

FISCAL YEAR
ANNUAL REPORT
JULY 2000 - JUNE 2001

ARIZONA DEPARTMENT OF COMMERCE





ARIZONA DEPARTMENT OF COMMERCE

JANE DEE HULL
GOVERNOR

MARGIE A. EMMERMANN
DIRECTOR

Dear Governor Hull,

Fiscal Year 2001 brought Arizona the first seeds of the recession that would come into full bloom before the calendar year's end. As Arizona's statewide community and economic development authority, the Department of Commerce worked diligently to cultivate opportunities planted during the ASPED to GSPED process and nurtured along through the Arizona Partnership for the New Economy (APNE).

Working with cities, towns, tribal governments, businesses and economic development partners across Arizona, Commerce contributed to efforts aimed at minimizing the initial impact of downward trends and shifting circumstances.

Just as FY 2001 ended, I accepted your offer to serve as director of Commerce. I embraced this opportunity because you have assembled a dedicated team of employees who, despite the many challenges, stayed the course toward your vision of statewide success for all Arizona communities and businesses in the emerging global marketplace.

This Annual Report for FY 2001 briefly outlines Commerce accomplishments achieved in the face of unexpected impediments. You will see that the work of this agency over the course of the year not only benefited many communities and businesses, it also profited the state as a whole.

In brief:

- The Governor's ACTION Initiative funded three Arizona communities in FY 2001 to carry out comprehensive revitalization initiatives:
 - City of Coolidge ACTION Neighborhood - \$2,673,099
 - City of Phoenix Sunnyslope Neighborhood - \$2,837,989
 - City of Yuma Carver Park Neighborhood - \$2,197,489
- The Arizona Main Street program worked with 19 rural communities that saw a total of more than \$134 million dollars in reinvestment
- The Greater Arizona Development Authority awarded more than \$734,000 in technical assistance and \$2,750,000 in loans to important infrastructure projects.
- Business Development assisted 73 companies in bringing 14,038 new jobs to Arizona at an average annual salary of \$40,598.
- Despite staff shortages, International Trade and Investment provided more than 2,200 export/trade related technical assistance sessions to Arizona companies and individuals.
- Finance awarded eight Economic Strength Program (ESP) grants, totaling \$1,184,010 to Arizona communities working with businesses planning to relocate or expand, resulting in new jobs.
- The Arizona Job Training Program, a short term, job specific grant program that supports the design and delivery of customized training to meet unique industry standards and challenges, awarded 39 new grants, totaling \$7,102,344.
- The Arizona Business Assistance Center helped more than 24,000 business owners and entrepreneurs.
- The Arizona Film Commission reported an impressive success rate of landing more than 29 per cent or more than one in every four film projects that approached the state. For every appropriated funding dollar the Commission reports, more than \$121 in economic impact was realized.

A full accounting of activities follows and is well worth your review.

Knowing that challenging economic times require a leaner approach coupled with greater effort, Commerce continues plowing the depths of what's possible when talented people dedicate themselves to a vision of prosperity and productivity for all Arizonans. My intention for Commerce now is to tend to the necessary development of community infrastructure, the collection and dissemination of accurate economic data and the expansion of appropriate workforce development tools so we may yield even greater results in the year ahead.

Sincerely,


Margie A. Emmermann, Director

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*The mission of the Arizona Department of Commerce
is to lead and promote statewide economic and community development
which supports a globally competitive Arizona.*



LEGISLATIVE REPORT

The following bills were enacted during the 45th Arizona Legislature, 1st Regular Session.

*** Note: Appropriations in the Regular Session were adjusted in the 2^d Special Session, and this report reflects that adjustment*

KEY COMMERCE BUDGET ITEMS (FY02-FY03)

****ARIZONA PARTNERSHIP FOR THE NEW ECONOMY (APNE) INITIATIVES - HB2014.**

Authorizes \$750,000 for FY 2002 to fund APNE initiatives. First priority will be launching community telecommunications assessments for small and rural Arizona communities.

ECONOMIC DEVELOPMENT POLICY

ENTERPRISE ZONES - HB2527, Chapter 370.

Reauthorizes the program until 2006. Allows income tax credits for net new jobs created by firms that are principally engaged in non-retail activity. Lowers qualifying capital investment requirement in rural Arizona.

MILITARY REUSE ZONES - HB2075, Chapter 114.

Requires that military reuse zone designation may only be extended to closed military air bases that have a runway of at least 8,000 feet. SB 1041, Chapter 359 allows business development in renewed military reuse zones to be eligible for the transaction privilege tax benefit.

HOUSING

HOUSING DEPARTMENT - HB2615, Chapter 22.

Creates state housing department. Transfers existing powers, duties, monies and staff from Commerce to the new Arizona Department of Housing. Also creates the Arizona Housing Finance Authority to act as an administrative extension of the agency to issue bonds for affordable single-family and multi-family housing programs for rural areas. An interim phase will transfer the programs to the Governor's Office of Housing Development beginning January 1, 2002 and ultimately to the new Arizona Department of Housing on October 1, 2002.

PRIVATE ACTIVITY BONDS - HB2390, Chapter 338.

Temporarily sets aside 10 per cent of the state's PAB volume cap for qualified rental projects, 30 per cent of which is for rural projects. Also creates a committee, which includes Commerce director or designee, to review the allocation of these bonds.

HOUSING COMMISSION - SB1422, Chapter 368.

Modifies the make-up of the Arizona Housing Commission, makes Commerce the contract administrator for Section 8 HUD housing until Housing Department is enacted, and makes monies in the Housing Development Fund continuously appropriated.

COMMUNITY PLANNING AND CDBG

****AGRICULTURAL PRESERVATION DISTRICTS - HB2014, Chapter 318.**

Appropriates \$500,000 to Commerce to develop comprehensive land use plans around Arizona's military airports.

PUBLIC CONSTRUCTION; WATER & SEWER EXEMPTION - HB2355, Chapter 77.

