Southeast Mesa
Strategic Development Plan
Mesa, Arizona

Strategic Market Analysis Memorandum

Prepared For:
The City of Mesa

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Executive Summary

Elliott D. Pollack & Company has been retained to provide an economic evaluation of the development potential of the area surrounding Phoenix-Mesa Gateway Airport in Mesa, Arizona. The study area that is the focus of this analysis is referred to as the Land Use Evaluation Area and includes approximately 33 square miles of land.

A previous memorandum contained a basic evaluation of the area’s economic characteristics and development potential (Task 2d: Current Trends Economic Base Memorandum). The information in the accompanying memorandum includes a more thorough discussion of the area’s economic development potential, including an economic outlook for various industries and a review of how each industry might fit within the Mesa Gateway Area (MGA) overall growth plan.

There are many industries that could prove to be excellent targets for location action. However, every industry has different requirements. Thus, a more detailed industry assessment was necessary in order to provide an opinion related to directing economic development efforts.

In the initial stages of development, more traditional high-tech and airport related industries should be the center of attention. Industries with significant near-term potential in the MGA include computer software and services, computer hardware and other high technology, aerospace, airline services, and possibly healthcare products and supplies. This assessment is based on current and projected industry performance, the requirements of each industry compared to attributes of the area, and if there is currently a local presence.

In addition, there are other, less well defined industries that may also prove to be excellent targets for near-term economic development planning and expansion. For example, transportation logistics related to a variety of industries could prove to be a potential target itself. Consider the case of apparel manufacturing. It is not likely that the U.S. will ever be able to offer the low cost labor that is needed to make a normal profit in this industry. However, these goods do get shipped to the U.S. from overseas, either by ship or sometimes by plane. As current ports become more and more congested, alternatives will be needed.

Other potential targets include the provision of educational services (building upon the close proximity of Arizona State University), real estate development (professional services employment occupying some office space; truss manufacturing, etc.), and the inclusion of a focus on attracting corporate headquarters.

Over time, additional industries will also become more viable. These include retail (as the surrounding area develops further), basic office uses (as the area further develops its workforce), consumer goods, and entertainment (including a hotel).
The above list of industries only serves as a starting point to allow City staff to focus their attention on the attraction of major companies, and also in the development of any incentive packages. Ultimately, individual companies must be targeted. However, if the City’s economic development plan is well formulated and considered, the attraction of companies will be easier than if no planning occurs.

In terms of inducing development, there will exist a number of options that will vary by type of industry. Ultimately, each industry must be approached differently. However, some issues must be consistently considered. The bottom line points are: 1) when developed, any incentive package must be properly marketed, 2) the City must be able to quickly display that there indeed exists a proximate, quality workforce, and 3) the City must track what its competitors are doing and modify the economic development plan accordingly.

As a final point, keep in mind that the forecasts included in this analysis are produced using long term modeling techniques. As of the writing of this report, we are either already in recession or on the cusp of one. While the short term economic opportunities and growth patterns will be dampened by the economic slowdown, the long term opportunities are still quite strong. The reader of this document should focus on the longer term opportunities for the Mesa Gateway Area, and on how to maximize the long term opportunities for the residents of the City.
1.0 Introduction

Elliott D. Pollack & Company has been retained to provide an economic evaluation of the development potential of the area surrounding Phoenix-Mesa Gateway Airport in Mesa, Arizona. The study area that is the focus of this analysis is referred to as the Land Use Evaluation Area and includes approximately 33 square miles of land.

A previous memorandum contained a basic evaluation of the area’s economic characteristics and development potential (Task 2d: Current Trends Economic Base Memorandum). The information in the accompanying memorandum includes a more thorough discussion of the area’s economic development potential, including an economic outlook for various industries and a review of how each industry might fit within the Mesa Gateway Area’s (MGA) overall growth plan. The two memorandums are best read together, sequentially.

This research is ultimately summarized within this memorandum as Figure 6: Industry Opportunity Scorecard. The “scorecard” includes a summary of key industry findings along with how each industry might fit within an area specific economic development plan.

It is important to note that this research represents a starting point only in developing a detailed economic development strategy. While the individual industries are listed as providing varying levels of expansion opportunity, additional research must be completed related to identifying specific companies within any targeted industries.
2.0 Basic Economic Development Conditions - Recap

When formulating an economic development plan, policymakers must understand that economic conditions change over time. As a result, economic development strategies must change over time as well. The following narrative addresses these concepts.

2.1 Opportunities Will be Robust

The information contained in the previous review points to a very favorable long term outlook for the area surrounding Phoenix-Mesa Gateway Airport. This conclusion is validated by statistical analysis as well as opinions of real estate developers, some of whom do not yet have a presence in the area.

The Greater Phoenix area is poised to lead the nation during the next several decades in terms of population growth, employment growth, and personal income growth. The Mesa Gateway Area (MGA) is strategically located within this growth boundary and posts many valued economic attributes that lead to this favorable conclusion.

In terms of qualitative factors, Greater Phoenix is a desirable place to work, to live, and to raise a family. The southwestern lifestyle is very attractive to many individuals. Housing development in the region is generally of a lower density which is typically favored. The climate is conducive to outdoor recreation. While often overlooked, Greater Phoenix also tends to afford opportunities for success. The social infrastructure generally allows someone to be judged based on his or her contribution to the community rather than longevity in the community or family status.

Similarly, there are quantitative reasons why Greater Phoenix grows. These include items such as tax rates, workforce cost and availability, proximity to major transportation networks, and even days of sunshine. One important quantitative measure that has received recent attention is housing affordability. While housing prices increased rapidly from early 2004 through mid-2005, the median housing price remains low relative to many other western cities.

Similar to virtually every other metro area in the country, Greater Phoenix employment growth tends to be cyclical. However, during periods of national recession, local employment growth tends to decline very modestly compared to the U.S. as a whole. Furthermore, it grows much more rapidly than the nation during periods of expansion. Growth also tends to peak well before the end of the business cycle. We expect this pattern to continue. Greater Phoenix also tends to do considerably better than most individual metropolitan areas. This has been the case in the present cycle as well.

The comparison with the U.S. as a whole is even more impressive when directly comparing rates of growth over multiple decades. Historically, in each decade since 1960, employment growth in the Greater Phoenix area has exceeded that of the U.S. by a factor of about 2.5. From 2000 to 2006, local employment growth exceeded that of the
nation by a factor of 5.6. This is because U.S. employment growth has been less than the historical norm during this cycle while Greater Phoenix has continued to grow rapidly.

