

Providing Return on Investment



ARIZONA DEPARTMENT OF COMMERCE

Fiscal 2000 Annual Report

DEAR GOVERNOR HULL:

In the final decade of the 20th century, Arizona became widely recognized as an economic development leader by pioneering the cluster-foundation concept of broadening and building the economy. The ASPED to GSPED process revealed the need to invest in the development of a diversified economy to successfully position Arizona in an increasingly competitive environment.

As the State's community and economic development authority, the Arizona Department of Commerce (the "Department") has led the implementation of this inventive approach, working cooperatively with communities, businesses and economic development organizations.

Under your leadership, Arizona's economic successes have been widely noted over the last year:

- Arizona is currently ranked 1st nationally in growth of real gross state product (GSP) by the US Department of Commerce Bureau of Economic Analysis. Due to strength in high technology manufacturing and business services - industries represented by our High Tech and Software clusters - our real GSP grew at almost twice the national average in the 1990's.
- According to the Progressive Policy Institute, in 1999 Arizona ranked 3rd in "gazelle" jobs, 4th in economic dynamism, 4th in commercial Internet domains and was in the top third for patents per 100,000 workers.
- Arizona was recently rated #1 among ten western states in generating new non-agricultural jobs by Western Blue-Chip Economic Forecast.
- Phoenix (#1) and Tucson (#22) are ranked among the top 25 "Hottest Cities" by Expansion Management magazine for relocating/expanding business.

These are just some of the satisfying returns on investment of the time, energy and resources that have been committed to diversifying, expanding and marketing Arizona's economy.

In FY 2000, Arizona's economic assets continued to appreciate as the Department made significant progress in our mission to help businesses and communities meet their goals of creating quality jobs while preserving and enhancing their unique quality of life. In the following pages, you will find details of the continuing returns on investment from programs within the Community Development, Economic Development and Administration Divisions of the Department of Commerce.

As we enter the new millennium, Arizona again looks to your leadership and the Department to chart our course in the New Economy. By investing your vision with the Arizona Partnership for the New Economy (APNE), you have ensured that we will have direction, focus and the support of both the public and private sectors in this endeavor. In FY 2000, we were privileged to provide administrative and marketing support to this visionary effort, and were able to educate and engage business and community leaders statewide on the challenges and opportunities ahead.

Representing every element of community and economic development, the APNE vision requires continuing investment of not just funds, but time, energy and manpower to create the connections, forge the partnerships, and embrace an identity that makes clear Arizona's intention to be a leader in the New Economy. The returns on this investment will be continued growth in economic opportunity, as well as stronger, more vital communities and better quality of life.

The Department is eager to assist you in building a lasting economic legacy for every Arizonan through the implementation of the APNE vision. We stand ready to lead, develop and support initiatives that will continue to competitively position Arizona at the forefront of the global economy.

Many more happy returns on investment!

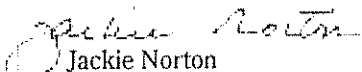

Jackie Norton
Director

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COMMUNITY DEVELOPMENT DIVISION

The Community Development Division consists of the Office of Housing and Infrastructure Development, Community Assistance, the Energy Office and the Greater Arizona Development Authority (GADA). The key goals of the Division directly reflect the Governor's Strategic Direction for Arizona in the areas of **quality of life, economic prosperity and good government**.

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

COMMUNITY DEVELOPMENT MISSION:

"To improve the state's quality of life by developing the infrastructure for healthy communities through coordinated technical and financial assistance."

In FY 2000, the Office of Housing and Infrastructure Development (HID) and the Community Assistance Division have been streamlined into the **Office of Housing and Community Development (OHCD)** to increase our efficiency and to provide better service to our customers.

OHCD Housing Programs

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

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

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

SUPPORTIVE HOUSING: federal Supportive Housing and Shelter Plus Care programs.

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

HOPWA: federal Housing Opportunities for Persons With AIDS program.

OHCD Community Development Programs

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

Community Planning: assists towns, cities, counties and tribal communities with land use planning, Growing Smarter mandates and the complexities of zoning.

Main Street: helps smaller Arizona communities revitalize their central business districts and keep their main streets thriving.

Rural Economic Development Initiative (REDI): provides direct economic development assistance to rural communities.

Technical Assistance: assists local governments and non-profits to create community development strategies.

Community Development Statistics

GRANTS	DOLLARS SPENT	NUMBER OF PROJECTS
Community Development Block Grant (CDBG)	\$8,239,184	53
Community Planning/Growing Smarter Planning	80,000	5
Main Street	131,813	77
Rural Economic Development Initiative (REDI)	24,200	6
Total	\$8,475,197	141

Return on Investment¹²

- Estimated economic contribution of OHCD programs to Arizona's economy – \$612.5 million
- Jobs created during construction – 9,929
- Estimated wages and salaries – \$219.3 million
- Tax benefits to state and local governments during construction – \$32.9 million
- Additional annual property taxes to local governments – \$1.4 million
- Funds leveraged from public/private sources – \$218.7 million

