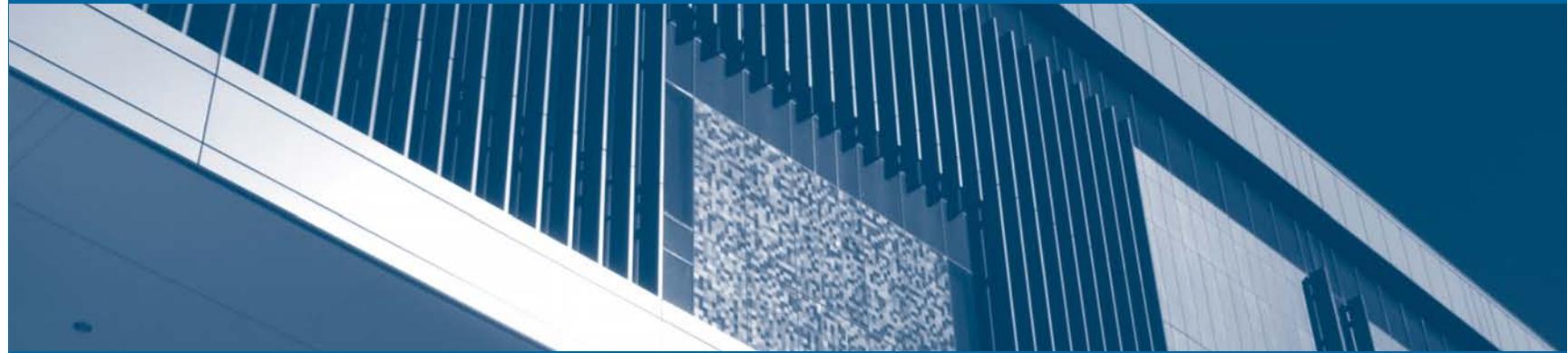


CHAPTER 3

Protecting Our Existing Major Employment Base



There There are four significant employers within Pima County that contribute substantially to our economic health: Raytheon, Davis-Monthan Air Force Base (DMAFB), the 162nd Fighter Wing of the Arizona Air National Guard (AZ ANG), and The University of Arizona (UA). All four of these employers have exposure to reduced federal spending. Having any of these major employers suffer any type of mission or job reduction will hurt the entire economy of Pima County. While their economic well-being may depend largely on forces outside of the regional and State economy, Pima County needs to ensure we are doing everything possible to support the stability and job growth of these major employers.

According to a 2011 Bloomberg Government Study, Tucson is the seventh top recipient city of federal defense dollars – nearly \$5 billion annually – and Tucson is the number one ranked city in Arizona for federal defense monies. Three of our four major employers receive significant federal dollars.

A. Raytheon – Roadway Relocation and Buffer

Raytheon Missile Systems is our largest private area employer with a total of 13,500 employees; 9,600 of which are located in Pima County. The County is working aggressively on strategies to protect and allow Raytheon to possibly expand in Tucson.



Raytheon has been a vital employer and community partner for the metro Tucson area since 1951.

their current operating environment. With federal budget reductions on the near horizon, defense spending will likely be reduced, and Raytheon’s contracting volume could be adversely affected. We cannot ensure future growth, nor can we control the adverse impacts of these cuts. However, there are actions we can take to try to protect existing jobs and lure new ones. If there is future consolidation of Raytheon operations based elsewhere, we want to ensure our region is the most attractive location for those consolidated jobs.

Over the years, Raytheon has been threatened with urban encroachment. This threat from residential development immediately south of Raytheon was removed by the County’s acquisition of 382 acres of property

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In 2011, our region received a significant shock when Raytheon Missile Systems made a reasoned, business-based decision to expand operations and build a new facility in Huntsville, Alabama. This action was the result of a number of factors, one of which related to the inability of Raytheon to expand due to lack of space and facilities in

as discussed previously in Chapter 1. Acquisition of this private property, however, is only a first step in protecting Raytheon’s existing business base, as well as facilitating possible Raytheon expansion in the future if such opportunities arise.

