



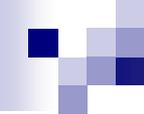
# Economic Development Principles & Committee Focus

**Presented by:**

Jim Rounds

Sr. VP, Elliott D. Pollack & Company





**We need some  
additional focus:**

**Why are WE here?**



# Various Committees...

§ **Fiscal Reform;**

§ **Economic Development;**

§ **Education;**

§ **Transportation.**



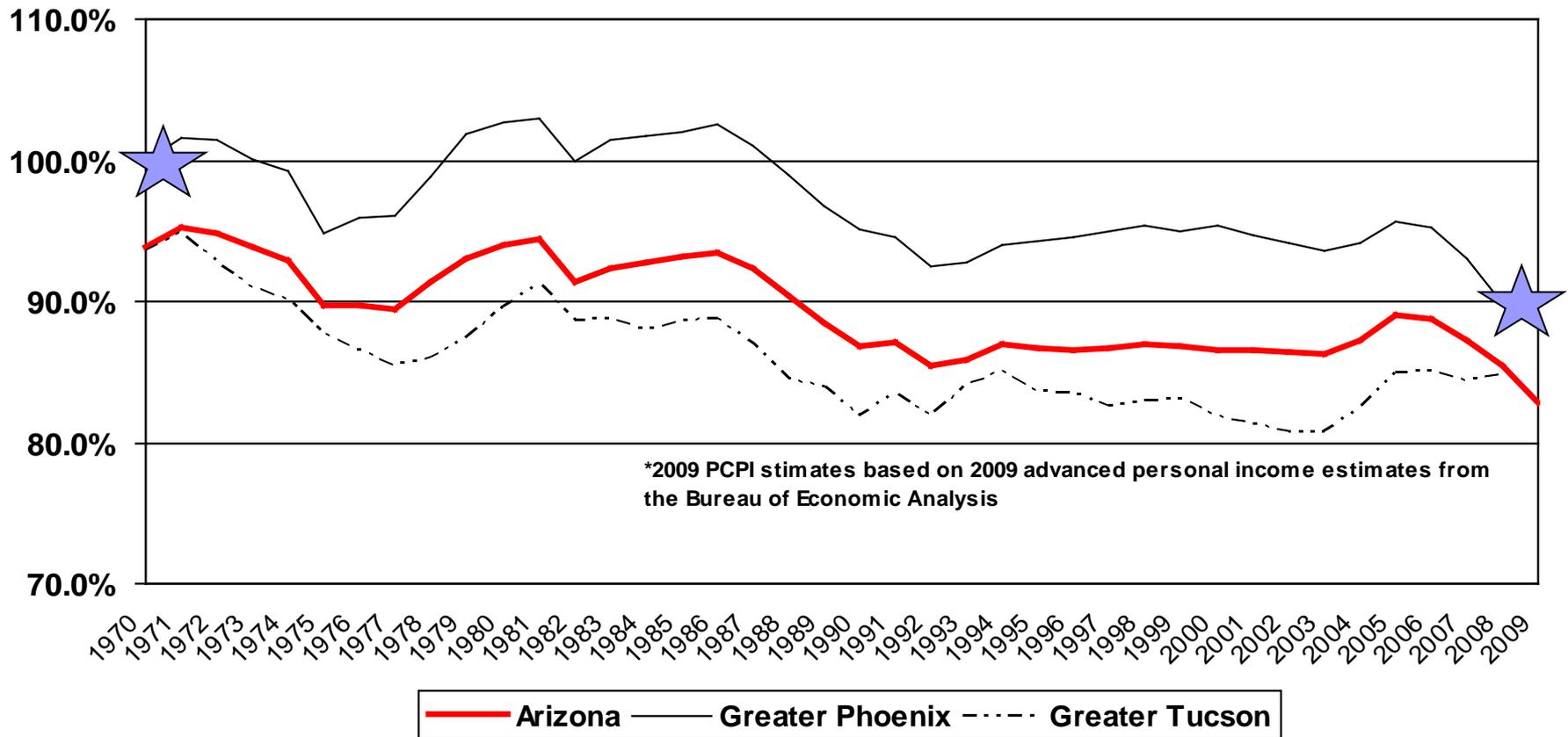
# Background:



**More broadly:**  
**Why are we here?**



# To Turn This Around...



# Basic Problem:

- Our lack of diversity was exposed this past recession.
- While we will again grow rapidly in coming years, we want to **GROW WELL.**
- Let's maximize our opportunities. We can be doing MUCH better regardless of where we currently stand.