Exempts services by volunteers and donations from the calculated cost of water and sewer projects. Remaining cost must be put out for bid. Will allow more rural communities to utilize Commerce's AZ Small Town Environment program.

WORKFORCE DEVELOPMENT

****SCHOOL TO WORK - SB1472, Chapter 369.**

Repealed \$100,000 over two years appropriated during the Regular Session for grants to local school to work programs.

JOB TRAINING PROGRAM - HB2151, Chapter 3.

Makes technical changes to job training tax that was put in place during the 2000 legislative session.

ENERGY

FUEL: GOVERNMENT FLEET BIODIESEL - HB2123, Chapter 70.

Establishes the requirement that federal fleets file reports by certain dates in 1999 and 2000 with the Department of Commerce Energy Office and the legislature if they fail to comply with the percentage goals and timetable is removed.

BROWN CLOUD STUDY; AIR QUALITY - HB2538, Chapter 371.

Repeals Clean Air Fund (CAF) and in-lieu fee for emissions testing on June 30, 2003. The \$250K transfer from the air quality fund to the CAF is terminated effective July 1, 2001. The remaining programs in the Clean Air Fund are the diesel conversion program and statewide refueling stations. Changes diesel conversion grant amount from the greater of 30 per cent of the original manufacturer's base retail price or \$30,000 to the lesser of the cost of conversion or \$30,000; the aggregate total of grants shall not exceed \$6.5 million. (Changes are effective July 1, 2001, but do not affect the diesel replacement/conversion program already in statute.)

ENERGY CODE ADVISORY COMMITTEE - HB2541, Chapter 340.

Creates advisory commission to recommend changes to state energy code. Commerce provides staff support to the committee.

DIESEL CONVERSIONS; ALT-FUELS - SB1371, Chapter 179.

Places permanent moratorium on the issuance of grants for the alternative fuel vehicle program. The conversion/replacement of diesel vehicles over 19,500 lbs. GVW are eligible for grants until October 1, 2001 provided the applicant had a contract or purchase order prior to October 20, 2000. Applicants will be processed in order of the contract or purchase order date. In the instance where multiple applicants have the same date and remaining grant money is insufficient to provide grants to all applicants, a random selection method as prescribed in rules would determine grant recipients.

MISCELLANEOUS

CEDC MEMBERSHIP - SB1044, Chapter 7.

Removes required seat for the Corporation Commission's Securities Division Director. Allows for five gubernatorial appointees.

ARIZONA SPACE COMMISSION - SB1127, Chapter 29.

Extends commission, staffed by Commerce, to July 1, 2011. The commission is charged with exploring Arizona's economic development opportunities associated with the space industry.

LONG-TERM CARE COUNCIL - SB1196, Chapter 85.

Establishes council charged with recommending how the state can put together a coordinated system for delivering long-term health-care services. Council contains Commerce director or designee because of Commerce's expertise with the senior living industry.

COMMUNITY DEVELOPMENT

Key Community Development goals directly reflect the Governor's Strategic Direction for Arizona in the areas of quality of life, economic prosperity and good government:

- Assist Arizona communities and Indian Tribes in building the local capacity to develop and achieve economic self-sufficiency.
- Develop the infrastructure necessary for future economic growth.
- Create affordable housing opportunities for lower-income Arizonans.
- Promote the efficient development and utilization of energy to achieve a sustainable economy and environment for Arizona.
- Promote quality customer service and efficient, effective use of state resources.

ENERGY OFFICE

The Energy Office promotes and coordinates efficient development and utilization of energy to sustain the economy and environment. Programs, services and training seek to maximize Arizona's use of natural resources through conservation, efficiency, and renewable energy. The Office promotes energy policy, public education and community outreach that will lead to cleaner air, increased use of solar and alternative energy sources, and reduction of energy costs in government, commercial and residential buildings.

ENERGY CONSERVATION AND ENGINEERING PROGRAMS

Residential Training and Technical Assistance: in partnership with Arizona utilities, Energy Office staff provide training and technical assistance to Arizona's largest private sector employer, the residential building industry. Residential Training and Technical Assistance innovations and techniques adopted by the building industry resulted in energy savings of approximately \$150-\$200 per home in over 40,000 homes built during FY 2001. Additionally, over 2,000 homes built will be able to guarantee an annual heating and cooling cost of \$.30 per square foot.

State Energy Efficiency Demonstration (SEED): provides training, technical assistance and funding to encourage energy efficiency in state government buildings. During a two-year program period, the SEED program distributed \$161,710 for the installation of energy efficient equipment in state government buildings. SEED provided \$81,000 toward \$158,000 of lighting projects at the University of Arizona. A total of 1,949 light fixtures were retrofitted for an annual savings of \$45,000.

Municipal Energy Management Program (MEMP): provides technical assistance, utility tracking software and matching grants to help Greater Arizona communities, counties, Indian tribes and improvement districts reduce energy operating costs. MEMP staff visited more than 20 Arizona communities to assist in determining energy saving opportunities. Four communities that received grants saved over \$53,000 in energy costs the first year.

Facility Management Training: based on results of forensic audits and utility tracking, training and technical assistance are provided to facility management teams in state facilities to assist with performing diagnostics, tracking energy consumption and completing retrofits on equipment and buildings. The Facility Management Training Program demonstrated and trained 33 state government, university and community college facility representatives, resulting in a reduction of seven to eight percent in energy costs.

EDUCATION AND COMMUNITY OUTREACH PROGRAMS

Information and Publications: compile and post on the Internet monthly and quarterly publications listing developments that impact Arizona through state energy policy formation and implementation, energy data compilation and economic analysis related to energy markets. *Arizona Built 2000 Directory* lists Arizona companies and energy-related products and services.

