

# TRANSITIONING FOR THE FUTURE



ARIZONA DEPARTMENT  
OF COMMERCE

*The center for economic advancement*

ANNUAL  
REPORT  
FY 2010

[www.azcommerce.com](http://www.azcommerce.com)

# AGENCY MISSION

THROUGH LEADERSHIP AND COLLABORATIVE PARTNERSHIPS, OUR MISSION IS TO CREATE VIBRANT COMMUNITIES AND A GLOBALLY COMPETITIVE ARIZONA ECONOMY.



Donald E. Cardon  
*Director*

*“As most of us realize, government has its role – and it is vitally important – but, in the end history demonstrates the reality that it is the passion of our lives, of our ingenuity, of our talents and our faith that overcomes. Today we examine a collective approach with the private sector to recreate the way our state assists Arizona businesses, retains Arizona businesses and attracts new businesses from around the globe to our great state.”*



TO: GOVERNOR JAN BREWER  
MEMBERS OF THE ARIZONA LEGISLATURE  
CITIZENS OF THE STATE OF ARIZONA

III

Attached is the Annual Report for Fiscal Year 2010: Transitioning for the Future.

On June 29, 2010, Governor Jan Brewer established the Arizona Commerce Authority by Executive Order. It is the culmination of a year focused on rebuilding Commerce from the ground up while preserving the mission to create quality jobs and to advance growth of the base industries critical to sustaining and progressing Arizona's economic future.

A snapshot of the Arizona Department of Commerce: 57 statutory mandates, 16 executive orders, and a staff of 96 – Commerce had been doing many things, just not very well.

This new Authority wipes the slate clean – its focus is on jobs. It will be challenged with setting economic development strategy for Arizona, providing policy recommendations and guidance to grow industry in the State, increasing trade and foreign direct investment, and marketing Arizona to attract businesses in the core areas of renewable energy, technology, science, and aerospace and defense.

The Authority is being created as a result of studying best practices in economic development undertaken by business leaders. This new vehicle will coordinate and integrate the efforts of key partners like Science Foundation Arizona, our Universities, regional economic development groups, and communities across all of Arizona – all working together to secure success and create jobs.

Amidst the national economic crisis, Commerce still brought many successes to the state:

- Creating 2,651 high quality jobs
- Attracting \$175.3 million in capital investment
- Implementing new energy programs through the American Recovery and Reinvestment Act of 2009 to advance renewable energy and energy efficiency projects statewide, resulting in long-term taxpayer savings.

The new Authority acknowledges the efforts and advancements necessary to help Arizona entrepreneurs achieve great success, and critical for Arizona to be more competitive in attracting corporations looking for a better operating environment and a better place to collaborate and grow. I look forward to working together to build a stronger business base, creating new, better jobs for Arizonans, and advancing Arizona's economy.

Sincerely,



Donald E. Cardon

Director, Arizona Department of Commerce





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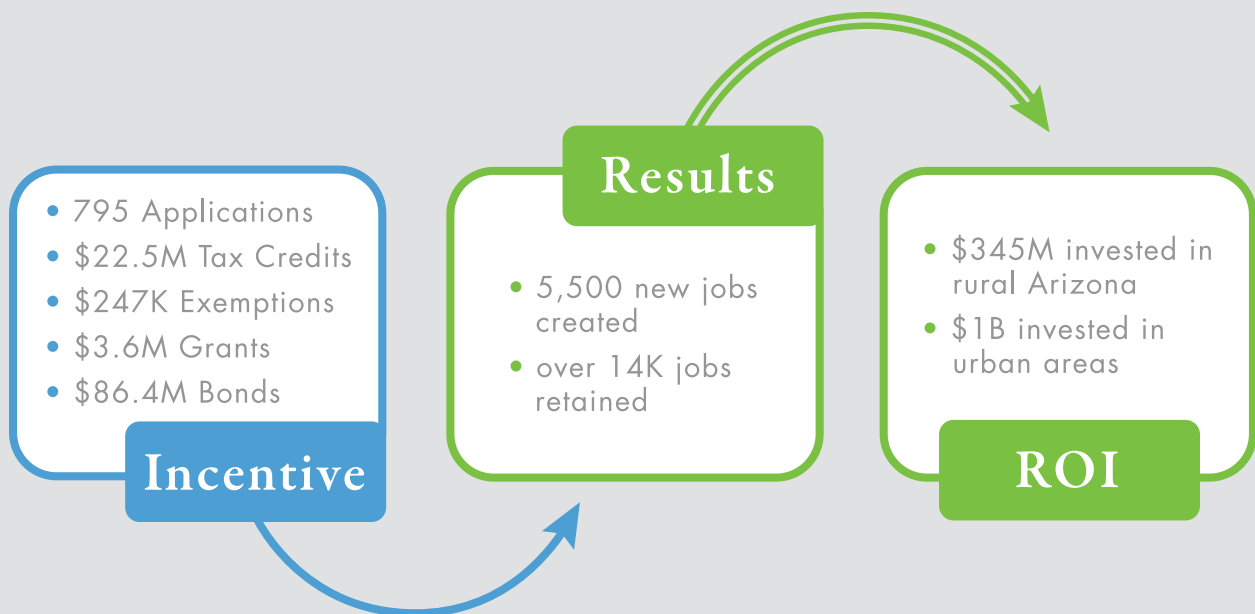
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# BUSINESS DEVELOPMENT