Housing Activity Statistics

	CDBG	HOME	HIF	TAX CREDIT	SUPPORTIVE HOUSING	SECTION 8	HOPWA	TOTAL	%
Multi-Family (Total)		\$2,624,444	\$506,635	\$57,453,861	\$6,059,128	\$412,505	\$87,446	\$67,144,019	82.6
New Construction		2,401,028	220,184	57,453,861				60,075,073	73.9
Acquisition-Rehabilitation			100,000				79,074	179,074	0.2
Rental Assistance		223,416	186,451		6,059,128	412,505	8,372	6,889,872	8.5
Single Family	\$1,858,285	\$2,058,683	\$5,440,950					\$9,357,918	11.5
New Development		527,009	400,000					927,009	1.2
Homeowner Rehabilitation	1,858,285	1,531,674	1,364,950					4,754,909	5.8
Homeownership Assistance			3,676,000					3,676,000	4.5
Emergency-Transitional	\$208,000	\$1,078,150	\$2,621,355		\$140,041		\$66,913	\$4,114,459	5.1
Prevention			1,205,797				22,000	1,227,797	1.5
Production	\$208,000	1,078,150	1,294,226					2,580,376	3.2
Support Services Operating Costs			121,332		140,041		44,913	306,286	0.4
Planning/Other		\$88,072	\$573,318				\$6,449	\$667,839	0.8
TOTAL	\$2,066,285	\$5,849,349	\$9,142,258	\$57,453,861	\$6,199,169	\$412,505	\$160,808	\$81,284,235	100.0

OHCD Program Accomplishments

In addition to administering several federal funding programs, the OHCD partners with communities statewide, offering planning assistance and a wide variety of customized services to increase their capacity to carry out development activities independently:

- The Arizona Main Street Program offered direct technical assistance to 19 rural communities.
- The Community Planning Program supported 54% of Arizona's cities and towns during the year, assisting communities in 13 of Arizona's 15 counties
- The Arizona Housing Commission, staffed by OHCD, published the State of Housing in Arizona 2000, highlighting the increasing gap between household incomes and housing costs, existing barriers to housing affordability, and critical unresolved housing policy issues. The Commission also held seven statewide forums and facilitated 135 stakeholder interviews during the preparation of the publication.
- Under the new ACTION Zone Initiative, five communities received planning grants to develop comprehensive strategies for six zones.
- The Pre-development and Planning Grant Program issued six project-planning grants and five pre-development loans to local governments and nonprofit agencies.
- The Rural Connection assisted over 23 communities with community development technical assistance for achieving economic diversity.
- The Rural Infrastructure Committee, staffed by OHCD, provided assistance regarding technical, managerial and financial resources and assisted more than 20 rural community projects.
- Following a series of 58 meetings, OHCD developed a Rural Continuum of Care application with 14 proposed projects for the homeless in rural communities.
- The Technical Assistance Program provided extensive assistance to six non-profit and local government agencies and sponsored a multi-series workshop on Community Development Strategies.

Counties Benefit From OHCD Activities

OHCD committed these funds throughout Arizona. Of the \$89.7 million in housing and community development commitments represented here, 45 percent went to rural Arizona. This is in line with the mission of OHCD to assist those areas that do not have access to the same resources and expertise as the urban areas.

	\$	HH
MF	555	221
SF	678	87
CD	1,014	1,158

	\$	HH
MF	852	38
SF	521	68
CD	422	3,521

	\$	HH
MF	993	375
SF	318	45
CD	226	208

	\$	HH
MF	737	548
SF	730	44
CD	588	13,910

	\$	HH
MF	2,221	1,354
SF	1,185	135
CD	1,494	2,599

	\$	HH
MF	83	117
SF	874	68
CD	266	570

	\$	HH
MF	9	0
SF	384	17
CD	260	878

	\$	HH
MF	36,990	2,128
SF	1,075	229
CD	10	79

	\$	HH
MF	2,092	390
SF	788	35
CD	981	9,814

	\$	HH
MF	187	55
SF	306	12
CD	394	59

	\$	HH
MF	2	0
SF	306	12
CD	100	486

	\$	HH
MF	6,854	146
SF	1,131	245
CD	850	6,616

	\$	HH
MF	11,190	676
SF	150	76

	\$	HH
MF	789	105
SF	606	33
CD	1,316	19,472

	\$	HH
MF	8,372	156
SF	306	12
CD	468	3,238

OHCD Total Commitments
July 1, 1999 to June 30, 2000

* Multifamily :MF
Single Family :SF
Community Development :CD
Dollars in Thousands :\$
Households :HH

	\$	HH
MF	71,926	6,609
SF	9,358	1,118
CD	8,389	65,608

* Includes emergency and transitional housing

The Energy Office (the "Office") promotes and coordinates the efficient development and utilization of energy to achieve a sustainable economy and environment for Arizona. Its programs and services seek to maximize Arizona's use of its natural resources through conservation, efficiency, and renewable energy that will improve everyone's standard of living. The Office promotes energy policy, community outreach, and public education that will lead to cleaner air and increased use of alternative energy sources.

Return on Investment

- Federal and other funds leveraged – \$1,515,687
- Energy/dollars saved – \$6,310,000

Energy Office Programs

Residential Market Technical Transfer: provides training and technical assistance to Arizona's building industry

State Energy Efficiency Demonstration (SEED): encourages energy efficiency in state government buildings

Weatherization Assistance: reduces heating and cooling costs for low-income families through major energy renovation projects

Energy Market Development: presents education programs, conferences, publications and seminars to develop and increase public awareness

Seniors Helping Seniors: combines energy and water conservation measures with social service referral information for senior and disabled homeowners

Rebuild America: administered by the Department, this U.S. Department of Energy program helps businesses and communities reduce energy use in buildings

Municipal Energy Management Program (MEMP): provides technical assistance, utility tracking software and matching grants to help Greater Arizona communities, counties, Indian tribes, and improvement districts reduce energy operating costs

Million Solar Roof Initiative (MSRI): this campaign seeks to have 100,000 new solar energy systems in Arizona by 2010, and to expand markets for Arizona and tribal solar businesses