Solar and Renewable Energy Programs: provides statewide coordination about various aspects of solar energy. Solar education programs for elementary and high school students include summer camps and hands-on teaching about the benefits and use of passive and active solar design and application. With a grant from the Million Solar Roofs Program of the United States Department of Energy, the Energy Office created an interactive exhibit on solar energy development and use in Arizona. The exhibit has been displayed throughout the state, including the State Capitol, the Arizona Science Center, three county fairs, two conferences, the Arizona Historical Society Museum and other statewide events. During FY 2001, more than 5,000 users participated with the exhibit videos, IQ test, survey and web pages

Energy Management Conference (EMC): annual conference attracting 200-300 energy professionals and facility managers from throughout the state. The EMC serves as a forum to exchange information on conservation trends, techniques, products and energy policy issues. The Governor's Awards for Energy Efficiency recognize selected cities, educational institutions and state government agencies for outstanding energy conservation projects.

ENERGY OFFICE STATISTICS

Households assisted – 1,411 (272 rural, 1,139 urban)

Facility Management Training – 33 state and university facilities

Energy audits completed – 35

Total building space audited – over 700,000 square feet

Homes built/retrofitted incorporation energy saving techniques – 40,000

Awarded financial assistance - \$4,618,605 (\$350,965 rural, \$4,267,640 urban)

Contributed capital investment/matching funds/leveraging – \$27,531,451 (\$578,317 rural, \$26,953,134 urban)

OTHER ENERGY OFFICE ACCOMPLISHMENTS

Developed Energy Savings and Solar Information web pages for the Governor's Energy Awareness campaign.

In partnership with local utilities, the solar industry and Arizona citizens created the Virtual Solar Center, a web site of solar information: www.azsolarcenter.com. During 2001 there were more than 100,000 visitors to the site.

GREATER ARIZONA DEVELOPMENT AUTHORITY (GADA)

GADA assists Arizona communities and tribal governments with the development of public infrastructure projects that enhance community and economic development. Over the past four years, GADA has provided more than \$1.7 million in technical assistance and \$35 million in loans to important infrastructure projects in 14 Arizona counties and in 30 legislative districts.

GADA PROGRAMS

Technical Assistance (TA) Program: provides communities with grant money to pay for the pre-construction elements of infrastructure projects. The TA program helps smaller communities launch projects by overcoming the inhibiting costs of studies, design work, engineering, etc.

In 2001, GADA had its largest TA round yet, awarding a total of \$734,675 to 24 recipients selected from a field of 36 applicants.

| | |
|--|-----------------------------------|
| Avondale | Development Fee Methodology Study |
| Clarkdale | Wastewater |
| Colorado City | Water |
| Flagstaff | Telecommunications Assessments |
| Fort Mohave Tribal Utilities Authority | Water |
| Fredonia | Water |
| Kearny | Water |
| Marana Domestic WID | Water |
| Miami | Wastewater |

| | |
|--------------------------|--|
| Pinal Sanitary District | Wastewater |
| Pinetop-Lakeside | Water |
| Prescott | Feasibility Study |
| Prescott Valley | Central Business Core Redevelopment Plan |
| Queen Creek | Wastewater |
| San Xavier District | Five-year infrastructure plan |
| Santa Cruz County | Development Fee Methodology Study |
| Sedona | Parks |
| Somerton | Public Safety |
| Superior | Redevelopment Feasibility Study |
| Taylor | Feasibility Study |
| Tolleson | Feasibility Study |
| Virgin River | Domestic WID Wastewater |
| Yuma | Parks |
| Yuwehloo Pahki Community | Feasibility Study |

Financial Assistance Program: works by pooling several communities' loans into one bond issue. Communities save money in two ways: GADA can often borrow at lower interest rates than if a community borrowed on its own and GADA can subsidize the costs of issuing the bonds.

In February 2001, GADA issued \$2.75 million in bonds for Cottonwood and Holbrook. Cottonwood used the bond proceeds for a new public safety building, and Holbrook's portion was used for improvements to its wastewater system.

GADA has been able to leverage its original \$20 million appropriation so that it can now support between \$400 million and \$1 billion in projects – enough for many years to come.

TESTIMONIAL

"The Pinal Sanitary District is located in the unincorporated area between Globe and Miami, Arizona. The communities have been exploring the potential of a Regional Wastewater Treatment System and discovered an area abutting the Pinal District that was not part of either municipality or a Sanitary District. The Pinal Sanitary District received a grant from GADA in the amount of \$15,000 to provide consultation services to determine how best to either annex this area to the Pinal District or create a new Sanitary District. GADA provided a list of approved consultants and Southwest Civic Professionals was chosen. With the assistance of GADA, contracts were prepared and executed and SwCP began work. The County staff and the Pinal District Board of Directors provided data and input that the consultant reviewed in depth. An analysis was prepared, meetings were held with all concerned entities and a draft final report was submitted for review. While the project has not been finalized as yet, the Pinal Sanitary District was and is very pleased with the interest and attention paid to this project by the GADA staff and most pleased with the attention to detail, level of interest, and professionalism of the principals of Southwest Civic Professionals." **Mary Anne Moreno**, Pinal Sanitary District

OTHER GADA ACCOMPLISHMENTS

Telecommunication Assessments in Rural Arizona

As a part of its 2001 round of technical assistance, GADA awarded \$150,000 to a group of rural Arizona communities to assess their telecommunications infrastructure. The assessments will address not only existing infrastructure, but also the telecom needs of those communities as they forge ahead in the new economy.

These initial assessments will act as a pilot program for more extensive telecom assessments – known as the Community Telecommunication Assessment program (CTA) – made possible by the Department of Commerce and the Arizona Partnership for the New Economy.

Rural Assistance for Planning and Infrastructure Development (RAPID)

In an effort to make state and federal programs more accessible to Arizona's rural communities, GADA and several other agencies formed RAPID in 2001. RAPID brings a wide variety of resources together at one central point, so rural communities can benefit in two ways:

Infrastructure – RAPID can help communities obtain important technical expertise for projects of all shapes, sizes and varieties. Moreover, RAPID's members can provide or help identify funding alternatives.

Planning – RAPID can help communities avoid future infrastructure challenges by ensuring their planning documents and strategies provide strong direction and policies.

