



Board of Supervisors Memorandum

November 22, 2016

Pima County Economic Development Plan – Update through 2018

Introduction

As a component of our ongoing efforts to promote economic development, job growth, higher wages and increased wealth within our region, Pima County has updated the enclosed Pima County Economic Development Plan through 2018. This plan is a midterm update of the previous economic development plan adopted by the Board of Supervisors in August 2015.

The recommendations and action steps presented in this updated plan are ones the County can take and is taking in the near term to provide a foundation for long-term economic growth and stability. We will continue to revise and update the Plan to maximize a steady and prolonged recovery in the community's economic conditions; including increasing the number of jobs available, increasing the average wage, compensation and benefits – particularly for new jobs in the region – and increasing the positive economic outcomes of tourism. The plan also recommends fostering a collaborative environment in which the private sector, local governments, educational institutions and nonprofit organizations work together to stabilize and expand the local economy. Key areas where such collaboration can reap significant rewards for the community include education/workforce development and combating poverty.

This Economic Development Plan midterm update is designed to continue guiding the County's investments and policy actions to grow the local economy, increase jobs and income, and increase overall community wealth. The plan consists of the same 14 chapters created for the 2015 through 2017 update; each of which focuses on an area of economic development and job creation/growth where the County can lead, directly affect and/or influence progress and outcomes.

The discussion below highlights successes and positive progress on a number of actions to increase employment and improve the economic wellbeing of our community, as well as position our region for continued economic expansion. The attached *Pima County Economic Development Plan – Update through 2018* discusses these activities and others in which the County is currently engaged.

Aerospace Parkway Completion and Pending Expansion

The relocation of Hughes Access Road was completed by the County in December 2015 to allow Raytheon to achieve the full benefits of both an existing and expanded buffer. This project was a nearly \$14 million investment by the region to not only protect the region's largest employer, but lay the groundwork for future aerospace, manufacturing and defense-based primary employment in the region. The Hughes Access Road relocation to a new roadway alignment named the Aerospace Parkway

significantly increased buffering benefits to Raytheon, as well as added to accessibility of the County-owned Aerospace, Defense and Technology Business and Research Park. Development of the Business Park, as well as other building activities in the area, mean traffic demand on the Parkway is growing rapidly, resulting in planned expansion through the Business Park to four lanes.

On October 27, 2016, the Pima Association of Governments authorized an amendment to the current five-year Transportation Improvement Plan, as well as \$10 million in funding, to widen and expand the Aerospace Parkway from Old Nogales Highway easterly, including expansion and improvement of the south access to Raytheon and local public highway service to tenants now beginning to locate in the Business Park.

World View and Vector Space in the Aerospace, Defense and Technology Business and Research Park

World View Enterprises is the first occupant of the Aerospace, Defense and Technology Business and Research Park. Their manufacturing and headquarters facility is located on 12 acres adjacent to the Aerospace Parkway and Raytheon Parkway. World View plans to launch high-altitude balloons that can perform some functions that normally require satellites, but at substantially less cost. The balloons, known as stratollites, are the first foray into commercial activity in the Earth's stratosphere. When fully operational, World View will employ 500 employees and manufacture balloons carrying scientific payloads.

In addition, the construction of SpacePort Tucson has been completed near World View's manufacturing site in the Park. SpacePort Tucson will be the first licensed spaceport in Arizona, and it will be owned by Pima County and operated by World View.

World View's impact on the near space industry has not gone unnoticed and has resulted in inquiries about the Park from other space-oriented companies. World View projects its employment will grow from 25 to more than 400 within the next five years. Annual salaries will average \$55,000, which is 150 percent above the current annual wage in Pima County. A professional analysis estimates World View's economic impact in the region at \$3.5 billion over the next 20 years.

Vector Space Systems recently announced its decision to expand its rocket manufacturing facility on a 15-acre site within the Park. Vector Space offers reduced cost rocket launch capability for micro-satellites and other virtual satellite technologies. Over the next two to three years, Vector projects a total of 200 fulltime employees earning an average salary of more than \$70,000 annually.

Caterpillar Relocation

Sun Corridor, the Arizona Commerce Authority, Rio Nuevo, the City of Tucson, and Pima County all worked together to assemble a package of economic incentives that ultimately induced Caterpillar to select Tucson as the site for its reorganized Surface Mining and Technology Headquarters. This consolidated operation is expected to grow to include nearly 1,000 jobs within five years, which means this action will result in 650 new highly-skilled jobs with an average annual salary of \$90,000.

Although it intends, with the assistance of Rio Nuevo and the City, to build a large new facility in downtown Tucson valued at up to \$50 million, designing and constructing such a facility will take several years. Caterpillar therefore needed office space for short- and long-term lease until its new permanent facility is ready for occupancy. The County was ideally positioned to offer Caterpillar a four-year lease in the County-owned building located at 97 E. Congress Street. Once Caterpillar moves into its newly constructed facility, 97 E. Congress will be available for sale or lease to another primary employer.

An economic impact study commissioned by Sun Corridor has estimated Caterpillar's operation in Pima County would generate a total economic impact during its first five years of almost \$600 million.

HomeGoods Opening

Recently, HomeGoods completed an 800,000 square foot, \$79 million facility just north of Tucson International Airport that will employ nearly 900 residents. FedEx Ground and Old Dominion Freight Lines have also located new logistics facilities adjacent to the HomeGoods site. This area is beginning to be recognized for its strategic advantage as a logistics center for the Southwest. Discussions are underway with Union Pacific Railroad regarding relocation of the Nogales Line in a planned utility corridor along the Old Vail Connection alignment to connect to the Sunset Line with the goal of adding rail service to this area. This will be a major attraction for additional logistics-focused employers.

The County worked with Sun Corridor Inc. and other jurisdictional partners in HomeGood's successful Foreign Trade Zone designation

Completion of the TIGER Grant Expansion Project at the Port of Tucson

The Port of Tucson is a long-established, privately held rail/truck intermodal facility operated, built and constructed by a local family. The operation is now beginning to reach its potential as a significant inland port facilitating both rail and truck interchanges, as well as integrating product, storage and distribution.

The County and the Port of Tucson cooperated to receive a TIGER Grant, and this grant has been implemented, creating a major offloading point from the intercontinental Union Pacific Railroad. The Port of Tucson is now able to accept significantly larger train capacity, further emphasizing its importance in the national and international rail/freight distribution network.

New Direct Air Service from Tucson to New York City and Tucson to Mexico Destinations

In 2015, the Tucson Metro Chamber formed an Air Service Task Force that is attempting to secure direct flights from Tucson to New York City/Newark with an approximately \$3 million revenue guarantee. This effort has been successful as American Airlines began nonstop daily service from Tucson to New York on October 7, 2016. Also in October 2016, direct flights from Tucson to Hermosillo and Mazatlán were added. Efforts to add additional direct flights to locations in Mexico, Canada and possibly Washington DC are underway. These communitywide efforts will continue to be encouraged and assisted by Pima County.

Continued Growth and New Manufacturing Facility for Accelerate Diagnostics

The County assisted in the relocation of biotech startup Accelerate Diagnostics to the Abrams Public Health Center, and the company has grown significantly since relocating to Tucson. In the future, it will occupy the entire fourth floor of the Abrams Public Health Center for a total of 45,000 square feet. The economic development incentive originally provided by the County required 30 employees at an average annual wage of \$65,000. Accelerate Diagnostics began with 10 employees; they now have over 120 fulltime employees, and the 2016 120-employee average annual wage is over \$80,000.

Accelerate's manufacturing facilities are initially located proximate to the Abrams Public Health Center. This manufacturing component will be expanded in 2017 and add another 30 employees to Accelerate's total employment over the next two years.

Successful Legislation to Include the Sonoran Corridor in the Interstate Highway System

In June 2015, Senators John McCain and Jeff Flake and Congresswoman Martha McSally cosponsored successful legislation to designate the Sonoran Corridor as part of the interstate highway system. This legislation was cosponsored by the entire Arizona Congressional Delegation and received Arizona Governor Doug Ducey's support, as well as that of local business leaders.

The Sonoran Corridor and its many job and economic development benefits have been part of the County's economic development plan since 2012. Designating the Sonoran Corridor as an interstate highway will enhance and emphasize the international trade

aspects of this corridor with Mexico and will add to the benefits of the CANAMEX and future Interstate 11 Corridors.

Progress on Acquisition of Leased Lands within Davis-Monthan Air Force Base

There are currently 99 acres of private property and 133 acres of State Trust land inside the boundary of Davis-Monthan Air Force Base (DMAFB) that are leased on an annual basis to the US Air Force. The annual cost of these leases to the Air Force 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; When contacted to discuss purchase of this property on behalf of the USAF, the Arizona State Land Department recognized the need to lower the annual lease cost and converted this \$54,000 annual commercial lease to a Special Land Use permit that now costs the USAF just \$2,400 per year.

In addition, the County has worked with the Governor's Office and the Arizona Department of Emergency and Military Affairs to secure funding to purchase certain private properties inside the boundaries of DMAFB. A \$250,000 grant from the Military Installation Fund has been approved for this purpose. The County hopes to complete acquisition of these properties by fall 2017 and lease them to DMAFB at the nominal rate of \$1 per year. We hope to expand funding by reapplication for additional funding to the Military Installation Fund for the purchase of the private properties. The first priority area for these purchases is land within the Quantity Distance Arcs related to the DMAFB Munitions Storage Area.

Kino Stadium, Major League Soccer and Mexican Professional Baseball

Pima County invested more than \$3 million in FY 2012/13 to transform the northern half of Kino Sports Complex from baseball fields into a 2,360-seat pocket stadium and four multipurpose fields that can be used for soccer, lacrosse and other grass sports. FC Tucson is established as the anchor tenant at the Kino North Sports Complex. FC Tucson has also taken the lead in bringing Major League Soccer (MLS) spring training to the Kino North Sports Complex annually from late January through early March.

Pima County invested an additional \$190,000 in FY 2013/14 to bring in MLS spring training and a professional soccer team from Mexico to compete in the February 2014 Desert Diamond Cup. The County made similar investments to bring back MLS spring training in 2015 and 2016. Visit Tucson has helped the County leverage its investment by entering into \$50,000 sponsorship agreements annually with FC Tucson in FYs 2013/14 and 2014/15. The majority of these investments are passed through to MLS to secure advertising used to attract fans of incoming MLS teams to Tucson.

Kino Sports Complex is also the site for what has become the annual Vamos a Tucson Mexican Baseball Fiesta each October. The sixth annual Vamos a Tucson Mexican Baseball Fiesta was held at the County-owned Kino Stadium in fall 2016. The tournament included some of the most popular teams in Mexico; and over the four-day event, attendance was nearly 12,500, despite inclement weather.

Colossal Cave Mountain Park Revitalization

Colossal Cave Mountain Park's first year under the new operator, Ortega National Parks, has been very successful. Attendance and revenues have increased dramatically, with attendance increasing 323 percent and overall revenue exceeding over 200 percent, over Fiscal Year 2014/15. Attendance and revenue growth is attributed to several factors, including the complete remodeling of the gift shop, the opening of a new restaurant, campsite renovations and improved cave tours and more improvements to the ranch house area, trail systems, and campground areas are scheduled for 2017.

Ending Poverty Now Initiative

Pima County is engaged in examining more closely how we can reduce both the direct cost of incarceration to the County and the larger indirect impact of incarceration on the economic wellbeing of the community. Since 2015, the County has been one of only 20 jurisdictions nationally participating in the MacArthur Foundation's Safety & Justice Challenge, which is a \$100 million initiative to reduce over-reliance on incarceration. Pima County is one of only 10 Safety & Justice sites that received grant funding to implement plans to divert low-risk offenders from jail, improve treatment for substance abuse and mental health problems to reduce recidivism, and reduce arrests related to failure to appear in court by improving court reminder systems and holding weekend and night courts.

In addition, Pima County is one of approximately 50 communities in the United States to investigate Pay for Success as a way to address social issues. Pay for Success projects involve public-private partnerships in which it is possible to invest in innovative best practices. In 2015, the County initiated a contract with the Sorenson Impact Center to conduct a Pay for Success "readiness assessment" for Pima County. This work led to the 2016 award of \$1.3 million by the US Departments of Housing and Urban Development and Justice to the Sorenson School and Pima County to develop a Pay for Success model to provide permanent supportive housing for the chronically homeless, who are generally users of costly services such as jails and mental health and housing services.

In fall 2016, Pima County was awarded a grant by the US Department of Labor to provide workforce services to individuals serving out their sentences at the Minimum Security Facility of the Pima County jail and preparing to re-enter the community. Nearly

\$500,000 will be earmarked for training and career counseling, and other employability skills efforts for inmates – both in-jail and post-release.

Diversifying County Revenue Sources to Lower the Property Tax

Pima County's strategic economic development efforts have led, and will continue to lead, to increased capital investment that serves to expand the tax base. The attraction of new businesses adds to the tax rolls and is a very important component of our economic development strategy. Growing the tax base means taxable income of the County increases; hence, other taxpayers will bear less of the tax burden.

The County has been the subject of a number of State cost transfers that artificially increase the County's primary property tax rate. The single largest transfer was attempted by the Arizona Legislature beginning in Fiscal Year 2015/16 when the Legislature transferred a portion of the funding obligation for education in Arizona to other taxing districts. Pima County believed this transfer was unlawful and filed suit; and this proposed cost transfer was declared unconstitutional. This successful litigation saved the County \$32 million during the time period the obligation would have been imposed and allowed Pima County to lower the primary property tax rate.

As can be seen from the successful outcomes discussed above and the additional positive activities that are occurring as described in the *Economic Development Plan – Update through 2018*, the strategies being employed by the County are yielding measurable results in the form of employment expansion, capital investment within the community, and expansion of the tax base.

Recommendation

I recommend the Board of Supervisors accept the Pima County Economic Development Plan Update through 2018 and use the Plan to guide future budget allocations and policy decisions to foster economic development opportunities in Pima County.

Respectfully submitted,



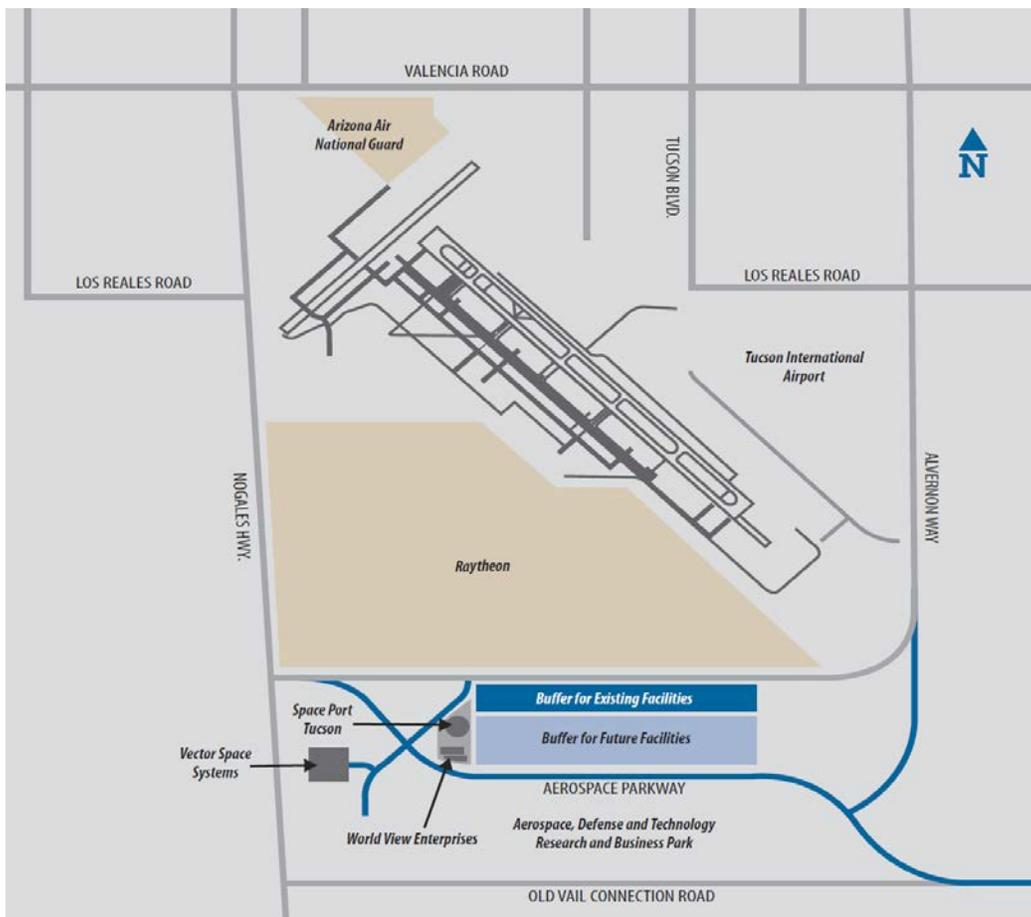
C.H. Huckelberry
County Administrator

The County is developing a number of proposals to make available shovel-ready primary employment center sites. These sites would be available for sale or lease to new primary employers or for expanding primary employment within the County. They are all County-owned properties that could be used for employment centers. The locations discussed in this chapter are under active consideration.

A. Raytheon Buffer

One of the priorities in the County adopted Economic Development Action Plan is to protect the existing employment base within the County. Raytheon is our largest private employer; hence, the County has taken steps to buffer Raytheon operations by both relocating Hughes Access Road and by acquiring buffer lands that could be utilized for Raytheon if they chose to expand their operations. These actions allow existing Raytheon operations to continue without receiving waivers from the United States Air Force (USAF) for certain activities. The actions substantially buffer Raytheon from any adverse encroachment that would threaten or diminish its operational flexibility.

The Raytheon buffer is comprised of two components, the first being the buffer related to existing operations and its existing facilities. This buffer will be acquired in a land exchange agreement between the Tucson Airport Authority (TAA) and the USAF and would extend approximately 800 feet south of the existing Hughes Access Road alignment. This buffer is approximately 130 acres of land now owned by the TAA.



The second buffer is larger, consisting of approximately 270 acres of land that would allow displaced Raytheon facilities to be relocated. In addition, the expanded buffer would allow Raytheon to construct additional final assembly and checkout facilities to expand operations. This second buffer will be acquired by the City of Tucson using an annexation fund previously established by the City as an incentive for Raytheon to annex into the City.

The buffer for Raytheon production expansion will be transferred upon completion of an ongoing Environmental Impact Statement (EIS) for the second runway at Tucson International Airport (TIA). Completion of the EIS is scheduled for September 2018.

A portion of the expanded buffer is also planned for an Air National Guard munitions storage area which would allow the current 162nd Arizona Air National Guard Pilot Training Program to continue and expand at TIA.

B. Aerospace, Defense and Technology Business and Research Park

To eliminate potentially adverse residential encroachment on Raytheon, the County purchased approximately 382 acres at a cost of \$5.9 million from private developers who were attempting to build residential development adjacent to the south boundary of Raytheon. These 382 acres of County-owned property, as well as 97 acres owned by the County for many years and adjacent TAA-owned lands, are being developed as an Aerospace, Defense and Technology Business and Research Park (the Park). The lands will have transportation access from the relocated Hughes Access Road, now known as the Aerospace Parkway, as well as planned rail access from the Nogales line. The planned uses would be for primary employment, with preference given to aerospace and defense industry-related firms that are compatible with the adjacent landowners, Raytheon and TIA. In total, the Park would be approximately 2,800 acres of land held in trust by the State or owned by Pima County or the TAA. The site's proximity to the new proposed auxiliary interstate highway, also known as the Sonoran Corridor and discussed in Chapter 2, makes the property an ideal location for future primary employment sites that complement existing aerospace, manufacturing and high-tech employment within the corridor.

To advance development of the Park, the Aerospace Parkway (the relocated Hughes Access Road) was completed in 2015. In addition, advance planning and implementation of major utility extensions for wastewater and water services have been completed by the County and City. Business development of the property for defense and technology manufacturing will be possible with surface transportation access, as well as major utility connections, including water, sewer, electric and communication systems.

Active land use planning for the County's nearly 500-acre property began in the latter part of 2015.

The first occupant of the Aerospace, Defense and Technology Business and Research Park is World View Enterprises. Their manufacturing and headquarters facility is located on 12 acres adjacent to the Aerospace Parkway and Raytheon Parkway. World View plans to launch high-altitude balloons that can perform some functions that normally require satellites, but at substantially less cost. The balloons, known as stratollites, are the first foray into commercial activity in the Earth's stratosphere.

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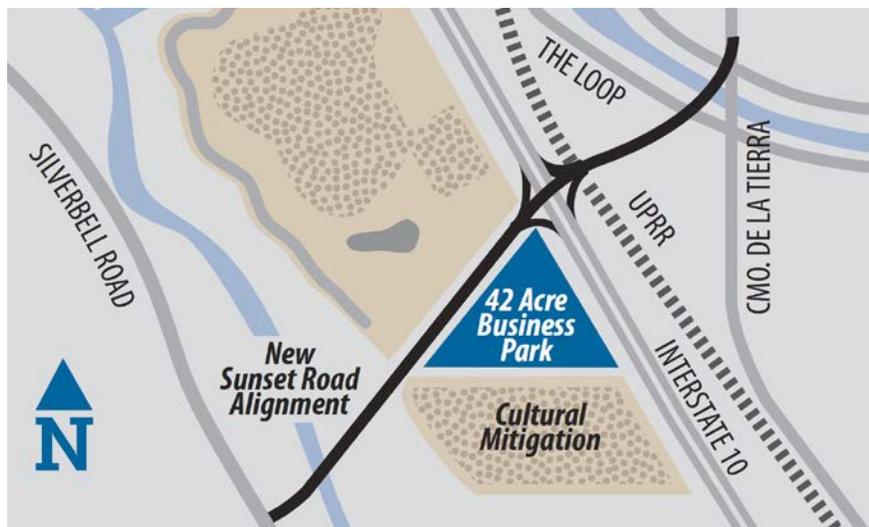
In addition, SpacePort Tucson is being constructed near World View’s manufacturing site. SpacePort Tucson will be the first licensed spaceport in Arizona and will be owned by Pima County and operated by World View.

World View’s impact on the near space industry has not gone unnoticed. Pima County has had inquiries about the Park from other space-oriented companies. Vector Space Systems recently announced its decision to expand its rocket manufacturing facility in the Park. Vector Space offers reduced cost rocket launch capability for micro-satellites and other virtual satellite technologies. Both of these companies are on the cutting edge of the rapidly growing industry of stratospheric and suborbital space capability.

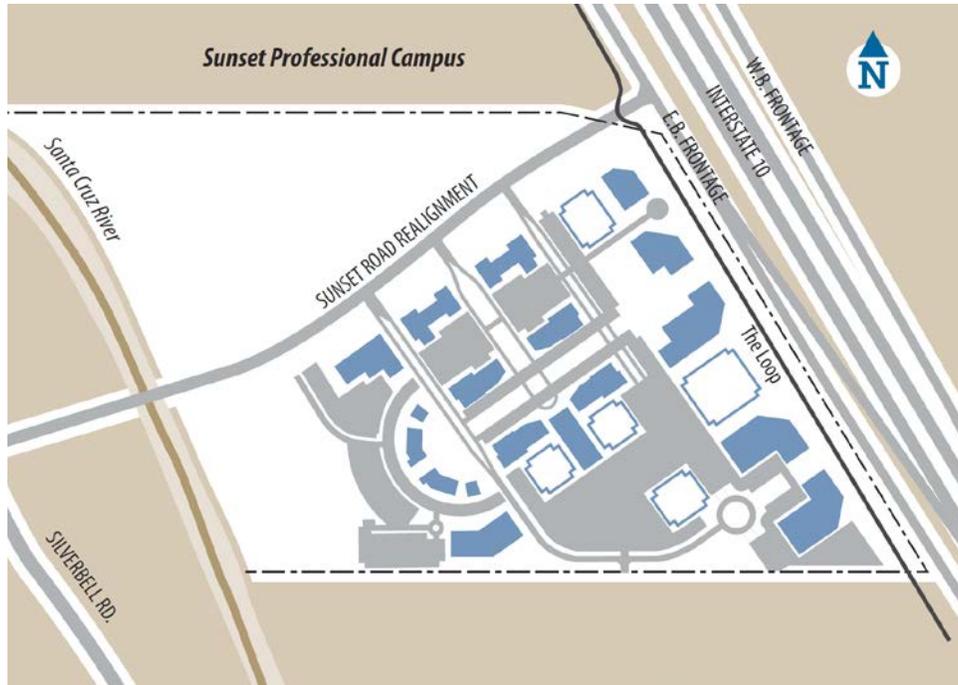


C. Sunset Professional Campus, Sunset Road and Interstate 10, River Road

The County acquired approximately 615 acres from California Portland in December 2012. Most of the acquired property is within the floodplain, flood erosion hazards of the Santa Cruz River or has been the site of sand and gravel mines. However, over 100 acres of the property located at Interstate 10 (I-10) and the future extension of Sunset Road to Silverbell Road, as well as Sunset Road to River Road, can be utilized for primary employment. Because of easy access to I-10, future employment uses envisioned at the site would promote primary and new employment within the region in a campus environment. It would also encourage mixed-use development in the area. Regional Transportation Authority (RTA) and Arizona Department of Transportation (ADOT) funding of the new Sunset Road interchange, Sunset Road extension and connection to River Road, as well as the RTA improvements to Silverbell Road, will make this an ideal business campus site in the future.



The County has developed a more detailed Master Plan for the Sunset Road Professional Campus. This campus is designed to accommodate nearly one million square feet of office space and technology research centers. Cost models are currently being developed for the first 250,000 square foot office complex at the corner of Interstate 10 and Sunset Road. Buildings will be designed in a campus style and be between three and six stories in height.



The balance of the property is to be developed as an environmental enhancement project known as El Corazón, which will be a major public recreation asset through restoration of the former sand and gravel sites.



The County is also advancing the connection of Sunset Road to Silverbell Road and the significant enhancement of the Sunset Road interchange at I-10. The County's Department of Transportation conducted early planning studies leading to design and implementation of

Sunset Road connecting to the existing interchange at I-10. This improvement began in 2016 at an approximate total cost of \$22 million and is due for completion in Spring 2017.

D. Biosciences and Biotechnology

Between 2002 and 2011, bioscience jobs in Arizona increased by 45 percent, adding more than 30,000 jobs, for a total of nearly 100,000. By comparison, the national growth rate for bioscience jobs during this period was 12 percent. Arizona's bioscience firm establishment also exceeded national growth – a 31 percent increase versus 23 percent. Arizona bioscience workers earn an average annual salary of \$56,000, compared to \$44,000 for all other private sector industries.

Biosciences/biotechnology is an emerging high-tech job developer and exists in limited locations throughout the region – primarily in four geographic areas. One of these areas and the largest private employer of bioscience and biotechnology jobs is in Oro Valley at Innovation Park, followed by facilities associated with The University of Arizona (the University; UA) in and around the main campus, followed by the location of Accelerate Diagnostics in the County's Abrams Public Health Center at the Kino Campus on Ajo Way, and emerging companies at the UA Tech Park at The Bridges.

Accelerate Diagnostics. The County assisted in the relocation of Denver, Colorado-based Accelerate Diagnostics to the Abrams Public Health Center. Accelerate is a startup biotech firm that has grown significantly since relocating to Tucson. In the future, it will occupy the entire fourth floor of the Abrams Public Health Center for a total of 45,000 square feet. The

lease is relatively short term at six years, with the facility being designed as a successful bioscience start up incubator. Accelerate Diagnostics began with 10 employees; they have over 120 fulltime employees in 2016. Originally, the economic development incentive provided by the County required 30 employees at an average annual wage of \$65,000. The 2016 120-employee average annual wage is over \$80,000.

Accelerate Diagnostics' growth has been quite significant, and they have agreed to locate their manufacturing facilities for their medical devices in Tucson. These manufacturing facilities are initially located proximate to their incubator startup in the Abrams Public Health Center. This manufacturing component will add another 30 employees to Accelerate's total employment over the next two years. Currently, Accelerate has completed the construction of its manufacturing facilities and currently employs 6 in this facility, which will be significantly expanded in 2017.



Bioscience/biotechnology Startup in Oro Valley. The County and others have been meeting regarding the development of a bioscience/biotechnology startup to be located immediately adjacent to both Sanofi, Inc. and Ventana Medical Systems, Inc. (a member of the Roche Group) in Oro Valley. It is anticipated this bioscience startup facility will be 25,000 square feet, expandable to 50,000 square feet, and it is being developed with private funds.

Tech Launch Arizona. The UA is nationally ranked among public universities for research spending nationally and recognized for graduate programs in biomedical engineering, neuroscience, pharmacology and toxicology, cancer biology, applied mathematics and genetics.

The goal of Tech Launch Arizona is that by 2020, the University of Arizona “*will become a recognized national resource for its role in commercializing UA-created knowledge and bringing the University’s inventions to the public for economic and social benefit.*” Tech Launch Arizona has, since its inception in 2012, disclosed 800 inventions and launched 40 startups from UA research. In 2016, Tech Launch activities resulted in 278 filed US patents and secured 95 licenses and options, and received \$1.2 million in asset development awards and over \$2 million in royalty income.

Tech Parks Arizona, which directs the UA Tech Park at Rita Road, UA Tech Park at The Bridges and the Arizona Center for Innovation, had a \$1.74 billion impact on Arizona’s economy in 2016.

Strengthening connections to existing tech centers presents a major opportunity for new or expanded employment. The Tucson Tech Corridor is anchored by the UA Tech Park and provides more efficient linkages to the UA Tech Park at The Bridges, The Banner-University of Arizona Medical Center–South Campus (Banner UAMC–South) on Ajo Way, and their emerging employment centers. Pima County has already invested \$16 million at The Bridges site for flood control improvements and wastewater capacity.

E. Downtown Primary Employment – 97 E. Congress Street, 75 E. Broadway Boulevard and 332 S. Freeway

The County owns and operates approximately 1.58 million square feet of office space in the downtown Tucson area. Tucson is the County seat. Pima County is the region’s largest downtown employer and has been for more than two decades. Today, we employ more than 7,000 full- or part-time employees. The County is fully invested in the success of downtown revitalization; and through the development of new court facilities and the repurposing of the Historic County Courthouse, is able to make available 97 E. Congress, as well as leased parking spaces in the County parking garage at 50 N. Scott Avenue.

Ninety-seven (97) E. Congress is an office building of 44,130 square feet. Pima County has made this property available for lease to the Surface Mining and Technology Division of Caterpillar, Inc. The County’s preference will be to sell or lease this site to another employer that would bring primary employment jobs to downtown Tucson after the Caterpillar lease expires in four to six years.

During the four- to- six-year lease with Caterpillar, they will design and build a much larger headquarters building for their Surface Mining and Technology Division within the Rio Nuevo development site west of Interstate 10 and the Santa Cruz River. This permanent site for Caterpillar will be 250,000 square feet, housing approximately 1,000 employees.

In addition, the County owns 0.66 acres (28,780 square feet) of vacant property at 75 E. Broadway Boulevard (Broadway and Scott Avenue). The County will also, during the same time period, make this property available for the construction of a new office building designed, again, to attract primary export-based employment in downtown Tucson.

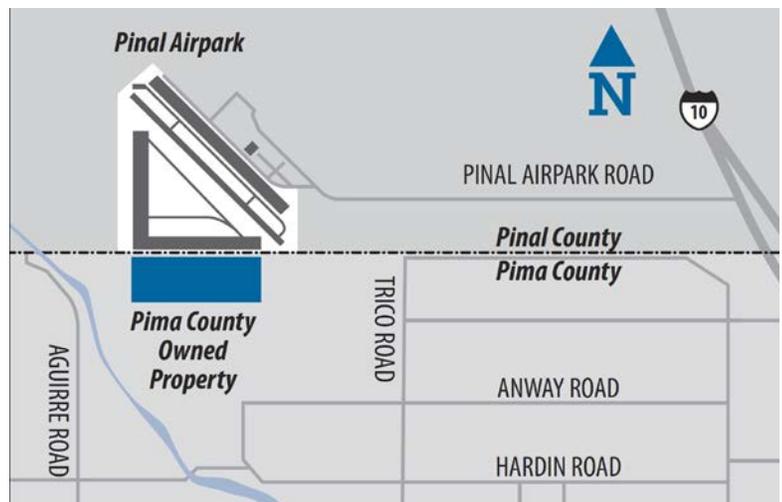
332 S. Freeway, the former location of the County's Teresa Lee Health Center, is an approximately two-acre property adjacent to Interstate 10. The existing structure has been demolished to make the site available for a multistory employment center. This site is well located on the Sun Link Streetcar line and The Loop and is very appropriate for the development of a high-technology, 150,000 square foot Class A office building.

The County will consider any sale or lease options for these properties for primary employment; all with appropriate considerations and/or incentives for economic development if the employer meets certain conditions regarding the number of new, export-based employees with average wage levels being significantly greater than the regional average.

F. Pinal Air Park

The County is engaged in discussions with Pinal County representatives regarding economic development opportunities on our common border. One of these opportunities involves Pinal Airpark. The County owns 296 acres of land immediately adjacent to and south of Pinal Airpark, and this land lies on the Pinal/Pima County boundary. This property is immediately adjacent to air operations associated with Pinal Airpark.

In our meetings with Pinal County, we have offered our full cooperation in any job or economic development activities that would expand Pinal Airpark, including making Pima County's property available to ensure full runway operational parameters, including aviation easements and other items necessary for a successful, long-term operation and expansion of Pinal Airpark. Further, the County's property can be made available to new employers that would locate near or adjacent to and use the air transportation capacities of Pinal Airpark.



The County fully supports Pinal County in its planning efforts associated with the Pinal Airpark Master Plan and has offered our property to be incorporated into its master planning efforts for developing a larger airfield economic development opportunity for the region.

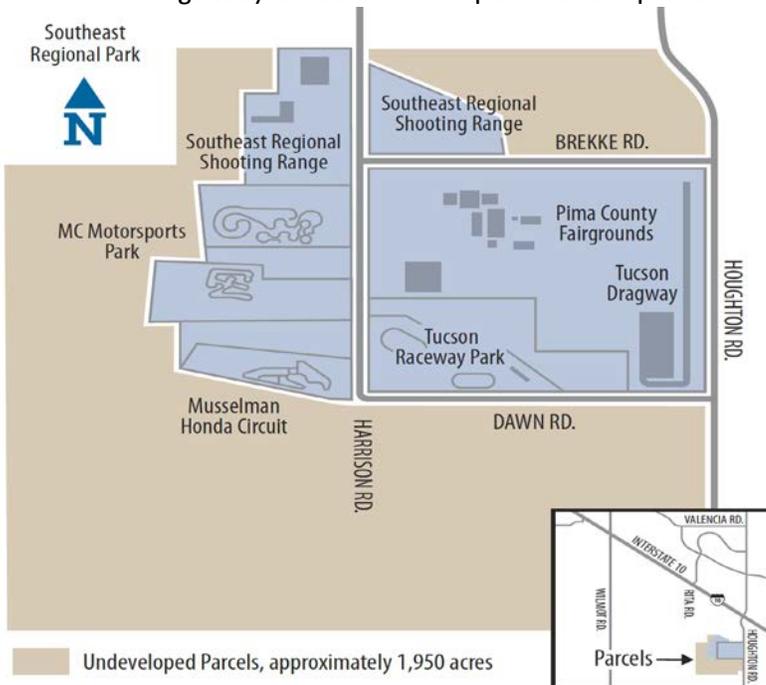
The County also supported the efforts of Pinal County to widen, resurface and extend the runway serving Pinal Airpark. The present runway was resurfaced in 2016, but it should be widened to accommodate larger aircraft and lengthened to accommodate more aircraft under varying conditions. Such an updated and expanded runway would greatly increase the maintenance and repair opportunities and capacity of Pinal Airpark for the airline industry.

The County will also work to provide direct access from Pinal Airpark to the County property. This can be accomplished by extending a north/south taxiway approximately 600 feet south. The County will request an airport improvement grant to make this improvement and will agree to designate the property for inclusion in the Master Plan Airport boundary, such that it can be considered Airport property for the purpose of onsite airport improvement grants.

G. Southeast Regional Park – Pima County Fairgrounds Area

The County acquired 1,920 acres of State Trust Land in the Southeast area in an exchange with the Arizona State Land Department for the Rancho Romero property purchased by the County through a 1974 Open Space bond issue. The County also purchased some of the property from the State Land Department using voter authorized bonds. Catalina State Park is a result of this exchange, as well as the purchase of private land. Today, the County owns approximately 3,000 acres in the Southeast area, including the Pima County Fairgrounds, which is located on 640 acres. The property is managed and operated by the Southwestern Fair Commission to conduct the County Fair and for a variety of other uses, including equestrian events, music festivals and motor sports.

In addition, there are sub-leases for other entertainment and recreational activities, including Tucson Speedway, a NASCAR circle track, Tucson Dragway (a National Hot Rod Association sanctioned quarter-mile track), a model airplane park and a go-kart track. Additional attractions within the Southeast Regional Park include a shooting and archery sports park, off-highway vehicle motorsports and a professional go-kart raceway.



Most recently, a portion of the property was leased for the purpose of developing a three-mile Road Track. This lease fell through with the opening of a competitive facility in Pinal County. The 400 acres is now slated for economic development uses for lease or sale to new export-based employers. The entire property will undergo a new master planning process to finalize uses, including those that now occupy portions of the property for shooting sports, archery and other parks and recreational activities. The remainder of the property will be planned for economic development expansion, primarily for the attraction of new export-based employers.

