



ARIZONA DEPARTMENT OF COMMERCE

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ANNUAL REPORT

F i s c a l Y e a r 2 0 0 6

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COMMUNITY DEVELOPMENT

The community development division focuses on local capacity-building by providing technical and financial assistance to cities, towns, counties, and tribal communities on land use planning, economic development, downtown revitalization, public involvement, smart growth best practices, military land use compatibility, and the complexities of zoning. The Rural Economic Development Initiative (REDI) program and Arizona Main Street program assist Arizona's rural communities in achieving sustainable economies and foster economic development and revitalization in historic downtown areas ~ both programs generate significant returns on local investment dollars. The Community Planning Office administers funding to assist communities with meeting state mandated planning requirements through Growing Smarter Planning Grants and the Office is also home to the \$4.8 million dollar Military Installation Fund and the Arizona Military Regional Compatibility Project. The unique qualities abounding in Arizona are addressed through our Regional Representatives who provide localized community, economic and workforce assistance throughout Arizona's rural and tribal regions.

COMMUNITY PLANNING OFFICE

The Planning Office provides statewide technical assistance and training to Arizona's municipalities, counties, and tribal communities in areas such as land use planning, development, zoning, infrastructure, public participation, and strategic planning. A fundamental philosophy of the Office is to foster community capacity-building and foundation development that will enable local leaders to make informed decisions affecting their community's future. During Fiscal Year 2006, the Planning Office focused on the implementation of Growing Smarter through the provision of staff and resource support to the Governor's Growing Smarter Oversight Council and their effort to develop Growing Smarter Guiding Principles, and also to the Governor's Growth Cabinet; provided staff and resource support to the Governor's



Forest Health Oversight and Advisory Councils; coordinated Arizona's Military Regional Compatibility Project, a statewide effort to identify resolutions to encroachment issues around active military airports; and administered the Military Installation Fund per ARSS 41-1512.01 (\$4.825 million) through which successful land acquisition or related jurisdictional projects will receive funding.

GROWING SMARTER PLANNING GRANTS

In FY 2006, the Growing Smarter Planning Grant program awarded \$57,737 in grant dollars to assist communities and counties in meeting their local planning goals relative to state statutory (Growing Smarter/Plus) requirements.

1. Town of Jerome	\$ 1,937	General Plan Development
2. Town of Dewey-Humboldt	\$10,000	General Plan Development
3. Town of Sahuarita	\$10,000	Open Space Master Plan
3. Yavapai County	\$10,000	Verde Valley Regional Plan
5. Cochise County	\$10,000	Development Impact Fee Ordinance
6. City of Benson	\$10,000	General Plan Update
7. Santa Cruz County	\$ 5,800	Planned Area Development Ordinance

GROWING SMARTER GUIDING PRINCIPLES

During the summer and fall of 2005, the Governor's Growing Smarter Oversight Council held eighteen listening sessions throughout the state to hear peoples' ideas about the future growth of Arizona and how to meet opportunities and challenges that lie ahead. Combined with an additional random sample telephone survey (sample size 700), over 1300 people participated in the outreach process, providing thousands of valuable ideas. The Council's primary goal for early 2006 was carefully streamlining the multitudes of thoughts and comments collected into a well-rounded and cohesive set of Growing Smarter Guiding Principles pertinent to all cities, towns, counties and regions across the state, as well as state agencies and the Governor's office itself. Draft recommendations were presented to Governor Napolitano in April 2006, with additional feedback collected to fine-tune the draft work into a final Guiding Principles report for the Governor in August 2006. The Council continues to work on identifying effective mechanisms for implementation and dissemination of the Guiding Principles statewide.

BOARDS AND COMMISSIONS CONFERENCE

Community land use and planning decisions are enhanced when boards and commissions are confident in their roles and responsibilities. The annual Boards and Commission Conference held on December 12, 2005 featured in-depth sessions of interest to novice and seasoned elected officials, planning commissioners, board of adjustment members and planning staff. The conference this year was a great success with a statewide audience of over 250 attending.



EDUCATION AND TRAINING

- Conducted a workshop for the Town of Jerome Board of Adjustment in July 2005 to review roles and responsibilities, decision-making criteria, and to discuss local planning issues.
- Provided technical assistance in September 2005 to the Town of Thatcher on annexation zoning and to the City of Globe on abandoned building ordinances.
- Facilitated a pre-conference workshop in October 2005 at the Arizona Planning Association annual conference in Prescott. The half-day session focused on the relationship between local planning and wildfire preparedness.
- Worked with the National Governor's Association (NGA) on a strategic planning session to facilitate a more coordinated approach to housing and economic development in Arizona in May 2006. The session involved key stakeholders from the Governor's Office and agencies, such as Housing, Commerce, State Land, and Transportation.
- Provided general planning and community development assistance to the LeChee and Shonto Chapters of the Navajo Nation in May 2006.
- Collaborated with the Rocky Mountain Land Use Institute and a volunteer team of attorneys, land use planners and video production crew to develop a training DVD for distribution to Arizona communities at little or no cost. The DVD was taped in May 2006. It is anticipated that the DVDs will be available for distribution later this year to instruct local government board and commission members on their role in the public decision-making process.



ARIZONA REGIONAL MILITARY COMPATIBILITY PROJECT

The Arizona Regional Military Compatibility Project was conceived as a proactive endeavor to convene the stakeholders around each base – the relevant jurisdictions, base personnel, landowners, and other interested parties – to address land use compatibility issues. The Compatibility Project is the result of legislation passed in 2001 (*Senate Bill 1120*) that appropriated funds to develop comprehensive land use plans in the noise and accident potential zones surrounding active military airports. In response to this legislation, a state agency project team was established, and a consultant selected through a competitive process. The first phase of the project was completed in March 2003. The project has grown now to



include support and funding from the United States Department of Defense, Office of Economic Adjustment. Below is a listing of the individual studies that are complete:

- Western Maricopa County / Luke Air Force Base REGIONAL COMPATIBILITY PROJECT
- Davis-Monthan Air Force Base / Tucson / Pima County JOINT LAND USE STUDY
- Luke AFB Auxiliary Field #1 JOINT LAND USE STUDY
- Barry M. Goldwater Range / Gila Bend Auxiliary Field JOINT LAND USE STUDY
- City of Yuma / Yuma County JOINT LAND USE PLAN (JLUP) - Implementation Strategies Review & Potential Implementation Measures

Policy Guidebook

The Statewide Policy Guidebook received final approval from the Department of Defense, Interagency Review Committee. The Guidebook provides information related to issues of land use compatibility and recommends policies and practices based upon sound compatibility criteria and experience in achieving compatibility in various contexts. It is now finalized and available on the Commerce website.

MILITARY INSTALLATION FUND

In December 2003, the Governor's Military Facilities Task Force put forth twenty-seven recommendations to ensure long-term retention of the State's military facilities so that they may continue to perform their vital national defense functions and maintain their critical role in the State economy. On May 17, 2004, the Governor signed H.B. 2140, a comprehensive military bill that included a number of the Task Force's recommendations, including the establishment of the Military Installation Fund (MIF).

Beginning in fiscal year 2004-2005, \$4.825 million dollars was appropriated from the State general fund for the MIF. This funding is needed to create a mechanism to compensate willing landowners within the territory of Arizona's military airports, military facilities, and operating areas to ensure compatible land use around Arizona's military installations.

- The Arizona Department of Commerce, in conjunction with the Governor's Military Affairs Commission developed and adopted rule procedures for the application and disbursement of the funds.

In FY 2006, \$9,650,000 (two years of funding) was available for land acquisition. During this first MIF round, 17 applications were received for consideration by the Arizona Department of Commerce/Military Affairs Commission. Legislation allowing the Arizona Department of Veteran's Services to purchase and own property became law on September 21, 2006 for their coordination of the land purchase process.



RURAL DEVELOPMENT OFFICE

The Rural Development Office strives to promote local self-sufficiency, encourages communities to take full advantage of all available resources and provides customized support utilizing a broad scope of resources to assist local leaders and organizations in sustainable economic development. The Rural Development Office is charged with four major programs: 1) Main Street, 2) Rural Economic Development Initiative (REDI), 3) Business Retention and Expansion and 4) Governor's Rural Development Conference.

ARIZONA MAIN STREET PROGRAM

"Downtown" is a major industry. It provides products and services, and its contribution to a local economy is significant. The downtown areas of small communities in Arizona are the historic centers of commercial and social life. The legislatively-mandated and award-winning Main Street Program fosters economic development within the context of historic preservation by working as a partner with local and state agencies, property owners and business people to revitalize downtown areas.

