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# Board of Supervisors Memorandum

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November 22, 2016

## Pima County Economic Development Plan – Update through 2018

### Introduction

As a component of our ongoing efforts to promote economic development, job growth, higher wages and increased wealth within our region, Pima County has updated the enclosed Pima County Economic Development Plan through 2018. This plan is a midterm update of the previous economic development plan adopted by the Board of Supervisors in August 2015.

The recommendations and action steps presented in this updated plan are ones the County can take and is taking in the near term to provide a foundation for long-term economic growth and stability. We will continue to revise and update the Plan to maximize a steady and prolonged recovery in the community's economic conditions; including increasing the number of jobs available, increasing the average wage, compensation and benefits – particularly for new jobs in the region – and increasing the positive economic outcomes of tourism. The plan also recommends fostering a collaborative environment in which the private sector, local governments, educational institutions and nonprofit organizations work together to stabilize and expand the local economy. Key areas where such collaboration can reap significant rewards for the community include education/workforce development and combating poverty.

This Economic Development Plan midterm update is designed to continue guiding the County's investments and policy actions to grow the local economy, increase jobs and income, and increase overall community wealth. The plan consists of the same 14 chapters created for the 2015 through 2017 update; each of which focuses on an area of economic development and job creation/growth where the County can lead, directly affect and/or influence progress and outcomes.

The discussion below highlights successes and positive progress on a number of actions to increase employment and improve the economic wellbeing of our community, as well as position our region for continued economic expansion. The attached *Pima County Economic Development Plan – Update through 2018* discusses these activities and others in which the County is currently engaged.

### Aerospace Parkway Completion and Pending Expansion

The relocation of Hughes Access Road was completed by the County in December 2015 to allow Raytheon to achieve the full benefits of both an existing and expanded buffer. This project was a nearly \$14 million investment by the region to not only protect the region's largest employer, but lay the groundwork for future aerospace, manufacturing and defense-based primary employment in the region. The Hughes Access Road relocation to a new roadway alignment named the Aerospace Parkway

significantly increased buffering benefits to Raytheon, as well as added to accessibility of the County-owned Aerospace, Defense and Technology Business and Research Park. Development of the Business Park, as well as other building activities in the area, mean traffic demand on the Parkway is growing rapidly, resulting in planned expansion through the Business Park to four lanes.

On October 27, 2016, the Pima Association of Governments authorized an amendment to the current five-year Transportation Improvement Plan, as well as \$10 million in funding, to widen and expand the Aerospace Parkway from Old Nogales Highway easterly, including expansion and improvement of the south access to Raytheon and local public highway service to tenants now beginning to locate in the Business Park.

#### World View and Vector Space in the Aerospace, Defense and Technology Business and Research Park

World View Enterprises is the first occupant of the Aerospace, Defense and Technology Business and Research Park. Their manufacturing and headquarters facility is located on 12 acres adjacent to the Aerospace Parkway and Raytheon Parkway. World View plans to launch high-altitude balloons that can perform some functions that normally require satellites, but at substantially less cost. The balloons, known as stratollites, are the first foray into commercial activity in the Earth's stratosphere. When fully operational, World View will employ 500 employees and manufacture balloons carrying scientific payloads.

In addition, the construction of SpacePort Tucson has been completed near World View's manufacturing site in the Park. SpacePort Tucson will be the first licensed spaceport in Arizona, and it will be owned by Pima County and operated by World View.

World View's impact on the near space industry has not gone unnoticed and has resulted in inquiries about the Park from other space-oriented companies. World View projects its employment will grow from 25 to more than 400 within the next five years. Annual salaries will average \$55,000, which is 150 percent above the current annual wage in Pima County. A professional analysis estimates World View's economic impact in the region at \$3.5 billion over the next 20 years.

Vector Space Systems recently announced its decision to expand its rocket manufacturing facility on a 15-acre site within the Park. Vector Space offers reduced cost rocket launch capability for micro-satellites and other virtual satellite technologies. Over the next two to three years, Vector projects a total of 200 fulltime employees earning an average salary of more than \$70,000 annually.

### Caterpillar Relocation

Sun Corridor, the Arizona Commerce Authority, Rio Nuevo, the City of Tucson, and Pima County all worked together to assemble a package of economic incentives that ultimately induced Caterpillar to select Tucson as the site for its reorganized Surface Mining and Technology Headquarters. This consolidated operation is expected to grow to include nearly 1,000 jobs within five years, which means this action will result in 650 new highly-skilled jobs with an average annual salary of \$90,000.

Although it intends, with the assistance of Rio Nuevo and the City, to build a large new facility in downtown Tucson valued at up to \$50 million, designing and constructing such a facility will take several years. Caterpillar therefore needed office space for short- and long-term lease until its new permanent facility is ready for occupancy. The County was ideally positioned to offer Caterpillar a four-year lease in the County-owned building located at 97 E. Congress Street. Once Caterpillar moves into its newly constructed facility, 97 E. Congress will be available for sale or lease to another primary employer.

An economic impact study commissioned by Sun Corridor has estimated Caterpillar's operation in Pima County would generate a total economic impact during its first five years of almost \$600 million.

### HomeGoods Opening

Recently, HomeGoods completed an 800,000 square foot, \$79 million facility just north of Tucson International Airport that will employ nearly 900 residents. FedEx Ground and Old Dominion Freight Lines have also located new logistics facilities adjacent to the HomeGoods site. This area is beginning to be recognized for its strategic advantage as a logistics center for the Southwest. Discussions are underway with Union Pacific Railroad regarding relocation of the Nogales Line in a planned utility corridor along the Old Vail Connection alignment to connect to the Sunset Line with the goal of adding rail service to this area. This will be a major attraction for additional logistics-focused employers.

The County worked with Sun Corridor Inc. and other jurisdictional partners in HomeGood's successful Foreign Trade Zone designation

### Completion of the TIGER Grant Expansion Project at the Port of Tucson

The Port of Tucson is a long-established, privately held rail/truck intermodal facility operated, built and constructed by a local family. The operation is now beginning to reach its potential as a significant inland port facilitating both rail and truck interchanges, as well as integrating product, storage and distribution.

The County and the Port of Tucson cooperated to receive a TIGER Grant, and this grant has been implemented, creating a major offloading point from the intercontinental Union Pacific Railroad. The Port of Tucson is now able to accept significantly larger train capacity, further emphasizing its importance in the national and international rail/freight distribution network.

#### New Direct Air Service from Tucson to New York City and Tucson to Mexico Destinations

In 2015, the Tucson Metro Chamber formed an Air Service Task Force that is attempting to secure direct flights from Tucson to New York City/Newark with an approximately \$3 million revenue guarantee. This effort has been successful as American Airlines began nonstop daily service from Tucson to New York on October 7, 2016. Also in October 2016, direct flights from Tucson to Hermosillo and Mazatlán were added. Efforts to add additional direct flights to locations in Mexico, Canada and possibly Washington DC are underway. These communitywide efforts will continue to be encouraged and assisted by Pima County.

#### Continued Growth and New Manufacturing Facility for Accelerate Diagnostics

The County assisted in the relocation of biotech startup Accelerate Diagnostics to the Abrams Public Health Center, and the company has grown significantly since relocating to Tucson. In the future, it will occupy the entire fourth floor of the Abrams Public Health Center for a total of 45,000 square feet. The economic development incentive originally provided by the County required 30 employees at an average annual wage of \$65,000. Accelerate Diagnostics began with 10 employees; they now have over 120 fulltime employees, and the 2016 120-employee average annual wage is over \$80,000.

Accelerate's manufacturing facilities are initially located proximate to the Abrams Public Health Center. This manufacturing component will be expanded in 2017 and add another 30 employees to Accelerate's total employment over the next two years.

#### Successful Legislation to Include the Sonoran Corridor in the Interstate Highway System

In June 2015, Senators John McCain and Jeff Flake and Congresswoman Martha McSally cosponsored successful legislation to designate the Sonoran Corridor as part of the interstate highway system. This legislation was cosponsored by the entire Arizona Congressional Delegation and received Arizona Governor Doug Ducey's support, as well as that of local business leaders.

The Sonoran Corridor and its many job and economic development benefits have been part of the County's economic development plan since 2012. Designating the Sonoran Corridor as an interstate highway will enhance and emphasize the international trade

aspects of this corridor with Mexico and will add to the benefits of the CANAMEX and future Interstate 11 Corridors.

#### Progress on Acquisition of Leased Lands within Davis-Monthan Air Force Base

There are currently 99 acres of private property and 133 acres of State Trust land inside the boundary of Davis-Monthan Air Force Base (DMAFB) that are leased on an annual basis to the US Air Force. The annual cost of these leases to the Air Force exceeds \$380,000. These leased properties should be purchased and leased at no cost to DMAFB to continue their operations. This action would lower the operating cost of keeping DMAFB open for military uses; When contacted to discuss purchase of this property on behalf of the USAF, the Arizona State Land Department recognized the need to lower the annual lease cost and converted this \$54,000 annual commercial lease to a Special Land Use permit that now costs the USAF just \$2,400 per year.

In addition, the County has worked with the Governor's Office and the Arizona Department of Emergency and Military Affairs to secure funding to purchase certain private properties inside the boundaries of DMAFB. A \$250,000 grant from the Military Installation Fund has been approved for this purpose. The County hopes to complete acquisition of these properties by fall 2017 and lease them to DMAFB at the nominal rate of \$1 per year. We hope to expand funding by reapplication for additional funding to the Military Installation Fund for the purchase of the private properties. The first priority area for these purchases is land within the Quantity Distance Arcs related to the DMAFB Munitions Storage Area.

#### Kino Stadium, Major League Soccer and Mexican Professional Baseball

Pima County invested more than \$3 million in FY 2012/13 to transform the northern half of Kino Sports Complex from baseball fields into a 2,360-seat pocket stadium and four multipurpose fields that can be used for soccer, lacrosse and other grass sports. FC Tucson is established as the anchor tenant at the Kino North Sports Complex. FC Tucson has also taken the lead in bringing Major League Soccer (MLS) spring training to the Kino North Sports Complex annually from late January through early March.

Pima County invested an additional \$190,000 in FY 2013/14 to bring in MLS spring training and a professional soccer team from Mexico to compete in the February 2014 Desert Diamond Cup. The County made similar investments to bring back MLS spring training in 2015 and 2016. Visit Tucson has helped the County leverage its investment by entering into \$50,000 sponsorship agreements annually with FC Tucson in FYs 2013/14 and 2014/15. The majority of these investments are passed through to MLS to secure advertising used to attract fans of incoming MLS teams to Tucson.

Kino Sports Complex is also the site for what has become the annual Vamos a Tucson Mexican Baseball Fiesta each October. The sixth annual Vamos a Tucson Mexican Baseball Fiesta was held at the County-owned Kino Stadium in fall 2016. The tournament included some of the most popular teams in Mexico; and over the four-day event, attendance was nearly 12,500, despite inclement weather.

#### Colossal Cave Mountain Park Revitalization

Colossal Cave Mountain Park's first year under the new operator, Ortega National Parks, has been very successful. Attendance and revenues have increased dramatically, with attendance increasing 323 percent and overall revenue exceeding over 200 percent, over Fiscal Year 2014/15. Attendance and revenue growth is attributed to several factors, including the complete remodeling of the gift shop, the opening of a new restaurant, campsite renovations and improved cave tours and more improvements to the ranch house area, trail systems, and campground areas are scheduled for 2017.

#### Ending Poverty Now Initiative

Pima County is engaged in examining more closely how we can reduce both the direct cost of incarceration to the County and the larger indirect impact of incarceration on the economic wellbeing of the community. Since 2015, the County has been one of only 20 jurisdictions nationally participating in the MacArthur Foundation's Safety & Justice Challenge, which is a \$100 million initiative to reduce over-reliance on incarceration. Pima County is one of only 10 Safety & Justice sites that received grant funding to implement plans to divert low-risk offenders from jail, improve treatment for substance abuse and mental health problems to reduce recidivism, and reduce arrests related to failure to appear in court by improving court reminder systems and holding weekend and night courts.

In addition, Pima County is one of approximately 50 communities in the United States to investigate Pay for Success as a way to address social issues. Pay for Success projects involve public-private partnerships in which it is possible to invest in innovative best practices. In 2015, the County initiated a contract with the Sorenson Impact Center to conduct a Pay for Success "readiness assessment" for Pima County. This work led to the 2016 award of \$1.3 million by the US Departments of Housing and Urban Development and Justice to the Sorenson School and Pima County to develop a Pay for Success model to provide permanent supportive housing for the chronically homeless, who are generally users of costly services such as jails and mental health and housing services.

In fall 2016, Pima County was awarded a grant by the US Department of Labor to provide workforce services to individuals serving out their sentences at the Minimum Security Facility of the Pima County jail and preparing to re-enter the community. Nearly

\$500,000 will be earmarked for training and career counseling, and other employability skills efforts for inmates – both in-jail and post-release.

#### Diversifying County Revenue Sources to Lower the Property Tax

Pima County's strategic economic development efforts have led, and will continue to lead, to increased capital investment that serves to expand the tax base. The attraction of new businesses adds to the tax rolls and is a very important component of our economic development strategy. Growing the tax base means taxable income of the County increases; hence, other taxpayers will bear less of the tax burden.

The County has been the subject of a number of State cost transfers that artificially increase the County's primary property tax rate. The single largest transfer was attempted by the Arizona Legislature beginning in Fiscal Year 2015/16 when the Legislature transferred a portion of the funding obligation for education in Arizona to other taxing districts. Pima County believed this transfer was unlawful and filed suit; and this proposed cost transfer was declared unconstitutional. This successful litigation saved the County \$32 million during the time period the obligation would have been imposed and allowed Pima County to lower the primary property tax rate.

As can be seen from the successful outcomes discussed above and the additional positive activities that are occurring as described in the *Economic Development Plan – Update through 2018*, the strategies being employed by the County are yielding measurable results in the form of employment expansion, capital investment within the community, and expansion of the tax base.

#### Recommendation

I recommend the Board of Supervisors accept the Pima County Economic Development Plan Update through 2018 and use the Plan to guide future budget allocations and policy decisions to foster economic development opportunities in Pima County.

Respectfully submitted,



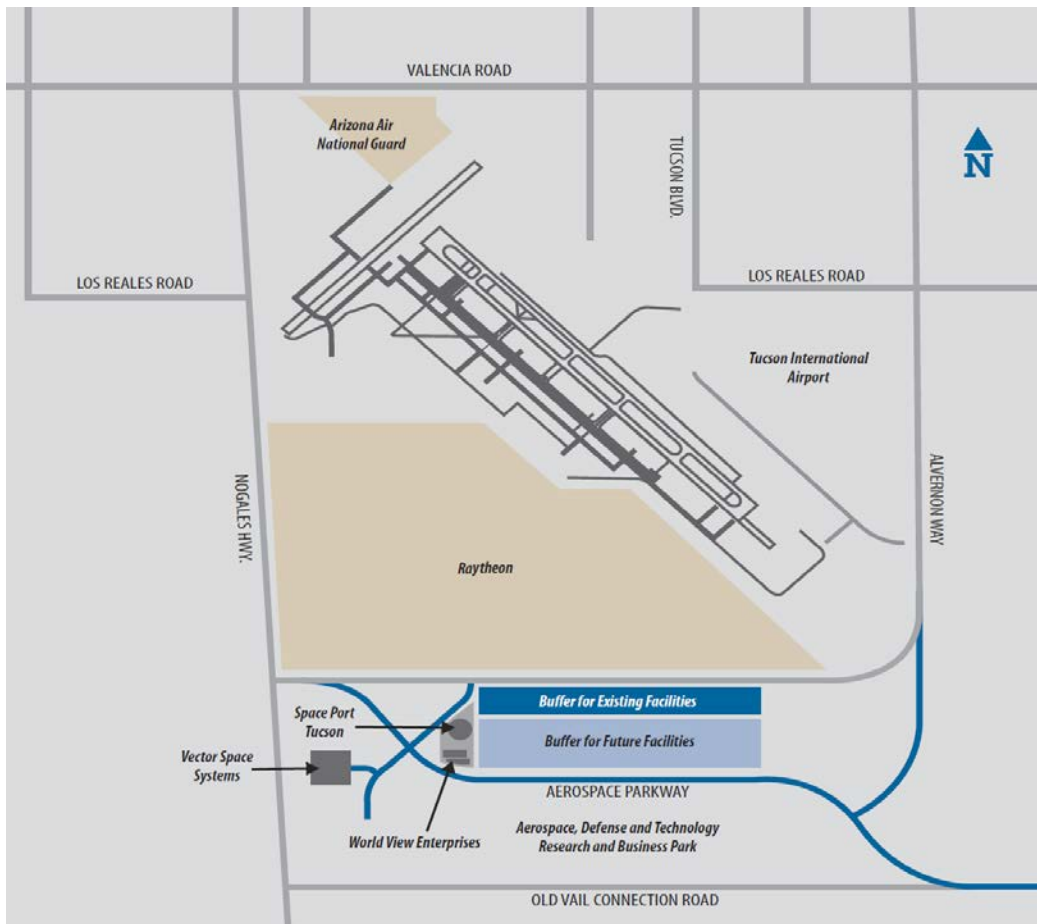
C.H. Huckelberry  
County Administrator

The County is developing a number of proposals to make available shovel-ready primary employment center sites. These sites would be available for sale or lease to new primary employers or for expanding primary employment within the County. They are all County-owned properties that could be used for employment centers. The locations discussed in this chapter are under active consideration.

A. Raytheon Buffer

One of the priorities in the County adopted Economic Development Action Plan is to protect the existing employment base within the County. Raytheon is our largest private employer; hence, the County has taken steps to buffer Raytheon operations by both relocating Hughes Access Road and by acquiring buffer lands that could be utilized for Raytheon if they chose to expand their operations. These actions allow existing Raytheon operations to continue without receiving waivers from the United States Air Force (USAF) for certain activities. The actions substantially buffer Raytheon from any adverse encroachment that would threaten or diminish its operational flexibility.

The Raytheon buffer is comprised of two components, the first being the buffer related to existing operations and its existing facilities. This buffer will be acquired in a land exchange agreement between the Tucson Airport Authority (TAA) and the USAF and would extend approximately 800 feet south of the existing Hughes Access Road alignment. This buffer is approximately 130 acres of land now owned by the TAA.





The second buffer is larger, consisting of approximately 270 acres of land that would allow displaced Raytheon facilities to be relocated. In addition, the expanded buffer would allow Raytheon to construct additional final assembly and checkout facilities to expand operations. This second buffer will be acquired by the City of Tucson using an annexation fund previously established by the City as an incentive for Raytheon to annex into the City.

The buffer for Raytheon production expansion will be transferred upon completion of an ongoing Environmental Impact Statement (EIS) for the second runway at Tucson International Airport (TIA). Completion of the EIS is scheduled for September 2018.

A portion of the expanded buffer is also planned for an Air National Guard munitions storage area which would allow the current 162<sup>nd</sup> Arizona Air National Guard Pilot Training Program to continue and expand at TIA.

#### B. Aerospace, Defense and Technology Business and Research Park

To eliminate potentially adverse residential encroachment on Raytheon, the County purchased approximately 382 acres at a cost of \$5.9 million from private developers who were attempting to build residential development adjacent to the south boundary of Raytheon. These 382 acres of County-owned property, as well as 97 acres owned by the County for many years and adjacent TAA-owned lands, are being developed as an Aerospace, Defense and Technology Business and Research Park (the Park). The lands will have transportation access from the relocated Hughes Access Road, now known as the Aerospace Parkway, as well as planned rail access from the Nogales line. The planned uses would be for primary employment, with preference given to aerospace and defense industry-related firms that are compatible with the adjacent landowners, Raytheon and TIA. In total, the Park would be approximately 2,800 acres of land held in trust by the State or owned by Pima County or the TAA. The site's proximity to the new proposed auxiliary interstate highway, also known as the Sonoran Corridor and discussed in Chapter 2, makes the property an ideal location for future primary employment sites that complement existing aerospace, manufacturing and high-tech employment within the corridor.

To advance development of the Park, the Aerospace Parkway (the relocated Hughes Access Road) was completed in 2015. In addition, advance planning and implementation of major utility extensions for wastewater and water services have been completed by the County and City. Business development of the property for defense and technology manufacturing will be possible with surface transportation access, as well as major utility connections, including water, sewer, electric and communication systems.

Active land use planning for the County's nearly 500-acre property began in the latter part of 2015.

The first occupant of the Aerospace, Defense and Technology Business and Research Park is World View Enterprises. Their manufacturing and headquarters facility is located on 12 acres adjacent to the Aerospace Parkway and Raytheon Parkway. World View plans to launch high-altitude balloons that can perform some functions that normally require satellites, but at substantially less cost. The balloons, known as stratollites, are the first foray into commercial activity in the Earth's stratosphere.