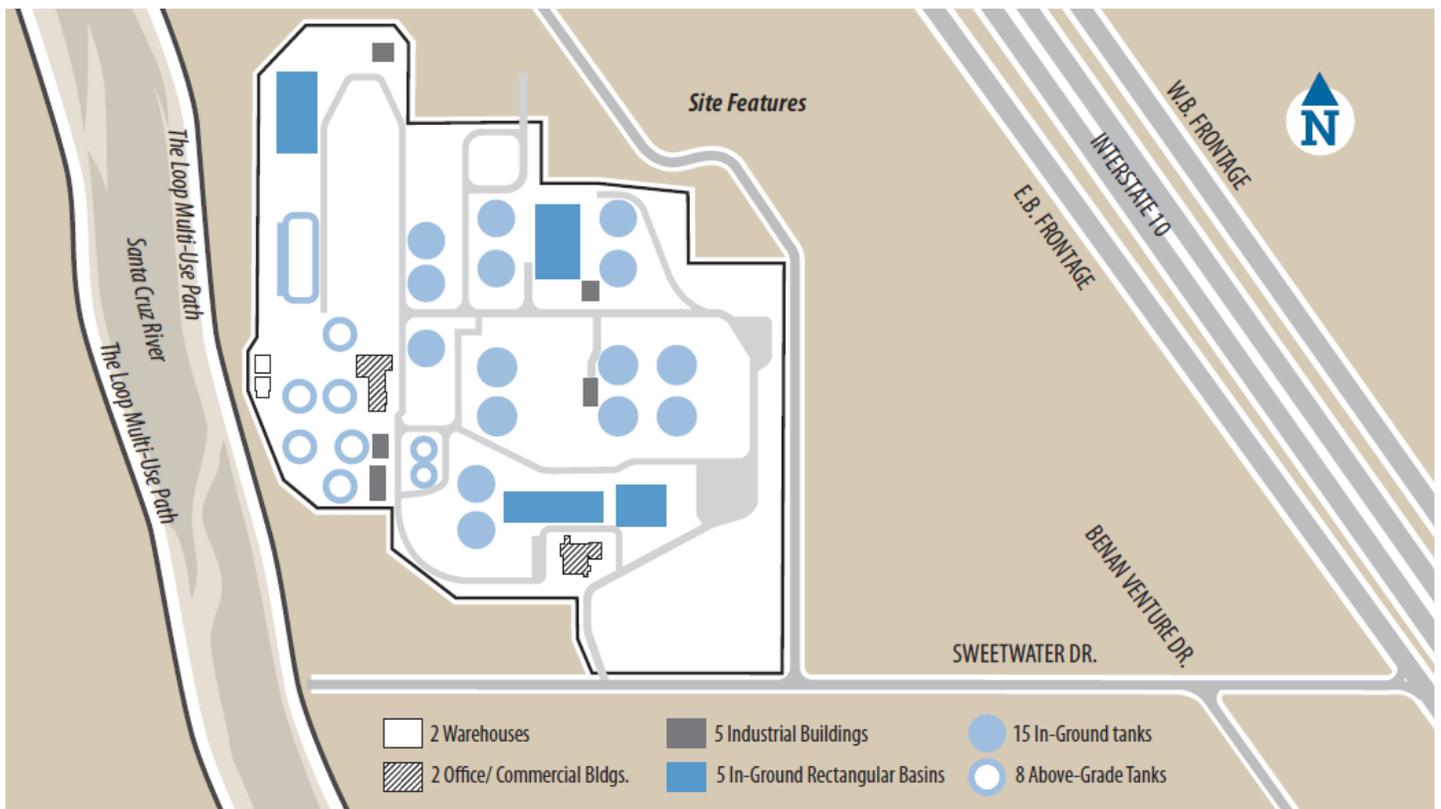
A challenge for making these properties available for economic development is the lack of infrastructure; the transportation and highway network is a two-lane rural network. There is no public sewer connection to the site and water infrastructure is inadequate. The challenge in 2017 will be to plan for appropriate utility extensions to this area so the property can reach its full potential for job growth within the community.

The first priority will be the extension and provision of sanitary sewer service to the Fairgrounds and surrounding area.

H. Adaptive Reuse of the Closed Roger Road Wastewater Treatment Facility

The closed Roger Road Wastewater Reclamation Facility, located at 2600 West Sweetwater Drive in Tucson, consists of 44 acres and was originally constructed in 1951, with expansions in 1960, 1967 and 1979. The plant was decommissioned in January 2014. The plant site contains 7 buildings, 2 warehouses, 23 tanks (15 in-ground and 8 above-ground), 5 in-ground rectangular concrete basins, ample surface parking, access to water resources, adjacency to Interstate 10 and availability of all utilities.

Ideal reuse would be any form of industrial manufacturing and/or aqua culture or food production activities. The County will continue to actively pursue adaptive reuse of this facility, which has a demolition value approaching \$30 million. Hence, there are significant embedded investments in plant facilities that can be reused for other purposes without the user being required to construct costly new facilities in the form of buildings, piping, pumping, concrete tanks and storage basins.



Action Items

- 1.1 Support the completion of the Environmental Impact Statement for the second runway at TIA by the TAA and Federal Aviation Administration (FAA) to initiate land and right of way exchange between the USAF and the TAA to complete the Raytheon buffer for existing facilities.
- 1.2 Complete the Environmental Assessment referenced above for the release and sale of the 270-acre expansion buffer for Raytheon and the Arizona Air National Guard and place the buffer under US AF control in 2018.
- 1.3 Develop a planning agreement between Pima County, TAA and the State Land Department to initiate concept planning for the Aerospace, Defense and Technology Business and Research Park consisting of 2,800 acres, of which 479 acres are County-owned.
- 1.4 Continue planning with Union Pacific Railroad for rail access from the Nogales line through the Park.
- 1.5 Define the boundary of the 150-acre primary employment campus-style employment center west of I-10 and south of the Sunset Road extension and develop an appropriate archeological mitigation plan for site development.
- 1.6 Complete planning and construction of the extension of Sunset Road between I-10 and Silverbell Road in 2017.
- 1.7 Market for sale or lease for primary employment vacant land at Sunset Road and I-10, 75 E. Broadway Boulevard and 332 S. Freeway.
- 1.8 Make available County property at Pinal Airpark for air field development and expansion, including airport employment lessees. Planning is underway in 2016.
- 1.9 Develop a new, fully integrated Master Plan for the Southeast Regional Park and Employment Site that identifies both lands that will be permanently reserved for public recreation and those that will be used for primarily export-based employment. It is likely over 1,000 acres could be reserved for an employment site, making the site ideal for a second master planned Business and Research Park. Actively plan and extend sanitary sewer service to the facility and develop an internal, County-owned water utility to service the Southeast Regional Park, Fairgrounds and Business and Research Park. Begin master planning and programming of transportation capacity improvements to provide urban transportation service to the location.
- 1.10 Continue and expand active marketing of the adaptive reuse of the former Roger Road Wastewater Treatment Facilities.

Efficient and effective transportation systems are key drivers of economic development. Products, goods and services all have a transportation cost component embedded in their final cost. Transportation systems that promote efficiency and the rapid movement of goods and services will produce positive economic expansion both locally and regionally. A number of projects are under consideration or development, and these are discussed in this chapter.

A. Transportation.

1. *Surface.*

a. **Interstate 11**

Arizona has four east/west interstate highways and no interstate that is a continuous north/south route that penetrates the southern or northern border of Arizona. The development of Interstate 11 (I-11) as a trade corridor is underway and is being thoroughly documented in a joint effort by the Arizona Department of Transportation (ADOT) and the Nevada Department of Transportation. This corridor must past through metropolitan or eastern Pima County and connect to the Mariposa Port of Entry (POE) at Nogales, which has already received more than \$250 million of investment by the federal government to improve its efficiency as a border crossing facility.

ADOT obtained funding for environmental and location studies for I-11, and those studies began in mid-2015. The studies need to be followed closely to ensure I-11 is extended through eastern Pima County and connects to the Mariposa POE. In addition to the Mariposa POE investment, the Mike O'Callaghan – Pat Tillman Memorial Bridge over Hoover Dam is another \$250 million federal investment in this international trade corridor. This commerce corridor should be closely monitored to ensure the benefits from Mexico are realized in the first implementation of corridor improvements, not the last, as now planned.

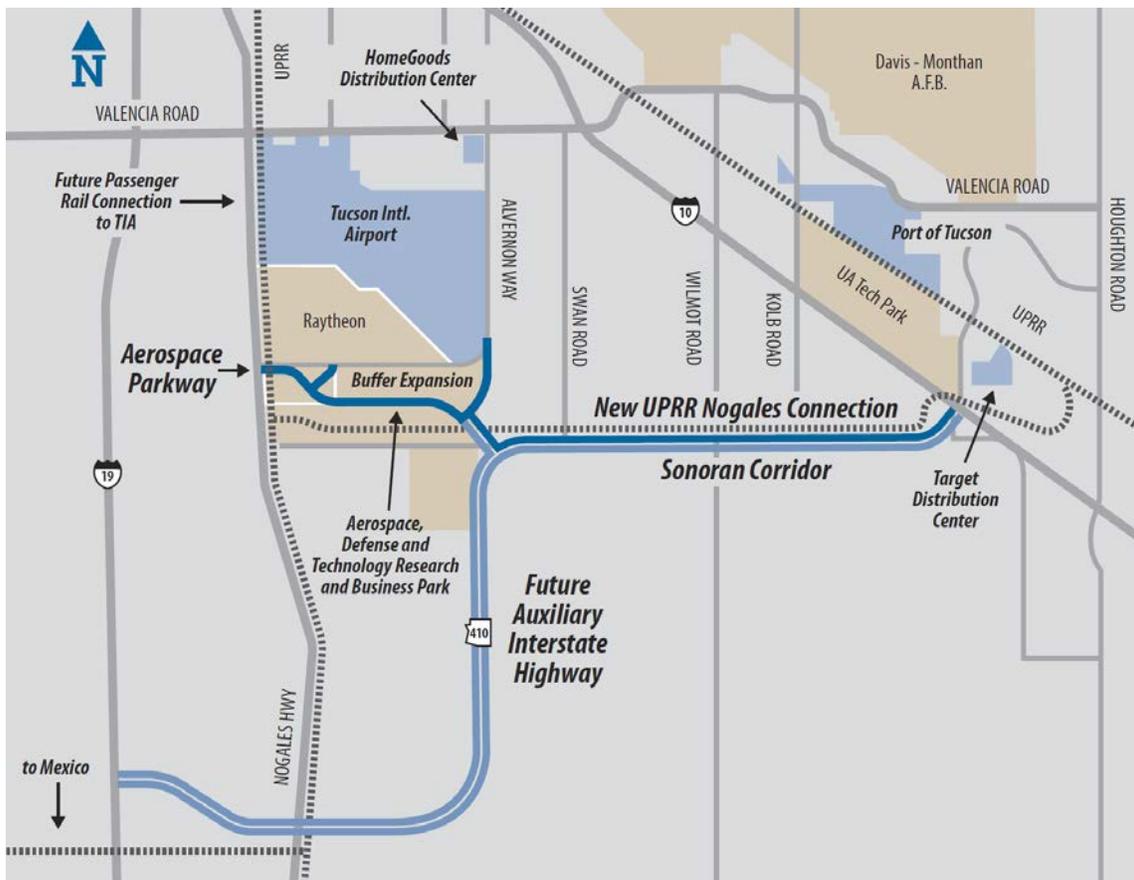
Both sides of the border recognize the importance of key commerce corridors in expanding trade between our countries. Mexico has committed, and is currently spending, \$1 billion on Mexico Highway 15 (M-15) from Sinaloa to Nogales. During a June 2015 trip to Mexico to promote trade and cross border relations, one of the four international cooperation agreements to be signed by Governor Doug Ducey and the Mexican Secretary of Foreign Affairs Jose Antonio Meade extends I-11 from Nogales into Mexico to Hermosillo and Mexico City following the M-15 route. These actions recognize the need to improve the flow of trade between our commerce centers. Pima County is in an ideal location to benefit from this trade as this corridor matures.

b. **Auxiliary Interstate Highway; Interstate 10 to Interstate 19**

A rapid surface interstate connection between Interstate 19 (I-19) and Interstate 10 (I-10) south of the metropolitan Tucson area would be significantly beneficial to both facilitate trade with Mexico, particularly trucking that desires an eastern terminus beyond Arizona's border, and as a high-speed surface transportation facility within the metropolitan area; linking existing, growing and developing primary employment and residential centers. The County has been leading efforts to locate the route and begin the initial planning necessary for its future development.

The Auxiliary Interstate Highway connection from I-19 to I-10 is perhaps the most important economic development surface transportation improvement in the region. This connection has been embraced by the Pima Association of Governments (PAG) and local partners as the most important transportation improvement that will facilitate job growth in the existing and growing manufacturing, technology, logistics and defense corridor in metropolitan Pima County. To that end, the PAG Regional Council has provided the funding for a three-year ADOT/Federal Highway Administration Environmental Impact Study that will commence in the last quarter of 2016.

In June 2015, Senators John McCain and Jeff Flake and Congresswoman Martha McSally cosponsored successful legislation to designate the Sonoran Corridor as part of the interstate highway system. This legislation was cosponsored by the entire Arizona Congressional Delegation and received Arizona Governor Doug Ducey's support, as well as that of local business leaders.



c. State Route 189 – Mariposa Port of Entry to Interstate 19

Perhaps the weakest link in our trade corridor with Mexico is State Route (SR) 189. The County has long advocated to the State Transportation Board that SR 189's improvement is essential to maximize the efficient use of the Mariposa POE. The County continues to advocate with ADOT and the Governor for these transportation improvements to be

advanced ahead of all others in the State to maximize trade and economic expansion benefits with Mexico. The 2016 Legislature committed \$25 million toward advancing this project, and the State Transportation Board approved moving the first phase of the project from Fiscal Year 2021 to Fiscal Year 2019 with a commitment to work with the private sector and find other additional funding sources to incorporate both phases into one project, which should result in a savings of at least \$15 million.

d. Aerospace Parkway

The relocation of Hughes Access Road is a project completed by the County to allow Raytheon to achieve the full benefits of both an existing and expanded buffer. Hughes Access Road, a public highway that carries thousands of vehicles per day, posed a significant impediment to Raytheon production expansion. The Hughes Access Road relocation to a new roadway alignment named the Aerospace Parkway significantly increased buffering benefits to Raytheon, as well as added to accessibility of the emerging business and research park for job growth and development south of Raytheon. The Aerospace Parkway was completed on December 1, 2015. This project was a nearly \$14 million investment by the region to not only protect the region's largest employer, but lay the groundwork for future aerospace, manufacturing and defense-based primary employment in the region. The completion occurred concurrently with a commitment by the first tenant for the Business and Research Park, World View. With a second announced tenant in the Business Park and increased development in the region, traffic demand on the Parkway is growing rapidly, resulting in planned expansion through the Business Park to four lanes.



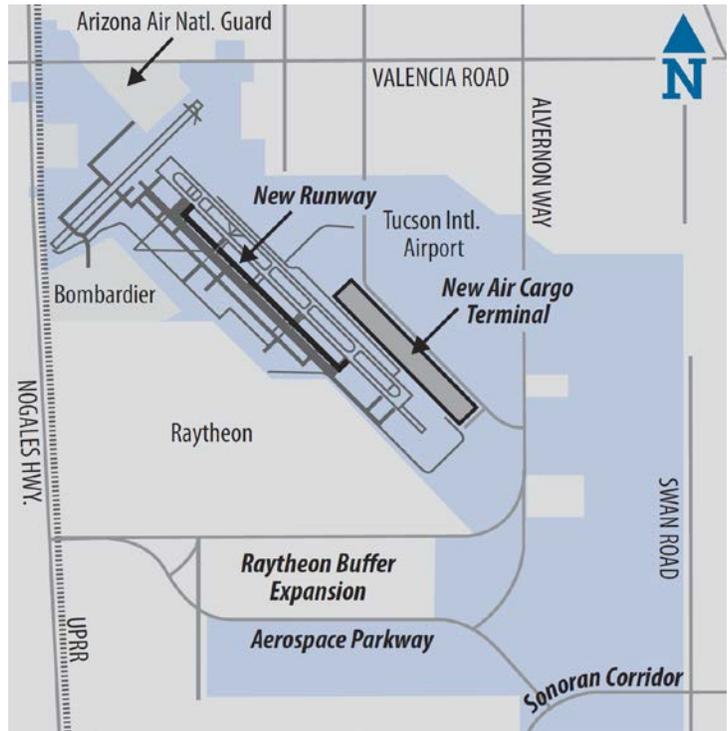
The regional council of governments, Pima Association of Governments, on October 27, 2016 authorized an amendment to the current five-year Transportation Improvement Plan to widen and expand the Aerospace Parkway from Old Nogales Highway easterly, including expansion and improvement of the south access to Raytheon and local public highway service to tenants now beginning to locate in the Business Park. \$10 million of additional transportation investment was approved for this purpose.

2. Air

a. Second Main Parallel Runway at Tucson International Airport

The Tucson Airport Authority (TAA) has recently completed a Master Plan update for Tucson International Airport (TIA). The Master Plan calls for relocating the existing general aviation runway and reconstructing it as a full-length commercial service runway. Such an infrastructure investment is vital to improving safety and reliability and to meet current Federal Aviation Administration (FAA) standards in order to better serve passenger air travel and air cargo and to continue to support the vital military Pilot Training Mission of the 162nd Fighter Wing of the Arizona Air National Guard (AZ ANG) located at TIA.

The County will continue to be a strong advocate for federal aviation funding to complete this project at TIA. This second, full-service parallel runway is necessary to allow TIA to serve the aviation needs of southern Arizona in the safest and most efficient manner; whether it is for passenger, air cargo, military or general aviation. It is important this program be developed as soon as practically possible to complement and enhance the attractiveness of the Aerospace, Defense and Technology Business and Research Park to potential new businesses.



3. Rail

a. Rail/Truck Interface at the Port of Tucson

The Port of Tucson is a true operational international inland port. This site successfully initiated international cargo container shipping by rail with onsite Customs inspections. As the only intermodal facility on the Union Pacific rail line in Arizona, it has long supported rail/truck shipping at its facility that was recently significantly expanded with substantial, new, privately-funded 17,000-foot internal dual-rail infrastructure. With the County's sponsorship, the Port of Tucson was the recipient of a \$5 million Transportation Investment Generating Economic Recovery (TIGER) Grant to develop large train offloading with a new 8,000-foot rail siding and high-speed switch interconnecting the Union Pacific intercontinental line to the private rail infrastructure at the Port of Tucson. Recognizing the benefit of this facility and the value of adding the initial switch, Union Pacific Railroad funded the installation of a similar switch at the opposite end of the Port to increase capability. Both projects are now complete.

b. Nogales Line extension connecting with the Sunset Line south and east of the Port of Tucson.

The existing Nogales Line within Tucson has 18 at-grade crossings at public highways. These crossings carry a total of 304,025 vehicles per day; and as a result, Nogales rail traffic poses both a congestion and potential safety concern for mobility in the urban area. It has been proposed that the Nogales Line be rerouted adjacent to the Sonoran Corridor; which would allow the line to connect more efficiently with the Sunset Line and be grade separated, free from at-grade highway crossings. This will allow the existing Nogales Line from the south boundary of the Aerospace, Defense and Technology Research and Business Park to the downtown Toole Avenue connection to be available for use in the future for passenger rail development. The County and other jurisdictions continue to plan this relocation with Union Pacific Railroad.

B. Utilities

The County has commenced a wastewater/sewer outfall inceptor study to serve the entire region south of Raytheon. Extending public wastewater infrastructure is a key component of job expansion. Without public service of utilities such as wastewater, it is impossible for new job centers to be constructed in this location. It is likely that extending the existing sanitary interceptor sewer system to this area will cost approximately \$10 million; an investment the County is prepared to make to facilitate basic employment growth within this existing and future job corridor. The County has also asked the City of Tucson, through Tucson Water, to join in this planning effort for the extension of the water utility system necessary to provide water service to these new employment centers. Other utilities, including Tucson Electric Power Company and the Western Area Power Authority, as well as Union Pacific, have cooperated in the master planning of this corridor to ensure appropriate separation and availability for all utilities throughout this region. Combined, the cost of these major utility extension investments will range from \$40 to \$50 million.

With their independent implementation, each infrastructure investment project will improve transportation systems, economic competitiveness and lead to economic expansion.

Action Items

2.1 Pima County will fully cooperate with and participate in any environmental or location alternative studies for I-11 within Pima County and will closely monitor project implementation to ensure the trade benefits from a connection to Mexico are realized.

2.2 Establish as a County highway the auxiliary interstate highway connection between I-10 and I-19.

2.3 Continue to advocate for early and adequate funding for both phases to improve SR 189 from the Mariposa POE to I-19.

2.4 Support development of the second full-service parallel runway for TIA.

2.5 Initiate development of a regional utility corridor, including a sanitary sewer inceptor system, to serve the employment growth area south of TIA extending to Rita Road at I-10.

2.6 Support and cooperate with Union Pacific Railroad to reroute the Nogales Line and make available the existing Nogales Line for future passenger rail to TIA, Raytheon and the Business and Research Park.

2.7 Expand the road and utility infrastructure to accommodate new tenants in the Business and Research Park.

Protecting our existing employment base and fostering opportunities for this local employment base to grow is a major objective our Economic Development Plan. We must provide an environment where our existing employers can easily expand, as well as pursue their business interests without undue interference, regulation or taxation.

The tables below show the Top 10 private employers in the region today, followed by the Top 10 public employers.

Top 10 Private Employers

Employees	Organization
9,600	Raytheon Missile Systems
6,272	Banner–University Medicine
5,530	Freeport McMoRan Inc.
5,500	Walmart
3,860	Carondelet Health Network
3,162	TMC Healthcare
2,413	Corrections Corporation of America
2,346	Fry’s Food Stores
2,200	ASARCO
1,900	Afni Inc.

Top 10 Public Employers

Employees	Agency
11,251	The University of Arizona
8,580	State of Arizona
8,406	Davis-Monthan Air Force Base
7,060	Pima County
6,770	Tucson Unified School District
5,739	US Customs and Border Protection
5,477	Fort Huachuca
4,595	City of Tucson
4,350	Tohono O’odham Nation
2,464	Southern Arizona Veterans Affairs Healthcare System
and	
1,895	Arizona Air National Guard

An examination of the top 10 private employers and the top 10 public employers in the previous tables indicates employment in the region can be divided into three primary employment areas; first is healthcare with over 15,700 employees and second mining, still presently employing 7,700, even in a down commodity cycle. The third major employment category is military, with Davis-Monthan Air Force Base (DMAFB) and the 162nd Wing of the Arizona Air National Guard (AZ ANG) and the Army facility at Fort Huachuca with nearly 15,000 employees. Based on these three broad employment areas, our efforts to protect the existing employment base must be primarily focused on these sectors, as well as for the

top private employer and the top public employer, Raytheon Missile Systems and The University of Arizona. These sectors and employers deserve specific focus for protecting the existing major employment base of Pima County.

It is also believed these existing major employers are positioned to add significant employment in the near term. Discussions with regard to national defense and weapons technology, as well as world events in the fight against terrorism, all point to potential significant employment increases at Raytheon Missile Systems. Given the attractiveness of DMAFB for pilot training activity, it is also likely there will be significantly increased mission opportunities for DMAFB, as well as the 162nd Wing of the AZ ANG given the national shortage of pilots for the US Air Force (USAF).

On the other hand, Raytheon, DMAFB, the 162nd Fighter Wing of the AZ ANG and The University of Arizona are vulnerable 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 wellbeing 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: 1) Eliminating Urban Encroachment, 2) Roadway Relocation, 3) Buffer, 4) 46kV Power Line Relocation

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.



In 2010, 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 their current operating environment. We cannot ensure future growth, nor can we control the adverse impacts of possible funding cuts. However, there are actions we can take to try to protect existing jobs and lure new ones. If there is future consolidation or expansion of Raytheon operations based elsewhere, we want to ensure our region is the most attractive location for those consolidated jobs.

1) Eliminating Urban Encroachment. 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 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.

2) Roadway Relocation. The relocation of Hughes Access Road to further buffer Raytheon's production facilities; a project that was completed in 2015.

3) Buffer. This buffer is divided into two components: 1) providing necessary safety and operating arcs for existing Raytheon production facilities and 2) providing an additional buffer to provide for significantly expanded production capability and the development of new operating production units. The County is actively participating in land acquisition/ exchange negotiations between the USAF and the Tucson Airport Authority (TAA) for further buffer protection and to ensure Raytheon's long-term occupation and lease of Air Force Plant 44.

4) 46kV Electrical Power Transmission Line Relocation. Raytheon's existing production facilities operate under a waiver provision approved by the US Department of Defense (DOD). These facilities are required to have specific safety buffers where public highways and major public utilities cannot be located, and if located under a previous standard, the production facilities are allowed to continue to operate only with a waiver. This means production can be limited, curtailed or eliminated if waivers are not granted by the USAF or DOD.

It is best not to have the region's largest private employer operating under waiver conditions; hence, the relocation of the roadway, the acquisition of additional buffers and now the relocation of electrical transmission mains. The existing Hughes Access alignment carries two 46kV electrical transmission lines that provide electrical service to Raytheon and areas significantly beyond the Raytheon property. Not only was the road relocation necessary to eliminate a waiver requirement, but the 46kV transmission mains were relocated. Pima County and the public electric utility, Tucson Electric Power, have agreed to share the cost of relocating these facilities outside of Raytheon's existing operating areas and future buffer areas. This will ensure Raytheon can continue to operate its existing facilities and potential expanded facilities without any future waiver from the USAF or DOD.

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, 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 USAF 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. 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 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.

Leased Land Acquisition. 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. 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. Of the \$380,000 annual cost to the USAF to lease property inside the boundaries of DMAFB, approximately \$54,000 was for a commercial State Land lease. When contacted to discuss purchase of this property on behalf of the USAF, the Arizona State Land Department recognized the need to lower the annual lease cost and converted this commercial lease to a Special Land Use permit that now costs the USAF only \$2,400 per year.

In addition, the County has worked with the Governor's Office and the Arizona Department of Emergency and Military Affairs (DEMA) to secure funding to purchase certain private properties inside the boundaries of DMAFB. A \$250,000 grant from the Military Installation Fund has been approved to purchase priority properties located within the Base. The County will purchase these properties and lease them to DMAFB at the nominal rate of \$1 per year.

Currently, the County continues to negotiate with these private property owners. We hope to expand funding by reapplication for additional funding to the Military Installation Fund for the purchase of these private properties. The first priority area for these purchases is land within the Quantity Distance Arcs related to the DMAFB Munitions Storage Area.

The County hopes to complete the acquisition of all of these properties for the benefit of DMAFB by Fall 2017.

Increased Pilot Training. 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. A General Accounting Office report on the decommissioning of the A-10 Aircraft pointed out the flaws of replacing this aircraft without a tested replacement aircraft that can perform the same function. Hence, the life of the A-10 has been extended, and additional flying and pilot training missions are being considered for DMAFB and the 162nd Fighter Wing of the AZ ANG.

As has been reported by numerous sources, the US Military faces a critical shortage of trained pilots; training programs need to be significantly increased to meet this shortage. Hence, it is likely the F-16 Pilot Training Mission at the 162nd Fighter Wing of the AZ ANG will be increased, as well as specific training missions assigned to DMAFB for similar aircraft. A long-term view is needed for base preservation, regardless of which type of aircraft enters the USAF or military inventory, including the F-35. Because of their close proximity to the Barry M. Goldwater Range (BMGR), DMAFB and the 162nd Fighter Wing of the AZ ANG will

be very attractive locations to host future military flying operations, as training and sustainment of operational proficiency can both be conducted efficiently and effectively.

Preserving Flight Corridors and Training Sites. DMAFB, working with the County to take advantage of our knowledge and experience in open space planning as demonstrated in the Sonoran Desert Conservation Plan, is pursuing a Readiness and Environmental Protection Integration (REPI) Program grant for DMAFB departure corridors and other flight corridors necessary to transit from DMAFB to the BMGR. It is important to realize that DMAFB operations expand beyond its boundaries; base personnel utilize flight corridors and training sites to conduct a wide variety of missions. Hence, the County has partnered with DMAFB to assist in securing REPI grant funds to acquire development restrictions within the five priority areas identified by the base. Prevention of incompatible land uses and encroachment on the base and its corridors are necessary to protect and maintain full mission capabilities and reduce existing constraints or limitations on DMAFB training and operations. DMAFB staff submitted their first REPI grant application in the amount of \$8.65 million, with a Federal REPI request of \$4.9 million and matching County contribution of \$3.75 million, based on properties acquired by the County using 2004 voter-approved bond funds for encroachment prevention acquisitions within the DMAFB departure corridor. These bond funded acquisitions are not only assisting DMAFB with maintaining their mission capabilities through encroachment mitigation, but are also assisting in attracting federal funding to further this effort. If successful in the application process, REPI funding will be used to purchase lands or secure easements over properties to ensure compatible land uses within their first priority area, which encompasses the departure corridor to the southeast. The County will actively partner with DMAFB to assist their staff in subsequent REPI submittals for further funding in their designated priority areas, with the end goal of maintaining and protecting local flight paths and corridors to the BMGR.

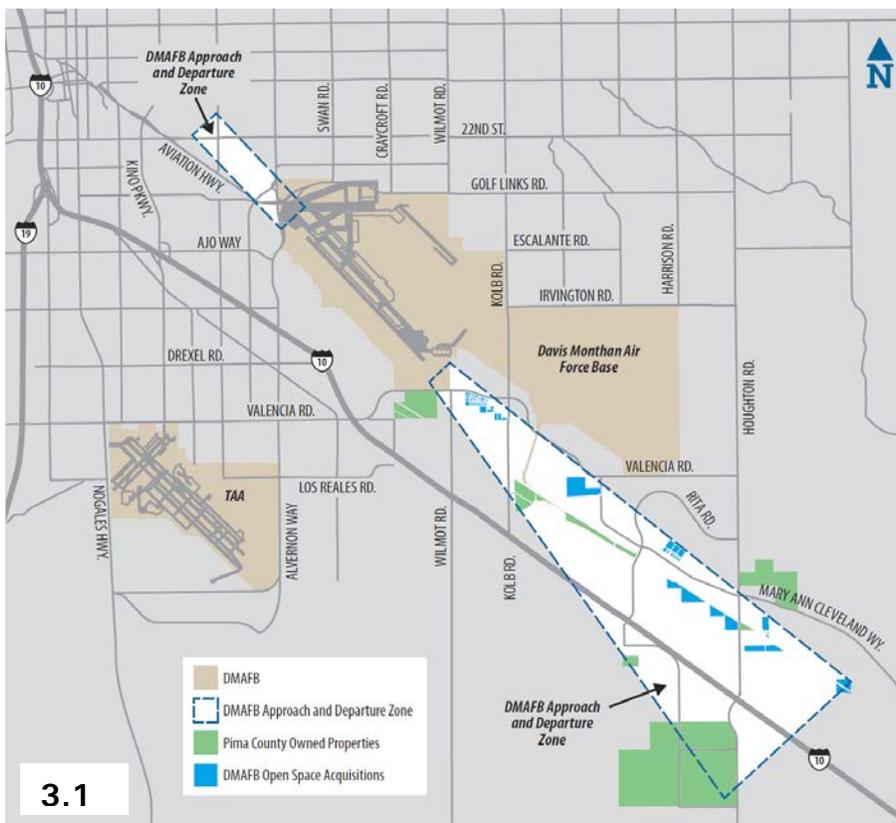
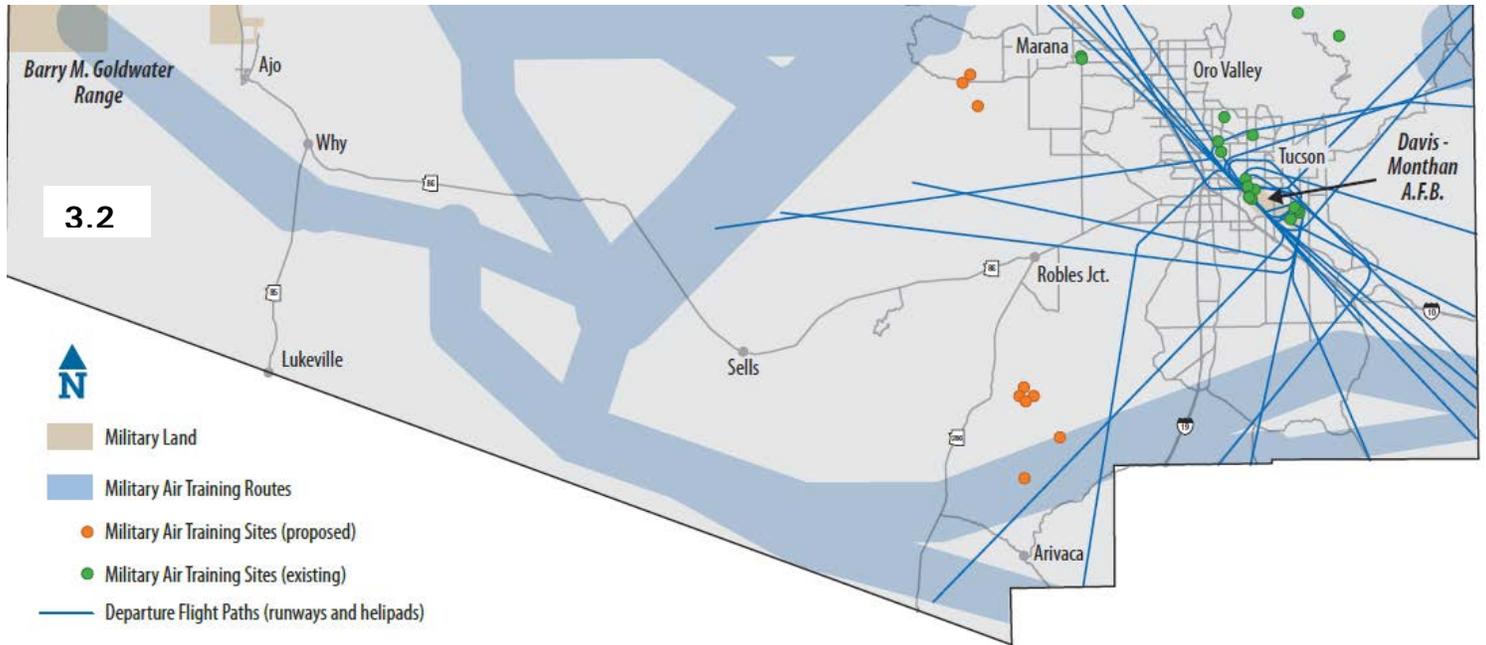


Figure 3.1 left shows local DMAFB departure flight paths and air Military Training Routes (MTRs) that access the BMGR. DMAFB's highest priority areas are located in close proximity to the Base and within the departure corridor to the southeast, shown in Figure 3.2 below.



Other priority areas are located further from the Base, southeast and southwest of Tucson, but necessary corridors within the MTRs to the BMGR. To provide required local matching funds to supplement federal REPI grants and leverage other federal funds, the County will, at the next General Obligation Bond issue placed before the voters, include \$10 million for this purpose in a question related to preserving and protecting existing and future missions of DMAFB.

Aircraft Preservation and Regeneration. The climate in Arizona is well known for preserving and extending the life of military aircraft that are no longer necessary for a specific program and/or mission but may be regenerated at some point if the functionality of the stored aircraft is necessary to provide for national defense.



The 309th Aerospace Maintenance and Regeneration Group (AMARG), more commonly known as the “Boneyard,” has been a fixture of DMAFB for decades. It manages more than 4,500 aircraft sent for storage or maintenance, a service provided to all branches of the US Military. The AMARG is divided into two areas: 1) the Reclamation Area and 2) the Storage and Maintenance Area. Many of the stored aircraft can be returned to operational status in a short period of time, if needed. It is clear the mission of this military aircraft storage and

reclamation function requires expansion. In addition, this function requires experienced engineers and technicians qualified in military aircraft storage and repurposing. Therefore, it is incumbent on the County to assist this unit of the USAF to expand the current facility and to assist in providing trained technicians and civilian personnel to make this military aircraft storage and redistribution center operate at optimal levels.

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 1,895 jobs, and provides an annual economic benefit of over \$270 million.

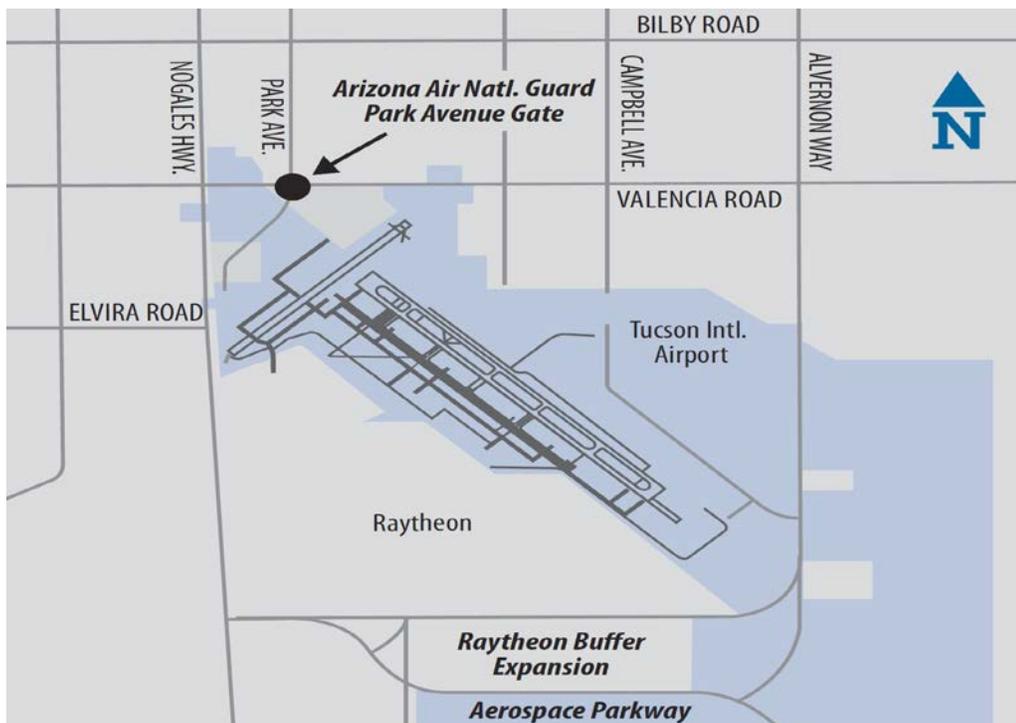
The 162nd Fighter Wing trains United States and partner nation F-16 fighter pilots; provides persistent, armed MQ-1 Intelligence, Surveillance and Reconnaissance and Incident Awareness and Assessment around the globe; supports NORAD Aerospace Control Alert directives with 24/7 immediate response aircraft 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.

Release of munitions storage is tied to an ongoing Environmental Impact Statement (EIS) for the second runway at TIA, and this EIS is scheduled to be completed in September 2018. This munitions storage area will also have an internal roadway connecting a munitions storage area to the AZ ANG base inside the secured perimeter of the Airport. Once land rights have been obtained, it will be up to the AZ ANG and the National Guard Bureau to secure funding for the munitions storage area. The location of the facility has been planned with Raytheon, enabling their joint ability to add capacity where overlapping safety arcs provide for the most efficient use of land resources.