OFFICE OF HOUSING AND COMMUNITY DEVELOPMENT (OHCD)

In FY 2001, the Arizona Housing Commission led a successful effort to create a new Arizona Department of Housing (ADOH) and Arizona Housing Finance Authority (HFA) to focus on rural Arizona housing and community development efforts. On January 1, 2002, the Arizona HFA will become effective and the housing functions now performed by the Arizona Department of Commerce will be transferred to an interim Governor's Office of Housing Development. On October 1, 2002, the new ADOH will be responsible for these programs and duties.

OHCD STATISTICS

Estimated economic contribution of housing programs to Arizona's economy – \$532.7 million

Jobs created during construction – 8,636

Estimated wages and salaries – \$190.7 million

Tax benefits to state and local governments during construction – \$28.6 million

Additional annual property taxes to local governments – \$2.1 million

Funds leveraged from public/private sources – \$161.8 million

HOUSING ACTIVITY STATISTICS

(IN DOLLARS)

| | CDBG ¹ | HOME ² | HTF | TAX CREDIT | MRB | SUPPORTIVE HOUSING ³ | SECTION 8 | HOPWA | TOTAL | % |
|-----------------------------------|-------------------|-------------------|------------------------|-------------------|-------------------|---------------------------------|----------------|----------------|--------------------|--------------|
| MULTI-FAMILY (TOTAL) | | 2,835,981 | 4,169,275 | 70,233,506 | | 6,021,865 | 376,463 | 44,000 | 83,681,090 | 71.6 |
| New Construction | | 1,674,114 | 3,027,934 | 68,637,455 | | | | | 73,339,503 | 62.8 |
| Acquisition Rehabilitation | | 1,161,867 | 868,341 | 1,596,051 | | | | 10,000 | 3,636,259 | 3.1 |
| Rental Assistance | | | 273,000 | | | 6,021,865 | 376,463 | 34,000 | 6,705,328 | 5.7 |
| SINGLE FAMILY | 1,682,282 | 1,743,936 | 5,012,924 | | 19,500,000 | | | | 27,939,142 | 23.9 |
| New Development | 90,000 | | 867,600 | | 19,500,000 | | | | 20,457,600 | 17.5 |
| Homeowner Rehabilitation | 1,509,524 | 1,743,936 | 868,000 | | | | | | 4,121,460 | 3.5 |
| Homeownership Assistance | 82,758 | | 3,277,324 ⁴ | | | | | | 3,360,082 | 2.9 |
| EMERGENCY TRANSITIONAL | 25,000 | 475,000 | 1,925,621 | | | 1,195,803 | | 272,735 | 3,894,159 | 3.4 |
| Prevention | | | 1,147,746 | | | | | 40,000 | 1,187,746 | 1.1 |
| Production | 25,000 | 475,000 | 522,488 | | | 114,729 | | | 1,137,217 | 1.0 |
| Support Services, Operating Costs | | | 255,387 | | | 1,081,1074 | | 232,735 | 1,569,196 | 1.3 |
| PLANNING/OTHER | | | 1,330,057 | | | | | | 1,330,057 | 1.1 |
| TOTAL | 1,707,282 | 5,054,917 | 12,437,877 | 70,223,506 | 19,500,000 | 7,217,668 | 376,463 | 316,735 | 116,844,448 | 100.0 |

¹CDBG funds exclude \$222,267 awarded for local administration costs ²HOME funds exclude dollars retained for state administration ³Supportive Housing = HUD Shelter Plus Care and Supportive Housing dollars ⁴Rural Homeownership Assistance Program (RHAP)

OHCD HOUSING PROGRAMS

Arizona Housing Trust Fund (HTF): capitalized annually from the State Treasury unclaimed property account.

Community Development Block Grant (CDBG): helps communities with public facilities, water/sewer improvements, streets, public services and planning.

HOME: the federal HOME Investment Partnership program funds housing development for state and local governments and local nonprofit groups. Figures on the next page exclude funds retained for State administration.

HOPWA: federal Housing Opportunities for Persons With AIDS program.

Section 8: federal tenant-based rental assistance program, administered by the Department on behalf of residents of Graham and Yavapai Counties.

Supportive Housing: federal Supportive Housing and Shelter Plus Care programs

Tax Credit: IRS Low-Income Housing Tax Credit program, offering federal income tax credits to developers of affordable rental housing.

Technical Assistance: assists local governments and non-profits to build local capacity to design and deliver programs and projects. In FY 2001, OHCD provided intensive technical assistance to Yuma, Eloy, Willcox and Cottonwood.

OHCD COMMUNITY DEVELOPMENT PROGRAMS

Arizona Building Local Economies (ABLE): assists rural communities with business retention and expansion. In FY 2001, ABLE awarded \$44,000 for the following:

| | |
|------------------------------|----------------------------------|
| Apache Junction | Downtown Retail Study |
| Casa Grande | Target Market Analysis |
| Payson | Business Retention and Expansion |
| Navajo and Apache Counties | Customer Service Program |
| Prescott | Community Outreach |
| Prescott Valley | High Technology Incubator |
| Show Low, Pintetop, Lakeside | Retail Analysis Update |

Community Planning: provides hands-on, professional planning assistance and state-of-the-art resources for: community and county implementation of Growing Smarter/Plus; strategic planning for elected/appointed officials; zoning and land use decision-making; public participation program development and implementation. In FY 2001, the Community Planning Program assisted 48 rural Arizona cities and towns.

TESTIMONIAL

"I would like to take this opportunity to personally thank you for conducting the Joint Workshop between the Cochise County Board of Supervisors, Planning Commission, Boards of Adjustment and Planning Department staff. The morning session, . . . was both interesting and informative and . . . the afternoon brainstorming session presented an opportunity to identify and prioritize the critical land use issues facing Cochise County today"
Les E. Thompson, Chairman, Cochise County Board of Supervisors

Main Street: created by the National Trust for Historic Preservation in 1977, the Main Street Program was adopted in 1986 in Arizona as a comprehensive downtown revitalization program that seeks to assist communities in capitalizing on the historical, cultural and physical setting of the central business district. In 2001, 19 rural communities in Arizona saw a total of more than \$134 million dollars in reinvestment in their Main Street districts. Nationally, for every dollar spent to operate the local program over \$39 is reinvested in the community.