## \$175.3M CAPITAL INVESTMENT, 2,651 JOBS

BUSINESS DEVELOPMENT PROMOTES ARIZONA AS A PREMIER LOCATION FOR BUSINESS EXPANSION AND LOCATION. COMMERCE MARKETS ARIZONA GLOBALLY, PROMOTES INWARD INVESTMENT, AND PROVIDES RESOURCE ASSISTANCE TO GROW COMPANIES. WE ARE PREDOMINANTLY THE FIRST POINT OF CONTACT FOR STATEWIDE SITE SELECTION AND BUSINESS RESOURCE ASSISTANCE. COMMERCE MAINTAINS FOREIGN TRADE AND INVESTMENT OFFICES IN ASIA, EUROPE AND NORTH AMERICA.



BUSINESS ATTRACTION



*The Arizona Department of Commerce works as a team with our economic partners around the state to provide an integrated, solutions-based approach to business development.*

## BUSINESS ATTRACTION

## ARIZONA COMPANY NEW LOCATES-EXPANDED-RETAINED

Company	Capital Investment	Jobs (3-year)	Location	Month
<b>Quest Construction Products</b> Manufacturing – WI	\$1 million	30	Phoenix	August 09
<b>Flight Safety Int'l</b> Aerospace – NY	\$3 million	10	Tucson	August 09
<b>CardioNet</b> Medical Equipment Manufacturing - PA	\$250,000	50	Phoenix	October 09
<b>Suntech Power Holdings</b> Solar Manufacturing – China	\$13 million	150	Goodyear	November 09
<b>Dunn Edwards</b> Manufacturing – AZ Expansion	\$40 million	150	West Phoenix	December 09
<b>WinCup</b> Manufacturing – AZ expansion	\$11 million	100	Tolleson	January 10
<b>Tower Automotive</b> Solar Manufacturing – Detroit, MI	\$50 million	200	Goodyear	January 10
<b>First American Financial</b> Advanced Business Services	\$1 million	400	Phoenix	January 10
<b>Tyco International Safety Systems</b> Distribution/Warehouse	\$3 million	30	Phoenix	March 10
<b>Timken</b> Aerospace	\$5 million	40	Mesa	March 10
<b>IM Global</b> Film	\$7 million	100	Phoenix	March 10
<b>Harley Davidson</b> Standard Manufacturing	\$13 million	70	Mohave County	March 10
<b>Safelite AutoGlass</b> Call Center	\$1 million	1,000	Chandler	April 10
<b>Linamar</b> Renewable manufacturing	\$5 million	96	Glendale	May 10
<b>Local Motors</b> Manufacturing	\$7 million	50	Gila River Indian Community	May 10
<b>Sargent Controls</b> Aerospace	\$15 million	175	Marana	June 10
	<b>\$175.3M Capital Investment</b>	<b>2,651 jobs</b>		



# ASSISTED 69,089 SMALL BUSINESS INQUIRIES – PROVIDED HELP AND INFORMATION TO ACCELERATE ARIZONA BUSINESS SUCCESS

RESOURCE INFORMATION ON BUSINESS LICENSING, CERTIFICATION, PROCUREMENT OPPORTUNITIES AND STATEWIDE RESOURCES TO IMPROVE ACCESS TO BUSINESS LICENSING AND ACCELERATE YOUR BUSINESS SUCCESS WITH STATEWIDE BUSINESS ORGANIZATIONS TO INCREASE THE SCOPE OF SERVICES, RESOURCES AND EXPERTISE AVAILABLE TO THE ARIZONA BUSINESS COMMUNITY AND EXPOSURE OF CERTIFIED SMALL, WOMEN-, MINORITY-OWNED, AND DISADVANTAGED BUSINESS ENTERPRISES AND OPPORTUNITIES WITH RECOMMENDATIONS FROM THE GOVERNOR'S COUNCIL ON SMALL BUSINESS (GCSB)

## SMALL BUSINESS SERVICES



*A resource to starting, operating and growing a business in Arizona – provides general information for new business owners and serves as a reference to established businesses of all sizes.*

Small Business Services (SBS) provides a centralized resource for information on business licensing, certification, procurement opportunities and statewide resources for every stage of business development.