The County will continue to pursue both the new entrance and the munitions storage area and assist the AZ ANG in obtaining these significant and vital improvements to their existing base facilities. Hopefully, both these improvements will allow the air pilot training mission of the AZ ANG to be expanded.

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 11,251 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 regional infrastructure is in the process of being developed at the Aerospace, Defense and Technology Research and Business Park, to increase high-wage jobs in the TIA area, the infrastructure found at the UA Tech Park needs incremental improvement to attract the high-wage employers they are seeking.

The Tucson Tech Corridor, or the extended UA Tech Park, however, is in a position to provide high-tech industry jobs 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 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-University 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 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 infrastructure investments, such as land acquisition and development of incubator building space. Based on an analysis of public infrastructure necessary to support rapid and continued job 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.

Pima County has also supported development of the UA Tech Park 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.

Action Items

- 3.1 Secure buffers for Raytheon expansion by 2018.
- 3.2 Continue to actively support DMAFB and their continuation of the A-10 mission and any future mission for DMAFB. Actively support additional F-16 squadrons being relocated and based at DMAFB, as well as a remoted piloted aircraft mission.
- 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. Also, pursue a REPI grant to further protect the DMAFB departure corridor as well as the flight corridors from DMAFB to the BMGR.
- 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 the UA Tech Park and UA Tech Park at The Bridges.
- 3.9 Continue to pursue the development of startup building space for the growth of UA-based technology-to-market deployment through the development of innovation buildings. The purpose of the innovation buildings will be to facilitate and incubate startup technology companies transferring research to practical applications and job development.

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In 2012, the Joint Planning Advisory Committee consisting of the Pima Association of Governments (PAG), Central Arizona Association of Governments and Maricopa Association of Governments, executed a Freight Framework Study for the Sun Corridor. After analysis of sites throughout the State, the area south of Tucson International Airport (TIA) was identified as the ideal location for import distribution in Arizona. The components leading to this conclusion are the proximity to two interstate highways; Interstate 19 (I-19) connecting with Mexico and Interstate 10 (I-10), the only all-weather east-west transcontinental interstate; two rail lines – the main Union Pacific east-west Sunset Route and the Nogales line, the only Arizona rail line into Mexico; and TIA. Access will be further enhanced once the Sonoran Corridor connecting I-19 and I-10 is completed. Another major logistics component is the proximity to the Port of Tucson, which is the only intermodal facility in Arizona certified for direct delivery and origination of international containers. There are excellent training programs in place and an available labor force for new or expanding employers to immediately be productive. Finally, the flat terrain lends itself to inexpensive construction.



Integrated, all of these transportation system improvements make this location an ideal logistics center for southern Arizona and the United States. In no other location is there proximity of two interstate highways, an international airport, the Intercontinental Union Pacific main rail line, the International Nogales rail line and surface transportation linkage and the proposed auxiliary interstate highway. These transportation components, along with available land, make this location an ideal site for primary logistics development; perhaps the most important in Arizona, given the facility lies at the crossroads between Texas, California, Mexico and states north.

These existing assets, as well as expanding and designating surface transportation heavy haul freight routes to allow direct pickup and delivery of international containers from/to their destinations, create an opportunity for additional employment at middle income levels.

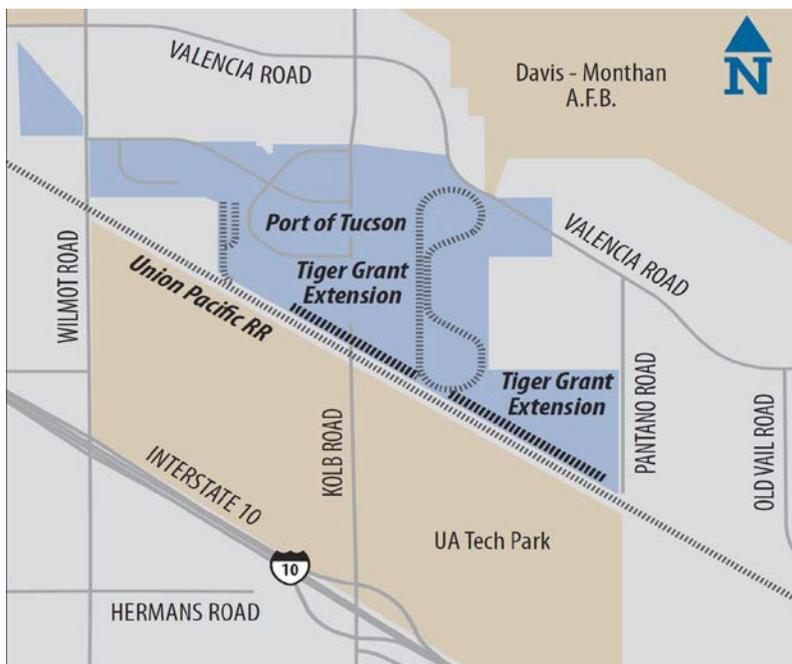
A. Distribution and Logistics Center Development

It is important to facilitate the development of distribution, logistics and other corporate expansions in the vicinity of TIA and in the jobs corridor connecting Rita Road at I-10 to the Old Nogales Highway or I-19. This corridor has already seen development of a nearly one million square foot Target Fulfillment Center at an approximate construction cost of \$75 million. This Target Center employs approximately 450 residents.

Recently, HomeGoods completed an 800,000 square foot, \$79 million facility just north of TIA that will employ nearly 900 residents. FedEx Ground and Old Dominion Freight Lines have also located new logistics facilities adjacent to the HomeGoods site. This area is beginning to be recognized for its strategic advantage as a logistics center for the Southwest. It is likely others will follow, and the County should do everything possible to encourage the additional location of distribution warehousing and regional centers for established major retail outlets that can cost effectively provide product distribution and supply to the Southwest and to the west coast of the United States. Discussions are underway with Union Pacific Railroad regarding relocation of the Nogales Line in a planned utility corridor along the Old Vail Connection alignment to connect to the Sunset Line with the goal of adding rail service to this area. This will be a major attraction for logistics-focused employers.

B. Port of Tucson

The Port of Tucson is a long-established, privately held rail/truck intermodal facility operated, built and constructed by a local family. The operation is now beginning to reach its potential as a significant inland port facilitating both rail and truck interchanges, as well as integrating product, storage and distribution. The Port of Tucson has a close working relationship with Union Pacific Railroad. It has sufficient land and infrastructure capacity to become a major rail-to-rail or rail-to-truck point of interchange. This is exemplified by major tenants Biagi Bros and Zucarmex, who import significant quantities from Mexico.



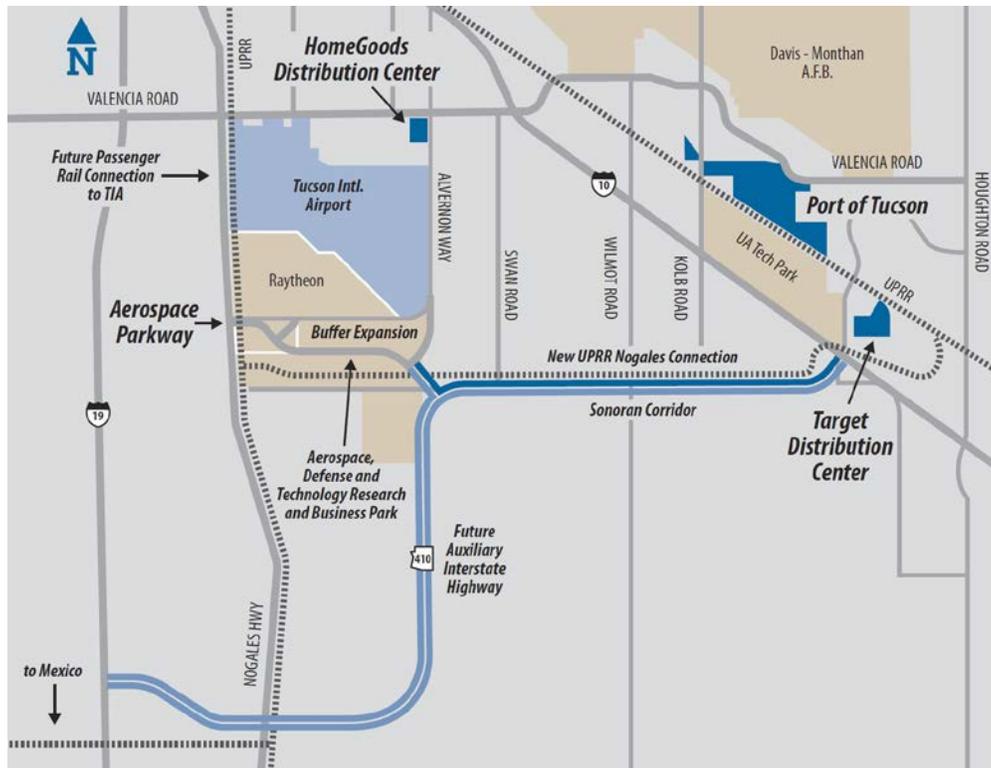
The County and the Port of Tucson cooperated to receive a TIGER Grant, and this grant has been implemented, creating a major offloading point from the intercontinental Union Pacific Railroad. This allows the Port of Tucson to accept significantly larger train capacity at its facility, further emphasizing its importance in the national and international rail/freight distribution network.

C. Air Cargo Capacity at Tucson International Airport

TIA is the only airport serving a population center of one million with a single primary runway. The Tucson Airport Authority (TAA) is now engaged in a process to develop a second parallel runway at TIA. This additional runway will improve safety and increase the landing capacity available at TIA, which is an important component of any potential air cargo expansion. It is important that in any logistics center, the primary modes of transportation – rail, air and surface – be integrated to provide the greatest flexibility in the movement of goods and products within the logistics center. Adding a second runway at TIA will greatly improve the competitiveness of this international airport relative to air cargo capacity, thereby becoming a key link in the air component of an integrated and successful logistics system.

D. High-speed Surface Transportation: Interstates 10 and 19 and the Connecting New Auxiliary Highway

The interstate system built in the United States beginning in the late 1950s was intended to improve defense of the nation. In fact, it is known as the Interstate Defense Highway Network. It has also integrated the regional population centers throughout the country with safe, convenient and rapid surface transportation access. This interstate system has been one of the primary driving forces of economic expansion of the United States.



Adequate surface transportation facilities cannot be over emphasized as being one of the key components for economic development and expansion. The TIA logistics area is flanked by these high-speed surface transportation facilities. What is missing is a connection between I-10 and I-19 along the southern boundary of TIA. This surface transportation facility, known as the Sonoran Corridor, is proposed in the economic development plans of

the County. It is a new, high-speed interstate connection between Sahuarita at I-19 to Rita Road at I-10, which connects the UA Tech Park to the defense and aerospace manufacturing centers around TIA. This new, 16-mile interstate auxiliary highway is perhaps the highest priority transportation improvement in the region for economic development and expansion and has been so recognized in the most recent Federal transportation bill as a priority corridor.

E. Mexico Trade Interface

International trade with Mexico may be the most important component of ensuring this area becomes a key logistics hub for the entire Southwestern United States. Mexico's importance in the global economy cannot be understated. They have the fastest growing middle class of consumers. They have successful and expanding Maquiladora operations in aerospace and automobile manufacturing, and the Mexican government is making substantial and significant infrastructure investments to interconnect with the United States border. Mexico is investing over \$1 billion to improve Highway 15, running north/south through the State of Sonora and connecting to the Mariposa Port of Entry (POE) in Nogales. Mexico already has a major beer distributor and sugar supplier operating through the Port of Tucson. Its further importance in our local economy will be substantially greater and will be one of the primary reasons Tucson becomes the logistics hub for the Southwestern United States.

F. Interstate and International Freight and Trade Corridor

A major consideration in the real estate industry is "Location, Location, Location." Tucson and the Sonoran Corridor are ideally located at the crossroads of major interstate and international freight and trade corridors. Location and reliability are critical for the movement of goods and materials. Location on the only all-weather transcontinental interstate (I-10) and the Union Pacific Sunset Line, which is also the only all-weather interstate rail line, means predictable and timely delivery of products. Location adjacent to the Union Pacific Nogales Line, the only rail line in Arizona that runs into Mexico from Arizona, makes the Sonoran Corridor region the ideal point for import distribution, as well as export consolidation. I-19 connects to the interstate network in Tucson and to Mexico's Highway 15, the major north/south trade and passenger corridor leading from central Mexico to the major markets in the United States. The presence of the Port of Tucson with local Customs services onsite makes Tucson a true, cost effective inland port for international imports and exports. Finally, the presence of an international airport is an important component for the wide range of products produced locally and those coming from the Maquiladora plants in Mexico going to markets throughout the world. The Sonoran Corridor area near TIA is the point of convergence of all of these logistical advantages of the region.

Pima County must be prepared to compete in the regional, national and international marketplace. The regional gross domestic product of Arizona and our seven neighboring states, including Sonora and Sinaloa, is \$5 trillion. According to The University of Arizona Eller School's Arizona-Mexico Economic Indicators, Arizona alone exported \$21.1 billion in products in 2014, supporting over 93,000 jobs in the State. \$8.6 billion of those exports in 2014 went to the rapidly growing economy in Mexico, a 22.2 percent year-over-year gain. Mexico is the third largest trading partner for the United States and the first for Arizona. According to the Mexican Consulate, Mexico trades more with the United States than Japan, France and Brazil combined. In the first three months of 2015, over \$7.3 billion of

import/export goods passed through the Nogales border crossing; an average increase exceeding 6.17 percent. Nearly all of those goods had to traverse I-19 and I-10 to other parts of the United States, as well as to Canada. Produce crossing the border at Nogales is distributed throughout the country by truck and will soon be by rail. Electronics and other components built in the Maquiladora factories are shipped worldwide via air, truck and rail. Taking advantage of low-cost empty containers, a wide range of manufactured, scrap and agricultural products (alfalfa and grain) are shipped to Asia at a fraction of the normal cost. Major ore exports through the Port of Guaymas to international markets all transit the Nogales rail line from origins as far away as Montana and Wyoming. Products destined for the major markets in Asia, Texas, California, the Intermountain West, and millions of consumers on the East Coast all pass through this corridor before heading north, east or west. The Sonoran Corridor is the crossroads for these regional trade corridors.

Logistics is defined as having the right product at the right place, at the right time, at the right price. The Sonoran Corridor, TIA, the Port of Tucson, and a comprehensive regional logistics development plan are perfectly positioned to incorporate all of our region's intermodal transportation advantages to maximize alternatives for virtually any range of product to reach its national and international destinations via the most reliable and inexpensive mode. Leveraging the advantages of the Sonoran Corridor location with the increasing interstate and international trade levels will provide excellent employment opportunities for the region.

Action Items

- 4.1 Continue planning, with PAG, RTA, TAA, Union Pacific and others, the development of a major logistics center for the Southwestern United States in the vicinity of TIA.
- 4.2 Cooperate with and assist the Port of Tucson in expanding their rail-to-rail and rail-to-truck intermodal operations as a true international inland port.
- 4.3 Support and advocate with the Federal Highway Administration and the Arizona Department of Transportation for the designation of heavy haul freight routes from Mexican POES to the Port of Tucson.
- 4.4 Continue to advocate for and on behalf of the TAA for a second full-service parallel runway at TIA.
- 4.5 Continue to advocate for the development of expanded air cargo services at TIA.
- 4.6 Continue to improve surface transportation accessibility to warehousing and distribution centers associated with logistics in the TIA area, including a new auxiliary interstate highway connecting I-10 and I-19.
- 4.7 Support the expansion of the Truck Driver Training Program at Pima Community College for the foreseen increased work demand in ground transportation in connection with a new auxiliary interstate highway connecting I-10 and I-19.
- 4.8 Advocate for improved surface transportation connectivity to the Mariposa POE to improve international trade with Mexico.

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Athletic competition among our state universities – Northern Arizona University, Arizona State University and The University of Arizona – is an entertaining activity and generates fierce competition between the various supporters of each university. In athletics, this competition is healthy.

In economic development and growing jobs in Arizona, such competition is counter-productive and leads to potentially expanding and enhancing one region in the State at the expense of the remainder. There is no room in economic development for regional competition. We must all work together for one purpose; to expand Arizona’s economy and increase new and high-wage jobs. The three state universities and Pima Community College must work as one system; and Pima County will work with each university and PCC to foster economic development in their own areas of expertise to create wealth and expand jobs.

Increasing employment opportunities within the region comes from three primary sources: 1) protecting and expanding our existing employers, 2) enticing employers to relocate from other areas of the country to Pima County, and 3) growing our own employment opportunities. “Growing our own” is an excellent strategy to diversify our economy and create high-tech, high-wage new economy jobs. The key to growing such high-wage employment opportunities is employing and leveraging the intellectual capacity of our state university and community college systems.

A. The University of Arizona

The University of Arizona (UA) alone receives more than \$620 million annually in research and development funding and partners with businesses to help ensure innovative ideas become reality and produce business opportunities in the new world market.

In addition to continuing our work with the UA in areas such as physician training, medical diagnostics and biosciences, the University’s intellectual capacity and science professionals can serve as key partners in expanding our aerospace industry, as well as growing new products and services for markets such as engineering, water resources, solar and alternative energy development and new concepts in urban form and development. Our largest area employer, Raytheon, recruits more of its engineers from the UA than from any other institution. We need to provide the environment to attract a larger percentage of graduates.



The UA created Tech Launch Arizona (TLA) to advance University discoveries into intellectual property, inventions and technology. TLA will move knowledge and inventions developed by students and faculty into the market, with the primary goal of unifying UA researchers and the business community to significantly enhance the impact of University research, technological innovation and tech park assets.



B. Arizona State University

Arizona State University (ASU) has been very active in promoting economic development and job creation in the Phoenix metropolitan area. The SkySong Center, an ASU employment incubator in Scottsdale, is located, three miles from ASU's main campus. It is a mixed-use development with 1.2 million square feet of space and has provided a platform for early stage startups and larger merging companies and technologies with variable space offices and support systems for entrepreneurial activities.

In addition, ASU has made significant investments in bioscience with their biodesign facilities located on the main campus and fostered engineering technologies at their new Polytechnic Campus, which grew out of the closure of Williams Air Force Base. ASU has also been active in the Tucson metropolitan area with their School of Social Work, which offers a Master's Degree program. Many of its graduates are employed by public and medical agencies. In fact, Pima County employs a number of these individuals in our medical and justice service areas.

C. Northern Arizona University

Although it is the smallest of our three universities, Northern Arizona University (NAU) is a major research university in its own right and has created numerous programs and economic initiatives that benefit all of Arizona. NAU has 36 satellite campuses throughout the State, including Tucson, and is poised for additional growth and influence beyond Flagstaff. The Arizona Board of Regents has set goals to increase NAU's student body from the current enrollment of 19,300 to 25,000 and double its research budget by 2020.

NAU has a strong focus on technology development, tech transfer, entrepreneurial education, business incubation and business acceleration that benefits the economies of our State and region. In addition, the W.A. Franke College of Business is a nationally recognized business school that provides education, research and outreach in many areas Pima County will require for a well-rounded economic development strategy. Some of these programs particularly suited for our region include the Arizona Rural Policy Institute, Center for American Indian Economic Development, Arizona Hospitality Research and Resource Center and the NAU Center for Business Outreach. NAU also offers degrees in small business management at its Tucson campus.

D. Pima Community College District

PCC is one of the largest multi-campus community colleges in the nation. Pima is a public, two-year accredited community college that offers college transfer, career training and occupational education.

PCC has developed transfer agreements to UA, ASU and NAU and prepares students for college-level academic work to later transfer to a four-year university. Strong programs also include Nursing, Engineering, Business, and Aviation Technology. The Aviation Technology Program at PCC is a nationally respected training leader, and PCC is the only school in the United States offering training in aircraft structural repair. PCC offers over 100 certificate and degree programs at flexible schedules to meet the needs of a diverse student population.

A new international development approach at PCC is providing new opportunities for growth and economic development. PCC is a current participant of the 100,000 Strong in the Americas Initiatives and has established partnerships with private and public Mexican institutions, including Televisa Foundation, the SEP-Bécalos Santander Universia International Program, the Institute for Mexicans Abroad, and *Proyecta 100,000*. Moreover, PCC recently signed a Memorandum of Understanding with the Instituto Tecnológico de Sonora to establish an ongoing academic partnership.

E. Major University System Emphasis Areas for Job Development: Biosciences, Defense and Mining Technology

These three areas appear to have great promise for transferring university innovation and technology into new employment within the Tucson metropolitan region, primarily due to existing job centers in these specialty areas.

Given the presence of Raytheon and its emphasis on defense, aerospace and technology, the region has a unique opportunity to develop more defense-related job centers; particularly if a relationship is developed with the Defense Advanced Research Projects Agency, or DARPA. Such a secure defense and industrial research and testing facility in the Aerospace Corridor adjacent to Raytheon would strategically position the region to expand private sector industrial research projects and programs in this area.

Bioscience and emerging bioscience technology has proven to be an important high-wage, high-tech job stimulator in Pima County. Sanofi and Ventana Medical Systems are examples of global organizations that are leaders in bioscience and life science technology. Accelerate Diagnostics, which relocated from Colorado to Pima County's Abrams Public Health Center, is an excellent example of startup technologies growing into high-wage employment opportunities.



Finally, mining technology should receive more attention, primarily because of the mining activities prevalent in eastern Pima County. Mining technology, extractive resource optimization, reuse and mitigation of mine tailings, reclamation and clean mining technology are all viable areas for research and job growth in the mining sector.

F. Funding Arizona's Higher Education System

It is generally accepted that higher education plays a significant role in growing the State and County economies. Economic growth requires an educated workforce and high-level university-based research that leads to new commercial entities and job opportunities. It is time to recognize the contribution of higher education in Arizona and provide a reasonable level of dependable funding for the State university system.

Unfortunately, total State funding cuts to higher education totaled \$99 million for Fiscal Year (FY) 2016 – more than 10 percent of State higher education funding. The State also eliminated all funding to Arizona's two largest community colleges at a time when other states are developing strategies to increase funding for community colleges. According to the January 2015 *Educator Retention and Recruitment Report* prepared by the Arizona Department of Education's taskforce on the subject, Arizona now "ranks first in the country in steep cuts to higher education budgets."

State funding for the UA was cut by \$28 million in the adopted State budget for FY 2016. This is in addition to significant cuts to Arizona's University System during the Great Recession. Between FY 2008 and FY 2016, State funding for higher education was cut 55.6 percent, while tuition increased 87.8 percent. During the same period, enrollment and credit hours taught at the University have increased.

Reducing State funding assistance to the university and community college systems is counterproductive to economic growth. The taskforce's report warns that without the State's commitment to increased education funding across the board, "Arizona will not be able to ensure economic prosperity for its citizens and create the workforce of tomorrow."

We cannot cut our way to prosperity.

Action Items

5.1 Actively support increased State funding for all public education programs, particularly for the university and community college systems.

5.2 Encourage action and public, as well as, private funding of higher education to minimize future increases in tuition and fees.

5.3 Encourage technology transfer from all three Arizona universities and PCC, as well as economic development investment from all three universities, into enterprises within Pima County – either existing employers or emerging new employers.

5.4 Encourage collaboration among all higher education institutions to focus on workforce development congruent with major industrial growth throughout the State.

5.5 Foster collaboration between Arizona's three universities, government and the private sector in support of university-level degree programs related to and in support of technical employment clusters in the region.

According to the Arizona Office of Tourism, Arizona's warm weather and natural beauty make tourism one of the State's top export industries. In 2015, 42.1 million people visited Arizona and collectively spent \$21 billion in the State, which supports jobs and generates tax revenue. Pima County generated \$2.8 billion in direct spending in 2015, while generating \$197.3 million in direct tax revenue collection. Over 24,000 jobs are generated by tourism in our region, and more than four million people enjoy visiting our area annually.

Out-of-state travelers accounted for over 72 percent of the visitor impacts in Arizona. International travel, including day travel from Mexico, comprises approximately 17 percent of visitor impacts. Most visitors to Pima County come from New York, Los Angeles, San Francisco, Chicago, Seattle and Phoenix and other Arizona cities. Mexico, Great Britain and Canada are Pima County's top international visitor markets. The addition of direct air flights in Fall 2016 from New York City and Sonora Mexico will increase visitation from these areas.



In the wake of the recession, tourism in Pima County currently lags behind tourist growth in the Midwest and eastern United States. Our hotel occupancy has shown only moderate growth, and our average daily rate for hotels in Pima County is below most regions with similar populations. Tourism marketing budgets are recovering but are not near pre-recession levels. Visit Tucson's operating budget, derived primarily from lodging bed tax collected by local municipalities and Pima County, has declined from an all-time high of \$10.5 million in 2007 to \$6.6 million in 2015. The decline of tourists since 2008 and the reduction of funding for Visit Tucson from the City of Tucson had a significant impact on our region's tourism industry; however, there was a significant upswing in tourism in Fiscal Year (FY) 2015/16.

Overall, 42.1million people visited Arizona in 2015 who collectively spent \$21 billion in the state, an increase of 25 percent since 2013. Regional Tucson and southern Arizona tourism-related jobs increased to 24,000, and direct tax revenue collection increased to \$197.3 million. The total number of overnight visitors grew to 6.5 million. Pima County's FY 2015/16 bed-tax collections totaled over \$6.6 million. Based on Smith Travel Research predictions, we estimate Pima County's bed tax collections will grow approximately 4 percent in FY 2016/17. Bed tax collections increased 10 percent for Pima County and 6 percent for the City of Tucson.

The City, which previously invested 45 percent of its bed tax in tourism promotion prior to the recession, had reduced its funding at one point to a low of 25 percent. Currently, the City's contribution is approximately 33 percent but does not include the millions of dollars generated by an additional collection of \$2 per room night within the Tucson city limits. The County contributes 50 percent of the County bed tax for tourism promotion and will continue its support for this important industry.

The City of Tucson did pass an additional collection of \$2 per room night, which took effect July 1, 2016 for hotels within the Tucson city limits. The City estimates that each \$1 equals an additional \$1.3 million toward the City's General Fund. Visit Tucson has negotiated with the City to have a small portion of these new funds come back into tourism promotion but only if the total hotel surcharge, along with the bed tax, reaches an agreed upon amount. As a result of this increase and more visitors projected to stay in hotel rooms in FY 2016/17, Visit Tucson's budget for FY 2016/17 is scheduled to increase to \$8,838,650, a 16 percent increase from prior year.

Resurgence in tourism spending is vital to Pima County's continued growth and investment back into the community. Specific strategies for strengthening tourism in Pima County are discussed below.

A. Diversification of Sports Attractions

Pima County invested more than \$3 million in FY 2012/13 to transform the northern half of Kino Sports Complex from baseball fields into a 2,360-seat pocket stadium and four multipurpose fields that can be used for soccer, lacrosse and other grass sports. FC Tucson is established as the anchor tenant at the Kino North Sports Complex. FC Tucson has also taken the lead in bringing Major League Soccer (MLS) spring training to the Kino North Sports Complex annually from late January through early March. Pima County invested an additional \$190,000 in contingency funds in FY 2013/14 to bring in MLS spring training and a professional soccer team from Mexico to compete in the February 2014 Desert Diamond Cup. Pima County made similar investments to bring back MLS spring training in 2015 and 2016. Visit Tucson has helped the County leverage its investment by entering into \$50,000 sponsorship agreements annually with FC Tucson in FYs 2013/14 and 2014/15. The majority of these investments are passed through to MLS to secure advertising used to attract fans of incoming MLS teams to Tucson.



The Pima County Sports and Tourism Authority (PCSTA), in partnership with Pima County, conducted a communitywide sports facility assessment that outlines the current assets, as well as the potential needs, of recreational and tournament site opportunities. This study will be used as a guide in developing a major sporting complex on land purchased by Pima County immediately south of the existing Kino Sports Complex on the south side of Interstate 10 (I-10). Pima County will consider recommendations made by the PCSTA's consultants, Sports Facilities Advisory (SFA), in a feasibility study of a Kino Sports Complex expansion.

The County will work with Visit Tucson Sports to maximize soccer, lacrosse and other sports that can be staged at the Kino Sports Complex with an eye toward booking a mix of local, regional and national events that fit with the recommendations of the Kino Sports Complex feasibility study conducted by SFA.

The Kino Sports Complex is the largest freeway-accessible sports venue in southern Arizona. Additional sports attractions are also now being planned for the Kino Complex. For the property newly acquired south of I-10, major indoor sporting facilities are planned similar to the development by the County and Southern Arizona Community Sports of the Sporting Chance facility at La Cholla Boulevard and the Rillito River. Sporting Chance now has 20,000 visits per month for amateur and youth sporting activities related to basketball, volleyball and other indoor court sport activities. The additional planned sports facilities on the newly acquired properties are predominately field sports and would include a high percentage of artificial turf allowing increased use of the facilities.

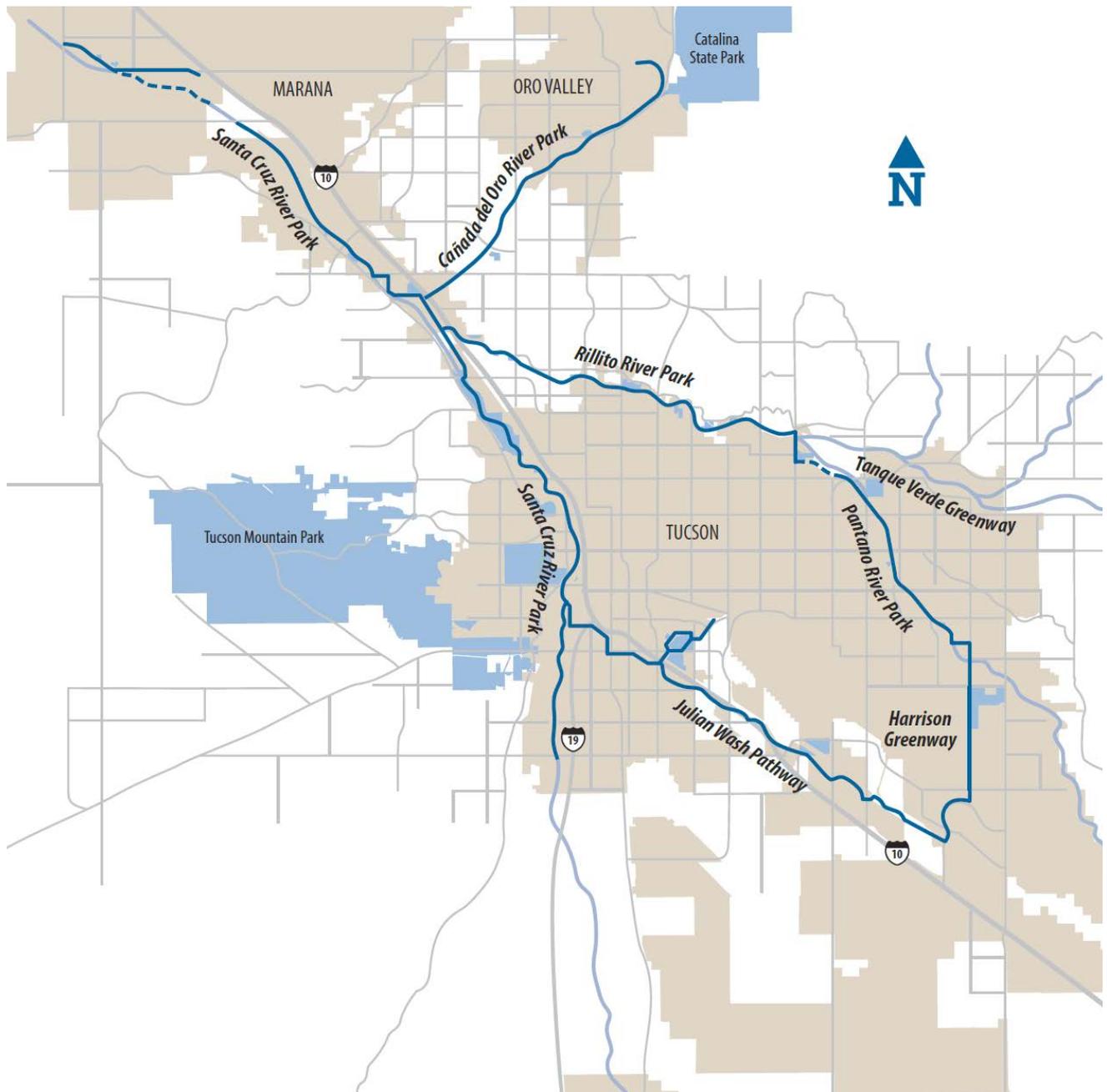
Finally, the vacant properties owned by the County adjacent to Kino Boulevard south of I-10 will be reserved and utilized for restaurant, hotel and entertainment venues compatible with the developing of Kino Sports Complex as a major regional sports attraction. This property was purchased by the County in 2014 for \$8.75 million. The approximate 167-acre property is owned outright by the County.

B. Making Cycling a Tourism Destination Event



Pima County's sunny weather, ample bike paths, mountain biking opportunities and established cycling culture make the region one of the world's top cycling destinations. Area cycling recognitions include Tucson being listed as one of the top 10 best cycling towns by 10Best and USA Today. Fox News Travel lists Pima County's The Loop trail as America's third-best city bike path. USA Today named Tucson as one of the nation's top 10 mountain biking areas, and Outside magazine listed Tucson as the best road biking city.

The County has already completed more than 113 miles of The Loop trail around metro Tucson. When completed, The Loop will feature 131 miles of shared-use paths for any non-motorized use, including bicycles, skateboards, horseback riding and more. Visit Tucson now markets southern Arizona as a premier winter training destination for cyclists. At mid-year 2016, the County completed more segments of The Loop, adding 13 miles of new path in The Loop system. The final gap of The Loop will be closed in late 2016 or early 2017 when the segment from the Tanque Verde Road Bridge over the Pantano Wash is connected to the Rillito River at Craycroft Road. This final segment will complete the longest car and vehicle-free public walking, jogging, hiking and biking pathway system in the United States. It now is the most popular public park in Pima County and has nearly 800,000 users annually.



Cycling is big business for our region. In 2013, the Arizona Department of Transportation (ADOT) released an Economic Impact Study on Bicycling in Arizona. The report showed that in almost every area, except triathlons, Pima County exceeded Maricopa County by nearly two to one the number of events related to cycling. The same is true for tourism-related spending by cyclists. The ADOT study shows annual retail sales of bicycle-related goods in Arizona, to local and out-of-state customers, is \$114 million. And the impact is not just on tourism. Pima County released the Economic, Environmental, Community and Health Impact report in 2014 that showed for every \$1 invested in infrastructure that benefits walking and cycling, the region reaps over \$9.76 in return. This type of infrastructure has been touted by business leaders as creating the quality of life they need to attract and retain the knowledge workers of today.

Pima County continues to sponsor several prominent cycling events annually. El Tour de Tucson is an internationally known event attracting thousands of ranked and unranked cyclists from around the region and around the world. The 2000 economic impact study conducted by The UA Eller Business School on El Tour showed an approximately \$40 million impact on the local economy when El Tour had only 4,500 riders. The 2015 ride had almost 9,000 riders. Despite recent declines in participants due to weather and a change in key sponsorship, El Tour continues to be the top draw of the region's cycling events.

Additionally, the Old Pueblo Grand Prix, a professional cycling event staged in downtown Tucson, continues to attract hundreds of professional and semiprofessional riders. The event is in its fourth year and offers spectator viewing of the professional race, as well as professional-rider led events for youth. Pima County has also sponsored Cyclovia Tucson since its inception. The event targets specific areas throughout the metropolitan area and closes a busy street for several miles during the day, allowing cyclists, walkers, vendors and others to promote healthy activities. Over 50,000 people attended Cyclovia Tucson events in 2015.

C. Creating New and Expanding Existing Tourism through Public Investment

In 2011, The University of Arizona (UA), along with Pima County and several nature-based attractions, began a strategic initiative to showcase the assets of Pima County in a different, non-commercial way. Utilizing the community program generated by the Tucson Advertising Federation, more than \$300,000 of media value began to introduce the concept of geotourism and how can it benefit Pima County. Geotourism adds to sustainability principles by building upon a destination's character and its "sense of place" to emphasize the distinctiveness of its locale and benefits to visitors and residents. Pima County is located in one of the world's most diverse eco-regions.

The concept of developing a cultural and heritage-based Regional Visitors Center in downtown Tucson, in an area originally inhabited by the first human arrivals in Tucson some 2,500 years ago, is a major element necessary for creating a "sense of arrival" for Tucson visitors. Development of the regional visitors' center concept began in 2013. The partnership has since grown to include the National Park Service, Visit Tucson, Western National Parks Association and The University of Arizona Mineral Museum. The proposed facility will create

a consolidated gateway for all of our region's unique resources and promote a story of Tucson and the region that showcases its uniqueness and diversity. It will also be rooted in the Santa Cruz Valley's biodiversity and highlight the historical importance of water to our region and emphasize the need to conserve this valuable resource. As currently conceived, the proposed center will feature area attractions in a self-sustaining facility that will offer comprehensive information, education and programming about our region.

The Regional Visitors Center is now proposed as an adaptive reuse of the Historic Pima County Courthouse constructed in 1929. The Historic County Courthouse is in the heart of the Governmental Center for the County, City and State and will serve to educate and inform visitors, tourists and residents of the historic and cultural heritage of Pima County.

Major renovations of the Historic Courthouse are now underway and will be completed in late 2017, allowing the Historic Courthouse to serve an important and vital role as a Regional Visitors Center.