Revolving Energy Loan Assistance (RELA): provides loans to finance energy efficiency improvements in commercial buildings

Energy Office Statistics

- Households assisted – 767
- Energy audits completed – 27
- Total building space audited – over 500,000 square feet
- Homes built/retrofitted incorporating energy saving techniques – 2,000

Energy Office Accomplishments

- Residential Market Technical Transfer innovations and techniques adopted by the building industry will result in energy savings of approximately \$150-200 per home in over 40,000 homes built during FY 2000.
- The Municipal Energy Management Program (MEMP) helped eight communities save over \$170,000 in energy costs by identifying energy use patterns and designing conservation and energy efficiency programs. Energy conservation improvements have included HVAC, water pump replacements and lighting upgrades.
- State Energy Efficiency Demonstration (SEED) projects included the distribution of \$251,758 for installation of energy efficient equipment in state government buildings. Prescott's Yavapai College retrofitted 3,736 light fixtures and will annually save \$30,000; NAU retrofitted four buildings for an annual savings of \$23,000. Other retrofit projects at the Department of Corrections, two ASU campus locations, and five buildings managed by the Department of Emergency & Military Affairs will provide additional annual savings of \$60,000.

- 1999 Energy Management Conference attracted more than 300 energy professionals statewide. The conference included the Governor's Awards for Energy Efficiency, presented to the top eight government and educational facilities in recognition of outstanding energy conservation projects.
- Solar Programs promoted the use of passive and active solar systems for residential and commercial applications, and addressed issues on system design and installation, code compliance, CC&Rs, and solar financing. Five solar and photovoltaic (PV) workshops provided training for over 150 individuals from businesses and government. Elementary to high school level students benefited from solar cooking education programs, a statewide solar car competition, and summer camps teaching passive and active solar.

Greater Arizona Development Authority (GADA)

The Greater

Arizona Development Authority assists Arizona communities and tribal governments with the development of public infrastructure projects that enhance community and economic development. By providing much needed technical and financial assistance, GADA has become a vital partner for counties, communities and tribal entities.

GADA Programs

Technical Assistance: provides assistance to communities for projects that are publicly used or owned and which are publicly maintained

Financial Assistance: lowers borrowing costs for communities through diversification of risk and shared financing costs

GADA Statistics

Project Development Account

COMMUNITY	PROJECT DESCRIPTION	AWARD AMOUNT
Camp Verde	Capital Improvement Plan Development	\$20,000
Chino Valley	Capital Improvement Plan Development	20,000
Earl	10-year General Plan Development	20,000
Gila Bend	Rate and impact fee study for a proposed water treatment plant	15,000
Marana	Transit Development Plan	30,000
Navajo Nation	Capital Improvement Plan Survey	20,000
Page	Capital Improvement Financing Plan	20,000
Safford	Assistance with the formation of a utility (water & sewer) district	12,000
Sahuarita	Capital Improvement Plan Development	20,000
Sedona	Feasibility study of the Garland Activity Center	35,000
Superior	Capital Improvement Plan Development	20,000
Sub-Total of Project Development Account Awards		\$232,000

Project Assistance Account

Sedona	Feasibility study of the Garland Activity Center	\$35,000
Superior	Capital Improvement Plan Development	20,000
Ak-Chin Indian Community	Environmental assessment required to complete a Community sewer main construction project	20,000
Apache County	Engineering and design for new county building	25,000
Apache Junction	Streetscape design document and sequencing plan for Apache Trail	20,000

Return on Investment

"A Technical Assistance Award from the Greater Arizona Development Authority played a critical part in the Ak-Chin Indian Community's ability to obtain almost \$1 million in grants/loans from the USDA Rural Utilities Service for a Sewer Main Project in the Ak-Chin Indian Community. The project calls for constructing a sewer main to link 80 homes to the new Ak-Chin Wastewater Treatment Plant. These homes are currently on septic tanks. Prior to the start of any construction on the sewer main, GADA funds will be used to help pay for a specialized consultant to assist in monitoring, testing and mitigation of any cultural resources findings in the construction area. This work is essential to obtaining the Environmental Assessment clearance required before any USDA funds can be obligated or spent on the project. The Ak-Chin Indian Community did not have available funds to support the completion of the environmental assessment without GADA's help."

Morene Gugenberger
Contract and Grants Specialist
Ak-Chin Indian Community

GADA Statistics
 Project Assistance Account *continued*

COMMUNITY	PROJECT DESCRIPTION	AWARD AMOUNT
Coolidge	Space needs assessment and design for new Coolidge Police Department building	\$70,000
Cottonwood	Architectural services for new public safety facility	25,000
Mohave County	Design and engineering for I-40 industrial corridor water system	25,000
Patagonia	Requisite permitting, design and phased build-out of municipal Solid Waste Landfill Facility	40,000
Payson	Design and engineering for improvements to Frontier Street	20,000
Show Low	Design and engineering for force main and gravity sewer trunk line	25,000
Sub-Total of Project Assistance Account Awards		\$270,000

