

MINUTES OF THE  
MARICOPA ASSOCIATION OF GOVERNMENTS  
ECONOMIC DEVELOPMENT COMMITTEE

May 7, 2013

MAG Offices, Saguaro Room  
302 N. 1<sup>st</sup> Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,  
Chair

Mayor Marie Lopez Rogers, Avondale,  
Vice Chair

Mayor Gail Barney, Queen Creek  
Steven Betts, GPEC

#Dr. Joseph Cavinato, Thunderbird

\*Supervisor Steve Chucuri, Maricopa County

Mark Dreher, East Valley Partnership

Thomas Franz, Greater Phoenix Leadership

Gary Haydon, Haydon Building Corp.

Michael Hoover, Sundt Construction

#Jim Kenny, El Dorado Holdings, Inc.

Mayor W.J. "Jim" Lane, Scottsdale

Mayor Michael LeVault, Youngtown

Mayor John Lewis, Gilbert

Mayor Georgia Lord, Goodyear

Mayor Jackie Meck, Buckeye

\*Mayor Mark Mitchell, City of Tempe

Jim Rounds, Elliott D. Pollack & Company

\*Floyd Roehrich, Jr., ADOT

Todd Sanders, Greater Phoenix Chamber  
of Commerce

Vice Mayor, Jack Sellers, Chandler

Bill Sheldon, WESTMARC

Mayor Scott Smith, Mesa

Mayor Greg Stanton, Phoenix

\*Sandra Watson, Arizona Commerce  
Authority

Mayor Sharon Wolcott, Surprise

\* Not present

# Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Anubhav Bagley, MAG

Michael Celaya, Surprise

Miranda DeWitt, Mesa

Jami Garrison, MAG

Shirley Gunther, Avondale

Dan Marum, Wilson & Company

Denise McClafferty, MAG

Dale Miller, Jacobs

Lora Mwaniki-Lyman, MAG

Linda Priano, MAG

Nathan Pryor, MAG

Michelle Rider, WESTMARC

Samantha Santaella Wolfe, MAG

Dennis Smith, MAG

Tim Strow, MAG

Kelly Taft, MAG

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Schoaf at 11:42 a.m. Chair Schoaf noted public comment cards were available for those members of the public who wish to comment. Chair Schoaf stated that transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available for the MAG parking facilities for those who parked in the garage.

Chair Schoaf stated at each member's place is information on the Engine Forum that is taking place May 14-15, 2013 in Sonora, Mexico. Chair Schoaf also stated that staff would be taking a photograph today of the members of this committee to send to the Mayor of Nogales, Sonora.

2. Call to the Audience

Chair Schoaf stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. He stated that there is a three minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non action agenda items that are on the agenda for discussion or information only. Chair Schoaf noted that no public comment cards had been received.

3. Approval of the April 16, 2013 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions regarding the April 16, 2013 meeting minutes. There were none. Mayor Lane moved to approve the April 16, 2013 Economic Development Committee meeting minutes. Mayor Lord seconded the motion and the motion carried unanimously.

4. Impact of Tourism from Mexico on the Arizona Economy

Debbie Johnson, President & CEO, of the Arizona Lodging and Tourism Association stated the Arizona Office of Tourism (AOT) is celebrating their 75<sup>th</sup> year and noted many people do not realize the importance of visitors and tourism to Arizona. She stated that in 2011, 157,700 jobs were related directly by tourism. When combined with indirect employment generated by tourism, it almost doubles to 300,000 jobs. She stated 37.6 million travelers visit the state of Arizona, which generates \$18.3 billion in traveler spending. Ms. Johnson indicated that the amount that travelers are spending every single day in our state is \$50 million, which generates \$2.7 billion each year in city, state and county budgets. These dollars fund education, public safety, health care, libraries, public pools, etc.

Ms. Johnson stated tourism is a cornerstone of the state's economy and that tourism affects every single resident and business in Arizona. Visitors use a lot of local businesses that employ people, such as gas stations, grocery stores, etc. She stated that other states have recognized the economic power of the tourism industry and they are spending millions to lure visitors away from Arizona.

Ms. Johnson indicated that last year Texas spent \$40 million on marketing, California spent \$50 million, Florida spent \$75 million, Las Vegas spent \$100 million and Hawaii spent over \$60 million to market their state to visitors. She added Arizona's budget for marketing is \$12 million and is at a disadvantage compared to the other states. She indicated that the travel experience can also be a critical first step in attracting new residents, entrepreneurs, and businesses to move to Arizona. She added that in order to remain competitive, it is vital that the AOT continues to brand and market Arizona to bring even more travelers to the state.