D. Maintaining, Improving and Expanding County Leased Property Infrastructure

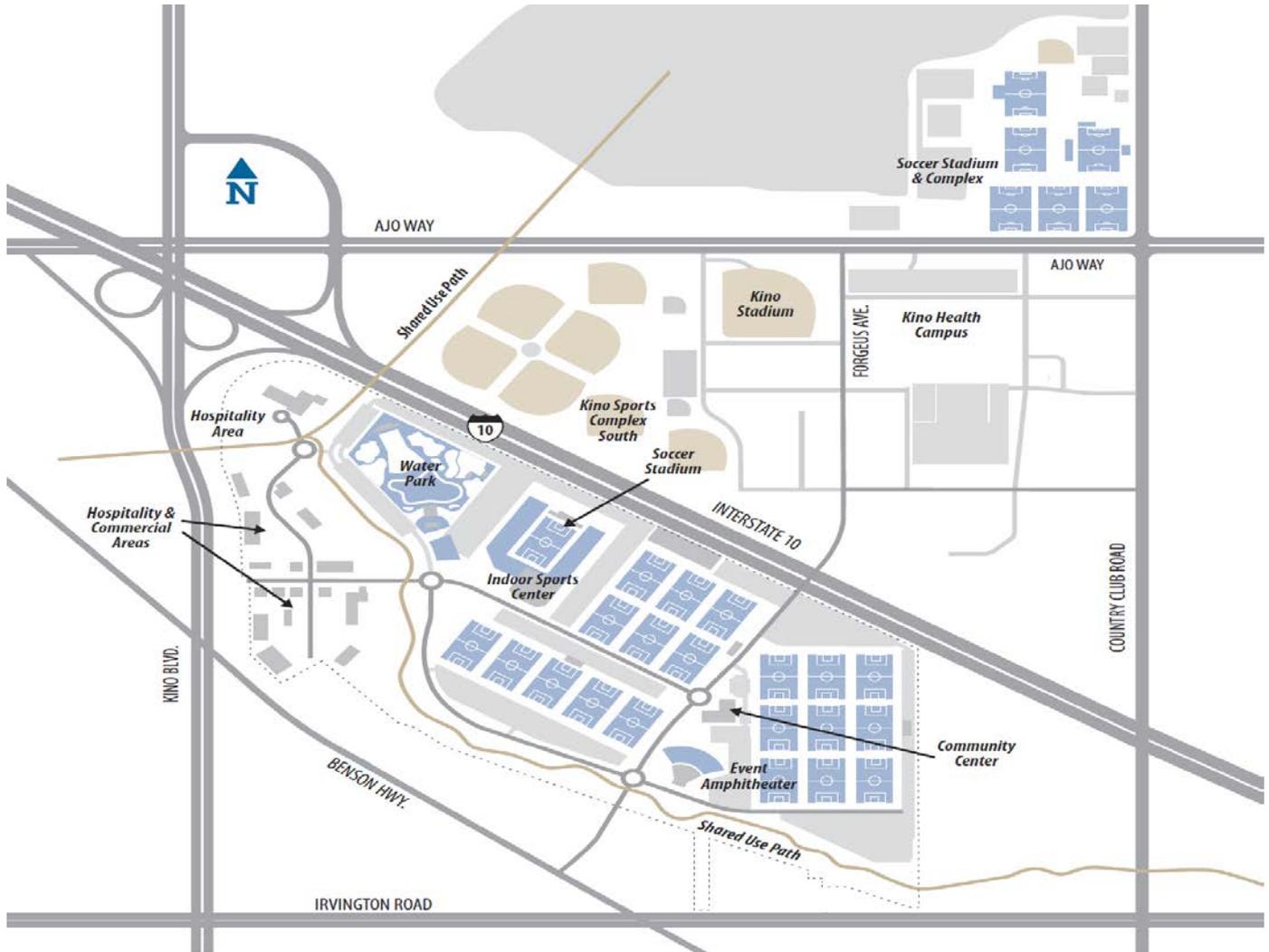
Strategies to increase tourism within a destination typically include investing additional transient occupancy tax revenue into the region's Destination Marketing Organization (DMO), growing existing and new special events and developing new tourism-related capital projects. Pima County is investing half of its bed-tax revenue in its DMO, Visit Tucson, but also in jumpstarting tourism-related capital projects throughout the region.

Tourism-related capital projects totaling \$98.6 million have been identified for tourism growth, including the following attractions:

1. *Southwest Regional Sports Tournament Complex (Kino Sports Complex)*. Expansion of the Kino Sports Complex immediately adjacent to the existing Kino Complex footprint to include soccer and other rectangle field sports and an indoor facility to accommodate volleyball and other indoor sports. In 2014, Pima County purchased a 167-acre parcel across I-10 and adjacent to the existing Kino Sports Complex. Over the past decade, sports field demand has far exceeded supply. All existing long fields in the region are booked beyond capacity, and no one site is sufficiently large to accommodate soccer and other long-field tournaments. The proposed improvements at the site include 12 artificial and natural turf soccer fields and a variety of park elements and, ultimately, an indoor court facility similar to the recently completed Sporting Chance facility at Curtis Park. Thousands of players and their families travel to Phoenix's Reach 11 each year to play in regional tournaments. The Southwestern Regional Sports Tournament Complex would not only allow Pima County to keep our players here for tournaments, it will allow the region to compete, both regionally and nationally, to bring large-scale events to our community.

The County recently completed a Master Plan for the expansion of the Kino Sport Complex by adding sports-related facilities on the 167-acre property located south of Interstate 10. The site will include an indoor sports complex, similar in function to the Sporting Chance Center located at the Rillito River and La Cholla Boulevard. The indoor sports facility will include basketball and volleyball courts, serving multiple sport court functions. Also, 19

multipurpose fields will be constructed with one championship field, a waterpark and tournament support facilities. The property will also reserve space for hotel and restaurant development.



The development cost is anticipated to be \$55 million; \$14 million for the indoor facility and \$40 million for outdoor fields and supporting facilities. The County recently completed an Economic Feasibility Study associated with developing such a facility. The County worked with SFA, Sports Facility Advisory Group, to prepare a pro forma and economic impact analysis for a tournament sports facility at this site. The analysis prepared by SFA provides the mix of elements that provides the greatest return on investment. Their recommendations include 19 long fields, 1 championship field with a 2,000-seat stadium, and an 18-court indoor facility and allows for additional complementary assets such as hotels, restaurants, a zip-line and a possible water park. Pima County is currently preparing a request for proposals to determine interest in a public/private partnership to develop the site.

2. *Old Tucson Studios.* Repurposing the entire mission of Old Tucson with additional focus on the heritage and culture of Tucson from the 1850s to Arizona Statehood. This will transform Old Tucson into a multicultural living history museum, bringing authentic experiences and exhibits that showcase the lives and times of the culturally diverse peoples that pioneered southern Arizona. This will include appropriately themed buildings and outdoor design elements for seasonal interpretative and hands-on educational programs and exhibits that will provide an entirely immersive and authentic experience. The concept has been brought forth by the ultimate successor to Old Tucson, the Arizona Sonoran Western Heritage Foundation. The Foundation's multicultural, multi-period operating model is the most appropriate contemporary transition for this historical Pima County attraction.

Attendance throughout 2016 continued to grow as marketing outreach and product improvements continue. The Western Heritage Foundation continues to expand its outreach and program development; the lack of capital dollars has delayed any major construction to improve Old Tucson's heritage infrastructure. New program development will continue, and some program improvements to the existing product will be enhanced. A special project to generate attendance by young adults has been undertaken with assistance from television network ESPN and producers of unique racing activities similar to the very popular X-Games event series. The "Shootout at Old Tucson Off-Road Grand Prix" will be produced for the next three years to be held in the north side of town that at one time featured movie sets, stables and a steam operating locomotive. The first event will take place in April 2017 and will require an extension of their existing overflow parking lot and the temporary build of a dirt road track. The weekend long event will feature new live entertainment and the attraction will be fully operating during the racing events. Several new sponsors will be featured and television and promotional coverage is expected to be significant.

3. *Colossal Cave Mountain Park.* This is a one-of-a-kind nature cave surrounded by natural resources that can never be duplicated and is the key component for public natural recreation in the eastern metropolitan area of Pima County.

The operation of the first year under new operator, Ortega National Parks, has been very successful. Attendance and revenues have increased dramatically, with attendance increasing 323 percent, or almost 80,000 visitors, and overall revenue exceeding over 200 percent, over FY 2014/15. Attendance and revenue growth is attributed to several factors, including the complete remodeling of the gift shop, the opening of a new restaurant, campsite renovations and improved cave tours.



Additionally, the historic ranch house has received HVAC and furniture upgrades. More improvements to the ranch house area, trail systems, and campground areas are scheduled for 2017. Additional complex improvements are being explored, including a zip-line attraction and other outdoor adventure activities.

4. *Arizona-Sonora Desert Museum.* Adding a new themed exhibit to this world-class and most popular local and tourist attraction that expands the attraction's footprint is necessary. Covering a 1.5-acre area, "Coast to Canyons: Journey of the Jaguar" habitat-immersion complex exhibit will include dozens of species of plant and animal life showcasing the southern portion of the mainland Sonoran Desert. Ranked as a "Top 10" United States museum by TripAdvisor Traveler's Choice Awards, ongoing investment and expansion of this important attraction will ensure that the Arizona-Sonora Desert Museum (ASDM) continues to be a top destination for residents and visitors.

The lack of capital funding has delayed the "Coast to Canyon" exhibit for the near future; however, ASDM has moved forward on two significant additions funded by private donations. The first is the opening of a new "touch" exhibit of a 10,000-gallon shallow tank featuring 15 cownose stingrays that can actually be lightly touched, as well as fed, by the public. These "touch tanks" are very popular in aquariums and sea life attractions. The second capital expansion involves the completion of the educational complex with an additional 7,000 square feet of building area and common space for the Art Institute. Additional space is needed for the tremendous growth of the Art Institute operated by ASDM. The final addition (Phase III) will complement the existing auditorium with classrooms and offices. Total costs of both projects are projected to be approximately \$4 million. These two new additions should increase the visitor and educational experiences resulting in higher attendance, which has had small increases over the past two years.

5. *Pima Air and Space Museum.* Constructing a new 120,000-square foot hangar where aircraft and artifacts related to the post-1945 Jet Age and Cold War period will be inside and protected from the sun and warm temperatures of Tucson will bring new visitors. Existing airplanes will be restored and will have a new home. Significant aircraft, one of which is only one of four left in existence, will be displayed, as well as 16 to 20 other historic aircraft in the Museum's collection. Themed education exhibit encompassing additional artifacts, photographs and materials from the late 1940s to present day will be accommodated in this building. This will enhance the Museum's status as a global aviation heritage preservation institution and preserve and interpret historic artifacts for current and future residents and visitors to southern Arizona.

Hangar 6, the 120,000 square foot hangar, has been delayed in 2016. However, Hangar 5 was recently completed, as was a new pedestrian bridge over the wash connecting Hangar 4 with Hangar 5 and the future Hangar 6 area. Hangar 5, costing over \$2.5 million and funded privately, is a 27,000 square foot building housing restored World War II and Pacific Theatre aircraft.

The Museum's attendance has increased from 145,000 to approximately 190,000 guests. 97,000 square feet of exhibit space; 5,000 square feet of food service, kitchen and dining room space; and a 3,000 square foot gift shop have been added. Fifty-five aircraft have also been added to the Museum's collection.

6. *Pima County Fairgrounds Capital Investments.* In 2016, the Pima County Fairgrounds began the largest single amount of capital improvements during the past two decades. The Southwestern Fair Commission, which operates the fair and other activities on the Fairgrounds on behalf of Pima County, is spending approximately \$1.3 million on improvements to maintenance the shop area, Thurber Hall, South Horse Barns, 100 new RV sites, and asphalt and road repairs. All of these improvements will be completed prior to the 2017 fair held in the spring and will assist in increasing visitor and usage capacity.

7. *Historic Pima County Courthouse as Regional Visitors Center.* Converting Pima County's Historic Courthouse into a new Regional Visitors Center, operated by a new partnership of Pima County, the Western National Parks Association, and Visit Tucson, will feature the historic building converted into a resource complex where visitors from all over the world will learn in an interactive environment, the things to see and do in southern Arizona. The Western National Parks Association is the nonprofit education partner of the National Park Service, supporting 71 national park partners across the West; developing products, services and programs that enrich the visitor experience. The University of Arizona Mineral Museum is also expected to locate within this Regional Visitors Center.



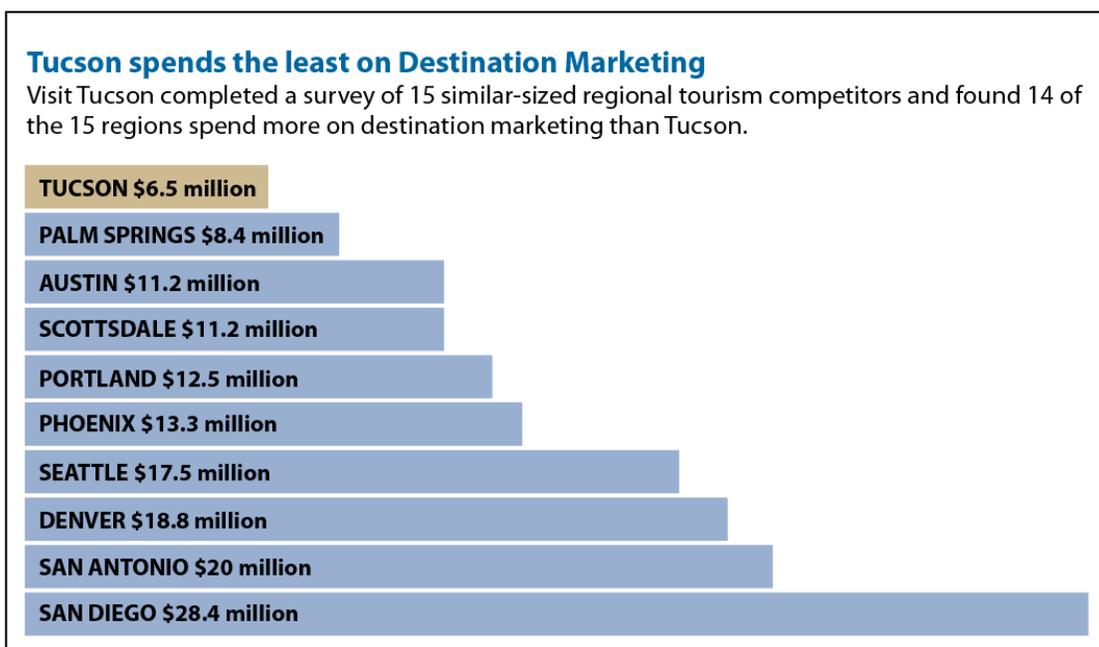
E. Assisting Other Community Attractions in Southern Arizona by Increasing Our Investment in Visit Tucson

Our region has a diverse collection of attractions operated primarily by nonprofit organizations or that are part of the local, state or national park systems. Many of these are under-marketed and therefore underutilized. As visitation decreases, so does the ability to market the facility. Marketing outreach was at an all-time low during the recession, with most, if not all, attraction marketing budgets in Arizona being severely reduced. There are opportunities to reverse this trend. Visit Tucson continues to promote the attractions of southern Arizona as a destination driver and will continue to support, through cooperative marketing and outreach programs, the mission of Pima County leased properties and all of the unique attractions throughout southern Arizona.

Pima County will also engage the Southern Arizona Attractions Alliance and develop cooperative marketing programs with the Arizona Office of Tourism and the other government and private tourism offices within southern Arizona, such as the Tucson Metro Chamber, the Ajo Chamber of Commerce, Green Valley/Sahuarita Chamber and others.

In January 2015, Visit Tucson completed a survey of our regional tourism competitors; 15 regional markets of similar size, including Portland, Oregon; Austin, Texas; and San Diego, California. These markets were all surveyed regarding their funding for tourism attraction marketing. In 2014, our market had the lowest occupancy rate, ranked 15th while San Francisco, California ranked first. For room rates, we ranked 14th, while, again, San Francisco ranked first. For room revenue, we ranked 12th, with Las Vegas, Nevada ranked first. For the amount of funds spent on destination marketing, we ranked 13th, while Las Vegas ranked first.

The graph below provides an order of magnitude comparison between Visit Tucson’s budget and the destination marketing funding of other Western US cities. Clearly, our tourism marketing is inadequately funded.



F. Expanding Air Service at Tucson International Airport

Increasing direct airline connections to Tucson International Airport (TIA) from other major metropolitan cities, both national and international, is required for strengthening Pima County's economy. Direct flights increase tourism, facilitate existing business operations and increase business attraction. Currently, TIA has limited direct flights to the U.S. East Coast, Canada, Mexico or any of the other regions identified in this plan as being necessary components of job creation, export trade and business expansion.

TIA continuously seeks to improve air routes and identify opportunities for direct airline connections but recent developments in the airline industry, such as airline consolidation and increased aircraft operation cost, have led to greater competition among airports for direct flights. An increasing trend in the industry is the use of revenue guarantees to serve as an incentive for municipal airports to secure additional flights. These guarantees are essentially sums of money a regional organization commits to an airline for new routes and flights that would serve to offset revenue lost if the route or flight is not successful. The money is usually secured by lines of credit and is not paid to the airline if the route is successful in terms of passenger usage and profitability. Regional organizations, such as chambers of commerce, cities, and states, fund the guarantees due to Federal Aviation Administration regulations that prohibit airports from funding the guarantees. A recent example occurred in Albuquerque where a community and state coalition secured \$5 million to guarantee a direct connection to New York City. The flight has been successful with 86 percent of seats purchased, and the city has derived numerous economic benefits from the new connection.

In 2015, the Tucson Metro Chamber formed an Air Service Task Force that is attempting to secure direct flights from Tucson to New York City/Newark with an approximately \$3 million revenue guarantee. This effort, which is funded primarily by private sector businesses and individuals in Pima County, brings immediate economic benefits to our region. According to the US Department of Transportation, Tucson was the largest market without a direct flight to New York City/Newark airports. This effort has been successful as American Airlines began nonstop daily service from Tucson to New York on October 7, 2016. Also in October 2016, direct flights from Tucson to Hermosillo and Mazatlán were added. Efforts to add additional direct flights to locations in Mexico, Canada and possibly Washington DC are underway. These efforts by the Tucson Metro Chamber and Pima County business community, and any community efforts to increase direct flights at TIA, will be encouraged and assisted by Pima County.

G. Pima County as a Medical Tourism Destination

People from across the United States and abroad are already visiting Tucson health and medical centers for the unique services and care they offer. Medical tourism is a growing tourism initiative, and Visit Tucson and Pima County are developing a community plan to attract visitors to Pima County who are specifically seeking medical services. Cities such as Houston, Tampa, Jacksonville and many others have had focused marketing initiatives with their medical partners for decades.

Medical tourism is the concept of people who live in one region traveling to another region to receive medical, dental and surgical care equal to or greater than the care they would receive in their own region. Most people participating in medical tourism do so for reasons of affordability, better access to care or a higher level of quality care. Pima County will collaborate with regional medical centers, wellness facilities, the Pima County Health Department, physicians and Visit Tucson to develop and market visitor incentive packages for those seeking medical care within our community. The County's planning will place particular emphasis on Mexican patient visitors. Specific initiatives will include developing comprehensive data related to medical and wellness institutions in the region, creating a database of doctors and their specialties through the Pima County Medical Society and developing a marketing plan in partnership with health and medical institutions. The program will include transportation and housing logistics and is expected to launch by late 2016 or early 2017.

Of particular importance will be an outreach program to introduce domestic and international medical tourism patients to the unique medical services in our various clinics and hospitals, including Tucson Medical Center, Carondelet, Oro Valley Hospital/Northwest Medical Center, Green Valley Hospital and Banner-University Medical Center (Banner-UAMC).

Pima County continues to lead the medical tourism project, along with Visit Tucson and with a recent partnership with the City of Tucson and its Tucson Healthcare Partnership Committee, which include multiple CEOs from hospitals and clinics in the region. Project branding phase has been completed, and the project will be officially known as the Tucson Health Association. Multiple meetings and site visits with the hospitals and clinics have occurred, and Visit Tucson will recruit full-time staff to oversee and provide concierge-like services to Mexican tourists seeking medical services in Pima County. Pima County and Visit Tucson attended the 2016 World Medical Tourism Congress in Washington, DC to learn best practices and begin developing international networks.

H. Creating International Tourism Opportunities in Key Marketplaces



Mexico. Mexico is by far the largest source of international visitors to Arizona with 3.7 million overnight trips in 2015, according to the Arizona Office of Tourism. Our proximity and historical and cultural ties with Mexico allow Pima County to benefit significantly from Mexican leisure travel. Statistics from the UA indicate Mexican visitors contribute nearly \$1 billion to Tucson's economy each year. Vamos a Tucson, the Mexico marketing department of Visit Tucson, operates visitor centers in the Sonoran cities of Hermosillo and Ciudad Obregon.

The Hermosillo center was recently renovated to include a Pima County meeting space that can be used by Pima County officials to meet with Mexican government officials and

companies seeking to operate in our region. Kino Sports Complex is the site for what has become the annual Vamos a Tucson Mexican Baseball Fiesta each October. This event brings in four or more teams from the Mexican Pacific League to play a preseason tournament, which attracts spectators from southern Arizona and northern Mexico. Additionally, little league teams from Mexico travel to Tucson during that timeframe for their own tournament tied to the event.

Pima Community College is working with Vamos a Tucson to market its programs and new ESL offerings to the Sonoran and northwest region of Mexico. Research shows that international students also promote tourism and further international connections. For example, former students who hold a positive view of their study experiences in other countries will prefer these regions for investment, tourism and development work.

Shopping is the primary reason visitors from Sonora and Sinaloa travel to Pima County. Vamos a Tucson organizes motor coach trips between Tucson and Sonoran cities during prime shopping periods. Vamos a Tucson also engages in significant year-round promotional activities in Sonora, including print and digital advertising, promotions in Sam's Club, Starbucks and in the Ford Motor Company plant in Hermosillo. Other promotions include weekly Tucson television updates on Meganoticias in Hermosillo, and the development of quarterly Spanish-language visitor guides distributed throughout Sonora.

Pima County supports efforts by the Tucson Airport Authority (TAA) and local business organizations to pursue additional nonstop flights from one or more Mexican cities to TIA. Pima County will also partner with the Arizona Commerce Authority and City of Tucson to generate new business for our region via exposure at the State's new trade center in Mexico City. In the area of sports tourism, Pima County will work with FC Tucson and Visit Tucson to stage exhibition matches at Kino Sports Complex involving professional soccer teams from Mexico and expand the scope of the Vamos a Tucson Mexican Baseball Fiesta.

As of October 2016, Aeromar Airlines began flights from Tucson (TIA) to Hermosillo, Los Mochis, Mazatlán and Guadalajara, with flights available four times each week – Thursday, Friday, Sunday and Monday. The number and frequency of flights is expected to increase in the near future. Aeromar Airlines, based in Mexico City, was founded in 1987 as an executive airline and is flying the 48-seat ATR 42 turboprop on the Tucson flights. Having Aeromar flights will help attract more tourists that come for shopping and medical services from Sonora and Sinaloa. In addition, it will provide travel convenience to business people from the Maquila and produce industry among other major industries in the region. These flights were the result of months of work as a regional team, which included Pima County, the Tucson Airport Authority, Visit Tucson, City of Tucson, business leaders, among others.

Canada. Tourism Economics, a global travel advisory firm that tracks tourism in Arizona, ranks Canada second in overnight visitation to Arizona with 928,051 visits in 2015. Visit Tucson continues to work directly with Canadian tour operators and travel agents to ensure metro Tucson vacation packages are developed and sold to Canadian travelers. Visit Tucson's tourism department typically conducts two or more sales missions annually to Canadian markets and hosts Canadian professional travel planners on group familiarization tours and individual site visits. Pima County will work with the Canada Arizona Business Council (CABC) and Visit Tucson in late 2016 or early 2017 to facilitate a Pima County

familiarization tour for top Canadian decision-makers related to business expansion and relocation, along with land/company acquisitions and other mechanisms that would spur Canadian direct investment in our region. This would include partnering with the TAA and local business organizations to pursue nonstop flights from one or more Canadian cities to TIA. Visit Tucson should engage in an annual Canadian media mission – possibly in partnership with the Arizona Office of Tourism and other statewide destination marketing organizations – while increasing outreach to targeted Canadian travel media to visit our region on individual or group tours and increase the amount of Tucson advertising in Toronto and other top Canadian feeder markets.

The Republic of Korea (South Korea). Tourism Economics ranks South Korea as number seven in overnight visitation to Arizona, with 61,128 visits in 2015. Pima County has begun to make inroads in South Korea with efforts tied to tourism and other facets of economic development. The Tucson-Korea Ambassadors, a nonprofit cultural exchange program, brought 35 South Korean students to Pima County in 2015, and PCC continues its international student recruitment in the Republic. Tucson was promoted at various festivals and events via Visit Tucson missions, which also included lecturing to university students about Tucson and how we attract visitors to our region. There is an opportunity to bring Korean Baseball Organization teams to train at Kino Sports Complex, should a combination of Pima County, Visit Tucson and local hotels/resorts be able to develop and offer a package that includes transportation between hotels and practice facilities, excursions to attractions and golf courses on their days off and finding high-quality opponents (such as other Korean teams or teams from Mexico’s Pacific Coast League) to play. Pima County will work with Visit Tucson to expand tourism from this important Asian market.

I. Creating an Amateur Athletics Destination Center

As discussed in Section A above, a Pima County sports facility assessment authorized by the PCSTA was completed in 2013 by the firms Populous and The Planning Center. This assessment provided a comprehensive analysis of sports facilities throughout the region. The assessment inventoried amateur tournaments and other activities, as well as evaluated the economic benefits of a number of community sports models from Albuquerque, New Mexico; Austin, Texas; Boulder, Colorado; Colorado Springs, Colorado; Phoenix, Arizona; Portland, Oregon; Omaha, Nebraska; and Indianapolis, Indiana.

It is clear the development of a comprehensive sports facility system integrated and managed with the purpose of advancing our region as an amateur athletics destination is economically attractive. The City of Tucson, Pima County and the UA have a number of large-scale athletic facilities that are complemented by our favorable climate. Athletic training and tournaments can constitute a significant economic benefit as a component of destination tourism. Today, there is no real coordination of the many venues for sporting and athletic endeavors. Further, these facilities require maintenance and expansion to be competitive in the national market for college, university and club championship tournaments, which can drive significant expansion opportunities for the region in destination tourism.

It would be appropriate to consider coordinating both facilities and marketing information to determine the applicability of developing, through coordinated use of available infrastructure, the addition of new facilities throughout our region as an amateur athletics destination. Such

would require close coordination with The University of Arizona, local jurisdictions and the private sector. Developing Tucson as an amateur athletics capital could be a very significant addition to our tourism economy.

J. Potential Legislation Supporting Sports and Tourism

Visit Tucson has created a ranking of performance metrics that measure key tourism indicators against Tucson's major competitor visitor destination locations. The survey began shortly after the most recent audit of Visit Tucson's marketing objectives and outcomes. Key indicators measured include area hotel occupancies, average daily rates of lodging locations, marketing and operational budgets, and revenue per available room, which is a ratio commonly used to measure financial performance in the hospitality industry and others.

Tucson has ranked poorly since the study began three years ago. Consequently, efforts to improve these metrics were recommended by the Southern Arizona Lodging and Resorts Association (SALARA) to increase tourism through product development and marketing through the repurposing of House Bill 2572. This bill amended Section 1 of Title 5 of the Arizona Revised Statutes by adding a new Chapter (Chapter 9). This amendment, sponsored by the PCSTA, was signed into law by former Governor Jan Brewer in 2009 and allows a referendum so voters can decide whether to pay slightly higher taxes to benefit sports facilities and create additional jobs. The referendum mission, if passed, would ensure stability by keeping and growing training teams in Pima County and growing youth and amateur sports through the development and renovation of sports facilities.

SALARA, working with the PCSTA, asked the TAA and Pima County to support the legislation to repurpose the PCSTA and the bill's outdated original purpose by:

- Promoting sponsorship of market-wide sporting events,
- Promoting the tourist destination of southern Arizona,
- Supporting nonstop air routes to TIA, and
- Supporting operation of Kino Sports Complex, specifically to support the growth of youth and amateur sports.

This bill was not considered by the Arizona Legislature in the 2016 session and should be introduced in the next session, since the concepts contained in the proposed legislation would be a major contributor to revitalizing southern Arizona's tourism industry and create new infrastructure and jobs. Any number of other revenue uses could be proposed in revised or new legislation, including funding for creating a regional center for amateur athletics.

Action Items

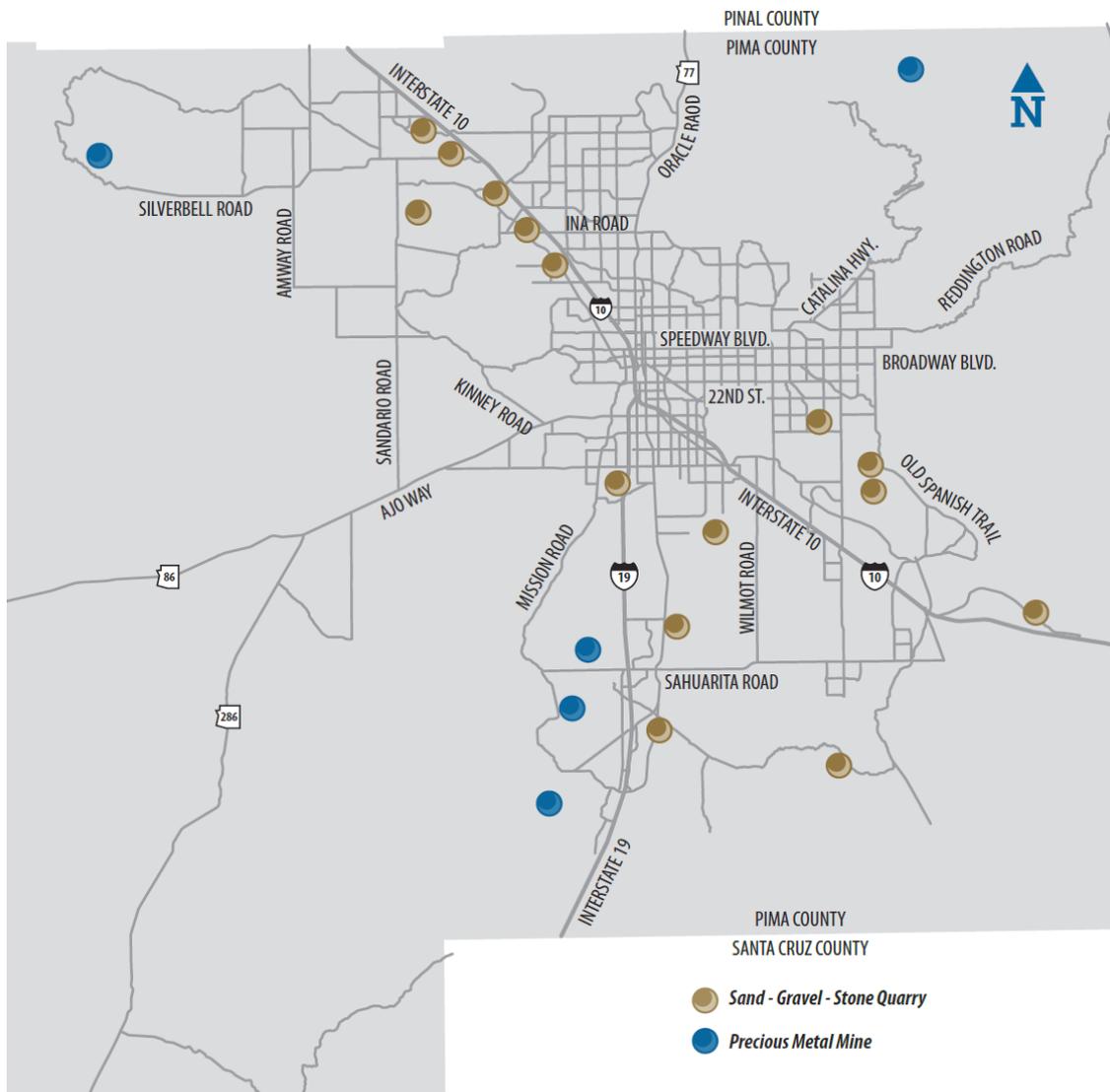
6.1 Collaborate with Visit Tucson Sports to maximize soccer, lacrosse and other sports that can be staged at Kino Sports Complex or other Pima County sports facilities and increase the local, regional and national events that fit with the recommendations of a Kino Sports Complex feasibility study by SFA and the sports assessment study conducted by Populous/The Planning Center.

- 6.2 Seek to expand existing cycling events and consider bringing in new events that include both cycling and running in order to increase the region's profile as an ideal cycling destination.
- 6.3 Create a consolidated gateway for all of our region's unique resources. Promote a story of Tucson and the region that showcases its uniqueness and diversity and fosters a sense of pride and a sense of place in residents and visitors alike.
- 6.4 Add to Kino Sports Complex's offerings on land adjoining the existing venues by master planning and constructing facilities that attract regional and national events, while also serving local users.
- 6.5 Complete "The Loop" trail and its local town connector trails and market it as part of the region's substantial cycling infrastructure.
- 6.6 Continue to support, through cooperative marketing and outreach programs, the mission of Pima County leased properties and all of the unique attractions throughout southern Arizona.
- 6.7 Work with regional medical centers, wellness facilities, Pima County Health Department, physicians, Banner-UAMC and Visit Tucson, to develop and market visitor incentive packages for those seeking medical care within our community.
- 6.8 Continue to bring the Korean Baseball Organization and teams from Mexico's Pacific Coast League to play and train at Kino Sports Complex.
- 6.9 Work with CABC and Visit Tucson to stage a Pima County familiarization tour for top Canadian decision-makers related to business expansion and relocation, along with land/company acquisitions and other mechanisms that would spur Canadian direct investment in our region.
- 6.10 Partner with the TAA and local business organizations to pursue additional nonstop flights from one or more US East Coast, Canadian and Mexican cities to TIA, since there are currently very limited East Coast and Mexico nonstop flights and no nonstop flights to Tucson from Canada.
- 6.11 Work with Vamos a Tucson to identify business and tourism opportunities in Sonora and Sinaloa and meet with appropriate officials at the Hermosillo center and in Tucson.
- 6.12 Work to improve and expand existing Pima County tourist attractions, including the Kino Sports Complex, Old Tucson Studios, Arizona-Sonora Desert Museum, Colossal Cave Mountain Park, Pima Air and Space Museum and the Regional Visitors Center at Historic County Courthouse.
- 6.13 Reintroduce and support passage of reform legislation related to the PCSTA to fund tourism-related initiatives designed to increase tourism economic development.

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Pima County has a long history of mineral extraction, particularly copper mining; and the industry remains an important component of our region’s economy. Mining’s impact has historically cycled through highs and lows of production and employment; but the forecasted mineral deposits in Pima County, combined with anticipated demand for base metals in an increasingly technology dependent society, ensures mining will continue to be a significant contributor to Pima County’s economy.

Overall, the industry provides approximately 14,000 direct and indirect jobs within the County. The presence of 24 large- and small-scale mining operations in Pima County has fostered a large and diverse sector of companies providing logistical support that also contributes to our employment base. Several of the world’s leading mining technology companies are located in Pima County. The economic impact of even a single mine in Pima County is significant. A 2013 economic analysis of one local copper mining operation, the Sierrita Mine operated by Freeport McMoRan Copper and Gold and located 20 miles south of Tucson, found a direct economic impact in Pima County of \$197.1 million, including \$112.4 million in direct compensation and \$66.7 million in vendor purchases. The combined direct and indirect impacts of the Sierrita Mine totaled \$310.4 million in 2013.



An estimated 60 percent of the nation's copper comes from southern Arizona, and the average wage paid by the large-scale mining operations is well above the median wage in Pima County. Recognizing the importance of mining to the nation and our region, the County has worked collaboratively with mining interests in the past, including Freeport McMoRan, ASARCO and the Oracle Ridge Mine in the Santa Catalina Mountains that was approved unanimously by the Pima County Board of Supervisors in 2012. For example, Pima County partnered with The University of Arizona and ASARCO to research the use of biosolids from Pima County wastewater plants to restore and revegetate mine tailings. This research benefited the mining industry, as well as the air quality for Pima County residents.

Pima County has also opposed incompatible mining operations in sensitive environmental areas, such as the proposed Rosemont Mine in the Santa Rita Mountains, where the County has spent years thoroughly documenting the adverse impacts the operation would bring to the human and natural environment.

With the majority acquisition of Augusta Resources by Hudbay Minerals, we have been encouraged that a more thoughtful and analytical approach to mining activities in the Santa Rita Mountains is being undertaken. We are hopeful new approaches and/or refinements will be made to the present Mine Plan of Operations to lessen direct impacts and minimize adverse impacts on natural resources within Pima County. We have also asked regulatory agencies to commit that any mitigation required because the Rosemont Mining operation actually occurs in Pima County and within the watershed of the Cienega Basin, the most impacted by this particular proposal.

In our regulatory role, Pima County has sought corrective action and monetary fines from companies such as ASARCO when mine tailing dust has negatively affected the unincorporated community of Green Valley and risked the health of its residents. The impact of water-intensive mining in a desert environment and the effect of the industry on air and water quality, drainage and the land are also areas of concern for the County and our residents.

Pima County must strike a prudent balance between promoting the economic wellbeing of our residents and adhering to the County's primary mission of protecting the health, safety and welfare of our citizens. Pima County will continue to oppose harmful and incompatible mining projects, but we should also encourage responsible operations that utilize modern technology and sustainable practices to mitigate the human and environmental impacts of this important industry. Below are five policy areas where the County can actively support mining activities.

A. Support Mining Activities that Provide Resource Conservation in Accordance with the Conservation Lands System Guidelines

The County has adopted natural resource conservation mitigation guidelines for activities that destroy or adversely impact natural ecosystems in the Sonoran Desert. These guidelines are known as the Maeveen Marie Behan Conservation Lands System (CLS) of the Sonoran Desert Conservation Plan (SDCP). These guidelines are designed to offset the adverse impacts of habitat or ecosystem losses.

Mining activities, by nature, are extractive activities that remove resources; in this case mineral resources, for economic value. During this extractive operation, natural resources are adversely impacted, ecosystem values are degraded and adverse impacts occur to water and air resources. Those mining activities that agree to meet the natural resource and conservation requirements of the SDCP will generally be supported by the County. These CLS set asides should also be cognizant of and offset any impacts to cultural, historic and water resources.



B. Advanced Mining and Resource Extraction Technology

In addition to creating a significant mining industry, the abundant mineral resources that exist in Pima County have resulted in advanced research that seeks to mitigate some of the most harmful effects of hard rock mining. The UA Department of Mining and Geological Engineering is recognized as one of the leading mining education institutions in the nation. The Department conducts interdisciplinary research in efficient and sustainable mining and has been successful in transferring its technological achievements to the private sector.



The UA is also a leader in environmental research and sustainability, particularly in the areas of water research and arid land studies that clearly have relevancy in the mining industry. The Lowell Institute for Mineral Resources (IMR) is at the forefront of mining research and has educational themes that include technology and environmental and social responsibility. The Lowell IMR has more than 100 university researchers collaborating across 23 disciplines to advance sustainable development of mineral resources. Research projects by the IMR, in partnership with Science Foundation Arizona and the mining industry, include the Center for Environmentally Sustainable Mining, solar energy, mine health and safety, groundwater, economic geology and community and environmental health. The University also is home to the Superfund Research Program, which has been continually funded by the National Institute of Environmental Health Sciences since 1989. The program seeks to address the health effects of contaminants in the Southwestern United States and the Mexico border region and includes focuses on environmental issues related to hazardous substances. Its research objectives include studying the toxicological effects of environmentally relevant arsenic exposure and studying wind-borne mine tailing particulates and the relation to lead metal contaminants.