A slower rate of growth is projected for employment in 2007 and 2008 by the Greater Phoenix Blue Chip panel (a panel of 12 local economists), largely because the current economic expansion is nearing conclusion. Sometime during the next five years employment will likely slow to near zero growth for several months before picking up speed again at the beginning of the next expansion period. The following page includes an employment history and forecast chart to illustrate this point. The exact timing of the next recession is impossible to predict. Based on current conditions, the most likely scenario calls for a recession in 2009 or later; however, it is possible that it could occur before then. Again, this will be short lived and Greater Phoenix will still outperform most peer metro areas during this period of transition.

Overall, virtually all projections suggest that Greater Phoenix will continue to do well relative to other metro areas during the next five years and beyond. There is nothing to suggest that the underlying dynamics of the Greater Phoenix economy have changed significantly, nor are they likely to change in coming years. The long-term outlook remains excellent.

The forecast from the University of Arizona Forecasting Project is for Metro Phoenix to average approximately 56,400 building permits annually between 2006 and 2015. See chart on following page. Approximately 91% of those permits are projected to be in the single-family category. Metro Phoenix is projected to grow over that same time span by 1.4 million people or approximately 130,000 persons per year according to an average of multiple sources. As illustrated below, employment is expected to grow significantly as well, increasing by 642,000 jobs by 2015 or an average of 64,000 jobs per year.

The figures presented on the following charts are produced from sophisticated modeling. However, they do seem to correlate with other news regarding the current business cycle. Population growth tends to be less cyclical. Therefore, during times of recession, such as what we will be realizing in 2009 and continuing with slow growth in 2009, employment growth will fall more steeply. In the long run, however, there is indeed a correlation between these economic factors.
Figure: 1

Forecasted Annual Population and Employment Growth
Metro Phoenix
Source: Univ. of Arizona

<table>
<thead>
<tr>
<th>Year</th>
<th>Population Growth</th>
<th>Employment Growth</th>
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<tbody>
<tr>
<td>2006</td>
<td>154.8</td>
<td>97.4</td>
</tr>
<tr>
<td>2007</td>
<td>140.0</td>
<td>73.3</td>
</tr>
<tr>
<td>2008</td>
<td>123.1</td>
<td>46.7</td>
</tr>
<tr>
<td>2009</td>
<td>125.3</td>
<td>46.7</td>
</tr>
<tr>
<td>2010</td>
<td>132.7</td>
<td>57.9</td>
</tr>
<tr>
<td>2011</td>
<td>137.8</td>
<td>62.4</td>
</tr>
<tr>
<td>2012</td>
<td>140.5</td>
<td>51.7</td>
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<tr>
<td>2013</td>
<td>143.1</td>
<td>32.3</td>
</tr>
<tr>
<td>2014</td>
<td>148.7</td>
<td>36.6</td>
</tr>
<tr>
<td>2015</td>
<td>156.8</td>
<td>77.7</td>
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The Maricopa Association of Governments (MAG) periodically provides population forecasts for Maricopa County and its incorporated cities. The overall county-wide forecast is consistent with long-term DES projections. MAG forecasts the growth of individual cities based on historic growth trends, available vacant land, and other factors that influence the direction of growth. The following table shows the current 2007 forecast from MAG based on the 2005 U.S. Census. Overall, the County is expected to grow from approximately 3.68 million persons in 2005 to 6.14 million persons in 2030, an increase of nearly 67% over 25 years. The employment forecast shows that the County is expected to grow from over 1.7 million jobs in 2005 to nearly 3.4 million jobs in 2030; representing a 93% increase. Consistent with expectations, some of the future population growth will continue to spill into adjacent Pinal County, but employment will still largely be contained within Maricopa County.
while the long term outlook for the MGA is very favorable, the extent of development success will indeed vary from decade to decade. Through 2010, competition from other parts of the Metro Phoenix area could limit expansion potential. This will be exacerbated...
by the fact that additional population growth in the Southeast Valley must occur to achieve a truly superior employment and population base. During this period, planners can expect the business locations to be dominated by industrial operations.

During the second decade, the MGA will surpass most other parts of the Metro Phoenix area in terms of location attributes. If the proposed south region freeway connects to I-10, the value will increase even further. During the 2020 to 2030 decade, assuming proper planning, the airport area should begin to see a shift in development activity from industrial to office uses.

During all phases of development, planners and economic developers can pursue businesses in many types of industries. The old model was for aerospace companies to locate near secondary and reliever airports. However, global competition has resulted in the need for companies in many other industries to further utilize air transportation to deliver goods in a timely manner and to reduce inventory holding costs through just in time procedures. This new model means that regional planners can look beyond the typical set of industries and seek out companies that have the best opportunity to bring dollars into the region, create additional spin off operations, and create higher wage jobs.

2.3 Opportunities Will Vary by Industry

The formulation of regional development incentives must consider the realities of the marketplace and the fact that, in the near term, competition for company locations will be significant. However, the formulation of targeted strategies to attract certain companies must also consider the expansion opportunities of each industry, as well as the extent that the MGA economic attributes mesh with the needs of the various companies.

The MGA is favorably situated in many key site selection factors as demonstrated in the following figures.
Highway access is currently excellent and will only improve with future freeway expansion into Pinal County. Access to skilled labor will also improve as the Southeast Valley further develops. Again, the airport area will ultimately be the employment hub of the Southeast Valley.

This review identifies that access to transportation routes, both highway and air, are critical in the competitiveness assessment. The primary concern relates to the limited rail access. Further enhancing the access to rail lines will allow for additional industries to become viable for the MGA. This is addressed in the following section.
3.0 Industry Outlook and Needs Assessment

3.1 Industry Scores (further explored and summarized in Section 4.0)

There are many industries that could prove to be excellent targets for location action. However, every industry has different requirements. Thus, a more detailed industry assessment is necessary in order to provide an opinion related to directing economic development efforts.

Synopsis: Industries with significant near-term potential in the MGA include computer software and services, computer hardware and other high technology, aerospace, airline services and healthcare products and supplies. This assessment is based on industry performance; the requirements of the industry compared to attributes of the area, and if there is currently a local presence.