Ms. Johnson provided a handout that gave specific details regarding the tourism industry and how it impacts Arizona. She added tourism is a key economic driver in every single county in Arizona and thanked the members of the committee for giving her the opportunity to help them understand the value of tourism. Chair Schoaf asked if the members had any questions or comments.

Mayor Wolcott stated tourism is one of the components of the strategic plan for the City of Surprise and asked how does the Arizona Lodging & Tourism Association work together with the Arizona Department of Transportation (ADOT) on a strategy to make sure people can see Arizona from the ground. Ms. Johnson stated Arizona is a "fly market" because there is not a lot of opportunity for visitors to drive into Arizona in comparison with flying. She stated AOT works closely with ADOT and other economic development groups to partner together.

Ms. Johnson noted that visitors do not just stay in Phoenix, they take the time to drive to other places such as Tuscon, Scottsdale, the Grand Canyon, Sedona and many other places. Mayor Wolcott stated she would like more details in regards to the demographics, the number of tourists that rent cars, what is the revenue from the rental market and what types of travelers are coming to Arizona, such as business travelers, leisure travelers, etc. Ms. Johnson stated that she could get this information to the committee.

Steve Betts stated under Proposition 302, which allocates funding to promote tourism within Maricopa County, took a nose dive because of the recession. He asked if those numbers have come back and if so, how are the dollars being applied in our region. Ms. Johnson stated these funds, which are approximately \$6 million, are generated from a car rental surcharge and a one percent tax on hotels in Maricopa County. This money goes to destination marketing organizations and convention and visitor bureaus to promote tourism in Maricopa County and to supplement their marketing opportunities in their cities. She added this money can not be spent for administrative or overhead expenses.

Chair Schoaf asked if the AOT tracks the number of visitors that come across the border from Mexico and also if the AOT tracks what type of tourist activities they do while here and how that compares to Mexican visitors that cross into Texas and California. Ms. Johnson stated she could get that information to the Chair.

Maria Lourdes Delgado, Senior Tourism Manager, Greater Phoenix Convention & Visitors Bureau (GPCVB) stated one of her responsibilities is the Mexican driving and flying market. She stated her clients are tour operators and travel agents that are selling destination packages to the Greater Phoenix area that include hotel, rental car, and tourism attractions to the

consumer.

Ms. Lourdes Delgado added that the Mexico driving market is Arizona's number one method for visiting our state. She indicated most of these visitors are middle class, visit with their families, and spend their weekends in Arizona shopping and dining. GPCVB recently partnered with a visitors bureau in Hermosillo, Mexico promoting the Greater Phoenix area and recently partnered with the Arizona Diamondbacks and Phoenix Suns to promote the sports in Arizona by providing ticketing options in the destination packages. Ms. Lourdes Delgado stated they use funding from Proposition 302 to promote tourism with Mexican tour operators in Mexico City and in Sonora, Mexico.

Ms. Lourdes Delgado stated in regards to the flying market, GPCVB works with tour operators who put together the packages that they then sell to the travel agents who promote and sell the packages to the consumer. She added US Airways provides direct flights from Mexico City to Phoenix and when visitors fly to Arizona, they rent cars and drive to many destinations, such as the Grand Canyon and Snowbowl in Flagstaff. These trips contribute to our economy. Ms. Lourdes Delgado stated it is very expensive and difficult to track the Mexican market and the most recent report was done by AOT in FY2007-FY2008.

Chair Schoaf stated it would be beneficial if the tourism industry could gather data to find out how many people are legally coming across the border for tourism and how much revenue is being generated from these visitors. Ms. Johnson stated she would like to take this committee's recommendation back to the AOT and see if they can update this study in FY2014 because this is a really important market. Chair Schoaf stated this committee has learned in recent years how important this market is but we need to know what kind of impact this could produce. Mr. Smith suggested that Maricopa Association of Governments, Pima Association of Governments, Arizona Department of Transportation, and Arizona Commerce Authority work together and help fund the research that needs to be done so we can get this information. Chair Schoaf stated that was a very good idea.

Mayor Lewis stated he would like to know the breakdown of Mexican visitors that are coming for leisure, business, or conventions. Ms. Lourdes Delgado stated she did not have exact numbers, but she knew that most of the driving market from Mexico is coming for leisure. She added because of visa issues, and the long process that is required, visitors from Mexico do not come to Arizona for conventions.

