



COMPETING AT A HIGHER LEVEL:

Increasing Southern Arizona's Economic Competitiveness

SUN
CORRIDOR **INC**

OCTOBER 2024



ABOUT SUN CORRIDOR INC.

Sun Corridor Inc.'s role is to coordinate all economic development activities and programs within the Southern Arizona megaregion under one umbrella. The primary goal of Sun Corridor Inc. is to facilitate primary (non-retail) job and investment growth in the region. Our work also includes creating a competitive environment that allows primary employers to flourish and succeed.

Economies, both nationally and internationally, compete for jobs and capital investment based on regional strengths. The economic benefits of business expansion and attraction, no matter where physically located, transcend jurisdictional lines. Thus, the realities of the marketplace dictate that Sun Corridor Inc. be committed to the economic prosperity of the entire megaregion.

Sun Corridor Inc. brings together the interests of a broad range of private, public, academic and nonprofit groups to promote Southern Arizona as a single economic entity.

Visit suncorridorinc.com to learn more. Learn about Sun Corridor Inc. leadership [here](#).

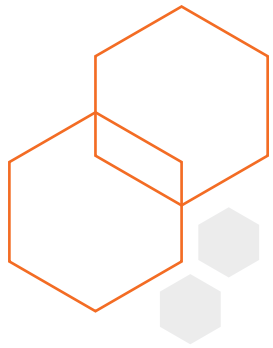


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AN INFLECTION POINT

As Sun Corridor Inc. celebrates its 20th anniversary leading regional economic development in Southern Arizona, we reflect on the significant progress and many successes. Sun Corridor Inc. has assisted more than 200 companies, from firms with just a few employees to those with thousands of workers. These companies have created thousands of jobs and made billions in investments, resulting in nearly \$40B in economic impact in Southern Arizona.

The common thread that led to the region’s most significant wins was our ability to work together – bridging the private and public sectors – across jurisdictional boundaries. The formation of Sun Corridor Inc. is one of the best examples of this community’s ability to come together regionally. Other regional wins over the years include:

- Transforming Downtown Tucson
- Attracting Caterpillar’s Regional Headquarters
- Original Regional Transit Authority half-cent sales tax
- Pima Community College’s Centers of Excellence
- Streetcar connecting downtown Tucson to the University of Arizona
- Schnitzer Properties speculative industrial development for the first time in a decade
- Acquisition of buffer land for Raytheon leading to the largest business expansion in Pima County history
- Developing and transforming “The Bridges” into a regional mixed-use hub

One thing is certain—our work to increase prosperity and opportunities for all who live in Southern Arizona is not complete.

While there has been much change in the last 20 years, the last several years have caused fundamental shifts in the economy that impact not only what we are competing for but also how we compete. To continue to be competitive and build upon our successes, Southern Arizona must refocus its economic development efforts around the factors that drive economic competitiveness, build on its strengths and commit to a strategy that prioritizes addressing its biggest challenges. These issues impact not only Sun Corridor Inc.’s ability to attract and retain companies that create base industry jobs but also the entire regional economy.



Susan Gray

Susan Gray
President & CEO
Tucson Electric Power
Chair, Board of Directors



Joe Snell

Joe Snell
President & CEO

“

MY QUESTION TO TUCSON IS, WHO DO YOU WANT TO BE? IF YOU FOCUS ON WHAT YOU WANT TO BE, YOU CAN LEAD THE GROWTH COMING AT YOU FROM PHOENIX AND MEXICO. WITH YOUR LEADERSHIP, YOU CAN BE A REGIONAL FORCE. I BELIEVE THERE IS A LOT OF OPPORTUNITY, BUT IT HAS TO START WITH PEOPLE WHO WANT TO CONNECT THESE REGIONS. I THINK THAT IS YOUR GREATEST CHALLENGE - WHO ARE YOU GOING TO BE? THE GROWTH IS HERE, AND IT'S NOW.