In addition, the Israel Business Initiative, a program of the recently formed partnership between UA Tech Parks and the Offshore Group, includes sector focus areas that include mining technology.

Regarding workforce development, Pima County has been in discussion with the Town of Sahuarita and the Joint Technical Education District (JTED) for development of the Southern Arizona Mining and Industrial Technology Center. Although funding sources for the center have yet to be firmly identified, Pima County supports the development of this center, as it would ensure the mining industry has a well-trained and sufficient workforce for the future.

As part of our economic development priorities, County staff from Community and Economic Development, Strategic Planning and Public Works will begin seeking partnerships with the relevant departments and programs of the UA and other entities to explore opportunities that support advanced mining technology and sustainability and promote resource extraction with minimum impact while accelerating economic development and job creation in Pima County.

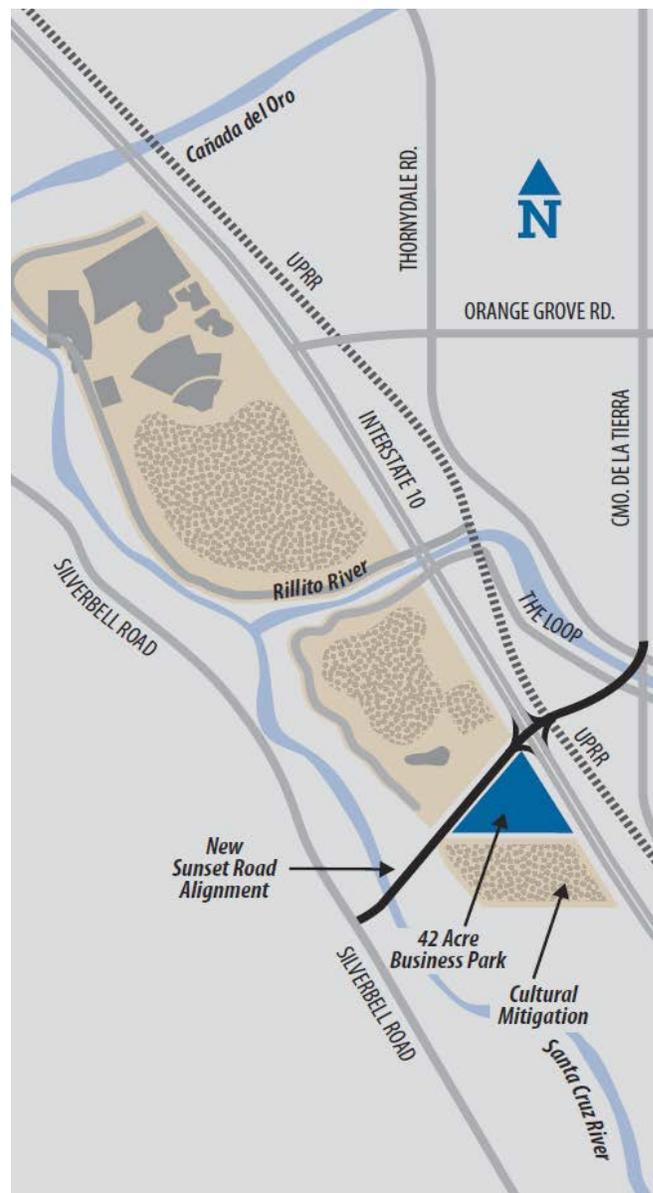
C. Reclaiming Mining and Tailings Disposal Sites

Mining companies and individuals have laid claim to thousands of acres of subsurface mineral rights throughout Pima County. While not all of the patents will be developed, those that are will eventually require reclamation. Arizona currently has more abandoned mines than any other state and its reclamation liabilities remain significant. The County has in the past attempted to work with the Arizona State Land Department to condition reclamation as part of mineral leases. The County has also sought revision of the federal 1872 Mining Law.

While Pima County should continue to press for increased state and federal regulation and enforcement of mining reclamation requirements, in certain circumstances, concrete steps can also be taken by the County to return mining operations to productive economic and environmental uses.

In 2012, the County purchased 615 acres from CalPortland Cement Company located near Interstate 10 (I-10) and the confluences of the Santa Cruz River, Rillito River and the Canada del Oro Wash. Much of this land requires reclamation due to extensive sand and gravel extraction operations. A significant portion of this property will be dedicated to the El Corazón de los Tres Ríos environmental restoration project, and a portion of the land will be developed as a primary employment center to further economic development.

Pima County will proceed with the development of the primary employment center and attempt to identify other reclamation projects that will result in environmental restoration and economic benefit while ensuring the taxpayers are not subsidizing or abetting negligent mining companies.



D. Collaborate with Mining Interests to Maximize Natural Resource Conservation

Mining companies are significant landholders in Pima County, and responsible companies are cognizant of the intensive environmental impacts their activities and byproducts bring. In addition to utilizing sustainable and technologically advanced mining techniques to mitigate their impacts, responsible mining operations seek to offset these impacts by engaging in natural resource conservation.

Pima County's efforts related to the SDCP should be reviewed for opportunities to collaborate with responsible mining companies to increase natural resource conservation. The Sonoran Desert and our unique lifestyle are important but often understated components of business attraction and retention.

Pima County fully cooperated with Freeport McMoRan in the purchase of 8,300 acres of State Trust land to allow for the remediation of their existing mine tailings disposal facility, as well as to buffer their operations from other encroachment; whether it be urban

development or other activities that would potentially be adverse to continued mining activity. The County will continue to support all mining entities that choose to acquire buffer lands, whether they are private or State Trust lands, to provide a natural resource buffer between other land use activities and active or abandoned mining operations. It is important these natural resource buffers be maintained in perpetuity and become part of the protection and conservation strategy for the Sonoran Desert ecosystem.

E. Maximizing Renewable Water Resources for Meeting the Water Supply Needs of Mining

Mining is a water-intensive industry. Pima County faces diminishing water supplies due to naturally arid conditions inherent to the Sonoran Desert, as well as prolonged drought and climate change. Our Regional Wastewater Reclamation Department is the largest producer of renewable water in our region and is recognized for its expertise in quality effluent production and water conservation. In order to assist the mining industry in maximizing its use of renewable water, promote the conservation of a vital resource and sustain the economic benefits of mining operations, Pima County will work with the industry, the City of Tucson and other water providers to formulate strategies for the use of renewable water supplies in mining operations.

The County will also support activities for the direct reuse of Central Arizona Project (CAP) water, in lieu of groundwater, for mining operations. Currently, a number of legal and institutional constraints hamper mining industry access to renewable CAP water supplies. The County will support increased and improved access to these supplies for mining interests that choose to use renewable CAP water in lieu of groundwater for their mining operations.

Action Items

7.1. Continue to monitor and comment through the federal regulatory process on mining activities proposed or ongoing within Pima County with the goal of minimizing long-term adverse impacts of those operations and having any required mitigation provided within the area of actual impact.

7.2. Support mining activities that generally provide mitigation offsets in accordance with the established County conservation guidelines.

7.3. Continue to encourage advanced mining and resource extraction technology evolution to maximize recoverable economic minerals and minimize impacts to air, water and ecosystem resources of the County.

7.4. Continue to pursue reclamation efforts related to past mining activities and encourage relocation, stabilization and reforming of mine disposal sites and/or tailings disposals.

7.5. Promote use of renewable water supplies for all mining activities within Pima County.

Mexico is the third largest trading partner for the United States and the first for Arizona. Total trade in 2015 was \$532 billion, and in 2015, Arizona's exports to Mexico were nearly \$9.2 billion.

Pima County and Mexico share a longstanding relationship and deep cultural ties; and the Mexican state of Sonora and Pima County share major industries, such as aerospace, manufacturing, mining and tourism. Pima County is taking the appropriate steps to collaborate with our neighbors south of the border. In initiating these relationships, we have identified a number of benefits to expand upon, as well as limitations that require cross-border collaboration to improve trade and tourism. With increased collaboration, we can improve our region's economic growth and resulting employment growth.

A. The Cost of Doing Business for Import/Export: Banking, Nearshoring and Port of Entry Efficiency

1. Banking. Some United States banks are closing accounts of certain customers with operations on the Mexican side of the border, which appears to be part of an effort to comply with United States anti-money laundering regulations. However, this action is having an adverse impact on legitimate border businesses and impacts our ability to attract Foreign Direct Investment (FDI) from all countries. The County will continue to explore avenues to address this issue and continue to encourage cross-border investment.

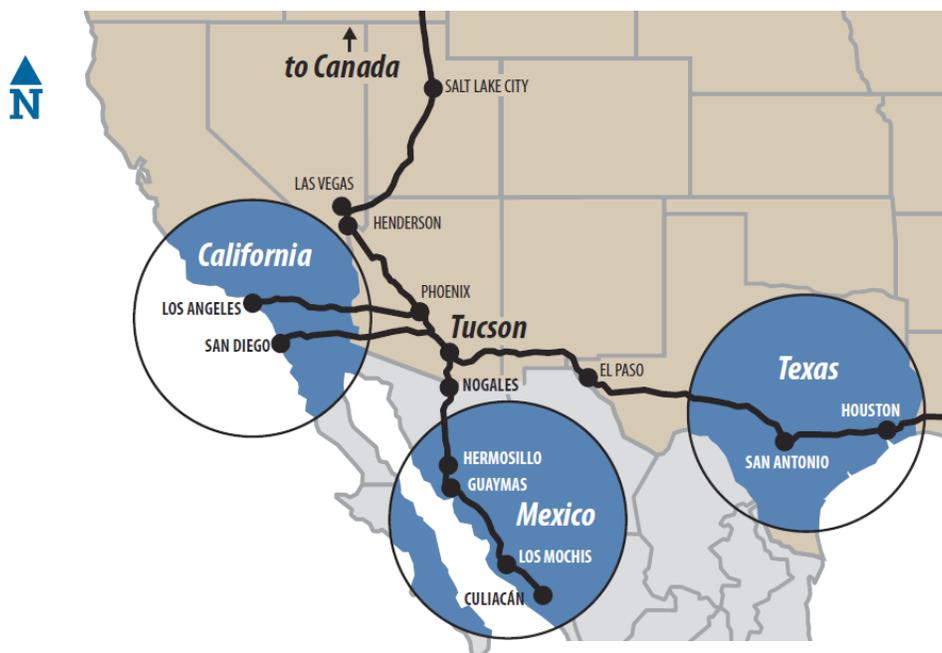
2. Nearshoring. China's labor and shipping costs continue to rise, and quality is declining. Mexico is offering high-skill, low-cost manufacturing; and many United States manufacturers are relocating to Mexico from Asia (nearshoring). Foreign automotive manufacturers are also targeting Mexico for expansion of their operations. Nissan has constructed a \$1.4 billion manufacturing facility, and Volkswagen is implementing a \$1 billion expansion of its existing Mexican facility. Audi also plans a Mexican factory to produce vehicles for export to Europe, the United States and other markets.



The Maquiladora industry in Nogales, Sonora includes approximately 110 assembly-for-export plants that employ an estimated 40,000 people, many of whom have visas to cross into the United States for tourism and shopping or actually live in southern Arizona. We also have an opportunity to identify distribution companies in Pima County to provide locations for engineering, quality control and distribution support of companies in the Maquiladora industry.

3. Port of Entry Efficiency. The Mariposa Port of Entry (POE) at Nogales, a \$250 million expansion and modernization project, has been completed. It is now a state-of-the-art facility that is already creating opportunities by increasing capacity of import goods and produce, and it has decreased the wait for truckers. However, a significant adverse impact on cross-border trade still continues to be border delay. United States and Mexican companies face higher transportation costs as a result of lengthy border wait times and intrusive (duplicated) inspections. These costs are passed on to consumers. In addition, time-sensitive products, such as fresh fruits and vegetables and other agricultural commodities, are placed at risk due to the products' shorter lifespan. In 2015, over 319,000 trucks crossed the Nogales POE. The private sector has suggested it will take more than additional Customs officers at the Port. It will require all key process stakeholders to find common ground to improve the systems of transporting goods across the border. Pima County supports the development of technology and improved processes on both sides of the border to make us more competitive with Texas and California, both of which have experimental programs in place.

In July 2016, US Customs and Border Protection (CBP) Nogales Commercial POE (Mariposa) initiated a "proof of concept" for a unified processing of cargo by CBP and SAT (Mexican Customs). The primary goal of the "proof of concept" was to determine whether the unified processing of FAST lane shipments would decrease the transit time of international cargo, thereby increasing security and reducing cost of doing business. After a 30-day review, the results were better than expected: 22 percent of all laden trucks are being jointly processed by CBP and SAT; 20 minutes is the average crossing time from Nogales, Sonora to Nogales, Arizona for unified cargo processing (UCP) shipments; with reductions of up to 85 percent in in-transit transportation costs for the unified proof of concept participants. In September 2016, CBP and SAT met in Mexico City to discuss the first 30-day review. As a result, it was agreed that workgroups would be formed to evaluate whether the expansion of the unified proof of concept would be feasible for other ports within Arizona (Douglas and San Luis). It was also agreed that unified inspections would be expanded to include "all" Fast lane users, including produce, effective October 3, 2016.



4. Over-stop. Other challenges include varying interpretation and execution of border crossing procedures by each agency at the POE. This lack of coordination leads to an increase in wait times and a resulting increase in cost of products coming across the border, which makes Arizona less competitive with our neighboring states that tend to have a more coordinated approach. The County will increase our efforts to develop relationships on both sides of the border to increase efficient border-crossing awareness and work toward solutions that make Arizona POEs more competitive, easier to use and quicker to assess.

B. Strengthen Our Relationship with Guaymas, Port of Guaymas and Port of Tucson

To thrive in the future economy, we must realize Pima County is part of the international marketplace and is situated at a crossroads for foreign trade. By focusing on import distribution and export concentration, it is possible to increase the region's participation in the international marketplace.

The Port of Tucson is certified to handle international containers for import and export operations. The availability of onsite Customs, intermodal capability, existing infrastructure and land at the Port of Tucson to accommodate immediate growth, as well as a "can-do" approach to meeting unique market demands, provides a cost effective doorway to national and international markets for the region. In order to enhance the capability of this regional asset, Pima County sponsored a successful \$5 million TIGER Grant to provide high-speed switching of trains off the main Union Pacific Sunset Line, thereby reducing cost and transit time for cargo. This unique capability can be rapidly expanded to accommodate a broad range of bulk and finished products that can be shipped in a container or flatbed rail car.

Pima County will renew our efforts with state and federal highway counterparts to allow transit of heavy loads on southern Arizona highways in order to accommodate international containers and avoid the costly need to break contents down into smaller loads. Designating a heavy haul route from Douglas to Tucson will result in immediate economic return based on the mining industry in Mexico.

Another key regional factor in international trade is the Port of Guaymas. This port is in the process of a \$300 million upgrade that initially will dredge the channels to handle larger ships, followed by development of new facilities on reclaimed land to more than double the bulk cargo capacity of the current port. This is critical to the region's mining industry as more minerals, bulk and refined, are exported to offshore markets through the Port of Guaymas. This phase of the expansion was scheduled to be completed by 2017, but lower oil prices have impacted the progress, and the completion may be delayed to 2018 or 2019. Commensurate with this growth in capacity, the rail yard at Empalme is also being expanded to handle the increased volume of bulk materials being shipped. The second expansion phase of the Port of Guaymas will create three additional container ship loading facilities at Empalme by 2020. The expanded rail yard in Empalme is being designed to maximize the flow of container rail cars from and to these docks.

Due to federal funding cuts, the Port of Guaymas expansion has not been expanded as planned. The Port is still open for business, and the Port of Guaymas Authority is seeking

private investors to move forward with the expansion project plans, with concessionaire opportunities for investors.



The significant increase in the capacity of the Port of Guaymas provides a critical gateway for expanding regional imports and exports. We must focus on developing the appropriate infrastructure and marketing programs to position the Arizona/Sonora region as the next major gateway to the Pacific/Asian markets, as well as the rapidly expanding markets in Central and South America. Our unique geographic location at the crossroads of the north/south and east/west trade routes for this region is an asset that must be maximized.

C. Strengthen Rail Service and Customs Capacity at the Border

With the increased traffic projections from the Port of Guaymas and minor infrastructure modifications, Union Pacific/Ferromex indicates the transport capacity of the current infrastructure between Tucson and Guaymas could easily double. However, the growth of the Port of Guaymas is not the only driver of increased rail traffic. After extensive testing, it has been determined that certain types of produce can be successfully and efficiently shipped by rail to distances as far as the US East Coast. Increased industrial activity in Sonora, particularly in the aerospace and maquiladora industries, will also increase cross-border trade and offer increased opportunity for Arizona exports.

Developing appropriate sidings and other rail infrastructure to encourage efficient rail activity must be a priority to remain competitive. It should be noted the Nogales line of Union Pacific Railroad is only one of six rail POEs in the US and the only one in the State of Arizona. This line is currently being upgraded on both sides of the border; the timber bridges are being replaced with concrete structures that would allow for additional loading. The present maximum weight limit is 268,000 pounds; the weight limit will be increased to 286,000 per car with the upgrades. This upgrade is being completed in Arizona at a cost of more than \$8 million. The Mexican railroad Ferromex has already completed its portion of the upgrade.

Delays at the border are costly. There are serious competitive threats to Arizona when goods can cross the border at Calexico, California; Santa Teresa, New Mexico; and Texas to the east, often with shorter wait times. For Arizona to compete with these other border crossings, we must ensure timely movement of rail and truck traffic. This will occur primarily through infrastructure improvements and technology, as well as staffing. The short-term solution is increased staffing at the Land POE. Of the 2,000 new Customs officers authorized nationwide in the FY 2013/14 federal budget, Arizona was allotted 170; 120 in Nogales, 25 in Douglas and 25 in San Luis. Training for new officers takes about a year. Currently, United States Customs has a team of 10 officers (5 per shift) to inspect north- and southbound trains, and inspection is on average one hour per train.

With the completion of the Mariposa POE, it is imperative staffing levels for Customs agents are increased appropriately to minimize car, truck and pedestrian delays, as well as provide sufficient staff to inspect trains in a timely and responsible manner. Recent legislation initiated by both Arizona Senators to allow transfer of separating military personnel to Customs and Border Protection should reduce the time required to get officers in place at the POEs. Significant progress has been achieved by a new consolidated truck inspection program where joint inspections occur at the US facility in Nogales. This new program has reduced average inspection times from 3 to 5 hours to 45 minutes and is being replicated at other POEs.



D. Educate Southern Arizona Businesses and Citizens About Cross-border Opportunities and Make It Easier for Mexico-based Businesses to Operate in Pima County

In order to help establish and improve cross-border relationships and communication with private, local, state and federal contacts in Mexico, the County has employed a bilingual/bicultural Coordinator of Economic Development and International Projects to focus primarily on coordination of these efforts with Sonora. The Coordinator has participated in mission trips to cities in Sonora and Sinaloa, meeting with local and state government officials, as well as economic development and maquiladora officials, to establish relationships and educate about the roles of counties (Mexico does not have counties) and how Pima County is leading efforts to help facilitate the process of business expansion and establishment for Mexican businesses in our region. Pima County has partnered in these efforts with the Arizona-Mexico Commission, Tucson-Mexico Trade Coalition, the Greater Nogales Santa Cruz County Port Authority, Tucson Hispanic Chamber of Commerce, PAG,

Maquiladora Association of Nogales, Maricopa Association of Governments and the Consulate of Mexico, among others.

In April 2014, Consul Ricardo Pineda from the Consulate of Mexico in Tucson presented to the Board of Supervisors and the public about Mexico's growing economy and the importance of the United States-Mexico relationship. Consul Pineda shared important data, including that 40 cents of every dollar spent on imports from Mexico comes back to the United States; a quantity 10 times greater than the 4 cents returning for each dollar paid on Chinese imports. Six million United States jobs depend on trade with Mexico. Pima County also arranged for Consul Pineda to present to the Arizona State Transportation Board, the focus of his presentation being on coordinated transportation infrastructure across the region. The Mexican government has already committed to investing \$1 billion to improve Highway 15 that connects central Mexico with Nogales, which will provide better flow of commercial and light vehicle traffic.

Pima County is completing construction of an economic development web page to serve as a regional resource guide and tool to promote business opportunities in the County and attract business and investment from Mexico. Valuable resource information from the US Census, Eller College at The University of Arizona, and the Maricopa Association of Governments makes the web page valuable to site selectors and business developers looking for demographic and sector information. In addition, Pima County has fully supported the promotion of BIEN (Building an International Economic Network, <http://www.connectbien.com>), which was developed by the Maricopa Associations of Governments as a business-to-business e-platform to connect individual businesses across international boundaries in Mexico and Canada. BIEN is a valuable tool for our entire region to encourage local businesses to become more involved in international trade. The BIEN website is available in Spanish, French and English.

Educational institutions also can play a role here. The University of Arizona has had ties with its educational counterparts in Mexico for decades; but activity in this area is increasing at an impressive rate, exposing students from Mexico to the values and opportunities in Arizona and Pima County. With a large enrollment from Mexico, the University participates in many cooperative programs with their counterparts in Mexico. During a recent trade mission to Mexico led by Governor Ducey, University of Arizona President Ann Weaver Hart signed an agreement with Universidad Nacional Autónoma de México for the establishment of the Center for Mexican Studies, making the University a Center of Excellence and focal point for foreign students from Mexico studying in Arizona.

In addition, Pima Community College (PCC) has signed a Memorandum of Understanding with the Technological Institute of Sonora and will work together to develop dual degree programs (like the International Management Binational Program), student and faculty exchanges, and other projects. Since 2015, 26 ITSON professors have visited PCC for summer ESL and pedagogical training. These binational connections and projects will help people on both sides of the border become aware of cross-border opportunities. Furthermore, PCC is one of only a few community colleges in the United States that is working with Televisa Foundation (a foundation of the largest Spanish-speaking media conglomerate in the world), the Mexican Ministries of Education and Foreign Relations, and Santander Bank. Since 2014, PCC has hosted a group of 175 students from Mexico funded

by these organizations. Since 2015, PCC has hosted a group of 53 students and will be one of only two colleges supported by the US State Department to facilitate the granting of J-1 visas to these students.

In February 2016, Supervisor Ray Carroll and the Mayor of Rocky Point participated in a two-day exchange. The purpose of the exchange was to develop economic and cultural ties and increase awareness of the role of Pima County in Mexico, as well as to promote improved communication and cooperation in the region.



On June 8, 2016, Supervisor Ramón Valadez met with Sonora Maquiladora Association members in Nogales, Sonora to discuss economic partnerships between Pima County and the Association begun in 2015 to discuss supply chain and logistics synergies between southern Arizona and Northern Sonora. After a tour of MTD Products, a Maquiladora that produces nearly all of the major brands of handheld landscaping equipment and machinery, Pima County Economic Development Director Dr. John Moffatt and Supervisor Valadez made a presentation to the Association regarding the County’s Sonoran Corridor planning and capitalizing on local and international supply chain opportunities and a surge in economic development in Northern and Western Mexico, including Nogales, Hermosillo and the port of Guaymas.

E. Increasing Mexican Tourism and Commerce

On January 1, 2014, Mexico’s federal sales tax in border cities and towns increased to 16 percent from 11 percent. Historically, Mexican consumers have traveled to the United States to purchase products ranging from food and groceries to electronics and clothing. Local business leaders in Nogales predicted Mexico’s sales tax hike would spur Sonoran border residents to do more shopping in Arizona, which has been the case. On average, Mexican consumers spend an estimated \$8 million per day in Arizona.

The economic benefit of Mexican shoppers was negatively impacted by unfortunate State legislation and anti-immigration rhetoric. However, in 2014, the Pima County Board of Supervisors unanimously approved a measure that declares the region an “immigrant welcoming county.” We continue our financial support for Visit Tucson and coordination efforts to welcome Mexican tourists and have them enjoy our hospitality and lower sales tax rates. We are also fully engaged with Visit Tucson and the medical community to enhance medical tourism from Mexico as discussed previously in this plan. We are currently in the early stages of developing the appropriate partnerships between the health and wellness community, Pima County, Visit Tucson and identifying others to participate in developing a plan to reach out to Mexico for medical tourism.

One of the largest opportunities for growing existing businesses or recruiting new companies is next door in Sonora and in other Mexican states. Mexico is the third fastest growing economy in the world and is at our doorstep. Over \$22 billion per year in goods crosses into Arizona from Sonora alone. Roughly 40 percent (\$8.8 billion) is from products that originated in the US and were sold to the Maquiladora industry in Sonora, only to return to the US as a part of another product. The Maquiladora industry in Sonora has asked Pima County, Sun Corridor Inc., and the Pima Association of Governments (PAG) for assistance in developing local, more reliable supply chains for not only materials, but services such as metal finishing, machining, injection molding and logistics support for products crossing the border. Pima County's Economic Development team and International Projects Coordinator will work closely with Sun Corridor Inc. and PAG to ensure we take advantage of this opportunity.

In November 2014, Pima County, in a joint venture with Visit Tucson and the City of Tucson, held a ribbon-cutting ceremony for a Hermosillo, Sonora business office located in the Vamos-A-Tucson (Visit Tucson) offices. Pima County Supervisor Ray Carroll attended this ribbon cutting, which was part of a larger three-day trade mission to Sonora and Sinaloa. Supervisor Carroll met with the Mayor of Hermosillo and with several members of the Sonora State Congress to establish a stronger relationship and discuss partnership opportunities. This space will serve as an information source and coordination point for Mexican corporations and entrepreneurs seeking information about doing business in Pima County. The County will have a regular presence and will continue its efforts in promoting these relationships with Mexico. We want to ensure our neighbors feel welcome and that we are available to facilitate the process. We already have one company seriously considering Pima County for consideration.

The largest population of international students at PCC comes from Mexico. With geographic proximity, most of these students and their families are able to travel extensively to and from Mexico; creating a network of actual and potential consumers in Pima County. Further, many of these young students will become the future business and industry leaders who will engage in bi-national commerce and tourism.

Mexico offers many opportunities for southern Arizona and Pima County, but we have serious competition to the east and west. Making strategic decisions that leverage our strengths and facilitate cross-border trade and tourism in both directions is important to the economic growth of our region. Active recruitment of FDI and engagement with our local, state and federal partners to address the current constraints are critical elements to realizing these opportunities. As discussed in several chapters of this plan, Pima County is dedicated to maximizing opportunities for our local businesses and encouraging more FDI in our region.

F. Mexican Baseball

The largest single attendance at a Major League Baseball spring training game was between the Arizona Diamondbacks and the Mexican National Team. Mexican baseball continues to be extraordinarily popular in Mexico, and ongoing discussions have been held with the owners of a Mexican Minor League baseball team. Negotiations have recently been completed with M1 Baseball, LLC of Woodlands, Texas to secure long-term Mexican Minor League baseball teams' use of Kino Sports Complex.



An eight-month lease for one Minor League team, Rojos del Águila de Veracruz, comprised of 40 players and 10 coaches, is for the operation of a baseball academy at Kino Sports Complex to develop Minor League players for Major League Baseball. They also hosted three Mexican baseball league teams for spring training in March 2015 and played 12 exhibition games in Kino Stadium over the last three weekends in March. The Mexican baseball league (officially known as Liga Mexicana de Beisbol–LMB) teams includes Rojos del Águila de Veracruz (located in Veracruz), Diablos Rojos del México (located in Mexico City), Tigres de Quintana Roo (located in the Yucatan Peninsula), and Toros de Tijuana (located in Tijuana). All training and games will be televised across Mexico and in the southern United States through a baseball television program owned and produced by the Rojos del Águila de Veracruz team that is available on Latino sports programming. This agreement signals the return of professional baseball to Kino Sports Complex.

In addition, the sixth annual Vamos a Tucson Mexican Baseball Fiesta was held at the County-owned Kino Stadium in fall 2016. The tournament included some of the most popular teams in Mexico; and over the four-day event, attendance was nearly 12,500, despite inclement weather.

Action Items

- 8.1 Identify distribution companies in Pima County to provide locations for engineering, quality control and distribution support for companies in the maquiladora industry.
- 8.2 Complete the County economic development web page to serve as a regional resource and tool to attract business and investment from Mexico.

- 8.3 Continue to foster relationships on both sides of the border to increase border-crossing efficiency and to make Arizona POEs more competitive with quicker access and easier use.
- 8.4 Continue to promote development of infrastructure that maximizes our unique geographic location at the crossroads of the north/south and east/west trade routes.
- 8.5 Continue advocating at the federal level to increase Customs staffing to expedite border crossing for trucks and trains.
- 8.6 Continue our efforts with Sun Corridor Inc. and PAG to assist the Maquiladora industry in Sonora, Mexico in developing local, more reliable supply chains for materials and manufacturing-related services.
- 8.7 Continue to foster the County's positive relationship with the Consulate of Mexico in Tucson to help facilitate the establishment and expansion of Mexican businesses in our region.
- 8.8 Continue financial support of Visit Tucson and its efforts to encourage Mexican tourism in Pima County, including enhancing medical tourism through partnerships with our region's wellness community.
- 8.9 Maintain a regular County presence at the Visit Tucson (Vamos-A-Tucson) office in Hermosillo, Mexico to encourage and facilitate Foreign Direct Investment and Mexican companies doing business in Pima County.
- 8.10 Continue efforts to increase Mexican Major League Baseball, including Spring Training and Spring Training games, at Kino Sports Complex.

Expanding our geographic advantage in the Sun Corridor mega-region is critical, and Pima County is strategically positioned to capitalize on the increasing commerce between the United States, Mexico and Canada. The vigorous economic activity among these three nations is expected to accelerate under expanded trilateral trade treaties, increased nearshoring and the planning of the Interstate 11 (I-11) component of the CANAMEX corridor. Canadian investment in real estate, as well as Mexican and Canadian tourism, continues to be a significant economic factor within Pima County.



A. Expanded Foreign Direct Investment

Pima County has long benefited in its economy and employment base from Canadian-owned companies such as Bombardier, Stantec and Oracle Mining. More recently, one of Pima County's largest employers, Tucson-based UNS Energy (including its subsidiary Tucson Electric Power), was acquired for \$2.5 billion by Fortis Energy, Canada's largest investor-owned natural gas and electric utility. Mattamy Homes, one of the largest builders in Canada, recently purchased lots in northern and eastern Pima County and will soon be a major component of our homebuilding industry. The Canadian company Walton International Development and Management has become one of the largest landowners in Pinal County. Walton has acquired more than 900 acres along Interstate 10 for commercial and industrial development in anticipation of increased trilateral trade along the future I-11 corridor.

Over the past decade, Canada has experienced substantial growth in both inward and outward Foreign Direct Investment (FDI), reflecting its strong connection to global supply chains. FDI occurs when a foreign company invests in a United States business enterprise; either by opening a new operation or through a merger or acquisition. This type of economic investment is critically important to creating jobs in Pima County and moving outside capital into our region.

A June 2014 report by the Brookings Institute's Global Cities Initiative ranked the Metropolitan Tucson region 45 out of 100 metropolitan areas in the percentage of jobs derived from foreign-owned establishments. The study found the number of jobs in the Tucson region in foreign-owned establishments had risen from 7,360 in 1991 to 13,690 in 2011. The top two source countries for these jobs were Canada (23.1 percent) and Mexico (18.3 percent.) Montreal, Canada was listed as the top source city for foreign-owned establishments providing employment in the greater Tucson region. It should be noted that Brookings' analysis was completed before Fortis acquired Unisource energy, and Fortis' approximately 1,200 local employees will significantly raise the foreign-owned establishment ranking of the metropolitan Tucson area.

B. Canadian Investments in Mexico

Canadian investment in Mexico is substantial, with more than 2,400 Canadian companies now doing business on Mexican soil. This presents numerous opportunities to position Pima County as a logistics hub for Canadian companies in the same manner as many County companies provide support to United States firms now operating in Mexico. For example, EDC, Canada's export credit agency, recently reported that 200 of the 260 foreign mining companies operating in Mexico are Canadian-owned and now account for 78 percent of the total FDI in the Mexican mining sector. Pima County is uniquely positioned to be further involved in the supply chain for these Canadian companies in Mexico; particularly in the areas of manufacturing, equipment provision, and engineering and consultation services.

C. Canada, Arizona and Pima County

Arizona currently conducts \$3.7 billion in bilateral trade with Canada, and more than 132,200 jobs in the state depend on trade or investment from Canadian companies. Approximately 350 Canadian companies currently operate in Arizona, and the state received more than 1 million Canadian visitors in 2015. Trade, combined with FDI and tourism, results in a \$6 billion bilateral footprint for Arizona and Canada. One excellent example of Pima County's relationship with Canada is Montreal-based aircraft manufacturer Bombardier Aerospace. Since Bombardier's Tucson aircraft maintenance and modification facility opened in 1976, it has contributed significantly to the County's workforce and economy. In 2013, Bombardier expanded its maintenance capacity at its commercial aircraft service center facility in Tucson and opened three new lines of maintenance for its Q400 and Q400 NextGen turboprops to support long-term maintenance contracts with various North American carriers. The company now employs more than 900 skilled aerospace workers at its Tucson facility.



Canadian tourism continues to be a major economic factor in Pima County. Analysis by Visit Tucson and the Arizona Office of Tourism indicates more Canadians are visiting southern Arizona, spend more than United States domestic tourists, and stay longer than most visitors – particularly for extended stays in the winter. In 2015, 1 million Canadians visited Arizona and spent \$1 billion in the State. Visit Tucson has been working directly with Canadian tour operators and travel agents to increase Canadian tourism to Pima County and expand sports tourism at Kino Sports Complex. Visit Tucson helped bring the Ontario Terriers club baseball team to the Kino complex in October 2014 and is pursuing the Toronto Blue Jays of Major League Baseball as a possible candidate for spring training exhibition games at Kino.

One currently identified weakness in the strategy to attract increased tourism from Canada is the lack of direct air service from the Canadian provinces that have historically drawn the most visitors to Arizona (Alberta, Ontario, British Columbia and Quebec) and to TIA.

Canadian tourism often leads to Canadian real estate investment in Pima County. Mortgage lending rules remain tight in Canada, and home prices across the provinces are significantly higher than in Arizona. Canadian government studies have ranked the country's residential real estate as the third most over-valued in the world, with home prices 62 percent higher than those in the United States for similar homes. A 2014 study by the Maricopa Association of Governments found that 93 percent of the internationally-owned residential properties in Maricopa County belonged to Canadians, and most of the acquisitions were cash purchases. The study noted the beneficial impact of Canadian real estate investment in reducing the number of distressed and foreclosed properties in the county and noted the economic benefit of the more than 275 Canadian-owned businesses located in the Phoenix area.

D. Canada Arizona Business Council

The metropolitan Phoenix area, which hosts Canadian companies such as Circle K, Magellan Aerospace and Sunlife Financial, has long recognized the value of working collaboratively with Canada and Canadian businesses. A key organization in facilitating direct trade and commerce between Canada and Arizona has been the Canada Arizona Business Council (CABC) based in Phoenix.

In furtherance of our economic development goals, Pima County has formally joined the CABC as the first governmental entity from southern Arizona to be accepted to the predominately private-sector organization. The CABC is sanctioned by both the State of Arizona and the Canadian government with a mission to facilitate business, trade and investment between the State and Canada. The CABC recently met with representatives of the City of Tucson, The University of Arizona and PAG but has stated they will work primarily with Pima County to facilitate commerce and trade with Canada for the southern Arizona region. Pima County will serve as the connection between the CABC, our governmental partners in the region and the private sector.

Action Items

9.1 Quantify the economic impact of Canadian real estate investment in Pima County and develop a strategy to increase it.

9.2 Coordinate directly with the CABC to facilitate Canadian FDI in Pima County, promote Pima County exports and enhance tourism.

9.3 Work with Canadian and Mexican business interests to identify economic development opportunities in Pima County for Canadian companies seeking proximity to the markets and industries of Mexico.

9.4 Conduct a comprehensive inventory of Canadian companies in Pima County to identify corporate expansion and retention opportunities and to identify supply chain needs that could lead to expanded economic development in the region.

9.5 Work with Visit Tucson and other interested parties to expand air service between Pima County and Canadian airports.

9.6 Work with the CABC, Visit Tucson, Tucson Airport Authority and other interested parties to create opportunities for sports training at Kino Sports Complex.

9.7 Work with the Tucson Airport Authority to prioritize a direct flight to one of the key provinces in Canada once a direct East Coast flight is attained.

In the same way Pima County is ideally located to further our economic opportunities to the south with Mexico and north with Canada, we are also geographically positioned to capitalize on increased East Asian commerce that transits Pacific Ocean ports and crosses the transportation networks of our region. Increasing Pima County's direct trade and supply chain opportunities with East Asian nations such as China, Japan, Malaysia and The Republic of Korea (South Korea) is important to increasing employment and wage levels in southern Arizona. Locally, we have seen increased East Asian trade, such as Raytheon's missile sales to South Korea, direct investment by Chinese solar generating and manufacturing company Hanergy's during its acquisition of Tucson-based Global Solar, and the growing relationship with multiple major container shipping companies enabling the Port of Tucson to operate as a true inland port as discussed in Section B below. The nature of East Asian tourism, outbound exports, and manufacturing as well as the corresponding supply chains is changing; however, the sheer scale of the Asian market will continue to be an important economic engine for northern Mexico and southern Arizona. Pima County needs to facilitate opportunities with the private sector to create direct trade links with the economies of East Asia and develop the region as a logistics hub for our interdependent economies.



A. The Port of Guaymas and its Relation to Asia

The expansion of the Port of Guaymas will be of vital importance for expanding international trade and providing logistics opportunities to further connect East Asia with our region. The doubling of capacity that will occur with the completion of the Guaymas Port expansion, along with improvements to the adjacent trade zone in Empalme, will make the port competitive with the much larger but increasingly crowded ports of California. The Port of Long Beach already derives 90 percent of its shipments to and from East Asia. As the San Pedro Bay ports (Long Beach and Los Angeles) continue to see increased cargo for East Asian nations, the Port of Guaymas and its expanded facilities will be increasingly viewed by manufacturers as an attractive alternative to California ports. The resulting increase in rail and commercial truck cargo, including both foreign product from Asia and Mexican

domestic product transiting north through the expanded Mariposa Port of Entry (POE) in Nogales, will require infrastructure and economic development policies designed to capitalize on the corresponding flow of commerce through our region. Pima County will continue to work collaboratively with our partners in Mexico and the southern Arizona region to maximize opportunities related to logistics, mining export, manufacturing and related supply chains. Pima County will also continue to develop the Sonoran Corridor and remain actively involved in planning for Interstate (I-11) and the Intermountain West Corridor project, both of which will serve to facilitate regional economic development related to trade with Mexico, South America and East Asia via the Port of Guaymas.