In rural Arizona, Main Street has provided guidance for more than \$145 million in local reinvestment since 1986. This represents a return ratio of \$97 of investment for every state dollar spent. Less measurable but equally important are a growing community pride and an improved quality of life.

The Program provides:

- Organizational Training Grant application assistance
- Planning and Assessment, Resource Team Analysis & Architectural Design
- Assistance to Business Workshops & Provide Resource Materials



**Main Street Grants
FY 2006**

COMMUNITY	GRANT AMOUNT	SCOPE OF WORK
Casa Grande	\$425.00	California Conference
Casa Grande	\$2000.00	New Market Tax Credit Training
Casa Grande	\$4,415.18	Business Inventory Database
Florence	\$425.00	California Conference
Florence	\$8,000.00	Logo & Business Directory
Florence	\$2000.00	New Market Tax Credit Training
Globe	\$2000.00	New Market Tax Credit Training
Globe	\$5,250.00	Multi-Use Project
Globe	\$1,500.00	Engineering Study
Globe	\$2,800.00	Globe Theater rendering
Globe	\$2,980.00	Mortar Analysis 1906 Courthouse & Depot
Holbrook	\$2000.00	New Market Tax Credit Training
Nogales	\$2000.00	New Market Tax Credit Training
Nogales	\$1,174.00	IEDC Training
Nogales	\$11,800.00	Morley Ave Dvlp
Payson	\$4,500.00	Streetscape Design
Pinetop/Lakeside	\$2000.00	New Market Tax Credit Training
City of Safford	\$15,000.00	Downtown Marquee
Sedona	\$698.00	Annual Board Training
Sedona	\$15,000.00	Interpretive Panels
Sedona	\$425.00	California Conference
Show Low	\$2000.00	New Market Tax Credit Training
Show Low	\$12,000.00	Creek & Meadow Preservation Plan
William	\$925.00	Board Training
TOTAL	\$103,317.18	

RURAL ECONOMIC DEVELOPMENT INITIATIVE (REDI) PROGRAM

The Rural Economic Development Initiative (REDI) program promotes economic development in rural areas and communities statewide. The Arizona REDI program provides direct assistance to rural communities in organizing an economic development program or effort, and evaluating community resources. Qualified rural economic development programs and organizations with an on-going



commitment to economic development can be recognized through REDI accreditation. The REDI program provides both technical and matching fund assistance.

RURAL ECONOMIC DEVELOPMENT INITIATIVE (REDI) GRANT PROGRAM

- Created by the state legislature in 1987, the REDI Grant Program promotes economic development in rural areas by providing rural organizations with state funds used to create jobs, manage community resources, and develop community marketing strategies that encourage capital investment.
- The return of investment (the total leverage amount for REDI from January 2003 to date) was \$2,616,038. The majority of the grant funding was used to perform market analysis, business attraction, workforce studies, site selections, capital investment signage, and redevelopment of Brownfield sites.
- The REDI Grant Program includes a grant-matching program to fund services such as consultation and research projects that produce statewide benefits.
- Statewide benefits generated from grant matching includes the following: Grant matching has enabled many rural communities with limited budgets to conduct required studies and assessments aimed at improving economic development through job growth and capital investment. The REDI program affects the state by giving resources to rural communities to help attract new business development from other states and look for ways to retain and expand existing businesses. Because REDI distributes its grants throughout the state, we all benefit due to quality of life improvements that increase sales tax revenue and job growth in all counties.
- Organizations must receive REDI accreditation before they are eligible to receive grant funds. As of June, 2006, 25 organizations representing 43 communities held REDI accreditation.

2006 REDI GRANTS

Total grants awarded: \$88,575

Return on investment: Leveraged by \$292,573 in local funds

- **Prescott Valley** received a \$2,950 grant to provide a target industry, cluster study, and direct marketing services review for relocation and expansion opportunities.
- **The White Mountain Regional Development Corporation** received a \$7,250.00 grant for Show Low for a civic center and commercial complex architectural site plan and design.
- **Graham County Economic Development Commission** received a \$12,800.00 grant to support new commercial/industrial development through site improvements at Safford Regional Industrial Airpark



- **The City of Prescott** received a \$15,000.00 grant to perform a feasibility study for a Minor League Baseball Stadium in Downtown Prescott. Upon completion of the study, it is the city's desire to proceed with funding options and appropriate steps to move the project forward.
- **The City of Nogales** received a \$13,526.00 grant to provide pedestrian access to commercial areas during rail service at the Morley Avenue Entrepreneurial Development Area. This grant will open commerce to pedestrians and enhance safety in the commercial area. The project is part of a large collaborative effort from state and local agencies.
- **Lake Havasu City** received a \$9,900.00 grant to set up and fund three separate industries for trial applications of the work-keys program. The grant will help implement, evaluate, communicate, and deliver a workforce development tool to the private sector.
- **The City of Holbrook** received a \$6,500.00 grant to help identify and recruit new businesses and expansion by performing an Old Route 66 existing business and infill inventory. The economic development of Old Route 66 has taken on new light since the environmental cleanup of several Brownfield sites. The grant includes a business inventory and classification assessment, complete and compare databases, and analysis projections.
- **The City of Payson** received a \$6,250.00 grant to produce marketing materials to highlight the business and living environments of the Payson area. The matching grant will aid in the development of a brochure, CD, and folder. The materials will be available to promote biotechnology efforts and other trades to Payson.
- **The Town of Florence** received a REDI grant for \$5,000.00 to design, purchase, and install historic directional signs in strategic locations in order to show visitors where businesses are located and create an information kiosk in the center of the town.
- **The City of Somerton** received a \$4,972.50 grant for an infrastructure study. The study will help produce a comprehensive business attraction strategy. This grant prepares the city to compete for capital investment and commercial/industrial projects that will yield employment opportunities and tax revenue.
- **The Town of Miami** received a \$4,426.50 grant to help survey, engineer, design, and develop 1+ commercial acre in the town. The project has the potential of increasing property taxes by several hundred percent. The project will survey the acreage, existing infrastructure availability and necessary engineering to allow plotting of the property and installation of infrastructure, curbing and retention walls.

**BUSINESS RETENTION AND EXPANSION**

Business Retention and Expansion (BR/E) is a core component of any economic development program. In addition to attracting new businesses to the community, fostering entrepreneurship and encouraging the creation of new businesses, BR/E programs assist businesses in efforts to: 1) keep them from relocating to other

areas, 2) help them survive economic difficulties, 3) assist them with expansions that add new jobs and 4) increase their competitiveness in the global marketplace.

The Rural Development Office in coordination and cooperation with the Agency's various departments and other public and private businesses, provide public attention to attraction and recruitment programs throughout Arizona. Where the urban areas typically have more to offer in terms of land, buildings and workforce; the rural areas are directly supported by the efforts and actions of the Rural Development Office in order to help rural communities compete. As result, rural communities have built strong relationships with the Agency, local economic developers, community colleges, universities and utility companies. Each of these enterprises, working with the Rural Development Office, contributes to building effective Business Retention and Expansion programs.

Typical BR/E activities include surveys and asset inventories to determine the needs, concerns and plans of area businesses including:

- Workforce development – increasing skill-sets by recognizing employer's needs and working with community colleges and universities.
- Interfacing with the Agency's departments, including Business Attraction, Innovation and Technology and Workforce Development.
- Facilitating meetings/conferences to encourage community and economic development.
- Presentations on the Agency's Programs and Services with particular attention on:
 - Job Training (JT)
 - Enterprise Zone (EZ)
 - Economic Strength Programs (ESP)
- Direct relationship building with businesses and support of their expansion and employee retention, including:
 - Site Availability
 - Infrastructure
 - Workforce
 - Housing

Activities during this fiscal year include retention of a manufacturing business in San Manuel, expansion of a mining company in Superior, expansion of a clinic in Pinal County, expansion of a sustainable county consortium in Coconino County, expansion of an alternative energy business in Bullhead City.

GOVERNOR'S RURAL DEVELOPMENT CONFERENCE



Presented by the Arizona Department of Commerce in partnership with the Arizona Association for Economic Development, the Governor’s Rural Development Conference is a nationally recognized event established so communities can share resources, ideas, best practices, acquire new information and networking opportunities. This conference is the “big event” for Arizona’s rural community leaders and economic development professionals. Approximately 500-600 elected and appointed officials, city and county staff, tribal leaders, chamber of commerce executives, business individuals, volunteers, and community and economic developers from throughout Arizona attend the conference.

A successful and affordable conference for 32 years, it is held in Arizona’s rural communities and has been likened to national conferences in “feel” and “content.” The 3 day conference consists of anywhere between 35 and 50 educational sessions each custom-designed, providing valuable information and strategies tailored to meet the needs of its participants. The cutting-edge information and strategies often include case-studies and are presented by professional in their respective fields. The Governor’s Keynote Address, the Governor’s Excellence Award presentations, Arizona Main Street Awards, and keynote speakers round-out this extraordinary rural Arizona gathering.