The “Step-by-Step Checklist” online program provides individuals with a customized step-by-step checklist for what they need to know, whom they need to contact and where they need to go for business licensing, registration, tax requirements, funding, hiring, certification, procurement opportunities and much more. The process of going through the program generally takes 5-10 minutes to complete and is free of charge.



# TRAINING WILL GIVE THE RECIPIENT THE ABILITY TO SIT FOR NATIONAL CERTIFICATIONS

THE ARIZONA DEPARTMENT OF COMMERCE DEVELOPS POLICIES AND SUPPORTS THE IMPLEMENTATION OF A SYSTEM TO EFFECTIVELY AND EFFICIENTLY PREPARE ARIZONA WORKERS FOR AN EVER-CHANGING ECONOMY.

## WORKFORCE DEVELOPMENT



*The Arizona Department of Commerce provides multiple opportunities that help companies link employee development directly to business strategy.*

Arizona was awarded the State Energy Sector Partnership (SESP) grant totaling \$6 million by the Department of Labor to develop a statewide strategy for integrating the workforce needs of targeted green energy industries in Arizona with education and training. Grant ends on January 28, 2013. The goal of the grant is to create a sustainable state strategic plan and to place 942 workers into unsubsidized employment. The grant funding will allow for the training of 1,648 workers with the skills required in the emerging industries of energy efficiency and renewable energy. Renewable Energy includes green construction, energy-efficient building, retrofit industries, and solar water heating, as well as an energy efficient assessment industry that will serve residential, commercial, and industrial sectors. Renewable Energy includes the electric power industry, including Smart Grid, solar, thermal power, electric vehicle, nuclear, water harvesting and soil reclamation.

A comprehensive and representative SESP partnership was developed that includes State Agencies, Business Community, Local Workforce Areas, and Education providers. The partnership was broken into three regions: Northern, Central, and Southern. The three regions are lead by Local Workforce Investment Boards (LWIBs) and their one stop center systems. Next, a separate curriculum development center has been established at Pima Community College with the task of coordinating the development of new and existing courses to be adopted across the state. This will enable all training providers to utilize the same materials, thereby eliminating redundancy. The training will give the recipient the ability to sit for national certifications if required in their fields. Finally, a business outreach committee was formed to engage the industry leaders. They will be managing the development of a database of targeted industries and the hiring and training needs of those companies.



# MORE THAN A GREAT PLACE TO LIVE, MORE THAN BUSINESS FRIENDLY

WORKING CLOSELY WITH OUR ECONOMIC PARTNERS AROUND THE STATE, THE ARIZONA DEPARTMENT OF COMMERCE SERVES AS YOUR SINGLE STATEWIDE POINT OF CONTACT TO PROVIDE THE INFORMATION AND SUPPORT SERVICES YOU NEED TO PROPERLY EVALUATE THE BUSINESS OPPORTUNITIES AND OPERATING ENVIRONMENT ANYWHERE IN ARIZONA.

## RETENTION AND EXPANSION



*Official information on State Incentive Programs, customized research, including detailed comparative analysis of tax, real estate, utility, and transportation costs*

The State of Arizona, through the creation of the Manufacturer's Energy-Efficiency grant Assistance Program and the 21st Century Energy Demonstration Projects Grant Program, has embraced the renewable energy community and streamlined efforts to create jobs for Arizonans and improve our economy. The awards serve as an investment for Arizonans and help position Arizona as a global leader in the industry.

Manufacturers' Energy-Efficiency Grant Assistance Program (MEGA) offers manufacturers of renewable energy products up to \$500,000 in a reimbursable grant for the purchase of new energy-efficient fixed assets (machinery & equipment only). The program made 7 awards to renewable energy companies to advance their operations and create jobs. The chart below outlines each project with the award amount and number of jobs to be created.