B. The Port of Tucson and its Relation to Asia

As a growing multimodal rail facility, the Port of Tucson will also play an important role in our region's connection to East Asian trade. Pima County has long supported the growth of this important private sector facility. The Port of Tucson is now servicing international ocean containers via the San Pedro Bay ports and has drastically reduced freight costs. For example, one of the first local companies to begin exporting directly through the Port of Tucson in ocean containers is Azmira Holistic Pet Care, which shipped its first delivery of pet food to Osaka, Japan in 2013. Azmira reported significant cost savings and efficiencies by utilizing ocean-going containers from the Port of Tucson and is now exporting its products to numerous other countries in Asia, including Hong Kong and Singapore. Another example is American Chung Nam, Inc., a Chinese company that in 2014 began buying recycled paper goods generated in Tucson for export to China. American Chung Nam's exports quickly accelerated, and it has contracted with the Port of Tucson for up to 100 ocean containers per week destined from Pima County to China via the Port of Long Beach. Other exports of grain and alfalfa to Asia are anticipated.

The inevitable long-term growth of the Arizona/Northern Mexico mega-region and increased trade under the North American Free Trade Agreement will result in the Guaymas and San Pedro Bay Ports becoming the major West Coast gateways for the entire Sun Corridor.

C. The Republic of Korea

The key to increasing Asian market export opportunities in Pima County is to identify opportunities based on regionally-identified industry sector priorities and existing international relationships. Pima County has identified several sector alignments and numerous existing relationships that present unique opportunities to connect our economy with the 50 million consumers and \$1 trillion market of South Korea. The 2012 implementation of the United States–Korea Free Trade Agreement (KORUSFTA), which removes about 95 percent of duties on United States exports to South Korea by 2017, provides additional incentive to formulate an economic development strategy that includes South Korea.

In 2012, Arizona exported \$251.4 million in trade goods to South Korea. Leading sectors in outbound trade included semiconductors and components; fabricated metal products; aerospace products and parts, and industrial machinery. The total stock of FDI from South Korea to the United States was \$24.3 billion at the time of KORUSFTA implementation and employed 32,300 workers in the United States at an average annual salary of \$83,000. FDI

and trade are expected to accelerate progressively as the dynamic South Korean economy continues to grow.

In addition, Pima Community College (PCC) has developed relationships with diverse Korean institutions and governments, including the Chungbuk National University and the Island of Ulleungdo. PCC is working with Korean institutions to offer English as a Second Language and other programs to Korean high school and college students.

Pima County staff has met numerous times with former Tucson Mayor Robert Walkup, who now serves as the Honorary Consul of The Republic of Korea in Tucson. In these meetings, Mr. Walkup has identified specific strategies for Pima County to increase bilateral trade, increase Foreign Direct Investment (FDI) in our region, and promote tourism from South Korea to Pima County. These initiatives include renewable energy development and increasing small business connections between Pima County and South Korea. In October 2014, Mr. Walkup led a delegation that included the leadership of Visit Tucson and local festival organizers to South Korea in which Pima County tourism was prominently promoted at the Namgang Yudeung Lantern Festival held in Jinju. A Visit Tucson pavilion and several large lanterns promoting our region were constructed at the festival that was attended by approximately three million visitors. In December 2014, a South Korean delegation, led by the Mayor of the City of Jinju, met with Board of Supervisors Chair Sharon Bronson and County staff, at which time a Memorandum of Understanding was executed between the City of Jinju and Pima County to work together to develop shared cultural, tourism and economic development opportunities.



Discussions are in progress to have some of the Jinju Lantern Festival exhibits stored in Pima County for possible future use locally and perhaps in other United States cities as well. The delegation also met with representatives of the Hanwa Eagles and NC Dinos, two of the South Korean baseball teams that have conducted spring training at Kino Sports Complex and Tucson's Hi Corbett Field, to discuss the expanding South Korean baseball training opportunities that exist in Pima County.



Action Items

- 10.1 Continue efforts to increase economic involvement with East Asia by supporting the Port of Tucson in its expansion.
- 10.2 Incorporate promotion of local export opportunities via the Port of Guaymas into our Mexico efforts, as well as our overarching economic development strategy for East Asia.
- 10.3 Support the extension of heavyweight corridors throughout Arizona to make our state more competitive with Texas and other border states. Increase export capabilities for heavy objects and ocean containers from Asia passing through southern Arizona to maquiladora manufacturers in Nogales.
- 10.4 Continue to work with the Honorary Consul of The Republic of Korea in Tucson to increase bilateral trade, increase the presence of South Korean companies and attract FDI.
- 10.5 Coordinate with Visit Tucson and the Honorary Consul of the Republic of Korea in Tucson to expand South Korean tourism, festivals and spring training opportunities in our region.
- 10.6 Work with PCC to attract more students from The Republic of Korea.
- 10.7 Work with PCC for mutual support of the County's and PCC's objectives to expand the socioeconomic relationship with The Republic of Korea.

Pima County currently owns 1.58 million square feet of building space in the downtown area, employing over 7,000 full- or part-time employees. Pima County is downtown Tucson's largest employer. A vibrant, successful downtown enhances the work experience for employees and leads to economic expansion. New housing increases the vitality and activity in the area, which is reflected by millennial-focused companies such as Caterpillar seeking office locations in the downtown area. Due to the location of such facilities as the Temple of Music and Art, the Tucson Museum of Art, the Museum of Contemporary Art, the Tucson Convention Center and restored Fox Theatre, downtown is a regional arts and cultural center that should be expanded. The growing entertainment venues in the downtown also mean the area serves as a regional center; attracting residents from other communities, as well as Tucson.

A. Creating a Regional Visitors Center

Active discussions are occurring regarding converting the Historic Pima County Courthouse to a Regional Visitors Center. These discussions are occurring in consultation with Visit Tucson, The University of Arizona Mineral Museum and the Western National Parks Association. The Historic Courthouse is centrally located in the downtown area and has sufficient parking capacity in the adjacent El Presidio Parking Garage.

The County is now investing approximately \$6 million in the repair, stabilization and modernization of the Historic Courthouse structure, dome, roof, and electrical and mechanical systems. This rehabilitation project is the first step in converting the facility to a Regional Visitors Center. Appropriate long-term leases will be entered into with the parties willing to relocate to the facility. The primary emphasis on entering into long-term nonprofit leases is to have the building's operating costs remain cost neutral for the County while the building's use is beneficial in improving tourism, an economic development activity that benefits the region.



B. Enhancing the Opportunity for Corporate Headquarters Location

Pima County owns 23 separate buildings in the downtown area, including 6 parking structures. With the opening of the new Public Service Center, the County is now in a position to dispose of the office building located at 97 E. Congress Street, which has been leased temporarily by Caterpillar's Surface Mining and Technology Division.

The County also owns vacant property in downtown at Broadway Boulevard and Scott Avenue across from Tucson Electric Power Company's headquarters and at 332 S. Freeway. Both of these County properties would be attractive facilities for new downtown corporate employers. Preliminary architectural and space planning has been completed for both properties.

The property at Cushing Street and Interstate 10 is capable of supporting a structure six stories in height with 200,000 square feet of office space and 350 spaces in a parking garage. The probable cost is near \$50 million.

The site on Broadway Boulevard and Scott Avenue is appropriate for a multistory building supporting a maximum 345,000 square feet of office space, as well as approximately 300 onsite parking spaces, with an additional 800 parking spaces in the Scott/Pennington Garage.

It is important that both of these sites be used for employment rather than other uses such as residential or extensive retail. In order to continue to attract retail and residential development in the downtown area, it is necessary that high-value employment centers lead residential and retail expansion.

To facilitate downtown scale employment and development on these two properties, the County will enter into either a long-term market rate ground lease or a lease/purchase with the Rio Nuevo Multipurpose Facilities District. The ground lease, lease/purchase or sale will be conditioned to ensure the high-intensity employment objectives of both sites are realized.

The County has entered into a short-term lease with Caterpillar Inc. to house their Surface Mining and Technology Division as an expanding export-based employer for Pima County. Approximately 45,000 square feet of 97 E. Congress is being rehabilitated for Caterpillar's lease for four to six years while Caterpillar builds a new, substantially larger downtown building to house their expanding operations.

The County property at 160 N. Stone Avenue was sold to the Tucson Indian Center (TIC). TIC was a former tenant of the County at 97 E. Congress, as was Teen Court. Both agencies relocated to 160 N. Stone, a significantly larger building than the space previously leased by TIC and Teen Court at 97 E. Congress and a permanent location for these organizations.

C. Expanding the Administrative and Legal Center of the Region

In 1929, when the now Historic Pima County Courthouse was newly built, the County had one division of the Superior Court and three Consolidated Justice Court precincts. Today, there are 52 Superior Court divisions and 10 Justice Court precincts. The County employs over 215 attorneys in the County Attorney's Office or in our Public Defender functions. With Tucson being the County seat, downtown is the legal center for Pima County.

The new Public Service Center holds 14 Justice Court precinct courtrooms and has the capacity to add 7 more courtrooms in the near future with no modification to the exterior building. The facility was constructed using \$80.6 million of General Obligation bonds of the County and an additional \$77 million in financing from the County. The building has been planned to add a north wing extension that would add another 12 to 16 courtrooms. As the population of Pima County grows, so does the need for legal services; for criminal law, civil law, probate, family court and other legal functions. The new Public Service Center has the capacity to add 23 additional courtrooms, bringing the total to 37. It is likely the number of courts and attorneys operating in downtown will increase in the future.

The County also has had very preliminary discussions with the UA to increase their presence in downtown for legal training of University law students. In fact, the County has set aside two courtrooms in the new Public Service Center for trial practice of UA law students, as well as for administrative support space. Given the legal functions that exist downtown and the diversity of legal processes and systems, it is appropriate that downtown also evolve and emerge as the legal training center for the region.

D. Central Utility Scale Central Plant Services

Given the County's building presence in the downtown area, the County has constructed considerable central plant capacity that can be sold and marketed to nearby, adjoining or adjacent site development, thereby reducing the cost to replicate central plant facilities for building development. This will also increase the economy of scale associated with the County's central plant provision of services.

Action Items

11.1 Facilitate the creation of a regional visitors' center in collaboration with Visit Tucson, the Western National Parks Association and The University of Arizona Mineral Museum.

11.2 Encourage new or expanded primary employment in the downtown by making available for such the County-owned vacant property at Broadway Boulevard and Scott Avenue and 332 S. Freeway. The Broadway and Freeway properties are both along the Sun Link Streetcar route and provide significant opportunity for multistory building construction.

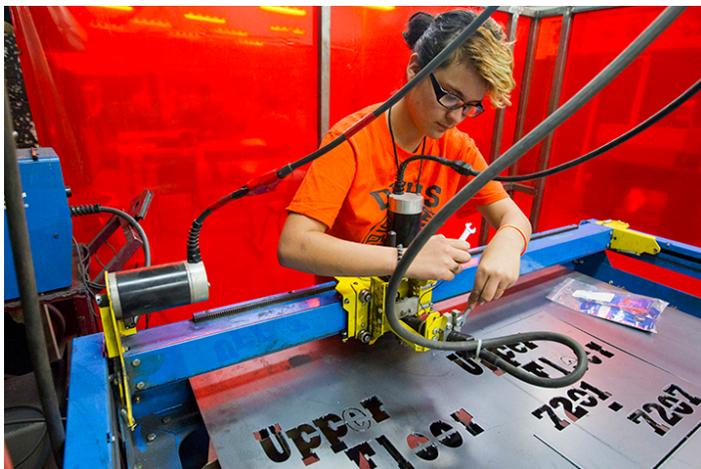
11.3 Market County Central Plant Services to adjacent or proximate properties to reduce the cost of building development and increase the economy of scale for provision of these services.

11.3 Continue to work toward expansion of the downtown as the legal and administrative center for the region, including further discussions with the UA to increase its downtown presence for legal training for University law students.

11.4 The County also owns the Bank of America Building in downtown Tucson, and the building is occupied by a mix of County users and private users. This mix should essentially remain the same, and any vacant space that becomes available should be leased to new downtown private employers. Presently, approximately 15,000 square feet of space is available for lease in this building.

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Government and private sector leaders across Pima County agree that a quality workforce sufficient to meet economic demand is critical to our being competitive in the current global, knowledge and technology-based economy.



A skilled workforce is an important component of business retention and expansion and is a valuable incentive in attracting new companies to our region. Pima County collaborates with a variety of public, private and nonprofit partners to develop the workforce required for the aerospace and defense, manufacturing, logistics, bioscience, engineering, healthcare and many other sectors vital to our economy. Pima County is the regional government and must help to develop a skilled workforce and continue to create a community that will attract and retain highly skilled workers.

A. Higher Skills Equal Increased Competitiveness, More Jobs and Increasing Earning Power

Talent is the key to competitiveness and to creating, attracting and retaining high-wage jobs. Fifty years ago, competitiveness hinged on production capacity; now it requires innovation capacity, powered by knowledge workers such as scientists, engineers, skilled technicians, and logisticians. A growing share of quality jobs is in the fields of science, technology, engineering and mathematics (STEM) or requires at least some STEM skills. The availability of skilled workers is consistently ranked in the top three among decision factors to relocate or expand a company in any given location. Surveys conducted by Pima County have found that southern Arizona high-tech employers see promising opportunities for expansion in current and emerging markets, but they need additional skilled workers in order to take advantage of those opportunities.

Pima County's strategy must focus on training the existing workforce for higher-skilled jobs in strategic industry sectors. Local companies are constantly updating their technology to maintain a competitive edge, and this creates a challenge for the K-12 and post-secondary education pipeline to produce enough graduates with skills needed by these companies. Many workers who do not fit into the four-year college educational pathway can be provided with the technical training employers require through the use of short-term, technically-focused training programs.



Pima County One-Stop will work collaboratively with Pima Community College (PCC) and other providers to respond to these technological changes and to be more predictive in developing and implementing technical education programming that is aligned to business and industry needs. PCC is a major provider of training certificates and degrees for technician-level occupations. PCC offers technological training in automotive, aviation, building and construction, machine tool, surface mining and welding.

High-quality K-12 schools, Joint Technical Education District (JTED), PCC and Pima County job training programs will be instrumental in making these workforce connections work. The University of Arizona (UA), with its reputation as a research institution, will be critical in developing post-secondary graduates for the tech sector, and Pima County will continue to support the University's efforts through strategic partnerships whenever possible.

Lower-skilled and under-resourced older youth and young adult populations represent a large untapped talent resource, particularly for technician level occupations. Developing this talent through a pathway of progressively higher-skilled employment opportunities depends on 1) individual motivation and resiliency; 2) available and financially accessible basic adult education and progressive training that aligns with the job requirements at each level; and 3) adequate social supports for success, both in school and at work.

PCC and One-Stop have already begun to utilize Integrated Education Programs to support these goals, piloting the first joint AZ-IBEST program. IBEST is a nationally recognized, innovative program model where credit classes integrate their content knowledge with basic academic skills – reading, writing, mathematics and English language. IBEST courses provide coordinated transition and support services that help students plan for and make the transition into work or further education along their defined occupational pathway.

Developing these pathways is a major focus for the Pima County One-Stop workforce system. Labor market data and economic development plans such as the Sun Corridor Inc. Blueprint form the basis for targeted employment sectors identified by the Workforce Investment Board (WIB). The One-Stop Business Services Team surveys businesses in these sectors to gather information about their workforce needs and hardest-to-fill occupations and to identify career advancement pathways that are critical to the target industry sectors. Frequently, gaps are identified in the availability of suitable education or training to support employee advancement along these pathways. When possible, grant funds and County resources are used to develop a solution between industry and training providers.

The County's economic development strategy must include effective employee development and training. Strategies to do so should include the following:

- Develop a plan for identifying high-value pathways to target specific workforce investment and educational efforts and pursue those efforts. This should be done using both existing labor-market and industry data and economic forecast sources and continuing new surveys and primary research.
- Highlight institutional barriers to career pathway movement. While the community offers many training programs designed to prepare the student for direct employment in a

particular occupation, many of them do not support career pathways as well as they should. Too many training programs are dead ends. After completing training for their first occupation, a person wishing to obtain additional training for a higher occupation is frequently required to start over again at the introductory level to complete a more advanced credential or degree. Educational institutions need to redesign curricula and credentials to be “stackable” from one level to the next, and these stackable curricula need to be financially and physically accessible. Employed workers need training programs that are offered online, onsite or nearby, during evenings and/or weekends. Unemployed workers need training or retraining in compressed schedules with intensive, full-time instruction that meets the requirements for unemployment benefits and leads to rapid reemployment. The County will collaborate with PCC to increase opportunities for students and trainees in high-skill careers and increase the number of potential employees for the skilled workforce.

- Find more efficient ways to engage industry than advisory committee meetings. Curricula should emphasize awarding national industrial certifications within accredited coursework to incorporate standards already developed and recognized by the industries. This work has begun at PCC with the incorporation of the National Institute for Metalworking Skills standards into the Machine Technology Program and the National Center for Construction Education and Research Standards into technical programs.

Pima County needs to increase the number of education and training programs available to upgrade the skills of incumbent and underemployed workers and assure that such training is customized to business needs spelled out by the employer. The programs should:

- Engage businesses as co-sponsors based on their immediate workforce needs and long-term interests.
- Provide competencies that directly match jobs for which employers have current or projected demand.
- Align where possible with credit-bearing coursework and seamless transfer to professional degree programs.
- Wherever possible, be offered onsite at the participating employer.
- Provide portable credentials or industrial certifications that will enhance trainees’ long term employability and earning power.
- Offer supportive services to help training participants manage work or job search, basic family needs and school.

B. A Regional Public Workforce System

It is important to recognize that southern Arizona is a large, regional labor market. Federal Workforce funds are inadequate to operate a quality regional workforce system, and recent budget cuts underscore the danger of over reliance on a single federal funding stream. Complex restrictions on the uses of these funds also hamper flexibility in responding to local workforce needs. Pima County has invested directly to create a system that brings together related resource “silos” for the benefit of job seekers and employers.

Pima County General Fund support is required to expand One-Stop recruitment and training programs beyond what is supported by the limited and decreasing federal funding currently received. Every year, Pima County supports training slots for hundreds of youth and adults

who would not have been served under federal grants because of funding limitations or eligibility restrictions. In addition, County departments should continue to employ youth and unskilled adults in entry level internship positions.

Although jurisdictions tend to pursue job creation strategies within their political boundaries, broad economic regions, such as southern Arizona and even southern Arizona/New Mexico, are the real competitors in the global economy. Pima County should collaborate with other counties to capitalize on regional economic development strategies. Pima County's work with Yuma, Cochise, Santa Cruz and Cochise Counties has established a functional consortium known as Innovation Frontier Arizona (IFA). IFA capitalizes on shared assets in aerospace/defense, transportation/logistics, and post-secondary education and research, as well as shared priorities such as border security and healthcare. IFA's accomplishments demonstrate the benefits of regional collaboration on workforce development with increased alignment between college curricula, responsiveness to strategic sectors, economies of scale and nearly \$15 million in federal grants awarded to the region over the past five years.

C. Development of a Business Resource One-Stop Process

An important next step in strengthening our partnership with small business is to make the numerous services and functions provided by Pima County more accessible and make our business services more comprehensive, thereby promoting regional prosperity.

Pima County is developing a Business Resource One-Stop service, in which a single contact will link companies throughout Pima County to a multiagency collaborative working to match them with resources and solutions. Any Pima County business or entrepreneur needing assistance will be able to utilize the Business Resource One-Stop Service. Customers will be offered a menu of services that includes assistance in accessing information about incentives and financing; assistance with permits, zoning, regulatory compliance and infrastructure; and technical assistance, workforce development and business/entrepreneurial education. The service will feature an information line that will coordinate business information requests with Pima County departments such as Development Services, Health and others

A 2013 presentation of a Business Resource One-Stop Center concept to the majority of Chambers of Commerce in Pima County and other business advocacy organizations found widespread support for moving forward with the Center. In the absence of financial resources to develop a bricks-and-mortar facility, Pima County will maintain its commitment to streamline access to services, by assigning points of contact to an inter-agency team. In addition to providing centralized business assistance to the region, the team approach will allow expansion of existing partnerships with private sector organizations, such as the Small Business Development Center, Women's Business Center, Microbusiness Advancement Center and Startup Tucson, which play vital roles in developing and strengthening small businesses and ultimately improving the employment base in Pima County.

Despite Pima County's proximity to the markets of Mexico, California and Texas, many local small businesses remain reluctant to enter foreign markets or to extend their product or service export beyond Pima County or Arizona. The Pima County Business Resource One-Stop Service will work closely with the United States Commercial Service, Arizona

Commerce Authority and other export assistance organizations to promote and expand access to export opportunities.

In addition, the Business Resource One-Stop Service will include an emphasis on providing assistance to rural businesses and woman- and minority-owned businesses to ensure these often underserved contributors to the Pima County economy have access to resources necessary for success.

D. Veterans' Workforce Center

Pima County One-Stop opened the Kino Veterans' Workforce Center to help military veterans find jobs and get training, benefits and support services and to help employers hire veterans. One-Stop's partners in the Center include the United States Departments of Labor, Defense and Veterans Affairs; the Arizona Departments of Veterans Services and Economic Security; Pima Community College; Community Partnership of Southern Arizona and Rally Point; CODAC/Comin' Home; Tucson Veterans Serving Veterans; Salvation Army; Old Pueblo Community Services; Primavera Foundation; the Arizona Veterans Commission; SER Jobs for Progress; and local employers. This program has had excellent response and will hopefully expand as the need continues to grow.



Pima County has an excellent pipeline of skilled, reliable workers through Davis-Monthan Air Force Base (DMAFB) and Fort Huachuca as several hundred highly skilled men and women separating from the military each year. The Pima County Veterans One-Stop staff will continue to work with DMAFB Transitional Assistance Program (TAP) staff and federal contractors to communicate local employment opportunities.

In addition to traditional One-Stop services such as resume development, job leads and electronic job application development, veterans will continue to receive assistance in translating their military skill sets into language that civilian employers understand. Each week, one or two employers will visit the center for a mini, specialized job fair advertised to Veterans who have the skills that employer seeks and are interested in those employment

opportunities. Staff at the Center will continue to take an advocacy role on behalf of Veterans in working with local educational institutions to obtain educational credit for work performed in the military, and for classes taken at other institutions while in the service.

E. Activating the Library System for Workforce Training

The Pima County Public Library has become a vital, yet often overlooked, part of workforce development. In addition to assisting over 11,000 job seekers in 2015, the Library continues to offer GED/High School Equivalency preparation and tutoring services, English Language learning, and reading comprehension instruction to help residents improve their skills, secure a job and meet other goals. Dedicated job help computers allowed over 30,000 community members to perform research related to career readiness, education and business research. Over 900 computers are available for Library patron use.

The Library also has a longstanding presence in support of small business; serving more than 1,300 new and existing companies, startups and nonprofits each year through the provision of important resources, workshops and one-on-one assistance. The Library is a place for people with no knowledge of business startup processes or who have limited support networks to take an idea and make it a viable, successful business.

In 2014, the Library initiated programming around self-employment as a path to self-sufficiency and financial stability with its Self-Employment and Micro-Enterprise Initiative. Expanded library programming helped 453 residents explore their interests and learn new skills to complete the business registration process, launch a new business or take the next steps to a new venture or future career. New programs taught mothers and daughters about entrepreneurial and communications skills they could use throughout their lives, allowed people to explore the feasibility of their business ideas, gain extra support for building a business plan, and allowed them to take a powerful idea and make it into an enterprise. The initiative provided additional counseling and assistance for aspiring small business owners and entrepreneurs. In the first four months of the project, four individuals started businesses after attending the workshops and drop-in sessions. These include a web design company, a home inspection business, and a secondhand clothing store. The individuals attributed their success to their participation at the Library.

Also in 2014, Library staff refurbished space at the Joel D. Valdez Main Library to provide accessible resources and inspire learning, creativity, innovation and collaboration. The Young Adult Librarian and a Youth Design Team steered a \$100,000 planning grant to design a community learning lab for youth, by youth. An outgrowth of the Library's CreateIT program, the Learning Labs project has collaborated with over 2,000 local youth to gather information and create opportunities to connect with mentors in a variety of professions and develop valuable skills in the areas of critical thinking, presentation and public speaking, digital media, planning, communication, research and analysis.

The Library also opened an incubator for career exploration, small business, nonprofits, freelancers and artists with a grant-funded "Acceleration Room" initiative. The new center at the Main Library is the place where anyone can find as-needed startup and start-over help, staff, books, news, community and mentors; no matter where they are in their process or background. Fresh programs will be introduced alongside those already assisting nonprofits and people changing careers and/or who are navigating today's job market.



Classes on exports and imports, a Laid Off Camp, lean startup workshops, classes on personal finance and effective brainstorming, feasibility workshops, business planning, grants and contracting workshops, job and career counseling, and social media walk-in help will be regular features of the Acceleration Room initiative. Partnerships with SCORE, the Microbusiness Advancement Center, Women's Business Center, CoLab Workspace, YWCA, Lead Local and local chambers of commerce have created the foundation for a sustainable program.

The Library reaches beyond its doors to create an economic impact felt throughout the community. Library spaces, facilitated gatherings and staff development opportunities focus on economic development and a growing network of community organizations and business startup experts. In its sixth iteration, the Job Connectors Meet-up hosted more than 60 people representing 24 community organizations. Attendees were able to interact with 7 employers and gain vital information about how to properly prepare their job seekers. Supportive partnerships continue to expand the reach of the Library's Job Help services. With assistance from the Pima County One-Stop Career Center, several libraries have become places where over 1,000 job seekers were able to get help with skills assessment, register with the Arizona Job Connection Portal, apply for additional services, and discover eligibility for grant-funded services or other educational opportunities.

Today, 27 branch libraries located throughout Pima County are keenly aware of their role in helping residents take advantage of economic opportunities. The library system will play an increasingly important role in workforce development and job training in the future.

F. Support for Small and Emerging Businesses

Strengthening the region's employment base will require increased collaboration with the private-sector business community and identification of substantive ways to support the existing and emerging small businesses that play a significant role in our local economy. Promoting the development, stability and expansion of small business is a priority for Pima County, as both entrepreneurship and small business play a fundamental role in job creation, tax revenue generation, property roll expansion and overall economic prosperity.

Entrepreneur-driven startup companies, as well as single-employee enterprises, have grown impressively since the end of the recession; in terms of capital development and employment expansion. New establishment survival rates continue to increase; and in 2013, Tucson was ranked one of the best cities for entrepreneurs by Entrepreneur Magazine. The County is home to a major research university with a robust technology transfer program, a vigorous startup community led by Startup Tucson and an active network of angel investors. Pima County is uniquely positioned to assist and encourage this ecosystem to further develop.

Small businesses often lack the capabilities of larger firms to conduct in-house training. Pima County's One-Stop system has created numerous partnerships to provide workforce services and tailored training programs that have enabled small firms throughout the County to expand and prosper. A direct benefit is that employers can post their open positions and work with the County's job training programs to match specific job skills required for their business. The County can often target its job training programs to create the qualified workforce employers require.

Pima County's Small Business Enterprise (SBE) Participation Program fosters economic growth for small businesses by offering opportunities for companies to do business with Pima County and offers incentives for small local companies interested in contracts administered by the County's Procurement Department.

The Pima County Small Business Commission (SBC) has been proactive in identifying policy improvements and offering direct assistance to small businesses. Examples include the Commission proposing and drafting a change in Pima County's Procurement Code to give preference to local professional service firms and identifying problems and intervening on behalf of businesses in Catalina. In Catalina, the intervention occurred after a 2014 field hearing in the unincorporated community when the Commission heard from numerous small business owners who were being negatively impacted by construction during the expansion of Oracle Road by the Arizona Department of Transportation (ADOT). The Commission coordinated stakeholder meetings for the community with ADOT and assisted in having the Regional Transportation Authority (RTA) extend its Main Street Business Assistance program to the Catalina business community.

The SBC has also worked closely with the Pima County JTED to ensure the continuation of career and technical training programs vital to providing a well-trained workforce for small businesses. In June 2015, the SBC formally advised the Pima County Board of Supervisors of its concerns related to the change in JTED funding formulas instituted by the State of Arizona in the FY 2016 State budget. The actions by the Legislature and the Governor significantly reduced funding for JTEDs and endanger the continued operation of important job training programs throughout the State. The SBC will work with the Board of Supervisors and County Administration to advocate for the Legislature to restore and improve funding to Arizona JTEDs and ensure these important workforce programs remain in place for Pima County students and businesses.

In terms of regulatory certainty, Pima County has demonstrated our commitment to improving the business climate by streamlining our regulatory processes, creating new efficiencies in permitting and increasing its communication and collaboration with local business. Examples of recent outreach to the business community include the development of a formalized agreement with the Tucson Metro Chamber of Commerce known as the Joint Business Objectives and the creation of a Business Services Coordinator position within Pima County's Economic Development and Tourism Department. As discussed previously, the County works closely with small business development and assistance organizations, including the Microbusiness Advancement Center, Startup Tucson and the various chambers of commerce located throughout the County.

Action Items

12.1 Partner with businesses and sector groups to develop specific targets and recommendations for career advancement pathways ranging from technician to professional levels.

12.2 Partner with Davis-Monthan Air Force Base, Fort Huachuca, PCC and local business on career expos for separating military personnel. Match veterans with local business, particularly technical and aerospace companies. Provide entrepreneurial training and assistance to separating personnel.

12.3 Formalize the Border Regional Economic Development Consortium to pursue possible federal Economic Development Administration funding and other opportunities.

12.4 Complete the data collection survey of internal and external stakeholders for the Business Resource One-Stop Center and proceed with additional planning

12.5 Work with the WIB to develop, in conjunction with targeted industry sectors and educational institutions, career pathways that allow local workers to gain skills and certifications valued by employers.

12.6 Partner with United Way of Tucson and Southern Arizona and other public and private community partners on the *Cradle to Career* initiative to improve education and workforce readiness.

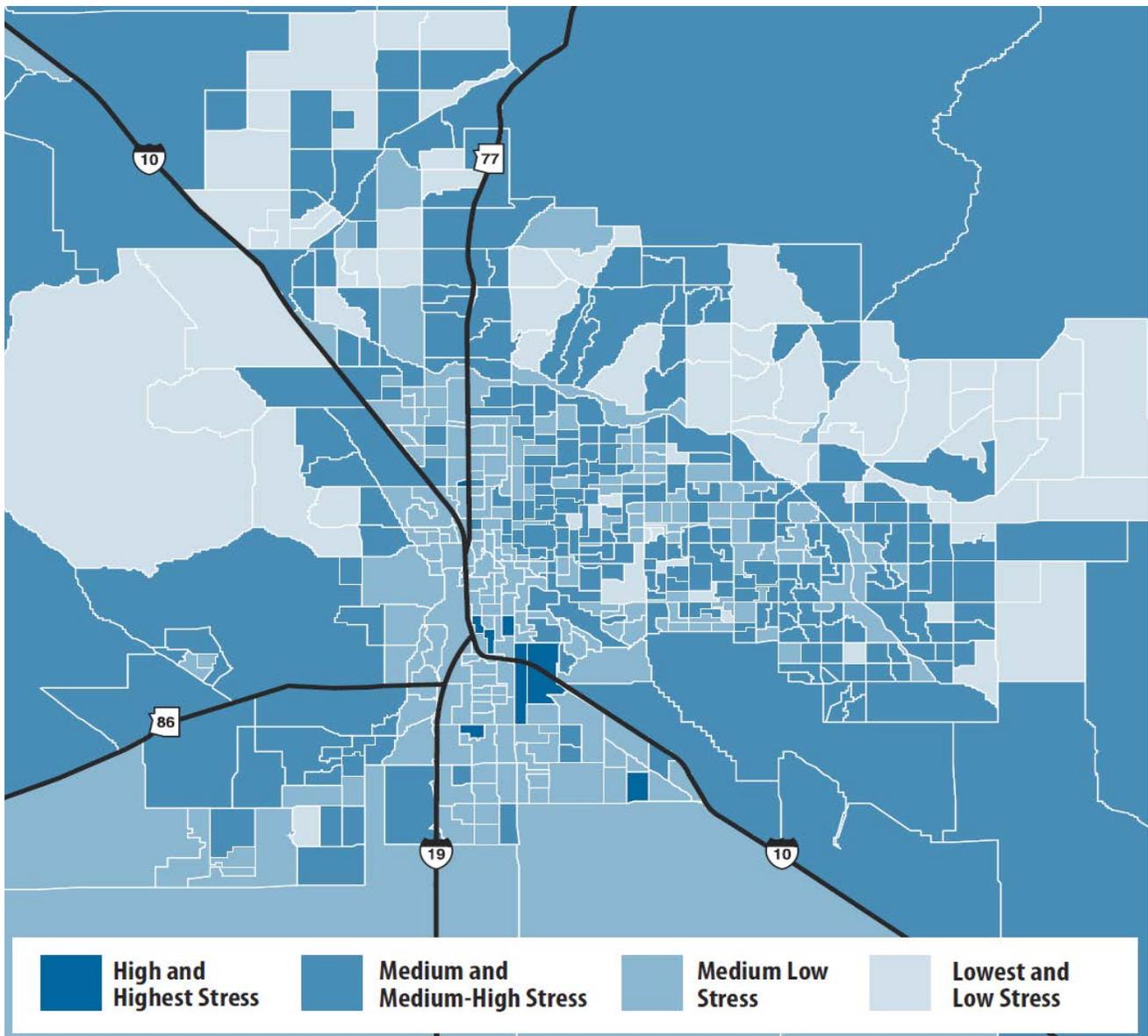
12.7 Include support for full funding of JTED in the Pima County Legislative Agenda and advocate for full funding of JTED programs to support Pima County businesses.

12.8 Include in the Pima County Legislative Agenda additional public funding for education.

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Economic development requires investment in our infrastructure. Infrastructure includes more than roads, bridges, airports and rail lines; it also includes human capital. As an economic development issue, poverty – the lack of resources to deal with problems – keeps people trapped in crisis and drains resources from our economic engine.

Poverty is frequently considered a humanitarian issue, and traditional approaches focus on individual behavior and choice; often overlooking structural causes. For many years, Pima County and its community partners have been providing a range of services intended to combat and mitigate poverty within this framework. These efforts often amount to managing – rather than ending – poverty. In fact, the percentage of Pima County residents with incomes below the poverty level rose from 14.7 percent to 19.2 percent between 2000 and 2014 based on American Community Service (ACS) five-year estimates. The ACS 2015 one-year estimate is 18.9 percent. As of 2014, one of every four people in the City of Tucson – and one of every three children – is living below the federal poverty level.



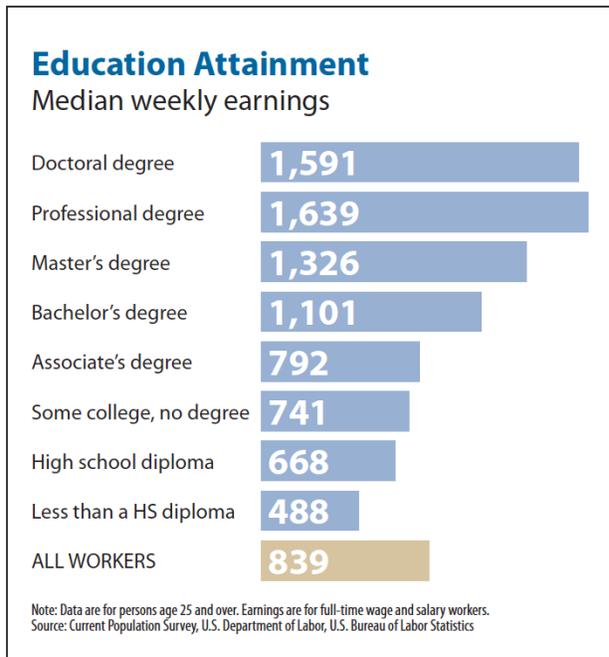
By changing our perspective and our actions, we can look at each person caught in poverty as a potential asset in the economic development of our region and move from managing poverty to ending it. *Ending Poverty Now* is a framework in which County Departments, community-based organizations, grassroots groups and for-profit businesses join together to make a collective impact by applying and coordinating strategies proven effective in building greater economic prosperity. It focuses on breaking the cycle of poverty by empowering people to get ahead instead of just get by, and has the following components:

- Championing employment retention and career advancement through County/ business partnerships
- Engaging and empowering under-resourced people through *Getting Ahead* workshops, *Bridges Out of Poverty* tactics and other positive, anti-poverty activities
- Employing a cross-sector strategy to address poverty – “Ending Poverty is Everyone’s Business”
- Coordinating and bundling resources in support of people moving out of poverty

A. Poverty is an Economic Issue

Poverty keeps people trapped in crisis and unable to realize a better future. It is an economic development issue because it is expensive. It drains community resources, wastes human potential and holds back future generations. Under-resourced lives are full of instability and are unpredictable and stressful. In survival mode, concrete problem-solving focused on the moment at hand is more important than abstract planning for a better future. These “just getting by” behaviors are outside the norm of institutions and employers that expect people to be stable, predictable, future-focused, and achievement oriented.

Poverty is directly correlated to low educational achievement. Research shows that children who spend a year or more in poverty account for 70 percent of all children who do not graduate from high school. Educational achievement, in turn, is closely tied to earning power. In 2015, the Bureau of Labor statistics reported that people with less than a high school diploma were nearly three times more likely to be unemployed than someone with a bachelor’s degree. Those persons who did have jobs earned less than half (43 percent), on average, than those with a bachelor’s degree.