We are now in our fourth year with our partnership with AAED. This partnership was formed to combine efforts and resources for both the GRDC and the AAED’s former Fall Conference, due to the similarity in format, programs, and sessions. It was in the interest of both organizations to merge the two conferences, in order to provide cost savings benefits, increased attendance, increased revenue, and not to mention the opportunity for more Arizona communities to receive the benefits of both conferences by attending only one. The efforts and missions of these two conferences combined offer these opportunities and valuable tools for participants to succeed in their community and economic development efforts.

The following table indicates the past four years of history for the GRDC regarding location, theme, attendance and revenue.

Locations, Themes, Attendance & Revenue

YEAR	COMMUNITY	HOTEL/FACILITY	CONFERENCE THEME	# OF ATTENDEES
2006	Flagstaff	NAU – du Bois Center	<i>Partnering in Arizona-Diversifying & Sustaining Your Community</i>	(tbd)
2005	Oro Valley	El Conquistador	<i>Regional Partnerships: Expanding Opportunities</i>	643
2004	Lake Havasu City	London Bridge Resort	<i>Unique Communities-Regional Prosperity</i>	500+
2003	Prescott	Prescott Resort	<i>Economic Development – It’s a Team Sport</i>	450+



REGIONAL REPRESENTATIVES

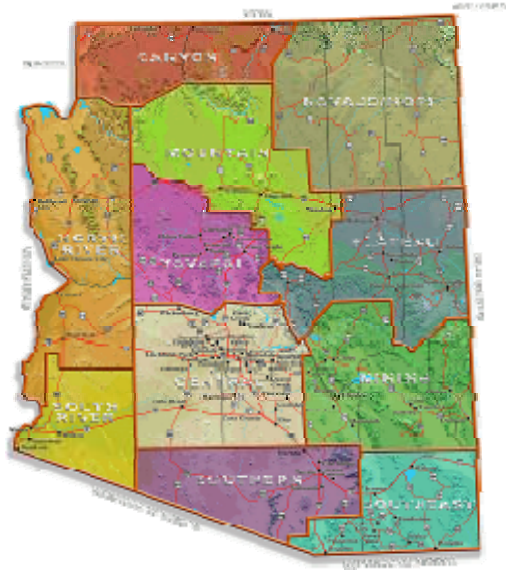
In 2004, the legislature approved funding for Commerce Regional Representatives, thereby establishing critical resources and expertise throughout rural Arizona. As a result of this initiative's success, demand for state-level economic development services provided to rural Arizona dramatically increased. Regional representatives service every county in the state, as well as all Tribes, providing professional and

timely assistance in the realm of community, economic and workforce development projects and activities. Working directly with key-stakeholders, the Regional Representatives interact with elected officials, economic developers, chamber of commerce directors, tribal representatives and any/all other key individuals responsible for the economic climate of their communities and the Regions as a whole. Specifically, the work of the Regional Representatives involves the following:

- Meet with community councils, local business, civic organizations and trade associations to discover the needs of the area and how Commerce can assist them. Provide information regarding Commerce programs and assist or facilitate access to these programs.
- Provide planning services, meeting facilitation, board training services to assist various programs within the Department of Commerce (Main Street, REDI, Workforce Development, Community Planning, Business Attraction, Film, etc.) to their designated organizations and municipalities. These may include but are not limited to the development of short and long term policies and objectives, developing stronger partnerships, conflict resolution, or other issues to enhance economic development sustainability.
- Provide technical assistance to organizations and businesses making application to the Job Training and Apprenticeship programs. Also provide outreach for the Arizona Workforce Connection.
- Provide outreach and technical assistance to businesses through the Business Attraction and Marketing Division.
- Work directly with all tribal communities throughout Arizona, allowing greater responsiveness to the community, economic and workforce needs.



ARIZONA ECONOMIC REGIONS





GREATER ARIZONA DEVELOPMENT AUTHORITY

The Greater Arizona Development Authority (GADA) assists local and tribal governments and special districts with the development of public infrastructure. This \$20 million bond authority leverages funding for infrastructure projects, helping to accelerate project development and lower costs of financing. Both technical and financial assistance are available through the Authority.

GADA is governed by a nine-member Board of Directors comprised of four ex-officio members and five members who are appointed by the Governor.

The Board is responsible for setting policy and approving all projects seeking technical or financial assistance. All Board members serve without compensation.

GADA 2006 Awards

Drexel Heights Fire District

\$1,560,000 G.O. Bonds

Project: Fire Facilities and Equipment

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$73,000

Queen Creek

\$2,470,000 Revenue Bonds

Project: Land Acquisition for Public Administrative Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$122,000

Superior

\$500,000 Revenue Bonds

Project: Fire Facilities and Equipment

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$40,000



Williams

\$1,500,000 Revenue Bonds

Project: Transportation Improvements

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$105,000

Lake Havasu City

\$58,070,000 Revenue Bonds

Project: Wastewater System Improvements

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$507,000

Buckeye

\$14,730,000 Revenue Bonds

Project: Administrative Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$378,000

Queen Creek

\$11,555,000 Revenue Bonds

Project: Library Building

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$306,000

Safford

\$9,420,000 Revenue Bonds

Project: Public Safety

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$192,000

Sahuarita

\$16,355,000 Revenue Bonds

Project: Administrative Facilities

Estimated Gross Interest and Costs of Issuance Savings in the amount of:
\$270,000



ENERGY OFFICE

The Energy Office encourages energy efficiency and renewable-energy usage, provides energy information and policy advice, and supports reduced utility costs and improved comfort for Arizona's low-income residents.

Municipal Energy Management Program (MEMP) – The MEMP program recently has been reorganized as the Community Energy Programs (CEP). CEP provides training, technical assistance and grants to Arizona communities, counties, Indian tribes, and improvement districts with a population fewer than 70,000. This assistance is designed to help communities implement long term energy planning to better understand and evaluate the communities energy use, infrastructure, energy systems, building and site design, and waste management decisions in the context of a sustainable energy future. By engaging in long term strategic energy planning, communities can solve these problems in a manner that is cost-effective and sustainable for residents and the environment.

LOW INCOME WEATHERIZATION PROGRAM

The Low-Income Weatherization Assistance Program has the primary mission of reducing the fuel or electricity expense for space heating, space cooling, and water heating for income-eligible households, while improving the health and safety of the dwelling's occupants.

- **Total homes impacted:** 700 per year.
- **Criteria for applicants:** Arizona's defines "low-income" for eligibility purposes as follows:
 - Income is at or below 150 percent of the federal poverty level determined in accordance with criteria established by the Office of the Secretary, US. Department of Health and Human Services.
 - Households that include members who have received cash assistance payments under AFDC or SSI, are automatically eligible for Weatherization assistance.
- **Financial savings for low-income Arizonans:**
 - An Oak Ridge National Lab study of the Weatherization Program found an average of \$218 annual energy cost saving per household assisted.



- The dollar value of non-energy benefits resulting from the Weatherization of a single home can be two to three times the energy cost savings. Non-energy benefits are produced from improved property values, improved health for the residents, growth in local employment, reduced arrearages, and environmental externalities.
- **Long-term savings to the state:**
 - Utility bill analysis completed by the Energy Office and by Oak Ridge National Lab found a present value of saving (saving over the life of measures) to be in the range of \$1.30 to \$1.50 per dollar spent.
 - Based on approximately \$3.91 million in total funding from federal and utility sources, present value of saving for the 2006 program year equals approximately 5 to 5.7 million dollars.
- **Federal or state funding:**
 - Federal funding - \$1,138,751 from the Department of Energy and \$1,229,691 from Health and Human Services from the Low-Income Home Energy Assistance Program.
 - Utility Funding - \$350,000 from Southwest Gas, \$1,000,000 from Arizona Public Service, \$200,000 from Tucson Electric Power.

REBUILD ARIZONA PROGRAM

The Rebuild Arizona Program is part of the Rebuild America Program at the U.S. Department of Energy. The program helps businesses and communities reduce energy use in buildings. Since 2004, the Rebuild Arizona program has administered more than \$372,926 in grant monies to implement energy program activities.

- Total homes impacted 1/03 through 6/06: 7,628
- Estimated annual energy cost savings 1/03 through 6/06: \$699,199
- Present value of savings: More than \$13 million
- Commerce's Rebuild Arizona program teamed up with the AZ Dept of Housing to modify the state's Housing Tax Credit Program to include energy-saving requirements, plan review and site inspection requirements.
 - Through the Rebuild America grant, Commerce staffs an engineer's time to perform plan reviews and make site inspections to ensure compliance with energy standards.
- Rebuild Arizona grant monies also provide funds to:
 - Staff the Department's Municipal Energy Management Program MEMP (see MEMP section for specific details).