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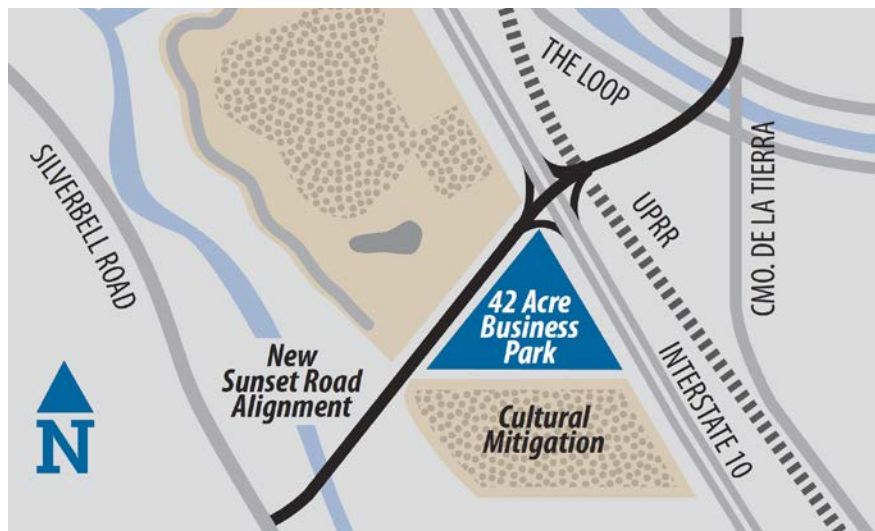
In addition, SpacePort Tucson is being constructed near World View’s manufacturing site. SpacePort Tucson will be the first licensed spaceport in Arizona and will be owned by Pima County and operated by World View.

World View’s impact on the near space industry has not gone unnoticed. Pima County has had inquiries about the Park from other space-oriented companies. Vector Space Systems recently announced its decision to expand its rocket manufacturing facility in the Park. Vector Space offers reduced cost rocket launch capability for micro-satellites and other virtual satellite technologies. Both of these companies are on the cutting edge of the rapidly growing industry of stratospheric and suborbital space capability.

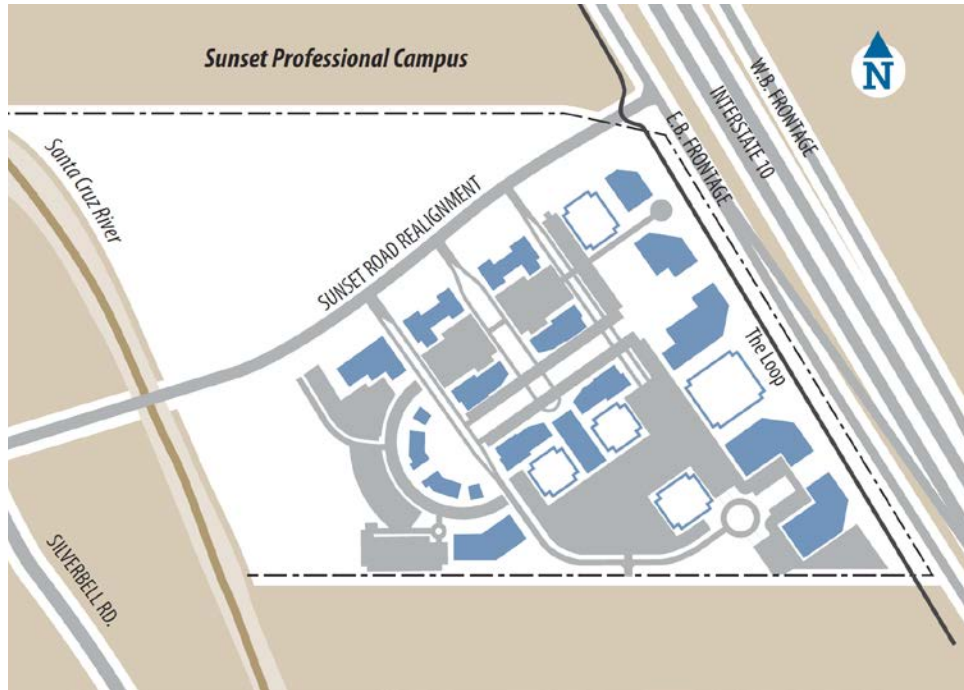


C. Sunset Professional Campus, Sunset Road and Interstate 10, River Road

The County acquired approximately 615 acres from California Portland in December 2012. Most of the acquired property is within the floodplain, flood erosion hazards of the Santa Cruz River or has been the site of sand and gravel mines. However, over 100 acres of the property located at Interstate 10 (I-10) and the future extension of Sunset Road to Silverbell Road, as well as Sunset Road to River Road, can be utilized for primary employment. Because of easy access to I-10, future employment uses envisioned at the site would promote primary and new employment within the region in a campus environment. It would also encourage mixed-use development in the area. Regional Transportation Authority (RTA) and Arizona Department of Transportation (ADOT) funding of the new Sunset Road interchange, Sunset Road extension and connection to River Road, as well as the RTA improvements to Silverbell Road, will make this an ideal business campus site in the future.



The County has developed a more detailed Master Plan for the Sunset Road Professional Campus. This campus is designed to accommodate nearly one million square feet of office space and technology research centers. Cost models are currently being developed for the first 250,000 square foot office complex at the corner of Interstate 10 and Sunset Road. Buildings will be designed in a campus style and be between three and six stories in height.



The balance of the property is to be developed as an environmental enhancement project known as El Corazón, which will be a major public recreation asset through restoration of the former sand and gravel sites.



The County is also advancing the connection of Sunset Road to Silverbell Road and the significant enhancement of the Sunset Road interchange at I-10. The County's Department of Transportation conducted early planning studies leading to design and implementation of

Sunset Road connecting to the existing interchange at I-10. This improvement began in 2016 at an approximate total cost of \$22 million and is due for completion in Spring 2017.

#### D. Biosciences and Biotechnology

Between 2002 and 2011, bioscience jobs in Arizona increased by 45 percent, adding more than 30,000 jobs, for a total of nearly 100,000. By comparison, the national growth rate for bioscience jobs during this period was 12 percent. Arizona's bioscience firm establishment also exceeded national growth – a 31 percent increase versus 23 percent. Arizona bioscience workers earn an average annual salary of \$56,000, compared to \$44,000 for all other private sector industries.

Biosciences/biotechnology is an emerging high-tech job developer and exists in limited locations throughout the region – primarily in four geographic areas. One of these areas and the largest private employer of bioscience and biotechnology jobs is in Oro Valley at Innovation Park, followed by facilities associated with The University of Arizona (the University; UA) in and around the main campus, followed by the location of Accelerate Diagnostics in the County's Abrams Public Health Center at the Kino Campus on Ajo Way, and emerging companies at the UA Tech Park at The Bridges.

Accelerate Diagnostics. The County assisted in the relocation of Denver, Colorado-based Accelerate Diagnostics to the Abrams Public Health Center. Accelerate is a startup biotech firm that has grown significantly since relocating to Tucson. In the future, it will occupy the entire fourth floor of the Abrams Public Health Center for a total of 45,000 square feet. The

lease is relatively short term at six years, with the facility being designed as a successful bioscience start up incubator. Accelerate Diagnostics began with 10 employees; they have over 120 fulltime employees in 2016. Originally, the economic development incentive provided by the County required 30 employees at an average annual wage of \$65,000. The 2016 120-employee average annual wage is over \$80,000.

Accelerate Diagnostics' growth has been quite significant, and they have agreed to locate their manufacturing facilities for their medical devices in Tucson. These manufacturing facilities are initially located proximate to their incubator startup in the Abrams Public Health Center. This manufacturing component will add another 30 employees to Accelerate's total employment over the next two years. Currently, Accelerate has completed the construction of its manufacturing facilities and currently employs 6 in this facility, which will be significantly expanded in 2017.



Bioscience/biotechnology Startup in Oro Valley. The County and others have been meeting regarding the development of a bioscience/biotechnology startup to be located immediately adjacent to both Sanofi, Inc. and Ventana Medical Systems, Inc. (a member of the Roche Group) in Oro Valley. It is anticipated this bioscience startup facility will be 25,000 square feet, expandable to 50,000 square feet, and it is being developed with private funds.

Tech Launch Arizona. The UA is nationally ranked among public universities for research spending nationally and recognized for graduate programs in biomedical engineering, neuroscience, pharmacology and toxicology, cancer biology, applied mathematics and genetics.

The goal of Tech Launch Arizona is that by 2020, the University of Arizona “*will become a recognized national resource for its role in commercializing UA-created knowledge and bringing the University’s inventions to the public for economic and social benefit.*” Tech Launch Arizona has, since its inception in 2012, disclosed 800 inventions and launched 40 startups from UA research. In 2016, Tech Launch activities resulted in 278 filed US patents and secured 95 licenses and options, and received \$1.2 million in asset development awards and over \$2 million in royalty income.

Tech Parks Arizona, which directs the UA Tech Park at Rita Road, UA Tech Park at The Bridges and the Arizona Center for Innovation, had a \$1.74 billion impact on Arizona’s economy in 2016.

Strengthening connections to existing tech centers presents a major opportunity for new or expanded employment. The Tucson Tech Corridor is anchored by the UA Tech Park and provides more efficient linkages to the UA Tech Park at The Bridges, The Banner-University of Arizona Medical Center–South Campus (Banner UAMC–South) on Ajo Way, and their emerging employment centers. Pima County has already invested \$16 million at The Bridges site for flood control improvements and wastewater capacity.

E. Downtown Primary Employment – 97 E. Congress Street, 75 E. Broadway Boulevard and 332 S. Freeway

The County owns and operates approximately 1.58 million square feet of office space in the downtown Tucson area. Tucson is the County seat. Pima County is the region’s largest downtown employer and has been for more than two decades. Today, we employ more than 7,000 full- or part-time employees. The County is fully invested in the success of downtown revitalization; and through the development of new court facilities and the repurposing of the Historic County Courthouse, is able to make available 97 E. Congress, as well as leased parking spaces in the County parking garage at 50 N. Scott Avenue.

Ninety-seven (97) E. Congress is an office building of 44,130 square feet. Pima County has made this property available for lease to the Surface Mining and Technology Division of Caterpillar, Inc. The County’s preference will be to sell or lease this site to another employer that would bring primary employment jobs to downtown Tucson after the Caterpillar lease expires in four to six years.

During the four- to- six-year lease with Caterpillar, they will design and build a much larger headquarters building for their Surface Mining and Technology Division within the Rio Nuevo development site west of Interstate 10 and the Santa Cruz River. This permanent site for Caterpillar will be 250,000 square feet, housing approximately 1,000 employees.

In addition, the County owns 0.66 acres (28,780 square feet) of vacant property at 75 E. Broadway Boulevard (Broadway and Scott Avenue). The County will also, during the same time period, make this property available for the construction of a new office building designed, again, to attract primary export-based employment in downtown Tucson.

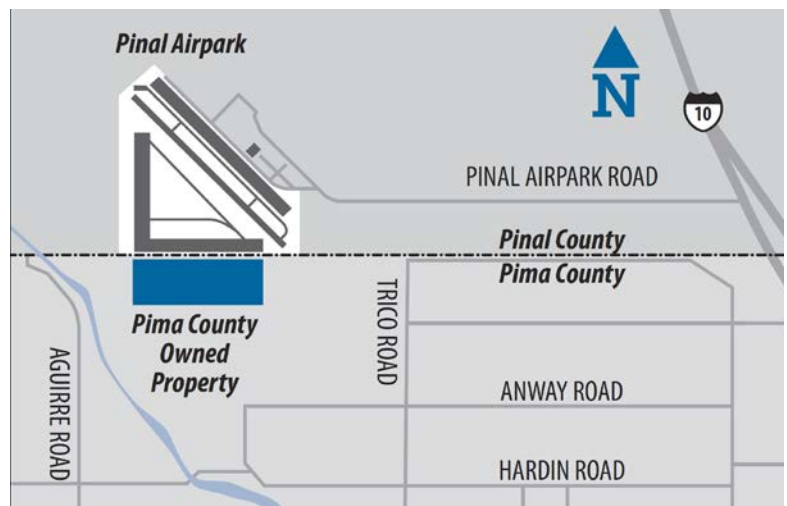
332 S. Freeway, the former location of the County's Teresa Lee Health Center, is an approximately two-acre property adjacent to Interstate 10. The existing structure has been demolished to make the site available for a multistory employment center. This site is well located on the Sun Link Streetcar line and The Loop and is very appropriate for the development of a high-technology, 150,000 square foot Class A office building.

The County will consider any sale or lease options for these properties for primary employment; all with appropriate considerations and/or incentives for economic development if the employer meets certain conditions regarding the number of new, export-based employees with average wage levels being significantly greater than the regional average.

F. Pinal Air Park

The County is engaged in discussions with Pinal County representatives regarding economic development opportunities on our common border. One of these opportunities involves Pinal Airpark. The County owns 296 acres of land immediately adjacent to and south of Pinal Airpark, and this land lies on the Pinal/Pima County boundary. This property is immediately adjacent to air operations associated with Pinal Airpark.

In our meetings with Pinal County, we have offered our full cooperation in any job or economic development activities that would expand Pinal Airpark, including making Pima County's property available to ensure full runway operational parameters, including aviation easements and other items necessary for a successful, long-term operation and expansion of Pinal Airpark. Further, the County's property can be made available to new employers that would locate near or adjacent to and use the air transportation capacities of Pinal Airpark.



The County fully supports Pinal County in its planning efforts associated with the Pinal Airpark Master Plan and has offered our property to be incorporated into its master planning efforts for developing a larger airfield economic development opportunity for the region.

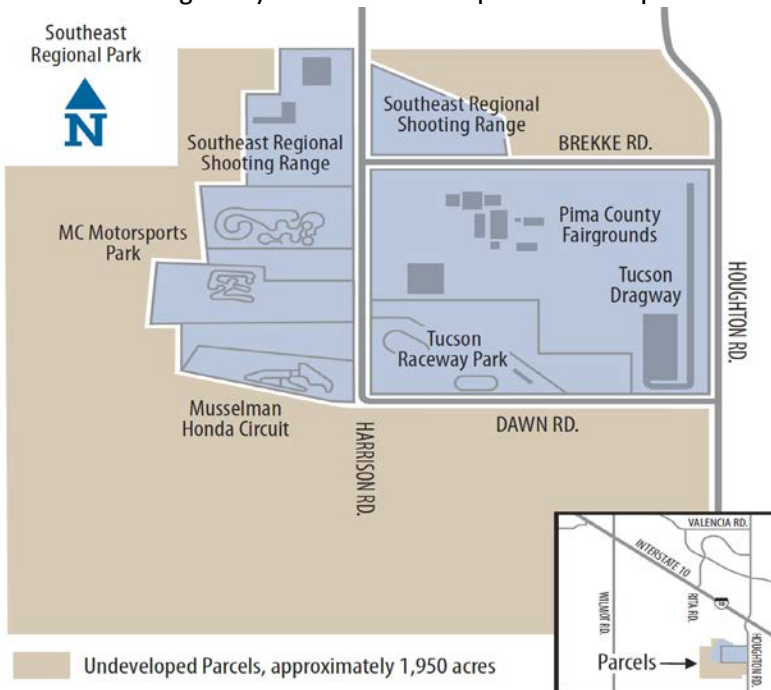
The County also supported the efforts of Pinal County to widen, resurface and extend the runway serving Pinal Airpark. The present runway was resurfaced in 2016, but it should be widened to accommodate larger aircraft and lengthened to accommodate more aircraft under varying conditions. Such an updated and expanded runway would greatly increase the maintenance and repair opportunities and capacity of Pinal Airpark for the airline industry.

The County will also work to provide direct access from Pinal Airpark to the County property. This can be accomplished by extending a north/south taxiway approximately 600 feet south. The County will request an airport improvement grant to make this improvement and will agree to designate the property for inclusion in the Master Plan Airport boundary, such that it can be considered Airport property for the purpose of onsite airport improvement grants.

**G. Southeast Regional Park – Pima County Fairgrounds Area**

The County acquired 1,920 acres of State Trust Land in the Southeast area in an exchange with the Arizona State Land Department for the Rancho Romero property purchased by the County through a 1974 Open Space bond issue. The County also purchased some of the property from the State Land Department using voter authorized bonds. Catalina State Park is a result of this exchange, as well as the purchase of private land. Today, the County owns approximately 3,000 acres in the Southeast area, including the Pima County Fairgrounds, which is located on 640 acres. The property is managed and operated by the Southwestern Fair Commission to conduct the County Fair and for a variety of other uses, including equestrian events, music festivals and motor sports.

In addition, there are sub-leases for other entertainment and recreational activities, including Tucson Speedway, a NASCAR circle track, Tucson Dragway (a National Hot Rod Association sanctioned quarter-mile track), a model airplane park and a go-kart track. Additional attractions within the Southeast Regional Park include a shooting and archery sports park, off-highway vehicle motorsports and a professional go-kart raceway.



Most recently, a portion of the property was leased for the purpose of developing a three-mile Road Track. This lease fell through with the opening of a competitive facility in Pinal County. The 400 acres is now slated for economic development uses for lease or sale to new export-based employers. The entire property will undergo a new master planning process to finalize uses, including those that now occupy portions of the property for shooting sports, archery and other parks and recreational activities. The remainder of the property will be planned for economic development expansion, primarily for the attraction of new export-based employers.

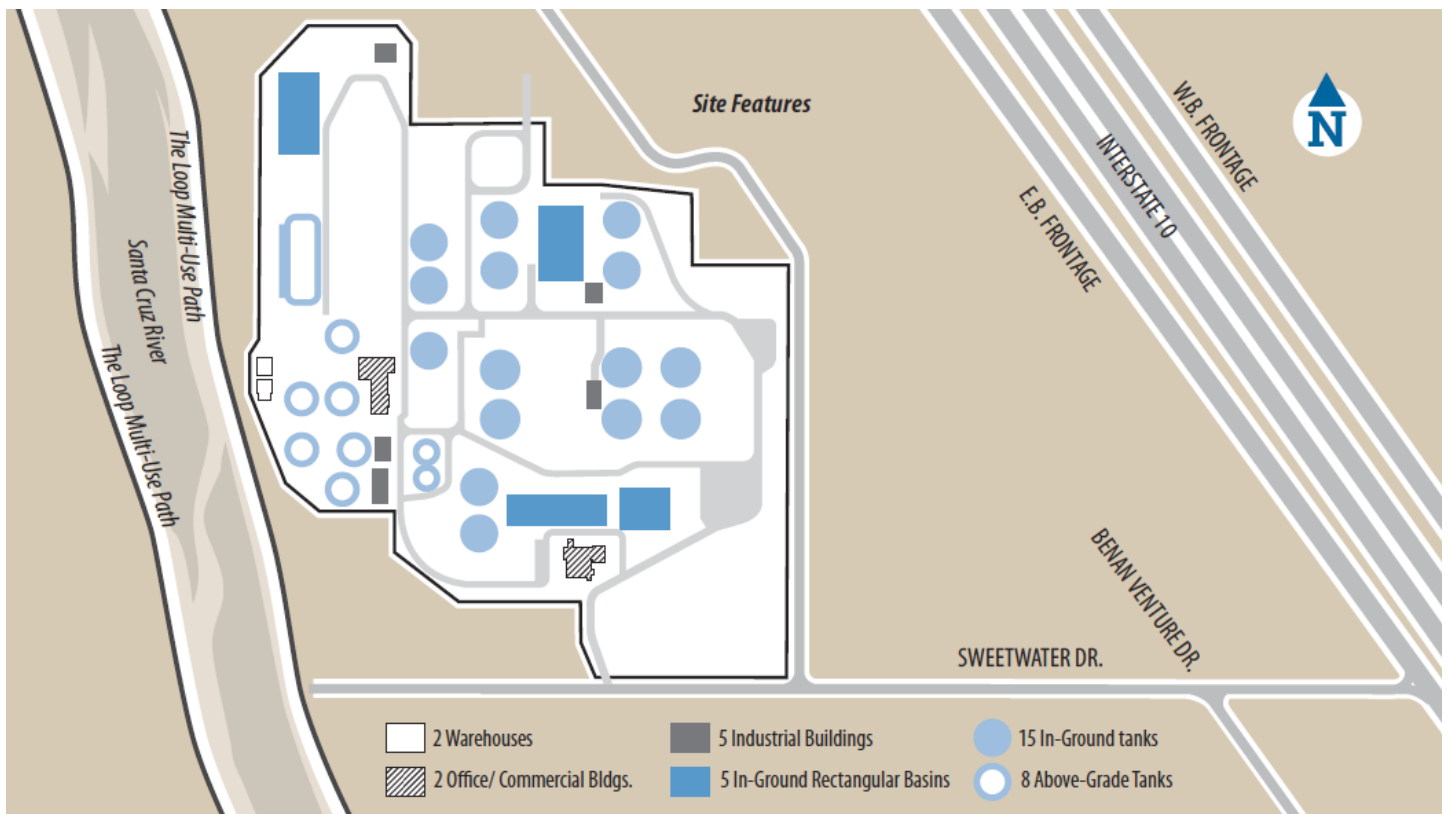
A challenge for making these properties available for economic development is the lack of infrastructure; the transportation and highway network is a two-lane rural network. There is no public sewer connection to the site and water infrastructure is inadequate. The challenge in 2017 will be to plan for appropriate utility extensions to this area so the property can reach its full potential for job growth within the community.

The first priority will be the extension and provision of sanitary sewer service to the Fairgrounds and surrounding area.

#### H. Adaptive Reuse of the Closed Roger Road Wastewater Treatment Facility

The closed Roger Road Wastewater Reclamation Facility, located at 2600 West Sweetwater Drive in Tucson, consists of 44 acres and was originally constructed in 1951, with expansions in 1960, 1967 and 1979. The plant was decommissioned in January 2014. The plant site contains 7 buildings, 2 warehouses, 23 tanks (15 in-ground and 8 above-ground), 5 in-ground rectangular concrete basins, ample surface parking, access to water resources, adjacency to Interstate 10 and availability of all utilities.