JEFFREY GARZA WALKER

Executive Managing Director and Site Selection Consultant
NAI Horizon

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DRIVEN BY A BLUEPRINT: THE ORIGINAL ECONOMIC BLUEPRINT

In 2007, the first [Economic Blueprint for the Tucson Region](#) (The Blueprint) was launched, setting forth a vision for building a sustainable and competitive local economy. Thousands of people from across the region provided input through a months-long planning process. Five strategic thrust areas were identified during that process: high-skilled/high-wage jobs, educational excellence, urban renaissance, livable communities and collaborative governance and stewardship. These areas were identified because they all served to support a common purpose—creating a vibrant economy.

Another critical component of The Blueprint was identifying the top industry clusters for the region based on the assets and strengths that support them. An industry cluster is a group of firms located near one another that draws productive advantages from their proximity and connections. While the top industry clusters for the Tucson region have largely remained unchanged since they were initially identified, each industry has evolved, and the Tucson market has progressed to continue supporting each of these industry clusters.



The Blueprint has guided Tucson and Southern Arizona’s economic development for nearly 20 years, and the vision it supports is still relevant today. Looking to the future, it is critical to identify and evaluate the most significant issues impacting current and future economic competitiveness by seeking the perspectives of leaders across the region and the external perceptions of site selectors.

THE FRAMEWORK + FOCUS GROUPS AND LEADERSHIP FORUM

THE FRAMEWORK

Sun Corridor Inc. led a year-long process to evaluate Southern Arizona's economic competitiveness and identify gaps in building a more robust economy. A framework was developed utilizing the research of renowned Harvard Economist Michael Porter, the Brookings Institution and the World Economic Forum, along with decades of experience from Sun Corridor Inc. in competing for thousands of new business growth opportunities.

This framework includes a definition of economic competitiveness and five pillars of economic competitiveness, which the region should consider when evaluating its strengths, gaps and opportunities for growth.

“A REGION IS COMPETITIVE TO THE EXTENT THAT FIRMS OPERATING THERE ARE ABLE TO COMPETE SUCCESSFULLY IN THE REGIONAL AND GLOBAL ECONOMY WHILE MAINTAINING OR IMPROVING WAGES AND LIVING STANDARDS FOR THE AVERAGE CITIZEN.”

MICHAEL PORTER
ECONOMIST
HARVARD UNIVERSITY

ECONOMIC COMPETITIVENESS IS THE ABILITY OF A REGION TO UTILIZE ITS RESOURCES AND ASSETS TO INCREASE PROSPERITY FOR ITS RESIDENTS, ALLOWING IT TO FLOURISH IN THE GLOBAL ECONOMY.

PILLARS OF ECONOMIC COMPETITIVENESS

TALENT AND EDUCATION

People are the lifeblood of economies. Access to “human capital” remains one of the most important drivers of economic growth. Ensuring the education and workforce development ecosystems provide training and skills development leads to quality jobs and family-sustaining wages for residents. Additionally, our region must be able to attract talent from outside the market.

ECONOMIC AND BUSINESS CLIMATE

Regions with transparency and streamlining of regulatory processes, like zoning and permitting, as well as simplified tax structures, create an environment that is welcoming and attractive to businesses of all sizes.

INFRASTRUCTURE

Investments in “physical capital” such as roads, transportation, air service, water/wastewater and broadband are the backbone of the economy. They demonstrate a region’s ability to create access to employment, allow the movement of goods and deliver services that support the industry’s ability to compete.

QUALITY OF PLACE

Living and working in an affordable, safe community with cultural amenities and opportunities to enjoy the natural and built environment creates vibrant communities.

REGIONAL GOVERNMENT AND INSTITUTIONS

Demonstrated cooperation among local governments working together to solve regional challenges and deliver services across jurisdictional boundaries to serve the entire region. Monetary and fiscal policies that create a stable environment and avoid structural deficits.