Mayor Smith stated one of the things that other states are doing much better than Arizona is that they look at tourism as more than just filling hotel rooms. He stated we need a different approach and commitment to bring visitors here to recognize the economic opportunities we have. He gave the example that we invite visitors to come and play golf and maybe talk business where we should be inviting them to talk business and while they are here, to play some golf. He noted it is a subtle, but big difference in the approach. Mayor Smith added he would like to expand beyond just the drive traffic and stated when MAG and the elected officials went to Nogales, Sonora, they talked about medical tourism. This could go both ways, between the two countries, but we need the research and strategy.

Mayor Lane added Scottsdale is heavily invested in what tourism means for the building of

their business community and economic engine. He added Scottsdale has focused on subtle techniques to welcome visitors. Mayor Lane stated Scottsdale has a countless amount of information that centers around the demographics on who is visiting the city and this information may be useful to others. Chair Schoaf stated he agrees with the comments and stated because of the Wigwam Resort, visitors decided to move to his community and bring an economic impact beyond hotel rooms. Mayor Wolcott added that this is an important component of our economic strategy.

Ms. Lourdes Delgado commented that medical tourism is something that the GPCVB is currently working on. She stated Arizona has amazing medical facilities and the Mayo Clinic has a satellite office in Mexico City. Mayor Smith stated he is not aware of any formalized medical tourism program and asked if one exists. He stated with all the incredible world class hospitals and medical facilities in Arizona, if it is packaged right, it can be classified as a great medical center. Ms. Johnson stated during a consortium meeting this exact topic came up and discussions are taking place now on how to market the tourism and medical aspects together. She stated they should have a formalized plan on health care tourism within the next six months. Mayor Lane added one element that has not been mentioned is rehabilitation and tourism. Once patients are out of the hospital and out of hospital care, they stay on because of our climate and amenities that are available. This adds to our tourism element and is very positive for Arizona.

5. Streamlining of Federal Tourism/Visitor Regulations at the Border to Improve Arizona's Economy

David Randolph, Consultant for U.S.-Mexico Border Issues, provided a brief introduction on Visas and Border Crossing Cards (BCC). Before traveling to the U.S., a citizen of a foreign country must generally obtain a non-immigrant visa for a temporary stay or an immigrant visa for permanent residence. The type of visa you will need is based on the purpose of your travel. Mr. Randolph stated visas are issued by the State Department and there is no geographic or time restrictions on travel. An I-94 card, also known as the Arrival/Departure Record, is a small white colored card given to all non-immigrants when they enter the United States.

Mr. Randolph explained that the I-94 card serves as evidence that a non-immigrant has entered the country legally and it is stamped with a date indicating how long the non-immigrant may stay for that particular trip. It is this date, not the expiration date of the visa, that controls how long a non-immigrant may legally remain in the United States. Mr. Randolph added when you enter the United States as a non-immigrant, a United States Immigration Inspector will examine your passport and visa, question you on the reason for your visit, and, if satisfied that you qualify for the non-immigrant status, will give you the Form I-94.

Mr. Randolph stated that Border Crossing Cards have been issued by the State Department since 1998. Border Crossing Cards are for persons who want to enter the United States temporarily for business (visa category B-1), tourism, pleasure or visiting (visa category B-2), or a combination of both purposes (B-1/B-2). Mr. Randolph stated B-1/B-2

Visa/Border Crossing Cards are only issued to applicants who are citizens of and residents in Mexico and a I-94 is not required. He added in order to apply for a BCC, applicants must meet the eligibility standards for B-1/B-2 visas and must demonstrate that they have ties to Mexico that would compel them to return after a temporary stay in the United States. Travel is restricted to the border region for a limited period of time and is valid only at land Ports of Entry.

Mr. Randolph stated that in 1999 the Border Crossing Card limit for Mexicans entering Arizona at Sasbe, Nogales, Naco, and Douglas was raised to 75 miles because there were not any large metropolitan areas near the border. This extension allowed Mexicans to visit Tucson, Arizona to do their shopping. He stated that the 72 hour limit has also been extended to 30 days to facilitate tourism.

Garrick Taylor, Director of Policy Development, with the Border Trade Alliance stated New Mexico has no metropolitan areas and few tourist attractions within 25 miles of the border and benefits very little from the current 25 mile border zone. He indicated New Mexico is trying to raise the limit to 55 miles to Deming and Las Cruces for Mexican nationals entering into New Mexico.