Ideal reuse would be any form of industrial manufacturing and/or aqua culture or food production activities. The County will continue to actively pursue adaptive reuse of this facility, which has a demolition value approaching \$30 million. Hence, there are significant embedded investments in plant facilities that can be reused for other purposes without the user being required to construct costly new facilities in the form of buildings, piping, pumping, concrete tanks and storage basins.





## Action Items

- 1.1 Support the completion of the Environmental Impact Statement for the second runway at TIA by the TAA and Federal Aviation Administration (FAA) to initiate land and right of way exchange between the USAF and the TAA to complete the Raytheon buffer for existing facilities.
- 1.2 Complete the Environmental Assessment referenced above for the release and sale of the 270-acre expansion buffer for Raytheon and the Arizona Air National Guard and place the buffer under US AF control in 2018.
- 1.3 Develop a planning agreement between Pima County, TAA and the State Land Department to initiate concept planning for the Aerospace, Defense and Technology Business and Research Park consisting of 2,800 acres, of which 479 acres are County-owned.
- 1.4 Continue planning with Union Pacific Railroad for rail access from the Nogales line through the Park.
- 1.5 Define the boundary of the 150-acre primary employment campus-style employment center west of I-10 and south of the Sunset Road extension and develop an appropriate archeological mitigation plan for site development.
- 1.6 Complete planning and construction of the extension of Sunset Road between I-10 and Silverbell Road in 2017.
- 1.7 Market for sale or lease for primary employment vacant land at Sunset Road and I-10, 75 E. Broadway Boulevard and 332 S. Freeway.
- 1.8 Make available County property at Pinal Airpark for air field development and expansion, including airport employment lessees. Planning is underway in 2016.
- 1.9 Develop a new, fully integrated Master Plan for the Southeast Regional Park and Employment Site that identifies both lands that will be permanently reserved for public recreation and those that will be used for primarily export-based employment. It is likely over 1,000 acres could be reserved for an employment site, making the site ideal for a second master planned Business and Research Park. Actively plan and extend sanitary sewer service to the facility and develop an internal, County-owned water utility to service the Southeast Regional Park, Fairgrounds and Business and Research Park. Begin master planning and programming of transportation capacity improvements to provide urban transportation service to the location.
- 1.10 Continue and expand active marketing of the adaptive reuse of the former Roger Road Wastewater Treatment Facilities.

Efficient and effective transportation systems are key drivers of economic development. Products, goods and services all have a transportation cost component embedded in their final cost. Transportation systems that promote efficiency and the rapid movement of goods and services will produce positive economic expansion both locally and regionally. A number of projects are under consideration or development, and these are discussed in this chapter.

A. Transportation.

1. *Surface.*

a. **Interstate 11**

Arizona has four east/west interstate highways and no interstate that is a continuous north/south route that penetrates the southern or northern border of Arizona. The development of Interstate 11 (I-11) as a trade corridor is underway and is being thoroughly documented in a joint effort by the Arizona Department of Transportation (ADOT) and the Nevada Department of Transportation. This corridor must past through metropolitan or eastern Pima County and connect to the Mariposa Port of Entry (POE) at Nogales, which has already received more than \$250 million of investment by the federal government to improve its efficiency as a border crossing facility.

ADOT obtained funding for environmental and location studies for I-11, and those studies began in mid-2015. The studies need to be followed closely to ensure I-11 is extended through eastern Pima County and connects to the Mariposa POE. In addition to the Mariposa POE investment, the Mike O'Callaghan – Pat Tillman Memorial Bridge over Hoover Dam is another \$250 million federal investment in this international trade corridor. This commerce corridor should be closely monitored to ensure the benefits from Mexico are realized in the first implementation of corridor improvements, not the last, as now planned.

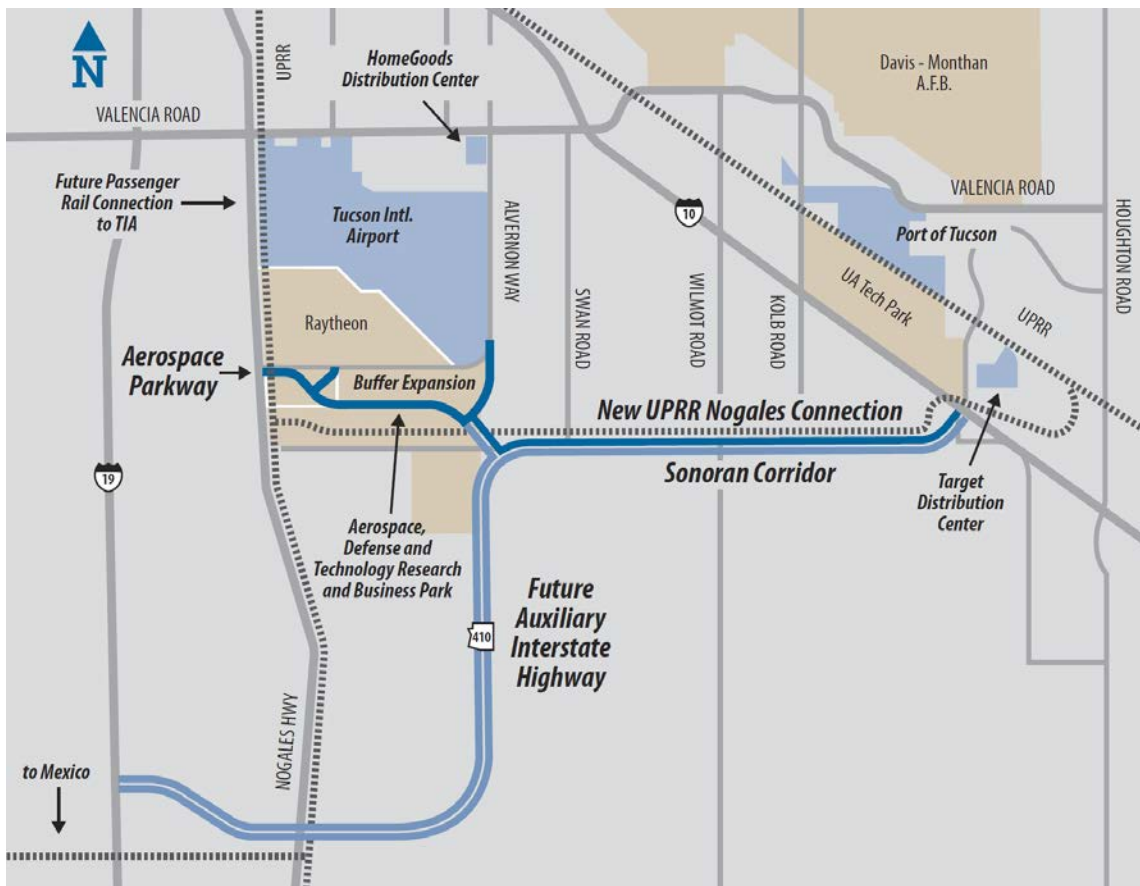
Both sides of the border recognize the importance of key commerce corridors in expanding trade between our countries. Mexico has committed, and is currently spending, \$1 billion on Mexico Highway 15 (M-15) from Sinaloa to Nogales. During a June 2015 trip to Mexico to promote trade and cross border relations, one of the four international cooperation agreements to be signed by Governor Doug Ducey and the Mexican Secretary of Foreign Affairs Jose Antonio Meade extends I-11 from Nogales into Mexico to Hermosillo and Mexico City following the M-15 route. These actions recognize the need to improve the flow of trade between our commerce centers. Pima County is in an ideal location to benefit from this trade as this corridor matures.

b. **Auxiliary Interstate Highway; Interstate 10 to Interstate 19**

A rapid surface interstate connection between Interstate 19 (I-19) and Interstate 10 (I-10) south of the metropolitan Tucson area would be significantly beneficial to both facilitate trade with Mexico, particularly trucking that desires an eastern terminus beyond Arizona's border, and as a high-speed surface transportation facility within the metropolitan area; linking existing, growing and developing primary employment and residential centers. The County has been leading efforts to locate the route and begin the initial planning necessary for its future development.

The Auxiliary Interstate Highway connection from I-19 to I-10 is perhaps the most important economic development surface transportation improvement in the region. This connection has been embraced by the Pima Association of Governments (PAG) and local partners as the most important transportation improvement that will facilitate job growth in the existing and growing manufacturing, technology, logistics and defense corridor in metropolitan Pima County. To that end, the PAG Regional Council has provided the funding for a three-year ADOT/Federal Highway Administration Environmental Impact Study that will commence in the last quarter of 2016.

In June 2015, Senators John McCain and Jeff Flake and Congresswoman Martha McSally cosponsored successful legislation to designate the Sonoran Corridor as part of the interstate highway system. This legislation was cosponsored by the entire Arizona Congressional Delegation and received Arizona Governor Doug Ducey's support, as well as that of local business leaders.



**c. State Route 189 – Mariposa Port of Entry to Interstate 19**

Perhaps the weakest link in our trade corridor with Mexico is State Route (SR) 189. The County has long advocated to the State Transportation Board that SR 189's improvement is essential to maximize the efficient use of the Mariposa POE. The County continues to advocate with ADOT and the Governor for these transportation improvements to be

advanced ahead of all others in the State to maximize trade and economic expansion benefits with Mexico. The 2016 Legislature committed \$25 million toward advancing this project, and the State Transportation Board approved moving the first phase of the project from Fiscal Year 2021 to Fiscal Year 2019 with a commitment to work with the private sector and find other additional funding sources to incorporate both phases into one project, which should result in a savings of at least \$15 million.

**d. Aerospace Parkway**

The relocation of Hughes Access Road is a project completed by the County to allow Raytheon to achieve the full benefits of both an existing and expanded buffer. Hughes Access Road, a public highway that carries thousands of vehicles per day, posed a significant impediment to Raytheon production expansion. The Hughes Access Road relocation to a new roadway alignment named the Aerospace Parkway significantly increased buffering benefits to Raytheon, as well as added to accessibility of the emerging business and research park for job growth and development south of Raytheon. The Aerospace Parkway was completed on December 1, 2015. This project was a nearly \$14 million investment by the region to not only protect the region's largest employer, but lay the groundwork for future aerospace, manufacturing and defense-based primary employment in the region. The completion occurred concurrently with a commitment by the first tenant for the Business and Research Park, World View. With a second announced tenant in the Business Park and increased development in the region, traffic demand on the Parkway is growing rapidly, resulting in planned expansion through the Business Park to four lanes.



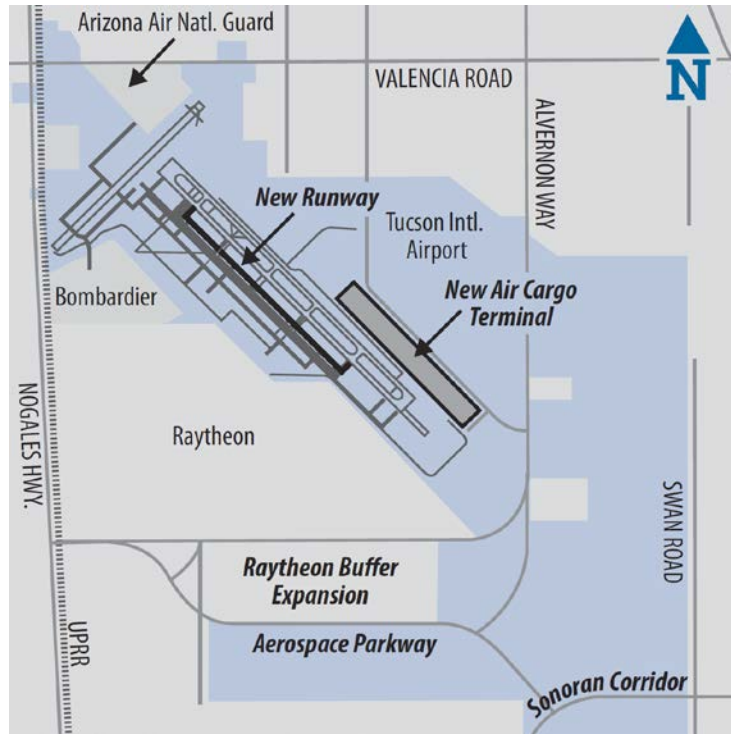
The regional council of governments, Pima Association of Governments, on October 27, 2016 authorized an amendment to the current five-year Transportation Improvement Plan to widen and expand the Aerospace Parkway from Old Nogales Highway easterly, including expansion and improvement of the south access to Raytheon and local public highway service to tenants now beginning to locate in the Business Park. \$10 million of additional transportation investment was approved for this purpose.

2. Air

a. Second Main Parallel Runway at Tucson International Airport

The Tucson Airport Authority (TAA) has recently completed a Master Plan update for Tucson International Airport (TIA). The Master Plan calls for relocating the existing general aviation runway and reconstructing it as a full-length commercial service runway. Such an infrastructure investment is vital to improving safety and reliability and to meet current Federal Aviation Administration (FAA) standards in order to better serve passenger air travel and air cargo and to continue to support the vital military Pilot Training Mission of the 162<sup>nd</sup> Fighter Wing of the Arizona Air National Guard (AZ ANG) located at TIA.

The County will continue to be a strong advocate for federal aviation funding to complete this project at TIA. This second, full-service parallel runway is necessary to allow TIA to serve the aviation needs of southern Arizona in the safest and most efficient manner; whether it is for passenger, air cargo, military or general aviation. It is important this program be developed as soon as practically possible to complement and enhance the attractiveness of the Aerospace, Defense and Technology Business and Research Park to potential new businesses.



3. Rail

a. Rail/Truck Interface at the Port of Tucson

The Port of Tucson is a true operational international inland port. This site successfully initiated international cargo container shipping by rail with onsite Customs inspections. As the only intermodal facility on the Union Pacific rail line in Arizona, it has long supported rail/truck shipping at its facility that was recently significantly expanded with substantial, new, privately-funded 17,000-foot internal dual-rail infrastructure. With the County's sponsorship, the Port of Tucson was the recipient of a \$5 million Transportation Investment Generating Economic Recovery (TIGER) Grant to develop large train offloading with a new 8,000-foot rail siding and high-speed switch interconnecting the Union Pacific intercontinental line to the private rail infrastructure at the Port of Tucson. Recognizing the benefit of this facility and the value of adding the initial switch, Union Pacific Railroad funded the installation of a similar switch at the opposite end of the Port to increase capability. Both projects are now complete.

**b. Nogales Line extension connecting with the Sunset Line south and east of the Port of Tucson.**

The existing Nogales Line within Tucson has 18 at-grade crossings at public highways. These crossings carry a total of 304,025 vehicles per day; and as a result, Nogales rail traffic poses both a congestion and potential safety concern for mobility in the urban area. It has been proposed that the Nogales Line be rerouted adjacent to the Sonoran Corridor; which would allow the line to connect more efficiently with the Sunset Line and be grade separated, free from at-grade highway crossings. This will allow the existing Nogales Line from the south boundary of the Aerospace, Defense and Technology Research and Business Park to the downtown Toole Avenue connection to be available for use in the future for passenger rail development. The County and other jurisdictions continue to plan this relocation with Union Pacific Railroad.

**B. Utilities**

The County has commenced a wastewater/sewer outfall inceptor study to serve the entire region south of Raytheon. Extending public wastewater infrastructure is a key component of job expansion. Without public service of utilities such as wastewater, it is impossible for new job centers to be constructed in this location. It is likely that extending the existing sanitary interceptor sewer system to this area will cost approximately \$10 million; an investment the County is prepared to make to facilitate basic employment growth within this existing and future job corridor. The County has also asked the City of Tucson, through Tucson Water, to join in this planning effort for the extension of the water utility system necessary to provide water service to these new employment centers. Other utilities, including Tucson Electric Power Company and the Western Area Power Authority, as well as Union Pacific, have cooperated in the master planning of this corridor to ensure appropriate separation and availability for all utilities throughout this region. Combined, the cost of these major utility extension investments will range from \$40 to \$50 million.

With their independent implementation, each infrastructure investment project will improve transportation systems, economic competitiveness and lead to economic expansion.

**Action Items**

2.1 Pima County will fully cooperate with and participate in any environmental or location alternative studies for I-11 within Pima County and will closely monitor project implementation to ensure the trade benefits from a connection to Mexico are realized.

2.2 Establish as a County highway the auxiliary interstate highway connection between I-10 and I-19.

2.3 Continue to advocate for early and adequate funding for both phases to improve SR 189 from the Mariposa POE to I-19.

2.4 Support development of the second full-service parallel runway for TIA.

2.5 Initiate development of a regional utility corridor, including a sanitary sewer inceptor system, to serve the employment growth area south of TIA extending to Rita Road at I-10.

2.6 Support and cooperate with Union Pacific Railroad to reroute the Nogales Line and make available the existing Nogales Line for future passenger rail to TIA, Raytheon and the Business and Research Park.

2.7 Expand the road and utility infrastructure to accommodate new tenants in the Business and Research Park.

Protecting our existing employment base and fostering opportunities for this local employment base to grow is a major objective our Economic Development Plan. We must provide an environment where our existing employers can easily expand, as well as pursue their business interests without undue interference, regulation or taxation.

The tables below show the Top 10 private employers in the region today, followed by the Top 10 public employers.

**Top 10 Private Employers**

<b>Employees</b>	<b>Organization</b>
9,600	Raytheon Missile Systems
6,272	Banner–University Medicine
5,530	Freeport McMoRan Inc.
5,500	Walmart
3,860	Carondelet Health Network
3,162	TMC Healthcare
2,413	Corrections Corporation of America
2,346	Fry’s Food Stores
2,200	ASARCO
1,900	Afni Inc.

**Top 10 Public Employers**

<b>Employees</b>	<b>Agency</b>
11,251	The University of Arizona
8,580	State of Arizona
8,406	Davis-Monthan Air Force Base
7,060	Pima County
6,770	Tucson Unified School District
5,739	US Customs and Border Protection
5,477	Fort Huachuca
4,595	City of Tucson
4,350	Tohono O’odham Nation
2,464	Southern Arizona Veterans Affairs Healthcare System
<b>and</b>	
1,895	Arizona Air National Guard

An examination of the top 10 private employers and the top 10 public employers in the previous tables indicates employment in the region can be divided into three primary employment areas; first is healthcare with over 15,700 employees and second mining, still presently employing 7,700, even in a down commodity cycle. The third major employment category is military, with Davis-Monthan Air Force Base (DMAFB) and the 162<sup>nd</sup> Wing of the Arizona Air National Guard (AZ ANG) and the Army facility at Fort Huachuca with nearly 15,000 employees. Based on these three broad employment areas, our efforts to protect the existing employment base must be primarily focused on these sectors, as well as for the



top private employer and the top public employer, Raytheon Missile Systems and The University of Arizona. These sectors and employers deserve specific focus for protecting the existing major employment base of Pima County.

It is also believed these existing major employers are positioned to add significant employment in the near term. Discussions with regard to national defense and weapons technology, as well as world events in the fight against terrorism, all point to potential significant employment increases at Raytheon Missile Systems. Given the attractiveness of DMAFB for pilot training activity, it is also likely there will be significantly increased mission opportunities for DMAFB, as well as the 162<sup>nd</sup> Wing of the AZ ANG given the national shortage of pilots for the US Air Force (USAF).

On the other hand, Raytheon, DMAFB, the 162<sup>nd</sup> Fighter Wing of the AZ ANG and The University of Arizona are vulnerable to reduced federal spending. Having any of these major employers suffer any type of mission or job reduction will hurt the entire economy of Pima County. While their economic wellbeing may depend largely on forces outside of the regional and State economy, Pima County needs to ensure we are doing everything possible to support the stability and job growth of these major employers.

According to a 2011 Bloomberg Government Study, Tucson is the seventh top recipient city of federal defense dollars – nearly \$5 billion annually – and Tucson is the number one ranked city in Arizona for federal defense monies. Three of our four major employers receive significant federal dollars.

A. Raytheon: 1) Eliminating Urban Encroachment, 2) Roadway Relocation, 3) Buffer, 4) 46kV Power Line Relocation

Raytheon Missile Systems is our largest private area employer with a total of 13,500 employees; 9,600 of which are located in Pima County. The County is working aggressively on strategies to protect and allow Raytheon to possibly expand in Tucson.



In 2010, our region received a significant shock when Raytheon Missile Systems made a reasoned, business-based decision to expand operations and build a new facility in Huntsville, Alabama. This action was the result of a number of factors, one of which related to the inability of Raytheon to expand due to lack of space and facilities in their current operating environment. We cannot ensure future growth, nor can we control the adverse impacts of possible funding cuts. However, there are actions we can take to try to protect existing jobs and lure new ones. If there is future consolidation or expansion of Raytheon operations based elsewhere, we want to ensure our region is the most attractive location for those consolidated jobs.

*1) Eliminating Urban Encroachment.* Over the years, Raytheon has been threatened with urban encroachment. This threat from residential development immediately south of Raytheon was removed by the County's acquisition of 382 acres of property as discussed previously in Chapter 1. Acquisition of this private property, however, is only a first step in protecting Raytheon's existing business base, as well as facilitating possible Raytheon expansion in the future if such opportunities arise.