Rural Economic Development Initiative (REDI): Assists Arizona communities in strengthening economic development practices and techniques. In FY 2001, REDI provided both direct and indirect technical assistance to 24 communities, and Prescott became an accredited REDI community.

OTHER OHCD ACCOMPLISHMENTS

- The Governor's ACTION Initiative funded three Arizona communities in FY 2001 to carry out comprehensive revitalization initiatives:
 - City of Coolidge ACTION Neighborhood - \$2,673,099
 - City of Phoenix Sunnyslope Neighborhood - \$2,837,989
 - City of Yuma Carver Park Neighborhood - \$2,197,489
- The Pre-Development and Planning Grant Program assisted 10 local governments and five nonprofit agencies to undertake local community housing plans by awarding 16 project planning grants and one pre-development loan in FY 2001.
- The Rural Infrastructure Committee (RIC), staffed by OHCD and GADA, continued to offer technical assistance to specific communities with water/wastewater concerns. The RIC provided in-depth technical and financial assistance to more than 25 communities to maximize resources and to identify new support opportunities.
- Following a series of 91 meetings, OHCD developed a Rural Continuum of Care application with 12 proposed projects for the homeless in rural communities.
- Through the combined efforts of Community Planning, Housing and CDBG, the Growing Smarter Planning Grant Program awarded \$366,500 to rural Arizona communities and counties to aid in the development of local general and comprehensive plans.

ECONOMIC DEVELOPMENT

To enhance the global competitiveness of Arizona businesses, Economic Development focuses on business and workforce development. Each division and program within Economic Development has a role in expanding business opportunities and improving workforce readiness and availability. These are key drivers at work from the "One-Stop" philosophy of the Business Assistance Center, through the procurement seminars of Minority- and Women-Owned Business Services, to the full service of Business Development and the expertise in International Trade and Investment.

ARIZONA FILM COMMISSION

"The Arizona Film Commission opened doors to locations and local leaders in Page, which resulted in a great look and incredible community cooperation. They wrote the book on location support and we benefited from it."

Daniel Goldberg, Producer, "Evolution" for DreamWorks

"The Arizona Film Commission played a pivotal role in facilitating locations and logistical support for filming on Lake Powell. Their assistance gave us a head start for shooting on the water which served us well."

Ralph Winter, Executive Producer, "Planet Of The Apes" for 20th Century Fox

Economic impact from production doubled over last year with more film projects, longer production stays and the continued health of commercial advertising production.

A return on investment of more than \$121 in economic impact was realized for every appropriated dollar funding the Film Commission this year. An impressive success rate of more than 29 per cent or more than one in every four film projects, was landed. This represents imported film projects shot against serious project inquiries. Production days totaled 1,520. Economic impact is estimated at \$78 million.

The production mix for FY 2001 included all or a portion of the following projects:

- 12 Feature Films: Included *Evolution* starring David Duchovny and Orlando Jones for DreamWorks, *Planet Of The Apes* with Mark Wahlberg for 20th Century Fox, *View From The Top* for Miramax starring Gwyneth Paltrow, *Eight Legged Freaks* for Warner Bros. with David Arquette, *Scorpion King* starring 'The Rock', independent feature *Groom Lake* and more.
- 23 Television Projects: *Aftermath* for Hearst Entertainment, the BBC's survival program *Bare Necessities*, *The Fugitive* (two episodes), *FBI Files*, *Arrest And Trial*, *Elimidate* (three episodes), *Ron Hazelton's House Calls*, *The Jeff Corwin Experience* and others.
- 3 Music Videos: Emmie, The Backstreet Boys, Music In High Places
- 100+ Commercial, Industrial and Still Photography Shoots: Products included Lexus, BMW, Quaker Oats, Wrangler Jeans, Saab, Coors Light, Sunkist, Ford Taurus, Chevy of China, Honda, Acura, K-Mart, Chrysler Voyager, Audi, Lincoln, Cadillac, Pontiac, Tuborg Beer, Mazda, Bridgestone Tires, Apple Computers, Idom Computers, Chevrolet Suburban and Silverado, Jeep, PA Power and Light, Wachbaer Beer, Kirin Beer, many fashion shoots, catalogues and more.
- 12 Documentaries: *A Man, A Mine And A Town*, the Japanese *Musical Wizards*, a Tribal themed project and others.

OTHER FILM COMMISSION ACCOMPLISHMENTS

- Initiated E-Film Permits online for fee-free filming on State Trust Lands and State and Federal Highways for streamlined access worldwide.
- Expanded the digitized location photo library for immediate electronic delivery to filmmaker clients worldwide.
- Initiated the E-Film Report, an electronic monthly update letter emailed to statewide partners and posted on our web site, replacing the 7-year-old printed monthly.
- Marketed strategically to targeted audiences worldwide inclusive of 22,000+ direct mail pieces, 20 trade ads in publications for feature film, television and commercial markets, Sundance Film Festival, Independent Film Market and Commercial Producers events, LA "Locations" trade show exhibit, printed promotional materials, one-on-one sales meetings with production executives in New York and LA, plus editorial coverage in local and trade media.
- Produced and published online and printed editions of the sixth annual *Arizona Film Commission Production Guide*, a resource directory for filmmakers delivering business to Arizona.
- Promoted Arizona hires with fee-free production guide listings for in-state film professionals and support businesses
- Orchestrated Governor Hull's trade mission to Los Angeles targeting high-level production company executives and producers. A partnered reception with 12 Arizona rural/city film offices and the Association of Independent Commercial Producers hosted commercial producers and related film professionals.

- Hosted Arizona legislators at “Show Me The Money”, a picnic and game show event underscoring the economic value and benefits of location filming statewide.
- Promoted new film business through the 4th annual “Film in Arizona Screenwriting Competition.” The contest requires 85 per cent of scripted locations to be set in Arizona.