GADA Program Accomplishments

- Second and Anticipated Third Round of Financial Assistance: In May 2000, GADA closed a tax-exempt infrastructure revenue bond issue of \$18,930,000 for projects in Cottonwood and Gilbert. In February 2001, GADA anticipates issuing \$7,500,000 in tax-exempt and taxable bonds for Cottonwood, Flagstaff and Holbrook.
- Development of Two Technical Assistance Funds: During the first two rounds of technical assistance awards, requests for projects assistance in the final stages of planning (architectural design and engineering) were outscoring requests for projects in the earlier stages of planning (feasibility and market studies, and capital improvement plans). GADA staff created two technical assistance awards: "Project Development" and "Project Assistance." Splitting the fund allows GADA to award larger dollar amounts to projects near completion and ready for financing.
- Third Round of Technical Assistance: GADA received 38 applications for technical assistance in its third round, spring of 2000. The Board made awards to 20 applicants (11 in the Project Development Account and 9 in the Project Assistance Account) totaling \$502,000.
- Revolving Technical Assistance Loan Program: SB 1086 passed during the 2000 legislative session allowing GADA to make up to \$250,000 short-term loans to cities, towns, counties, tribes and special districts for project development (studies, plans, engineering, etc.) If GADA is used to finance the project being developed, this short-term loan can be "rolled" into GADA financing. However, if another source is used to finance the project, the loan must be paid back at a rate that GADA's account would have earned with the State Treasurer's office.
- Tribal Subdivisions: For several Arizona tribes, the responsibility of infrastructure development and maintenance is given to local tribal entities. State statute governing GADA's technical assistance did not allow 'tribal subdivisions' to compete for GADA technical assistance awards. In the 2000 legislative session, the statute was changed to allow tribal subdivisions, with the tribal permission, to compete with cities, towns, counties, tribes and special districts for GADA technical assistance.
- GADA/WIFA Joint Projects: This past year, GADA and the Water Infrastructure Financing Authority (WIFA) leveraged resources to assist Arizona communities with infrastructure development. For the first time, applications for technical assistance from both agencies were sent out concurrently. After the applications' preliminary prioritization, GADA and WIFA optimized available resources, leading to joint technical assistance projects in Gila Bend, Holbrook and Safford, and a joint financing of a Holbrook wastewater project.

ECONOMIC DEVELOPMENT DIVISION

Working in partnership with urban and rural communities and organizations, the Economic Development Division focuses on the creation and retention of quality jobs and businesses. Arizona has invested in a wide range of programs and services to facilitate economic development, including Business Development, International Trade and Investment, Business Assistance Center, Minority and Women-Owned Business Services, Workforce Development, Finance, Senior Industries and the Governor's Strategic Partnership for Economic Development (GSPED).

The key goals of the Division directly reflect the Governor's Strategic Direction for Arizona in the areas of economic prosperity and good government:

- Provide leadership to economic development stakeholders statewide
- Attract new or expanding foreign and domestic business to Arizona by providing technical and financial assistance to create high-paying quality jobs
- Strengthen and improve Arizona's existing economic base (GSPED clusters), and expansion into overseas markets
- Support and accelerate entrepreneurship, small business creation/expansion, and the development of new emerging industries in Arizona
- Develop policies and support the implementation of a statewide workforce development system, congruous with the economic development initiatives that will effectively prepare Arizonans for work in the New Economy.

In partnership with communities and economic development organizations throughout the state, the Business Development Division mission is to attract new and expanding businesses that create quality jobs for Arizonans

Business Development

Business Development Statistics

- Leads generated/distributed – 656
- New company locates or expansions – 64
- Percent of locates in GSPED cluster groups – 73%

Business Development Accomplishments FY 2000 Companies Locating to or Expanding in Arizona

ANNOUNCED PROJECTS	FACILITY LOCATION	STATE OF ORIGIN	ANNOUNCED PROJECTS	FACILITY LOCATION	STATE OF ORIGIN
ACS	Phoenix	TX	Burr Brown	Tucson	AZ
ADE Phase Shift	Tucson	MA	Business Solutions Worldwide	Phoenix	AZ
Advantage Logistics	Phoenix	OH	Calpine, Inc	Ft. Mohave Res	AZ
Aegis Communications	Sierra Vista	AZ	Charles Schwab	Chandler	CA
AETNA	Phoenix	CT	Cheng Fwa Industrial Co., Ltd	Tucson	Taiwan
Alliant Foodservice	Phoenix	AZ	Citizens Communications	Kingman	AZ
Amatech	Chandler	Germany	Consolidated Freightways	Phoenix	OR
America Online	Tucson	AZ	Consumer Cap Corp	Phoenix	PA
American Healthways	Phoenix	TN	Corporate Arts	Scottsdale	AZ
Amtel International Corporation	Tempe	NJ	Cox Communications	Phoenix	AZ
Aristocrat Technologies	Tucson	NV	E-Crete LLC	Casa Grande	AZ
Arizona Nutritional Supplements	Chandler	AZ	Edward Jones	Tempe	MO
Arthur Andersen	Tempe	AZ	Federal Reserve	Phoenix	CA
Avnet, Incorporated	Phoenix	AZ	Frito-Lay, Inc	Casa Grande	AZ
Bax Global	Phoenix	AZ	Goracing.com	Tempe	AZ
Bombardier I	Tucson	AZ	Honeywell	Tempe	AZ
Bombardier II	Tucson	AZ	Inter-Cal	Prescott	AZ

ECONOMIC DEVELOPMENT MISSION:

"To attract and sustain industries in Arizona to create quality, high paying jobs to maintain and increase the state's economic prosperity."