## RETENTION AND EXPANSION

\$2,734,999 AND 178 JOBS IN 6 ARIZONA COMMUNITIES

Scottsdale, AZ		
<b>Quest Construction Products</b>	<b>\$500,000</b>	<b>11 Jobs</b>
Their breakthrough technology is establishing a new benchmark for environmental friendliness by delivering a truly innovative energy storage approach. Fluidic's core technology enables a fundamentally lower cost and its high energy density delivers ultra-long run times in comparison to traditional batteries making it ideally suited for customer and utility sized applications.		
Glendale, AZ		
<b>Linamar Solar Systems</b>	<b>\$260,670</b>	<b>96 Jobs</b>
The project entails the fabrication (welding) and assembly of a SunCatcher Power Conversion Unit (PCU). The PCU is an integral part of a solar power generation system where a solar dish provides thermal energy that powers a Stirling Cycle Engine which then converts the thermal energy into grid-quality electrical energy.		
Tucson, AZ		
<b>Prism Solar Technologies</b>	<b>\$494,071</b>	<b>10 Jobs</b>
Prism manufactures HPC holographic film in Tucson. This film is a component that is incorporated into photovoltaic panels and acts as a planar concentrator, enhancing the production of electricity in solar panels. Prism PV modules minimizes the use of expensive solar cells but still maintain above average output.		
<b>Schletter, Inc.</b>	<b>\$500,000</b>	<b>13 Jobs</b>
Schletter designs and manufactures racking and support systems for photovoltaic (PV) electrical energy systems. Schletter specializes in light metal production using only the highest quality aluminum, stainless steel and steel materials.		
Chandler, AZ		
<b>Rogers Corporation</b>	<b>\$260,670</b>	<b>17 Jobs</b>
The new manufacturing facility will make power distribution systems and solutions. Rogers has a depth of experience in designing and manufacturing power distribution busbars for the world's leading producers of electronic equipment.		
Flagstaff, AZ		
<b>Southwest Windpower, Inc.</b>	<b>\$458,918</b>	<b>12 Jobs</b>
Designs and manufactures wind turbines. With global competition coming on strong, Southwest Windpower will upgrade and expand its production facilities with an emphasis on lean manufacturing.		
Goodyear, AZ		
<b>Suntech Arizona, Inc.</b>	<b>\$260,670</b>	<b>19 Jobs</b>
Part of the larger company Suntech Power Holdings. Suntech Arizona Inc. will manufacture solar photovoltaic (PV) modules in a new facility located in Goodyear. Suntech Arizona will have an initial annual manufacturing capacity of 30MWs based on a two shift production schedule.		

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**RETENTION AND EXPANSION**

21st Century Energy Demonstration Projects Grant Program is designed to invest in and promote energy efficient and renewable energy products manufactured in Arizona. The program awarded four Arizona companies a total over \$3.4 million. The chart below details each project with their activities, location and award amounts.

\$3,438,403 AWARDED TO 4 ARIZONA COMMUNITIES

Safford, AZ	
<b>SunPumps</b>	<b>\$542,731</b>
Manufactures and installs renewable energy systems for water pumping and aeration in wastewater treatment facilities. They were awarded grants to install solar powered systems in the City of Safford and Town of Thatcher.	
Prescott, AZ	
<b>Nest Energy Services</b>	<b>\$999,300</b>
Manufactures their Solis Energy Management System for the military. Their system integrates solar electric generation with proprietary software and battery technologies, reducing the military's reliance on fossil fuels for electric power in the battlefield. Their ruggedized hybrid power trailers are a rapidly deployable power solution for any remote application, including disaster relief.	
Flagstaff, AZ	
<b>Motor Excellence</b>	<b>\$962,914</b>
Prism manufactures HPC holographic film in Tucson. This film is a component that is incorporated into photovoltaic panels and acts as a planar concentrator, enhancing the production of electricity in solar panels. Prism PV modules minimizes the use of expensive solar cells but still maintain above average output.	
Marana, AZ	
<b>Trico Electric Cooperative</b>	<b>\$933,458</b>
Trico is building a 210 kilowatt solar photovoltaic array at its headquarters in Marana. This system will support their SunWatts Program for members who wish to invest in renewable energy, but are unable due to solar siting issues or economic barriers.	



**AMERICAN RECOVERY AND  
REINVESTMENT ACT,  
APPLIANCE REBATE  
PROGRAM, ENERGY  
EMERGENCY  
PREPAREDNESS, STATE  
ENERGY PROGRAM,  
WEATHERIZATION  
ASSISTANCE PROGRAM,  
ENERGY EFFICIENCY AND  
CONSERVATION BLOCK  
GRANT PROGRAM**

THE ENERGY OFFICE IS RECEIVING \$129 MILLION IN ARRA FUNDING. THIS FUNDING WILL BE DISTRIBUTED IN STAGGERED AMOUNTS BY THE U.S. DEPARTMENT OF ENERGY (DOE) TO THE ENERGY OFFICE AND WILL BE ADMINISTERED OVER A THREE-YEAR PERIOD.