We have also begun the relocation of Hughes



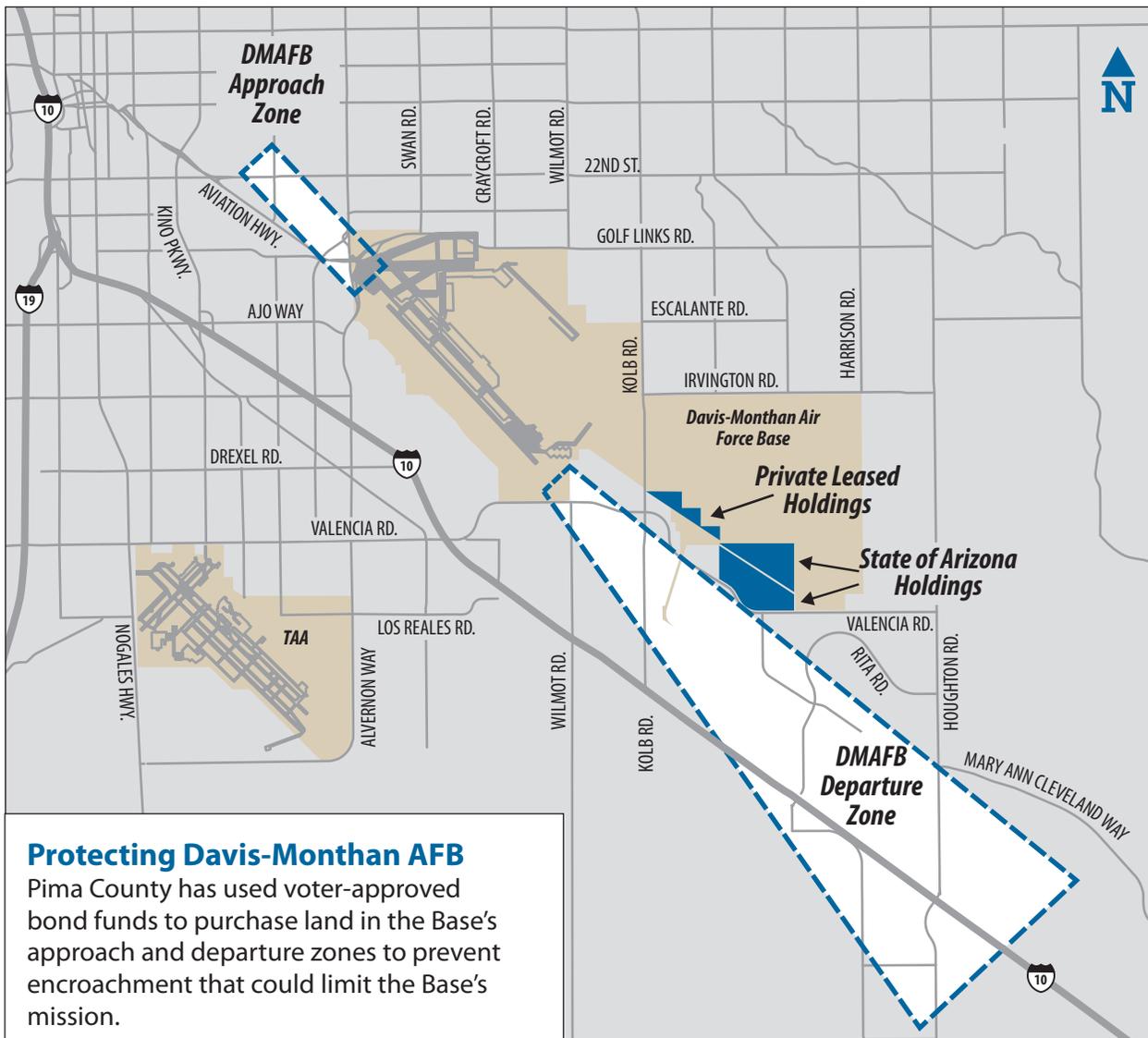
Davis Monthan Air Force Base provides an annual \$1.5 billion economic benefit to our community.

Access Road to further buffer Raytheon’s production facilities; a project that will be completed in 2015. The County is also actively participating in land acquisition/ exchange negotiations between the United

States Air Force (USAF) and the Tucson Airport Authority (TAA) to further buffer and ensure Raytheon’s long-term occupation and lease of Air Force Plant 44.

B. Davis-Monthan Air Force Base – P4 Process and Mission

Military installations provide significant economic impact and employment benefits within our region. In Fiscal Year (FY) 2014, Davis-Monthan Air Force Base (DMAFB) alone provided an economic benefit to the community of nearly \$1.5 billion; employing almost 10,000, 2,900 of which are civilians, and creating 4,200 indirect additional jobs in Pima County. Over 20,000 military retirees in the region account for just over \$500 million of this impact.



In the past, our community has been concerned over national base closure options as they could affect DMAFB. Thus far, DMAFB remains untouched by military base closings. However, it is possible federal budget constraints, including sequestration, will continue to adversely impact the military in general and the continuing missions of the existing military facilities in Pima County. A cohesive, region-wide effort must convey the message to military and political leadership that the continuation of viable operations for our military installations is essential and supported by the community.