Return on Investment

- Capital investment – \$1.9 Billion
- Tax revenues to state/local governments as a result of capital invested,
 - \$42,359,343 (one time)
 - \$44,490,750 (annually)
- Jobs created/facilitated – 16,315
- Average annual salary of jobs created/facilitated – \$37,310
- Annual payroll of net new jobs for companies locating/expanding in FY 2000 – \$613,376,400

FY 2000 Companies Locating to or Expanding in Arizona

ANNOUNCED PROJECTS	FACILITY LOCATION	STATE OF ORIGIN	ANNOUNCED PROJECTS	FACILITY LOCATION	STATE OF ORIGIN
Ivy Steel & Wire	Kingman	TX	Peragis	Phoenix	Canada
Jamcracker, Inc	Tempe	CA	PG&E Generating	Harquahala Valley	AZ
Jamison Bedding	Lake Havasu City	TN	Photronics Arizona	Phoenix	CT
Mattera Enterprises	Prescott	CA	Prochem	Chandler	AZ
Maxim Integrated Products	Chandler	AZ	Prudential Real Estate & Relocation Services	Phoenix	NJ
Mayan Networks Corporation	Phoenix	AZ	RF Micro Devices, Inc.	Chandler	NC
McCord Consumer Direct	Glendale	VA	Safeway	Phoenix	AZ
MFS Investment Management	Phoenix	MA	SASCO, Inc	Phoenix	AZ
Midland Credit Management, Inc.	Phoenix	AZ	Sunstate Bank	Casa Grande	AZ
Naturally Vitamins	Phoenix	AZ	Target Credit Card Center	Tempe	MN
Netcharge	Phoenix	AZ	Tecomet	Tempe	AZ
Newell Rubbermaid	Goodyear	AZ	USAA	Phoenix	TX
Norcraft Companies	Yucca	MN	Whitmire Distribution Corp / Cardinal Health	Tolleson	OH
OAO Corporation	Sierra Vista	AZ	Willamette Industries	Tolleson	OR
Omya-Arizona Inc	Superior	AZ			

The International Trade and Investment

Division mission is to help Arizona businesses successfully expand into foreign markets and to attract foreign investment into the state

Led by nearly \$3.2 billion dollars worth of sales in electrical machinery, including semiconductors and integrated circuits, by the end of FY 2000, Arizona exports were up 23.8% over the first six months of 1999. This represented the second time in one year that Arizona export growth outpaced the national average, which was 13.2% at the end of FY 2000.

International Trade and Investment Statistics

- Export/trade-related technical assistance sessions for companies and individuals – 2,620
- Companies participating in trade events – 88
- Foreign Trade delegations hosted – 7
- Foreign Government delegations hosted – 32
- Trade events attended – 15

International Trade and Investment Accomplishments

- Facilitated 16 visits to Arizona by potential investors from Austria, Belgium, Germany, the Netherlands, Taiwan and the United Kingdom. Many of these companies are still actively pursuing investment opportunities in the state.
- Hosted/co-hosted trade and government delegations from Austria, Belgium, China, Denmark, the European Union, Finland, France, Germany, Hong Kong, India, Japan, Kazakhstan, Korea, Malaysia, the Netherlands, Northern Ireland, the Philippines, Spain, Taiwan and the United Kingdom.
- Emphasized the GSPED clusters, particularly High Technology, Optics, Environmental Technology, and Plastics and Advanced Composite Materials in trade development efforts. Considerable activity during FY 2000 involved the aerospace and aircraft industries.

International Trade and Investment

Return on Investment

"Zeta Corporation has developed a major marketing position for sales into

Taiwan and Southeast Asia. This opportunity has been created as a direct result of the programs and activities of the International Trade Division at the Arizona Department of Commerce. As a small company in the early years of growth, we would not, with our limited resources, have been able to generate such export momentum so quickly."

M. Michael Pitts, Jr., Ph.D.
President
Zeta Corporation

Workforce Development

Workforce Development promotes economic prosperity by providing businesses with the resources to train and develop Arizona's workforce.

Workforce Development Programs

Office of Workforce Development Policy - creates workforce policies, conducts research and creates and assists in the implementation of plans to improve workforce information, education and training programs and services.

Apprenticeship - a program that combines supervised, structured, on-the-job training with related classroom instruction.

Job Training - a short term, job specific grant program that supports the design and delivery of customized training to meet unique industry standards and challenges.

School-to-Work - addresses long-term business workforce objectives by helping K-12 students make the connection between the classroom and future careers.

Workforce Development Statistics

- Job training grants awarded - 24
 - 7 rural Arizona companies received a total of \$909,351
 - 4 small businesses received a total of \$449,800
- Total job training funds allocated - \$5,066,050
- "One Stop" career centers established - 25
- Apprenticeship training programs facilitated - 116

Workforce Development Accomplishments

- Established an Interagency Team with the Departments of Education and Economic Security to design a comprehensive system for all workforce development efforts. Arizona participates in 24 employment and training programs for youth, adults, and business. These programs are funded by federal/state monies and generate the annual expenditure of more than \$200 million in Arizona.
- The U.S. Secretary of Labor approved Arizona's Strategic Five Year State Workforce Investment Plan, enabling Workforce Investment Act funds to be used to administer local employment and training programs for youth and adults. For FY 2000, a total of \$34,318,668 was allocated to 16 local workforce investment boards throughout Arizona.
- Established 16 Local Workforce Investment Boards (LWIBs) and Youth Councils with representation from business, labor, education, community-based organizations and other workforce representatives. The LWIBs create local workforce policy, develop local plans, and oversee the delivery of employment and training programs through local one-stop delivery centers.