FOCUS GROUPS – INTERNAL PERCEPTIONS

Sun Corridor Inc. convened focus groups, listening sessions and one-on-one meetings with board members and other community leaders in the public, private and higher education sectors to understand better how the region has been performing under each of these pillars. Through that process, these leaders raised a range of issues spanning everything from workforce and talent to strengthening the influence of business and industry on regional issues. Many focus group participants are long-time members of the Southern Arizona community, while some are newer to the region. The diverse perspectives created robust conversations among participants about where to focus regional competitiveness efforts.

SITE SELECTORS – EXTERNAL PERCEPTIONS

While no one knows a community better than the leaders of key institutions in that region, it's important to get the perspectives of those whose expertise is evaluating communities for a living – site selection consultants. Site selection consultants are location strategy experts who partner with companies to understand their business needs and assess the viability of various regions to meet those needs for future growth. Site selectors help companies identify the best regions for talent, competitive operating costs, robust infrastructure, shovel-ready sites and more.

Sun Corridor Inc. and regional economic development partners hosted site selection consultants from across the U.S. for a familiarization tour of Southern Arizona and a Leadership Forum to discuss regional economic competitiveness. The tour focused on regional assets that best illustrate our strengths in advanced manufacturing and technology. The Leadership Forum provided an opportunity for the community to get direct feedback from the site selectors. We learned about their perceptions of Tucson prior to the tour, as well as their perspectives after an intensive two-day visit. Overall, they were optimistic about the future of the Tucson region stating that we were on the cusp of an exciting regional economic transformation.

Internal and external stakeholders identified a wide variety of strengths and assets, as well as challenges and opportunities. In some cases, there was overlap – and some items were on both lists.



PERCEPTIONS OF STRENGTHS AND ASSETS

FOCUS GROUPS – INTERNAL

- Excellent quality of life
- Proximity to Mexico
- Pima Community College
- University of Arizona
- Vibrant arts and culture community

SITE SELECTORS – EXTERNAL

- Vibrant downtown
- Proximity to Mexico
- Pima Community College Centers of Excellence
- University of Arizona
- Population growth
- Affordable cost of living
- Stable climate – lacks natural disasters



PERCEPTIONS OF CHALLENGES AND OPPORTUNITIES

FOCUS GROUPS – INTERNAL

- Too many business groups – business voice is diluted
- Local governments don't work together – too much infighting
- Poor road conditions
- Difficult to attract key positions / need to grow talent base
- Physician shortage
- Lack of available privately owned land

SITE SELECTORS – EXTERNAL

- Not business friendly – don't want to grow compared to other markets
- Confused by competing economic development efforts
- Poor infrastructure
- Lack of a plan for major infrastructure needs
- Need to grow talent base
- Lack of accessible and available land for large projects
- Often overshadowed by Phoenix
- Concerned about water availability





“

I THINK REGIONALISM IS KEY TO ANY SUCCESS – A SINGLE CITY AND COUNTY CANNOT BE SOMETHING TO EVERYBODY. SO, IF YOU HAVE THAT POINT OF VIEW THAT SAYS, ‘I’M GOING TO GO THIS ALONE, I’M GOING TO WIN ALL THESE DEALS THAT I WANT’, IT JUST DOESN’T WORK IN THE LONG RUN, BECAUSE YOU’RE GOING TO RUN OUT OF SPACE, YOU’RE GOING TO RUN OUT OF PEOPLE. SO, LOOK AT IT FROM A WHOLE WIN AS A REGION FIRST.

”

AMY GERBER
EXECUTIVE MANAGING DIRECTOR
CUSHMAN & WAKEFIELD

KEY COMPETITIVE OPPORTUNITIES: HOW TO COMPETE AT A HIGHER LEVEL

While evaluating Southern Arizona’s competitiveness, dozens of thoughts and ideas were gathered about regional strengths, building on successes and opportunities for improvement. Several themes emerged, representing areas with opportunities for regional economic growth and prosperity over the next 20 years.