In addition, there are other, less well defined industries that may also prove to be excellent targets for future economic development planning and expansion. For example, transportation logistics related to a variety of industries could prove to be a potential target itself. Consider the case of apparel manufacturing. It is not likely that the U.S. will ever be able to offer the low cost labor that is needed to make a normal profit in this industry. However, these goods do get shipped to the U.S. from overseas, either by ship or plane. As current ports become more and more congested, alternatives will be needed.

Other potential targets include the provision of educational services (building upon the close proximity of Arizona State University), real estate development (due to the rapid growth that is expected in the area in the foreseeable future), and the inclusion of a focus on attracting corporate headquarters.

As the area further develops, entertainment and retail opportunities will be more pronounced, as will other consumer services.

3.2 Industry Research

The following sections highlight trends in the industries reviewed for their relevance to the MGA. The following information draws from Standard & Poor’s Industry Surveys from 2007, additional internet research and knowledge of growth patterns in these industries. The following industry summaries appear in alphabetical order.

3.2.1 Aerospace

The commercial aircraft segment of the industry is expected to have strong growth of 5.3% over the next two decades due primarily to developing countries’ increasing ability to expand their aircraft fleets and the impending retirement of around 8,300 aircraft. Profitability and earnings growth potential are driven by demand trends in this industry.
In the defense segment of the industry, since everything from weapons demand to costs is decided by the government, long term growth is unpredictable. Over the next several years, growth in the defense industry is projected to be near or below the rate of growth in the global product. Standard & Poor’s predicts defense industry revenues to appreciate between 5% and 6%, and profits to appreciate between 8% and 11% over the next two to three years. The space segment is predicted to have relatively low rates of growth for the next several years. The commercial space market is expected to grow at moderate rates over the next ten years, driven mostly by demand for newer types of media and communication such as high definition television and broadband applications for satellites. A 5% to 7% long term average annual growth rate is predicted in the military space market, although profit margins are expected to remain in the 6% to 8% range. In the non-defense government and scientific markets, revenues are predicted to grow at a long-term average annual rate of 3% to 4% at best, with low operating profit margins.

3.2.2 Airlines

The airline industry is an imperfect oligopoly, with a few firms dominating the market. Fuel and labor each accounted for about 25% of revenues in 2006, and are the largest costs in the industry. Equipment costs account for about 10% of revenues. The regional jet market is expected to grow as this lower cost option provides more flights to more cities. Regional routes are shorter than national or international, and are on smaller planes, often at a higher capacity. As the standard of living raises internationally, flights to and from emerging markets are in higher demand. Low cost carriers are expected to continue to grow revenues at a much faster rate than the traditional carriers. Eventually, low cost airlines are expected to account for the vast majority of all air travel in the US. Profits are notoriously volatile in the industry, especially for start up companies. Volatility has intensified since September 2001 and often low traffic levels have hurt the entire industry. Fare price wars periodically injure the profitability of the airline industry. Standard & Poor’s believe that an increase in capacity by one or more major airlines could initiate a damaging price war.

3.2.3 Apparel & Footwear

This industry consists of the designers, manufactures and distributors of clothing, shoes and accessories who typically sell to retailers such as department stores or directly to consumers through individual stores. Standard & Poor’s believe that the industry has largely split into the high end and low end segments, leaving firms with medium price ranges with little demand. The aging baby boomer population is expected to hurt the industry. This major demographic segment is expected to spend less on apparel as they age due to medical expenses becoming a priority. This group is also likely to be more interested in basic, commodity products reflecting comfort rather than the latest fashions. The apparel and footwear industry is driven by the overall US economic performance to some degree. When consumer incomes are rising, more is spent on apparel and footwear. When incomes decline, consumers typically defer some spending and increase saving. Another factor which impacts apparel and footwear sales is consumer confidence. More confident consumers typically spend more. Currently the consumer confidence level is
depressed due to a perception of weaker business conditions and a less favorable job market. The apparel industry is one of a few that has seen extensive deflation in recent years. Prices have fallen annually between 1998 and 2005. Overseas outsourcing is extremely important to this industry as US labor costs are prohibitively expensive for many firms. China is the main location of US facilities since that country has higher skilled and better educated labor than most emerging markets at a low cost.

### 3.2.4 Biotechnology

In 2006 revenues from publicly traded biotech companies totaled around $73.4 billion, up 14% from 2005. A similar growth rate is expected over the next few years. Annual revenue growth is predicted to be in the mid teens through 2008. The biotechnology market is almost completely independent of general economic activity, and Standard & Poor’s expect growth in the biotech industry to be driven by the industry’s potential for substantial profits, the aging of the population and economic growth in the developing world. Treatments for cancer and related conditions are expected to be the main long term growth drivers in the industry. Although the industry as a whole is unprofitable, because research and development costs outweigh revenue, a few well established companies are able to make a net gain.

### 3.2.5 Chemicals

The chemical industry is one of the largest segments of the US economy with nearly one million people employed domestically and accounting for approximately 2% of the country’s GDP. In 2006 the chemical industry as a whole had revenues of $709 billion, up 12% from the previous year. Standard & Poor’s is cautiously optimistic that industry profits will increase in 2007. After the end of the year, profits are predicted to begin a gradual decline, hitting a cyclical bottom at the end of the decade. Chemical industry revenue growth is driven by volume growth and price flexibility. Product mix, raw material costs, capacity utilization and efficiency all help to determine profitability. Key end uses for chemicals include the home construction, automobile and manufacturing industries. The US market for chemicals is considered mature at this time. In years ahead, Standard & Poor’s predicts that US domestic chemical sales will grow at about the same rate as the real GDP.

### 3.2.6 Computers & High Technology

**Storage & Peripherals**

The storage services market is driven by the growing need to manage increasingly complex and large types of data. The disk storage system segment of the market is expected to see 4.0% growth between 2006 and 2010, leading to revenues of $30.5 billion. Compared to hard disk drives, flash memory has lower power consumption, quicker access and smaller form factors, but has historically been prohibitively expensive for most uses other than small consumer electronics. Worldwide shipments of flash memory cards are expected to rise at a compound annual growth rate of 38% between 2005 and 2010. Recent and future growth is expected to be most significant in the low-
end, small/medium business sector. Between 2006 and 2011 sales in the low-end segment are expected to enjoy an annual growth rate of 21.0% while the mid-range segment grows 9.2% a year and the high end portion declines 2.0% annually.