# Targeted Approach:

§ *Who?*

§ *Why?*

§ *How?*



# *WHO?*

**“Base” sector companies drive the economy.**



# The Effect of Base Industries on the Local Economy

- **Goods or services are sold outside the local economy;**
- **Money is imported into the region;**
  - **These monies circulate;**
    - **Leakage eventually occurs;**



# Base Sector Companies:

- **We can maintain what we currently have (short/long term),**
- **We can recruit from the outside (short term),**
- **And we can grow from within (longer term).**



**What do businesses  
value in a particular  
location?**



## Top Site Selection Factors 2009 Corporate Real Estate Executive Survey

- 1 Transportation infrastructure
- 2 Existing workforce skills
- 3 State and local tax scheme
- 4 Utility infrastructure
- 5 Land/building prices & supply
- 6 Ease of permitting & regulatory procedures
- 7 Flexibility of incentives programs
- 8 Access to higher education resources
- 9 Availability of incentives
- 10 State economic development strategy

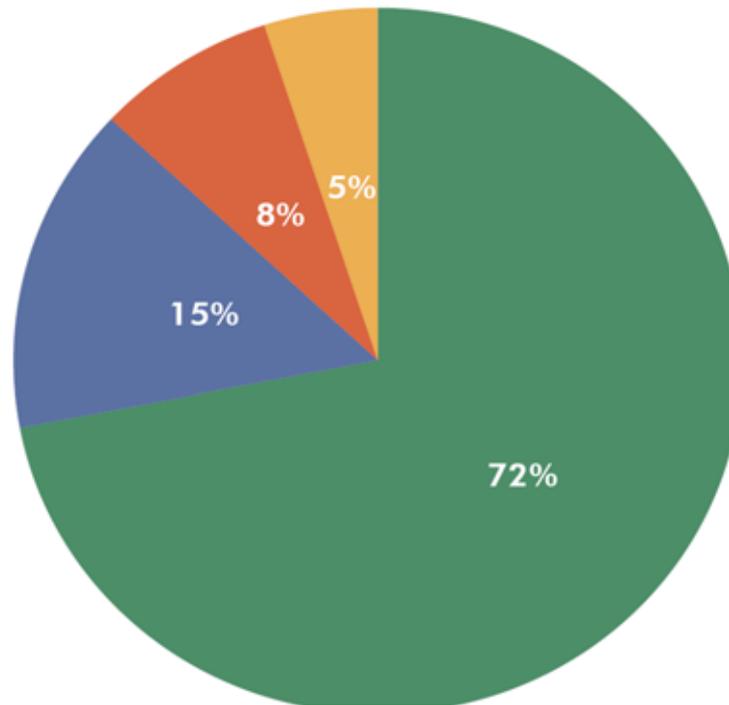
Source: Site Selection Magazine



**But, the type of  
business matters...**



## Operating Cost Profile for Labor-Intensive Operations



- Payroll
- Real Estate/Telecom
- Utilities
- Taxes

Source: CBRE Labor Analytics Group



Why are incentives, *at first glance*, low on the list of most desired business location factors?