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.*

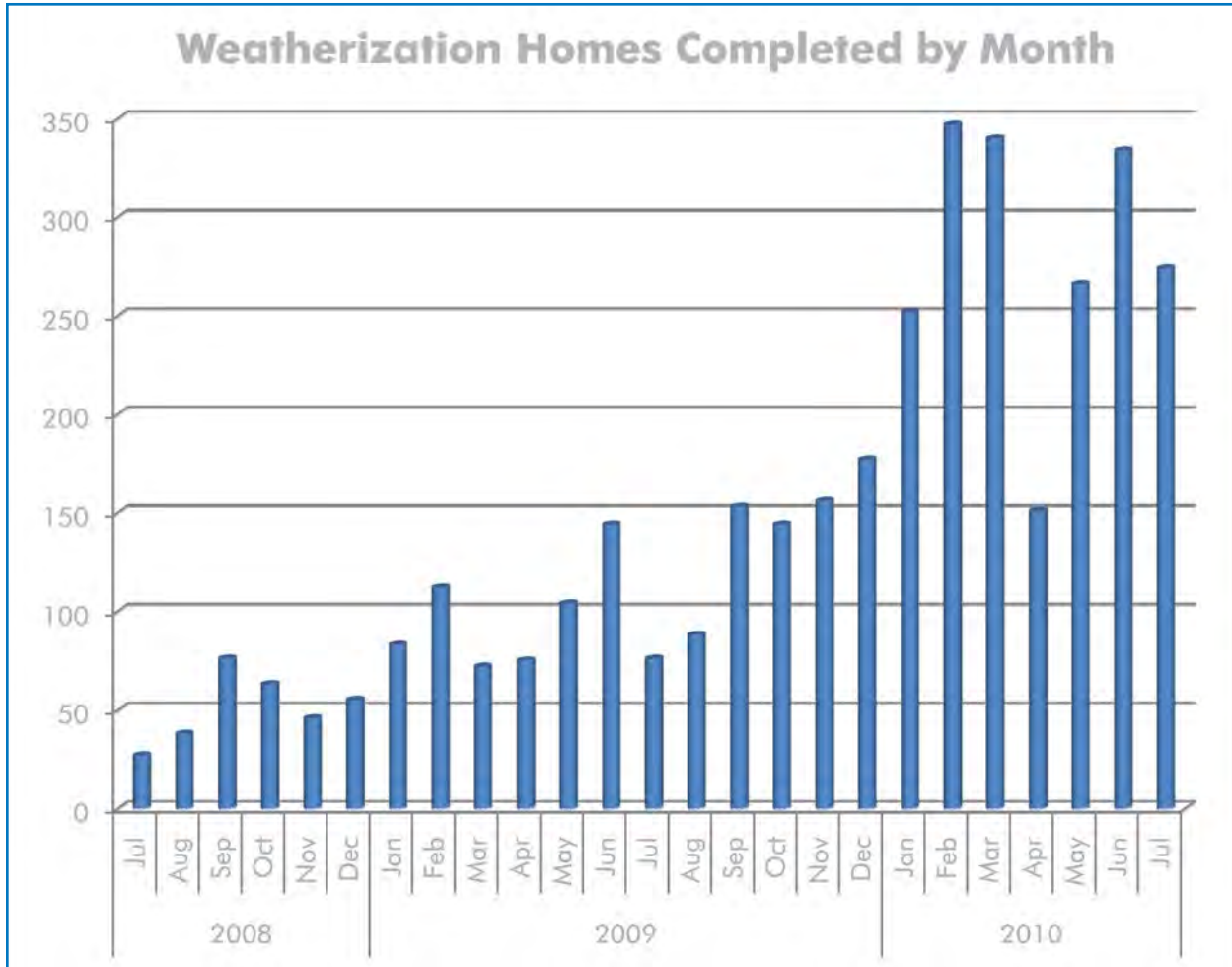
The Energy Office was awarded \$129 million in American Recovery Reinvestment Act (ARRA) of 2009. This funding was distributed to five programs by the U.S. Department of Energy and will be administered over a three-year period.

1. Weatherization Assistance Program	\$57.0 M
2. State Energy Program	\$55.4 M
3. Energy Efficiency and Conservation Block Grant Program	\$9.5 M
4. Appliance Rebate Program	\$6.2 M
5. Energy Emergency Preparedness	\$796,410

Governor Jan Brewer requested \$34.8 million of ARRA funding be used to demonstrate how solar can be effective in reducing energy demand and overall utility costs.