Mr. Taylor added in order to facilitate commerce, trade, and tourism in southern New Mexico, while still ensuring that sufficient safeguards are in place to prevent illegal entry to the United States, Department of Homeland Security is proposing to extend the distance from 25 miles to 55 miles from the U.S.-Mexico border. He noted in addition to promoting the economy in this area and facilitating legitimate travel, the proposed extension would increase Custom & Border Protection's (CBP) administrative efficiency by reducing unnecessary paperwork and allow CBP to focus resources on security to the greatest extent possible. Mr. Taylor stated that there is broad support for this policy change in southern New Mexico from both the private and public sector and he expects a final ruling soon. He indicated that the same policy change could be considered for Phoenix area bound visitors.

Mayor Schoaf stated this certainly gives this committee something to think about if it would increase the number of visitors coming to the Phoenix area. Chair Schoaf asked if there were any comments or questions from the members. Mr. Smith stated he spoke with the Arizona Council of Governments Chair and Northern Arizona has Snow Bowl, Grand Canyon, Sedona, Prescott, etc, which are all great destinations for visitors coming to Arizona. He suggested working with the regional planning organizations in Arizona to see if there is support. Mr. Smith stated once you are in Tucson, it seems logical that you should be able to come to our region. He added all the major sports are in this region, such as professional baseball, football, hockey, and basketball and extending the 25 mile limit to 75 miles could really impact the tourism in this state.

Steve Betts moved to approve working with the Arizona Councils of Governments and Metropolitan Planning Organizations to extend the current 75 mile limit from the Arizona Ports of Entry to promote commerce and economic development. Mayor Wolcott seconded the motion and the motion carried unanimously.

6. Regional Economic Update

Lora Mwaniki-Lyman, MAG Regional Economist, presented an update on the regional economy. She stated that certain macro and regional economic trends are setting the stage for accelerated growth in the U.S. in the near to mid future. Ms. Mwaniki-Lyman added that these same factors are contributing to Maricopa County's economic growth which has experienced marked improvement in the housing market, labor market, and consumer spending. She noted, however, that Maricopa County is still behind the nation and 'select' peer cities in recovering jobs and home values lost during the recession.

Ms. Mwaniki-Lyman stated that economic data released in the second half of 2012 and first quarter of 2013 continue to indicate consistent but modest economic growth in the U.S. and Maricopa County's economies. She added certain macro and regional economic trends are evident: She noted the rise in home prices has boosted consumers net worth and is stimulating spending and on the business front, corporate profits are at record high, positioning them to make capital investments or re-investments.

Ms. Mwaniki-Lyman indicated consumer net worth, as measured by the U.S. household net worth, is on the rise since first quarter of 2009 but is still below the pre-recession, third quarter of 2007 levels. She noted the rise is mostly attributed to rising home values as foreclosure properties clear the market, and households refinance their homes and restructure their debt. She added personal incomes have recovered at a faster rate than consumer net worth, and the U.S. economy has created seven million jobs as of March 2013, since the end of the recession, with each new job injecting new income into the economy.

Ms. Mwaniki-Lyman stated corporate profits (after tax) as a share of national income are at a record 11 percent in 2012. This positions them to make capital re-investments or new investments as the business environment improves. It is estimated that about 50 percent of the corporate profits are for manufacturing and financial institutions that have a global reach for markets and production and operational activities. She noted, however, the flip side of this is that individuals are bringing home less income as a share of national income (44 percent in 2012) which is at a record low. She added the markets for U.S. and Arizona exports continue to grow at a faster rate than the U.S. economy and the World Economic Outlook by the International Monetary Fund for April 2013 projects that the U.S. economy will grow at three percent in 2014.

Ms. Mwaniki-Lyman stated China is projected to continue growing at close to eight percent and Mexico, Arizona's top export destination, has the highest projected growth rate among the NAFTA partners of 3.4 percent in 2014. She added a World Bank Group study determined that 17 percent of Mexico's population joined the middle class in the last decade, expecting a better quality of life, services, and products. This means more market opportunities for U.S. exports.

Ms. Mwaniki-Lyman stated inflation in Maricopa County, as measured by the Phoenix-Mesa-Glendale metro area Consumer Price Index of all items, is moderate at 2.2 percent in 2012. This is within the Federal Reserve Bank's near-term inflation expectations

of half a basis point above or below its long-term target of two percentage points. She indicated that Maricopa County has consistently added jobs two years in a row and as of March 2013 has recovered over 146,000 of the close to 300,000 jobs lost during the recession.