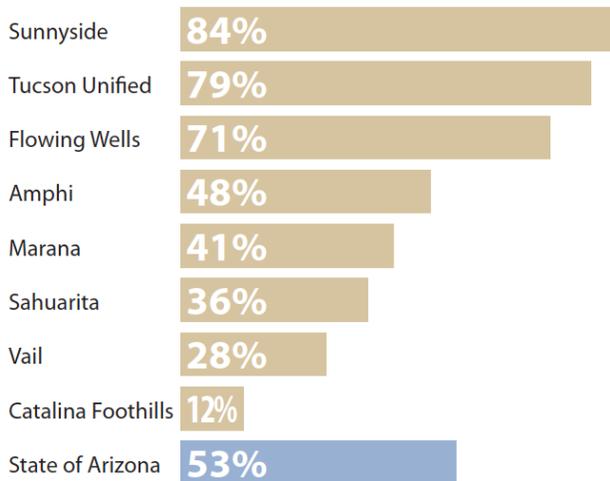
A June 2015 forecast by The University of Arizona Eller College of Management’s Economic and Business Research Center indicates Arizona is falling behind national rates for four-year college attainment. In 2014, the State’s rates were lower than the national average in nearly

all age groups. Nationally, 29.3 percent of those over age 25 have earned a bachelor's degree or higher. In Arizona, that percentage is 27.1, which is lower than Arizona's 1990 college attainment rate. This decreasing college attainment rate is contributing to an expanding income gap, which is expected to have a negative effect on the State's economic development growth.

Free and Reduced Lunch

The percentage of students in a school or school district qualifying for federal nutrition assistance – Free and Reduced Lunch – is often used as an indicator of a community's overall level of poverty.

Pima County's Largest School Districts' Free and Reduced Price Lunch Rates



Source: Arizona Department of Education, 2014 FRL database

When poverty reaches a point of critical mass in a community, the people with the most resources tend to move out of the community, leaving behind enclaves of poverty. Research shows that when a community has more than 40 percent of families eligible for the Federal Free or Reduced Lunch Program, it reaches a tipping point, beyond which it becomes ever-more unstable and unsustainable, creating a downward spiral. Tucson Unified School District, the largest school district in Pima County, currently has 59.8 percent of its students eligible for Free or Reduced Lunch.

Poverty does not end when you get a job, unless that job pays much more than the federal threshold for poverty, which in 2016 is \$20,160 annually for a household of three. In fact, many entry-level workers often face the same or increased expenses on a reduced income once hired due to the "benefits cliff," which refers to the loss of benefits such as food stamps or housing subsidies when a person or family reaches an income above the poverty threshold. In Pima County, a single parent with two children needs to earn \$46,814 per year, or \$22.17 per hour, to cover basic expenses.

B. The Direct Financial Impact of Poverty on the County Budget

Pima County funds many services across various departments that combat and mitigate poverty, including:

- The Community Action Agency, which assists about 6,000 households annually to avert financial crisis and homelessness.
- Pima County One-Stop (now known as Arizona@Work), which offers employment and training services to under-resourced persons.
- The Health Department, which provides nutrition assistance, nurse home visitations, access to clinical services, health insurance support, coordinated school health programming and chronic disease self-management.

- Public Works, which provides subsidized employment opportunities and a discount program for low-income utility customers.

A preliminary analysis produced a conservative estimate that at least \$28 million, or 15 percent of the sum of the budgets of the units mentioned above, could be saved if poverty were eliminated in Pima County. Part of such savings could be repurposed to help fund aspects of Ending Poverty Now, but the rest of the savings could reduce the County budget and levied property taxes. This analysis is the first step to study the effect poverty has on Pima County's budget. A more comprehensive methodology may be gleaned from reviewing poverty research conducted by other governmental units, such as Pinellas County in Florida or the Province of Alberta, Canada.

C. The Indirect Financial Impact of Poverty on the County Budget

A very large component, as much as \$230 million of the County budget, is spent as an indirect result of poverty. The best example is the funds the County spends in the area of public defense. Criminal case defendants and individuals involved in mental health and child dependency cases are entitled to legal representation at government expense if they are determined to be indigent based on federal poverty guidelines. Where possible, individuals who are provided legal counsel pay a small portion of the cost of their defense. Overall, the County spent \$29 million in the 2015/16 fiscal year for required legal services for low-income individuals. Such an expenditure is directly related to poverty in our community.

On any given day, the inmate population in the Pima County Adult Detention Center (PCADC), or jail, is in the range of 1,800 to 1,900. About 48 percent of those booked into the jail typically are covered by Medicaid at the time of booking, which means their income was at or below 138 percent of the federal poverty level. This number does not include low-income inmates who were eligible for Medicaid but not covered at the time of booking, meaning that at least half the jail inmates typically are at or below the federal poverty level. PCADC costs over \$60 million to operate each year; at least \$30 million (or half) of the County's jail budget can be correlated to poverty. If we assume poverty underlies the same proportion of expenses incurred for prosecution of crime by the County Attorney and the adjudication process conducted by the Courts, the indirect cost of poverty to the County's budget for the criminal justice system rises to over \$150 million.

Poverty is intertwined with the criminal justice system, and incarceration in particular has far-reaching economic impacts on inmates and their families. An individual who is incarcerated even for a short time will likely lose his or her job and have difficulty finding a new one. Housing may also be difficult to obtain. A national study conducted by the Pew Charitable Trusts in 2010 showed that incarceration reduces hourly wages for men by approximately 11 percent, annual employment from 48 weeks to 39 weeks and annual earnings by 40 percent (from \$39,100 to \$23,500). Of former inmates who were in the lowest fifth of the male earnings distribution in 1986, two-thirds remained in the lowest fifth in 2006, twice the number of those who were not incarcerated.

The Pew study also showed that nationally 54 percent of inmates are parents with minor children and those children are seriously impacted by the parent's incarceration. Children with fathers who have been incarcerated are significantly more likely to be expelled or

suspended from school (23 percent compared with 4 percent), and family income while a father is incarcerated is 22 percent lower than family income was the year before the father was incarcerated and remains 15 percent lower after he is released. In addition to these impacts, many former inmates are deeply in debt due to financial obligations that have accumulated during incarceration, such as child support, restitution and court-related fees.

Pima County is engaged in examining more closely how we can reduce both the direct cost of incarceration to the County and the larger indirect impact of incarceration on the economic wellbeing of the community. Since 2015, the County has been one of only 20 jurisdictions nationally participating in the MacArthur Foundation’s Safety & Justice Challenge, which is a \$100 million initiative to reduce over-reliance on incarceration. Pima County is one of only 10 Safety & Justice sites that received grant funding to implement plans to divert low-risk offenders from jail, improve treatment for substance abuse and mental health problems to reduce recidivism, and reduce arrests related to failure to appear in court by improving court reminder systems and holding weekend and night courts.

In addition, Pima County is one of approximately 50 communities in the United States to investigate Pay for Success or Social Impact Bonds as a way to address social issues. Pay for Success projects involve public-private partnerships in which it is possible to invest in innovative best practices. In 2015, the County initiated a contract with the Sorenson Impact Center to conduct a Pay for Success “readiness assessment” for Pima County. This work led to the 2016 award of \$1.3 million by the US Departments of Housing and Urban Development and Justice to the Sorenson School and Pima County to develop a Pay for Success model to provide permanent supportive housing for the chronically homeless, who are generally users of costly services such as jails and mental health and housing services.

In the fall of 2016, Pima County was awarded a grant by the US Department of Labor to provide workforce services to individuals serving out their sentences at the Minimum Security Facility of the Pima County jail and preparing to re-enter the community. Nearly \$500,000 will be earmarked for training and career counseling, and other employability skills efforts for inmates – both in-jail and post-release. Funds will bring employment preparation from the One-Stop Career Center to these individuals before they leave jail to help them find employment more quickly. The program will also identify those in danger of homelessness upon re-entry and connect them with emergency shelter.

Spending public funds to reduce the poverty rate is a cost effective strategy to reduce the cost of County government for the taxpaying public. It makes good economic sense.

D. Our Solution: Ending Poverty Now

Ending poverty will require an articulated set of core public policies related to 1) affordable housing, 2) food security, 3) transportation, 4) education/training and skills enhancement, 5) parenting and childcare, 6) healthcare and medical services, 7) early childhood development, 8) income security and 9) asset preservation.



Without very clear public policy strategies in each of these areas, ending poverty will be difficult. It is important that community dialog across all sectors of the community articulate and agree upon these core public policy principles that will become important in reducing or ending poverty and preventing individuals in the community from becoming trapped in inter-generational poverty.

Breaking the cycle of poverty requires every segment of the County community to participate, including schools, public safety and healthcare institutions, government and especially industry. Expecting behavioral changes from people in poverty is only part of the solution; we also need economic leadership from all employers.

Pima County must use a sector-based strategy with employers focused on the economic potential of a stable and upwardly-mobile workforce and a stronger tax base. Additionally, the County must engage under-resourced people as drivers of change that is systemic and structural. These are key to the success of the Ending Poverty Now initiative, which includes the following four components.

1. Establishing County/Business Partnerships

Businesses and employers are fundamental stakeholders in the effort to end poverty. It is not enough for someone to get a job. Just as important, if not more so, is keeping that job and doing well enough that you can be promoted or use that job as a stepping-stone to another. We need to empower and equip people so they can move from dishwasher to electronics technician to electrical engineer to manager.

As an employer of over 7,000 people, Pima County has a role to play in championing and modeling practices that foster employee retention and career advancement. The Pima County Human Resources Department will form an interdepartmental committee to develop recommendations to the County Administrator and Board of Supervisors on needed policy changes and internal employee-development programs.

Additionally, the County will partner with local businesses to create programs delivered in the workplace aimed at improving retention and upward mobility for entry-level employees. This partnership will include current Pima County programs such as On-the-Job training, the New Employee Transition Program, and the Incumbent Worker Training Program. Additionally, the County will encourage businesses to implement the following strategies:

- Employer Resource Networks (ERN), industry-sponsored programs that will employ a Resource Navigator to work with employees to address problems that would otherwise pose a barrier to employment. The Resource Navigator meets with employees at a time and place convenient for both workers and the business operation – for example, at the plant during shift change – and connects those employees to a wide variety of community services and benefits through information, advocacy and referral. Pima County has piloted an ERN with a local manufacturing company and additional companies are expected to join soon.
- Expanding and improving utilization rates of Employee Assistance Programs, which offer employees confidential counseling services at no cost.

- Payroll-advance programs and emergency loan funds for employees who meet certain eligibility requirements, addressing or averting emergencies that might otherwise cause an employee to miss work or lose their employment.
- Time and attendance policies may be crafted to balance sensitivity to challenges faced by low-wage workers with the needs of the business operation.
- Adoption of a minimum compensation package to ensure employees meet basic needs, thus stabilizing a company's workforce and helping the company become an "employer of choice" in the County.

2. *Engaging and Empowering Under-Resourced People*

People who struggle to get by – both those with incomes below the official poverty line and low-wage workers who do not earn enough income to meet basic needs – may represent 50 percent of the population of Pima County, based on statistics from the free and reduced school lunch program mentioned above.

Getting Ahead in a Just-Gettin'-By-World is a 45-hour curriculum that provides people in poverty access to a participatory process in which people *investigate* their own experience of poverty. Participants explore issues in the community that impact poverty – banking, housing, jobs – providing critical information to take action to improve their own situation. They also make an assessment of their own resources and how to build those resources as part of their move to self-sufficiency.

More than 100 individuals have graduated from *Getting Ahead* through classes offered by Pima County and by community partners such as Catholic Community Services, Grace Temple, and St. Vincent de Paul. Five new partners will be added in 2017. Donations from the County's Employee Combined Appeal Program (ECAP) in partnership with the United Way of Tucson and Southern Arizona designated for Ending Poverty Now will support these partners' *Getting Ahead* efforts. With these partners, Pima County is coordinating an effort to create a high quality program with follow up supports. For example, a Pima County One Stop representative connects with each graduate to make sure they are aware of employment and training opportunities. In 2017, we will begin using a platform to identify and track resources that can assist people in building resources and pursuing economic goals, as well as some common evaluation tools and data elements to track across allied programs and services to measure impact over time.

Pima County is growing its own approach that links *Getting Ahead* with ongoing coaching using social service practitioners, business people and volunteers meeting regularly with graduates. This is being piloted at Las Artes GED Arts and Education program and through a new initiative called Mothers in Arizona Moving Ahead (MAMA). Both of these programs will have systems in place where participants report on their progress and identify barriers to success. These meetings will create a feedback loop and longitudinal data source for policy makers, even as they offer ongoing concrete problem-solving support on a potentially larger scale than is currently possible through traditional case management approaches. Ultimately, a significant long-term dividend is the leadership and insight people in poverty can provide toward building long-term solutions for Ending Poverty Now.

Pima County views this type of engagement as a critical component of an effective community anti-poverty strategy. Ending Poverty Now will support expansion of *Getting Ahead* and other programs that engage low-income people in exploration of causes of poverty and resource building to help them move from poverty to sustained self-sufficiency.

3. Employing a Cross-sector Strategy – Ending Poverty is Everyone’s Business

With Ending Poverty Now, Pima County rejects the notion that poverty is inevitable or a necessary evil and recognizes it is complex and evolves over generations. It will require a sustained, multiyear commitment by business and industry, the nonprofit sector, government, healthcare, faith-based communities and educational institutions to break the cycle. A flexible approach is needed to shift strategies, link related efforts across different systems and unite diverse leaders in collective impact.

Pima County established a multi-departmental Addressing Poverty Work Group that meets monthly to become informed on key issues related to poverty, look for opportunities to use County resources more effectively and efficiently and to strengthen community partnerships around shared data, strategies and resources to reduce poverty.

4. Resource Coordination and Bundling

A final element of Ending Poverty Now will build on the success of Pima County’s robust One-Stop workforce system and other partnerships that streamline multiple services into a single solution, resulting in greater effectiveness than any one service would have alone. Implementation of the new federal Workforce Innovations and Opportunities Act, which encourages federally funded workforce partners to increase collaboration, is key to this goal.

To make this happen, partners do not have to be co-located, but they must agree to coordinate resources. Each partner identifies resources it can offer and assigns a point of contact for each service. Partners work as part of an interagency team with accountability for service delivery. Such teams combine varied expertise so that no one organization must attempt to be all things to all people. The results are enhanced customer service due to richer service menus, streamlined access, team approaches and strengthened institutions due to leveraged resources, mutually reinforcing effort, better outcomes and greater impact.

Pima County has been working with outside organizations and across its own departments to identify opportunities to expand coordination and bundling. The County will explore ways to build support for these approaches with its private and intergovernmental partners. Possible supports could include scholarships from institutions of higher education, paid internships within County departments, work-release time for employees participating as mentors and employee donation programs.

The Pima County Health Department has identified poverty and access to services as one of the fundamental determinants of morbidity and mortality in this County. The Department’s efforts to coordinate and collaborate to address this issue are most evident in programs such as Women, Infants and Children (WIC), our nurse home visitation programs (Nurse Family Partnership and Healthy Start), and Correctional Health. Individuals participating in these programs are being targeted as possible participants in the *Getting Ahead* curriculum as well as other Health Department classes; health insurance assistance; support through the Pima

County Public Library and Pima County One-Stop; and financial management classes; adult remedial education courses, assistance with GED/High School Equivalency attainment and post-secondary education; access to Pima County Housing Center resources and classes; and mentoring. Such cross-sector efforts are still in their infancy but may well provide the County with long-term data to track the outcomes of the Ending Poverty Now initiative. These efforts to collaborate, particularly efforts to assist young pregnant women in poverty, have most recently been recognized by the Vitalyst Foundation, which has funded a demonstration project, and by the Robert Wood Johnson Foundation and Ideas43, which have awarded Pima County a technical assistance grant to allow these programmatic partnerships to mature and grow.

E. The Role of the Faith-Based Community in Ending Poverty

Over a decade ago, Pima County was an early proponent of efforts initiated by President George W. Bush to actively solicit partnerships with faith-based organizations. As unique and trusted partners, faith-based groups play an important role in ending poverty by connecting disconnected or disadvantaged job seekers to key training programs and, ultimately, jobs.

Recognizing that faith-based groups can be an effective – and frequently the only – avenue to reach individuals in poverty, Pima County’s Office of Faith-Based Initiatives assists community residents by encouraging collaborations between faith-based groups, community serving organizations and the private sector. This ongoing initiative provides grant writing, capacity building, and leadership training to help ensure that all individuals have access to employment and training opportunities.

Two major faith groups, the Diocese of Tucson and 4Tucson, are leading efforts to address poverty, and both are integrating *Getting Ahead* classes. In addition to assisting with training and job placement, faith-based organizations are at the forefront of income enhancing efforts and programs that fill emergency needs. Gaps in income, food and shelter that may lead to poverty can be addressed effectively by these groups.

Action Items

- 13.1 Forge a homegrown model to be used as a template for County and community-based programs that have the goal of bringing about economic sustainability for people living in poverty.
- 13.2 Become an “Employer of Choice” by establishing Employer Resource Networks in County departments and bundling County One-Stop, Library, and Health Department services to clients.
- 13.3 Engage businesses as partners in the Ending Poverty Now initiative to establish Employer Resource Networks that:
 - A. Provide employers with resources to help employees deal with immediate poverty-related issues.
 - B. Help new employees understand and meet employer expectations.
 - C. Provide training and career path opportunities.

- 13.4 Develop community consensus on core public policies related to 1) affordable housing, 2) food security, 3) transportation, 4) education/training and skills enhancement, 5) parenting and childcare, 6) healthcare and medical services, 7) early childhood development, 8) income security and 9) asset preservation to reduce and/or end poverty.
- 13.5 Partner with United Way of Tucson and Southern Arizona to align the County's Employee Combined Appeal Campaign with the initiative to address poverty and educate County employees about the poverty initiative.
- 13.6 Support faith-based partnerships as a means to fill gaps in providing essential services for low-income families and individuals.
- 13.7 Support partnerships between education and training programs and institutions and faith-based organizations to better serve job-seekers.
- 13.8 Encourage collaboration between faith-based organizations and the private sector on strategies to combat poverty.
- 13.9 Develop an objective and fact-based analysis of poverty and its geographic locations within the community.

Creating a competitive economic environment does not happen by accident in a modern world. The economic centers of the Middle Ages were strategically located such that the crossing of trade routes developed over centuries. Today, economic competitiveness is not necessarily driven by location; it is created by investment. Capital investment, whether it is building facilities or enhancing infrastructure, is the key to economic expansion in making our region more competitive than others. Capital risk drives market competition, and those willing to make investments and take risks generally out-compete those who are not.

A. Solving the Transportation Dilemma

Transportation cost is a key factor in economic competitiveness. All products, goods and services have embedded in them a component of transportation cost. If that cost is higher in one region than another, the region with the lower transportation cost is more competitive.

Neither our nation nor our state have invested in transportation system maintenance or expansion. In fact, the maintenance of our transportation system—whether it be ports, airports or surface transportation highways—has deteriorated over the last two decades.

Between 1960 and 1990, the Arizona Legislature increased the gasoline tax in Arizona nine separate times. This was in response to the transportation needs of the State as the population increased nearly 300 percent.

State and federal spending on highway infrastructure as a share of GDP

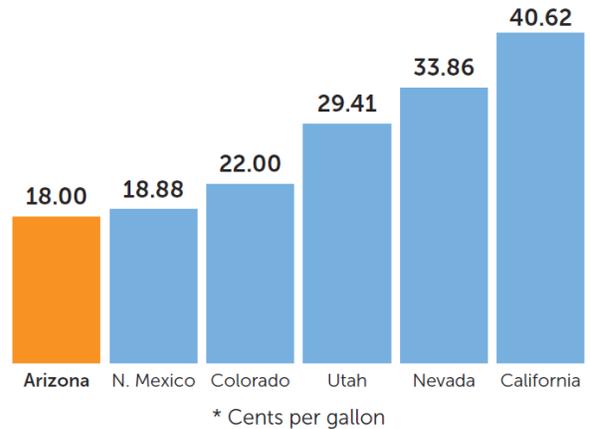


Unfortunately, the Arizona Legislature has failed to address the issue of transportation financing for the last 26 years, during which time inflation has cut the purchasing power of the 1991 transportation tax revenues in half. A 40-percent increase in fuel economy has further reduced the purchasing power of 1991 transportation tax revenues. The Arizona Legislature must address this issue, and it should do so on a statewide basis. To allow cities, towns and counties to address the issue individually with their own strategies for revenue increases would lead to regional competition, which is counterproductive to statewide job growth and economic expansion.

Other states and nations are becoming more competitive. Other nations are outspending the United States in transportation and infrastructure investments. The best example is Mexico, with plans to invest over \$1 billion in improving Highway 15, a major north/south transportation corridor in Mexico connecting to the United States border at the Mariposa Port of Entry.

Current Gas Tax in Western States

Also, adjacent states, including Nevada, have already increased their gas tax to facilitate the construction of Interstate 11 (I-11). Texas is redirecting energy taxes of \$1 billion to invest in their transportation system. Other states, including conservative Wyoming, are raising gas taxes to invest in transportation. In 2014, Wyoming increased its gas tax by 10 cents per gallon.



Arizona is falling far behind in competitiveness in transportation system investment. We will not be the place of choice because of excess transportation costs embedded in production, goods and services. We must solve this transportation dilemma to enhance our economic competitive position with our neighbors; and we must coordinate international transportation investments, such as I-11, to maximize the expansion benefits to the region from increased, targeted transportation system investments.

As we have previously done, the County will advocate that additional transportation revenues be enacted by the Arizona Legislature. We will also request legislative authorization to address the inequitable distribution of Highway User Revenue Funds (HURF) to Pima County. Table 14-1 shows the unincorporated per capita distribution of HURF among Arizona’s counties.

14-1: Per Capita HURF REVENUE by County for FY 2015/16.

County	July 1, 2015 Unincorporated Population	FY 2015/16 HURF Revenue	FY 2015/16 Per Capita HURF Revenue	FY 2015/16 Per Capita Rank
Apache	61,811	\$ 6,666,348.18	\$107.85	14
Cochise	50,914	7,881,972.01	154.81	6
Coconino	55,236	9,558,844.93	173.05	3
Gila	26,043	3,596,978.81	138.12	8
Graham	21,138	2,355,078.29	111.41	13
Greenlee	5,243	874,515.59	166.80	4
La Paz	14,198	3,925,343.66	276.47	2
Maricopa	293,878	102,052,646.35	347.26	1
Mohave	78,269	12,049,277.20	153.95	7
Navajo	69,495	8,069,820.43	116.12	12
Pima	361,023	42,543,064.80	117.84	11
Pinal	204,925	19,132,085.77	93.36	15
Santa Cruz	27,397	3,352,548.86	122.37	10
Yavapai	86,141	11,403,316.18	132.38	9
Yuma	64,180	10,219,683.40	159.23	5
Statewide Total	1,419,891	\$243,681,524.46		

Note: Per Capita Revenue based on July 1, 2015 population, the most recent estimate available.

Despite being the most populous unincorporated area in Arizona, Pima County receives nearly the least amount of HURF on a per capita basis. The Legislature should correct this inequity by further modifying the distribution variables associated with HURF; weighting fuel sales in unincorporated area population equally, rather than the present formula that places 72 percent weight on origin of fuel sales and 28 percent weight on unincorporated population.

The region's existing roadways require major maintenance investments due primarily to no increases in fuel taxes for 25 years. Table 14-2 shows the typical cost of certain consumer items or products over the years and how they have changed in stark contrast to other substantial increases.

14-2: Comparison of Cost of Consumer Products.

Item	Unit/Description	1993	2010	%Change
College Tuition	Average Tuition and Required Fees	\$ 3,517	\$ 9,136	160
Gas	Per Gallon	1.12	2.73	144
Movie Ticket	Average Ticket Price	4.14	7.89	91
House	Median Price	126,500	221,800	75
Bread	Per Pound	1.08	1.76	62
Income	Median Household	31,272	49,167	57
Stamp	One First-Class Stamp	0.29	0.44	52
Beef	Per Pound of Ground Beef	1.57	2.28	46
Car	Average New Car	19,200	26,850	40
State Gas Tax	Per Gallon	0.18	0.18	0
Federal Gas Tax	Per Gallon	0.184	0.184	0

State and Federal fuel taxes have remained unchanged, while wear on the transportation system has increased due to improved vehicle fleet efficiency. To solve this problem locally, legislation should be enacted that allows a Regional Transportation Authority to ask the voters for a maintenance and repair half-cent sales tax to be in place for 10 years that 1) is distributed on the basis of population to each jurisdiction; 2) used exclusively for pavement rehabilitation, preservation and repair, with no funds used for any other purpose; and 3) the work be privately contracted. Such would provide the maximum benefit for the taxes levied.

Finally, Arizona continues to fall competitively behind our competitors in providing transportation capacity mobility. The Arizona Legislature should, again, increase the State's fuel tax or shift to a more reliable source of transportation revenue; one that increases with population growth and inflation.

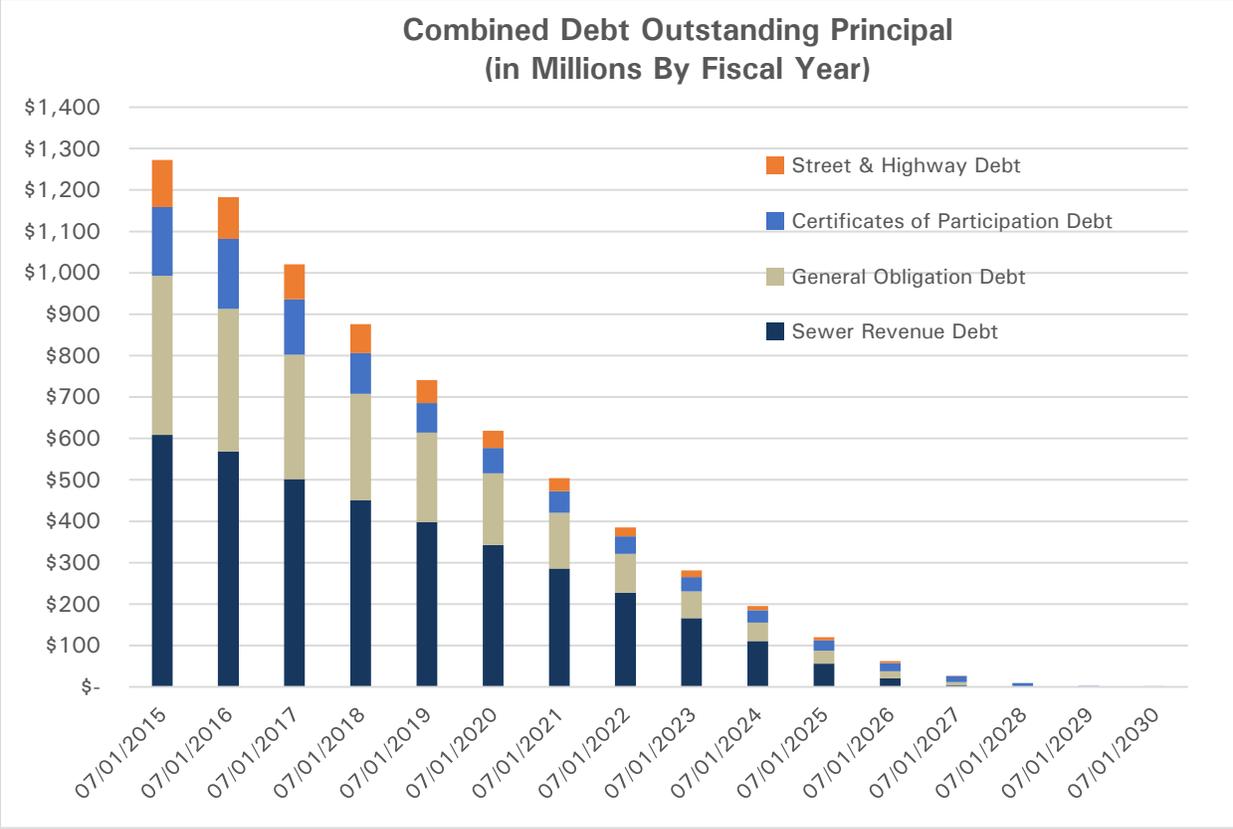
B. County General Obligation Bonds and Debt Financing

The County has historically used bonding to make infrastructure improvements throughout the region, including inside cities and towns; and bonds have been authorized for issuance by the voters since 1974. Voter authorization has been received 12 separate times, and a total of 54 bond proposition questions have been approved by the voters versus four that were disapproved. In total, \$2.064 billion in bonds (General Obligation, Sewer and Highway User Revenue Fund) have been approved over the past 42 years. The most recent approval

was for a new animal care facility. This bond measure was approved in November 2014 for \$22 million.

Of the \$2.064 billion in bonds approved by the voters, \$1.965 billion has been issued, and \$1.401 billion has been repaid. The remaining debt of \$564 million is being repaid at the rate of approximately 10 percent per year. Hence, in 10 years, the County will have repaid most bond debt. In addition to the bonded debt, Pima County also has \$169 million in Certificate of Participation debt and \$450 million in Sewer Obligation debt.

County debt is aggressively retired and well managed. The graph below shows the debt repayment structure for the County’s four principal areas of debt – General Obligation Bonds, HURF Bonds, Sewer Revenue Debt and Certificates of Participation.



In just two years, Pima County’s debt is reducing from \$1.27 billion in Fiscal Year 2015 to \$1.02 billion in Fiscal Year 2017, a reduction of \$253 million. Over the next four to five years, this debt is expected to be reduced by half and almost fully retired within the next 10 years. This is short-term investment debt, since many of the bonds paid for key regional infrastructure or other projects designed specifically to improve the overall economic wellbeing of the community.

In November 2015, voters rejected all bond programs placed before them; reflective of concerns regarding debt, debt load and overall economic uncertainty. A new capital bond program should be reformulated by a citizen-appointed Bond Advisory Committee and placed

before the voters as early as 2018, with priority given to capital investment projects that will foster overall economic development and tax base expansion. This would include the necessary matching funds for the Sonoran Corridor, an interstate auxiliary highway, connecting Interstates 10 and 19; incubators and startups to grow primary export-based employment in the aerospace, space, defense, technology and energy sectors; and projects and programs that foster increasing tourism and economic activities and stimulus for the service employment sector.

The County has previously invested, with taxpayer approval, General Obligation Bonds to protect the Davis-Monthan Air Force Base (DMAFB) Departure Corridor from urban encroachment. In 2004, \$10 million in bonds were authorized for this purpose. These funds have been spent to acquire property and prevent unwise urban encroachment. It is important that another \$10 million investment in this activity occur in any future bond issue; perhaps as early as 2018 to protect the Departure Corridor, as well as all other operational flight path corridors and training sites associated with the pilot training activities at DMAFB and the 162nd Arizona Air National Guard. DMAFB, working with the County to take advantage of our knowledge and experience in open space planning as demonstrated in the Sonoran Desert Conservation Plan, is pursuing a Readiness and Environmental Protection Integration Program (REPI) grant for DMAFB departure corridors and other flight corridors necessary to transit from DMAFB to the Barry M. Goldwater Range.

Given the air space training assets in Arizona, it is important the pathways or air corridors to these training sites be preserved and protected. such will ensure long-term military use of DMAFB as an important national defense asset, ensuring not only continued missions, but military operational expansion with resulting economic benefits to the entire community.

Factors that may have influenced failure of the November 2015 bond election include economic uncertainty and fear over the County’s debt load. This debt was portrayed as the highest in the State, which it is for a County; but it does not consider the overlapping debt of all other jurisdictions within a County or compare those debt loads with other jurisdictions in other counties within the State. Only by such a comparison can Pima County’s per capita debt load be placed in proper perspective. Based on the most recent report of the Arizona State Treasurer¹, Pima County’s debt load is relatively low compared to others. A comparison of the total overlapping debt load, by county, as shown in Table 14-3 shows that Maricopa County residents have substantially more overlapping debt than Pima County residents.

14-3: Debt of Arizona’s Counties.

County or State	Overlapping Outstanding Principal as of 06/30/14	Debt Per Capita
Maricopa	\$ 17,870,439,737	\$ 4,530
Pima	3,642,264,813	3,657
Yuma	556,731,377	2,660
Yavapai	551,389,386	2,585
Mohave	521,975,209	2,564

¹ As of October 2016, the most recent final State Report of Bonded Indebtedness available was for Fiscal Year 2013/14.

Santa Cruz	118,949,113	2,417
Pinal	872,913,456	2,217
La Paz	39,451,230	1,881
Coconino	232,828,882	1,716
Gila	73,586,979	1,371
Navajo	127,688,277	1,175
Cochise	127,483,489	974
Graham	31,961,190	844
Apache	44,721,611	620
Greenlee	4,049,486	371
Statewide Districts	18,108,157,349	2,752
Total	\$ 42,924,591,584	\$ 6,522

When Pima County's per capita debt is compared with other per capita debt of municipalities within Pima County, our debt is low. Table 14-4 shows the per capita debt reported by the Arizona State Treasurer for Marana, Oro Valley, Sahuarita and the City of Tucson.

14-4: Per Capita Debt, Pima County and its Municipalities.

City/Town	Outstanding Principal as of June 30, 2014	Debt Per Capita
Tucson	\$1,117,540,559	\$2,128
Marana	68,526,000	1,775
Sahuarita	41,061,502	1,534
Pima County	1,325,564,419	1,331
Oro Valley	55,220,067	1,325

When put in perspective, Pima County's debt load on a per capita basis is not excessive. In fact, it would be viewed as below average, particularly when factoring in our accelerated debt repayment profile.

Table 14-5 shows the dates of bond authorizations by the voters since 1997, the amount of General Obligation bonds authorized for issuance and the assessed value at the time of the voter authorization.

14-5 : Bond Authorizations History.

Authorization Date	Assessed Value	Total Authorization
May 20, 1997	\$3,700,269,211	\$256,980,000
May 18, 2004	5,633,321,019	582,250,000
May 16, 2006	6,887,803,879	54,000,000
November 4, 2014	7,579,898,868	22,000,000

Clearly, public investment in facilities and infrastructure has increased the value of the tax base. Since the great recession, however, the tax base value has declined from a peak of \$8.986 billion in FY 2009/10 to \$7.817 billion today – a 13 percent reduction. We must

direct our public investments such as bonds to those projects that grow our tax base. Public investment in general has expanded the tax base, but redoubling our efforts to directly invest in what grows the economy is our best investment in economic recovery.

In addition, the County has just recently invested in our regional wastewater treatment system, a vital component of utility infrastructure necessary for economic expansion and growth. This investment is classified as revenue obligation rather than traditional bond debt. Those communities that have failed to make necessary investments in their wastewater infrastructure suffer economically with sewer moratoriums, federal government oversight related to Clean Water Act compliance and, typically, court-ordered supervision of their utility systems, such as in the City of San Diego, California and Jefferson County, Alabama. The recent \$700 million investment in our wastewater utility makes us very competitive for economic expansion, since we have the technology and the capacity to significantly expand use with very little additional cost.

Past bond issues have had components of economic development embedded in them without really identifying them as such. These components have been in areas where we have expanded tourism-related venues such as the Pima Air Museum and the Arizona-Sonora Desert Museum, and transportation investments through either General Obligation bonds or revenue bonding. Even our open space acquisition has an economic development component. By ensuring our natural environment is preserved and protected, visitors and tourists will continue to come to Tucson and Pima County, since they cite our environment as the top reason to visit.

While in the past we have not labeled individual bond programs or projects as economic development-related, it is now important to recognize that very specific capital investment programs or projects are for the primary purpose of economic development, job creation, increasing the community's wealth and facilitating overall economic expansion. These capital investment programs involve debt financing – bonding.

C. Using Property Tax Reduction to Lower Overall Cost in Production or Distribution to Attract New Economic Enterprises

In 2012, the City of Tucson adopted boundaries for the Downtown/Gateway Redevelopment Area and Central Business District, which provided the legal means for the City to enter into Government Property Lease Excise Tax (GPLET) agreements and tax abatements as a redevelopment incentive within this geographic area. These agreements commence after significant improvements have been made to the property and reduce costs for private developers and property owners by transferring title of the improved private property to the City for an 8-year period, which then leases the property back to the private entity making the property exempt from real property taxes during the lease term. Normally, there would be a lease excise tax levied in lieu of property taxes; but since the properties are within the Central Business District, the lease excise tax is also abated for the 8-year term.

While GPLET use is relatively new in the downtown area of Tucson, there are a number of projects that have utilized this property tax incentive as approved by the Tucson Mayor and Council. The results show the stimulus for development for this and other economic

development incentives has and will result in a significant expansion of the tax base and, hence, additional property tax revenues after the tax abatement period expires in eight years. Table 14-6 shows the current results of use of this tax abatement strategy where the development has been in place sufficiently long to have been valued after improvement.

14-6 : GPLET Property Value Increases After Property Improvements.

Project	Property Value Increased?	Full Cash Value % Increase	Limited/Taxable Value % Increase
1 E. Broadway	Yes	1,183	1,155
Herbert Apartments	No	76	5
Mister Car Wash	Yes	115	101
Wildcat House	Yes	107	92

Regarding the Herbert Apartments (former low-income housing), although the full cash value increased by 76 percent from Tax Year 2014 to Tax Year 2016 – reflecting the time period before and after construction – the limited or taxable value has only increased five percent. This case is under discussion with the Pima County Assessor, as there should be a method for correcting this so as to capture the increased value in the tax base.

The County will make available to either expanding primary employers or new primary or export-based employers a property tax reduction over a fixed period of time in order to provide an economic incentive for expansion or relocation. This property tax reduction reduces the assessed value of commercial property from 18 percent to 5 percent and will be offered by the County for a fixed period of time between one and 15 years depending upon the economic benefits of the expanded or relocated employer. The property tax reduction incentive will be specifically crafted for the employer; and to qualify for a 1- to 15-year property tax reduction, the either expanded or new primary export- based employer must:

- Invest a minimum of \$25 million in new capital or building;
- Invest a minimum of \$25 million in new plant, equipment, furniture or fixtures;
- Employ an additional or new minimum 250 employees; or
- Hire at least 50 new employees who are compensated a minimum of two times the average regional wage.

For new employers who qualify with one or more of these criteria, the property tax reduction time period will be longer; up to a maximum of 15 years.

It should be noted that only primary based employment, also known as export-based employment, qualifies for the property tax reduction incentive.

D. Diversifying County Revenue Sources to Lower the Property Tax

Pima County’s FY 2016/17 primary property tax rate is \$4.2896 per \$100 of assessed value, the highest in Arizona. The average primary property tax rate among counties in Arizona is \$2.2724. The main reason Pima County’s primary property tax rate is so high is Pima County is the only county among the 15 counties in Arizona that does not have a sales tax to fund certain General Fund services. If the County were to have a sales tax, our

primary property tax rate could be substantially lowered. Table 14-7 shows the array of the various sales taxes employed by counties in Arizona to reduce their property tax support of county operations.