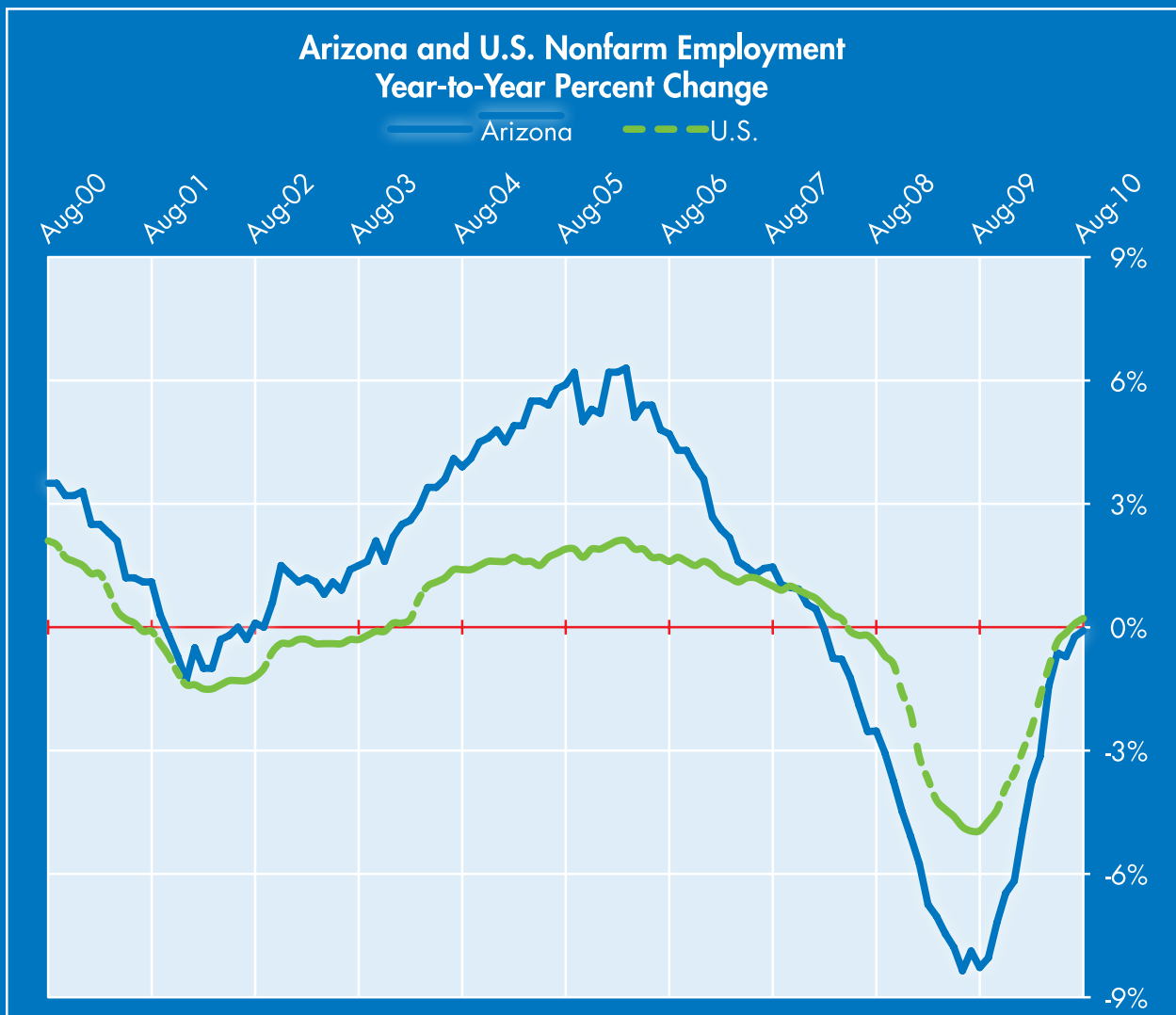
### ENERGY OFFICE

Arizona's Weatherization Assistance Program, due to ARRA funding, has completed 2,484 homes, a record number this fiscal year.



# EFFICIENT AND ACCURATE ECONOMIC ANALYSIS AND FORECASTING TO ARIZONA

THE STATE'S CLEARINGHOUSE FOR ECONOMIC INFORMATION AND MANAGES STRATEGIC RESEARCH RELATED TO ARIZONA'S ECONOMY PROVIDING INFORMATION AND ANALYSES OF TRENDS, OPPORTUNITIES, BEST PRACTICES, MARKET ISSUES AND DEPARTMENT/PROGRAM IMPACTS.



## STRATEGIC RESEARCH



*Strategic Research consolidates Arizona's economic research under one department – providing more efficient and accurate economic analysis and forecasting to Arizona communities, businesses, planners, lawmakers, economists and others.*

- Provided improved and timely Economic Analysis for Arizona. Specific accomplishments include:
  - (a) producing new long term and short term industry and occupational employment projections and economic status for the Governor's report available at <https://www.azdes.gov/InternetFiles/Reports/pdf/WIA-1009ASRLNA.pdf>;
  - (b) improving informational value of data by modifying the layout and delivery for press conferences by incorporating graphic display of data.
- Met all Bureau of Labor Statistics contractual deadlines and constitutional requirements for population data despite challenges caused by data and resources.

