



MEMORANDUM

Date: December 26, 2019

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

A handwritten signature in black ink, appearing to read "CHH", is written over the printed name "C.H. Huckelberry".

Re: **Positive Economic Indicators and End of Year Summary Results of the Pima County Economic Development Action Plan**

There have been a number of recently reported economic indicators that demonstrate a positive outlook for the future. During the Arizona Eller College of Management's 2019 Economic Outlook Luncheon indicated our economy looks strong moving into 2020 and another recession is unlikely in the years to come.

Regional GDP Growth

This was reinforced by the release of a report from the US Department of Commerce Bureau of Economic Analysis that calculated county and Metropolitan Statistical Area (MSA) Gross Domestic Product (GDP) growth from 2001 to 2018. From 2001 to 2008, Tucson's regional (pre-recession) GDP increased by \$10 billion, from \$25 billion to \$35 billion. From 2008 to 2011 during the Great Recession, the regional GDP only increased from \$35.1 billion to 35.4 billion. From 2011 to 2014, the GDP was classified as slow growth from \$35 billion to \$37 billion. Finally, from 2015 to 2018 there was an acceleration in regional GDP growth from \$38 billion to \$44.8 billion.

It should be remembered that our efforts at economic development were accelerated with Pima County's Economic Development Plan. During this time, the County has taken a very aggressive role in economic development. Our regional GDP from the Plan period from 2011 to 2018 increased from \$35 billion to \$44.8 billion, an increase of 28 percent over the six-year period.

Pima County Property Tax Base

The effect of the Great Recession on Pima County's property tax base was particularly devastating to our regional economy and the County's budget. In Fiscal Year 2009/10, before the effect of the economic downturn, the full cash value of the County's tax base was \$88,095,754,344. By 2013/14, when the full effect of the recession had reached Pima County, the full cash value had plummeted to \$74,590,066,749. This resulted in a loss of more than \$13.5 billion in full cash value from the property tax base in a four-year period.

In 2018/19, the full cash value of Pima County's property tax base had reached just over \$89 billion, exceeded the pre-recession value of 2009/10 by more than \$14.4 billion. With the continuing improvement in Pima County's economy, the full cash value is expected to increase in 2019/20 by 7.04 percent to over \$95.2 billion.

Between 2013/14 and 2019/20, the full cash value of the tax base increased by \$20.8 billion or an increase of 28 percent over recession values.

It should also be noted, the taxable value of the tax base, as opposed to full cash value, only increased by 15.4 percent during this same period. This is as a result of constitutional restrictions related to property value increases.

Housing Market

Recently, an analysis by Realtor.com ranked Tucson as the third top real estate market for 2020 out of 100 US largest metropolitan areas. In an article in *Real Estate Daily News* announcing the ranking, John Carroll of Scottsdale-based Land Advisors Organization was quoted as saying:

"This continues to add to a great year of news and articles regarding the Tucson housing market," Carroll said. "This ranking, headed in to 2020, is another example of national exposure and strong momentum we have seen over the last eight years. The spotlight is well deserved as the local housing market is performing strong across the board. We are anticipating nothing but good things for Tucson over the next several years."

In a year in which home sales are expected to slow by 1.8 percent nationwide, our region has seen four years in a row of housing permit growth and the housing market has increased 170 percent since the low point of the Great Recession in 2011.

Poverty Rate

The *Arizona Daily Star* recently reported about the growing wealth gap. This problem of income inequality is a national trend and Pima County was found to rank half way between more inequality and less inequality. This article represents one way to look at data. Another way would be to look at the most recent and historical poverty and income rates for Pima County.

On December 12, 2019, the most recent US Census Bureau, Income and Poverty data for counties was released. During the period before the Great Recession or 2007, the poverty rate for all ages stood at 14.9 percent. At the end of the Great Recession, the poverty rate was 20.4 percent but by 2018, the poverty rate had decreased to 16.2 percent. More importantly, the number of people in poverty in Pima County in 2011 was 197,078 (poverty being defined as the federal poverty income level). By 2018, the number of individuals in poverty had decreased to 164,927, which indicates 32,151 individuals rose above the federal poverty line during this 7-year period. During the period of 2009 to 2018, the median household income in Pima County also rose from \$43,243 to \$53,395 for a \$10,152 increase in income.

This increased economic performance occurred during a period when some other counties and regions were experiencing an increase of individuals falling into poverty. The US Census Bureau noted only 13.6 percent of counties in 2018 had a statistically significant increase in median household income compared with 2007.

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Re: **Positive Economic Indicators and End of Year Summary Results of the Pima County
Economic Development Action Plan**
December 26, 2019
Page 3

Our Economic Development Plan has recently refocused on workforce investment training and skill improvement for existing employees, which will assist them in moving into higher paying jobs. In addition, as the region creates new employment by expansion and relocation, it is likely these will be high wage jobs that require skills training. Hence, our significant investment in Sun Corridor, Inc., JobPath and active development of workforce training programs, including a future County program to increase STEM (Science, Technology, Engineering and Math) training with University and Community College partners.

I would attribute the amount of people who moved out of poverty between 2011 and 2018 as being able to increase their individual or family income as a result of job training, skills enhancement and employment in higher wage earning job categories.

Summary

The economy looks stable, new employment and higher wage employment continues to relocate and expand in the region, our existing workforce continues to receive higher wages through job training and skill development programs making our workforce eligible for the high paying jobs migrating to the region. Highlights are:

- Regional GDP increased from \$35 billion in 2011 to \$44.8 billion in 2018, an increase of 28 percent.
- The property tax base full cash value increased from \$74.6 billion in 2013/14 to \$95.2 billion in 2019/20, an increase of 28 percent.
- The Housing market is the third top real estate market for 2020 out of 100 US largest metropolitan areas.
- The poverty rate decreased from 20.4 percent at the end of the Recession to 16.2 percent in 2018.
- The median household income rose from \$43,243 to \$53,395 between 2009 and 2018, an increase of 24 percent.
- More importantly, between 2011 and 2018 the number of individuals living in poverty decreased from 197,078 to 164,927, a decrease of 32,151 individuals.

CHH/anc

c: Jan Leshar, Chief Deputy County Administrator
Francisco García, MD, MPH, Deputy County Administrator & Chief Medical Officer,
Health and Community Services
Dr. John Moffatt, Director, Economic Development Office
Arnold Palacios, Director, Community Services, Employment and Training
Patrick Cavanaugh, Deputy Director, Economic Development Office