**Semiconductors**
In 2006 the global semiconductor industry achieved nearly $248 billion in sales; however the beginning of 2007 saw revenue generally declining. Established firms in this industry typically enjoy strong revenue growth and high levels of profitability. The semiconductor industry is characterized by quick obsolescence and rapidly falling prices. Historically semiconductors were mainly used in computers, but now computer products account for only about 40% of demand for semiconductors. The main growth driver is consumer electronics such as cell phones and games. The market for consumer electronic products is still growing, but nearing maturity. Between 2005 and 2010, Standard & Poor’s predicts a 5.4% compound annual growth rate for the industry as a whole. Growth is dependant on the performance of the end markets for semiconductors such as PCs, mobile phones and other electronics.

**Semiconductor Equipment**
Standard & Poor’s predict global chip equipment sales to reach $40.6 billion in 2007, down 3.2% from 2006. In 2008, revenue is expected to rise 14.9% to $46.7 billion. Growth in the semiconductor equipment industry tends to follow growth in the semiconductor industry itself. Because of this reliance on diverse end uses and the long lead times involved in the industry, equipment manufacturing is very volatile and unpredictable. Standard & Poor’s overall outlook for the semiconductor equipment industry is currently negative. In the short term, Standard & Poor’s believe that the semiconductor equipment industry will suffer due to lackluster demand. This weakness is expected to extend through the first half of 2007, but growth may occur in the second half of the year.

3.2.7 Computers: Services & the Internet

This market includes web hosting services, software, internet destinations and online advertising. Due to the increasing availability and use of the internet, most segments of this industry can expect strong growth in the short term. Internet content such as music, video and gaming is increasing in sophistication and size which boosts the number of users and in turn the demand for services such as internet software and web hosting. The industry’s growth is partially dependent upon economic growth and consumer spending.

3.2.8 Consumer Goods

**Household Durables**
Consumers’ desire and ability to purchase big-ticket items drives the household durables industry. Consumer spending is predicted to increase 2.9% over the course of 2007 and 2.3% in 2008. The weak housing market is dragging down demand for household durables since fewer consumers are buying first houses or trading up to larger homes, and thus purchasing fewer appliances and furniture items. Some relatively strong segments
of the industry include premium mattresses, home renovation products and home office furniture. The appliance segment of the market is characterized by very low profit margins with constantly declining prices while the furniture market has somewhat higher margins. The appliance market in the US is mature. Major appliances have high penetration rates, and no breakthrough products are foreseen. Sustained growth is not expected to exceed growth in the overall economy. A certain level of demand is essentially guaranteed as appliances, and furniture to a lesser extent, have limited useful lives. This leads to a more predictable demand cycle for appliances than for other consumer durables. Efficient distribution is critical for furniture manufactures. Case goods facilities are often located near sources of raw materials and skilled artisans. Upholstery factories are generally spread around the country to reduce shipping costs. Major furniture companies generally have regional distribution facilities located near a cluster of stores.

Household Nondurables
The US household nondurables market is relatively mature and saturated, with minimal volume growth prospects. Significant growth is projected to occur in new markets, and in the US in specialty areas such as anti-aging products and natural products. Standard & Poor’s expect consumer spending on nondurables to rise 2.7% in 2007 and 3.0% in 2008. Volume will be driven by new product introductions and product upgrades rather than population growth. Volume of household nondurable products is relatively stable in times of economic recession and prosperity since these products are generally perceived as necessities. However, the price consumers are willing to pay is highly elastic. Manufacturers of household nondurables must engage in research and development to keep a steady stream of new products. Successful new products generally carry a higher profit for manufacturers than older products, and help companies earn and keep a market share.

3.2.9 Entertainment & Tourism

Movies & Home Entertainment
The movies and home entertainment industry is fairly saturated and mature. DVD sales growth is leveling off, while sales of VHS and CDs are in decline. This is partially due to new methods of delivery such as Blu-ray, High Definition and digital music. Despite a tendency to only profit from a minority of movies, the movie industry is still strong and expecting a good 2007. More television is being watched each year in the US, although the segment is facing threats from technology used to record and store programs as well as from videos over the internet. Standard & Poor’s believes that long-term growth in the movie and home entertainment industry depends upon the industries ability to develop and market a new way of delivering media to consumers.

While Standard & Poor’s does not list a specific local lodging analysis, it is clear that the improving amenities and economic development within the East Valley will allow for hospitality opportunities. A hotel within the property could benefit both business and leisure travelers. As the area further develops with both people and higher incomes, higher value hotel and dining opportunities will arise. As the population expands,
additional retail opportunities will arise. Retail development will occur at the same pace as population growth.

3.2.10 Environmental & Waste Management

The environmental and waste management industry includes companies engaged in water supply, water treatment, solid-waste management, air pollution control and environmental remediation. This industry is dominated in the US by three firms; Waste Management, Allied Waste Industries and Republic Services. In 2004, approximately 28.5% of municipal solid waste was recycled, but landfills are the predominant mode of disposal. Falling landfill volumes are expected to hurt some solid waste firms while providing an opportunity for others that can build recycling capabilities. Since future growth of solid waste volume is probably limited, firms have mainly focused on cutting costs to lift profits. Landfills are now being placed closer to major routes to increase route density and reduce fuel costs. Another method of reducing transportation costs is rail, which can transport heavy volumes of waste long distances more economically. New, larger facilities are replacing older ones in the United States. Bioreactor technology is being used to expand the useful life of landfills. Research is underway regarding turning certain waste products into fuel. These efforts are supported by grants, and may become profitable for waste management companies in the future, or mandated.

Standard & Poor’s also fails to expand on potential “green” industries. This clearly will be a developing industry for years to come and will actually impact many industry categories. Due to the proximity to the airport, some technology may be limited; however, this certainly should be pursued.

3.2.11 Financial Services Diversified

This industry includes a variety of consumer-oriented and commercial-oriented firms that offer services such as lending, insurance, securities and investments. Because of the commodity nature of most financial services, there is intense competition in the industry. Since financial products and services cannot be copyrighted or patented, new products face competition quickly. Increased funding costs are forcing companies with banking operations to focus on growing low-cost deposits by adding locations and improving customer service. Many financial companies are shifting focus towards fee revenue generating services. Financial companies are expected to continue expanding to emerging markets to benefit from faster growing demand.

3.2.12 Healthcare: Pharmaceuticals

Standard & Poor’s predict the outlook for the industry as a whole to remain stable to slightly positive between 2007 and 2010. Between 2010 and 2012, however, name-brand pharmaceuticals may suffer as a record wave of patent expirations occurs. Nearly every large US pharmaceutical company will see its top two products face competition beginning in this period. Standard & Poor’s believes that the most successful firms will be those that can continuously offer the most breakthrough therapeutic products and
remain cost effective. Volume growth is predicted to be driven by the increasing size of the elderly demographic as well as higher standard of living globally.