BUSINESS ASSISTANCE CENTER

“Exceptionally helpful and courteous service! The information packet is very usable and gives many answers. The letter was very beneficial. I am impressed.”

Carolyn Ruck, Ashland, OR

“My representative was extremely professional, knowledgeable and answered all my questions with detailed information.”

Karen Butler, Prescott Valley, AZ

“The person I spoke with was friendly and helpful. It's nice to reach an agency that doesn't refer you to someone else and so on. This is the type of service that used to be, but now is an exception.”

Frances Tasho, Glendale, AZ

The Arizona Business Assistance Center is a one-stop resource center for information and referrals for every stage of small business development: start-up, expansion and relocation.

BUSINESS ASSISTANCE CENTER PROGRAMS

Arizona Business Connection – provides callers with a free custom-tailored packet containing information on taxes, financing, license requirements and applications, regulations, and referrals to regulatory agencies and professional associations.

Arizona Small Business Advocate – assists small businesses with state agency and legislative issues and maintains two-way communications with the Governor and entrepreneurs.

Minority/Women-Owned Business Services – helps promote programs and services for minority- and women-owned businesses.

Minority/Women-Owned Business Directory – online directory allowing instant access to both businesses wanting free listings and agencies/businesses looking for contractors.

BUSINESS ASSISTANCE CENTER STATISTICS

- Individuals receiving assistance – 24,283
- Copies of “Entrepreneur’s Encyclopedia” published and distributed – 80,000
- Attendees at 2nd annual Minority/Women-Owned Business Enterprises Procurement Fair – 290
- Minority/Women-Owned Enterprises listed in online directory – 757
- Statewide workshops and seminar presentations – 46
- Number of people participating in workshops and seminars – 1,832

OTHER BUSINESS ASSISTANCE CENTER ACCOMPLISHMENTS

- Spanish translation of Entrepreneur Encyclopedia materials
- Established quarterly Tucson small business service provider meetings
- Held 1st joint Phoenix and Tucson service provider meeting
- Results of Business Connection privatization study indicated the level of service provided by the office and client privacy could not be provided cost effectively by outside source. Commerce staff would still be required for database material maintenance
- Provided fulfillment center and call center support for Senior Industries without adding additional staff

BUSINESS DEVELOPMENT

In FY 2001, Business Development assisted 73 companies bringing 14,038 new jobs to Arizona at an average annual salary of \$40,598. Of these, 39 were Arizona businesses, 31 were new to Arizona and 3 were international locates from Canada, China and Germany. Combined, these companies invested more than \$637.9 million in Arizona.

| <u>ANNOUNCED PROJECTS</u> | <u>FACILITY LOCATION</u> |
|---|---|
| Adelphia Communications | Tucson |
| Adelphia Communications - Phoenix | Phoenix |
| Advanced Metal Fabrication | Prescott |
| Aeromag Corporation | Prescott Valley |
| AFCO Systems | Tucson |
| Aligo, Inc. | Phoenix |
| Allied International Credit Corporation | Phoenix |
| America Online | Tucson |
| American Express | Phoenix |
| American Family Insurance | Phoenix |
| AMSAFE | Mesa |
| APAC Customer Service | Tucson |
| Applied Image Group | Tucson |
| Asarco | Phoenix |
| Bechtel Corporation | Glendale |
| Bilingual Soluciones | Phoenix |
| Bitchin Products | Prescott |
| Block Tops | Phoenix |
| Breitfeld & Schliekert USA, Inc. | Scottsdale |
| Business Integration Group | Tempe |
| Calence | Tempe |
| Catalytica Energy Systems | Scottsdale |
| Clarke American | Phoenix |
| CMC Card Management | Tucson |
| Copper Consulting Industries | Glendale |
| Copperfield LLC | Nogales |
| Cybernetic Research Labs | Tucson |
| Dieco Inc. | Phoenix |
| eFunds Corporation | Scottsdale |
| Enviro Shield Products | Yuma |
| Evergreen Air Center | Marana |
| Exel Corporation | Tucson |
| Glenbar Dairy Co. | Pima |
| Hanjin Shipping Co., Ltd. | Tempe |
| HPR Solutions | Phoenix |
| Hudson Baylor Corporation | Salt River Pima-Maricopa Indian Community |

| <u>ANNOUNCED PROJECTS</u> | <u>FACILITY LOCATION</u> |
|-----------------------------------|--------------------------|
| IMS Metals | Phoenix |
| Integrated Packaging Films | Tempe |
| Interstate West | Kingman |
| L3 Communications | Phoenix |
| LB International, Inc. | Winslow |
| Leslie Pools | Phoenix |
| Maxwell Production, LLC | Scottsdale |
| Mechoshade | Phoenix |
| Medtronic Microelectronics Center | Tempe |
| National Leisure Group | Glendale |
| National Semiconductor | Tucson |
| National Semiconductor | Phoenix |
| Neltec | Tempe |
| Optical Research Associates | Tucson |
| Optimal Robotics Corporation | Phoenix |
| Oxford International | Chandler |
| P & S Electronics | Mesa |
| PAC-WEST TELECOMM, INC. | Phoenix |
| Raytheon | Tucson |
| RMH | Yuma |
| Rohn Inc. | Casa Grande |
| Slim Fast Foods | Tucson |
| Sun Coast Packaging Company | Tucson |
| Sunquest Information Systems | Tucson |
| Supreme Insulation | Phoenix |
| Syngy Inc. | Phoenix |
| Target | Phoenix |
| The Copier Brothers | Tucson |
| The Software Firm | Tucson |
| Toyota Motor Credit Corporation | Chandler |
| Trans-matic | Mesa |
| Tri State | Yuma |
| TRW | Sierra Vista |
| Tucson Embedded Systems, Inc. | Tucson |
| Ultimate Electronics | Phoenix |
| Washington Mutual | Phoenix |
| Wells Fargo Home Equity Group | Phoenix |

FINANCE

Finance leverages public sector funds to provide financial assistance to Arizona communities and businesses that create high quality jobs, enhance capital investment and improve infrastructure.