14-7: FY 2016/17 County Sales Tax Rates and Special Taxing Districts Property Tax Rates

County	County General Fund Excise Tax	Public Health	Jail Excise Tax	County Road Tax	Healthcare District
Apache	0.50%	\$0.1961 ^{SPT}	\$0.2899 ^{SPT 1}		
Cochise	0.50%				
Coconino	0.50%	\$0.2500 ^{SPT}	0.50%	0.30%	
Gila	0.50%		0.50%		
Graham	0.50%		0.50%		
Greenlee	0.50%	\$0.2500 ^{SPT}			
La Paz ²	0.50%		0.50%		
Maricopa			0.20%		\$0.3053 ^{SPT 3}
Mohave	0.25%				
Navajo	0.50%	\$0.2500 ^{SPT}			
Pima					
Pinal	0.50%	0.10% ^{ET}		0.50%	
Santa Cruz	0.50%		0.50%		
Yavapai	0.50%		0.25%		
Yuma	0.50%	0.112% ^{ET}	0.50%		

SPT = Secondary Property Tax, listed as a dollar tax rate

ET = Excise Tax, listed as a percentage

¹ Apache County Jail Excise Tax includes \$0.2000 and \$0.0899 property tax rates for Jail District and Juvenile Jail District.

² La Paz County does not include 1.00% County Bonds Judgment Excise Tax authorized pursuant to A.R.S. § 42-6112.

³ Maricopa County Special Health Care District maintenance and operations and bond interest and principal tax rates.

Sources: Arizona Department of Revenue, Transaction Privilege And Other Tax Rate Tables, effective October 1, 2016, and FY 2016/17 County Adopted Budgets.

There is no direct correlation between a higher than average county primary property tax rate and decreased business attraction. If this was true, metropolitan areas with larger tax burdens, such as San Francisco, would be losing companies instead of leading the country in business attraction and job creation.

Pima County's strategic economic development efforts have led, and will continue to lead, to increased capital investment that serves to expand the tax base. The attraction of new businesses adds to the tax rolls and is a very important component of our economic development strategy. Growing the tax base means taxable income of the County increases; hence, other taxpayers will bear less of the tax burden.

We must also enhance our efforts to diversify the revenue base to reduce our reliance on property taxes for conducting County operations. The best starting point would be to ask the voters to approve a quarter-cent jail tax for direct property tax reduction. Enacting a jail tax would reduce the County’s primary property tax rate by \$0.4649.

In addition, if the County were to adopt the half-cent sales tax or excise tax option available through a unanimous vote of the Board of Supervisors, the County’s property tax rate would be reduced by \$0.9298.

These two sales tax revenue sources for the County could decrease our property tax rate to \$2.8949; closer to the statewide average of \$2.2724.

Further, the County has been the subject of a number of State cost transfers that artificially increase the County’s primary property tax rate. The single largest transfer was attempted by the Arizona Legislature beginning in Fiscal Year 2015/16 when the Legislature transferred a portion of the funding obligation for education in Arizona to other taxing districts. Historically, Arizona and its school districts have had the exclusive responsibility of funding State education. Pima County believed this transfer was unlawful and sued in Maricopa Superior Court. This proposed cost transfer was declared unconstitutional and was reversed. This action saved the County \$32 million during the time period it would have been imposed and allowed Pima County to lower the primary property tax rate.

Similar State cost transfers have been enacted by the Legislature; some very recently, others over the last few years. Among these are the State Juvenile Detention cost shift; requiring the County to pay a portion of the cost of operating the Arizona Department of Revenue; the Restoration to Competency Program previously paid for by the State; and the detainment in State hospitals of sexually violent persons after completion of serving a criminal sentence for sex crimes. These recent State cost transfers cost Pima County another \$5.8 million. If these State cost transfers could be reduced, the County can further reduce our property tax from \$2.8949 to \$2.8179.

Adopting this property tax reduction strategy will require the Arizona Legislature to provide the County the authority to use two distinct sales tax sources for property tax reduction and repeal recent State cost transfers. The question that arises is whether enacting sales taxes to reduce property taxes places Pima County in an uncompetitive environment. To determine if such is correct, it is appropriate to examine the sales tax burden in Pima County with our primary competitors, Maricopa and Pinal Counties. Tables 14-8, 14-9 and 14-10 show the average sales taxes levied within Maricopa, Pinal and Pima Counties for all jurisdictions, counties, cities, towns and special districts.

14-8: PIMA COUNTY – BUDGETED EXCISE TAX REVENUES FOR FISCAL YEAR 2016/17

County/City/Town	General Fund	Special Revenue	Road Tax	Bed Tax	TOTAL
PIMA Hotel/Motel	–	–	–	\$6,414,000	\$ 6,414,000
PIMA Car Rental	–	1,475,000			1,475,000
PIMA RTA	–		75,900,000		75,900,000
Tucson	197,630,160	–	–	17,928,020	215,558,180
Marana	24,156,385	6,000,000	–	937,884	31,094,269

Oro Valley	15,073,000	2,105,163	-	1,085,805	18,263,968
Sahuarita	5,058,410	1,912,970	-	-	6,971,380
South Tucson	2,993,990	-	-	23,745	3,017,735
Total	\$244,911,945	\$11,493,133	\$75,900,000	\$26,389,454	\$358,694,532

July 1, 2015 Pima County Population	1,009,371
Per Capita Estimated Excise Tax Revenues	\$355.36

14-9: MARICOPA COUNTY - BUDGETED EXCISE TAX REVENUES FOR FISCAL YEAR 2016/17

County City/Town	General Fund	Special Revenue	Road Tax	Bed Tax	TOTAL
MARICOPA Jail Tax	-	\$149,670,043	-	-	\$149,670,043
MARICOPA RARF	-		411,400,000		411,400,000
MARICOPA Car Rental	-	5,024,959			5,024,959
AZ Sports & Tourism Authority -Car Rental	-	13,897,802			13,897,802
AZ Sports & Tourism Authority -Hotel/Motel	-			16,947,259	16,947,259
Avondale	29,589,520	14,678,536	-	-	44,268,056
Buckeye	23,851,720	-	-	53,900	23,905,620
Carefree	3,028,769	-	-	-	3,028,769
Cave Creek	4,178,800	1,830,600	-	-	6,009,400
Chandler	105,336,000	-	377,250	-	105,713,250
El Mirage	6,700,000	-	-	-	6,700,000
Fountain Hills	7,551,057	779,412	-	-	8,330,469
Gila Bend	1,455,000	-	-	-	1,455,000
Gilbert	81,000,000	-	-	-	81,000,000
Glendale	103,449,149	24,186,732	25,053,441	-	152,689,322
Goodyear	42,255,860	-	-	-	42,255,860
Guadalupe	1,655,208	-	-	360,766	2,015,974
Litchfield	4,999,690	-	-	-	4,999,690
Mesa	107,196,170	22,332,650	26,799,180	3,000,000	159,328,000
Paradise Valley	11,296,436	-	-	3,147,831	14,444,267
Peoria	68,171,225	-	11,953,148	-	80,124,373
Phoenix	-	443,531,000	-	-	443,531,000
Queen Creek	17,613,170	7,456,310	-	-	25,069,480
Scottsdale	117,583,449	36,899,037	20,361,102	18,714,000	193,557,588
Surprise	40,489,000	2,655,800	2,300,900	150,900	45,596,600
Tempe	90,079,612	7,548,857	37,256,871	6,689,087	141,574,427

Tolleson	15,000,000	-	-	-	15,000,000
Wickenburg	3,565,000	-	-	-	3,565,000
Youngtown	1,603,967	-	-	-	1,603,967
Total	\$887,648,802	\$730,491,738	\$535,501,892	\$49,063,743	\$2,202,706,175

July 1, 2015 Maricopa County Population	4,076,438
Per Capita Estimated Excise Tax Revenues	\$540.35

14-10: PINAL COUNTY – BUDGETED EXCISE TAX REVENUES FOR FISCAL YEAR 2016/17

County/City/Town	General Fund	Special Revenue	Road Tax	Bed Tax	Total
PINAL	\$15,063,692	\$2,840,057	\$7,500,000	-	\$25,403,749
Apache Junction	12,325,000	-	2,233,700	-	14,558,700
Casa Grande	18,000,000	2,296,300	3,592,300	-	23,888,600
Coolidge	3,600,000	1,201,600	3,021,700	-	7,823,300
Eloy	5,063,500	225,000	846,250	-	6,134,750
Florence	2,650,000	1,605,000	1,006,431	-	5,261,431
Kearny	489,722	-	73,986	-	563,708
Mammoth	193,495	-	74,000	-	267,495
Maricopa	8,991,000	497,500	1,184,000	-	10,672,500
Superior	716,613	-	240,138	-	956,751
Total	\$67,093,022	\$8,665,457	\$19,772,505	-	\$95,530,984

July 1, 2015 Pinal County Population	406,468
Per Capita Estimated Excise Tax Revenues	\$235.03

Notes:

1. Budgeted FY 2016/17 revenue for Gila Bend is not available and the number shown is the budgeted revenue for FY 2015/16.

2. Pinal County road tax revenue for cities and towns includes both locally assessed tax revenue and each city/town's share of the half cent Pinal County transportation excise tax. Also, Pinal County votes in November 2016 on whether to adopt an additional half cent transportation sales tax that would allow the Pinal Regional Transportation Authority to fund transportation projects in the county.

Sources:

1. County, city/town and special taxing authority FY 2016/17 adopted budgets.

2. ADOA, Office of Employment and Population Statistics, July 1, 2015 population estimates.

Conclusion: Increasing the County's sales tax will not place us at a competitive disadvantage with Maricopa County. Using sales tax proceeds to reduce property taxes makes us more competitive with Maricopa County.

E. Economic Development and the Pima County Comprehensive Plan Update: Pima Prospers



Pima County recognizes our region's long-term economic development is intrinsically linked to components of community development, growth, infrastructure, sustainability, service delivery and land-use planning. As part of the update to the Pima County Comprehensive Plan, the Board of Supervisors and County administration directed that an extensive section focused specifically on economic development be included in the update. This section is not mandated by the State statutes governing the Comprehensive Plan, but it was voluntarily added by the County to ensure economic development becomes an inclusive and fundamental part of Pima County's long-range planning and principles.

In keeping with the goal of directly linking the County's planning aspects to the economic expansion of our region, the Comprehensive Plan update has been titled Pima Prospers.

Significant effort has been expended to ensure the more immediate and specific goals of the current Pima County Economic Development Plan support the long-term and broader policies included in Pima Prospers.

Arizona Revised Statutes mandate that the Board of Supervisors adopt a comprehensive plan:

"...with the general purpose of guiding and accomplishing a coordinated, adjusted and harmonious development of the area of jurisdiction pursuant to the present and future needs of the county."

The Comprehensive Plan, which is required to be updated every 10 years, serves as the predominant and broad-based policy blueprint for the County over the subsequent 20 years. In addition to specific elements required in the plan, later legislative amendments to the Statutes included requirements for a broad-based public participation plan and an agency review process. A draft of the Economic Development Plan was made available for public and agency comment, ensuring the community had ample opportunity for input and participation in the continuing development of the primary economic development strategies of Pima County.

The Economic Development Element of Pima Prospers sets overarching regional goals and policies that include:

- Aiding the protection of our existing employers
- Creating a welcoming climate for new business development, outside investment and relocation of companies and employers
- Bolstering opportunities for job growth
- Leveraging the Sun Corridor and other regional collaboration efforts
- Strengthening our commitment to tourism as an economic engine
- Reaffirming the construction of infrastructure and commercial, residential, public and community facilities as a stimulus of our economy
- Creating and maintaining a positive climate for business

Within these broad categories are more specific actions and policy goals designed to increase our region's prosperity. Other sections of the plan, such as the Transportation Element, include goals for prioritizing road maintenance and identifying appropriate funding sources to repair our deteriorating transportation system, which is critical to improving our economy. Many of the other elements contained in Pima Prospers are also informed by Pima County's economic development strategies.

F. Strengthening and Regionalizing Job Attraction and Expansion

Pima County is a major contributor to private economic development planning within Pima County, and the County annually contributes approximately \$650,000 to Sun Corridor Inc. While these activities focus on expanding job opportunities within Pima County and its various jurisdictions, these opportunities are also important in the larger context of the Sun Corridor and support ongoing activities related to protecting and expanding federal military operations at our more significant Army, Marine and Air Force Bases in southern Arizona, with specific emphasis on retaining and expanding activities at Davis-Monthan Air Force Base (DMAFB). The Sun Corridor envisions a very large region for economic opportunity covering multiple counties within Arizona. It is important our privately-financed economic development planning be able to support larger scale economic development within the Southwestern states, as well as nationally, by emphasizing economic opportunities and our relationship with Mexico.

The logistics opportunities represented by large scale transportation investments promote the region as an interstate and international trade and freight hub centered on Tucson International Airport with its access to surface, rail and air transportation. The economic development investments made by Pima County and Sun Corridor Inc. should be augmented by investments of up to \$200,000 per year to support the concept of the Sun Corridor economic development expansion opportunities, including bi-national activities with Mexico.

It is also appropriate to assist private sector activities, specifically the DM-50, in ensuring there is a strong economic future for DMAFB. Both the City of Tucson and Pima County have committed an allocation of \$60,000 per year over the next three years for this purpose. These investments, while not investments in physical infrastructure, are just as important to ensure maximum economic benefits from these planning activities.

G. Centralized County Economic Development Activity

To ensure the economic development activities of the County are positioned to provide maximum opportunity for tax base expansion, economic development has been centralized in the County Administrator's Office, where specific and active involvement can occur on all economic development-related activities of the County. Under direction of the County Administrator, the Office of Economic Development has primary responsibility for the implementation of the Pima County Economic Development and the relate business attraction, retention and expansion activities that occur as part of the plan. The ongoing centralization of economic development activities has included the creation of a Director and Deputy Director of Economic Development titles for two existing positions, consolidation of the Office of Strategic Planning to the Economic Development Office, and realignment of the

former Pima County Economic Development and Tourism Department into the Office of Attractions and Tourism. As part of this process, the Economic Development Director has conducted an inventory of all Pima County offices, departments and divisions involved in economic development (such as Pima County One-Stop, Development Services and Public Works) to ensure coordinated internal communication and expedited responses to economic development projects and opportunities.

In addition, Pima County Economic Development has created more focused coordination with other southern and central Arizona jurisdictions through regularly scheduled regional economic development meetings. Pima County now also includes staff from the City of Tucson's Office of Economic Initiatives and Sun Corridor Inc., in its internal Economic Development Team meetings. In addition to being the primary interface for companies seeking to relocate or expand in Pima County, the Pima County Economic Development Office has become the point of contact for Sun Corridor Inc., Arizona Commerce Authority and other economic development entities. The office will also implement the County's international initiatives contained within the Economic Development Plan for Mexico, Canada and East Asia. The office will also be charged with marketing Pima County's Aerospace, Defense and Technology Business and Research Park and all other Pima County properties that have previously been identified as suitable for economic development purposes.

H. Redoubling Our Efforts for Expanded Workforce Training and Investment

Talent, a critical component of economic development efforts, is coordinated through the County's One-Stop system, which continues to support County responses to meet the needs of industry, the workforce and the community. These needs are constantly changing. Today, many companies are faced with an aging workforce, and many workers struggle to keep up with technological innovations. On the other hand, many younger people who have grown up with technology do not understand the importance of many of the "nontechnical" occupations and career pathways available to them, including many hardworking, young people in our County who struggle to make ends meet working two or three part-time jobs.

The One-Stop's Business Services Team makes contact with hundreds of employers each year to determine talent needs. This team is able to develop stylized, long-term talent solutions for the workforce needs identified by industry. One example is the Southern Arizona Manufacturing Partnership that brought machine shops, educators and workforce together to establish a steady pipeline of talent. More recently, Pima County Administration was made aware of concerns among some of its major employers that are projecting critical shortages of skilled employees in the area of aircraft maintenance, repair and overhaul. The County's One-Stop Team convened meetings with representatives from multiple employers, including Bombardier and Ascent Aviation, to hear firsthand the concerns and needs of the companies for specific skilled trades. Pima County One-Stop then worked with Pima Community College to develop short-term training/certifications of value to the aerospace industry and is now actively working to expand the program. Previously, training was not locally available, even though local aerospace companies continue to hire. This program is particularly attractive to many people leaving military service at DMAFB, who can quickly transition into well-paying jobs.

The County's Workforce Investment Board periodically reviews industries that offer career pathways, available training and the training's effectiveness. This enables local workforce staff and training institutions to refine training investments in our workforce. Community and employer participation in this process remains strong.

As the public workforce system, One-Stop develops specialized training programs for specific populations. This is often done by adapting best practices, such as was done in establishing the Sullivan Jackson Center for the Homeless. In a new initiative, Pima County secured grant funding to place a basic One-Stop employment center approach directly in the County's minimum security detention facility. Locating these services within this should help people move more quickly into employment, help them avert homelessness and reduce recidivism.

A well trained workforce is most important to attracting or expanding businesses in Pima County. As our success rate of acquiring new jobs increases, flexibility and agility in meeting increasing demand will be needed. Workforce development has been the backbone of regional economic development for many years, but our efforts must be expanded as employment demand increases and more of the experienced workers age out of their trades, requiring us to redouble our workforce training and investment.

I. Primary Pima County Economic Development Partners

There are three primary partners in economic development working with and cooperating with Pima County. They are the Arizona Commerce Authority, Sun Corridor Inc., and the City of Tucson.

Arizona Commerce Authority (ACA). The ACA is the State's leading economic development organization with a streamlined mission to grow and strengthen Arizona's economy. The ACA uses a three-pronged approach to advance the overall economy: recruit, grow, create. Recruit out-of-state companies to expand their operations in Arizona; work with existing companies to grow their business in Arizona and beyond; and partner with entrepreneurs and companies large and small to create new jobs and businesses in targeted industries. The primary role of the ACA is to provide State incentives for job creation. These incentives include the Qualified Facility Program, which provides a matching refundable income tax credit for eligible companies making capital investments to establish or expand a facility; Quality Jobs Tax Credit, an up to \$49,000 of Arizona income or tax credit spread over three-year period for each new job created; the Computer Data Center Program, which provides transaction privilege tax and use tax exemptions on qualifying purchases of computer data center equipment; the Angel Investment Tax Credit, which provides credits to investors who make capital investments in small businesses certified by the ACA; and reimbursable job training grants, research and development tax credits, as well as other incentives.

Sun Corridor Inc. is a local regional economic development entity, primarily privately financed. Its only significant public fiscal contribution comes from Pima County, which is \$650,000 for FY 2016/17. Sun Corridor Inc. is a CEO-driven regional alliance whose members aggressively champion economic competitiveness and quality of life. Operating as TREO for the past 10 years, the organization has helped to drive significant business investment into the Tucson and southern Arizona region through primary job creation.

Sun Corridor Inc. is comprised of private companies, public sector, higher education and nonprofit entities and offers a comprehensive approach of programs and services to facilitate job and investment growth by the attraction of new primary companies, the retention/expansion of existing primary companies and increased business creation/entrepreneurship strength across southern Arizona.

Sun Corridor coordinates all of the various incentives that can be provided to businesses and employers choosing to either relocate or expand in Pima County. These incentives range from those of the State, County and City to public utilities or educational institutions working in the area of workforce development.

City of Tucson. The County's third major economic development partner is the City of Tucson. The City and County collaborate on numerous economic development activities and coordinate, as well as centralize, these activities through the County Administrator's Office and the City Manager's Office.

J. Cooperative Regional Economic Development Planning

While the main focus of the Pima County Economic Development Plan is on initiatives Pima County will or has initiated to retain and generate new jobs, other jurisdictions in our region also have specific plans or economic development objectives of their own. Several are consistent with the County's objectives, and a number are very appropriately focused on individual jurisdiction needs. Regardless of the origin of the initiative, any success helps the region move forward as we work together to increase employment and the quality of our workforce, as well as tourism and work to end poverty.

Pima County reached out to the various jurisdictions to identify areas of alignment and individual focus. This section focuses on common initiatives between the county and the jurisdictions.



In 2014, the City of Tucson published their Comprehensive Economic Development Strategy that focused on a wide range of topics and included an analysis of economic development strengths, weaknesses, opportunities and threats. The report focused on goals specifically outlined in the Sun Corridor Inc. Blueprint Update, which identified three areas that would better the Tucson product when proposing to companies considering relocation or expansion in the region. Those three key areas are talent, infrastructure, and business environment. To address these three areas, the City identified specific goals, several of which are consistent with the County's Economic Development Plan and are discussed below.

Recruitment, Retention, and Expansion. Assist existing Tucson firms in continuing to thrive and expand and attract firms that bring primary jobs to Tucson. Jobs are the consistent thread that drives the economic efforts of all organizations in the region. Retention efforts are consistent with the County's focus on protecting our existing major employment base, as well as the development of primary job centers. Both the City and the County are actively engaged in supporting our military bases and retention of major employers. A key common

focus is the support for workforce development and working with local educational institutions to increase skill levels, pay levels, and develop a more versatile workforce to make existing companies more competitive and attract new employers.

International Trade. Expand international trade efforts, especially in Mexico. International trade is valuable to the local and national economy as it brings new money into the country. Areas consistent between the City and County plans include increasing Foreign Direct Investment, expanding the number of business selling goods and services internationally, and promotion of Tucson as a leading transportation and distribution hub. Both the City and the County have staff focused specifically on international trade and recruitment of Foreign Direct Investment (FDI). A City/County shared office with Vamos a Tucson in Hermosillo, Sonora is actively used for recruitment and developing international relationships. The County coordinates with the City on activities with the Canada Arizona Business Council to improve exposure and encourage investment and relocation of businesses to the Tucson region. Both the City and County value and support the Port of Tucson and their efforts to increase foreign trade with East Asia and the Republic of Korea.

Entrepreneurship. Facilitate the creation of new firms through technology transfer, working with The University of Arizona and other entrepreneurship efforts. Coordination with Tech Launch Arizona focuses on developing local talent and creation of home grown enterprises. The university system across the State has a broad range of incubator and entrepreneurial programs that help address a wide array of technologies that offer excellent opportunities for growth. This is consistent with the County's focus on cooperatively leveraging the intellectual capacity of the university system in a wide range of disciplines.

Investment in Key Commercial Areas. Encourage investment and revitalization of Tucson's key commercial areas/corridors through incentives and infrastructure improvements. In the County's Economic Development Plan, Downtown Enhancement is a key factor; calling for investment in the City core utilizing specific County assets. The City has made major investments to revitalize the downtown area resulting in significant new private investment. The City and the County have responsibility for major infrastructure components in the community. Both have highway responsibility, the City has water, and the County has wastewater; all key factors in making the region competitive. Consistent with the Sun Corridor Inc.'s infrastructure emphasis, both entities need to prioritize infrastructure development and encourage the remaining utilities to participate in the development of key commercial areas, such as the Aerospace Parkway and Sonoran Corridor, to improve the region's competitiveness in being able to respond quickly to inquiries from prospective companies. As the common denominator in essentially all expansion and recruitment efforts, the City and Pima County are always involved in recruitment activities because of their infrastructure responsibilities and incentive potential. The City of Tucson and Pima County are working together to develop a Utility Resource Guide that assists prospective employers and site selectors in understanding timelines and costs associated with delivery of utilities to prospective parcels.



South Tucson has many attributes that are expected to accelerate the City's business attraction and expansion activities. South Tucson's location in a major metropolitan area with direct access to Interstate 10

(I-10), proximity to Interstate 19 (I-19), proximity to Tucson International Airport (TIA) and adjacency to the Union Pacific rail line place it an enviable location for economic development.

The City's geographic location would also likely lead to business attraction and expansion opportunities from policies in the Pima County Economic Development Plan that include the development of an Aerospace, Defense and Technology Business and Research Park, I-11 and the Auxiliary Interstate Highway and activities related to protecting the region's major employment base. The City of South Tucson would likely see benefit from increased logistics development in the TIA Environs.

South Tucson staff is currently assembling an inventory of developable or available commercial property and could benefit from increased collaboration with Sun Corridor Inc., Pima County and other regional economic development organizations to increase business attraction to the city.

Furtherance of Pima County's strategies to increase the region's economic interaction with foreign economies such as Mexico, Canada, and East Asia and the Republic of Korea would also create opportunities for the City of South Tucson in the areas of trade, tourism and FDI.

South Tucson is also focused on expanding its existing businesses and increasing its tax base. Approximately 60 percent of its sales tax revenue flows from the City's well-known restaurants. Efforts to strengthen the region's tourism as delineated in the Pima County Economic Development Plan would likely increase visitation to South Tucson businesses. The development of a Pima County Business Resource One-Stop Center would also be beneficial to the development and expansion of small and medium-sized establishments within South Tucson.

Job training, workforce connections and employment base development as described in the Pima County Economic Development Plan will also be critical areas for collaboration between the City of South Tucson and Pima County.



Sahuarita's "Blueprint for Economic Growth and Prosperity" builds on the community's abundant assets and advantages. Strategies include retaining and growing existing economic drivers and employers, investing in and strengthening present and future employment centers, elevating Sahuarita's identity and profile in Arizona's economic development arena, and ensuring that Sahuarita's present and future employers are able to cultivate, retain and attract the talent they need.

One of Sahuarita's specific goals is to provide "A broader support for current and/or planned employment centers in Sahuarita." This goal is consistent with Pima County's emphasis on the development of shovel-ready primary employment center sites discussed previously in Chapter 1. Over the next five years, Sahuarita anticipates an annual population growth rate of 4.25 percent. The Sahuarita Farms master planned community covers 7,000 acres, and the Sahuarita East Conceptual Area Plan incorporates 39 square miles. These two projects will provide new, well planned, community assets that will help attract the workforce for our

regional employment centers. New road infrastructure in the area north of Sahuarita will enhance connectivity between this planned growth area and the region's major employment centers. Coordinated infrastructure planning will be a key factor in the success of this region; and continuation of cooperative efforts between Sahuarita, the San Xavier District and the County will be key factors in supporting this growth area, as well as improving the commute for this high concentration of new workforce.

Sahuarita's location adjacent to active copper mines employing several thousand employees makes it an ideal location for three of the County's Economic Development focus areas. According to the W.P. Carey School of Business at Arizona State University, the 2012 impact of mining on Pima County's economy was estimated to be 14,230 jobs and over \$1.3 billion in total income. The average annual income of mining company employees is \$99,500. Labor projections indicate that between expansion and replacement of an aging workforce, this industry will need a total of 128,000 jobs by 2019. Emphasis on at least three specific economic development areas is a common factor between the County and Sahuarita Economic Development Plans. First is *"Leveraging the Intellectual Capacity of Arizona's Universities."* The University of Arizona (UA) operates the San Xavier Underground Mining Laboratory six miles west of Sahuarita as a training and research facility. The regional Pima County Joint Technical Education District (JTED) and Sahuarita Unified School District are working with Tech Parks Arizona and the San Xavier Mine to establish cooperative agreements for Mining and Industrial Technologies Career and Technical Education Course. These efforts complement the County's focus on job training and employment base development. These are high-paying jobs with a long-term future in Arizona, and the training programs have strong support from nearby employers.

Promoting tourism throughout Pima County is also a shared goal. Madera Canyon, south of Sahuarita, is a major tourism destination. Gently sloping hills and roads lend themselves to new cycling and running events to be commonly promoted, as well as capitalizing on expanding ecotourism activity.



The Town of Marana updated in October 2015 its 2010 Economic Roadmap that serves as the planning document for the Town's economic development priorities. In addition, Marana has a regularly updated overarching strategic plan that includes a comprehensive section entitled "Commerce" that helps guide policy decisions related to business and economic development.

Marana's rapid growth and aggressive support for business attraction, retention and expansion, combined with its geographic location and the proximity of transportation infrastructure that includes I-10, Union Pacific Railroad and the Marana Regional Airport, ensure abundant opportunities for Marana's economic growth and collaboration with Pima County on the policy goals contained in this Economic Development Plan Update.

Marana staff has expressed a strong desire to address economic development in Pima County through a regional approach.

Marana's northern boundary is in proximity to Pinal Airpark in Pinal County, which was discussed in Chapter 1. Marana served on the Master Plan Advisory Committee for the Pinal Airpark. Marana's strategies and vision for the airpark mirror Pinal County's priorities that seek to bring the facility into Federal Aviation Administration compliance for general aviation use and examine surrounding land use, zoning and planning for the area. The Town will continue to work closely to prevent encroachment and maximize economic opportunities. Marana Regional Airport, another economic asset for the region, is in close proximity to Pinal Airpark and on the same aeronautical heading, furthering the need for a tower to control airspace. Collaboration between Pima County, Pinal County and Marana is necessary to capitalize on the economic development opportunities related to the Pinal Airpark.

Marana is the only municipality in Pima County to operate a tourism and visitor's bureau independent of Visit Tucson with its own destination marketing organization created as a department to focus its tourism attraction strategy. Greater collaboration between Marana and Pima County can be synthesized within the individual policy goals and initiatives discussed in Chapter 6; especially in the areas of sports attractions, cycling, joint public investment and creating international tourism opportunities.

Other areas for potential Pima County/Marana economic collaboration include workforce development initiatives, infrastructure development and investment, and international economic opportunities.



The Town of Oro Valley's economic development priorities include a strong focus on recruiting, retaining and expanding bioscience and high technology companies. Oro Valley seeks to build on its existing industry base that includes leading tech companies such as Honeywell, Sanofi, Sigma Technologies International, Securaplane Technologies and Ventana Medical Systems, a member of the Roche Group.

Pima County's Economic Development Plan recognizes the Town's sector strategy and proposes Pima County development of a proposed bioscience/biotechnology startup and business accelerator in the Town with other private sector and public partners. In addition, Oro Valley and Pima County will collaborate with Sun Corridor Inc. to identify and facilitate other related sector industries for location in the Town's Innovation Park and other suitable locations in Oro Valley.

Oro Valley and Pima County will work together to further the action items for regional infrastructure investment for job creation. A critical aspect of the Town's future economic development and growth is the previously considered annexation of Arizona State Land Department (ASLD) trust land located north of the Town. Pima County worked closely with Oro Valley and ASLD to develop a master planning process before the economic recession stalled the project in 2009. Pima County will work with Oro Valley and the ASLD to reactivate this important planning process that would significantly expand primary job development, while retaining open space and preserving the quality of life in the region.

Oro Valley has a diverse economy and active business retention and expansion program intended to increase the Town's employment base. Oro Valley would benefit from increasing its workforce from the development of the Pima County Business Resource One-Stop Center and expansion of the regional public workforce system. In addition, the Town has significantly expanded its recreation facilities, including cycling and multiuse paths, parks, the Oro Valley Aquatic Center and the proposed purchase of the El Conquistador Country Club facility and has substantial resort and hotel facilities that offer opportunities for increased collaboration through the tourism strategies discussed in Chapter 6. Further, Oro Valley elected officials and staff has been active in regional initiatives to increase tourism and trade with Mexico. Oro Valley could also increase tourism and create additional Foreign Direct Investment, trade and supply chain opportunities through the Canadian, East Asian and South Korean initiatives discussed in Chapters 9 and 10.



The Pascua Yaqui Tribe was federally recognized in 1978 and consists of eight mainly urban locations in the Phoenix and Tucson area, as well as eight traditional communities in Mexico. The Tribe is a significant employer, with over 900 government workers and 1,200 hospitality workers employed at their successful Casino Del Sol Casino and Hotel. With a mixture of cultural and entrepreneurial emphasis, the Tribe has identified four focus areas that are consistent with those included in the County's Economic Development Plan. Additionally, there are specific Tribal Initiatives that focus on sustainability and cultural heritage that are consistent with a number of County programs.

Tourism. With two casinos and a major resort hotel, the Tribe is heavily focused on and responsive to the tourism market. As part of their marketing research activity, they have identified serious interest in cultural tourism – especially from international visitors from the Asian and Central European markets. This effort is consistent with the County's focus on enhancing our relationships with Mexico, East Asia and the Republic of South Korea. The Tribe is actively involved with a proposed County bond project to revamp Old Tucson, a Pima County attractions property, to create a heritage museum that celebrates Native American Heritage.

Workforce Development. The Tribe emphasizes workforce development in a number of venues. The very successful hospitality training program at the Casino del Sol Hotel trains hotel employees, as well as hospitality staff for other Native American hotels and casinos, which results in the attraction of students to the area from various venues. With a goal of diversifying career pathways among the Tribe's youth, the Tribe was successful in obtaining a Native American Career and Technology Education Program grant that has been helpful in coordinating allied health, avionics and manufacturing programs with JTED. The Tribe works cooperatively with the Pima County's One-Stop Career Center, Tucson Unified School District, Pima Community College, Arizona State University, Northern Arizona University,

and the UA Workforce Education Development Office to define needed skills and then develop appropriate programs to address them.

Infrastructure Development. In the initial stages of the Tribe's formal land organization, their lands consisted of 202 acres. Today, these land holdings are over nine times greater. As a sovereign nation, the Tribe recognizes the need for appropriate land use planning and zoning of their lands in preparation for use by tribal, as well as non-tribal, users and is now adopting a zoning ordinance. Since much of their land is in the floodplain, cooperation with Pima County's Regional Flood Control District is a priority. This is exemplified by the fact that the Pima County Bond Advisory Committee has a mutually supported project under consideration that will prevent flooding for a large number of homes on the reservation.

Economic Development. The Tribe is engaged in a number of environmental and sustainability projects, including investment in solar power generation, and is a focal point of the Arizona Commerce Authority Renewables Program. The Casino has been consistently pursuing the implementation of a sustainability plan focused on LEED standards, community education and outreach. The Tribe remains true to its heritage by focusing on sustainability and minimizing the environmental impact of their capital investments.



The Tohono O'odham Nation, consisting of four noncontiguous segments totaling more than 4,460 square miles in Arizona and Mexico, is a sovereign nation that historically has had an agrarian focus. The Nation is now prioritizing infrastructure, land use planning and workforce development as key factors impacting the future job opportunities of Nation members and the opportunity to prepare the workforce for a more technical orientation that improves their employment opportunities.

With an unemployment level of over 35 percent, finding jobs for members is a key priority. The remote nature of the Nation has made participation in some suburban economic development opportunities very limited. However, the availability of large land tracts, a different tax structure, presence near major highways and a large available workforce enables the Nation to compete for economic development projects.

Infrastructure. In order to make the vast reaches of the Nation more accessible, the Nation has identified infrastructure and highways as major priorities in their economic development objectives. This is consistent with Pima County's emphasis on Regional Infrastructure Investment for Job Creation as discussed in Chapter 2 of this plan. The San Xavier District's proximity to I-19 and the planned Sonoran Corridor provide excellent opportunities for commercial development and expansion of the Desert Diamond Casino adjacent to international trade routes with rapidly growing traffic volumes. Some of the potential routes for the Intermountain West Corridor (I-11) are near the Nation's north and eastern boundaries. The Nation is actively participating with Pima and Pinal Counties in the development of alternative routes through southern Arizona in anticipation of the planned I-11 Environmental Impact Study that will begin in summer 2015. These projects, in conjunction with the Arizona Department of Transportation (ADOT) improvements being made to State Highway 86 which bisects the Nation, provide opportunities to capitalize on location and new highway development to make various portions of the Nation competitive

for commercial and community development. Improvement of road infrastructure, with a focus on reliability of travel and the creation of housing developments near commerce areas, increases the availability of the workforce to employers on and off the Nation. The Tohono O'odham Utility Authority will also have a key role in ensuring that appropriate communication and electrical power are made available to designated commercial and residential areas on the Nation.

Another major factor impacting the Nation is flooding. Pima County's Regional Flood Control District is responsible for planning and mitigation of drainage and flood control issues throughout the County and is available to cooperatively analyze and recommend mitigation. Analysis has already been performed along the Santa Cruz River in the San Xavier District with recommendations made to minimize erosion and loss of valuable lands to flooding. Additionally, Pima County is working with the San Xavier District and the United States Bureau of Reclamation to mitigate flooding along the Cemetery Wash west of San Xavier Mission. As road infrastructure is developed, drainage planning is a key factor in the development process. Managing drainage is an important part of the Nation's infrastructure planning process.

Land Use Planning. With a land base of 2.8 million acres, the Nation has many opportunities for the use of their lands. Appropriate land use planning and regulation are critical to planning for commerce and community development on the Nation. This is consistent with the County's Comprehensive Plan "Pima Prospers," which focuses on comprehensive land use planning and regulation that support orderly economic development and predictable land usage that minimizes conflicts and sets the path for long-term sustainability. Pima County will offer the County's land use and zoning codes and rationale to the Tohono O'odham Nation as examples should they wish to utilize them.

Workforce Development. The third common priority for the Nation that is consistent with the Pima County Economic Development Plan. Understanding regional opportunities for employment will create the framework for the workforce development focus of the Nation as they prepare their members to compete for jobs in the community, as well as attract industry to the Nation. There are a number of workforce training opportunities in the County, as well as a well-organized training capability on the Nation. As the Nation increases their emphasis on workforce development, Pima County will integrate the Nation's various training initiatives to ensure focus on the skills that give them the highest potential for success.

Tourism. The hotels and casinos of the Nation are already key components of our tourism draw for the region. Focus on the heritage of the Tohono O'odham Nation can be another key component of regional tourism and an increased focus on ecotourism. Pima County will continue to encourage participation by the Nation in programs focused on increased tourism.

Action Items

14.1 Continue to advocate at the state and federal levels for increased revenue for transportation systems, particularly a statewide 10-cent per gallon gasoline tax increase, provided the entire HURF revenue stream is constitutionally protected from diversion. This

can occur by direct legislative enactment or by the State Legislature referring the question of a tax increase and constitutional protection to the voters.

14.2 Continue to make property tax reductions available to expanding or new primary employers or export-based employers as an economic incentive for expansion or relocation.

14.3 Actively pursue alternative revenue sources for the County General Fund to support County justice and law enforcement functions; and in doing so, strive to reduce the County's primary property tax rate closer to the statewide average for counties.

14.4 Continue implementation of Pima Prospers, along with Pima County's Economic Development Plan.

14.5 Work cooperatively with area jurisdictions on complementary economic development strategies, including employment retention and expansion, workforce development, infrastructure development, international trade and tourism.

14.6 Convene quarterly economic development coordination meetings with the jurisdictions and stakeholders such as Sun Corridor Inc., area chambers of commerce, and others who have an interest in and focus on economic development. The purpose of these meetings will be to share information and to determine how best to coordinate regional activities related to economic development.

14.7 Advance economic development activities in coordination and consultation with Cochise, Pinal and Santa Cruz Counties.