Ms. Mwaniki-Lyman stated the sectors leading out of the recession include state and local government, education and health (which were the only recession proof sectors) and tourism-sensitive sectors, which includes retail, and leisure and hospitality. She noted that Maricopa County's economy lags behind the U.S. average of 60 percent as of March 2013 in recovering jobs lost during the recession. Maricopa County has recovered 49 percent of the jobs lost. She indicated the reason for this is because Arizona and Maricopa County were one of the hardest hit regions by the housing market crisis.

Ms. Mwaniki-Lyman stated on a positive note, the Maricopa County Region is leading the nation in home price appreciation. Home prices, as represented by the Phoenix-Mesa-Glendale metro area S&P Case Shiller Home Price Index rose by about 23 percent in February 2013 compared to a year ago. The region's that were hardest hit by the housing market crisis are also the ones leading in the rebounds in home values. She added that people are finding it easier to relocate as the housing market recovers and for the first time in four years, the Phoenix-Mesa-Glendale metro area is reported positive net migration in 2012 and this should continue to boost the housing market.

Ms. Mwaniki-Lyman noted while the Phoenix metro area leads other metro areas in home price appreciation, it has a further way to go before home prices reach pre-recession levels. The region's with the largest housing market busts are also the region's which will take longer to recover back to the pre-recession levels. She added the housing market boom of 2005 and 2006 created wealth for many households in Maricopa County, and as a result, Maricopa County's per capita personal income rose higher than the U.S. average in those two years. Unfortunately, the devastation of the housing market bust and financial crisis has shifted the county's per capita personal income levels to below those of the U.S. average since 2007. She stated this region will need to create high-paying jobs to get back to its initial personal income growth path. Ms. Mwaniki-Lyman stated these regions most affected by the housing market crush also experienced the largest declines in per capita personal income and have further to go in recovering the lost per capita personal income.

Ms. Mwaniki-Lyman noted that the wealth effect of rising home prices is fueling increased optimism and helping stimulate spending especially on durable goods, such as motor vehicles. Consumer spending in auto sales is up, increasing 39.2 percent from trough (2009) to March 2013. Most recently released aggregate retail sales for 2012 for Maricopa County indicates that the retail sales spending levels of consumers in the county are above the pre-recession spending levels by 15 percent. She concluded that overall, Maricopa County's economy is expected to continue experiencing increased economic growth, the housing market will continue to rebound, and home prices will appreciate back to the pre-bubble and bust trends. The service sector will continue to lead in job creation. She noted that there are opportunities to accelerate economic growth through innovative business attraction and

retention policies targeting manufacturing and financial companies, as they determine new locations for capital investments.

Ms. Mwaniki-Lyman indicated that she would like to remain optimistic about the economy, however, certain events could slow down the recovery and hinder accelerated growth. She noted that the sequestration was implemented on March 1, 2013 with the continuing Resolution for the remaining six months of FY2013 providing defense with some flexibility in implementing the cuts. These effects of the reductions in federal spending will affect both defense and non-defense sectors. She noted it is believed that the effects of sequestration will be slow and economic data is only just beginning to capture the effects of the spending cuts. She stated discussions around a balanced approach to debt reduction have effects on corporate tax liability. Corporations may choose to hold off their long-term decisions on capital investments until a fiscal plan is agreed upon or the uncertainty around debt reduction is reduced.

Ms. Mwaniki-Lyman stated other events that could slow down the economy include certain features of the American Affordable Care Act that are being rolled out this year with full implementation effective next year. These will have an effect on business hiring decisions and bottom line. At the global level, Europe is in a recession with a negative 0.3 percent real GDP growth rate in 2012. This means a declining demand for U.S. exports. Policies on austerity could have contingency effects on the U.S. through the financial system. These policies include the decision by Cyprus to tax bank deposits, among others. Chair Schoaf thanked Ms. Mwaniki-Lyman for her report and asked if the members had any questions or comments. There were none.

7. Request for Future Agenda Items

Chair Schoaf asked if there were any requests for future agenda items. There were none.

8. Comments from the Committee

Mayor Schoaf stated that the next meeting will be on Tuesday, June 4, 2013.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 1:06 p.m.

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Chair

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Secretary