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

Business Assistance Center Statistics

- Individuals receiving assistance - 26,378
- Copies of "Entrepreneur's Encyclopedia" published and distributed through economic development partners - 80,000
- Attendees at 1st annual Minority/Women-Owned Business Enterprises Procurement Fair - 350

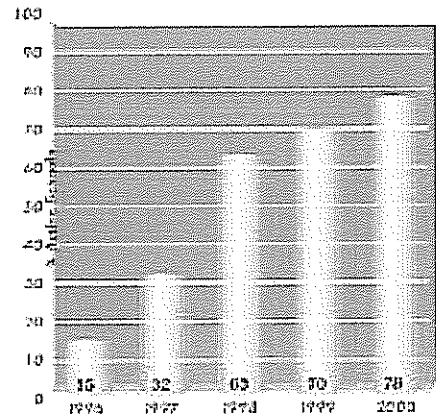
Business Assistance Center Accomplishments

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

Return on Investment

- Jobs created/facilitated - 2,993
- Average annual wage - \$40,555
- Additional jobs forecast for grants awarded in FY 2000 - 4,078

ARIZONA'S ACTIVE SCHOOL TO WORK SCHOOLS (TOTAL) REGIONAL PARTNERSHIPS



SOURCE: Morrison Institute for Public Policy. "Active Schools/School Rosters." 1996-2000

Business Assistance Center

Return on Investment

"As a small growing business, effective cost management is a number one key. The Arizona Department of Commerce's online Minority/Women-owned Business directory has enabled our company to have local and national business opportunities and exposure at no advertising cost to us. Appreciate all your help."

Rosa Cantor
President
Creative Human Resources Concepts LLC

Business Assistance Center Accomplishments

- Transformed the traditional "Small Business Book" into a new economy tool for new and expanding small businesses called the "Entrepreneur's Encyclopedia." The improved product now features e-mail and web site addresses for pertinent agencies and small business service providers.
- Established an annual procurement fair for women and minority entrepreneurs featuring over 50 state and local agencies providing seminars, panels and introduction to procurement officers and buyers.

The Arizona Film Commission attracts location filming business, infusing new money into the State's economy as a result of strategic marketing and customer-driven service. Runaway production to foreign countries offering significant subsidies reduced the number of feature film and television projects considering the Grand Canyon State in FY 2000. Commercial advertising production remained steady.

Arizona Film Commission Statistics

- Production days – 600
- Feature films – 10
- Television Movies – 2
- Television Projects – 6
- Music Videos and Documentaries – 6
- Commercial, Industrial, Still Photography Shoots – 100+
- Documentaries – 5
- Qualified project inquiries – 861

Feature Films: Warner Bros' *Traffic* starring Catherine Zeta-Jones; Columbia TriStar's Pictures' *Wakin' Up In Reno* starring Patrick Swayze; *Winged Migration* from the French company Galattee Films, *Vertical Limit* from Columbia TriStar; Cameron Crowe's *Almost Famous*; independent features *The Cactus Kid*, *The Forsaken*, *Dead Toad*, *Angry Young Men*, and an untitled IMAX project

Television Movies: Hallmark Hall of Fame's *The Lost Child* starring Mercedes Ruehl, and *The Truth About Jane* for Hearst Entertainment

Television Projects: An educational Japanese children's series, a German TV Special, I Dare You, Politically Incorrect, an MTV project and the BBC's Planet Of The Beasts

Music Video: Rednex "Spirit of the Hawk"

Commercial, Industrial and Still Photography Shoots: Products included Taco Bell, Pontiac, Powerbar, Harley Davidson, Ford, Mountain Dew, Tiger Toys, BMW, United Van Lines, Stetson, Kirin, Checker Auto, Circle K, Nissan, Volvo, Suzuki, Opel, Peugeot, Hyundai, Sapporo, the U.S. Postal Service and more

Documentaries: Roden Crater, flying, and the Navajo culture

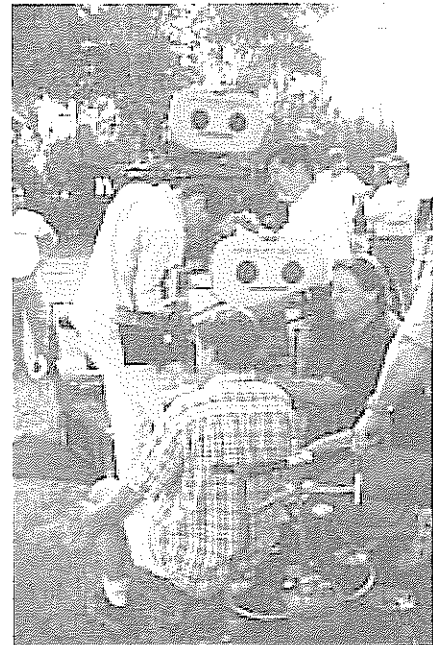
Arizona Film Commission Accomplishments

- Expanded digitized location photo library for customized client Internet presentations and initiated an on-line resource guide featuring fee-free listings of Arizona film professionals and support businesses.
- Generated press coverage promoting "Film In Arizona" to an estimated audience of two million readers.
- Published the fifth annual Arizona Film Commission Production Guide, a resource directory for filmmakers delivering business to Arizona. Fee-free listings promote local employment for Arizona film professionals and support services.

ARIZONA FILM COMMISSION

Return on Investment

- Estimated economic impact for FY 2000 – \$30 million¹³
- Success rate of imported film projects shot versus inquiries – 20%



"Arizona locations enhanced our story told against authentic backdrops. Local technicians were professional and the Arizona Film Commission supported us from start to finish. It was a terrific location experience."

Richard Welsh
Executive Producer
The Lost Child
Hallmark Hall of Fame Productions Inc

- Conducted the third annual "Film in Arizona Screenwriting Competition," to promote location filming business. The contest requires 85% scripted locations in Arizona. Hosted awards ceremonies where award winning producer and creator of "Dynasty" Esther Shapiro presented the keynote address. In the fourth annual competition, on-line applications were initiated along with a new Arizona award created in partnership with the Arizona Commission on the Arts.

