

Economic Development Strategies

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GREATER PHOENIX
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Arizona Needs Comprehensive Economic Strategy



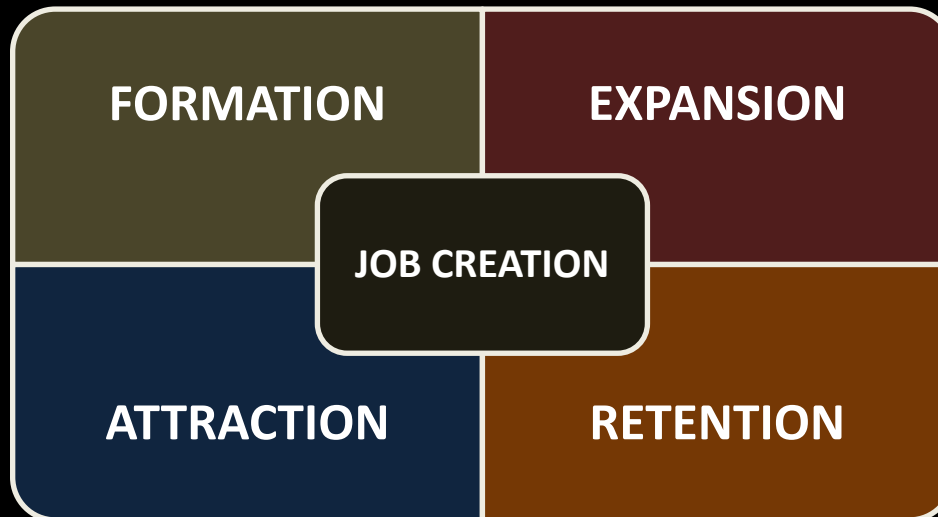
Economic Development Program Principles

- **Return-Driven**
Generate a return to the state: revenue-positive / neutral
- **Enhances Competitiveness**
No reason to create policy if it does not increase competitiveness
- **Creates Quality Jobs**
Create quality jobs with healthcare coverage: reduce burden to state
- **Performance-Based**
Require performance milestones for beneficiaries to meet
- **Safeguards**
Develop safeguards within the program: Clawbacks
- **Leverages Strengths**
Build on existing competencies and take advantage of opportunities

Developing a Job Creation Strategy

When evaluating job creation policy, it is essential to consider the complexity of how jobs are created and what industry, technology companies, and small businesses need.

ONE SIZE DOES NOT FIT ALL



Formation

Factors important for the formation of an enterprise differ significantly from those of companies at any other stage.

Decision Factors

- Immediate access to capital
- Strong university and educational system
- Specific, talented workforce

Focus for Arizona

- Focus areas of Arizona university and knowledge-based institutions
- Renewables, biotech

Key Programs

- R&D programs that are monetizable
- Programs like Science Foundation Arizona
- Programs that reduce operating costs and tax liability not as helpful

Attraction

Attraction of a business brings new investments to the region through relocation activity, and more frequently through companies with expansion plans considering the Mountain West region.

Decision Factors

- Offsetting initial and long-term expenses
- Reduced cost of capital
- Access to growing market
- Labor availability

Focus for Arizona

- High growth industries
- Leveraging Arizona's strengths
- Quality wages
- Large capital investments

Key Programs

- Invest Arizona program (Enterprise Zone update)
- Renewable Energy program
- Single Sales Factor
- Job Training program

Expansion

Enable Arizona companies to continue to choose Arizona when expansion opportunities arise; additionally, Arizona's strengths in specific industries and proximity to markets like California create technology company expansion opportunities.

Decision Factors

- Offsetting initial and long-term expenses
- Reduced cost of capital
- Access to growing market
- Labor availability

Focus for Arizona

- California technology companies approaching first line production
- Leveraging Arizona's strengths
- Large capital investments

Key Programs

- Invest Arizona program (Enterprise Zone update)
- Renewable Energy program
- Single Sales Factor
- Job Training program

Retention

Retention strategies in Arizona are essential: the state's major industries expanding elsewhere and in Arizona are increasingly a target for other states' recruiting efforts.

Decision Factors

- Offsetting long-term expenses
- Cost saving opportunities
- Maintaining market share
- Partnership with state

Focus for Arizona

- Industries under threat in Arizona, particularly Aerospace
- Lessons from recent losses like ST Microelectronics and ON Semiconductor

Key Programs

- Invest Arizona program (Enterprise Zone update)
- Single Sales Factor
- Job Training program

Why Economic Development Programs?

- **National Economy is Set**

States compete – Michael Porter

- **Competition Factors**

State's competition driven by return on capital, cost of doing business and delivery of talent.

- **Unique Characteristics and Benefits**

State competitors observe industries that produce unique benefits and unique characteristics, and tailor their strategies to top industries.

- **Economic Impact**

Major businesses in Arizona drive additional employment and revenues in smaller supplier businesses, creating a rippling effect through the economy.

**UT, CO, TX, and WA have lower business taxes,
better schools, better talent and more
aggressive economic development programs.**