### 3.2.13 Healthcare Products & Supplies

Global revenues for the healthcare products and supplies industry were estimated at $235 billion in 2005. This industry includes commodity supply products as well as high-tech capital equipment and machines. In general, the aging segment of the population supports this industry since the elderly demand more healthcare. An increasing global standard of living also supports the industry since countries are able to afford more and higher quality healthcare equipment. New products and expanded applications of existing products tend to stimulate industry sales. A strong pipeline of research and development results is essential for companies to stay competitive. New products are generally more profitable than older products since they face little or no competition from generic versions. The industry is dependent on a small number of large customers who are able to exert substantial downward pressure on prices, especially of undifferentiated, commodity items.

### 3.2.14 Heavy Equipment & Trucks

Economic conditions are supportive of demand for construction equipment and farm machinery. Demand for ethanol is increasing the price of corn along with farmers’ incomes which boosts demand for farm equipment. There was a rush to purchase new trucks before new emission regulations went into effect in 2007. Since then, unit sales of trucks have fallen sharply and are likely to remain down. Industry revenues and profits are tied to general economic conditions. If there is investment in new plants and equipment because of expected increases in business, sales of construction equipment and trucks will rise. Slow economic growth can cause buyers of equipment and trucks to reduce spending. To stay profitable in this highly cyclical industry, many companies are expanding to include services such as captive financing and maintenance. Because customers rely on heavy equipment and trucks to run their businesses, most are very loyal to companies and rarely switch providers.

### 3.2.15 Industrial Machinery

The industrial machinery industry includes a wide range of firms making various forms of equipment used in manufacturing operations. The main segments are flow control, electrical and industrial automation. In general, demand for industrial machinery is driven by the overall health of the economy. Manufacturers’ expectations determine their machinery spending, and this is based on perceptions of the economy. Industry performance tends to lag global economic growth to some extent. The near term outlook for the industry is relatively positive. The industry is expected to see moderate domestic growth and strong international demand over the next 12 months. The renewed growth of the industry is driven mainly by overseas demand and is supported by economic growth, a steady interest rate environment, and pent-up replacement demand. Standard & Poor’s expect that raw materials costs will remain steady and that the industry will
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generally be able to pass cost increases on to buyers. Standard & Poor’s see maintenance, repair and overhaul (MRO) and international operations as the greatest opportunities for industry companies.

3.2.16 Retail

Specialty
In the first four months of 2007, specialty retail accounted for approximately 86% of the $1.26 trillion of US retail sales. Due to the limited range of products offered by any one specialty retailer, the industry as a whole is relatively independent of broad macroeconomic and retail trends but still partially affected by changes in consumer spending. However, specialty retailers are generally highly susceptible to changing demographics, and the tastes and preferences of their consumers. Strong growth in personal income tends to increase consumer spending in general, and weak or nonexistent personal income growth can reduce consumer spending.

Some of the most successful specialty retailers are large and well established chains. Giant superstores known as “category killers” can carry a broad variety of products within a type of product such as car parts or consumer electronics and out-price smaller competitors. Standard & Poor’s rate the outlook for the specialty retailing industry overall as neutral. The rating for home improvement, luxury goods, electronics and some apparel retailers is positive, but rising interest rates, a weakening housing market, and a negative consumer saving rate will reduce spending on furnishings and other segments.

3.2.17 Telecommunications

Equipment
Standard & Poor’s gives a neutral outlook for this industry. The industry has strong prospects for growth, especially in developing countries without much infrastructure currently in place. This factor may be offset by the competition the industry faces. The commodity nature of the market lends itself to fierce competition. The communications equipment industry as a whole is primarily driven by corporate information technology, spending and telecommunications expenditures. The health of the economy overall is another driver for the communications equipment industry. Currently, voice traffic is the main source of revenue for communications firms, but data traffic is an important driver of future growth. Mid single digit growth is predicted industry wide for the next few years.

Wireless
The wireless telecommunications industry is in a growth phase nearing maturity. The market penetration rate is around 72%, considerably lower than the rates of several other countries in Western Europe and Eastern Asia. There is still room to increase the number of subscribers in the US, and even more so in emerging markets. Currently, wireless telecommunications revenue growth is driven more by new features than by new customers. Applications on phones such as music, television, internet and games are gaining in popularity and feasibility and are a profitable feature for carriers. These
functions are currently gaining popularity and affordability. Prepaid phone plans are another segment that is expected to see higher than industry average growth in the future. Standard & Poor’s give a positive outlook for the wireless industry based on their potential for subscriber and revenue growth.

Wireline

The wireline telecommunications industry is a mature market characterized by intense competition and slowing demand growth. It is facing competition not only internally, but also from wireless providers and from technologies such as VoIP, cable and even wireline broadband products. The traditional voice service segment of the market is losing ground to this competition. Wireline penetration in US households decreased to 92.8% in March of 2006. Wireline telecommunications firms are branching and merging into the wireless industry. Carriers that can offer customers all the main telecommunications services, including voice, data and video, in one package have a significant advantage over their competitors. Standard & Poor’s overall outlook for the wireline telecommunications market is stable. Despite competition within the wireline industry and from outside, well established carriers are positioned to benefit from increasing demand for telecommunications services other than voice.
4.0 Targeting the Right Industries

Different industries will offer different location opportunities. The goal should be to match the economic attributes of the MGA with the needs of the various industries. The following is a summary of the economic outlook for the various industries that were reviewed. A “scorecard” for select major industries is provided as a summary of the industry narrative included in Section 3.0. The grading of the listed industries is based on an above average, average, and below average scoring system. Ultimately, a final “economic development toolbox” will need to be developed by the City to assess the industry expansion opportunities on a more specific basis.

The City’s final economic development strategy should focus where the industry outlook matches with the area’s advantages. Of course, both ultimately need to match the City’s vision of the area. The development of the vision in consideration of the area’s opportunities will also aid in the development of a successful plan.

Most of the reviewed industries are considered “base” industries. This means that they export their products and allow for the flow of monies into the individual community. This results in the demand for additional supporting operations. This is an important concept. If the MGA attracts base industry operations, the area will have a good opportunity to attract some of the additional supporting industries as well. In many cases, base industries also produce higher than average wages due to the higher “value added” conditions.