U.S. DEPARTMENT OF ENERGY (USDOE) GRANTS

Commerce has received \$3,678,667 for 25 direct and pass-through grants over the last 3 years, leveraging \$20,368,893 in matching funds for energy efficient and renewable energy projects.

- Special Project Grants fund projects for:
 - Clean Cities Initiatives
 - Industries of the Future



- Building Codes and Standards
- Rebuild America, Building America
- Wind Energy
- Distributed Energy
- Air Quality Integration.
- Objectives of the funding opportunities are:
 - To directly involve States in activities to accelerate deployment of energy efficiency and renewable energy technologies
 - To facilitate the commercialization of emerging and underutilized technologies; and
 - To increase the responsiveness of federally funded technology development efforts to the needs of the marketplace.

2006 GRANTS (USDOE)

Total grants awarded: \$1,248,088

Return on investment: Leveraged \$7,615,574 in local community match funding.



Town of Superior Project

This pilot program is to revitalize the economy of the rural Town of Superior. Through the efforts of bringing together multiple funding sources from local, state and federal areas the town has been able to start numerous projects and receive grant dollars to accomplish these projects. By developing these projects a sense of community pride and involvement has inspired citizen participation in the foundation and future of this town.

Superior WiFi

- USDA Rural Development Grant \$270,000
- CEDC Loan \$35,000
- Town of Superior \$25,000
- Superior Business Community \$7,500
- Total Project - \$337,500***

Superior Tourism Committee, Visitor Center

- AOT Grant \$50,000
- Town of Superior \$7,500
- Total Project - \$57,500***

* Actual dollars no in-kind added



WORKFORCE DEVELOPMENT

Workforce Development crafts policies that support efficient and effective coordination of workforce programs statewide and provides the business community with job training grants and apprenticeship registration.

WORKFORCE POLICY

In an effort to align the workforce system with a business oriented focus the Arizona Department of Commerce Workforce Policy division works closely with the Governor's Council on Workforce Policy. In FY2006, the GCWP granted \$650,000 in Federal Workforce Investment Act (WIA) funds to Arizona's Workforce Investment Areas to execute business outreach projects. These business projects ranged from working with Maricopa Community Colleges to provide a industry focused certification program for the manufacturing industry to creating workforce surveys to assess the specific local needs of a business community.

Governor's Council on Aging

Working in partnership with the Governor's Council on Aging (GACA), the Workforce Policy staff is helping to create a Mature Worker Employee Friendly Designation (MWEFD) which will be launched in August 2007. This designation will allow employers to showcase their companies to the growing mature workforce.

Commerce is also working with GACA on the Governor's Aging 2020 plan. Utilizing funding from the GCWP Commerce is helping to support the creation of an index of statewide workforce indicators. The indicators will reflect a myriad of information at the County level and will include information such as demographics, education levels, and growing industries. This information will be useful for those looking to identify trends in Arizona's workforce.



Workforce Development Strategy for Arizona Film Industry

In collaboration with the Governor's Film and Television Commission, the Workforce Policy unit has helped to create a "below the line" workforce strategy for Arizona's growing film and television industry. This strategy includes working with Arizona's Community colleges, apprenticeship programs, universities and private institutions to ensure Arizona has enough skilled labor to support this expanding industry.

Nineteen Tribal Nations Workforce Investment Board (NTN WIB)

The Department of Commerce in partnership with the Nineteen Nation Workforce Investment Board (NTNWIB) was awarded \$50,000 in funding for the United States Department of Agriculture to help enhance the NTNWIB's understanding and knowledge of workforce and economic development strategies. Training for these members will be conducted over a six month time period, a manual will be created to ensure continuous learning and allow these Board members to share this information with other members of their Tribal Nations.

Arizona Information Technology Skills Training Initiative

This grant, through the Department of Labor, is designed to implement a new, advanced information technology training program. This curriculum will include the design and implementation of e-learning modules based upon proven, existing software best practices developed by IBM. These modules will be focused on software engineering quality, software testing and analyzing the quality of software.

The new training will focus on these three critical skills:

1. Software Testing
2. Software Quality
3. Engineering Quality in Software Development

The purpose of this training initiative is to increase the skills of Arizona workers through the development of this new curriculum that will include three comprehensive training modules.

Training will be begin at Mesa Community College and Northland Pioneer College. After completing the three training modules and successful completion of the final exam for each course the student will earn an IBM certification.

The Arizona Department of Commerce is taking steps to have the training program registered with US Department of Labor on their list of Apprenticiable Occupations. This will allow businesses wishing to have IT apprenticeships adopt the training program and tailor it to their needs.



APPRENTICESHIP PROGRAM

Apprenticeship is a proven strategy that combines on-the-job training with related theoretical and practical classroom instruction to prepare exceptional workers for Arizona’s industry. Registered apprenticeship is a training system that produces highly skilled workers that meet the demands of employers competing in a global economy.

Private and public sectors – individual employers, employer associations or joint labor/management sponsors, operate registered apprenticeship programs. Program sponsors pay most of the training costs while also paying progressively increasing wages to apprentices as they gain skills. Registered apprenticeship programs can be competency based or time based depending on program sponsor needs.

Arizona has more than 100 registered apprenticeship programs in such industries as agriculture, forestry, and fishing; mining; construction; manufacturing; transportation, communications, electric, gas, and sanitary services; services; and public administration.

- Number of active registered programs 125
- Number of workers in registered programs 4,044
- Percentage of registered programs with rural employees 36%

JOB-TRAINING GRANT PROGRAM

The Arizona Job Training Program is a reimbursable grant program funded by a dedicated tax paid by employers (employer training tax). The program supports the design and delivery of customized training to meet specific needs of employers, create new jobs, and increase the skills and wage levels of employees in Arizona. The primary objectives of the program are to create jobs by attracting potential employers to Arizona and to retain and improve the employment situation of current workers, especially in regards to training level and wages. Additionally, the program is designed to attract employers to enterprise zones, which are areas of high poverty and/or unemployment rates. Grants are provided to businesses for training new and existing employees. Each beneficiary is given two years to complete job-training programs before they are able to apply for additional grant funds. The program has numerous benefits:

- Employees benefit by receiving advanced job training.
- Business firms benefit from having a highly skilled workforce.
- The state and local communities benefit by receiving sales, income, and property tax revenue.

The “Net New Hire” portion of the program allows businesses to apply for grant funds that reimburse up to 75% of the costs expended for new employee training. The “Incumbent Worker” portion of the program provides funding for up to 50% costs of training targeted at improving the skills of existing employees.



2006 GRANTS (JT)

Total grants awarded: \$14,031,807

Breakdown of rural businesses, small businesses and large businesses

(note: some businesses are categorized as both small and rural - so totals may not reflect the true number of participating companies):

- Small: 58
- Rural: 38
- Large: 59

Forecasted number of new/existing employees trained: 11,678

Forecasted number of new jobs created: 2,668

Forecasted number of incumbent workers trained: 9,010

Forecasted number of companies participated/benefited: 122 (136 new grants awarded; 122 companies as some received both new and incumbent grants.)

COMPANY NAME	CITY
ABLE INFORMATION TECHNOLOGIES, INC.	CHANDLER
ACE HARDWARE CORPORATION	PRESCOTT VALLEY
ADVANCED FERTILITY CARE, PLLC	SCOTTSDALE
AIMCO PRECISION INC.	PHOENIX
AJS INSURANCE SERVICES, INC	LAKE HAVASU CITY
AMCOR SUNCLIPSE NORTH AMERICA BUSINESS	TEMPE
APACHE NITROGEN PRODUCTS INC.	ST. DAVID
ARCHITECTURE COMPANY (THE)	TUCSON
ARIZONA CAPACITORS, LLC	TUCSON
ATLAS WEATHERING SERVICES GROUP	PHOENIX
AVNET	PHOENIX
B/E AEROSPACE, INC.	TUCSON
BANK OF AMERICA, NA	PHOENIX
Braid USA Magazine and Publishing LLC	PHOENIX

COMPANY NAME	CITY
BUY CABINETS.COM	FLAGSTAFF
CABELA'S RETAIL INC.	GLENDALE
CAMBRIDGE FILTER CORPORATION	GILBERT
CAN-AM ENGINEERING GEOMATICS ARIZONA LLC	MESA
CAPTARIS, INC.	TUCSON
CARCLO TECHNICAL PLASTICS DBA CTP CARRERA INC.	TUCSON
CARDINAL OPTICS, INC.	TUCSON
CORD BLOOD REGISTRY	TUCSON
CSK AUTO, INC.	PHOENIX
CVS PHARMACY	PHOENIX
CXT INC	TUCSON
CYRACOM INTERNATIONAL INC	TUCSON
DAVID EVANS & ASSOCIATES	PHOENIX
DIAL CORPORATION, THE	SCOTTSDALE
EMERGENCY RESTORATION EXPERTS	CHANDLER