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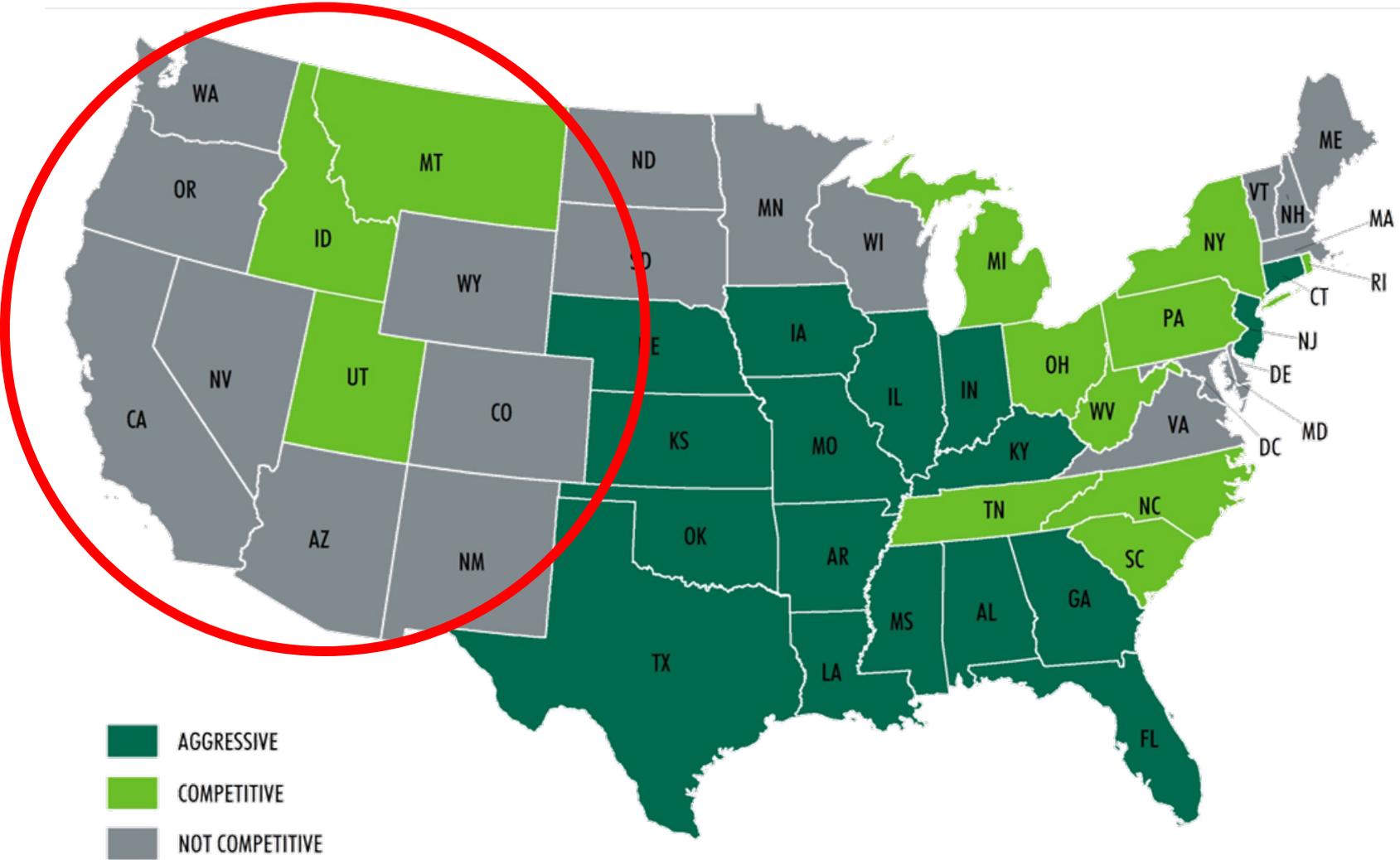