Furthermore, once a critical mass is developed in the MGA and synergies ensue, there will exist even more opportunities for development as companies that were on the fence regarding relocation might finally be induced. Given these dynamics, the MGA should attempt to attract as many base industry operations as possible while still maintaining its vision for the area.

The following scorecard should be revisited every five years. For example, while advanced business services is going to be of minimal opportunity in the early years, during the second decade significant opportunities could arise. In addition, over time other industries could arise as the economy further develops and diversifies.
## Figure 6

### Industry Opportunity Scorecard

**Mesa Gateway Area**

<table>
<thead>
<tr>
<th>Industry/Grade</th>
<th>Product</th>
<th>Expansion Opportunities</th>
<th>Resource Needs</th>
<th>Local Presence?</th>
<th>Risks</th>
</tr>
</thead>
</table>
| Computer Software & Services | - Computer software  
- Computer services | - Small and medium sized business market is using more computer products  
- The market for security software such as virus protection is expanding  
- Flash memory is decreasing in cost and becoming a viable alternative to hard disks  
- Demand for more environmentally-friendly products with less power consumption | - Inexpensive, skilled labor  
- Data centers and servers require a favorable climate  
- Some cluster benefits including access to other computer manufacturing | Yes             | - Risky investments in research and development are required  
- Growth is slowing and the industry is reaching maturity  
- Technological changes can outpace narrow firms  
- Cheaper labor and facilities overseas |
| Industry Grade: Above Average  
MGA Grade: Above Average | | | | |
| Computer Hardware & Other High Tech | - Personal computers  
- Notebook computers  
- Servers  
- Workstations  
- Semiconductors  
- Electronics  
- Components | - Overseas markets are expected to demand more hardware than the US in coming years.  
- New applications and hardware typically drive upgrade cycles | - Access to air transportation for "just in time" manufacturing  
- Skilled labor  
- Proximity to manufacturers and customers helps reduce costs  
- Highway access  
- High production volume better offsets costs  
- Making units to order reduces inventory and associated storage costs | Yes             | - Short product life cycles  
- Intense price competition as computer hardware becomes a commodity  
- Prices fall rapidly as technology ages  
- Dependent on a few large suppliers with great market power such as Intel and Microsoft |
| Industry Grade: Above Average  
MGA Grade: Above Average | | | | |
| Aerospace | - Commercial Airplanes  
- Defense  
- Satellites  
- Helicopters  
- Instruments  
- Engines  
- Other Accessories  
- Maintenance | - National defense contracts  
- Increasing demand from developing countries  
- Impending retirement of many aircraft fleets and other technology products  
- Satellite use with phones and other devices | - Proximity to airports, including Williams Gateway Airport  
- Inexpensive source of energy  
- Skilled labor  
- Large amounts of land  
- Favorable climate  
- Specialized training | Yes             | - Regulation changes  
- Political climate shift around the 2008 elections  
- China planning to enter the commercial aircraft market  
- Reliance on a few large customers such as governments and airlines |
### Industry Opportunity Scorecard
#### Mesa Gateway Area

<table>
<thead>
<tr>
<th>Industry/Grade</th>
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<th>Resource Needs</th>
<th>Local Presence?</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline Services</td>
<td>Major airlines, National airlines, Regional airlines, Low-cost airlines</td>
<td>Low cost carriers are growing relative to traditional airlines, Extra fees for in-flight entertainment, services and aisle or exit row seating, Need for addl freight service, Need for addl. passenger service</td>
<td>Large amounts of oil, Pilots and other labor, High capital requirements, Slots at airports, Proximate development constraints</td>
<td>Yes</td>
<td>Possible additional regulation of on-time performance, emissions and safety issues, Impacted by rising oil prices, Reliance on union labor with often altered contracts, Cyclical and price sensitive demand, Dependent on weather</td>
</tr>
<tr>
<td>Industry Grade: Average</td>
<td>MGA Grade: Above Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare Products and Supplies</td>
<td>Healthcare supplies, Orthopedic devices, Cardiovascular devices, Healthcare equipment, Diagnostic imaging</td>
<td>Aging of US population is favorable for the industry, Increasing global demand from rising standard of living, New technologies continue to offer opportunities for firms</td>
<td>Long-term supply contracts with customers like hospitals, Skilled labor, Close ties to researchers, innovators and practitioners, Extensive marketing network, Proximate research facilities such as ASU's Biodesign Institute</td>
<td>Yes, but dominated by services</td>
<td>Patent protection weak relative to pharmaceuticals leads to quick competition for new products, Consumer confidence is low due to high-profile industry recalls, Payers in the US are focusing on cost containment for all medical spending</td>
</tr>
<tr>
<td>Industry Grade: Above Average</td>
<td>MGA Grade: Above Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biotechnology</td>
<td>Biotechnology pharmaceuticals, Agricultural biotechnology, Pharmaceutical preparation, Other bio-research</td>
<td>Increasing government support for infectious disease and vaccine research, Economic growth of developing countries, ASU as a source of educated labor; other biotech knowledge, Synergy with healthcare</td>
<td>Educated labor, Research partnerships, Access to transportation corridors, Proximate to ASU’s Biodesign Institute, Government subsidies</td>
<td>Limited, but growing</td>
<td>Many firms never make a profit, Clustering around downtown and not at the periphery</td>
</tr>
<tr>
<td>Industry Grade: Above Average</td>
<td>MGA Grade: Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Task 2f: Strategic Market Analysis Memorandum