1

Develop Bold, Collaborative Solutions to Regional Issues by Aligning and Strengthening Business Voices

Bold, collaborative solutions to regional issues, such as transportation, water, P-12 education, affordable housing and other regional infrastructure, often transcend jurisdictional boundaries. Aligning and strengthening the voice of the business community is critical for advancing the regional economy.

2

Support New Leadership at the University of Arizona to Strengthen the Institution and Continue its Legacy of Academic Excellence

The University of Arizona is a critical regional economic asset that distinguishes the Tucson region from our competitors. It is a major employer and develops the talent businesses across the region and state need. The success of the Tucson region is closely tied to the success of the University of Arizona.

3

Build Sustainable Economic Partnerships between Southern Arizona and Mexico

Southern Arizona and Mexico’s cultural connection dates back hundreds of years and extends well beyond the formation of current geopolitical borders. Cultivating economic partnerships based on that shared cultural connection benefits both Southern Arizona and Mexico.

4

Grow the Talent Base

Growing talent availability across the region requires a multi-layered approach. To recruit new talent to the region, we must address the factors that attract professionals to a community, like a robust healthcare system. Additionally, Southern Arizona must increase labor force participation among current residents in their prime working years (ages 25-54).

5

Accelerate Access to Arizona State Land to Meet Market Demand

Future growth in the Tucson metro region is dependent on converting land owned by the State of Arizona into private ownership, where the commitment from private owners to make capital investments and create quality jobs will result in significant regional economic and fiscal impacts.

KEY COMPETITIVE OPPORTUNITY #1

DEVELOP BOLD, COLLABORATIVE SOLUTIONS TO REGIONAL ISSUES BY ALIGNING AND STRENGTHENING BUSINESS VOICES

Bold, collaborative solutions to regional issues, such as transportation, water, P-12 education, affordable housing and other regional infrastructure, often transcend jurisdictional boundaries. Aligning and strengthening the voice of the business community is critical for advancing the regional economy.

Business leaders see beyond jurisdictional boundaries. Often, they have business locations in communities throughout the region, or at a minimum, their employees live in different cities and towns. They want the business organizations that represent them to think about the interconnectedness of the entire region. They want to support groups working to improve the region where their businesses operate.

Focus group participants expressed that there are too many regional business groups. They perceive that the business community's collective voice has been diluted, limiting its ability to meaningfully influence decisions made by government organizations in the Tucson region.

In 2024, there are at least 20 local and regional business organizations representing a variety of interests across the region. While some are

focused on a particular industry or constituency, more than 75% of these organizations have a broad focus on issues impacting businesses. There are nuances and differences between various business organizations.

However, business leaders could have a greater regional impact on policies by focusing on shared goals rather than nuanced differences. A consolidation or merging of organizations would pool resources and create a more powerful voice for the business community in the Tucson region. There are many issues where a stronger business voice is needed to encourage elected leaders to compromise with one another to develop regional solutions to our most pressing issues. The focus groups cited several key regional infrastructure issues that concerned them.

RTA NEXT – IS THERE A FUTURE FOR REGIONAL TRANSPORTATION FUNDING SOLUTIONS?

The plan for Regional Transit Authority (RTA) Next was a significant area of concern among the focus groups. Site selectors also noted that a region's plan to fund transportation infrastructure is an important factor they consider when evaluating regions on behalf of their clients.

In 2006, Pima County voters approved the original RTA, a \$2.1B plan funded through a half-cent sales tax. During that time, the region was impacted by two major events that significantly reduced sales tax collections – one of the worst recessions in U.S. history and a global pandemic. Despite these monumental events, significant progress was made on key regional transportation projects, and nearly 1,000 projects have been delivered.¹ The current funding authorizing the RTA will expire at the end of June 2026. The RTA Board has set a budget of \$2.46 billion for RTA Next, but a draft plan has not been finalized, and a date for an election for voters to consider a new regional transportation plan has not been set.² Both the plan and tax initiatives will require voter approval to extend the tax and continue RTA regional transportation improvements for another 20 years.