*2) Roadway Relocation.* The relocation of Hughes Access Road to further buffer Raytheon's production facilities; a project that was completed in 2015.

*3) Buffer.* This buffer is divided into two components: 1) providing necessary safety and operating arcs for existing Raytheon production facilities and 2) providing an additional buffer to provide for significantly expanded production capability and the development of new operating production units. The County is actively participating in land acquisition/ exchange negotiations between the USAF and the Tucson Airport Authority (TAA) for further buffer protection and to ensure Raytheon's long-term occupation and lease of Air Force Plant 44.

*4) 46kV Electrical Power Transmission Line Relocation.* Raytheon's existing production facilities operate under a waiver provision approved by the US Department of Defense (DOD). These facilities are required to have specific safety buffers where public highways and major public utilities cannot be located, and if located under a previous standard, the production facilities are allowed to continue to operate only with a waiver. This means production can be limited, curtailed or eliminated if waivers are not granted by the USAF or DOD.

It is best not to have the region's largest private employer operating under waiver conditions; hence, the relocation of the roadway, the acquisition of additional buffers and now the relocation of electrical transmission mains. The existing Hughes Access alignment carries two 46kV electrical transmission lines that provide electrical service to Raytheon and areas significantly beyond the Raytheon property. Not only was the road relocation necessary to eliminate a waiver requirement, but the 46kV transmission mains were relocated. Pima County and the public electric utility, Tucson Electric Power, have agreed to share the cost of relocating these facilities outside of Raytheon's existing operating areas and future buffer areas. This will ensure Raytheon can continue to operate its existing facilities and potential expanded facilities without any future waiver from the USAF or DOD.

B. Davis-Monthan Air Force Base – P4 Process and Mission

Military installations provide significant economic impact and employment benefits within our region. In Fiscal Year (FY) 2014, DMAFB alone provided an economic benefit to the community of nearly \$1.5 billion; employing almost 10,000, 2,900 of which are civilians, and creating 4,200 indirect additional jobs in Pima County. Over 20,000 military retirees in the region account for just over \$500 million of this impact.

In the past, our community has been concerned over national base closure options as they could affect DMAFB. Thus far, DMAFB remains untouched by military base closings. However, it is possible federal budget constraints, including sequestration, will continue to adversely impact the military in general and the continuing missions of the existing military facilities in Pima County. A cohesive, region-wide effort must convey the message to military and political leadership that the continuation of viable operations for our military installations is essential and supported by the community.

In June 2015, the *Arizona Daily Star* completed an extensive special report regarding the Base. The report highlighted the need to increase our advocacy for DMAFB and develop a stronger strategy than we have used in the past. Those strategies suggested by the *Arizona Daily Star* should be seriously considered by all participants in supporting Davis-Monthan, including the DM-50, Southern Arizona Defense Alliance, and the various jurisdictions that support DMAFB and have engaged to provide the highest level of community support for any military installation in the country. Davis-Monthan's assets are too important to ignore. We must provide the level of community, institutional and jurisdictional support necessary to ensure DMAFB remains here and grows here.

To address the need to reduce overall operating costs, the USAF has recently initiated the Community Partnership Program where discussions are being held with local jurisdictions to find ways to share costs or potentially modify community operations to allow the USAF to operate more efficiently and focus on its military responsibilities. Pima County and many of our regional partners are working to do our part to ensure DMAFB and the 162<sup>nd</sup> Wing of the AZ ANG can operate at the most efficient level possible.

While the community supports DMAFB and the 162<sup>nd</sup> Fighter Wing of the AZ ANG (discussed in Section C below), concern has been expressed over adverse noise impacts. In addition, the DMAFB Departure Corridor has been threatened with urban encroachment; which, if allowed, would diminish the military capability of the installation. The County, in the 2004 bond issue, allocated and spent \$10 million to purchase lands in this departure corridor.

The USAF has selected DMAFB to develop an Installation Complex Encroachment Management Action Plan (ICEMAP) as part of the enterprise-wide Air Force Encroachment Management Program. As exemplified by the \$10 million investment cited above and in the leased land program discussed below, Pima County has taken and continues to take, progressive steps to mitigate the impacts of encroachment on DMAFB. Encroachment is a primary reason for closure of bases. As Pentagon budgets continue to shrink and Base Realignment and Closure processes are initiated, we must take the necessary steps to place our military installations in the best possible position to compete for new assignments instead of being vulnerable to closure. DMAFB leadership has requested Pima County support and

participation in completing this ICEMAP plan. We will actively engage in the process, as well as continue to aggressively take the necessary steps to protect our third largest employer.

*Leased Land Acquisition.* Today, there are 99 acres of private property inside the boundary of DMAFB that are leased on an annual basis to the USAF. In addition, there are approximately 133 acres of State Trust land within the boundary of DMAFB. The annual cost of these leases to the USAF exceeds \$380,000. These leased properties should be purchased and leased at no cost to DMAFB to continue their operations. This action would lower the operating cost of keeping DMAFB open for military uses; something that will be increasingly important as federal and defense spending reductions become real. Although the voters of Arizona approved an exchange mechanism to protect millions of dollars in military installations by exchanging State Trust lands, the processes and procedures that have been implemented to effectuate this voter referendum simply do not work. Of the \$380,000 annual cost to the USAF to lease property inside the boundaries of DMAFB, approximately \$54,000 was for a commercial State Land lease. When contacted to discuss purchase of this property on behalf of the USAF, the Arizona State Land Department recognized the need to lower the annual lease cost and converted this commercial lease to a Special Land Use permit that now costs the USAF only \$2,400 per year.

In addition, the County has worked with the Governor's Office and the Arizona Department of Emergency and Military Affairs (DEMA) to secure funding to purchase certain private properties inside the boundaries of DMAFB. A \$250,000 grant from the Military Installation Fund has been approved to purchase priority properties located within the Base. The County will purchase these properties and lease them to DMAFB at the nominal rate of \$1 per year.

Currently, the County continues to negotiate with these private property owners. We hope to expand funding by reapplication for additional funding to the Military Installation Fund for the purchase of these private properties. The first priority area for these purchases is land within the Quantity Distance Arcs related to the DMAFB Munitions Storage Area.

The County hopes to complete the acquisition of all of these properties for the benefit of DMAFB by Fall 2017.

*Increased Pilot Training.* The primary flying mission at DMAFB is training and operating A-10 aircraft. With USAF plans to retire the A-10 being seriously considered, the number of employees at DMAFB may temporarily or permanently decrease. A General Accounting Office report on the decommissioning of the A-10 Aircraft pointed out the flaws of replacing this aircraft without a tested replacement aircraft that can perform the same function. Hence, the life of the A-10 has been extended, and additional flying and pilot training missions are being considered for DMAFB and the 162<sup>nd</sup> Fighter Wing of the AZ ANG.

As has been reported by numerous sources, the US Military faces a critical shortage of trained pilots; training programs need to be significantly increased to meet this shortage. Hence, it is likely the F-16 Pilot Training Mission at the 162<sup>nd</sup> Fighter Wing of the AZ ANG will be increased, as well as specific training missions assigned to DMAFB for similar aircraft. A long-term view is needed for base preservation, regardless of which type of aircraft enters the USAF or military inventory, including the F-35. Because of their close proximity to the Barry M. Goldwater Range (BMGR), DMAFB and the 162<sup>nd</sup> Fighter Wing of the AZ ANG will

be very attractive locations to host future military flying operations, as training and sustainment of operational proficiency can both be conducted efficiently and effectively.

*Preserving Flight Corridors and Training Sites.* DMAFB, working with the County to take advantage of our knowledge and experience in open space planning as demonstrated in the Sonoran Desert Conservation Plan, is pursuing a Readiness and Environmental Protection Integration (REPI) Program grant for DMAFB departure corridors and other flight corridors necessary to transit from DMAFB to the BMGR. It is important to realize that DMAFB operations expand beyond its boundaries; base personnel utilize flight corridors and training sites to conduct a wide variety of missions. Hence, the County has partnered with DMAFB to assist in securing REPI grant funds to acquire development restrictions within the five priority areas identified by the base. Prevention of incompatible land uses and encroachment on the base and its corridors are necessary to protect and maintain full mission capabilities and reduce existing constraints or limitations on DMAFB training and operations. DMAFB staff submitted their first REPI grant application in the amount of \$8.65 million, with a Federal REPI request of \$4.9 million and matching County contribution of \$3.75 million, based on properties acquired by the County using 2004 voter-approved bond funds for encroachment prevention acquisitions within the DMAFB departure corridor. These bond funded acquisitions are not only assisting DMAFB with maintaining their mission capabilities through encroachment mitigation, but are also assisting in attracting federal funding to further this effort. If successful in the application process, REPI funding will be used to purchase lands or secure easements over properties to ensure compatible land uses within their first priority area, which encompasses the departure corridor to the southeast. The County will actively partner with DMAFB to assist their staff in subsequent REPI submittals for further funding in their designated priority areas, with the end goal of maintaining and protecting local flight paths and corridors to the BMGR.

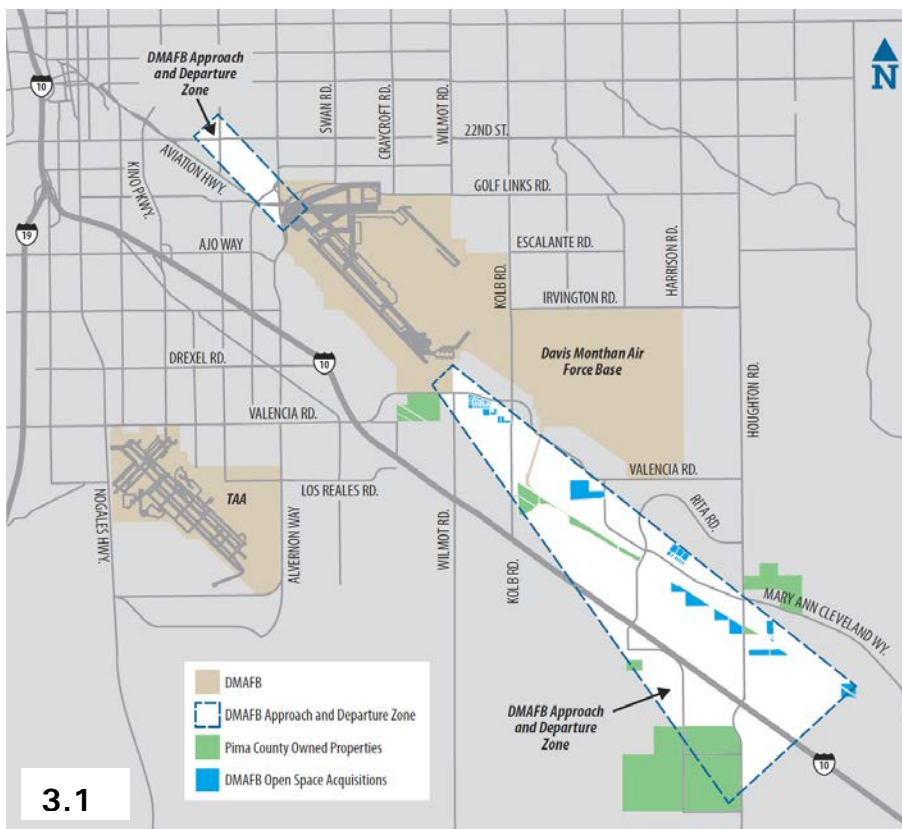
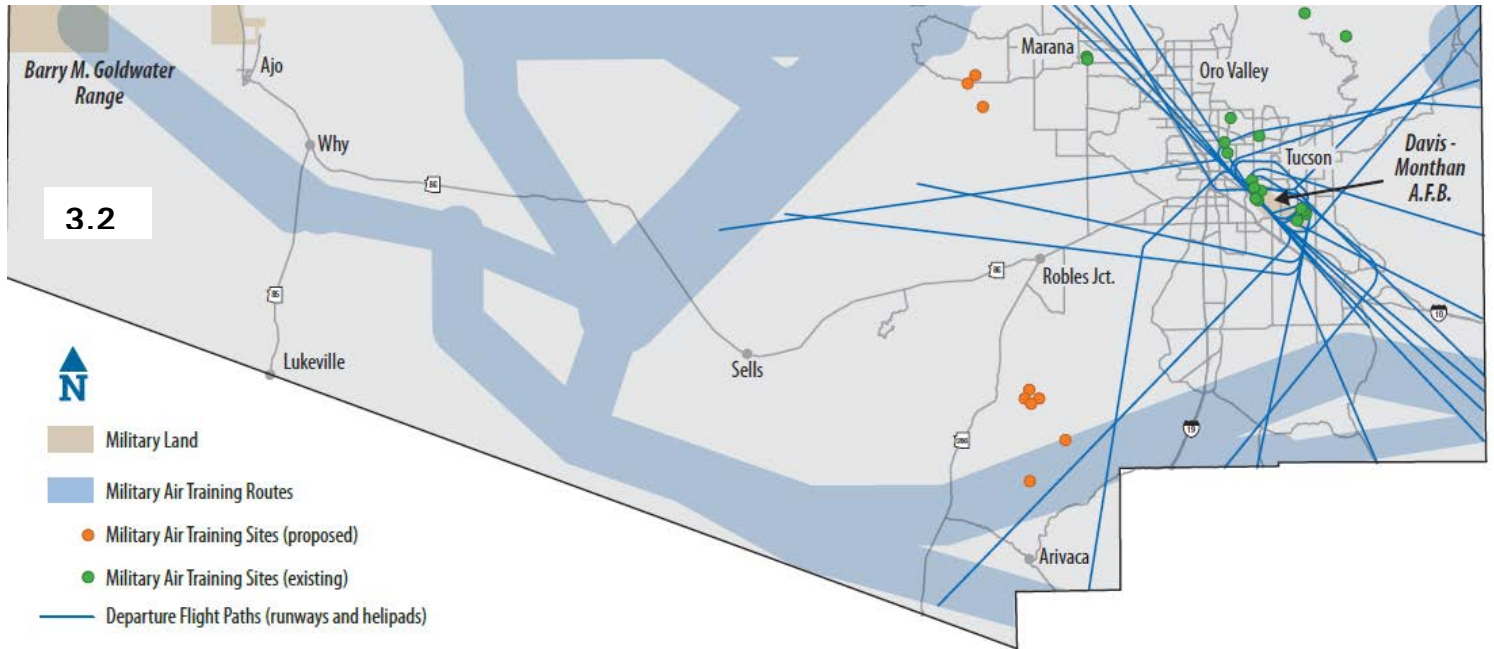


Figure 3.1 left shows local DMAFB departure flight paths and air Military Training Routes (MTRs) that access the BMGR. DMAFB's highest priority areas are located in close proximity to the Base and within the departure corridor to the southeast, shown in Figure 3.2 below.



Other priority areas are located further from the Base, southeast and southwest of Tucson, but necessary corridors within the MTRs to the BMGR. To provide required local matching funds to supplement federal REPI grants and leverage other federal funds, the County will, at the next General Obligation Bond issue placed before the voters, include \$10 million for this purpose in a question related to preserving and protecting existing and future missions of DMAFB.

*Aircraft Preservation and Regeneration.* The climate in Arizona is well known for preserving and extending the life of military aircraft that are no longer necessary for a specific program and/or mission but may be regenerated at some point if the functionality of the stored aircraft is necessary to provide for national defense.



The 309<sup>th</sup> Aerospace Maintenance and Regeneration Group (AMARG), more commonly known as the “Boneyard,” has been a fixture of DMAFB for decades. It manages more than 4,500 aircraft sent for storage or maintenance, a service provided to all branches of the US Military. The AMARG is divided into two areas: 1) the Reclamation Area and 2) the Storage and Maintenance Area. Many of the stored aircraft can be returned to operational status in a short period of time, if needed. It is clear the mission of this military aircraft storage and

reclamation function requires expansion. In addition, this function requires experienced engineers and technicians qualified in military aircraft storage and repurposing. Therefore, it is incumbent on the County to assist this unit of the USAF to expand the current facility and to assist in providing trained technicians and civilian personnel to make this military aircraft storage and redistribution center operate at optimal levels.

The airmen supporting the 355<sup>th</sup> Fighter Wing are an excellent resource for employers for our region. Pima County operates the Veterans One-Stop center that helps veterans obtain benefits, services and jobs. We will continue to focus on maximizing job opportunities for any reduced staffing or returning veterans to ensure they can be productive in the community as they return to civilian status.

### C. Arizona Air National Guard – 162<sup>nd</sup> Fighter Wing – New Entrance and Munitions Handling and Storage Facility

The AZ ANG has made an impact in this community for more than 50 years, supports more than 1,895 jobs, and provides an annual economic benefit of over \$270 million.

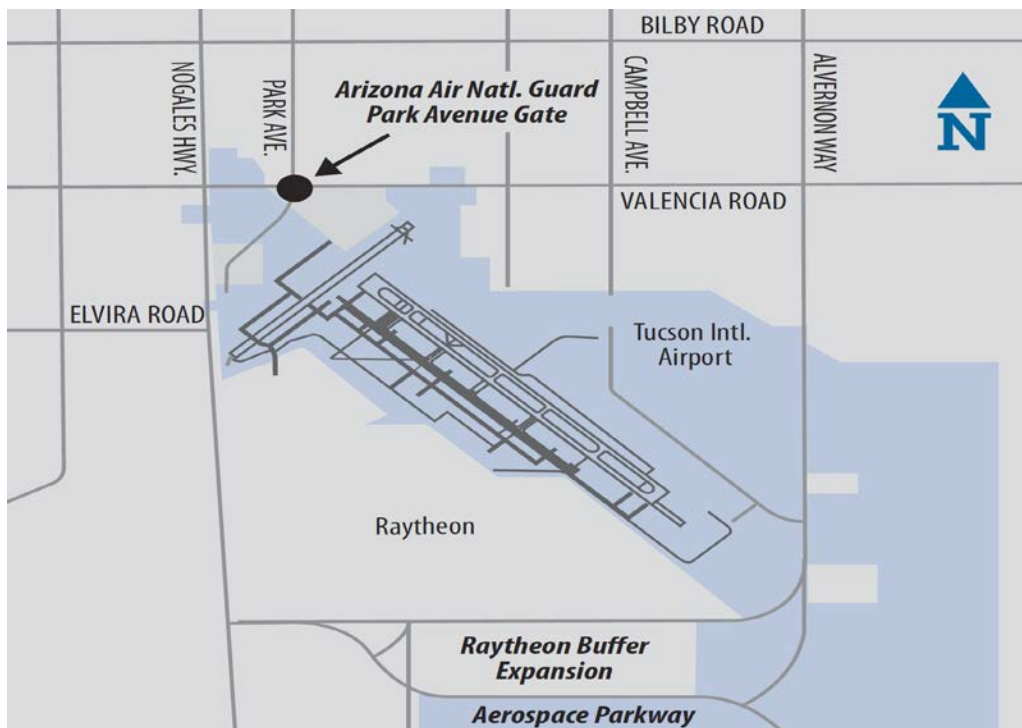
The 162<sup>nd</sup> Fighter Wing trains United States and partner nation F-16 fighter pilots; provides persistent, armed MQ-1 Intelligence, Surveillance and Reconnaissance and Incident Awareness and Assessment around the globe; supports NORAD Aerospace Control Alert directives with 24/7 immediate response aircraft in the defense of North America; and delivers an integrated realistic training environment for United States and partner nation deployments to enhance unit combat capability and readiness.

The AZ ANG installation at Tucson International Airport (TIA) requires additional and updated access to address current Department of Defense force protection measures and congested traffic flow on Valencia Road during peak entry and exit hours. A plan to lease land access and construct a modern gate off Park Avenue is currently moving forward and will greatly improve safety and security for both the AZ ANG and the community.



Operations of the 162<sup>nd</sup> Fighter Wing require that some munitions be transported from DMAFB to TIA over publicly traveled roadways. While these munitions are relatively insignificant compared to most munitions loaded on fighter aircraft, they ideally should be stored at the operational site of the AZ ANG for use on training missions. Approximately 50 acres of the expanded Raytheon buffer are being reserved for a new Munitions Handling and Storage Facility, which will increase efficiency and safety for AZ ANG operations.

Release of munitions storage is tied to an ongoing Environmental Impact Statement (EIS) for the second runway at TIA, and this EIS is scheduled to be completed in September 2018. This munitions storage area will also have an internal roadway connecting a munitions storage area to the AZ ANG base inside the secured perimeter of the Airport. Once land rights have been obtained, it will be up to the AZ ANG and the National Guard Bureau to secure funding for the munitions storage area. The location of the facility has been planned with Raytheon, enabling their joint ability to add capacity where overlapping safety arcs provide for the most efficient use of land resources.



The County will continue to pursue both the new entrance and the munitions storage area and assist the AZ ANG in obtaining these significant and vital improvements to their existing base facilities. Hopefully, both these improvements will allow the air pilot training mission of the AZ ANG to be expanded.

Pima County has been, and continues to be, a strong advocate for the 162<sup>nd</sup> Fighter Wing and its future missions. This includes the potential securing of F-35A allied pilot training in Tucson. We are committed to making wise community investments to protect and provide maximum operational flexibility for the AZ ANG.



#### D. The University of Arizona – State Funding

The UA, with 11,251 employees and 10,484 in Pima County, is our region's second largest employer and a key element in the infrastructure that builds and shapes our economy. The UA has an \$8.3 billion statewide economic impact. The University educates individuals and creates economic activity through the research, translation and commercialization activities of students and faculty. These activities are critical in supporting existing companies, attracting new businesses and creating new sectors in our economy and, at the same time, provide a capable workforce generating innovative ideas for new business activities.