### Industry Opportunity Scorecard
#### Mesa Gateway Area

<table>
<thead>
<tr>
<th>Industry/ Grade</th>
<th>Product</th>
<th>Expansion Opportunities</th>
<th>Resource Needs</th>
<th>Local Presence?</th>
<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Machinery</strong></td>
<td>· Flow control equipment · Electrical equipment · Industrial automation · Maintenance, repair and overhaul (MRO)</td>
<td>· Strong international demand · Growth is expected in the MRO segment · Demand for efficient products is growing · Machine demand from Mexican factories · Expansion into other industries such as food production</td>
<td>· Raw materials including oil, natural gas, steel and copper · Inexpensive labor · Transportation infrastructure including highway and rail · Stable, inexpensive power</td>
<td>Yes</td>
<td>· Companies outsource overseas for low cost labor and other resources · Chinese demand for raw materials is increasing costs · Dependent on a few large customers</td>
</tr>
<tr>
<td>Industry Grade: Average</td>
<td>MGA Grade: Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Environmental and Waste Management</strong></td>
<td>· Water supply and treatment · Solid-waste management · Air pollution control · Environmental remediation</td>
<td>· Recycling and conversion to energy are and will be the main growth drivers in this industry · Medical waste disposal is a growing segment · Commercial contracts are generally the most profitable</td>
<td>· Landfill space away from population density but near roads and train tracks · Large capital requirement for trucks and facilities · Semi-skilled labor, frequently union</td>
<td>Yes</td>
<td>· Subject to increasing government regulation · Mainly controlled by a few large companies · Aging infrastructure and filled dumps must be replaced periodically</td>
</tr>
<tr>
<td>Industry Grade: Average</td>
<td>MGA Grade: Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Telecommunications (services and equipment)</strong></td>
<td>· Telephone equipment · Telephone services · Wireless · Wireline · Video services · Data housing</td>
<td>· Growth is expected for prepaid calling plans · Extra features like gaming and video on wireless devices are growing in popularity and feasibility</td>
<td>· Reliable source of energy · Access to skilled labor · Stable climate · Access to communication infrastructure · New space or retrofitted older structures</td>
<td>Yes</td>
<td>· Major capital investment required · International markets have more growth potential · Growth is slowing and market is reaching maturity · Must frequently replace outdated equipment</td>
</tr>
<tr>
<td>Industry Grade: Average</td>
<td>MGA Grade: Average</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Industry Opportunity Scorecard
### Mesa Gateway Area

### Industry/ Grade

<table>
<thead>
<tr>
<th>Entertainment, Tourism</th>
<th>Industry Grade: Average</th>
<th>MGA Grade: Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td><strong>Expansion Opportunities</strong></td>
<td><strong>Resource Needs</strong></td>
</tr>
<tr>
<td>Lodging</td>
<td>Proximity to Gila River Indian Community with Gaming Opportunities New local, regional markets Build upon access to national parks</td>
<td>Reliable transportation infrastructure such as airports and highways</td>
</tr>
<tr>
<td>Gaming</td>
<td></td>
<td>Hotel Access to skilled and unskilled labor Favorable climate Affordable labor</td>
</tr>
<tr>
<td>Home entertainment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Movies</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Consumer Goods

<table>
<thead>
<tr>
<th>Industry Grade: Average</th>
<th>MGA Grade: Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td><strong>Expansion Opportunities</strong></td>
</tr>
<tr>
<td>Furniture</td>
<td>European and Asian markets are underserved, fragmented and potentially profitable for US expansion Exports strong due to weak dollar Home renovations are driving some nondurable sales New and &quot;smart&quot; appliances create demand and command higher prices and margins Organic and &quot;green&quot; products are driving demand</td>
</tr>
<tr>
<td>Appliances</td>
<td></td>
</tr>
<tr>
<td>Household cleaning products</td>
<td></td>
</tr>
<tr>
<td>Personal grooming products</td>
<td></td>
</tr>
</tbody>
</table>

### Foods and Beverages

<table>
<thead>
<tr>
<th>Industry Grade: Average</th>
<th>MGA Grade: Average</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td><strong>Expansion Opportunities</strong></td>
</tr>
<tr>
<td>Processed foods</td>
<td>Healthy foods are growing much faster than traditional alternatives Emerging markets are less saturated and a profitable opportunity for US companies Bottled water, sports drinks and tea are growing strongly while soft drinks are stagnating Portable foods such as cereal bars and individual packages are a growing segment in the United States</td>
</tr>
</tbody>
</table>
### Industry Opportunity Scorecard

**Mesa Gateway Area**

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<tr>
<th>Industry/Grade</th>
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</thead>
</table>
| **Retail** | | · Expansion into underserved markets in new areas  
 · Consolidation with smaller regional chains  
 · Retail chains which also provide services see more customer loyalty and revenues  
 · Internet sales are increasing across retail segments | · Low skilled labor pool  
 · Population as customer base  
 · Property in a destination area with other retailers  
 · Commercial transportation infrastructure for distribution  
 · Access to airport for just-in-time contracts | Yes | · Demand is dependent on economic fluctuations  
 · Must accurately predict trends to be successful  
 · Low profit margins and significant price competition  
 · Large markets are saturated and retailing is a mature industry  
 · Market is overbuilt |
| **Apparel and Footwear** | | · Manufacturing clothing, shoes and accessories  
 · Designing products  
 · Distribution of products | · US companies are selling to other countries, especially China, Japan and India  
 · Low barriers to entry for relevant new firms  
 · Production of store-brand products  
 · Possibly related to distribution versus manufacturing | · Both skilled and unskilled labor  
 · Inexpensive energy  
 · Transportation infrastructure  
 · Very affordable labor | Very limited | · Competitive industry with declining prices  
 · Large retailers exert massive bargaining power and reduce profitability  
 · The mid-range price point segment is in decline  
 · Excessive global competition |
| **Optics** | | · Lasers  
 · Fiber optics  
 · Telescopes  
 · Metrology equipment | · Defense technology growing  
 · International connection  
 · Access to transportation  
 · Cluster benefits | No (Tucson cluster) | · Tucson claims most of the Arizona optics market |
| **Financial Services: Diversified** | | · Credit cards  
 · Other loans  
 · Saving/ checking accounts  
 · Insurance  
 · Investment products | · International markets are growing faster than domestic markets  
 · Creative new products are a driver of growth for many companies  
 · Specialized companies have greater expertise and enjoy an advantage over more general firms  
 · Rewards and other incentive programs are the fastest growing segment | · Both skilled and unskilled labor  
 · Many branches bring in business and provide value to customers  
 · Extensive financial leverage  
 · Reliable communication infrastructure | Limited | · Revenues and profits are dependent on macro economic trends  
 · Government regulation of the industry could change and affect profitability  
 · The commoditization of products creates price competition  
 · Financial products can't be copyrighted or patented |
## Industry Opportunity Scorecard

**Mesa Gateway Area**

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<th>Risks</th>
</tr>
</thead>
</table>
| **Heavy Equipment and Trucks**  | · Construction equipment  
   · Farm machinery  
   · Heavy trucks  
   · Other heavy metal products | · Overseas markets have higher growth than the US  
   · Strong demand for fuel efficient machines, especially trucks  
   · Ethanol demand is driving farm profits and thus equipment demand | · Skilled manufacturing labor  
   · High tech and expensive factories  
   · Transportation infrastructure for raw materials and finished machines  
   · Inexpensive power for plants  
   · Rail access | Limited | · Depends on cyclical and volatile industries such as commercial trucking and construction  
   · Demand for farm equipment is dependent on farm incomes and government farm subsidies  
   · Largely driven by overall economic growth  
   · Some segments are subject to government regulation regarding emissions, others may be soon |