WATER AND WASTEWATER

In 2021, the City of Tucson Mayor and Council adopted an ordinance that increased water rates on non-exempt Tucson Water ratepayers living in unincorporated areas of the county.³ More than one-third of Tucson Water’s customers live outside the city limits, but only those who live in unincorporated Pima County would have been charged more for water service. The long-standing practice of the City of Tucson Water and Pima County Wastewater was to charge customers based solely on the ‘cost of service’ model that was not based on where customers lived.

When the City of Tucson and Pima County could not agree on the rates water users not located within the City of Tucson’s jurisdictional boundaries would pay, the matter was settled in court. Ultimately, the courts found in favor of Pima County.⁴ Ideally, a resolution could have been reached without going through the legal system.

These are just two examples of critical infrastructure issues impacting the Tucson region. Business leaders have the opportunity to unite their voices and lead by example in bringing people together across the region to work toward common goals.

NEXT STEPS

1

Explore the consolidation and/or merger of business groups to form a more powerful business organization advocating for and advancing the regional economy. Such a group would have a bigger voice, weighing in on issues that will have generational impacts on the region.

2

Sun Corridor Inc. will create a Competitiveness Council comprised of local leaders in Southern Arizona to address issues regularly impacting our regional competitive position.

¹ <https://rtamobility.com/who-we-are/rta-plan/>

² <https://rtamobility.com/who-we-are/rta-next/>

³ <https://www.tucsonaz.gov/Departments/Planning-Development-Services/Fees/Proposed-Fee-Changes>

⁴ <https://www.pima.gov/2597/City-of-Tucson-Differential-Water-Rates>

KEY COMPETITIVE OPPORTUNITY #2

SUPPORT NEW LEADERSHIP AT THE UNIVERSITY OF ARIZONA TO STRENGTHEN THE INSTITUTION AND CONTINUE ITS LEGACY OF ACADEMIC EXCELLENCE

The University of Arizona is a critical regional economic asset that distinguishes the Tucson region from our competitors. It is a major employer and develops the talent businesses across the region and state need. The success of the Tucson Region is closely tied to the success of the University of Arizona.



The University of Arizona has been an educational institution in Tucson and Southern Arizona longer than Arizona has been a state. It is foundational to the region, shaping its culture, economy and politics. The University of Arizona has achieved the coveted designation of being a Research 1 University, which is given to universities that are considered to have “very high research activity.”

In the fall of 2023, the University of Arizona announced an unexpected budget shortfall that did not occur during a recession or when other state universities in Arizona were experiencing deficits. This issue caused community concern and spurred discussions regarding the critical importance of the University of Arizona to the Tucson region.

CONNECTING TO TALENT + WORKFORCE

Focus group members stated they have high expectations from the university because of its history of excellence in higher education. Some cited challenges they have experienced in connecting meaningfully to the university, especially in relation to talent and the workforce. While several stated that they have been able to forge positive individual relationships, they expressed concern with the decentralized approach to helping employers connect to future talent by the university. Employers have workforce needs beyond one college, school, or department. The result is that employers are left to navigate a large institution to find the right person or people to address their needs.

There is a larger debate nationally about the role of universities in workforce development. While that debate continues, employers nationwide are seeking partnerships with higher education institutions that can provide the ongoing high-tech knowledge and skills training needed to match ever-evolving new technologies. The University of Arizona has stepped up to address these needs by creating partnerships with businesses and industries, and it should be commended for these efforts.