COMPANY NAME	CITY
ENGINEERING & ENVIR. CONSULTANTS, INC.	TUCSON, PHOENIX, FLAGSTAFF
EVERGREEN AIR CENTER INC.	MARANA
EXPRESS GRAPHICS	FT MOHAVE
FAIRCHILD & HERSCHELD ENT INC. DBA SALON DE NOUVEAU	TUCSON
FIRST NATIONAL BANK OF AZ	SCOTTSDALE
FLEXIBLE TECHNOLOGIES	PHOENIX
FLOWERS, REIGER & ASSOCIATES	TUCSON
FOX PRESENTS, LLC	TUCSON
GDB ENTERPRISES, INC. dba G&L	TUCSON
GECO INC.	MESA
GLOBALVANTAGE DESIGN SOURCE LLC	PHOENIX
GMAC MORTGAGE CORPORATION	PHOENIX
GOOGLE, INC.	TEMPE
GREAT SCOTT DESIGN, INC.	TUCSON
HACI MECHANICAL CONTRACTORS, INC.	PHOENIX
HAMILTON SUNSTRAND	PHOENIX
HANGER ORTHOPEDIC GROUP	TEMPE
HAVASU REGIONAL MEDICAL CENTER	LAKE HAVASU
HINES HORTICULTURE	CHINO VALLEY
HORIZON COMMUNITY BANK, INC.	LAKE HAVASU CITY
HOSPICE OF HAVASU	LAKE HAVASU CITY
IMARX	TUCSON

COMPANY NAME	CITY
INFORMATION & COMMUNICATION SYSTEMS	SCOTTSDALE
INSIGHT ENTERPRISES	TEMPE
INSPEECH, INC.	TUCSON
INTERNATIONAL BUSINESS MACHINES CORPORATION	TUCSON
INTERSTATE MECHANICAL CORPORATION (IMCOR)	PHOENIX
JOBING.COM, LLC	PHOENIX
KBI CONSTRUCTION, LLC	GLENDALE
KREBS INTERNATIONAL dba KREBS ENGINEERS	MARANA
LAMB CHEVROLET, INC.	PRESCOTT
LASERTEL INC.	TUCSON
LAWDEX CORPORATION	TUCSON
LE*NATURE'S INC.	PHOENIX
LEBARON & CARROLL, LSI	MESA
LOCKHEED MARTIN INFO AND TECH SERVICES	PRESCOTT VALLEY
MACSTEEL SERVICE CENTERS USA	TUCSON
MADJ INC. DBA LODI DOOR	PHOENIX
MEDICAL SECURITY CARD COMPANY	TUCSON
MEDICIS PHARMACEUTICAL CORP	SCOTTSDALE
MICROBUSINESS ADVANCEMENT CENTER	TUCSON
MIDSTATE MECHANICAL, INC. MIDSTATE MECHANICAL DEVELOPMENT INC.	PHOENIX
MIDWEST INTERNAL MEDICINE PLLC	LAKE HAVASU CITY
MINTEC, INC.	TUCSON
MOHAVE STATE BANK	LAKE HAVASU CITY



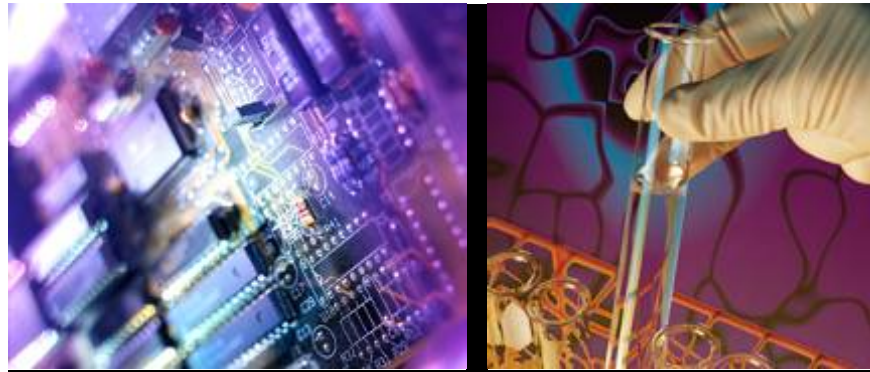
COMPANY NAME	CITY
NATIONAL VITAMIN COMPANY	CASA GRANDE
NAUTICAL INN RESORT & CONFERENCE CENTER	LAKE HAVASU CITY
NCL LTD DBA NCL OF NORWEGIAN CRUISE LINE	MESA
NET TRANSCRIPTS, INC	SCOTTSDALE
NETPRO COMPUTING, INC.	PHOENIX
NEVITT, OLEKSY & ASSOC, LTD	PHOENIX
NEW MEXICO TECHNOLOGY GROUP, LLC dba NEWTEC	FT. HUACHUCA
NORTH COUNTRY KINGMAN DBA PRUDENTIAL MOHAVE	KINGMAN
NORTHROP GRUMMAN	TEMPE
NORTHWESTERN INDUSTRIES, INC	YUMA
NPG CABLE, INC.	LAKE HAVASU CITY
PARAGON SPACE DEVELOPMENT CENTER	TUCSON
PATIO POOLS OF TUCSON, INC	TUCSON
PELLA CORPORATION	TUCSON
PETER'S INC DBA ALLEGRA PRINT & IMAGING	TUCSON
PITZER'S ONE HOUR AIR CONDITIONING & HEATING	KINGMAN
PORTELLA MANUFACTURING, LLC	PHOENIX
PRESCOTT CHAMBER OF COMMERCE	PRESCOTT
PRIMUS PHARMACEUTICALS, INC	SCOTTSDALE
PRUDENTIAL REAL ESTATE AND RELOCATION SERVICES, INC.	SCOTTSDALE
QUINTUS, INC	CAMP VERDE

COMPANY NAME	CITY
RESOLUTION COPPER MINING LLC	SUPERIOR
RURAL METRO FIRE DEPARTMENT dba RURAL METRO AMBULANCE/RURAL METRO FIRE DEPARTMENT	YUMA
SAFE AUTO SERVICES, INC.	PHOENIX
SCA TISSUE NORTH AMERICA LLC	BELLEMONT
SELF-EMPLOYMENT LOAN FUND, INC.	PHOENIX
SMITTHIPONG & ROSAMOND ASSOCIATES, INC.	TUCSON
SOUTHWEST WINDPOWER	FLAGSTAFF
SPECTRA PHYSICS A DIVISION OF NEWPORT CORPORATION	TUCSON
STURNER AND KLEIN	FLAGSTAFF
SYMBOL GROUP, INC	TUCSON
TECHNICAL RESOURCE MANAGEMENT INC DBA NORCHEM DRUG TESTING MEDICAL ACCOUNTS	FLAGSTAFF
TRI-CITY MECHANICAL INC	CHANDLER
TRULY NOLEN OF AMERICA, INC.	TUCSON
TRW	QUEEN CREEK
TUCSON AEROSERVICE CENTER, INC.	MARANA
UNITED PARCEL SERVICE INC	PHOENIX
VAISALA, INC	TUCSON
VEECO INSTRUMENTS, INC dba VEECO METROLOGY	TUCSON
VENTANA MEDICAL SYSTEMS, INC.	TUCSON



COMPANY NAME	CITY
WALBRO ENGINE MANAGEMENT	TUCSON
WESPAC CONSTRUCTION INC	PHOENIX
WESTERN ARIZONA HUMANE SOCIETY	LAKE HAVASU CITY
WESTLAND RESOURCES, INC.	TUCSON
WILSON ELECTRIC	TEMPE

COMPANY NAME	CITY
SERVICES	
WULFSBERG ELECTRONICS	PRESCOTT
YODA FARM LTD dba STOCKTON HILL ANIMAL HOSP	KINGMAN
ZETATEC INTERNATIONAL LLC	SCOTTSDALE



BUSINESS DEVELOPMENT

Business Development encourages retention, expansion and location of businesses across the state. Commerce supports entrepreneurs, small businesses, minority and women-owned enterprises and industry targeted sectors. To support international efforts Commerce maintains trade offices in Asia, Europe and Mexico.

BUSINESS DEVELOPMENT AND ATTRACTION

The Arizona Department of Commerce markets Arizona worldwide in an effort to attract new business and high-wage jobs. Commerce is also instrumental in relocating Arizona companies and industries and expanding existing companies into new areas.

