, advanced manufacturing, renewable energy, and education	
Cottonwood	Yes	2010	11,265	Survey, economic development plan	Tourism, education, health care, agribusiness, retail and advanced manufacturing	Work with Yavapai College and wine consortium to support emerging wine industry
Dewey-Humboldt	No		3,894	Survey, Focused Future action plan	Assist existing businesses and bring new businesses in selected areas to expand shopping, employment and retail sales	Encourage home-based businesses, identify possible tourism opportunities, and foster community cohesiveness
Douglas	Yes	2010	17,378	Survey, economic development plan	Transportation and logistics, defense manufacturing/testing, aviation and aerospace, retail, and health care	Brand region as an "emerging market for industry and cross roads to trade"
Eagar	No		4,885	Survey	Tourism/hospitality, retail, forest products, agribusiness, renewable energy, and aviation and aerospace	
El Mirage	Yes	2009	31,797	General plan	Large and small industries and businesses, including high-tech, biotech, entrepreneurs, back-office projects and professional offices	Establish city as the leader in innovation, entrepreneurship and venture capital in the Northwest Valley.
Eloy	Yes	2010	16,631	General plan	Build off existing agricultural businesses , including growing the food, packaging and shipping; entertainment and tourism	Improve workforce skills and level of education, and capitalize on growth of the subregion

City/town	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors	Program priorities
Flagstaff	Yes	2010	65,870	Survey	Biomedical, advanced manufacturing, health care, high tech software, tourism/hospitality, aviation and aerospace, and defense manufacturing/testing	Retain local businesses, create an environment attractive to high wage/low impact companies.
Florence	No		25,536	Survey, master plan	Retail, business and professional services, tourism/hospitality, retirement, agribusiness and aerospace and aviation	Create and maintain an economically vibrant downtown. Maximize economic benefit of prison and governmental entities.
Fountain Hills	No		22,489	Survey	Tourism, health care, business and professional services, high tech software, and financial services	Vibrant and visually attractive Downtown
Gila Bend	Yes	2006	1,922	Economic development plan	Industrial development, tourism, small business, agriculture	Support the mission of Luke AFB and Gila Bend Auxiliary Field. Identify workforce needs.
Gilbert	Yes	2011	208,453	General plan	Biomedical/life sciences, advanced business services, aerospace/aviation, clean and renewable energy, high technology, retail, entertainment and hospitality	Target industries with an emphasis on the STEM skillsets. Broaden mix of shopping, service, hospitality and recreational opportunities.
Glendale	Yes	2010	226,721	Economic development plan	Aerospace/defense, renewable energy, sports and entertainment, education, healthcare and business services	
Goodyear	No		65,275	Survey, Focused Future II strategic plan	Aviation and aerospace, defense manufacturing and testing, health care, biomedical, and advanced manufacturing	Strengthen education, build foundations to support the business community, and develop a system for monitoring community indicators
Guadalupe	No		5,523	Survey	Retail, education, tourism, health care, aerospace/aviation and defense manufacturing	
Holbrook	Yes	2007	5,053	Focused Future strategic plan	Tourism and hospitality, retail, and industrial activities	Revitalize downtown and develop a retail market mix with things to do (IMAX theatre, farmer's market, specialty stores, museums, art galleries)
Huachuca City	No		1,853	General development plan	Retail, service, and clean, light industrial businesses	Ensure an adequate infrastructure, provide incentives and benefits to new businesses
Kingman	Yes	2007	28,068	Economic development plan	Manufacturing (aerospace-related, medical instruments, rail rolling stock repair), logistics, retail, distribution and warehousing, medical services, and tourism	Encourage entrepreneurship to grow more businesses and also retain businesses
Lake Havasu City	No		52,527	Survey	Tourism, health care, education, advanced manufacturing, retirement, and defense manufacturing	
Litchfield Park	No		5,476	Survey	Retail, business and professional services, tourism/hospitality, health care, sports and entertainment, and aerospace and aviation	
Marana	Yes	2010	34,961	Economic development plan	Environmental technology (solar), bio- and medical sciences, transportation logistics, analytical instruments, education, tourism and high-technology	Business attraction, retention and expansion; resource/business support; workforce development; tourism and visitor experience; and community and infrastructure development
Maricopa	Yes	2011	43,482	Survey, economic development plan	Retail, agribusiness, business and professional services, advanced manufacturing, health care and aerospace/aviation	Be a regional leader in economic development with properly aligned resources and tools. Be recognized by site selectors and companies in target industries as having a high-quality real estate product.
Mesa	Yes	2011	439,041	Survey, economic development plan	Aviation and aerospace, education, health care, tourism/hospitality, defense manufacturing/testing and biomedical	Generate quality leads of companies exploring relocation or expansion; provide technical assistance or financing solutions to projects
Nogales	No		20,837	Survey	Tourism/hospitality, retail, transportation and logistics, advanced manufacturing, business and professional services, and financial services	Completion of the five-year, \$21.3 million expansion of Nogales port of entry in 2014 will strengthen and position city as key player in international trade
Oro Valley	Yes	2011	41,011	Survey, economic development plan	Biomedical, tourism/hospitality, sports and entertainment, retail, aviation/aerospace, and defense manufacturing	Improve transportation infrastructure, promote partnerships to enhance education and workforce development, and create business district