For example, the School of Mining and Mineral Resources partnered with Caterpillar to create Mining 360, a one-year certificate program for Caterpillar employees to learn more about the mining industry’s economics and engineering.⁵

This partnership has evolved since its creation in 2018. It not only survived COVID-19, but those leading this program at the university listened to the challenges identified by Caterpillar with the

program and adapted it to meet their needs better. This kind of collaboration and adaptability is needed across the university.

UNIVERSITY SUCCESS = TUCSON REGIONAL SUCCESS

The university plays a critical role in influencing the culture and economy of Southern Arizona. The economic health and vibrancy of the city are vital to the health of the university – from recruiting the best faculty and staff to convincing parents to send their children to the university.

This oversized influence of a university on the community in which it is located is not unique to the University of Arizona. Colleges and universities across the country grapple with their relationship with the city or town they reside in. Some put up literal and figurative walls to separate themselves from their communities. Others have decided to play a much more active role in their communities – and see that as the community rises, so does the university – and vice versa.⁶ One example of a university that has been highly engaged with its community is the University of Dayton in Ohio.

The University of Dayton is a private school with 11,000 students and a focus on research. Dayton is a Rust Belt city that has struggled with the loss of major employers over the last 15 years while mitigating those losses with some wins that brought new employment. The University of Dayton has embraced its role as a significant and long-time institution. It has committed to financial investments in the city and an opportunity for its students to be more deeply engaged in the community.

Other colleges and universities embrace this approach to the town-and-gown relationship. While the University of Arizona has demonstrated its commitment to Tucson and Southern Arizona, there is an opportunity to strengthen and deepen the relationship with the community.⁷

NEXT STEPS

1

Create an executive position to lead talent and workforce development for the University of Arizona. This position should reach across colleges, schools and departments to understand their respective strengths, along with building relationships with businesses and industries across various sectors to understand their workforce and talent needs. Pima Community College (PCC) created a similar position 10 years ago and has been recognized repeatedly for its workforce development successes. Recently, PCC and its workforce programs were among five colleges that Harvard University identified as America's Hidden Economic Engines.⁸

2

Support a stronger town-and-gown relationship between the university and the regional governments that could accelerate opportunities for new development and other regional partnerships.

⁵ <https://news.engineering.arizona.edu/news/mining-360-cat-employees-become-wildcat-alumni>

⁶ <https://washingtonmonthly.com/2022/08/28/ball-state-muncie-indiana-town-gown/>

⁷ <https://www.theatlantic.com/ideas/archive/2019/12/the-university-of-dayton-is-upending-town-gown-relations/622126/>

⁸ <https://www.pw.hks.harvard.edu/post/america-s-hidden-economic-engines-how-community-colleges-can-drive-shared-prosperity>

KEY COMPETITIVE OPPORTUNITY #3

BUILD SUSTAINABLE ECONOMIC PARTNERSHIPS BETWEEN SOUTHERN ARIZONA AND MEXICO

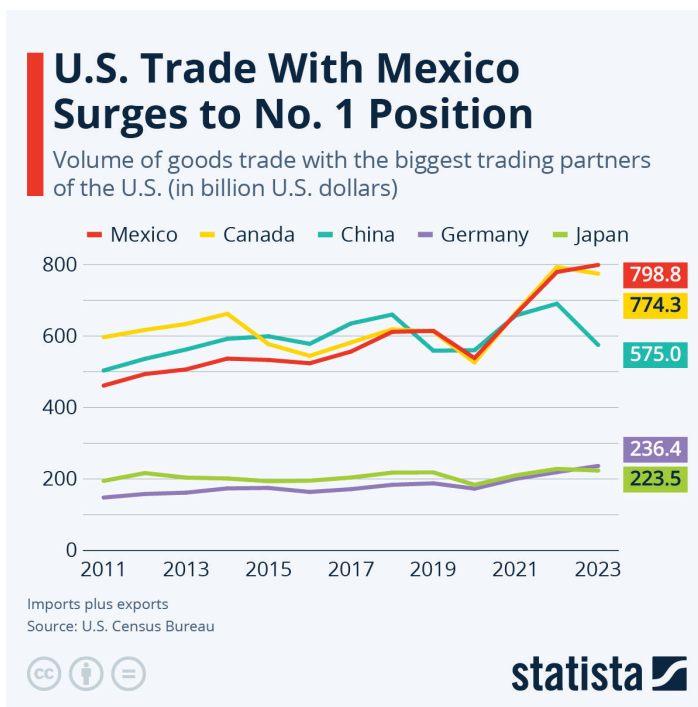
Southern Arizona and Mexico's cultural connection dates back hundreds of years and extends well beyond the formation of current geopolitical borders. Cultivating economic partnerships based on that shared cultural connection benefits both Southern Arizona and Mexico.