Providing necessary supporting infrastructure to encourage regional employment centers requires time and investment. While the regional infrastructure is in the process of being developed at the Aerospace, Defense and Technology Research and Business Park, to increase high-wage jobs in the TIA area, the infrastructure found at the UA Tech Park needs incremental improvement to attract the high-wage employers they are seeking.

The Tucson Tech Corridor, or the extended UA Tech Park, however, is in a position to provide high-tech industry jobs if we work with existing landowners to foster the necessary investment and cooperation. The corridor, anchored by the UA Tech Park and the Port of Tucson, connects a number of existing and emerging employment centers of significant importance in the southern metropolitan area. These centers include the UA Tech Park, the UA Tech Park at The Bridges, Banner-University Medical Center–South on Ajo Way, and the Logistics and Intermodal Center at the Port of Tucson. The Offshore Group, the largest employer in Sonora and a major industrial park developer in Mexico, is also headquartered in the Tucson Tech Corridor.

Public investment and infrastructure needs associated with each of these facilities are different and should be tailored to the very specific needs of the employment center in the communities in which they are located. Infrastructure needs vary from traditional public infrastructure such as streets, highways and utilities, to nontraditional infrastructure investments, such as land acquisition and development of incubator building space. Based on an analysis of public infrastructure necessary to support rapid and continued job employment development at the UA Tech Park, it is estimated it will cost \$28.1 million to make this facility fully development ready.

The UA, Campus Research Corporation and other entities are prepared to fund \$10.6 million of this cost. Some of this investment has already been made, including construction of a new road to the Solar Zone and a well and water distribution system.

Pima County has also supported development of the UA Tech Park at The Bridges with infrastructure capital investments related to Regional Flood Control District and County wastewater facilities. These investments total over \$16 million. The Bridges, located adjacent to Kino Boulevard between TIA and the UA, is an ideal location for growing startup technology firms translating UA research into practical job applications.

### Action Items

- 3.1 Secure buffers for Raytheon expansion by 2018.
- 3.2 Continue to actively support DMAFB and their continuation of the A-10 mission and any future mission for DMAFB. Actively support additional F-16 squadrons being relocated and based at DMAFB, as well as a remoted piloted aircraft mission.
- 3.3 Create the County staff position of Navigator to coordinate strategies and regional support activities for DMAFB.
- 3.4 Actively pursue acquisition of leased private properties within DMAFB and State Trust land to reduce operational land leasing costs of DMAFB. Also, pursue a REPI grant to further protect the DMAFB departure corridor as well as the flight corridors from DMAFB to the BMGR.
- 3.5 Continue to actively support the AZ ANG and continuation and expansion of its domestic and international flight pilot training missions at TIA.
- 3.6 Support the AZ ANG main entrance relocation to improve safety and operation security of the facility. Set aside approximately 50 acres of expanded Raytheon buffer for AZ ANG purposes primarily related to munitions storage and arming of AZ ANG aircraft engaged in pilot training.
- 3.7 Support funding initiatives for the UA and oppose further reductions in State funding of Arizona's university and community college systems.
- 3.8 Actively support capital investments in technology transfer activities at the UA related to primary employment growth, including the UA Tech Park and UA Tech Park at The Bridges.
- 3.9 Continue to pursue the development of startup building space for the growth of UA-based technology-to-market deployment through the development of innovation buildings. The purpose of the innovation buildings will be to facilitate and incubate startup technology companies transferring research to practical applications and job development.

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In 2012, the Joint Planning Advisory Committee consisting of the Pima Association of Governments (PAG), Central Arizona Association of Governments and Maricopa Association of Governments, executed a Freight Framework Study for the Sun Corridor. After analysis of sites throughout the State, the area south of Tucson International Airport (TIA) was identified as the ideal location for import distribution in Arizona. The components leading to this conclusion are the proximity to two interstate highways; Interstate 19 (I-19) connecting with Mexico and Interstate 10 (I-10), the only all-weather east-west transcontinental interstate; two rail lines – the main Union Pacific east-west Sunset Route and the Nogales line, the only Arizona rail line into Mexico; and TIA. Access will be further enhanced once the Sonoran Corridor connecting I-19 and I-10 is completed. Another major logistics component is the proximity to the Port of Tucson, which is the only intermodal facility in Arizona certified for direct delivery and origination of international containers. There are excellent training programs in place and an available labor force for new or expanding employers to immediately be productive. Finally, the flat terrain lends itself to inexpensive construction.



Integrated, all of these transportation system improvements make this location an ideal logistics center for southern Arizona and the United States. In no other location is there proximity of two interstate highways, an international airport, the Intercontinental Union Pacific main rail line, the International Nogales rail line and surface transportation linkage and the proposed auxiliary interstate highway. These transportation components, along with available land, make this location an ideal site for primary logistics development; perhaps the most important in Arizona, given the facility lies at the crossroads between Texas, California, Mexico and states north.

These existing assets, as well as expanding and designating surface transportation heavy haul freight routes to allow direct pickup and delivery of international containers from/to their destinations, create an opportunity for additional employment at middle income levels.

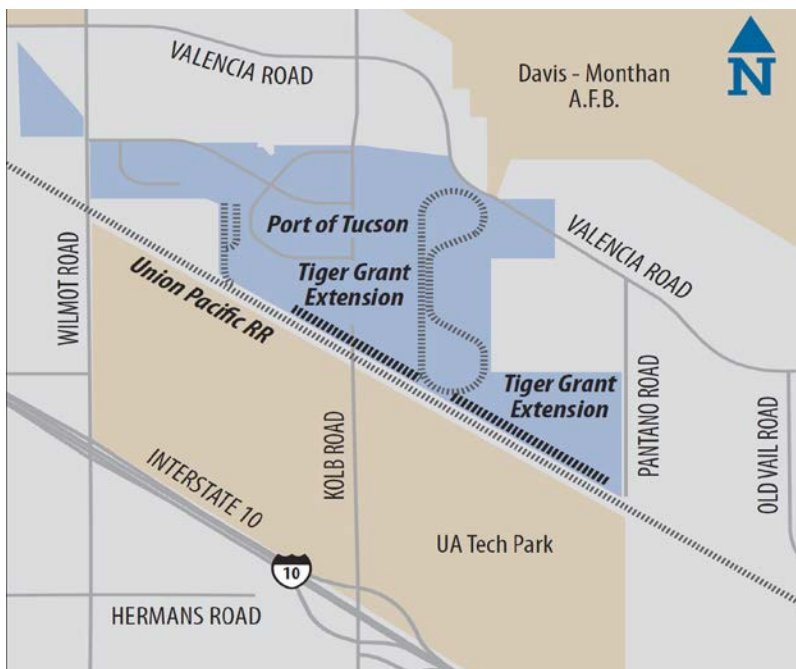
A. Distribution and Logistics Center Development

It is important to facilitate the development of distribution, logistics and other corporate expansions in the vicinity of TIA and in the jobs corridor connecting Rita Road at I-10 to the Old Nogales Highway or I-19. This corridor has already seen development of a nearly one million square foot Target Fulfillment Center at an approximate construction cost of \$75 million. This Target Center employs approximately 450 residents.

Recently, HomeGoods completed an 800,000 square foot, \$79 million facility just north of TIA that will employ nearly 900 residents. FedEx Ground and Old Dominion Freight Lines have also located new logistics facilities adjacent to the HomeGoods site. This area is beginning to be recognized for its strategic advantage as a logistics center for the Southwest. It is likely others will follow, and the County should do everything possible to encourage the additional location of distribution warehousing and regional centers for established major retail outlets that can cost effectively provide product distribution and supply to the Southwest and to the west coast of the United States. Discussions are underway with Union Pacific Railroad regarding relocation of the Nogales Line in a planned utility corridor along the Old Vail Connection alignment to connect to the Sunset Line with the goal of adding rail service to this area. This will be a major attraction for logistics-focused employers.

B. Port of Tucson

The Port of Tucson is a long-established, privately held rail/truck intermodal facility operated, built and constructed by a local family. The operation is now beginning to reach its potential as a significant inland port facilitating both rail and truck interchanges, as well as integrating product, storage and distribution. The Port of Tucson has a close working relationship with Union Pacific Railroad. It has sufficient land and infrastructure capacity to become a major rail-to-rail or rail-to-truck point of interchange. This is exemplified by major tenants Biagi Bros and Zucarmex, who import significant quantities from Mexico.



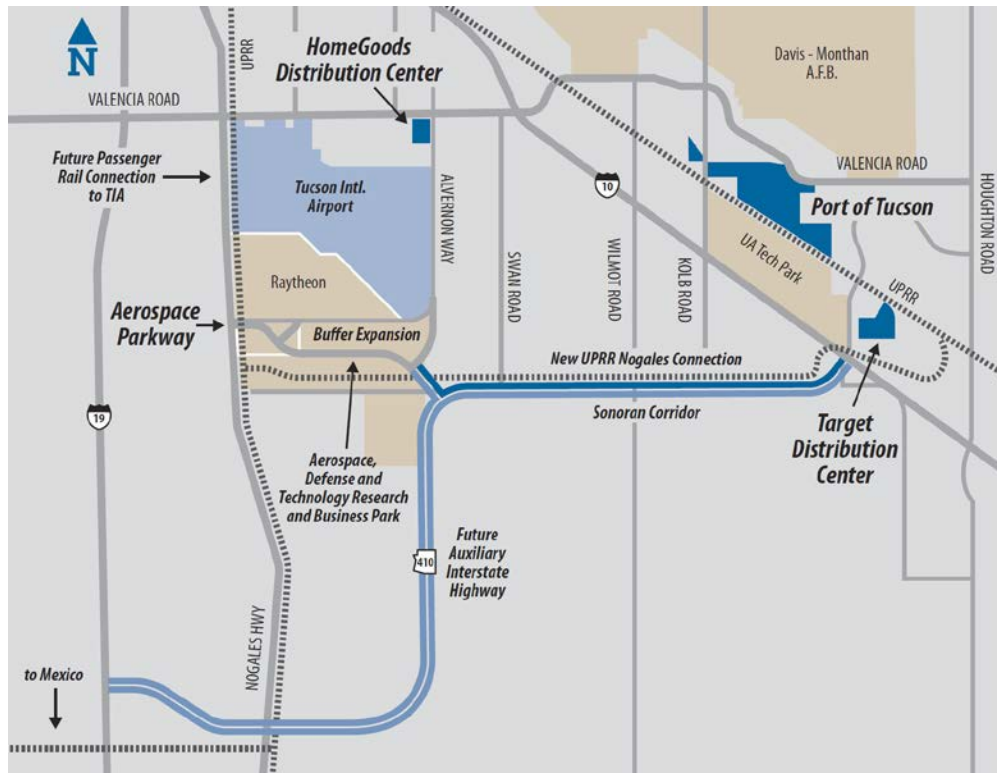
The County and the Port of Tucson cooperated to receive a TIGER Grant, and this grant has been implemented, creating a major offloading point from the intercontinental Union Pacific Railroad. This allows the Port of Tucson to accept significantly larger train capacity at its facility, further emphasizing its importance in the national and international rail/freight distribution network.

C. Air Cargo Capacity at Tucson International Airport

TIA is the only airport serving a population center of one million with a single primary runway. The Tucson Airport Authority (TAA) is now engaged in a process to develop a second parallel runway at TIA. This additional runway will improve safety and increase the landing capacity available at TIA, which is an important component of any potential air cargo expansion. It is important that in any logistics center, the primary modes of transportation – rail, air and surface – be integrated to provide the greatest flexibility in the movement of goods and products within the logistics center. Adding a second runway at TIA will greatly improve the competitiveness of this international airport relative to air cargo capacity, thereby becoming a key link in the air component of an integrated and successful logistics system.

D. High-speed Surface Transportation: Interstates 10 and 19 and the Connecting New Auxiliary Highway

The interstate system built in the United States beginning in the late 1950s was intended to improve defense of the nation. In fact, it is known as the Interstate Defense Highway Network. It has also integrated the regional population centers throughout the country with safe, convenient and rapid surface transportation access. This interstate system has been one of the primary driving forces of economic expansion of the United States.



Adequate surface transportation facilities cannot be over emphasized as being one of the key components for economic development and expansion. The TIA logistics area is flanked by these high-speed surface transportation facilities. What is missing is a connection between I-10 and I-19 along the southern boundary of TIA. This surface transportation facility, known as the Sonoran Corridor, is proposed in the economic development plans of

the County. It is a new, high-speed interstate connection between Sahuarita at I-19 to Rita Road at I-10, which connects the UA Tech Park to the defense and aerospace manufacturing centers around TIA. This new, 16-mile interstate auxiliary highway is perhaps the highest priority transportation improvement in the region for economic development and expansion and has been so recognized in the most recent Federal transportation bill as a priority corridor.

E. Mexico Trade Interface

International trade with Mexico may be the most important component of ensuring this area becomes a key logistics hub for the entire Southwestern United States. Mexico's importance in the global economy cannot be understated. They have the fastest growing middle class of consumers. They have successful and expanding Maquiladora operations in aerospace and automobile manufacturing, and the Mexican government is making substantial and significant infrastructure investments to interconnect with the United States border. Mexico is investing over \$1 billion to improve Highway 15, running north/south through the State of Sonora and connecting to the Mariposa Port of Entry (POE) in Nogales. Mexico already has a major beer distributor and sugar supplier operating through the Port of Tucson. Its further importance in our local economy will be substantially greater and will be one of the primary reasons Tucson becomes the logistics hub for the Southwestern United States.

F. Interstate and International Freight and Trade Corridor

A major consideration in the real estate industry is "Location, Location, Location." Tucson and the Sonoran Corridor are ideally located at the crossroads of major interstate and international freight and trade corridors. Location and reliability are critical for the movement of goods and materials. Location on the only all-weather transcontinental interstate (I-10) and the Union Pacific Sunset Line, which is also the only all-weather interstate rail line, means predictable and timely delivery of products. Location adjacent to the Union Pacific Nogales Line, the only rail line in Arizona that runs into Mexico from Arizona, makes the Sonoran Corridor region the ideal point for import distribution, as well as export consolidation. I-19 connects to the interstate network in Tucson and to Mexico's Highway 15, the major north/south trade and passenger corridor leading from central Mexico to the major markets in the United States. The presence of the Port of Tucson with local Customs services onsite makes Tucson a true, cost effective inland port for international imports and exports. Finally, the presence of an international airport is an important component for the wide range of products produced locally and those coming from the Maquiladora plants in Mexico going to markets throughout the world. The Sonoran Corridor area near TIA is the point of convergence of all of these logistical advantages of the region.

Pima County must be prepared to compete in the regional, national and international marketplace. The regional gross domestic product of Arizona and our seven neighboring states, including Sonora and Sinaloa, is \$5 trillion. According to The University of Arizona Eller School's Arizona-Mexico Economic Indicators, Arizona alone exported \$21.1 billion in products in 2014, supporting over 93,000 jobs in the State. \$8.6 billion of those exports in 2014 went to the rapidly growing economy in Mexico, a 22.2 percent year-over-year gain. Mexico is the third largest trading partner for the United States and the first for Arizona. According to the Mexican Consulate, Mexico trades more with the United States than Japan, France and Brazil combined. In the first three months of 2015, over \$7.3 billion of

import/export goods passed through the Nogales border crossing; an average increase exceeding 6.17 percent. Nearly all of those goods had to traverse I-19 and I-10 to other parts of the United States, as well as to Canada. Produce crossing the border at Nogales is distributed throughout the country by truck and will soon be by rail. Electronics and other components built in the Maquiladora factories are shipped worldwide via air, truck and rail. Taking advantage of low-cost empty containers, a wide range of manufactured, scrap and agricultural products (alfalfa and grain) are shipped to Asia at a fraction of the normal cost. Major ore exports through the Port of Guaymas to international markets all transit the Nogales rail line from origins as far away as Montana and Wyoming. Products destined for the major markets in Asia, Texas, California, the Intermountain West, and millions of consumers on the East Coast all pass through this corridor before heading north, east or west. The Sonoran Corridor is the crossroads for these regional trade corridors.

Logistics is defined as having the right product at the right place, at the right time, at the right price. The Sonoran Corridor, TIA, the Port of Tucson, and a comprehensive regional logistics development plan are perfectly positioned to incorporate all of our region's intermodal transportation advantages to maximize alternatives for virtually any range of product to reach its national and international destinations via the most reliable and inexpensive mode. Leveraging the advantages of the Sonoran Corridor location with the increasing interstate and international trade levels will provide excellent employment opportunities for the region.

#### Action Items

- 4.1 Continue planning, with PAG, RTA, TAA, Union Pacific and others, the development of a major logistics center for the Southwestern United States in the vicinity of TIA.
- 4.2 Cooperate with and assist the Port of Tucson in expanding their rail-to-rail and rail-to-truck intermodal operations as a true international inland port.
- 4.3 Support and advocate with the Federal Highway Administration and the Arizona Department of Transportation for the designation of heavy haul freight routes from Mexican POES to the Port of Tucson.
- 4.4 Continue to advocate for and on behalf of the TAA for a second full-service parallel runway at TIA.
- 4.5 Continue to advocate for the development of expanded air cargo services at TIA.
- 4.6 Continue to improve surface transportation accessibility to warehousing and distribution centers associated with logistics in the TIA area, including a new auxiliary interstate highway connecting I-10 and I-19.
- 4.7 Support the expansion of the Truck Driver Training Program at Pima Community College for the foreseen increased work demand in ground transportation in connection with a new auxiliary interstate highway connecting I-10 and I-19.
- 4.8 Advocate for improved surface transportation connectivity to the Mariposa POE to improve international trade with Mexico.



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Athletic competition among our state universities – Northern Arizona University, Arizona State University and The University of Arizona – is an entertaining activity and generates fierce competition between the various supporters of each university. In athletics, this competition is healthy.

In economic development and growing jobs in Arizona, such competition is counter-productive and leads to potentially expanding and enhancing one region in the State at the expense of the remainder. There is no room in economic development for regional competition. We must all work together for one purpose; to expand Arizona’s economy and increase new and high-wage jobs. The three state universities and Pima Community College must work as one system; and Pima County will work with each university and PCC to foster economic development in their own areas of expertise to create wealth and expand jobs.

Increasing employment opportunities within the region comes from three primary sources: 1) protecting and expanding our existing employers, 2) enticing employers to relocate from other areas of the country to Pima County, and 3) growing our own employment opportunities. “Growing our own” is an excellent strategy to diversify our economy and create high-tech, high-wage new economy jobs. The key to growing such high-wage employment opportunities is employing and leveraging the intellectual capacity of our state university and community college systems.

A. The University of Arizona

The University of Arizona (UA) alone receives more than \$620 million annually in research and development funding and partners with businesses to help ensure innovative ideas become reality and produce business opportunities in the new world market.

In addition to continuing our work with the UA in areas such as physician training, medical diagnostics and biosciences, the University’s intellectual capacity and science professionals can serve as key partners in expanding our aerospace industry, as well as growing new products and services for markets such as engineering, water resources, solar and alternative energy development and new concepts in urban form and development. Our largest area employer, Raytheon, recruits more of its engineers from the UA than from any other institution. We need to provide the environment to attract a larger percentage of graduates.



The UA created Tech Launch Arizona (TLA) to advance University discoveries into intellectual property, inventions and technology. TLA will move knowledge and inventions developed by students and faculty into the market, with the primary goal of unifying UA researchers and the business community to significantly enhance the impact of University research, technological innovation and tech park assets.



#### B. Arizona State University

Arizona State University (ASU) has been very active in promoting economic development and job creation in the Phoenix metropolitan area. The SkySong Center, an ASU employment incubator in Scottsdale, is located, three miles from ASU's main campus. It is a mixed-use development with 1.2 million square feet of space and has provided a platform for early stage startups and larger merging companies and technologies with variable space offices and support systems for entrepreneurial activities.

In addition, ASU has made significant investments in bioscience with their biodesign facilities located on the main campus and fostered engineering technologies at their new Polytechnic Campus, which grew out of the closure of Williams Air Force Base. ASU has also been active in the Tucson metropolitan area with their School of Social Work, which offers a Master's Degree program. Many of its graduates are employed by public and medical agencies. In fact, Pima County employs a number of these individuals in our medical and justice service areas.

#### C. Northern Arizona University

Although it is the smallest of our three universities, Northern Arizona University (NAU) is a major research university in its own right and has created numerous programs and economic initiatives that benefit all of Arizona. NAU has 36 satellite campuses throughout the State, including Tucson, and is poised for additional growth and influence beyond Flagstaff. The Arizona Board of Regents has set goals to increase NAU's student body from the current enrollment of 19,300 to 25,000 and double its research budget by 2020.

NAU has a strong focus on technology development, tech transfer, entrepreneurial education, business incubation and business acceleration that benefits the economies of our State and region. In addition, the W.A. Franke College of Business is a nationally recognized business school that provides education, research and outreach in many areas Pima County will require for a well-rounded economic development strategy. Some of these programs particularly suited for our region include the Arizona Rural Policy Institute, Center for American Indian Economic Development, Arizona Hospitality Research and Resource Center and the NAU Center for Business Outreach. NAU also offers degrees in small business management at its Tucson campus.