Industry Grade: Average  
MGA Grade: Below Average*

| Finance and Business Services | · General financial institution services  
   · Accounting  
   · Auditing  
   · Bookkeeping  
   · Advertising  
   · Legal  
   · Management  
   · Real estate | · Large industry that supports all other business  
   · Firms related to real estate industry are potential expansion targets  
   · Identified need for optical recording media and travel services | · Telecommunications infrastructure  
   · Skilled and affordable labor | Yes | · Dominated by large firms, thus reducing opportunities for expansion  
   · Proximity to customers not as important  
   · Limited benefits from airport access |

Industry Grade: Average  
MGA Grade: Below Average

* Improvements to position may depend on improvements to rail access.
# Industry Opportunity Scorecard

## Mesa Gateway Area

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<thead>
<tr>
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<th>Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chemicals</strong></td>
<td>Basic commodity chemicals · Specialty chemicals</td>
<td>Demand from developing countries is outpacing US growth</td>
<td>Access to inexpensive raw materials · Modern production facilities · May require rail, air or truck transportation depending on materials · Factories cost as much as several hundred million dollars</td>
<td>Yes, but limited</td>
<td>· Some demand is driven by volatile industries like home construction and automobiles · About half of US chemicals go to the manufacturing sector which is declining · Facilities are being constructed overseas for lower costs</td>
</tr>
<tr>
<td>Industry Grade: Average MGA Grade: Below Average*</td>
<td>Vaccine · Medicines · Biotech drugs</td>
<td>· Increasing longevity drives demand for new pharmaceutical products · Global living standard increases boost demand · Major drugs losing patent protection and becoming available to generic producers · Vaccines are a focus of government concern</td>
<td>· Strong patent protection · Ties to researchers in universities or hospitals · Skilled labor · High capital requirement · Access to specialty raw materials</td>
<td>Not significant</td>
<td>· Expensive and risky research and development · Subject to evolving regulation · Lengthy FDA approval process · Only about one in 5,000 discovered compounds is ever approved as a drug · Generic companies can undercut pricing and eliminate profits · Expensive litigation · Focus of health industry cost containment efforts</td>
</tr>
</tbody>
</table>
5.0 Inducing Development – High Tech Operations

Every location deal that the City makes with individual companies will be different. However, each industry does require the same basic inputs to production, whether physical or intellectual. As previously demonstrated, the MGA is well positioned in terms of the basics such as access to skilled and affordable labor (will improve over time), a competitive state tax structure, excellent transportation access (will improve with the addition of rail), etc.

However, there are some specifics to keep in mind regarding the high tech companies that should be targeted in the short to mid term. Companies in the target industries tend to first choose communities with similar synergies – Washington and software/R&D, Austin and semiconductors, Charlotte and financial services, etc. In order to veer companies away from these synergies, inducements or incentives often need to be placed on the table to effectively compete for the business. Once labor and real estate availability are solved for, and adequately justified, to a prospective company, economic incentives can help a company justify a location decision.

Companies in the target industries (i.e. high tech) would favorably react to the following incentives:

R&D Tax Credit
High tech companies tend to spend millions (if not billions) of dollars on research & development. Their survival depends on constant innovation. The State of Arizona offers a Research & Development Tax Credit for eligible R&D expenses. For spending below $2.5 million, the tax credit is equal to 20% of the actual R&D spending. For spending above $2.5 million, the tax credit is equal to $500,000 plus 11% of spending over $2.5 million. See the following link.

http://www.azcommerce.com/BusAsst/Incentives/RD+Income+Tax+Credit.htm

Job Training
Finding qualified help is vital for the companies in the target industries. Since technology tends to change every 6 months, qualified labor needs to be constantly retrained. The Arizona Job Training Program helps offset qualified training expense for both new employees and existing (or incumbent) employees. Job training grants can be applied for every year if there is a true need for additional training.

http://www.azcommerce.com/Workforce/JobTraining/Home.htm

Sales & Use Tax Deferral/Waiver
The prospective target companies tend to have significant capital requirements when establishing new operations. This investment can come in the form of land/building costs and equipment/machinery costs. States competing for similar industries tend to offer deferral or waiver of State and local sales & use taxes due on purchases of construction
materials and equipment. For example, consider a company that intends to spend $25 million on high tech machinery where Mesa is considered the point of delivery. Most times, sales taxes on machinery purchases will be payable to the City of Mesa. At 1.75%, sales tax rate would amount to $437,500. Showing a prospective company that they can save this amount of money will be a valuable consideration.

**Property Tax Abatement**
Given the potential for a relatively significant equipment investment, the fact that the City of Mesa does not tax personal property should be one of the first incentives to disclose. In addition, real property tax abatements should be considered in order to lure prospective businesses. Competing states will assuredly use this incentive to induce new business development.

**Shovel-Ready Sites**
Shovel-ready sites show prospective companies that construction can begin relatively quickly within the MGA, if chosen. Timing is of value to companies and this may be an incentive that is of relatively low cost to the City but could have significant benefits.

http://www.gpec.org/shovel-ready.html

**Permit/Review Fast Tracking**
In addition to having readily available real estate locations, the ability to fast track plan review and permit issuance can be a factor that makes or breaks a deal. The benefits are similar to what is noted above.
6.0 Conclusions

There are indeed many advantages to the Mesa Gateway Area. Initially, the area will be competing with other parts of the Greater Phoenix area for business locations and will always be competing within the global environment. However, as the East Valley (including northern Pinal County) further develops in terms of population density and workforce availability, additional development opportunities will arise.

Airport specific business opportunities can be pursued immediately. Other industrial opportunities will also become apparent sooner rather than later. But, office expansions may require additional inducement in the early years until population density improves. This will be the case for office uses such as professional business services. However, local office uses, such as those related to real estate development, could prove to be a short term opportunity.

The next step in the process is for the City to develop an economic development toolbox and a marketing plan. When somebody contacts the City regarding a business location, a team should be quick to respond. Opportunities are robust, but the City needs to coordinate to take full advantage.