# ***WHY:***

**Incentives are often the deciding factor among a short list of communities or states.**



# Competitiveness Map

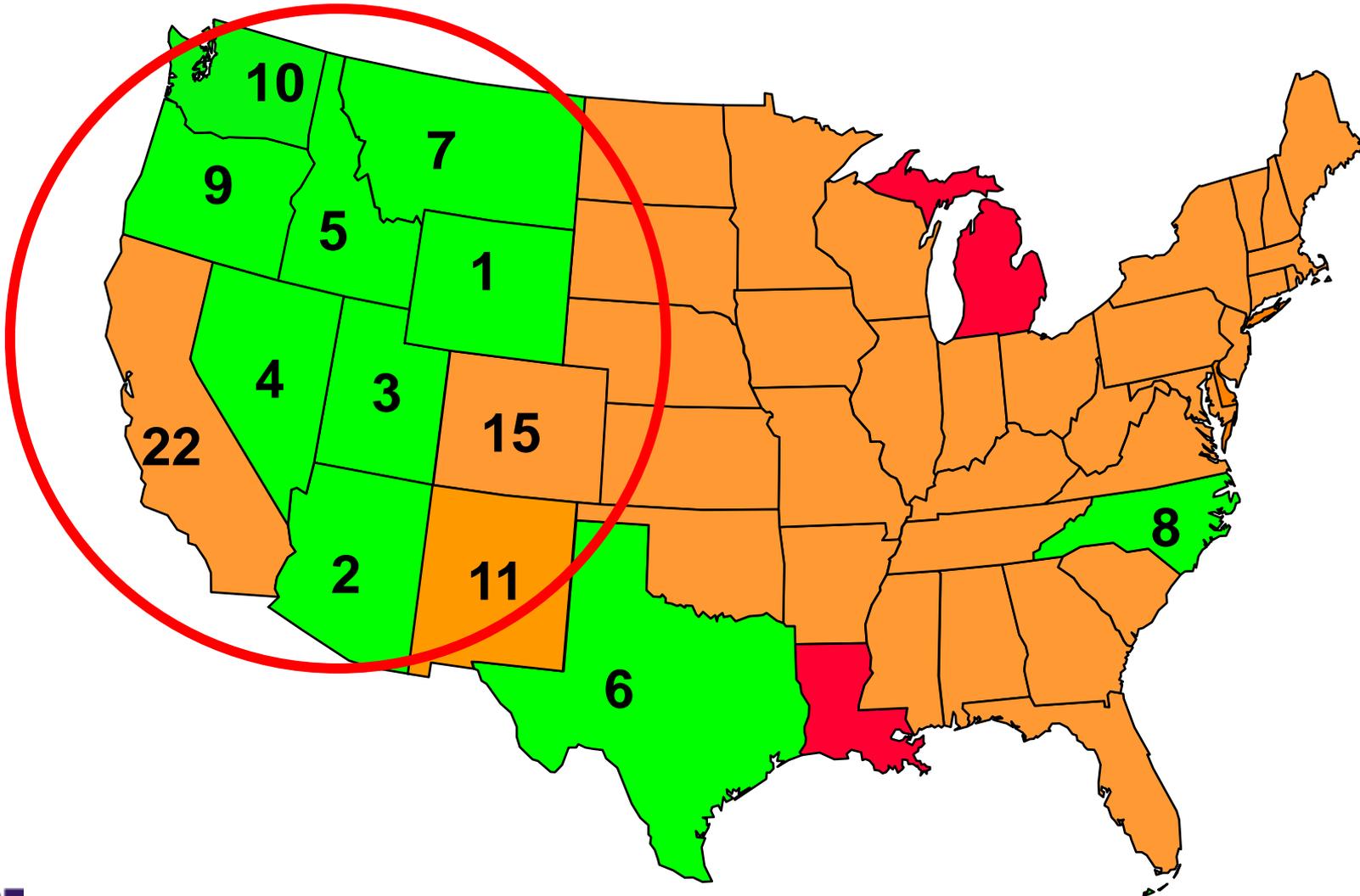


- AGGRESSIVE
- COMPETITIVE
- NOT COMPETITIVE



# Job Growth 2006

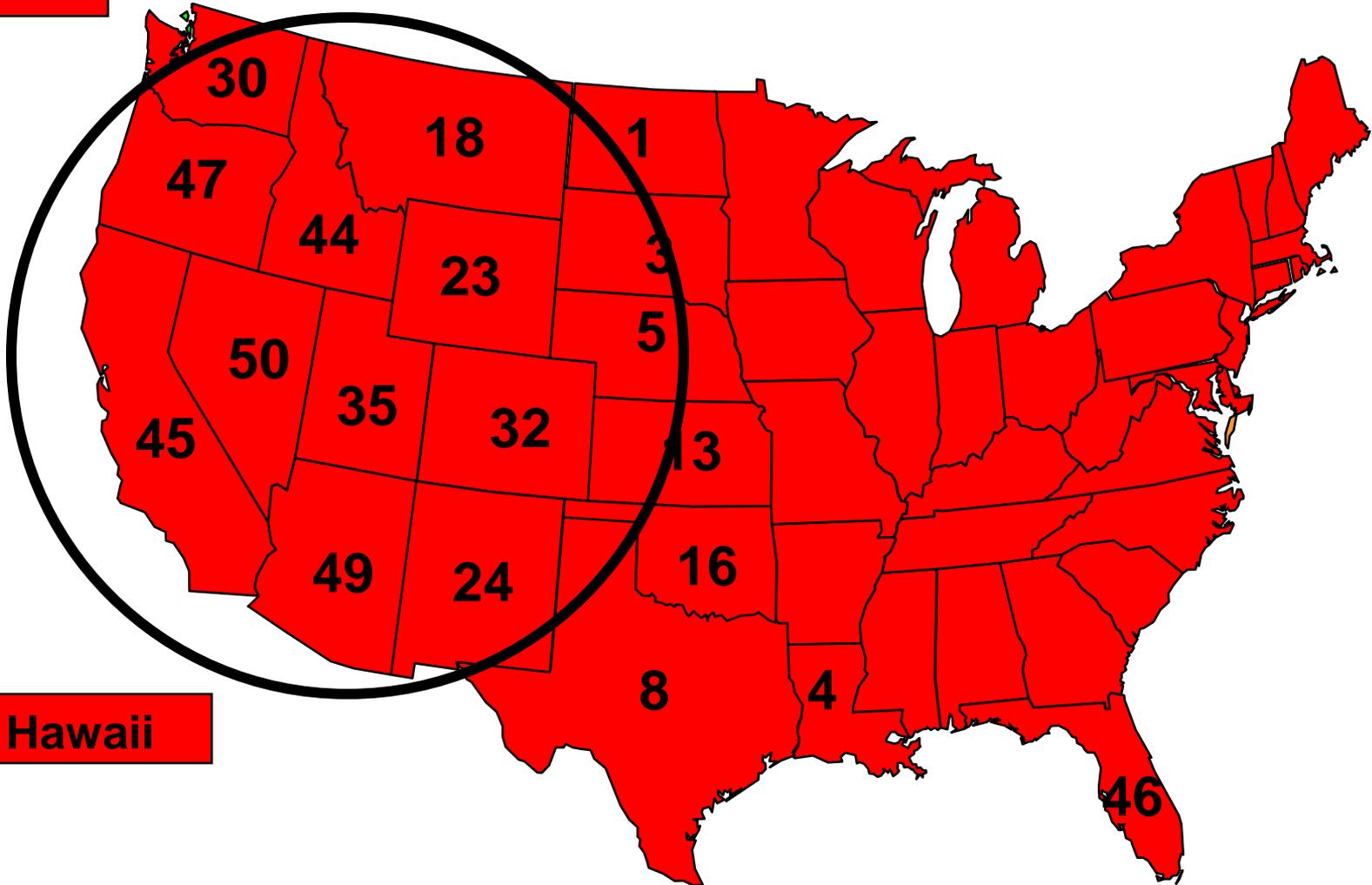
Source: US BLS



# Job Growth 2009

Source: US BLS

Alaska  
2



Hawaii



# Basic Principles:

- More outreach by leadership.
- Efficient levels of regulation.
- **More competitive tax policy** (for companies that could move elsewhere).
- **Focused incentives** when necessary.
- Physical and intellectual **infrastructure**.
- **Better marketing/branding.**
- *But, remain focused on base industries and on areas where we have a competitive advantage.*





# Things We Considered Last Year...



# Report's Recommendations:

- A job training program that is funded through new company withholding taxes. Monies up front.
- A quality jobs program that is funded by same mechanism but not all up front (make sure no double dipping).
- A deal closing fund to cover addl. costs such as needed infrastructure improvements, relocation cost, etc. (Ideally, start with \$50M. Yes, this is a lot but we are competing with other states that have hundreds of \$\$\$millions).



# Report's Recommendations:

- **New property tax class** focusing on high paying and very selective base industries (can get there with enterprise zone modifications being considered)
- **Corporate income tax** rate cut to 5.0% (exact percentage matters less than being viewed as generally competitive).



# Other Recommendations:

- A **properly funded/reworked** Department of Commerce (the newly enacted tools cannot be mismanaged)