We saw a 21-percent jump in the number of business projects locating or expanding to Arizona this past fiscal year. In FY06, the Business Development and Attraction team received 468 project leads generating 163 visits to Arizona and resulting in 45 projects locating or expanding to Arizona.

Performance Results:

- **Number of new projects located or expanded in Arizona: 45**
- **Total number of jobs created: 8,076 new jobs over next three years**
- **Total capital investment: \$451.58 million**



- **Average annual salary of new jobs: \$47,888**

Company (Locate, Retention, Expansion)	Projected Jobs	Location
National Vitamin Company, Inc. (L)	130	Casa Grande
Nestle Waters North America (L)	50	Phoenix
OZ Optics Limited (L)	100	Tucson
Bank of America (L)	521	Phoenix
Lockheed Martin (L)	250	Prescott Valley
Fat Pipe Networks (L)	40	Phoenix
Republic Plastics, LTD (L)	100	San Manuel
GECO (E)	4	Mesa
IBM (L)	60	Tucson
Banks Lumber (L)	100	Phoenix
Countrywide Financial Phase IV (E)	1,400	Chandler
InNexus Biotechnology (L)	50	Scottsdale
Pella Windows (L)	400	Tucson
Safe Auto (L)	250	Phoenix
Alenco (L)	100	Phoenix
Imaging Fidelity (L)	45	Tempe
Consolidated Systems, Inc. (L)	30	Phoenix
Commerce Oversees (L)	20	Mesa
Medicis Pharmaceuticals (E)	25	Scottsdale
Johnson Controls (L)	280	Yuma
Henderson Trucking (L)	40	Holbrook
Pinal Energy LLC (L)	60	Maricopa
AAA (L)	1,470	Glendale
Humana (L)	170	Phoenix
Corinthian Colleges (L)	300	Tempe
ASI Corp.(L)	40	Phoenix
Thermasave (L)	100	Winslow
GBDE Automotive (L)	30	Phoenix
Southwest Farm & Ranch Products (L)	15	Queen Creek
Troy Corporation (E)	150	Phoenix
Google Phase 1 (L)	300	Tempe
Code Electric (L)	75	Tempe
X-Air (E)	11	Mesa
Macsteel Service Centers USA (L)	35	Tucson
United Plastics (L)	375	Gilbert
Portella Manufacturing (L)	70	Phoenix
Pepsico (L)	110	Phoenix
L-3 Communications (L)	96	Phoenix
Royal/CoinCo (L)	34	Glendale



Sanofi-Aventis (R,E)	105	Oro Valley
Verde Resources (Western Wind Energy) (L)	35	Kingman
Flexible Technologies (L)	100	Phoenix
Daisy Corp. (L)	125	Casa Grande
Arizona Canning (L)	175	Tucson

Note: Confidential projects not included in listing.

INTERNATIONAL TRADE & INVESTMENT

The International Trade & Investment Office is a vital component of the State's international business development strategy. Its mandate is to assist Arizona's small and medium-sized companies (SME) that are either new to exporting or are expanding to new markets, and to attract foreign-direct investment into Arizona. The International Trade & Investment Program included more than 1,287 participants from Arizona and facilitated an estimated \$50.4 million in new business revenues.

The International Trade & Investment Office provides Arizona exporters with business development trade missions, affordable participation at selected trade shows, market research, and educational seminars. The International Trade & Investment Office works closely with the Business Attraction unit. The foreign offices market Arizona as a premier business location, and encourage foreign companies to explore direct investment opportunities in Arizona. They also provide Arizona businesses with services such as identification of commercial representation, market research, arrangement of customized business visits, and advice on business practices. The offices are located in key areas of the world: Shanghai, China & Taipei, Taiwan; Guadalajara, Mexico; Wales, UK; and Tokyo, Japan

Counseling & Event Participation

The International Trade & Investment Office promotes international trade and markets the state as a premier location to attract foreign investment. This section summarizes the accomplishments in all activity areas.

- Arizona companies participating in trade shows, outward trade missions, trade events, conferences and seminars– 1,287
- Export/Trade Substantive Counseling Sessions and Research – 708
- Number of Foreign Direct Investment Contacts (outreach and leads)– 505
- Trade Events Domestic and International – 28
- Foreign Trade Delegations assisted in Arizona – 7
- Foreign Government Delegations assisted in Arizona– 16



Trade Missions

The International Trade & Investment Office Trade Missions highlight Arizona's commercial, educational, and cultural links with countries visited. The presence and support of the State of Arizona facilitates access to key economic decision-makers for Arizona firms and provides a much greater public profile to business participants, helping them to network with the local business community.

Trade Missions send a strong message to prospective partners that Arizona is committed to doing business with them. They help build prestige and credibility for Arizona, while helping new exporters, particularly small and medium-sized firms, position themselves in markets where competition is fierce.

Outward Missions

These trade missions are an effective vehicle for small and medium size companies to conduct hands on market research, meet with potential buyers and build contacts in foreign markets.

Event	Location	Primary Industries Targeted	Number of Private Partners	Number of Public Partners
Bio Japan 2005	Japan	Bio	3	0
MatchMex	Mexico (Guadalajara, Mexico City)	Multiple	7	3
Okayama Wing-Win Delegation	Japan	Machine Tools	13	1

Inward Trade Missions

The International Trade and Investment Office hosts inward trade missions consisting of both governmental and business foreign delegations in Arizona.

Country/Region	Location	Number of Participants from Country	Primary Industries
Brazil		2	Multiple
Chile		3	Multiple
European Union		3	Multiple
Japan	Okayama	20	Aerospace
Mexico	Chihuahua	20	Aerospace
	Sinaloa	15	Multiple
	Sonora	20	Aerospace



China		5	Multiple
Namibia		10	Environmental/Sustainable
United Kingdom		4	Aerospace
Australia		1	Multiple
Canada	Quebec	20	Aerospace
France		5	Multiple
Belarus		1	Multiple
Germany		3	Multiple
Austria		3	Optics
Malaysia		25	Multiple

Trade Shows

The International Trade and Investment Office participates yearly in industry specific trade shows providing affordable participation at high quality international events to Arizona small and medium size companies.

Event	Location	Primary Industries Targeted	Number of Private Partners	Number of Public Partners
Farnborough	United Kingdom	Aerospace	8	2
FIDAE	Chile	Aerospace	4	0

Foreign Direct Investment Shows

Through its foreign trade offices the International and Investment Office promotes the state to foreign firms as a premier business location to locate a business at shows in foreign markets.

Event	Location	Primary Industries Targeted
Osaka Business Expo	Japan	Multiple
Automobile Technology Show	Japan	Auto
Business Show	Japan	Multiple
Bio Expo Japan	Japan	Bio
New Environment Show	Japan	Environmental

Foreign Direct Investment Events and Conferences

The International Trade and Investment Office market the state as a premier business location and encourage foreign companies to explore direct investment



opportunities in Arizona. To market the state the Office in conjunction with its foreign trade offices organizes and participates in industry-targeted events such as seminars, shows, conferences, etc.

- Shizuoka Pref. Industrial Fair
- BIO Chicago
- Business Show Tokyo
- Kinki Bio Seminar
- Stealth Conference

- Inter Nepcon Japan Show
- Fiber Optics Expo
- Okayama Pre Seminar
- International Lewelly Tokyo
- Tour/Meeting ASU Poly

Trade Events and Conferences

The International Trade and Investment Office participated in 24 different events and conferences as part of the outreach networking and training efforts. The office participates at different levels to suit the requirements such as coordination, logistics and recruitment. Some of the events attended during FY 06 were the Business Show in Tokyo, Increase International Sales While Avoiding Fines, Bureau of Industry and Security Export Regulations Training, Fiber Optics Expo, and more.

International Offices

The International Trade and Investment Office maintains international offices to provide on the ground support and serve as an important resource to accomplish the trade and investment efforts of the state.

Each year, the International Trade & Investment Office facilitates a week-long schedule of one-on-one appointments and presentations for Arizona companies with the state’s overseas trade representatives. The meetings are free of charge and provide Arizona companies services such as market research, establishing in-country representation, establishment of contact with foreign government officials and potential customers, and customized business visits for Arizona companies

Educational Opportunities – Seminars

The International Trade & Investment Office actively engages in educating small and medium size Arizona companies with the intricacies of exporting.

To accomplish this goal the International Trade & Investment staff participated in events to promote and prepare Arizona companies for international business. These seminars averaged between 25-50 company participants.