City/town	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors	Program priorities
Page	Yes	2000	7,247	Economic development plan	Tourism, retail, health care and small businesses	Workforce development, improve Internet and enhance image to visitors
Patagonia	No		913	Survey	Retail, tourism/hospitality, education, aviation and aerospace, defense manufacturing/testing, and biomedical	
Payson	No		15,301	Survey	Tourism, aerospace/aviation, retail, defense manufacturing, education and renewable energy	
Peoria	Yes	2010	154,065	Economic development plan	Health care services, biosciences/life sciences, financial and insurance services, professional/scientific/technical services and administrative services	Form advisory groups for targeted sectors, recruit university with strong engineering program, create investment zones, and develop entertainment district
Phoenix	Yes	2012	1,445,632	Survey, economic development plan	Biomedical, advanced manufacturing, aerospace and aviation, business and professional services, financial services, and information and communications technology	Focus on core economic development programs in key industry sectors. Initiate planning and development of a second Phoenix Biomedical Campus. Open a workforce business and training center.
Pinetop-Lakeside	No		4,282	Survey	Retail, tourism, business and professional services, forest products, and natural resources	
Prescott	Yes	2004	39,843	Survey, economic development plan	Aerospace/aviation, advanced manufacturing, tourism/hospitality, defense manufacturing/testing, biomedical and retail	Energize downtown, increase number of housing units and work with schools and universities to improve workforce skill level.
Prescott Valley	Yes	2010	38,822	Survey, economic development plan	Retail, advanced manufacturing, aerospace/aviation, defense manufacturing, health care and information and communications technology	Ensure availability of sites and buildings, retain businesses that fit targeted industries and increase awareness of PV as a business location.
Quartzsite	Yes		3,677	Focused Future strategic plan	Industry, tourism, warehousing and distribution and healthcare	Invest in workforce development, develop infrastructure, and develop a downtown
Queen Creek	Yes	2007	26,361	Economic development plan	Aerospace and aviation, health care, retail, tourism, financial and business services	Partner with educational institutions and work to attract businesses along major economic/transportation corridors
Safford	No		9,566	Survey	Mining, agribusiness, tourism, retail, retirement and education	
Sahuarita	Yes	2009	25,259	Survey	Retail, aerospace/aviation, agribusiness, defense manufacturing, advanced manufacturing, and biomedical	
San Luis	Yes	2011	25,505	Focused Future strategic plan, master plan and survey	Transportation and distribution, tourism, environmental technology, senior industries and food, fiber and natural products.	Some 400 commercial trucks passing through daily create numerous business opportunities
Scottsdale	Yes	2011	217,385	General plan	Health care and research, arts and culture, tourism and hospitality, high-quality retail, entertainment and event experiences	Enhance Scottsdale Airport as a global connection for business, strengthen such areas as SkySong and expand medical campuses
Sedona	Yes	2005	10,031	Focused Future II strategic plan	Tourism, arts and culture, film development and promotion, such businesses as senior services and sustainable industries, home-based entrepreneurs	Develop civic tourism (ecotourism, heritage tourism), attract more business travelers
Show Low	Yes	2011	10,660	Survey, economic development plan	Retail, health care, tourism and hospitality, forest products and education	Strengthen position as the regional center for health-care and retail. Maximize outdoor venues to attract visitors.
Sierra Vista	Yes	2009	43,888	Survey, economic development plan	Aerospace and aviation, retail, health care, defense manufacturing/testing, business and professional services and biomedical	
Snowflake	No		5,590	Survey	Natural resources, mining, retail, health care, tourism/hospitality, and renewable energy	
Springerville	Yes	2012	1,961	Survey	Tourism, forest products, agribusiness, retail, renewable energy, and natural resources	
Surprise	Yes	2008	117,517	Economic development plan	Renewable energy, education, sports and entertainment, health care, retail and retirement	Attract a college campus and a regional mall