#### D. Pima Community College District

PCC is one of the largest multi-campus community colleges in the nation. Pima is a public, two-year accredited community college that offers college transfer, career training and occupational education.

PCC has developed transfer agreements to UA, ASU and NAU and prepares students for college-level academic work to later transfer to a four-year university. Strong programs also include Nursing, Engineering, Business, and Aviation Technology. The Aviation Technology Program at PCC is a nationally respected training leader, and PCC is the only school in the United States offering training in aircraft structural repair. PCC offers over 100 certificate and degree programs at flexible schedules to meet the needs of a diverse student population.

A new international development approach at PCC is providing new opportunities for growth and economic development. PCC is a current participant of the 100,000 Strong in the Americas Initiatives and has established partnerships with private and public Mexican institutions, including Televisa Foundation, the SEP-Bécalos Santander Universia International Program, the Institute for Mexicans Abroad, and *Proyecta 100,000*. Moreover, PCC recently signed a Memorandum of Understanding with the Instituto Tecnológico de Sonora to establish an ongoing academic partnership.

#### E. Major University System Emphasis Areas for Job Development: Biosciences, Defense and Mining Technology

These three areas appear to have great promise for transferring university innovation and technology into new employment within the Tucson metropolitan region, primarily due to existing job centers in these specialty areas.

Given the presence of Raytheon and its emphasis on defense, aerospace and technology, the region has a unique opportunity to develop more defense-related job centers; particularly if a relationship is developed with the Defense Advanced Research Projects Agency, or DARPA. Such a secure defense and industrial research and testing facility in the Aerospace Corridor adjacent to Raytheon would strategically position the region to expand private sector industrial research projects and programs in this area.

Bioscience and emerging bioscience technology has proven to be an important high-wage, high-tech job stimulator in Pima County. Sanofi and Ventana Medical Systems are examples of global organizations that are leaders in bioscience and life science technology. Accelerate Diagnostics, which relocated from Colorado to Pima County's Abrams Public Health Center, is an excellent example of startup technologies growing into high-wage employment opportunities.



Finally, mining technology should receive more attention, primarily because of the mining activities prevalent in eastern Pima County. Mining technology, extractive resource optimization, reuse and mitigation of mine tailings, reclamation and clean mining technology are all viable areas for research and job growth in the mining sector.

#### F. Funding Arizona's Higher Education System

It is generally accepted that higher education plays a significant role in growing the State and County economies. Economic growth requires an educated workforce and high-level university-based research that leads to new commercial entities and job opportunities. It is time to recognize the contribution of higher education in Arizona and provide a reasonable level of dependable funding for the State university system.

Unfortunately, total State funding cuts to higher education totaled \$99 million for Fiscal Year (FY) 2016 – more than 10 percent of State higher education funding. The State also eliminated all funding to Arizona's two largest community colleges at a time when other states are developing strategies to increase funding for community colleges. According to the January 2015 *Educator Retention and Recruitment Report* prepared by the Arizona Department of Education's taskforce on the subject, Arizona now "ranks first in the country in steep cuts to higher education budgets."

State funding for the UA was cut by \$28 million in the adopted State budget for FY 2016. This is in addition to significant cuts to Arizona's University System during the Great Recession. Between FY 2008 and FY 2016, State funding for higher education was cut 55.6 percent, while tuition increased 87.8 percent. During the same period, enrollment and credit hours taught at the University have increased.

Reducing State funding assistance to the university and community college systems is counterproductive to economic growth. The taskforce's report warns that without the State's commitment to increased education funding across the board, "Arizona will not be able to ensure economic prosperity for its citizens and create the workforce of tomorrow."

We cannot cut our way to prosperity.

#### Action Items

5.1 Actively support increased State funding for all public education programs, particularly for the university and community college systems.

5.2 Encourage action and public, as well as, private funding of higher education to minimize future increases in tuition and fees.

5.3 Encourage technology transfer from all three Arizona universities and PCC, as well as economic development investment from all three universities, into enterprises within Pima County – either existing employers or emerging new employers.

5.4 Encourage collaboration among all higher education institutions to focus on workforce development congruent with major industrial growth throughout the State.

5.5 Foster collaboration between Arizona's three universities, government and the private sector in support of university-level degree programs related to and in support of technical employment clusters in the region.

According to the Arizona Office of Tourism, Arizona's warm weather and natural beauty make tourism one of the State's top export industries. In 2015, 42.1 million people visited Arizona and collectively spent \$21 billion in the State, which supports jobs and generates tax revenue. Pima County generated \$2.8 billion in direct spending in 2015, while generating \$197.3 million in direct tax revenue collection. Over 24,000 jobs are generated by tourism in our region, and more than four million people enjoy visiting our area annually.

Out-of-state travelers accounted for over 72 percent of the visitor impacts in Arizona. International travel, including day travel from Mexico, comprises approximately 17 percent of visitor impacts. Most visitors to Pima County come from New York, Los Angeles, San Francisco, Chicago, Seattle and Phoenix and other Arizona cities. Mexico, Great Britain and Canada are Pima County's top international visitor markets. The addition of direct air flights in Fall 2016 from New York City and Sonora Mexico will increase visitation from these areas.



In the wake of the recession, tourism in Pima County currently lags behind tourist growth in the Midwest and eastern United States. Our hotel occupancy has shown only moderate growth, and our average daily rate for hotels in Pima County is below most regions with similar populations. Tourism marketing budgets are recovering but are not near pre-recession levels. Visit Tucson's operating budget, derived primarily from lodging bed tax collected by local municipalities and Pima County, has declined from an all-time high of \$10.5 million in 2007 to \$6.6 million in 2015. The decline of tourists since 2008 and the reduction of funding for Visit Tucson from the City of Tucson had a significant impact on our region's tourism industry; however, there was a significant upswing in tourism in Fiscal Year (FY) 2015/16.

Overall, 42.1 million people visited Arizona in 2015 who collectively spent \$21 billion in the state, an increase of 25 percent since 2013. Regional Tucson and southern Arizona tourism-related jobs increased to 24,000, and direct tax revenue collection increased to \$197.3 million. The total number of overnight visitors grew to 6.5 million. Pima County's FY 2015/16 bed-tax collections totaled over \$6.6 million. Based on Smith Travel Research predictions, we estimate Pima County's bed tax collections will grow approximately 4 percent in FY 2016/17. Bed tax collections increased 10 percent for Pima County and 6 percent for the City of Tucson.

The City, which previously invested 45 percent of its bed tax in tourism promotion prior to the recession, had reduced its funding at one point to a low of 25 percent. Currently, the City's contribution is approximately 33 percent but does not include the millions of dollars generated by an additional collection of \$2 per room night within the Tucson city limits. The County contributes 50 percent of the County bed tax for tourism promotion and will continue its support for this important industry.

The City of Tucson did pass an additional collection of \$2 per room night, which took effect July 1, 2016 for hotels within the Tucson city limits. The City estimates that each \$1 equals an additional \$1.3 million toward the City's General Fund. Visit Tucson has negotiated with the City to have a small portion of these new funds come back into tourism promotion but only if the total hotel surcharge, along with the bed tax, reaches an agreed upon amount. As a result of this increase and more visitors projected to stay in hotel rooms in FY 2016/17, Visit Tucson's budget for FY 2016/17 is scheduled to increase to \$8,838,650, a 16 percent increase from prior year.

Resurgence in tourism spending is vital to Pima County's continued growth and investment back into the community. Specific strategies for strengthening tourism in Pima County are discussed below.

A. Diversification of Sports Attractions

Pima County invested more than \$3 million in FY 2012/13 to transform the northern half of Kino Sports Complex from baseball fields into a 2,360-seat pocket stadium and four multipurpose fields that can be used for soccer, lacrosse and other grass sports. FC Tucson is established as the anchor tenant at the Kino North Sports Complex. FC Tucson has also taken the lead in bringing Major League Soccer (MLS) spring training to the Kino North Sports Complex annually from late January through early March. Pima County invested an additional \$190,000 in contingency funds in FY 2013/14 to bring in MLS spring training and a professional soccer team from Mexico to compete in the February 2014 Desert Diamond Cup. Pima County made similar investments to bring back MLS spring training in 2015 and 2016. Visit Tucson has helped the County leverage its investment by entering into \$50,000 sponsorship agreements annually with FC Tucson in FYs 2013/14 and 2014/15. The majority of these investments are passed through to MLS to secure advertising used to attract fans of incoming MLS teams to Tucson.



The Pima County Sports and Tourism Authority (PCSTA), in partnership with Pima County, conducted a communitywide sports facility assessment that outlines the current assets, as well as the potential needs, of recreational and tournament site opportunities. This study will be used as a guide in developing a major sporting complex on land purchased by Pima County immediately south of the existing Kino Sports Complex on the south side of Interstate 10 (I-10). Pima County will consider recommendations made by the PCSTA's consultants, Sports Facilities Advisory (SFA), in a feasibility study of a Kino Sports Complex expansion.

The County will work with Visit Tucson Sports to maximize soccer, lacrosse and other sports that can be staged at the Kino Sports Complex with an eye toward booking a mix of local, regional and national events that fit with the recommendations of the Kino Sports Complex feasibility study conducted by SFA.

The Kino Sports Complex is the largest freeway-accessible sports venue in southern Arizona. Additional sports attractions are also now being planned for the Kino Complex. For the property newly acquired south of I-10, major indoor sporting facilities are planned similar to the development by the County and Southern Arizona Community Sports of the Sporting Chance facility at La Cholla Boulevard and the Rillito River. Sporting Chance now has 20,000 visits per month for amateur and youth sporting activities related to basketball, volleyball and other indoor court sport activities. The additional planned sports facilities on the newly acquired properties are predominately field sports and would include a high percentage of artificial turf allowing increased use of the facilities.

Finally, the vacant properties owned by the County adjacent to Kino Boulevard south of I-10 will be reserved and utilized for restaurant, hotel and entertainment venues compatible with the developing of Kino Sports Complex as a major regional sports attraction. This property was purchased by the County in 2014 for \$8.75 million. The approximate 167-acre property is owned outright by the County.

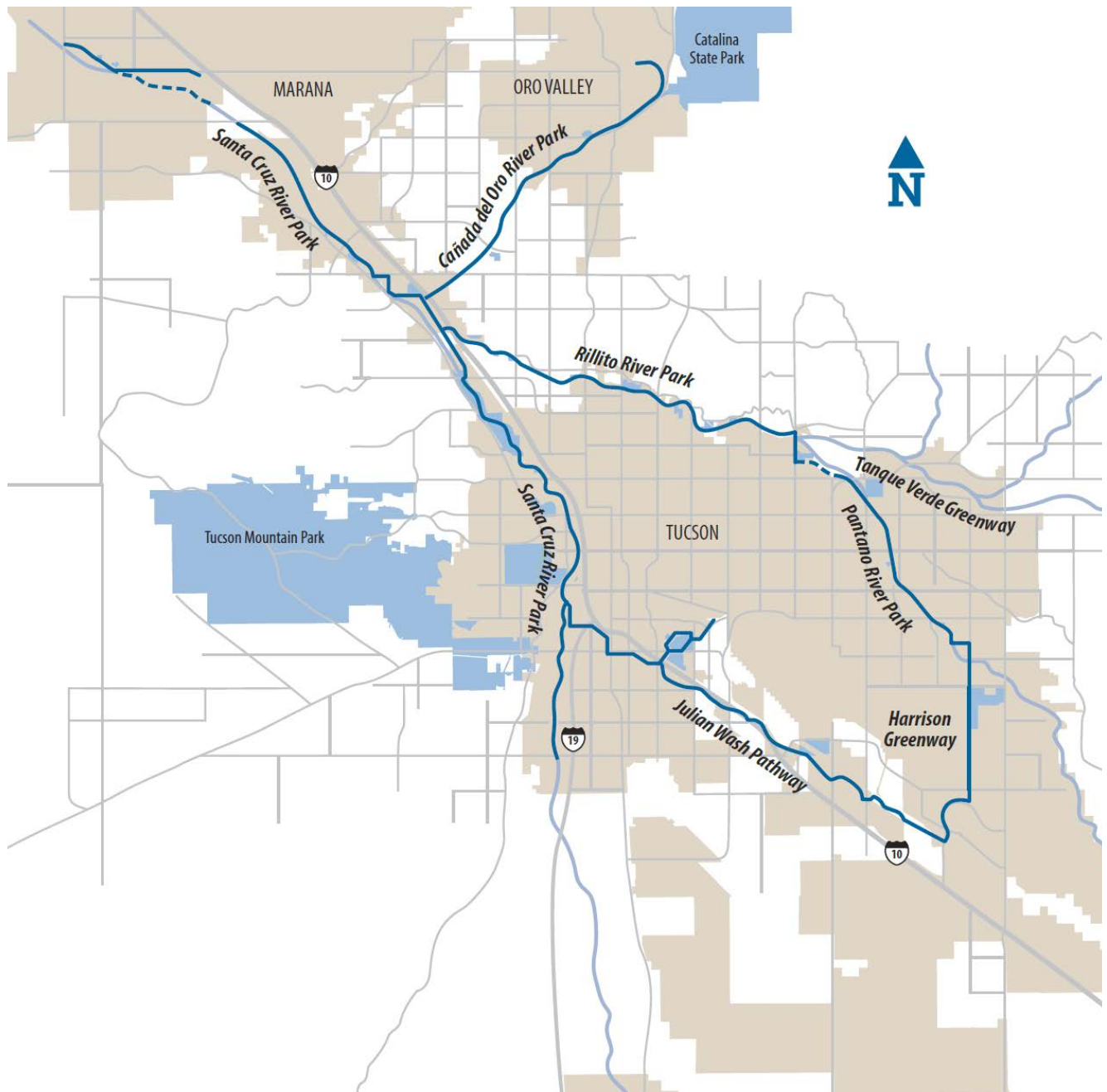
## B. Making Cycling a Tourism Destination Event



Pima County's sunny weather, ample bike paths, mountain biking opportunities and established cycling culture make the region one of the world's top cycling destinations. Area cycling recognitions include Tucson being listed as one of the top 10 best cycling towns by 10Best and USA Today. Fox News Travel lists Pima County's The Loop trail as America's third-best city bike path. USA Today named Tucson as one of the nation's top 10 mountain biking areas, and Outside magazine listed Tucson as the best road biking city.



The County has already completed more than 113 miles of The Loop trail around metro Tucson. When completed, The Loop will feature 131 miles of shared-use paths for any non-motorized use, including bicycles, skateboards, horseback riding and more. Visit Tucson now markets southern Arizona as a premier winter training destination for cyclists. At mid-year 2016, the County completed more segments of The Loop, adding 13 miles of new path in The Loop system. The final gap of The Loop will be closed in late 2016 or early 2017 when the segment from the Tanque Verde Road Bridge over the Pantano Wash is connected to the Rillito River at Craycroft Road. This final segment will complete the longest car and vehicle-free public walking, jogging, hiking and biking pathway system in the United States. It now is the most popular public park in Pima County and has nearly 800,000 users annually.



Cycling is big business for our region. In 2013, the Arizona Department of Transportation (ADOT) released an Economic Impact Study on Bicycling in Arizona. The report showed that in almost every area, except triathlons, Pima County exceeded Maricopa County by nearly two to one the number of events related to cycling. The same is true for tourism-related spending by cyclists. The ADOT study shows annual retail sales of bicycle-related goods in Arizona, to local and out-of-state customers, is \$114 million. And the impact is not just on tourism. Pima County released the Economic, Environmental, Community and Health Impact report in 2014 that showed for every \$1 invested in infrastructure that benefits walking and cycling, the region reaps over \$9.76 in return. This type of infrastructure has been touted by business leaders as creating the quality of life they need to attract and retain the knowledge workers of today.

Pima County continues to sponsor several prominent cycling events annually. El Tour de Tucson is an internationally known event attracting thousands of ranked and unranked cyclists from around the region and around the world. The 2000 economic impact study conducted by The UA Eller Business School on El Tour showed an approximately \$40 million impact on the local economy when El Tour had only 4,500 riders. The 2015 ride had almost 9,000 riders. Despite recent declines in participants due to weather and a change in key sponsorship, El Tour continues to be the top draw of the region's cycling events.

Additionally, the Old Pueblo Grand Prix, a professional cycling event staged in downtown Tucson, continues to attract hundreds of professional and semiprofessional riders. The event is in its fourth year and offers spectator viewing of the professional race, as well as professional-rider led events for youth. Pima County has also sponsored Cyclovia Tucson since its inception. The event targets specific areas throughout the metropolitan area and closes a busy street for several miles during the day, allowing cyclists, walkers, vendors and others to promote healthy activities. Over 50,000 people attended Cyclovia Tucson events in 2015.

### C. Creating New and Expanding Existing Tourism through Public Investment

In 2011, The University of Arizona (UA), along with Pima County and several nature-based attractions, began a strategic initiative to showcase the assets of Pima County in a different, non-commercial way. Utilizing the community program generated by the Tucson Advertising Federation, more than \$300,000 of media value began to introduce the concept of geotourism and how can it benefit Pima County. Geotourism adds to sustainability principles by building upon a destination's character and its "sense of place" to emphasize the distinctiveness of its locale and benefits to visitors and residents. Pima County is located in one of the world's most diverse eco-regions.

The concept of developing a cultural and heritage-based Regional Visitors Center in downtown Tucson, in an area originally inhabited by the first human arrivals in Tucson some 2,500 years ago, is a major element necessary for creating a "sense of arrival" for Tucson visitors. Development of the regional visitors' center concept began in 2013. The partnership has since grown to include the National Park Service, Visit Tucson, Western National Parks Association and The University of Arizona Mineral Museum. The proposed facility will create

a consolidated gateway for all of our region's unique resources and promote a story of Tucson and the region that showcases its uniqueness and diversity. It will also be rooted in the Santa Cruz Valley's biodiversity and highlight the historical importance of water to our region and emphasize the need to conserve this valuable resource. As currently conceived, the proposed center will feature area attractions in a self-sustaining facility that will offer comprehensive information, education and programming about our region.

The Regional Visitors Center is now proposed as an adaptive reuse of the Historic Pima County Courthouse constructed in 1929. The Historic County Courthouse is in the heart of the Governmental Center for the County, City and State and will serve to educate and inform visitors, tourists and residents of the historic and cultural heritage of Pima County.

Major renovations of the Historic Courthouse are now underway and will be completed in late 2017, allowing the Historic Courthouse to serve an important and vital role as a Regional Visitors Center.

D. Maintaining, Improving and Expanding County Leased Property Infrastructure

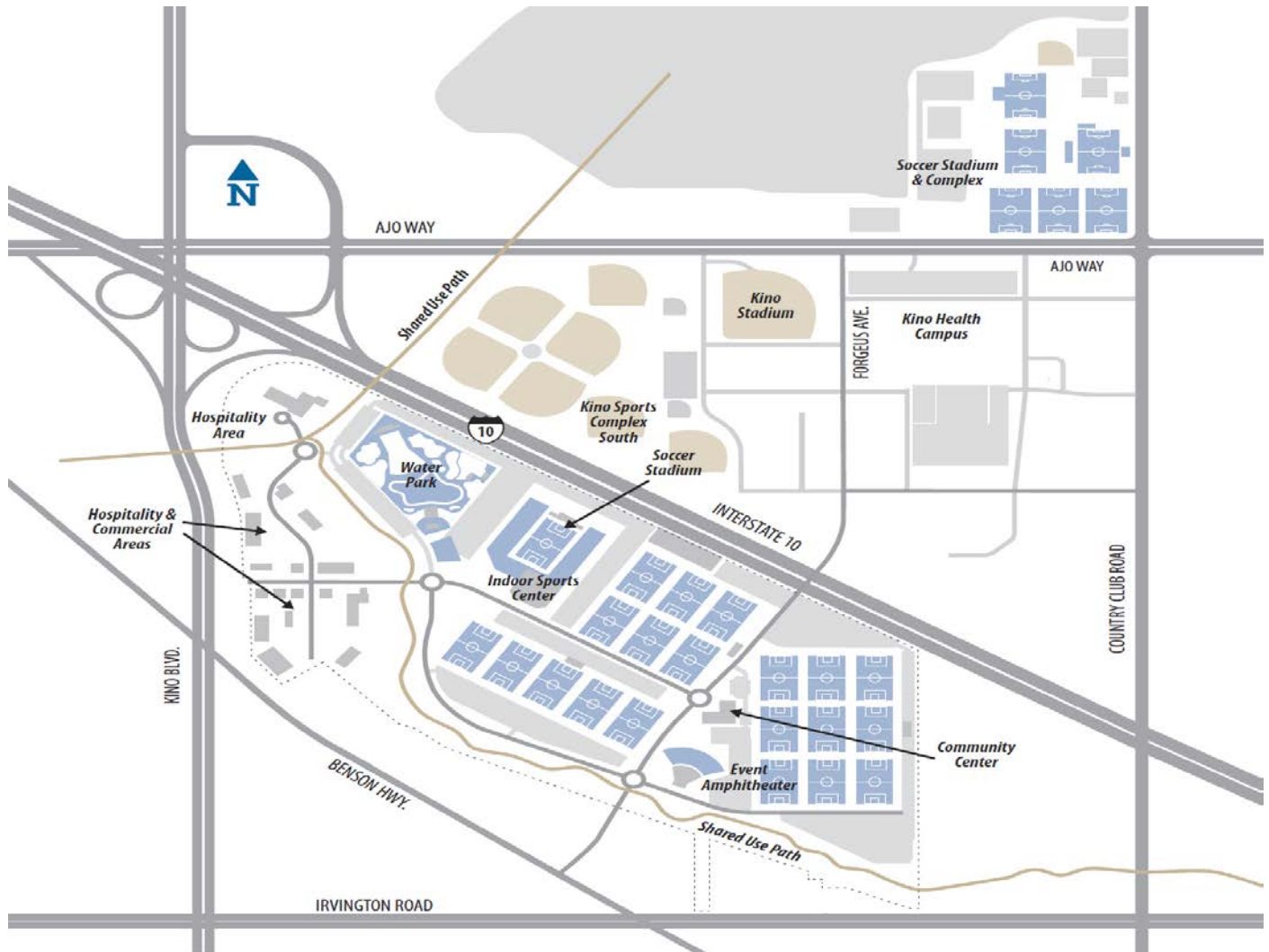
Strategies to increase tourism within a destination typically include investing additional transient occupancy tax revenue into the region's Destination Marketing Organization (DMO), growing existing and new special events and developing new tourism-related capital projects. Pima County is investing half of its bed-tax revenue in its DMO, Visit Tucson, but also in jumpstarting tourism-related capital projects throughout the region.