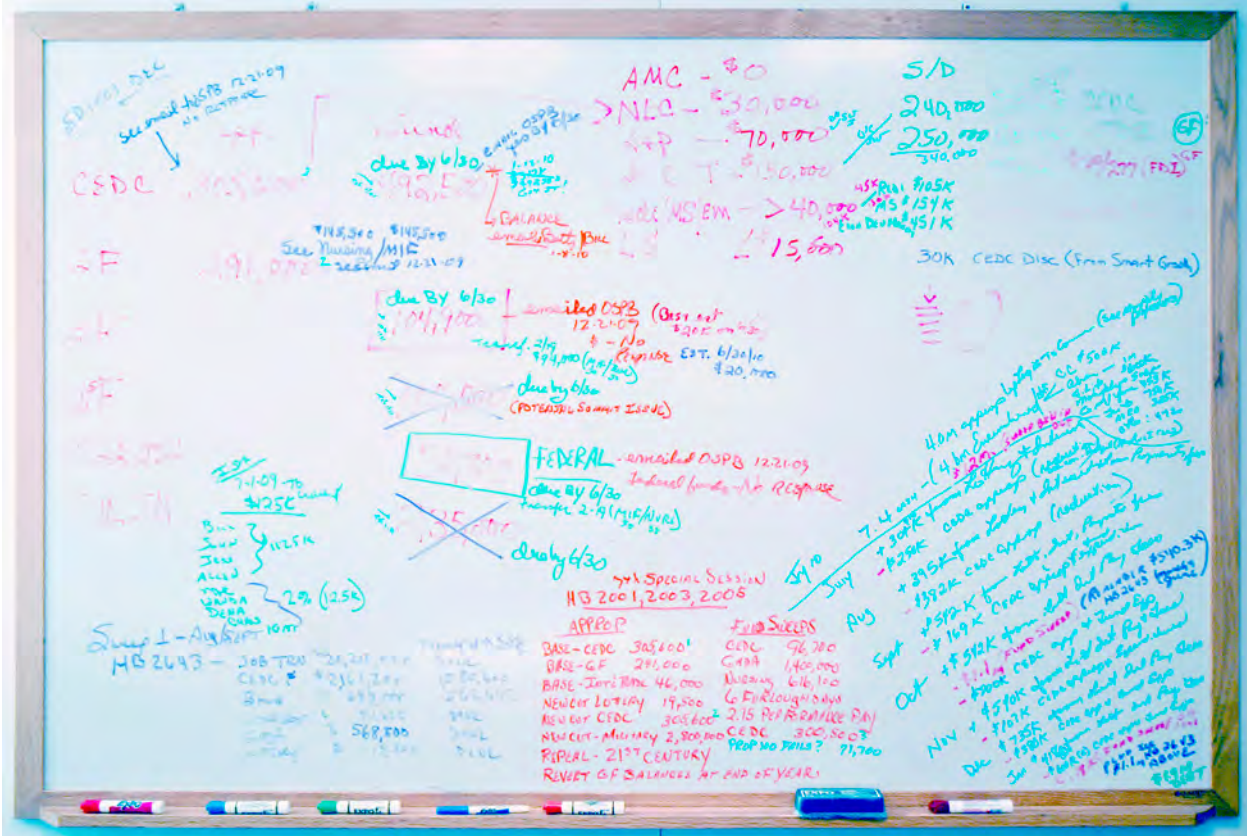
## POPULATIONS STATISTICS

This team's focus has been on pre-census preparation and planning. This includes methodology development and finalization, as well as census coordination with the National Census Bureau. This census is critical to Arizona, relative to federal funding and representation.



# FISCAL STATUS IMPACTED SIGNIFICANT CHANGES

FINANCIALS



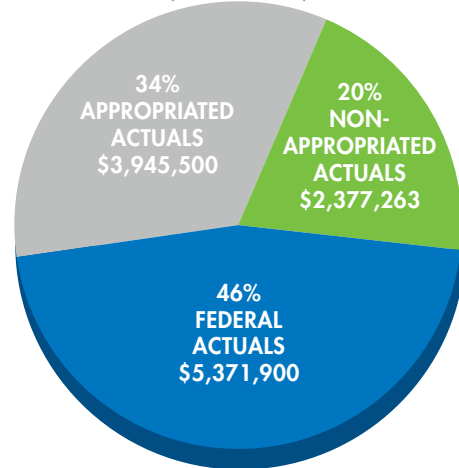
*To be more credible, efficient and competitive, Commerce introduced a new model and focus of realignment to move to a 3-Division vertical model in support of the Agency's new fiscal and strategic direction.*

The fiscal status of the Agency during FY2010 experienced significant changes. State funding was impacted by base budget adjustments and sweeps.

Due to the American Recovery and Reinvestment Act, federal funding and initiatives shifted dramatically.

During this time of financial changes the Agency began the implementation of an organizational realignment to move from a 7-Division horizontal structure to a 3-Division vertical model in support of the Agency's new fiscal and strategic direction.