In 2023, Mexico supplanted China to become the U.S.'s top trading partner for the first time in more than 20 years.⁹ While Mexico has long been Arizona's number one trade partner, this shift at the national level could have significant economic implications for Southern Arizona.¹⁰ Understanding how and why this shift occurred is important to assess the potential opportunity for Southern Arizona.

Before the pandemic, the Trump administration's trade policies and associated tariffs imposed on China started the decline in the trade relationship between the U.S. and China.¹¹ The COVID-19 pandemic quickly exposed the U.S. dependence on China and the fragile supply chains created over the last 20 years. In every aspect of our lives, Americans saw how quickly those supply chains broke down during the pandemic. We all recall some of the comforts we went without during the pandemic due to supply chain issues.

However, far more importantly, the pandemic exposed how the U.S. overreliance on China is a threat to national security. Everything from semiconductors, pharmaceuticals, critical minerals and batteries – to name a few – is sourced from China.¹² In some cases, China is the only country that sources the commodities that go into so many finished products. Companies realized quickly that the “low-cost and just-in-time” model for their supply chains could no longer be the single answer. They needed to diversify their manufacturing operations and find locations closer to the U.S. with an already favorable trade relationship.

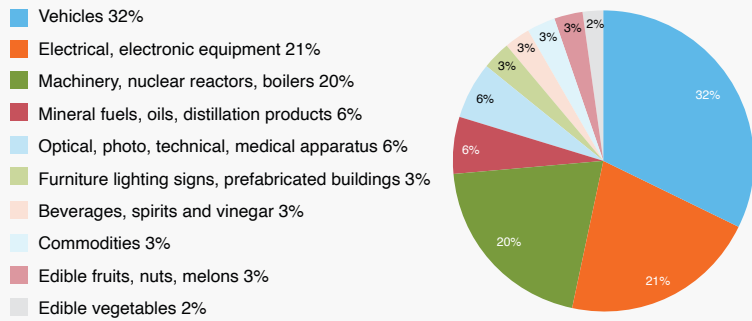
Also, the U.S.-Mexico-Canada Agreement (USMCA) positioned Mexico as an ideal location for manufacturing because of the favorable trade deal between the three countries. So, what industries are at the top of the U.S. import list?



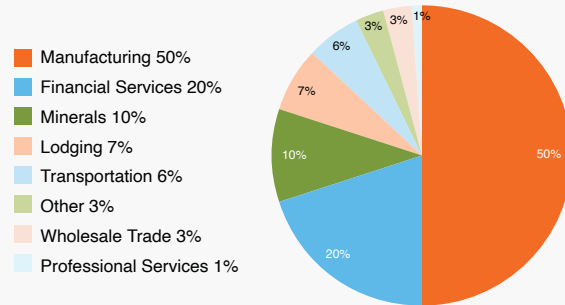
As Mexico’s manufacturing sector continues to grow, Mexico is the primary recipient of manufacturers’ efforts to “nearshore” their operations across a variety of industries. All indications are that this shift is just beginning. According to Mexico’s Ministry of the Economy, Mexico had a record-high foreign direct investment of \$36B in 2023, citing Mexico’s economic stability, competitive advantages and good business environment for the record investment. This was a 27% increase in FDI compared to 2022.