  - “AZ Inc.”
  - Board that appoints a director; maybe 3yr term.
  - Develop 1 strategy.
  - Coordinate with GPEC, TREO, etc.
  - Jobs to AZ is the focus.
  - Needs dedicated funding to work.
  - Focus on high paying jobs (maybe >\$50k).
  - Other organizations focus on <\$50k.



# Basic Business Inputs:

In addition to competitive tax policies and tax incentives we need:

- Quality (educated) workforce;
- Affordable workforce;
- *Adequate infrastructure;*
- Etc.





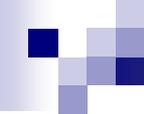
# What We Are Considering This Year...



# New items for Consideration:

- **Cooperation between Counties and Cities (MC).**
- **The new effort needs to be managed properly, be targeted in focus, and be efficient given the limited resources available.**
- **Participation by other entities will be the key:**
  - **GPEC**
  - **MC IDA**
  - **Other Cities**
  - **Build on any new State programs.**





**Again, we need  
additional focus:**

**Why are WE here?**



# Various Committees...

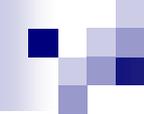
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**Where/how  
does this committee  
fit in?**





# ***ELLIOTT D. POLLACK*** ***& Company***

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- **Economic and Fiscal Impact Analysis/Modeling**
- **Real Estate Market and Feasibility Studies**
- **Litigation Support**
- **Revenue Forecasting**
- **Keynote Speaking**
- **Public Finance and Policy Development**
- **Land Use Economics**
- **Economic Development**



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