Tourism-related capital projects totaling \$98.6 million have been identified for tourism growth, including the following attractions:

1. *Southwest Regional Sports Tournament Complex (Kino Sports Complex)*. Expansion of the Kino Sports Complex immediately adjacent to the existing Kino Complex footprint to include soccer and other rectangle field sports and an indoor facility to accommodate volleyball and other indoor sports. In 2014, Pima County purchased a 167-acre parcel across I-10 and adjacent to the existing Kino Sports Complex. Over the past decade, sports field demand has far exceeded supply. All existing long fields in the region are booked beyond capacity, and no one site is sufficiently large to accommodate soccer and other long-field tournaments. The proposed improvements at the site include 12 artificial and natural turf soccer fields and a variety of park elements and, ultimately, an indoor court facility similar to the recently completed Sporting Chance facility at Curtis Park. Thousands of players and their families travel to Phoenix's Reach 11 each year to play in regional tournaments. The Southwestern Regional Sports Tournament Complex would not only allow Pima County to keep our players here for tournaments, it will allow the region to compete, both regionally and nationally, to bring large-scale events to our community.

The County recently completed a Master Plan for the expansion of the Kino Sport Complex by adding sports-related facilities on the 167-acre property located south of Interstate 10. The site will include an indoor sports complex, similar in function to the Sporting Chance Center located at the Rillito River and La Cholla Boulevard. The indoor sports facility will include basketball and volleyball courts, serving multiple sport court functions. Also, 19

multipurpose fields will be constructed with one championship field, a waterpark and tournament support facilities. The property will also reserve space for hotel and restaurant development.



The development cost is anticipated to be \$55 million; \$14 million for the indoor facility and \$40 million for outdoor fields and supporting facilities. The County recently completed an Economic Feasibility Study associated with developing such a facility. The County worked with SFA, Sports Facility Advisory Group, to prepare a pro forma and economic impact analysis for a tournament sports facility at this site. The analysis prepared by SFA provides the mix of elements that provides the greatest return on investment. Their recommendations include 19 long fields, 1 championship field with a 2,000-seat stadium, and an 18-court indoor facility and allows for additional complementary assets such as hotels, restaurants, a zip-line and a possible water park. Pima County is currently preparing a request for proposals to determine interest in a public/private partnership to develop the site.

2. *Old Tucson Studios.* Repurposing the entire mission of Old Tucson with additional focus on the heritage and culture of Tucson from the 1850s to Arizona Statehood. This will transform Old Tucson into a multicultural living history museum, bringing authentic experiences and exhibits that showcase the lives and times of the culturally diverse peoples that pioneered southern Arizona. This will include appropriately themed buildings and outdoor design elements for seasonal interpretative and hands-on educational programs and exhibits that will provide an entirely immersive and authentic experience. The concept has been brought forth by the ultimate successor to Old Tucson, the Arizona Sonoran Western Heritage Foundation. The Foundation's multicultural, multi-period operating model is the most appropriate contemporary transition for this historical Pima County attraction.

Attendance throughout 2016 continued to grow as marketing outreach and product improvements continue. The Western Heritage Foundation continues to expand its outreach and program development; the lack of capital dollars has delayed any major construction to improve Old Tucson's heritage infrastructure. New program development will continue, and some program improvements to the existing product will be enhanced. A special project to generate attendance by young adults has been undertaken with assistance from television network ESPN and producers of unique racing activities similar to the very popular X-Games event series. The "Shootout at Old Tucson Off-Road Grand Prix" will be produced for the next three years to be held in the north side of town that at one time featured movie sets, stables and a steam operating locomotive. The first event will take place in April 2017 and will require an extension of their existing overflow parking lot and the temporary build of a dirt road track. The weekend long event will feature new live entertainment and the attraction will be fully operating during the racing events. Several new sponsors will be featured and television and promotional coverage is expected to be significant.

3. *Colossal Cave Mountain Park.* This is a one-of-a-kind nature cave surrounded by natural resources that can never be duplicated and is the key component for public natural recreation in the eastern metropolitan area of Pima County.

The operation of the first year under new operator, Ortega National Parks, has been very successful. Attendance and revenues have increased dramatically, with attendance increasing 323 percent, or almost 80,000 visitors, and overall revenue exceeding over 200 percent, over FY 2014/15. Attendance and revenue growth is attributed to several factors, including the complete remodeling of the gift shop, the opening of a new restaurant, campsite renovations and improved cave tours.



Additionally, the historic ranch house has received HVAC and furniture upgrades. More improvements to the ranch house area, trail systems, and campground areas are scheduled for 2017. Additional complex improvements are being explored, including a zip-line attraction and other outdoor adventure activities.

4. *Arizona-Sonora Desert Museum.* Adding a new themed exhibit to this world-class and most popular local and tourist attraction that expands the attraction's footprint is necessary. Covering a 1.5-acre area, "Coast to Canyons: Journey of the Jaguar" habitat-immersion complex exhibit will include dozens of species of plant and animal life showcasing the southern portion of the mainland Sonoran Desert. Ranked as a "Top 10" United States museum by TripAdvisor Traveler's Choice Awards, ongoing investment and expansion of this important attraction will ensure that the Arizona-Sonora Desert Museum (ASDM) continues to be a top destination for residents and visitors.

The lack of capital funding has delayed the "Coast to Canyon" exhibit for the near future; however, ASDM has moved forward on two significant additions funded by private donations. The first is the opening of a new "touch" exhibit of a 10,000-gallon shallow tank featuring 15 cownose stingrays that can actually be lightly touched, as well as fed, by the public. These "touch tanks" are very popular in aquariums and sea life attractions. The second capital expansion involves the completion of the educational complex with an additional 7,000 square feet of building area and common space for the Art Institute. Additional space is needed for the tremendous growth of the Art Institute operated by ASDM. The final addition (Phase III) will complement the existing auditorium with classrooms and offices. Total costs of both projects are projected to be approximately \$4 million. These two new additions should increase the visitor and educational experiences resulting in higher attendance, which has had small increases over the past two years.

5. *Pima Air and Space Museum.* Constructing a new 120,000-square foot hangar where aircraft and artifacts related to the post-1945 Jet Age and Cold War period will be inside and protected from the sun and warm temperatures of Tucson will bring new visitors. Existing airplanes will be restored and will have a new home. Significant aircraft, one of which is only one of four left in existence, will be displayed, as well as 16 to 20 other historic aircraft in the Museum's collection. Themed education exhibit encompassing additional artifacts, photographs and materials from the late 1940s to present day will be accommodated in this building. This will enhance the Museum's status as a global aviation heritage preservation institution and preserve and interpret historic artifacts for current and future residents and visitors to southern Arizona.

Hangar 6, the 120,000 square foot hangar, has been delayed in 2016. However, Hangar 5 was recently completed, as was a new pedestrian bridge over the wash connecting Hangar 4 with Hangar 5 and the future Hangar 6 area. Hangar 5, costing over \$2.5 million and funded privately, is a 27,000 square foot building housing restored World War II and Pacific Theatre aircraft.

The Museum's attendance has increased from 145,000 to approximately 190,000 guests. 97,000 square feet of exhibit space; 5,000 square feet of food service, kitchen and dining room space; and a 3,000 square foot gift shop have been added. Fifty-five aircraft have also been added to the Museum's collection.

6. *Pima County Fairgrounds Capital Investments.* In 2016, the Pima County Fairgrounds began the largest single amount of capital improvements during the past two decades. The Southwestern Fair Commission, which operates the fair and other activities on the Fairgrounds on behalf of Pima County, is spending approximately \$1.3 million on improvements to maintenance the shop area, Thurber Hall, South Horse Barns, 100 new RV sites, and asphalt and road repairs. All of these improvements will be completed prior to the 2017 fair held in the spring and will assist in increasing visitor and usage capacity.

7. *Historic Pima County Courthouse as Regional Visitors Center.* Converting Pima County's Historic Courthouse into a new Regional Visitors Center, operated by a new partnership of Pima County, the Western National Parks Association, and Visit Tucson, will feature the historic building converted into a resource complex where visitors from all over the world will learn in an interactive environment, the things to see and do in southern Arizona. The Western National Parks Association is the nonprofit education partner of the National Park Service, supporting 71 national park partners across the West; developing products, services and programs that enrich the visitor experience. The University of Arizona Mineral Museum is also expected to locate within this Regional Visitors Center.



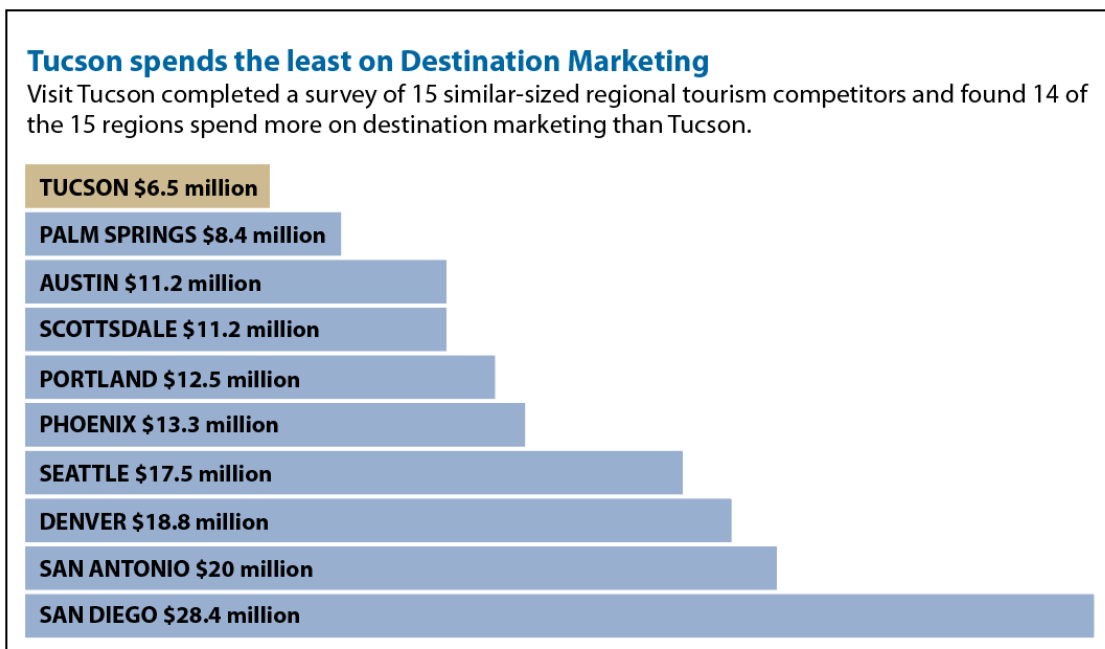
E. Assisting Other Community Attractions in Southern Arizona by Increasing Our Investment in Visit Tucson

Our region has a diverse collection of attractions operated primarily by nonprofit organizations or that are part of the local, state or national park systems. Many of these are under-marketed and therefore underutilized. As visitation decreases, so does the ability to market the facility. Marketing outreach was at an all-time low during the recession, with most, if not all, attraction marketing budgets in Arizona being severely reduced. There are opportunities to reverse this trend. Visit Tucson continues to promote the attractions of southern Arizona as a destination driver and will continue to support, through cooperative marketing and outreach programs, the mission of Pima County leased properties and all of the unique attractions throughout southern Arizona.

Pima County will also engage the Southern Arizona Attractions Alliance and develop cooperative marketing programs with the Arizona Office of Tourism and the other government and private tourism offices within southern Arizona, such as the Tucson Metro Chamber, the Ajo Chamber of Commerce, Green Valley/Sahuarita Chamber and others.

In January 2015, Visit Tucson completed a survey of our regional tourism competitors; 15 regional markets of similar size, including Portland, Oregon; Austin, Texas; and San Diego, California. These markets were all surveyed regarding their funding for tourism attraction marketing. In 2014, our market had the lowest occupancy rate, ranked 15<sup>th</sup> while San Francisco, California ranked first. For room rates, we ranked 14<sup>th</sup>, while, again, San Francisco ranked first. For room revenue, we ranked 12<sup>th</sup>, with Las Vegas, Nevada ranked first. For the amount of funds spent on destination marketing, we ranked 13<sup>th</sup>, while Las Vegas ranked first.

The graph below provides an order of magnitude comparison between Visit Tucson’s budget and the destination marketing funding of other Western US cities. Clearly, our tourism marketing is inadequately funded.





#### F. Expanding Air Service at Tucson International Airport

Increasing direct airline connections to Tucson International Airport (TIA) from other major metropolitan cities, both national and international, is required for strengthening Pima County's economy. Direct flights increase tourism, facilitate existing business operations and increase business attraction. Currently, TIA has limited direct flights to the U.S. East Coast, Canada, Mexico or any of the other regions identified in this plan as being necessary components of job creation, export trade and business expansion.

TIA continuously seeks to improve air routes and identify opportunities for direct airline connections but recent developments in the airline industry, such as airline consolidation and increased aircraft operation cost, have led to greater competition among airports for direct flights. An increasing trend in the industry is the use of revenue guarantees to serve as an incentive for municipal airports to secure additional flights. These guarantees are essentially sums of money a regional organization commits to an airline for new routes and flights that would serve to offset revenue lost if the route or flight is not successful. The money is usually secured by lines of credit and is not paid to the airline if the route is successful in terms of passenger usage and profitability. Regional organizations, such as chambers of commerce, cities, and states, fund the guarantees due to Federal Aviation Administration regulations that prohibit airports from funding the guarantees. A recent example occurred in Albuquerque where a community and state coalition secured \$5 million to guarantee a direct connection to New York City. The flight has been successful with 86 percent of seats purchased, and the city has derived numerous economic benefits from the new connection.

In 2015, the Tucson Metro Chamber formed an Air Service Task Force that is attempting to secure direct flights from Tucson to New York City/Newark with an approximately \$3 million revenue guarantee. This effort, which is funded primarily by private sector businesses and individuals in Pima County, brings immediate economic benefits to our region. According to the US Department of Transportation, Tucson was the largest market without a direct flight to New York City/Newark airports. This effort has been successful as American Airlines began nonstop daily service from Tucson to New York on October 7, 2016. Also in October 2016, direct flights from Tucson to Hermosillo and Mazatlán were added. Efforts to add additional direct flights to locations in Mexico, Canada and possibly Washington DC are underway. These efforts by the Tucson Metro Chamber and Pima County business community, and any community efforts to increase direct flights at TIA, will be encouraged and assisted by Pima County.

#### G. Pima County as a Medical Tourism Destination

People from across the United States and abroad are already visiting Tucson health and medical centers for the unique services and care they offer. Medical tourism is a growing tourism initiative, and Visit Tucson and Pima County are developing a community plan to attract visitors to Pima County who are specifically seeking medical services. Cities such as Houston, Tampa, Jacksonville and many others have had focused marketing initiatives with their medical partners for decades.

Medical tourism is the concept of people who live in one region traveling to another region to receive medical, dental and surgical care equal to or greater than the care they would receive in their own region. Most people participating in medical tourism do so for reasons of affordability, better access to care or a higher level of quality care. Pima County will collaborate with regional medical centers, wellness facilities, the Pima County Health Department, physicians and Visit Tucson to develop and market visitor incentive packages for those seeking medical care within our community. The County's planning will place particular emphasis on Mexican patient visitors. Specific initiatives will include developing comprehensive data related to medical and wellness institutions in the region, creating a database of doctors and their specialties through the Pima County Medical Society and developing a marketing plan in partnership with health and medical institutions. The program will include transportation and housing logistics and is expected to launch by late 2016 or early 2017.

Of particular importance will be an outreach program to introduce domestic and international medical tourism patients to the unique medical services in our various clinics and hospitals, including Tucson Medical Center, Carondelet, Oro Valley Hospital/Northwest Medical Center, Green Valley Hospital and Banner-University Medical Center (Banner-UAMC).

Pima County continues to lead the medical tourism project, along with Visit Tucson and with a recent partnership with the City of Tucson and its Tucson Healthcare Partnership Committee, which include multiple CEOs from hospitals and clinics in the region. Project branding phase has been completed, and the project will be officially known as the Tucson Health Association. Multiple meetings and site visits with the hospitals and clinics have occurred, and Visit Tucson will recruit full-time staff to oversee and provide concierge-like services to Mexican tourists seeking medical services in Pima County. Pima County and Visit Tucson attended the 2016 World Medical Tourism Congress in Washington, DC to learn best practices and begin developing international networks.

#### H. Creating International Tourism Opportunities in Key Marketplaces



*Mexico.* Mexico is by far the largest source of international visitors to Arizona with 3.7 million overnight trips in 2015, according to the Arizona Office of Tourism. Our proximity and historical and cultural ties with Mexico allow Pima County to benefit significantly from Mexican leisure travel. Statistics from the UA indicate Mexican visitors contribute nearly \$1 billion to Tucson's economy each year. Vamos a Tucson, the Mexico marketing department of Visit Tucson, operates visitor centers in the Sonoran cities of Hermosillo and Ciudad Obregon.

The Hermosillo center was recently renovated to include a Pima County meeting space that can be used by Pima County officials to meet with Mexican government officials and

companies seeking to operate in our region. Kino Sports Complex is the site for what has become the annual Vamos a Tucson Mexican Baseball Fiesta each October. This event brings in four or more teams from the Mexican Pacific League to play a preseason tournament, which attracts spectators from southern Arizona and northern Mexico. Additionally, little league teams from Mexico travel to Tucson during that timeframe for their own tournament tied to the event.

Pima Community College is working with Vamos a Tucson to market its programs and new ESL offerings to the Sonoran and northwest region of Mexico. Research shows that international students also promote tourism and further international connections. For example, former students who hold a positive view of their study experiences in other countries will prefer these regions for investment, tourism and development work.

Shopping is the primary reason visitors from Sonora and Sinaloa travel to Pima County. Vamos a Tucson organizes motor coach trips between Tucson and Sonoran cities during prime shopping periods. Vamos a Tucson also engages in significant year-round promotional activities in Sonora, including print and digital advertising, promotions in Sam's Club, Starbucks and in the Ford Motor Company plant in Hermosillo. Other promotions include weekly Tucson television updates on Meganoticias in Hermosillo, and the development of quarterly Spanish-language visitor guides distributed throughout Sonora.

Pima County supports efforts by the Tucson Airport Authority (TAA) and local business organizations to pursue additional nonstop flights from one or more Mexican cities to TIA. Pima County will also partner with the Arizona Commerce Authority and City of Tucson to generate new business for our region via exposure at the State's new trade center in Mexico City. In the area of sports tourism, Pima County will work with FC Tucson and Visit Tucson to stage exhibition matches at Kino Sports Complex involving professional soccer teams from Mexico and expand the scope of the Vamos a Tucson Mexican Baseball Fiesta.

As of October 2016, Aeromar Airlines began flights from Tucson (TIA) to Hermosillo, Los Mochis, Mazatlán and Guadalajara, with flights available four times each week – Thursday, Friday, Sunday and Monday. The number and frequency of flights is expected to increase in the near future. Aeromar Airlines, based in Mexico City, was founded in 1987 as an executive airline and is flying the 48-seat ATR 42 turboprop on the Tucson flights. Having Aeromar flights will help attract more tourists that come for shopping and medical services from Sonora and Sinaloa. In addition, it will provide travel convenience to business people from the Maquila and produce industry among other major industries in the region. These flights were the result of months of work as a regional team, which included Pima County, the Tucson Airport Authority, Visit Tucson, City of Tucson, business leaders, among others.

*Canada.* Tourism Economics, a global travel advisory firm that tracks tourism in Arizona, ranks Canada second in overnight visitation to Arizona with 928,051 visits in 2015. Visit Tucson continues to work directly with Canadian tour operators and travel agents to ensure metro Tucson vacation packages are developed and sold to Canadian travelers. Visit Tucson's tourism department typically conducts two or more sales missions annually to Canadian markets and hosts Canadian professional travel planners on group familiarization tours and individual site visits. Pima County will work with the Canada Arizona Business Council (CABC) and Visit Tucson in late 2016 or early 2017 to facilitate a Pima County

familiarization tour for top Canadian decision-makers related to business expansion and relocation, along with land/company acquisitions and other mechanisms that would spur Canadian direct investment in our region. This would include partnering with the TAA and local business organizations to pursue nonstop flights from one or more Canadian cities to TIA. Visit Tucson should engage in an annual Canadian media mission – possibly in partnership with the Arizona Office of Tourism and other statewide destination marketing organizations – while increasing outreach to targeted Canadian travel media to visit our region on individual or group tours and increase the amount of Tucson advertising in Toronto and other top Canadian feeder markets.