In June 2015, the Arizona Daily Star completed an extensive special report regarding the Base. The report highlighted the need to increase our advocacy for DMAFB and develop a stronger strategy than we have used in the past. Those strategies suggested by the Arizona Daily Star should be seriously considered by all participants in supporting Davis-Monthan, including the DM-50, Southern Arizona Defense Alliance, and the various jurisdictions that support DMAFB and have engaged to provide the highest level of community support for any military installation in the country. Davis-Monthan's assets are too important to ignore. We must provide the level of community, institutional and jurisdictional support necessary to ensure DMAFB remains here and grows here.

To address the need to reduce overall operating costs, the USAF has recently initiated the Community Partnership Program where discussions are being held with local jurisdictions to find ways to share costs or potentially modify community operations to allow the Air Force to operate more efficiently and focus on its military responsibilities. Pima County and many of our regional partners are working to do our part to ensure DMAFB and the 162nd Wing of the AZ ANG can operate at the most efficient level possible.

While the community supports DMAFB and the 162nd Fighter Wing of the AZ ANG (discussed in Section C below), concern has been expressed over adverse noise impacts.

In addition, the DMAFB Departure Corridor has been threatened with urban encroachment; which, if allowed, would diminish the military capability of the installation. The County, in the 2004 bond issue, allocated and spent \$10 million to purchase lands in this departure corridor.

The USAF has selected DMAFB to develop an Installation Complex Encroachment Management Action Plan (ICEMAP) as part of the enterprise-wide Air Force Encroachment Management Program (AFEMP). As exemplified by the \$10 million investment cited above and in the leased land program discussed below, Pima County has taken, and continues to take, progressive steps to mitigate the impacts of encroachment on DMAFB. Encroachment is a primary reason for closure of bases. As Pentagon budgets



The Arizona Air National Guard 162nd Fighter Wing trains hundreds of U.S. and foreign pilots every year.

continue to shrink and Base Realignment and Closure processes are initiated, we must take the necessary steps to place our military installations in the best possible position to compete for new assignments instead of being vulnerable to closure. DMAFB leadership has requested Pima County support and participation in completing this ICEMAP plan. We will actively engage in the process, as well as continue to aggressively take the necessary steps to protect our third largest employer.

Today, there are 99 acres of private property inside the boundary of DMAFB that are leased on an annual basis to the USAF. In addition, there are approximately 133 acres of State Trust land within the boundary of DMAFB. The annual cost of these leases to the USAF exceeds \$380,000. These leased properties should be purchased and leased at no cost to DMAFB to continue their operations. This action would lower the operating cost of keeping DMAFB open for military uses; something that will be increasingly important as federal and defense spending reductions become real. The November 2015 bond issue proposes that \$5 million be used to purchase these lands and lease them to the USAF at no cost. Although the voters of Arizona approved an exchange mechanism to protect millions of dollars in military installations by exchanging State Trust lands, the processes and procedures that have been implemented to effectuate this voter referendum simply do not work. These private and State Trust lands should be acquired fee simple and leased to the USAF under a long-term lease for continued operation of DMAFB.

The primary flying mission at DMAFB is training and operating A-10 aircraft. With USAF plans to retire the A-10 being seriously considered, the number of employees at DMAFB may temporarily or permanently decrease. The airmen supporting the 355th Fighter Wing are an excellent resource for employers for our region. Pima County operates the Veterans One-Stop center that helps veterans obtain benefits, services and jobs. We will continue to focus on maximizing job opportunities for any reduced staffing or returning veterans to ensure they can be productive in the community as they return to civilian status.

C. Arizona Air National Guard – 162nd Fighter Wing – New Entrance and Munitions Handling and Storage Facility

The AZ ANG has made an impact in this community for more than 50 years, supports more than 1,800 jobs, and provides

an annual economic benefit of over \$270 million.

The 162nd Wing trains United States and partner nation F-16 fighter pilots; provides persistent, armed MQ-1 Intelligence, Surveillance and Reconnaissance and Incident Awareness and Assessment around the globe; supports NORAD Aerospace Control Alert directives with 24/7 immediate response aircraft in the defense of North America; and delivers an integrated realistic training environment for United States and partner nation deployments to enhance unit combat capability and readiness.

The AZ ANG installation at Tucson International Airport (TIA) requires additional and updated access to address current Department of Defense force protection measures and congested traffic flow on Valencia Road during peak entry and exit hours. A plan to lease land access and construct a modern gate off Park Avenue is currently moving forward and will greatly improve safety and security for both the AZ ANG and the community.

Operations of the 162nd Fighter Wing require that some munitions be transported from DMAFB to TIA over publicly traveled roadways. While these munitions are relatively insignificant compared to most munitions loaded on fighter aircraft, they ideally should be stored at the operational site of the AZ ANG for use on training missions. Approximately 50 acres of the expanded Raytheon buffer are being reserved for a new Munitions Handling and Storage Facility, which will increase efficiency and safety for AZ ANG operations.