The Finance Division supports the agency's economic and community development missions. By leveraging public sector funds, the Finance Division provides financial assistance to Arizona communities and businesses that promote the creation of high quality jobs, capital investment and infrastructure

Finance

Finance Programs

Commerce and Economic Development Commission (CEDC): a revolving loan fund focused on business attraction, expansion and support of the GSPED clusters and foundations

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

Economic Strength Program (ESP): provides grants to Arizona communities working with businesses planning to relocate or expand resulting in new jobs

Enterprise Zones: provides tax benefits to businesses creating new jobs in economically distressed areas

Private Activity Bonds: federally tax-exempt bonds used to encourage community and economic development

Finance Statistics

- Companies assisted in the 23 Enterprise Zones – 61
- Projects funded by CEDC – 7
- Projects funded by Private Activity Bonds – 27
 - 8 multifamily projects
 - 7 single family projects
 - 4 student loan programs
 - 8 manufacturing projects

Finance Accomplishments

- Renewed four Enterprise Zones, expanded one and certified two new zones
- Implemented new portfolio management software for the CEDC and RELA programs
- Initiated two new funding programs through the CEDC supporting New Economy projects for workforce development, benchmarking and best practices and global image marketing for the strategic industry clusters and foundations. These new programs provide funding to facilitate technology transfer from the state's universities to the private commercial sector and the development of high technology start-up companies through incubators.

Return on Investment

- Jobs created/facilitated – 3,396
- Capital investment – \$392,444,635
- Tax revenues to state/local governments
 - \$12,365,000 (one time)
 - \$7,400,000 (annually)
- Energy savings generated by the RELA program – \$100,000

Governor's Strategic Partnership for Economic Development

GSPED is a public/private partnership that enhances the competitiveness of the state's economy through export-driven industry clusters. There are 11 GSPED clusters: Bioindustry, Environmental Technology, Food, Fiber and Natural Products, High Technology, Minerals and Mining, Optics, Plastics and Advanced Composite Materials, Senior Industries, Software and Information Industry, Tourism, and Transportation and Distribution

(GSPED)

GSPED Accomplishments

- The divisions of Business Development, International Trade and Investment, Finance and Workforce Development all focus their business attraction and support efforts to facilitate the growth and development of the clusters.
- In November 1999, Governor Jane Dee Hull established the Arizona Partnership for the New Economy (APNE) to define the new economy for Arizona and create a strategy to pursue it. The leadership and employees of the Department are integrally involved in this statewide effort, which will guide the future of community and economic development in Arizona.
- In conjunction with the Workforce Development division, GSPED conducted or released several studies analyzing the basic skills and competencies needed for entry-level jobs in the Software and Information Technology and the Plastics and Advanced Composite Materials clusters.
- Also in conjunction with the Workforce Development division, profiles of the High Technology, Plastics and Advanced Composite Materials and the Software and Information Technology cluster were prepared or released. The Profiles focused on cluster workforce needs and opportunities, providing a benchmark to guide future cluster workforce development efforts.

Return on Investment¹⁴

Arizona is ranked 1st in the nation in growth of real gross state product (GSP). Due in part to strength in high tech manufacturing and business services (industries represented by Arizona's HighTech and Software clusters), the state's real GSP grew at almost twice the national average for 1992-98.

The mission of the Office of Senior Industries Development is to support communities, businesses and industries, as they best serve the aging Arizona population

Office of Senior Industries Development

Arizona's senior population is expected to double by the year 2020, one of eight states that will see a twofold increase in population growth. Every 8 seconds, one of the 76 million "Baby Boomers" turns age 50 - that's 300,000 people every 30 days.

Market analysts project that Baby Boomers, because of their large numbers, educational background, high numbers of dual-income households, and inheritance from their parents, will be the most powerful and affluent consumer group in history. Retirement age individuals represent \$900 billion in annual spending; 40% of all consumer demand; 20% of shopping center business and 50% of the country's discretionary income.

Retiree households in Arizona have an average estate value of \$350,000 and annual income of \$32,000. This demographic represents an unprecedented opportunity for Arizona businesses and communities.

Office of Senior Industries Development Statistics

- Relocation inquiries received - 31,466
- Communities assisted - 37
- Businesses assisted - 43
- Featured Articles - 10

Office of Senior Industries Development Accomplishments

- Provided technical assistance to 37 rural communities in the form of community and business assessments; community and business leads; retail and housing trends and implementation of business creation strategies.
- Established a coordinating relationship with Arizona's "Aging Network" (Area Agency on Aging, Governor's Advisory Council on Aging, Aging and Adult Administration, AARP) to maximize resources related to senior industry trends and information.

Return on Investment

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



ADMINISTRATION DIVISION

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

- Advance sound economic and community development policy for the state strengthening Arizona's national and international competitiveness
- Provide timely, quality, reliable administrative services to all programs in the agency in support of their contribution to the agency's mission
- Develop, maintain and support the use of information technology that will increase worker productivity and lead to a more effective and efficient workplace.
- Inform and educate elected officials, the business community, community and economic development partners, and current and potential customers of the Agency's mission, programs and resources through effective utilization of printed and electronic communications
- Provide a positive work environment that motivates employees and increases their productivity

Administration Division Programs

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

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

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

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

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

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

Administration Division Statistics

- Financial transactions processed – 65,700
- RFPs and contracts researched, developed and drafted – 25
- Network servers maintained – 13
- Press releases disseminated – 75

Administration Division Accomplishments

- Led the development of the State Rural Development Council to coordinate the efforts of the private sector with federal, state, and local governments to address pressing economic and community development issues in rural Arizona
- Implemented the first Arizona state agency Email newsletter by "opt-in" subscription; first agency to adopt and post Privacy and Disclaimer policies for the Internet
- Established the Minority and Women-Owned Business, Economic Development, Film and Solar interactive web-based databases
- Provided administrative and marketing support for Governor Hull's Arizona Partnership for the New Economy.