City/town	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors	Program priorities
Taylor	Yes	2007	4,112	Survey	Forest products, natural resources, renewable energy, mining, environmental technology and tourism	
Tolleson	No		6,545	Survey	Retail, transportation and logistics, tourism/hospitality, sports and entertainment, and agribusiness	
Tucson	Yes	2007	520,116	Survey	Aerospace and aviation, biomedical, renewable energy, transportation and logistics, defense manufacturing/testing, and advanced manufacturing	Increase awareness of Tucson as a business hub
Wickenburg	Yes	2010	6,363	Survey, economic development plan	Advanced manufacturing, transportation and logistics, health care, tourism and hospitality, retail, and defense manufacturing/testing	Business diversification is critical to attracting high-quality jobs
Willcox	Yes	2010	3,757	Survey	Agribusiness, tourism/hospitality, retail, natural resources, transportation and logistics, and advanced manufacturing	
Williams	Yes	2010	3,023	Survey, Focused Future II strategic plan	Tourism/hospitality, retail, transportation and logistics, financial services, defense manufacturing/testing	Expand infrastructure, develop workforce, maximize location as a hub for freight, planes and trucks
Winslow	Yes	2010	9,655	Economic development plan	Regional retail, value-added industry (industries that create new products from existing resources), general and segmented tourism, and transportation	Diversification and expansion of the economy. Develop regional workforce housing and pursue downtown redevelopment.
Yuma	Yes	2009	93,064	Survey	Agribusiness, aerospace/aviation, defense manufacturing/testing, military (installations), advanced manufacturing, renewable energy	

Organization	Economic dev. plan	Year plan developed	Population	Source of data	Targeted sectors
Arizona Commerce Authority	Yes	2012	6,500,000	Survey	Advanced manufacturing, aviation and aerospace, high-tech software, renewable energy, defense manufacturing/testing, and biomedical
Arizona Public Service	Yes	2011		Survey	Biomedical, information and communications technology, advanced manufacturing, business and professional services, aviation and aerospace, and defense manufacturing/testing
Arizona Technology Council	No			Survey	Information and communications technology, aviation and aerospace, defense manufacturing/testing, high-tech software, biomedical, and advanced manufacturing
Central Arizona Economic Development Foundation	Yes	2012	200,000	Focus on Success strategic economic dev. plan	Aviation and aerospace, advanced manufacturing, global logistics (freight hauling, warehousing), value-added agriculture (agri-tourism, food processing, plant sciences)
East Valley Partnership	Yes	2010	1,300,000	Survey	Education, aviation and aerospace, health care, defense manufacturing/testing, tourism/hospitality, and transportation and logistics
Fountain Hills Chamber of Commerce	Yes	2012	22,500	Survey	Tourism/hospitality, high-tech software, education, retail, health care, and aviation and aerospace
Greater Phoenix Economic Council	Yes	2011	3,800,000	Survey, action plan	Advanced manufacturing, information and communications technology, renewable energy, health care, environmental technology, and defense manufacturing/testing
Greater Phoenix Leadership	No		3,800,000	Survey	Aviation and aerospace, advanced manufacturing, high-tech software, biomedical, education, and defense manufacturing/testing
Maricopa Association of Governments	No		3,800,000	Survey	Transportation and logistics, aviation and aerospace, information and communications, technology, education, health care, and defense manufacturing/testing
Northern Arizona Council of Governments	Yes	2010	454,420	Survey	Renewable energy, environmental technology, health care, biomedical, agribusiness, and aviation/aerospace
Scottsdale Chamber of Commerce	No			Survey	Financial services, tourism/hospitality, health care, biomedical, business and professional services, and retail
Southeastern Arizona Governments Organization	Yes	2011	224,423	Survey	Transportation and logistics, information and communications technology, agribusiness, tourism/hospitality, aviation and aerospace, and mining
Springerville-Eagar Chamber of Commerce	No		6,846	Survey	Tourism/hospitality, forest products, education, health care, retail, and agribusiness
Tucson Chamber of Commerce	Yes	2010	1,000,000	Survey	Aviation/aerospace, defense manufacturing/testing, biomedical, tourism/hospitality, and renewable energy
Williams Chamber of Commerce	Yes	2010	3,023	Survey	Tourism/hospitality, retail, transportation and logistics, financial services, and defense manufacturing, testing



Arizona's Economic Development Landscape:

Charting a Unified Course



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