- Seminars**
- SBA-Global Opportunities in Aerospace
 - UK: Face to Face with the Experts
 - Yuma Exporters Academy
 - Doing Business with India
 - CIS: Eastern Europe Business Forum

- Location**
- Phoenix
 - Phoenix, Tucson
 - Yuma
 - Phoenix
 - Tucson



- Canada Straight Up Phoenix
- The EU: Meeting the EU Ambassador Tempe
- Yuma Business Expo Yuma
- Seminar Trade Resources Yuma
- Doing Business with Canada: Canada Straight Up Phoenix
- The National Law Center for Inter-American Free Trade Tucson
- Arizona State University International Business Seminar Tempe
- Exporters Academy SBDC and ADOC Tucson
- International Trade Seminar SBDC and ADOC Yuma

Arizona Global Stakeholders Outreach

The International Trade & Investment Office takes an active role as the lead entity of the state to promote trade and global outreach. The office collaborates with different boards and commissions, universities, industry associations and others to support the Agency’s overall mission. Some of the commissions that the International Trade & Investment Office participates in are the Arizona-Mexico Commission, Border Governors Conference, and the District Export Council.

ENTERPRISE ZONE (EZ) PROGRAM

The Enterprise Zone Program improves the local economies of state areas with high poverty and unemployment rates by providing incentives and increasing opportunities for private investment in “enterprise zones.” In order to encourage private investment as well as job creation and retention in zones, the EZ Program offers two major benefits:

- Income tax credits for non-retail businesses or insurers creating new jobs in a zone.
- Property reclassification for small manufacturers investing in a zone.

GENERAL EZ OVERVIEW (FY2006)

- Tax credits companies reported: 5,572 new jobs were created.
- Tax credits companies reported: 5,736 continuing jobs.
- Property reclassification manufacturers reported: 2,138 jobs were supported.
- Capital investment: Tax credit companies and property reclassification manufacturers made over \$957.6 million dollars in capital investment.
- Total new job tax credits: \$9,413,371 tax credits were reported.
- Total # enterprise zone companies:
 - Tax credit companies: 209 companies reported tax credits.
 - Since the inception of the property reclassification program 85 manufacturers have been certified for the benefit; 44 are active at this time with 22 newly certified in FY06.
- Enterprise Zone Designations: The total number of Enterprise zones is 26.



2006 EZ CERTIFICATIONS

- A total of 209 companies reported \$9,413,371 in tax credits at 341 business locations. Many of the companies who reported in FY06 have several business locations in different zones. With a combined investment of over \$832 million dollars, these companies created 5,572 new jobs with an average wage of \$16.87 per hour for the State of Arizona. These companies also reported 3,859 continuing second year jobs and 1,877 continuing third year jobs.
- There were 44 active manufacturers in the program, 22 of which were newly certified in FY06. With a combined investment this year of over \$137 million dollars, these companies employed 2,242 Arizonans with an average wage of \$15.84 per hour. The active companies include 43 small manufacturers and 1 minority-owned manufacturer.

ECONOMIC STRENGTHS PROJECTS (ESP) PROGRAM

The ESP Grant Program is a cooperative effort on behalf of Commerce and the Arizona Department of Transportation that provides state-funded grants for road construction and improvement projects in beneficiary cities, towns, counties and tribal entities. Both the state and local community benefit from sales and tax revenues generated from increased job creation. This is a competitive grant-matching program wherein applicant communities must be able to provide matching funds amounting to at least 10% of the project total.

The primary purposes of the program are as follows:

- Create and retain a significant number of jobs in Arizona
- Foster capital investment in Arizona land, building, and equipment initiatives
- Improve state and local economy

Funding of up to \$500,000 is available for grant allocation twice yearly in January and July.

Return on Investment: These grants provide funding to communities for highway or road projects to assist businesses creating quality jobs in Arizona.

2006 GRANTS (ESP)

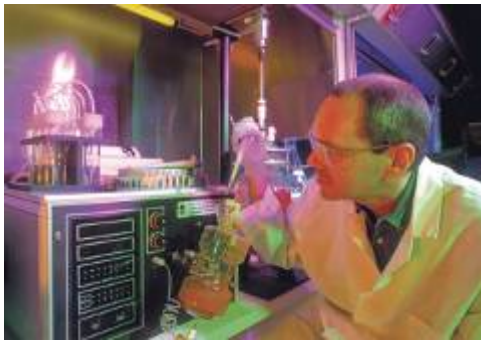
Total grant awarded: \$1,117,370 awarded in ESP grants

Return on investment: Assisted the creation of 447 new jobs and capital investment of \$87.1 million.

- \$290,000 grant awarded to the City of Casa Grande for new construction of Ash and Shultz Streets. This project will facilitate the operations of Daisy Brand, LP, a manufacturer of cultured dairy products. The total capital to be invested in the Daisy Brand facility is \$32 million and 45 jobs will be created.



- \$170,682 grant awarded to the Town of Taylor for improvements to State Highway 77. This project will facilitate the development and operations of a Wal-Mart retail center. The total capital to be invested in the Wal-Mart facility is \$11 million and 128 jobs will be created.
- \$446,688 grant awarded to the City of Surprise for new construction to the intersection of Dysart and Peoria Avenue, as well as expansion for the northern section of Peoria Avenue, between Dysart Road and Milgard Way. This project will facilitate the operations of Milgard Manufacturing Incorporated, a window and door profiles manufacturer. The total capital to be invested in Milgard Manufacturing's facility is \$39.1 million and 171 jobs will be created.
- \$210,000 grant awarded to Pinal County for reconstruction of the San Manuel Airport Access Road. This project will help Republic Plastics, which manufactures polystyrene foam products. The total capital to be invested in the facility is \$5 million and 103 jobs will be created.



AZ FAST GRANT PROGRAM

The Arizona Federal and State Technology (AZ FAST) Grant Program is administered through the Arizona Department of Commerce and equally funded by the US Small Business Administration and the Arizona Department of Commerce. AZ FAST is available for education and grant programs that will help technology entrepreneurs in Arizona commercialize their technology through the federal Small Business Innovative Research (SBIR) and Small Business Technology Transfer (STTR) Programs.

AZ FAST Grants are awarded to encourage the growth and development of technology companies in Arizona.

- 50% of FAST Grant funding comes from Commerce Economic and Development Commission state funds.
- The remaining 50% of funding comes from the U.S Small Business Administration Federal and State Technology (FAST) Partnership Program.

The AZ FAST Grant Program first started in 2003 and ended in September 2006. Total "AZ FAST Grants" awarded were \$275,000 and as a result, Arizona technology companies received over \$6 million in SBIR/STTR federal grants providing an economic leverage ratio of 1:22. These federal grants prompted a 41% increase in new jobs, providing a salary at about 45% higher than the state-wide average.



As of 2005, the US SBA has discontinued the program; however, the Commerce Economic and Development Commission state will further fund the AZ Fast grant program after January 2007.

2006 GRANTS (AZ FAST)

In 2006, a total of \$75,000 (half state funded, half federally funded) was awarded to 15 companies. Arizona technology businesses received advisory services for SBIR/STTR opportunities, equity/capital structure review, business plan review, marketing plan review and intellectual property protection assistance. Experienced grant coaches and business advisors provided one-on-one assistance to the following companies for up to \$5,000 for each company.

Arizona technology companies that received funds for one-on-one technical assistance are: Autolearn, Cube Technology, Earth Knowledge, Thorpe SEEOP, Blue Mountain Technologies, ieLinks, NEST Energy Systems, Paragon Space Development, Ridgetop Group, Tech Projects LLC, Visual Pathways, MAGNE Generators, Cronus Consulting, FlexAble Technologies and KB Engineering.

Arizona companies that applied for and won federal SBIR/STTR grants in 2006 are:

Engineering Science Analysis	\$	100,000
Medipacs	\$	100,000
QuantTera	\$	750,000
<u>Tucson Embedded Systems</u>	<u>\$</u>	<u>100,000</u>
Total Awarded in 2006:	\$	1,050,000

A survey was conducted and recipients of the AZ Fast program rated the AZ Fast Gant as being instrumental in understanding and mastering the SBIR/STTR grant process for future proposals.

SMALL BUSINESS SERVICES

Small Business Services (SBS) provides information and resources for every stage of small business development. An online Step-by-Step Checklist guides entrepreneurs through information to start, expand or operate a small business in Arizona, including licensing information and statewide resources. Small Business Services collaborates with city and state agencies and numerous business organizations to promote entrepreneurship among minority-, woman-owned, small and disadvantaged business enterprises. In addition, we advocate on small business issues that are important throughout Arizona.

SMALL BUSINESS ASSISTANCE

The Small Business Assistance division serves as a "one-stop shop" for entrepreneurs seeking information on registering a trade name, filing articles of



incorporation, city and state business licenses, sales tax, hiring employees, financial assistance, free counseling services, certification, procurement opportunities, women and minority business organizations, and small business resources.