FINANCE PROGRAMS

Commerce and Economic Development Commission (CEDC): an economic development fund that is focused on business creation, attraction and expansion. In FY 2001, the CEDC awarded 14 projects addressing *New Economy* foundational needs in communities statewide.

The projects support the economic development framework identified by the Governor's Arizona Partnership for the New Economy (APNE), a statewide plan for economic competitiveness.

A grant program was created to support the competitiveness of Arizona's industry clusters and promote economic foundations that enhance economic prosperity and create jobs. Projects fell into three categories: workforce development, image marketing and baseline benchmarking.

GRANT RECIPIENT LIST

IN WORKFORCE DEVELOPMENT:

- *Southern Arizona Institute of Advanced Technology (\$150,000)* - for training and job placement programs, helping to develop the talented workforce required by the dynamic New Economy.
- *Optics Cluster (\$15,000)* - to support the entry level optics technician certification program at Pima Community College.
- *Southern Arizona High Technology Clusters (\$38,574)* - for a "virtual one stop" web site to inform workers about job skill requirements and direct them to available workforce training programs.
- *Southern Arizona School to Work Program (\$40,000)* - to support efforts that encourage high school juniors and seniors to pursue internships and career opportunities in the region's high technology industries.

IN NEW ECONOMY IMAGE MARKETING:

- *Southern Arizona High Technology Clusters (\$65,000)* - to work with member companies and the Greater Tucson Economic Council for a high impact national advertising campaign, designed to attract high tech firms to the region.
- *Southern Arizona High Technology Clusters (\$30,000)* - for a web-powered marketing project in conjunction with the Greater Tucson Economic Council.
- *Optics Cluster marketing program (\$36,508)* - for strategic placement of out-of-state billboards, focusing attention on the business and career opportunities of southern Arizona's optics industries.
- *Optics Cluster (\$13,190)* - for a high quality trade show exhibit to enhance the presence of southern Arizona's optics industry at national and international forums.

IN BASELINE BENCHMARKING:

- *High Technology Clusters (\$34,000)* - for a southern Arizona regional cluster analysis and benchmarking for evaluating the development of the region's high technology industries.
- *University of Arizona (\$20,000)* - for a detailed survey of the "supply chain" supporting southern Arizona's high technology industry clusters.

IN CREATIVE COMMUNITIES:

- *Tourism Cluster (\$81,500)* - these projects, taking place in 12 communities statewide, are being presented in cooperation with the Commission on the Arts, the Arizona Humanities Council and the Arizona Community Foundation.

Additional legislative funds available for grants for cluster initiated programs were awarded for a Maricopa County School to Work Program (\$16,000), as well as a southern Arizona supply chain company certification program (\$11,505).

The CEDC provided loan and grant funding for projects that assisted the transfer of technology from the state's universities to companies in Arizona. It also continued, for the fourth year, to support a statewide National Science Foundation Center of Excellence in low power electronics that is a coalition of Arizona's state universities, the National Science Foundation and private industry.

The CEDC provided grant matching funds for a Federal Grant to be administered by the City of Tucson to ready small businesses in Southern Arizona counties become suppliers to larger companies. The larger companies participate in the program by becoming mentors to the smaller companies. Tucson has begun an initiation of the program with Nogales.

Revolving Energy Loans for Arizona (RELA): provides funding to public and private organizations to purchase energy conserving products.

Economic Strength Program (ESP): provides grants to Arizona communities working with businesses planning to relocate or expand, resulting in new jobs. Finance awarded eight ESP grants, totaling \$1,184,010:

| | |
|----------------------|-----------|
| Avondale | \$149,730 |
| City of Eloy | \$87,525 |
| City of Lake Havasu | \$150,000 |
| Cochise County | \$200,000 |
| Pinal County | \$80,000 |
| Prescott Valley | \$166,485 |
| Town of Sierra Vista | \$200,270 |
| Town of Snowflake | \$150,000 |

Enterprise Zones: provides tax benefits to businesses creating new jobs and making capital investments in economically distressed areas. In FY 2001, four Enterprise Zones in the Cities of Tempe, Benson, Tucson/South Tucson and in Pinal County were renewed, for a total of 22 Enterprise Zones in Arizona. Additionally, 132 companies were assisted and 9,988 new jobs were reported by companies that qualified for Enterprise Zone benefits.

Private Activity Bonds: federally tax-exempt bonds used to encourage community and economic development. In *calendar year 2000*, Finance made 24 allocations, totaling \$238,916,600:

| | |
|-------------------------|--------------|
| 7) MRB/MCC | \$83,620,809 |
| 1) Student Loan | \$47,700,000 |
| 8) Manufacturing | \$58,390,000 |
| 8) Multi-family housing | \$49,205,791 |

INTERNATIONAL TRADE AND INVESTMENT

PARIS AIR SHOW:

"We weren't really sure what we would get out of it or whether we would do it again but we were impressed. We had four immediate orders for new business. We had a series of extremely useful meetings and because of the support and quality of the Arizona stand we felt proud to be from Arizona. As the ultimate measure of satisfaction, we have decided to exhibit at The Farnborough Air Show in 2002."

Gary Groves, CEO, Pilgrim Screw Corporation. (Exhibitor)

"The Arizona Stand at the Paris Air Show was one of the best, if not the best stand, in the US Pavilion. Although we had our own stand, we sponsored the Arizona Aerospace Pavilion and we were rewarded with numerous referrals. In fact the stand was so good, we will be exhibiting on the Arizona Stand at the Farnborough Air Show in 2002"

Larry Williams, Director of Sales and Marketing, Amsafe Aviation. (Sponsor)

In FY 2001, exports figures total \$14 billion, led by \$6.3 billion dollars in sales of electrical machinery, including semiconductors and integrated circuits.