ADMINISTRATION MISSION:

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

Return on Investment

- Network up-time – 96%
- Visitors to the ADOC web site – 175,000
- Funding secured for the Rural Development Council (to be received in FY 2001) – \$160,000
- Opt-in subscribers to ADOC Email newsletter – 2,200

FINANCIAL FOOTNOTES

The figures presented in these footnotes are estimated figures and relate to results generated in FY 2000, representing the period July 1, 1999 through June 30, 2000.

NOTE #	DIVISION/PROGRAM	AMOUNT	NOTES
1 - Households aided	Energy	767	
	Office of Housing and Community Development	90,332	
	TOTAL	91,099	
2 - Communities supported	Communications	155 communities	Annual Community/County Profiles
	Economic Development	15 counties Est. 100 communities	Various programs
	Office of Housing and Community Development	88 communities 15 counties	Various programs
	Senior Industries Development	37 communities	Various programs
	TOTAL	155 communities All 15 counties	
3 - Adult learners and students served	Apprenticeship Services	3,014	
	Job Training Program	2,993	
	School to Work Program	Est. several thousand	162 schools in 27 districts
	TOTAL	6,007	
4 - Businesses Assisted	Arizona Film Commission	837	
	Business Development	656	
	Enterprise Zones	68	
	International Trade & Investment	2,620	
	Office of Workforce Development	24	
	Senior Industries Development	43	
	Small Business Assistance Center	26,378	
TOTAL	30,626		
5 - Jobs Created/Facilitated <i>(includes direct indirect induced part and full time jobs created or committed)</i>	Business Development	16,315	
	Economic Strengths Program	838	
	Enterprise Zones	2,558	Created/facilitated as a result of the income tax component of the program
	Office of Housing & Community Development	9,929	
	Office of Workforce Development	2,993	
	Senior Industries Development	65	
TOTAL	32,823		
6 - Capital Investment	Business Development	\$19 bil	
	Economic Strengths Program	\$151,966,038	
	Enterprise Zones	210,745,733	Made by companies certified for income tax credits
	Enterprise Zones	29,698,902	Made as a result of the property tax reclassification component of the program
	TOTAL	\$2 29 bil	
7 - One time state/local government tax revenues	Business Development	\$42,359,343	Excludes land values and manufacturing equipment
	Enterprise Zones	12,365,000	Generated at the time of investment; from 2000 University of Arizona study on Enterprise Zones; uses 5% primary assessment rate
	Office of Housing and Community Development	32,900,000	Generated during construction
	TOTAL	\$87,624,343	
8 - Annual State/local government tax revenues	Business Development	\$44,490,750	Excludes land values
	Economic Strengths Program	6,000,000	Direct, indirect and induced; real and personal property taxes, payroll taxes
	Enterprise Zones	2,325,000	Annual county taxes; from 2000 University of Arizona study on Enterprise Zones
	Office of Housing and Community Development	1,400,000	Annual county taxes
TOTAL	\$54,215,750		
9 - Funds leveraged from federal and other sources	Economic Strengths Program	5,927,533	
	Energy	\$ 1,515,687	
	Office of Housing and Community Development	218,700,000	
	International Trade and Investment	24,459	Market Development Cooperator Program matching funds used for Taiwan/Japan Optics and Mexico Env. Technology missions
	TOTAL	\$226,167,679	

NOTE #	DIVISION/PROGRAM	AMOUNT	NOTES
10 - Employee Public Service on 29 commissions and boards	Arizona Partnership for the New Economy; Arizona Mexico Commission; Governor's Diversity Council; Water Infrastructure Finance Authority; Greater Arizona Development Authority; Governor's Small Business Incubator Board; Rural Business Incubator Advisory Board; Vocational Education Advisory Committee; Arizona Geographic Information Council; Local Initiative Support Corporation; Rural Infrastructure Committee; Arizona Chapter of the National Association of Housing and Redevelopment Officials; Arizona Association for Economic Development. Digital Government Working Group; Arizona Council on Expanding Recreation and Tourism (ACERT); Arizona Geographic and Historical Names Board; Fannie Mae (Phoenix) Advisory Board; Commerce and Economic Development Commission; Governor's Council on Workforce Development Policy; Arizona Apprenticeship Advisory Council; Arizona Housing Commission; Neighborhood Preservation and Investment Commission; Arizona Space Commission; Arizona Baseball Commission; Governor's Film and Television Advisory Board; Arizona Solar Energy Advisory Council; International Development Research Council; AZSoft.net; Business Development Finance Corporation		

11 - Statewide initiatives led	Business Development	1	American Community Network
	Executive Office/Communications	1	Arizona Partnership for the New Economy
	Finance/Legislative	1	Cluster/Technology Transfer/Incubation Project Funding
	Office of Housing and Community Development	2	Governor's Action Initiative, State Rural Development Council
	TOTAL	5	

12 - Return on Investment figures for the Office of Housing and Community Development were calculated using the Arizona Economic Impact model.

13 - Estimated economic impact of film-related business in Arizona for FY 2000 is based on actual expenditures reported by film companies.

14 - US Department of Commerce Bureau of Economic Analysis (BEA). 2001. Real gross state product (GSP) is an inflation-adjusted measure of "value added" in production.



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