FINANCIAL ACTUALS FY2010  
(OPERATIONS)



Excludes Pass-through Funding

# APPENDIX INCENTIVES, LOAN/GRANT AND GRANT PROGRAMS

COMMERCE MANAGES OVER \$1.5 BILLION IN RESOURCES. THESE INCENTIVES ARE PRESENTED TO HIGH WAGE HIGH VALUE BUSINESS IN A VARIETY OF FORMS, INCLUDING; TAX CREDITS, PROPERTY TAX REDUCTIONS, TRANSACTION PRIVILEGE AND USE TAX EXEMPTIONS, LOANS, GRANTS AND BOND PROGRAMS.

BUSINESS DEVELOPMENT NUMBERS



INCENTIVE, LOAN/GRANT AND BOND PROGRAMS DATA

Incentive Program	Type	Incentive Amount	ROI	
			Investment	Jobs
Commercial/Industrial Solar Tax Credit	Tax Credit	\$733,068 tax credits certified	\$15,727,587	n/a
Enterprise Zone	Tax Credit and Property Tax Reduction	\$10,910,601 tax credits reported	\$1,299,139,026	3,781 new and 12,066 retained 15,847 total
Healthy Forest Tax Incentives	Tax Credits and TPT Exemptions	\$116,995 transaction privilege tax exemptions	\$2,655,603	155 retained
Military Reuse Zone (MRZ)	Tax credits, TPT Exemptions and Property Tax Reduction	\$80,000 transaction privilege tax exemptions	\$4,725,000	n/a
Motion Picture Tax Incentives	Tax Credit and TPT Exemptions	\$7,951,700 tax credits post-approved \$50,786 transaction privilege tax exemptions	\$29,390,847	1,245 new
Renewable Energy Tax Incentives	Tax Credit and Property Tax Reduction	\$950,000 tax credits reserved	\$9,500,000	75 new* *Number of jobs is estimated.
Small Business Capital Investment Program (Angel Investment)	Tax Credit	\$1,969,900 tax credits authorized	\$6,333,177	n/a
<b>Incentive Program Totals</b>		<ul style="list-style-type: none"> <li>• Tax Credits \$22,515,269</li> <li>• TPT exemptions \$247,781</li> <li>• The impact of the property tax reduction is calculated by the Arizona Department of Revenue.</li> </ul>	\$1,367,471,240	5,101 New 12,221 Retained 17,322 Total

continued ►

## BUSINESS DEVELOPMENT NUMBERS

INCENTIVE, LOAN/GRANT AND BOND PROGRAMS DATA *continued*

Loan/Grant Program	Type	Incentive Amount	ROI	
			Investment	Jobs
Commerce and Economic Development Commission (CEDC)	Loan and Grant Programs	\$60,000 grants awarded	n/a	n/a
Economic Strength Project Program (ESP)	Grant Program	n/a <i>Note: This program was placed on hold in 2009.</i>	n/a	n/a
Job Training	Grant Program	\$811,557 grant reimbursements <i>Note: This program was placed on hold in 2009. No new grants were awarded, however, 49 grants were open.</i>	\$1,187,494	438 new and 1,652 retained 2,090 total
Manufacturers' Energy-Efficiency Grant Assistance Program (MEGA)	Grant Program	\$2,734,999 grants awarded <i>Note: This program is funded by the American Recovery and Reinvestment Act.</i>	\$14,932,173	178 retained* *Number of jobs is estimated.
<b>Loan/Grant Program Totals</b>		<b>Grants \$3,606,556</b>	<b>\$16,119,667</b>	<b>438 New 1,830 Retained 2,268 Total</b>

Bond Program	Type	Incentive Amount	ROI	
			Investment	Jobs
Greater Arizona Development Authority (GADA)	Bond Program	\$23,370,000 volume cap issued • \$20,000,000 General Obligation Bonds issued • \$3,370,000 Revenue Bonds issued <b>\$1,528,000 estimated gross interest and costs of issuance savings.</b>	n/a	n/a
Private Activity Bonds (PAB)	Bond Program	\$4,232,000 volume cap issued <i>Note: PAB program operates on a calendar year. Therefore, all numbers reported are based on calendar year results.</i>	n/a	n/a
Qualified Energy Conservation Bonds (QECBs)	Bond Program	n/a <i>Note: Volume cap was received from the American Recovery and Reinvestment Act.</i>	n/a	n/a
Recovery Zone Bonds (RZBs)	Bond Program	\$58,862,000 volume cap issued <i>Note: Volume cap was received from the American Recovery and Reinvestment Act.</i>	n/a	n/a
<b>Bond Program Totals</b>		<b>Bonds \$86,464,000</b>	<b>n/a</b>	<b>n/a</b>