INTERNATIONAL TRADE AND INVESTMENT STATISTICS

- Export/trade related technical assistance sessions for companies and individuals – 2,252
(This despite being one staff member short for 6 months of the year)
- Companies/individuals participating in trade events (trade shows and missions) outside the USA – 140
- Companies participating in domestic trade events (shows) – 45
- Foreign Trade delegations hosted – 12
- Foreign Government delegations hosted – 20
- Trade shows and trade missions organized and/or attended – 18

OTHER INTERNATIONAL TRADE AND INVESTMENT ACCOMPLISHMENTS

- Facilitated 12 visits to Arizona by potential investors from France, Germany, Japan and the Netherlands. A German company involved in instrumentation and machinery for the ophthalmic market set up a sales, marketing and distribution operation in Arizona to service the American market.
- Hosted/co-hosted trade and government delegations from Belgium, Canada, China, France, Germany, Ireland, Italy, Japan, Kazakhstan, Korea, Malaysia, Philippines, Romania, Taiwan and the United Kingdom.
- Hosted/co-hosted nine major seminars in Arizona relating to international trade that attracted a total of 565 attendees.

OFFICE OF SENIOR INDUSTRIES DEVELOPMENT

The number of seniors migrating to Arizona provides a net population increase of 23,500 per year. These residents are responsible for more than \$350 million in direct spending annually. Including direct and induced effects, the total economic impact is \$615 million in spending and \$210 million in earnings.

The Office of Senior Industries Development worked to attract persons 55 or older to Arizona and to recruit businesses which produce goods or services targeted at this segment of the population. The General Appropriation Act, as originally passed, funded the Office. The appropriation was line item vetoed. The Office was eliminated effective June 30, 2001.

OFFICE OF SENIOR INDUSTRIES DEVELOPMENT STATISTICS

- Consumer and business inquiries received – 25,346
- Senior Industries related collateral materials distributed to chambers of commerce – 36,450
- Communities assisted – 39
- Businesses assisted – 66
- Featured articles – 5

WORKFORCE DEVELOPMENT

Workforce Development promotes economic prosperity by advocating policies and programs that ensure Arizona's workforce remains flexible, educated and globally competitive.

WORKFORCE DEVELOPMENT PROGRAMS

Workforce Policy: provides staff and policy support to the Governor's Council on Workforce Policy which is charged with overseeing the coordination and quality of Arizona's \$250 million workforce development system.

Apprenticeship: a program that combines supervised, structured, on-the-job training with related classroom instruction. As of June 30, 2001, there were 123 registered apprenticeship programs, serving more than 3,000 apprentices statewide.

Arizona Job Training Program: a short-term, job specific grant program that supports the design and delivery of customized training to meet unique industry standards and challenges. In FY 2001, Job Training awarded 39 new grants, totaling \$7,102,344:

- 17 small business grants (33%)¹
- 9 rural business grants (27%)
- 19 large business grants
- 654 total jobs created with an average wage of \$34,390 statewide
- 3,946 additional jobs forecast prior to grant completion

School To Work (STW): addresses long-term business workforce objectives by helping K-12 students make the connection between the classroom and careers. The STW office provides technical assistance to 10 regional and seven Maricopa County School To Work partnerships. As of June 30, 2001, the partnerships reported 855 active School To Work schools.

In FY 2001, School To Work published profiles and skills analyses of the following clusters: Bioindustry; Food, Fiber & Natural Products; Optics; Plastics and Advanced Composite Materials; and Tourism.

¹ Six of the small businesses are located in rural areas and therefore also count toward the rural set-aside

ADMINISTRATION

ADMINISTRATION MISSION

"To be a model of good government by providing strong leadership, clear direction and quality support services that will enable the agency to operate in an effective and efficient manner."

The Administrative Division supports the planning and operational needs of the Agency by providing administrative guidance, services and technical assistance to executive management and the programs of the Community and Economic Development Divisions. These services include planning and budgeting, accounting, personnel, procurement, information technology, communication and special projects. The key goals of the Division directly reflect the Governor's Strategic Direction for Arizona in the areas of economic prosperity and good government.

A Procedural Audit of the Agency's administrative functions was conducted by the Auditor General's Office for FY 2001. The Agency received good marks for its performance. The Auditor General's Office, which conducts these audits approximately every three years, found no deficiencies in the Agency's internal controls, including cash receipts, cash disbursements, interfund transactions, payroll, purchasing, equipment and revolving fund accounts.

ADMINISTRATIVE PROGRAMS

Executive Office: advances sound economic and community development policy for the state, strengthening Arizona's national and international competitiveness.

Communications: informs and educates elected officials and community leaders, the business community, community and economic development partners, citizens and current/potential customers through printed and electronic communications

Legislative Liaison: represents state community and economic development interests before the Arizona Legislature.

Other administrative functions (includes strategic planning and budgeting, human resources, accounting): provides administrative services to all programs to support their contribution to the agency's mission.

Information Technology: develops, maintains and supports the use of information technology that increases worker productivity.

Research/Special Projects: serves as the source of information on statewide community and economic development.

ADMINISTRATIVE STATISTICS AND ACCOMPLISHMENTS

- Financial transactions processed – 62,900
- RFPs and contracts researched, developed and drafted – 34
- Network Servers maintained – 10
- News Releases disseminated – 41
- Commerce-related activities receiving media coverage – 196
- Electronic newsletters produced (internal and external) – 24

Administrative accomplishments also include improving service and reducing costs. For example:

- Upgraded email system to handle expanded mail volume
- Replaced two printed publications with electronic versions, significantly reducing print costs
- Implemented documented solutions to common Information Technology problems resulting in a 40 per cent decrease in Help Desk Calls and 60% same day resolution on calls received

In addition to cost savings through service improvement, Administration also generates equivalent dollar value through services rendered. This is especially true in the Communications Division, where in just the final month of this fiscal year, electronic tracking of Arizona television and online media outlets showed in excess of \$30,000 worth of coverage (advertising equivalents for air time/column space).



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