Pima County has been, and continues to be, a strong advocate for the 162nd Fighter Wing and its future missions. This includes the potential securing of F-35A allied pilot training in Tucson. We are committed to making wise community investments to protect and provide maximum operational flexibility for the AZ ANG.

D. The University of Arizona – State Funding

The UA, with 11,442 employees and 10,484 in Pima County, is our region’s second largest employer and a key element in the infrastructure that builds and shapes our economy. The UA has an \$8.3 billion statewide economic impact. The University educates individuals and creates economic activity through the research, translation and commercialization activities of students and faculty. These activities are critical in supporting existing companies, attracting new businesses and creating new sectors in our economy and, at the same time, provide a capable workforce generating innovative ideas for new business activities.

Providing necessary supporting infrastructure to encourage regional employment centers requires time and investment. While the Aerospace, Defense and Technology Research and Business Park is an appropriate response to increase high-wage jobs in the TIA area, it could be five years away from providing the first job, with the possible exception of jobs created by a Raytheon expansion facilitated by the Pima County buffer.

The Tucson Tech Corridor, or the extended UA Tech Park, however, is in a position to provide high-tech industry jobs much sooner if we work with existing landowners to foster the necessary investment and cooperation. The corridor, anchored by the UA Tech Park and the Port of Tucson, connects a number of



The University of Arizona’s Bio5 Institute is a world leader in biotechnology research and converting that research into private enterprise.

major industrial park developer in Mexico, is also headquartered in the Tucson Tech Corridor.

Public investment and infrastructure needs associated with each of these facilities are different and should be tailored to the very specific needs of the employment center in the communities in which they are located. Infrastructure needs vary from traditional public infrastructure such as streets, highways and utilities, to nontraditional in-

Economic growth requires an educated workforce and high-level university-based research that leads to new commercial entities and job opportunities.

existing and emerging employment centers of significant importance in the southern metropolitan area. These centers include the UA Tech Park, the UA Tech Park at The Bridges, Banner UA Medical Center–South on Ajo Way, and the Logistics and Intermodal Center at the Port of Tucson. The Offshore Group, the largest employer in Sonora and a

frastructure investments, such as land acquisition and development of incubator building space. Based on an analysis of public infrastructure necessary to support rapid and continued employment development at the UA Tech Park, it is estimated it will cost \$28.1 million to make this facility fully development ready.

The UA, Campus Research Corporation and other entities are prepared to fund \$10.6 million of this cost. Some of this investment has already been made, including construction of a new road to the Solar Zone and a well and water distribution system. These investments will be matched with county bond funds if approved by the voters, making the county an active participant in development of the Tucson Tech Corridor and expanding employment opportunities at the UA Tech Park. To help facilitate this employment center, the county supports bond funding of up to \$10 million to develop the public highway infrastructure necessary for constructing up to three miles of Science Park Drive from Kolb Road to Rita Road.

Pima County has also supported development of the UA BioPark at The Bridges with infrastructure capital investments related to Regional Flood Control District and county wastewater facilities. These investments total over \$16 million. The Bridges, located adjacent to Kino Boulevard between TIA and the UA, is an ideal location for growing startup technology firms translating UA research into practical job applications. To assist the University, the county is prepared to provide up to \$20 million in General Obligation bonds to help construct and finance an innovation building for this purpose.

Action Items

- 3.1** Relocate Hughes Access Road and secure buffers for Raytheon expansion.
- 3.2** Continue to actively support DMAFB and their continuation of the A-10 mission and any future mission for DMAFB.
- 3.3** Create the County staff position of Navigator to coordinate strategies and regional support activities for DMAFB.
- 3.4** Actively pursue acquisition of leased private properties within DMAFB and State Trust land to reduce operational land leasing costs of DMAFB. Five million dollars of County General Obligation bonds will be used for this purpose if approved by the voters.
- 3.5** Continue to actively support the AZ ANG and continuation and expansion of its domestic and international flight pilot training missions at TIA.
- 3.6** Support the AZ ANG main entrance relocation to improve safety and operation security of the facility. Set aside approximately 50 acres of expanded Raytheon buffer for AZ ANG purposes primarily related to munitions storage and arming of AZ ANG aircraft engaged in pilot training.
- 3.7** Support funding initiatives for the UA and oppose further reductions in State funding of Arizona's university and community college systems.
- 3.8** Actively support capital investments in technology transfer activities at the UA related to primary employment growth, including capital financing of a public highway at the UA Tech Park with \$10 million of General Obligation bonds if approved by the voters.
- 3.9** Provide \$20 million in General Obligation bonds, if approved by the voters, to finance an innovation building at The Bridges. The purpose of the innovation building will be to facilitate and incubate startup technology companies transferring research to practical applications and job development.
- 3.10** Begin development of a contingency plan to absorb potential employment losses at DMAFB.