*The Republic of Korea (South Korea).* Tourism Economics ranks South Korea as number seven in overnight visitation to Arizona, with 61,128 visits in 2015. Pima County has begun to make inroads in South Korea with efforts tied to tourism and other facets of economic development. The Tucson-Korea Ambassadors, a nonprofit cultural exchange program, brought 35 South Korean students to Pima County in 2015, and PCC continues its international student recruitment in the Republic. Tucson was promoted at various festivals and events via Visit Tucson missions, which also included lecturing to university students about Tucson and how we attract visitors to our region. There is an opportunity to bring Korean Baseball Organization teams to train at Kino Sports Complex, should a combination of Pima County, Visit Tucson and local hotels/resorts be able to develop and offer a package that includes transportation between hotels and practice facilities, excursions to attractions and golf courses on their days off and finding high-quality opponents (such as other Korean teams or teams from Mexico’s Pacific Coast League) to play. Pima County will work with Visit Tucson to expand tourism from this important Asian market.

#### I. Creating an Amateur Athletics Destination Center

As discussed in Section A above, a Pima County sports facility assessment authorized by the PCSTA was completed in 2013 by the firms Populous and The Planning Center. This assessment provided a comprehensive analysis of sports facilities throughout the region. The assessment inventoried amateur tournaments and other activities, as well as evaluated the economic benefits of a number of community sports models from Albuquerque, New Mexico; Austin, Texas; Boulder, Colorado; Colorado Springs, Colorado; Phoenix, Arizona; Portland, Oregon; Omaha, Nebraska; and Indianapolis, Indiana.

It is clear the development of a comprehensive sports facility system integrated and managed with the purpose of advancing our region as an amateur athletics destination is economically attractive. The City of Tucson, Pima County and the UA have a number of large-scale athletic facilities that are complemented by our favorable climate. Athletic training and tournaments can constitute a significant economic benefit as a component of destination tourism. Today, there is no real coordination of the many venues for sporting and athletic endeavors. Further, these facilities require maintenance and expansion to be competitive in the national market for college, university and club championship tournaments, which can drive significant expansion opportunities for the region in destination tourism.

It would be appropriate to consider coordinating both facilities and marketing information to determine the applicability of developing, through coordinated use of available infrastructure, the addition of new facilities throughout our region as an amateur athletics destination. Such

would require close coordination with The University of Arizona, local jurisdictions and the private sector. Developing Tucson as an amateur athletics capital could be a very significant addition to our tourism economy.

#### J. Potential Legislation Supporting Sports and Tourism

Visit Tucson has created a ranking of performance metrics that measure key tourism indicators against Tucson's major competitor visitor destination locations. The survey began shortly after the most recent audit of Visit Tucson's marketing objectives and outcomes. Key indicators measured include area hotel occupancies, average daily rates of lodging locations, marketing and operational budgets, and revenue per available room, which is a ratio commonly used to measure financial performance in the hospitality industry and others.

Tucson has ranked poorly since the study began three years ago. Consequently, efforts to improve these metrics were recommended by the Southern Arizona Lodging and Resorts Association (SALARA) to increase tourism through product development and marketing through the repurposing of House Bill 2572. This bill amended Section 1 of Title 5 of the Arizona Revised Statutes by adding a new Chapter (Chapter 9). This amendment, sponsored by the PCSTA, was signed into law by former Governor Jan Brewer in 2009 and allows a referendum so voters can decide whether to pay slightly higher taxes to benefit sports facilities and create additional jobs. The referendum mission, if passed, would ensure stability by keeping and growing training teams in Pima County and growing youth and amateur sports through the development and renovation of sports facilities.

SALARA, working with the PCSTA, asked the TAA and Pima County to support the legislation to repurpose the PCSTA and the bill's outdated original purpose by:

- Promoting sponsorship of market-wide sporting events,
- Promoting the tourist destination of southern Arizona,
- Supporting nonstop air routes to TIA, and
- Supporting operation of Kino Sports Complex, specifically to support the growth of youth and amateur sports.

This bill was not considered by the Arizona Legislature in the 2016 session and should be introduced in the next session, since the concepts contained in the proposed legislation would be a major contributor to revitalizing southern Arizona's tourism industry and create new infrastructure and jobs. Any number of other revenue uses could be proposed in revised or new legislation, including funding for creating a regional center for amateur athletics.

#### Action Items

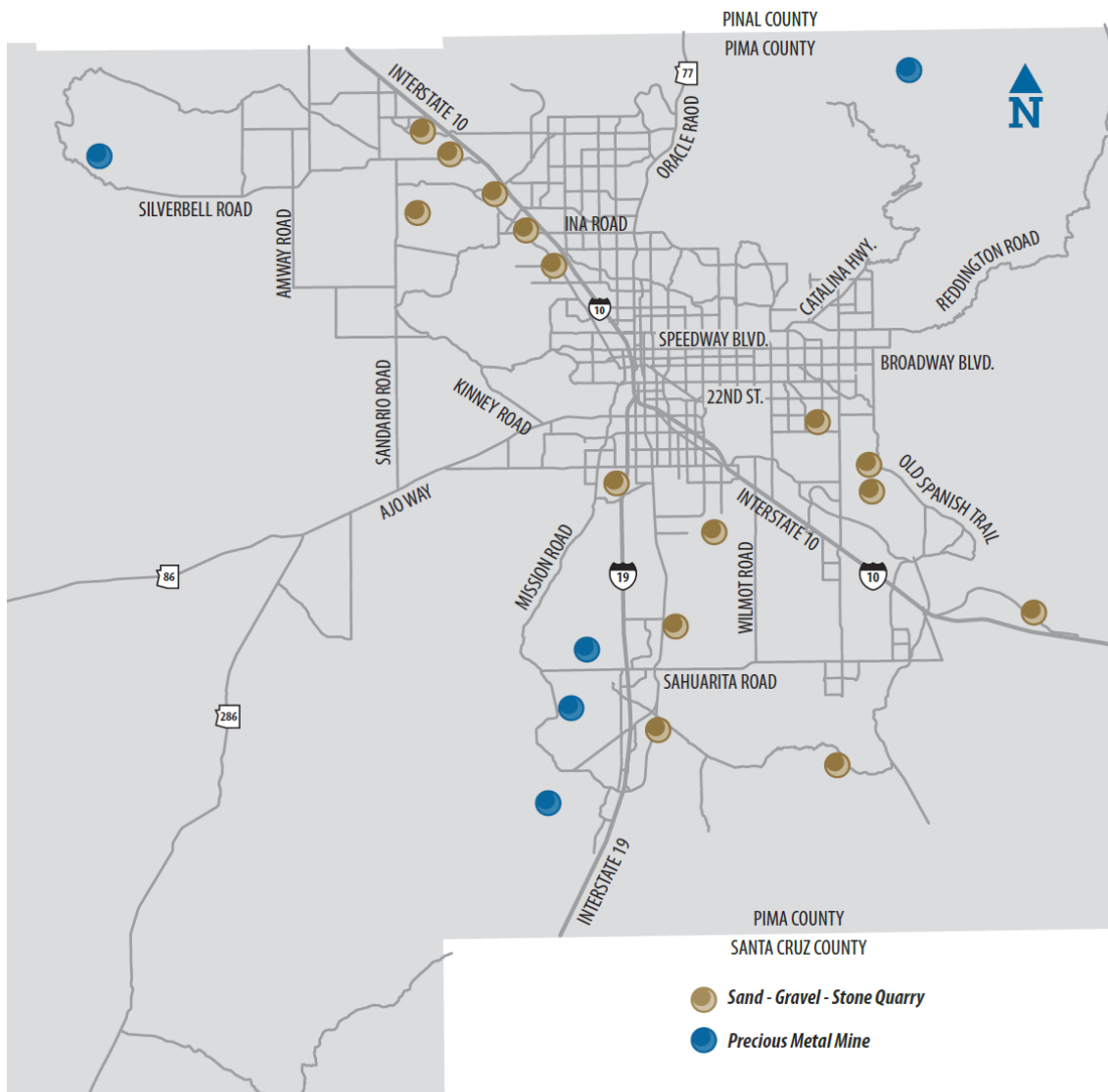
6.1 Collaborate with Visit Tucson Sports to maximize soccer, lacrosse and other sports that can be staged at Kino Sports Complex or other Pima County sports facilities and increase the local, regional and national events that fit with the recommendations of a Kino Sports Complex feasibility study by SFA and the sports assessment study conducted by Populous/The Planning Center.

- 6.2 Seek to expand existing cycling events and consider bringing in new events that include both cycling and running in order to increase the region's profile as an ideal cycling destination.
- 6.3 Create a consolidated gateway for all of our region's unique resources. Promote a story of Tucson and the region that showcases its uniqueness and diversity and fosters a sense of pride and a sense of place in residents and visitors alike.
- 6.4 Add to Kino Sports Complex's offerings on land adjoining the existing venues by master planning and constructing facilities that attract regional and national events, while also serving local users.
- 6.5 Complete "The Loop" trail and its local town connector trails and market it as part of the region's substantial cycling infrastructure.
- 6.6 Continue to support, through cooperative marketing and outreach programs, the mission of Pima County leased properties and all of the unique attractions throughout southern Arizona.
- 6.7 Work with regional medical centers, wellness facilities, Pima County Health Department, physicians, Banner-UAMC and Visit Tucson, to develop and market visitor incentive packages for those seeking medical care within our community.
- 6.8 Continue to bring the Korean Baseball Organization and teams from Mexico's Pacific Coast League to play and train at Kino Sports Complex.
- 6.9 Work with CABC and Visit Tucson to stage a Pima County familiarization tour for top Canadian decision-makers related to business expansion and relocation, along with land/company acquisitions and other mechanisms that would spur Canadian direct investment in our region.
- 6.10 Partner with the TAA and local business organizations to pursue additional nonstop flights from one or more US East Coast, Canadian and Mexican cities to TIA, since there are currently very limited East Coast and Mexico nonstop flights and no nonstop flights to Tucson from Canada.
- 6.11 Work with Vamos a Tucson to identify business and tourism opportunities in Sonora and Sinaloa and meet with appropriate officials at the Hermosillo center and in Tucson.
- 6.12 Work to improve and expand existing Pima County tourist attractions, including the Kino Sports Complex, Old Tucson Studios, Arizona-Sonora Desert Museum, Colossal Cave Mountain Park, Pima Air and Space Museum and the Regional Visitors Center at Historic County Courthouse.
- 6.13 Reintroduce and support passage of reform legislation related to the PCSTA to fund tourism-related initiatives designed to increase tourism economic development.

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Pima County has a long history of mineral extraction, particularly copper mining; and the industry remains an important component of our region’s economy. Mining’s impact has historically cycled through highs and lows of production and employment; but the forecasted mineral deposits in Pima County, combined with anticipated demand for base metals in an increasingly technology dependent society, ensures mining will continue to be a significant contributor to Pima County’s economy.

Overall, the industry provides approximately 14,000 direct and indirect jobs within the County. The presence of 24 large- and small-scale mining operations in Pima County has fostered a large and diverse sector of companies providing logistical support that also contributes to our employment base. Several of the world’s leading mining technology companies are located in Pima County. The economic impact of even a single mine in Pima County is significant. A 2013 economic analysis of one local copper mining operation, the Sierrita Mine operated by Freeport McMoRan Copper and Gold and located 20 miles south of Tucson, found a direct economic impact in Pima County of \$197.1 million, including \$112.4 million in direct compensation and \$66.7 million in vendor purchases. The combined direct and indirect impacts of the Sierrita Mine totaled \$310.4 million in 2013.





An estimated 60 percent of the nation's copper comes from southern Arizona, and the average wage paid by the large-scale mining operations is well above the median wage in Pima County. Recognizing the importance of mining to the nation and our region, the County has worked collaboratively with mining interests in the past, including Freeport McMoRan, ASARCO and the Oracle Ridge Mine in the Santa Catalina Mountains that was approved unanimously by the Pima County Board of Supervisors in 2012. For example, Pima County partnered with The University of Arizona and ASARCO to research the use of biosolids from Pima County wastewater plants to restore and revegetate mine tailings. This research benefited the mining industry, as well as the air quality for Pima County residents.

Pima County has also opposed incompatible mining operations in sensitive environmental areas, such as the proposed Rosemont Mine in the Santa Rita Mountains, where the County has spent years thoroughly documenting the adverse impacts the operation would bring to the human and natural environment.

With the majority acquisition of Augusta Resources by Hudbay Minerals, we have been encouraged that a more thoughtful and analytical approach to mining activities in the Santa Rita Mountains is being undertaken. We are hopeful new approaches and/or refinements will be made to the present Mine Plan of Operations to lessen direct impacts and minimize adverse impacts on natural resources within Pima County. We have also asked regulatory agencies to commit that any mitigation required because the Rosemont Mining operation actually occurs in Pima County and within the watershed of the Cienega Basin, the most impacted by this particular proposal.

In our regulatory role, Pima County has sought corrective action and monetary fines from companies such as ASARCO when mine tailing dust has negatively affected the unincorporated community of Green Valley and risked the health of its residents. The impact of water-intensive mining in a desert environment and the effect of the industry on air and water quality, drainage and the land are also areas of concern for the County and our residents.

Pima County must strike a prudent balance between promoting the economic wellbeing of our residents and adhering to the County's primary mission of protecting the health, safety and welfare of our citizens. Pima County will continue to oppose harmful and incompatible mining projects, but we should also encourage responsible operations that utilize modern technology and sustainable practices to mitigate the human and environmental impacts of this important industry. Below are five policy areas where the County can actively support mining activities.

A. Support Mining Activities that Provide Resource Conservation in Accordance with the Conservation Lands System Guidelines

The County has adopted natural resource conservation mitigation guidelines for activities that destroy or adversely impact natural ecosystems in the Sonoran Desert. These guidelines are known as the Maeveen Marie Behan Conservation Lands System (CLS) of the Sonoran Desert Conservation Plan (SDCP). These guidelines are designed to offset the adverse impacts of habitat or ecosystem losses.

Mining activities, by nature, are extractive activities that remove resources; in this case mineral resources, for economic value. During this extractive operation, natural resources are adversely impacted, ecosystem values are degraded and adverse impacts occur to water and air resources. Those mining activities that agree to meet the natural resource and conservation requirements of the SDCP will generally be supported by the County. These CLS set asides should also be cognizant of and offset any impacts to cultural, historic and water resources.



B. Advanced Mining and Resource Extraction Technology

In addition to creating a significant mining industry, the abundant mineral resources that exist in Pima County have resulted in advanced research that seeks to mitigate some of the most harmful effects of hard rock mining. The UA Department of Mining and Geological Engineering is recognized as one of the leading mining education institutions in the nation. The Department conducts interdisciplinary research in efficient and sustainable mining and has been successful in transferring its technological achievements to the private sector.



The UA is also a leader in environmental research and sustainability, particularly in the areas of water research and arid land studies that clearly have relevancy in the mining industry. The Lowell Institute for Mineral Resources (IMR) is at the forefront of mining research and has educational themes that include technology and environmental and social responsibility. The Lowell IMR has more than 100 university researchers collaborating across 23 disciplines to advance sustainable development of mineral resources. Research projects by the IMR, in partnership with Science Foundation Arizona and the mining industry, include the Center for Environmentally Sustainable Mining, solar energy, mine health and safety, groundwater, economic geology and community and environmental health. The University also is home to the Superfund Research Program, which has been continually funded by the National Institute of Environmental Health Sciences since 1989. The program seeks to address the health effects of contaminants in the Southwestern United States and the Mexico border region and includes focuses on environmental issues related to hazardous substances. Its research objectives include studying the toxicological effects of environmentally relevant arsenic exposure and studying wind-borne mine tailing particulates and the relation to lead metal contaminants.

In addition, the Israel Business Initiative, a program of the recently formed partnership between UA Tech Parks and the Offshore Group, includes sector focus areas that include mining technology.

Regarding workforce development, Pima County has been in discussion with the Town of Sahuarita and the Joint Technical Education District (JTED) for development of the Southern Arizona Mining and Industrial Technology Center. Although funding sources for the center have yet to be firmly identified, Pima County supports the development of this center, as it would ensure the mining industry has a well-trained and sufficient workforce for the future.

As part of our economic development priorities, County staff from Community and Economic Development, Strategic Planning and Public Works will begin seeking partnerships with the relevant departments and programs of the UA and other entities to explore opportunities that support advanced mining technology and sustainability and promote resource extraction with minimum impact while accelerating economic development and job creation in Pima County.

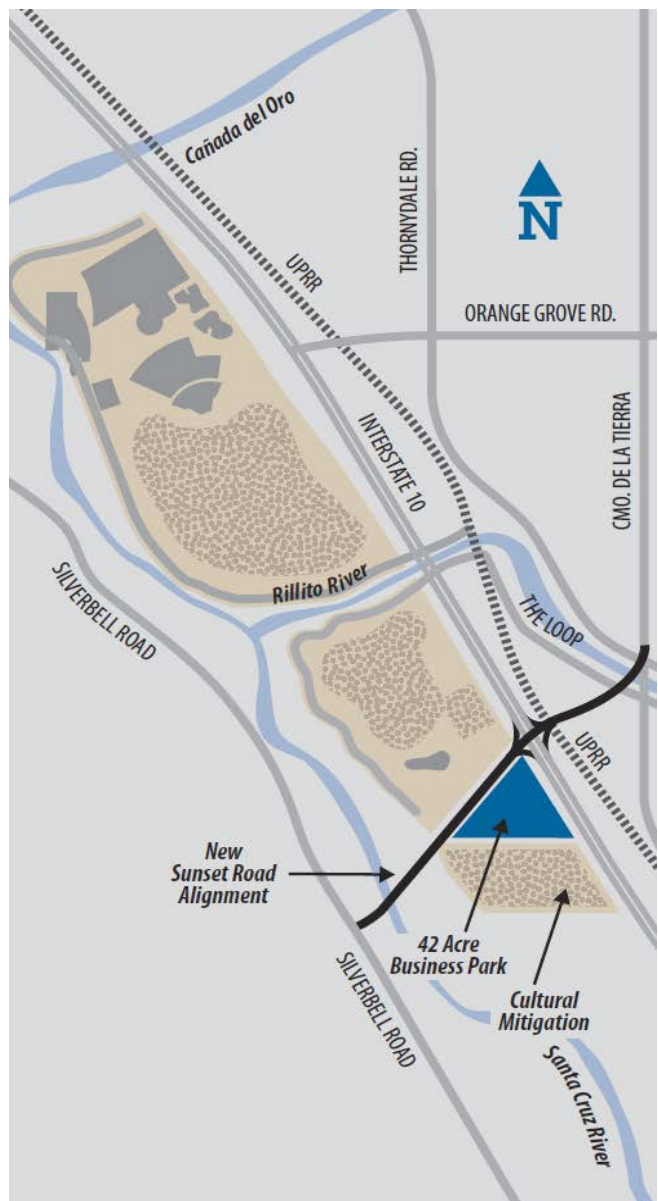
### C. Reclaiming Mining and Tailings Disposal Sites

Mining companies and individuals have laid claim to thousands of acres of subsurface mineral rights throughout Pima County. While not all of the patents will be developed, those that are will eventually require reclamation. Arizona currently has more abandoned mines than any other state and its reclamation liabilities remain significant. The County has in the past attempted to work with the Arizona State Land Department to condition reclamation as part of mineral leases. The County has also sought revision of the federal 1872 Mining Law.

While Pima County should continue to press for increased state and federal regulation and enforcement of mining reclamation requirements, in certain circumstances, concrete steps can also be taken by the County to return mining operations to productive economic and environmental uses.

In 2012, the County purchased 615 acres from CalPortland Cement Company located near Interstate 10 (I-10) and the confluences of the Santa Cruz River, Rillito River and the Canada del Oro Wash. Much of this land requires reclamation due to extensive sand and gravel extraction operations. A significant portion of this property will be dedicated to the El Corazón de los Tres Ríos environmental restoration project, and a portion of the land will be developed as a primary employment center to further economic development.

Pima County will proceed with the development of the primary employment center and attempt to identify other reclamation projects that will result in environmental restoration and economic benefit while ensuring the taxpayers are not subsidizing or abetting negligent mining companies.



D. Collaborate with Mining Interests to Maximize Natural Resource Conservation

Mining companies are significant landholders in Pima County, and responsible companies are cognizant of the intensive environmental impacts their activities and byproducts bring. In addition to utilizing sustainable and technologically advanced mining techniques to mitigate their impacts, responsible mining operations seek to offset these impacts by engaging in natural resource conservation.

Pima County’s efforts related to the SDCP should be reviewed for opportunities to collaborate with responsible mining companies to increase natural resource conservation. The Sonoran Desert and our unique lifestyle are important but often understated components of business attraction and retention.

Pima County fully cooperated with Freeport McMoRan in the purchase of 8,300 acres of State Trust land to allow for the remediation of their existing mine tailings disposal facility, as well as to buffer their operations from other encroachment; whether it be urban