For FY2006, 80,000 responses were generated to small business inquirers through walk-in, phone, fax, e-mail and online services.



ARIZONA FILM OFFICE

The Arizona Department of Commerce Film Office works to attract outside production, facilitate indigenous industry, and encourage the continued training and development of the next generation of talented industry professionals. The Film Office strives to create consistent opportunities for employment and education stimulates the domestic industry to grow and over time become capable of developing its own high quality local product, independent of outside influence.

FY 2006 held many events in the industry that will help seed its future success:

- January 1, 2006 marked the inaugural launch of the new Arizona Motion Picture Tax Incentive Program. In six months, ADOC pre-approved 11 companies for a total of 29 productions. Based upon these approved applicants ADOC anticipates \$205 million in direct spend to the Arizona economy as well as thousands of job opportunities for Arizonans.
- The Universal Studios feature film *The Kingdom* starring Jamie Foxx, Jennifer Gardner and Jason Bateman shot over 90% of their movie on location in the Phoenix metropolitan area. The project, which is scheduled for release in spring '07, spent nearly \$30 million in Arizona, employed over 1,400 Arizonans and is the first feature film of its size to feature Arizona as its primary location in over 10 years.
- Lions Gate Television began production of its new series *Hidden Palms* for the CW network in Avondale. The project is the conception of famed *Dawson's Creek* creator Kevin Williamson. This is the first series to be shot in Arizona in nearly 20 years.



- The film adaptation of the popular John Krakauer book ***Into the Wild*** shot actual locations based on the book in the Bullhead City, Yuma, and Kingman areas. The film was directed by Sean Penn and stars Vince Vaughn, Emile Hirsch and William Hurt.
- Philip Seymour Hoffman, Laura Linney and Peter Friedman star in the feature film ***The Savages***. The project shot some of its scenes in the Phoenix metropolitan areas, particularly the communities of Surprise, Peoria, Sun City West and Glendale.

The Film Office is proud to report that FY 2006 provided the following data:

- The Film Office received a total of 460 prospective leads (projects that may start production in the next 36 months).
- The Film Office was able to refer more than 60 qualified leads to our local community partners.
- The Film Office assisted nearly 100 projects that completed production in Arizona, resulting in 632 in-state production days.

TECHCONNECT MAGAZINE



Launched in 2004, *TechConnect* magazine serves as a tool to promote Arizona's innovation and technology assets. Distribution is made through the *Phoenix Business Journal*, *Inside Tucson Business*, and economic development partners statewide.

- 25,000 distribution statewide
- Governor is distributing to over 1,200 C-level execs in California
- Trade offices are distributing overseas
- Funded by advertising revenue

TechConnect is a publication of the Arizona Technology Council, Arizona Department of Commerce and Southern Arizona Tech Council. *TechConnect* is



Arizona's only magazine of science and technology--dedicated to exclusively covering the state's technology industry.

TechConnect is published three times per year, exploring the region's up-to-the-minute leading companies, under-the-radar change agents and the latest industry trends and issues propelling the state into high-tech player status.

From aerospace to biotech to nanotechnology, *TechConnect* presents an opportunity for Arizona's technology community to showcase its work and innovation.



POLICY, RESEARCH AND PLANNING

Planning, Research and Policy undertakes comprehensive studies and analyses that lead to development of a long-range, statewide economic agenda that encourages orderly planning and stimulates economic activity.

COMMERCE AND ECONOMIC DEVELOPMENT COMMISSION (CEDC) FUND

The CEDC is the state's economic policy and planning board and is chaired by the Director of Commerce. The CEDC Fund provides financial assistance to support Arizona economic development efforts and serves as the funding source for several separate grant programs, including the Municipal Energy Management Program. Fund investment focus areas are:

- 1) Technology Sector Project Capital,
- 2) Federal Matching Capital,
- 3) Rural & Regional Challenge Capital,
- 4) Strategic Research and Policy Development
- 5) Direct Assistance to Arizona Businesses

CEDC funds have been utilized to support a wide array of economic development activities including start up funding for research and development institutes associated with Arizona's university core competencies, loans to businesses expanding or relocating in Arizona, and development of the technology foundation that enables all businesses in Arizona to grow and prosper.

2006 ACTIVITIES

- The Commission finalized and began to roll out "*Moving Arizona Forward: Strategies for Success*," the statutorily-mandated 10-year economic strategy. Meetings were scheduled throughout the fall in each economic region presenting the draft plan to citizens, with a final draft plan anticipated at the end of the year.
- The Commission approved funding for several key projects throughout the year:
 - A \$50,000 matching grant to the Nineteen Tribal Nation Workforce Investment Board (NTNWIB) to be used to provide the required state match in a \$50,000 grant application to USDA for the purpose of improving the productivity of the NTNWIB. The total \$100,000 will be used to develop a long term education program to enable the NTNWIB to administer their federal WIA funds with maximum accountability and improve the effectiveness of future workforce programs. Arizona is unique in that there is not another state in the country that has all of the tribes together under one workforce investment area, providing



an opportunity to work with a very large and diverse group under one board.

- A \$55,000 loan to Sunsites-Pearce Fire District for the purpose of repairing and drilling of a well that serves as one of the primary sources of the firefighting water supply in the District's service area. The District services a 1,620 square mile area including communities of Sunsites, Pearce, Richland Ranchettas, Kansas Settlement, and Sunizona, all in unincorporated areas of Cochise County. The CEDC grant addressed an important safety and economic issue in the area.
 - A \$35,000 matching grant to the Town of Superior to be used towards the establishment of a high speed wireless broadband network to support business activity in the Town. This grant was conditioned upon the award of \$270,000 by the US Department of Agriculture Rural Business Enterprise Grant Program, which was awarded. The project is a test program for USDA and expanding high speed internet to rural communities is one of the new initiatives for USDA Rural Development.
 - \$100,000 funding for the research associated with the Arizona Data Estimates and Projections Taskforce (ADEPT). This Taskforce was established by Executive Order on 2/8/2006 to respond to the need for state-of-the-art population estimates to support workforce and economic development efforts in Arizona. The Taskforce is expected to have a report to the Governor by December 2006.
- The CEDC launched the "Finance Roadmap" project, designed to document current community development financing practices and recommend ways to better finance the future growth of Arizona communities and businesses.
 - The CEDC launched the Solar Roadmap project, designed to develop a solar technology development for the market transformation of solar energy technologies in Arizona. The strategies and action steps in the roadmap will be based on the interactions between solar technologies, consumer behavior, market conditions and public policy. Solar is one of the three innovation areas identified in the Sustainable Systems prospectus. Developing a solar roadmap represents the next step in implementing the Prospectus.
 - The CEDC launched the Aerospace and Defense Roadmap, designed to create an economic development roadmap for the aerospace and defense industry, similar to those developed for advanced communications and IT, the biosciences and sustainable systems.
 - Funding approved for technology projects to further the development of innovation and technology activities throughout Arizona.



COMMERCE ECONOMIC RESEARCH ADVISORY COMMITTEE

The Commerce Economic Research Advisory Committee includes 12 volunteer economists/planners from public and private sectors who serve as an advisory and peer review body for economic information and research projects (including all three universities). This body brings the collective intelligence of Arizona's leading economists together to focus on economic issues for the benefit of state government. The impact of the ERAC is that research undertaken by Commerce and its partners is driven by true market needs and is peer-reviewed, ensuring quality and relevant information is being developed.

BOARDS, COMMISSIONS AND COUNCILS

The Arizona Department of Commerce staffs multiple advisory boards, commissions, councils and task forces. All of these entities are independent bodies that are created either by statute by the State Legislature or by the Governor's Executive Order. Their membership consists of individuals who are considered experts in their fields and are appointed by the legislature and/or the Governor.

The board members are focused on developing policy and making recommendations to all public elected officials on how to address specific issues. Using their experience, judgment, and expertise, these individuals make a significant contribution to the governance of the State and help shape the future of Arizona.

1. Arizona Data Estimates and projections Task Force (ADEPT)
2. Arizona Aerospace and Defense Commission
3. Commerce and Economic Development Commission
4. Governor's CANAMEX Task Force
5. Governor's Council on Innovation and Technology (GCIT)
6. Governor's council on Small Business (GCSB)
7. Governor's Council on Workforce Policy (GCWP)
8. Governor's Film and television Commission
9. Governor's Forest Health Advisory Council
10. Governor's Forest Health Oversight Council
11. Governor's growing Smarter Oversight Council
12. Greater Arizona Development Authority
13. Solar Energy Advisory Council
14. State Energy Code Advisory Commission