The trade relationship between the U.S. and Mexico has never been stronger. Southern Arizona must capitalize on our geographical proximity and shared cultural history to strengthen the economies of both regions.

UNITED STATES IMPORTS FROM MEXICO - 2023



FOREIGN DIRECT INVESTMENT IN MEXICO - 2023



Source: Mexico’s Office of the Undersecretary of Foreign Trade

NEXT STEPS

1

Sun Corridor Inc. will launch a Tiger Team of regional leaders with expertise in the economic and cultural relationships between Southern Arizona and Mexico to develop an economic development strategy.

2

Use the partnership established between Sun Corridor Inc. and Sonoran Global as a model to create partnerships with other states or regions in Mexico.

⁹ <https://www.forbes.com/sites/kenroberts/2024/02/07/2023-results-are-in-us-has-new-top-port-trade-partner-export-import/>

¹⁰ <https://azmex.eller.arizona.edu/content/total-trade>

¹¹ <https://www.cnbc.com/2024/09/20/china-mexico-backdoor-trade-booms-in-trump-biden-tariff-era.html#:~:text=Piatak%20said%20the%20data%20shows,from%202020%20to%20mid%2D2024.>

¹² <https://www.cfr.org/in-brief/why-us-imports-mexico-surpassed-those-china>

KEY COMPETITIVE OPPORTUNITY #4

GROW THE TALENT BASE

Growing talent availability across the region requires a multi-layered approach. To recruit new talent to the region, we must address the factors that attract professionals to a community, like a robust healthcare system. Additionally, Southern Arizona must increase labor force participation among current residents in their prime working years (ages 25-54).

A TALENT ATTRACTION CHALLENGE – PHYSICIAN SHORTAGES

Tucson is facing a critical shortage of physicians across all specialties. An adequate supply of medical professionals, including physicians and surgeons, is a critical contributor to a region’s ability to recruit talent for all sectors.

The Arizona Board of Regents estimates that the state will need more than 2,000 additional general practitioners by 2030. The shortage has multiple sources, including a limited supply of new physicians being produced by the state’s medical universities, an inability to retain those who are produced, an inability to recruit physicians and surgeons from outside the state, as well as a large percentage of existing doctors reaching retirement age soon. More than 34% of Arizona physicians are within retirement age currently and by 2030 that proportion will increase.

All these factors result in Arizona ranking in the bottom half of states for supply of primary care physicians. Tucson’s shortage is even more exaggerated as it is less populated than the Phoenix metro area and less competitive when recruiting doctors. The Cicero Institute estimates that Arizona ranks 15% worse than the national average for overall physician-to-patient ratios and even worse for specific specialties:

- 22% worse for vascular disease
- 16% worse for family medicine
- 28% worse for geriatric medicine
- 29% worse for pediatrics
- 26% worse for psychiatry

According to a recent Coker Report, hundreds of practitioners are needed in metro Tucson and surrounding rural areas in cardiology, urology, neurology, pulmonary medicine and general surgery.

Our region must accelerate the training and recruitment of all types of medical practitioners, especially doctors and nurses, to attract and retain talent across all sectors of the economy effectively. We must identify the challenges and obstacles affecting the situation and secure the resources necessary to succeed in this effort.

LABOR FORCE PARTICIPATION AND AFFORDABLE, ACCESSIBLE CHILDCARE

The labor force participation rate is the percentage of working-age adults employed or actively looking for work as defined by the Bureau of Labor Statistics. It is calculated by dividing the total number of people in the labor force by the total population aged 16 and older. The labor force includes the employed and the unemployed who are actively seeking work.

Labor force participation is an important indicator of a region’s economic health. Fewer working-age adults participating in the labor force can have a negative impact on the local economy. A low labor

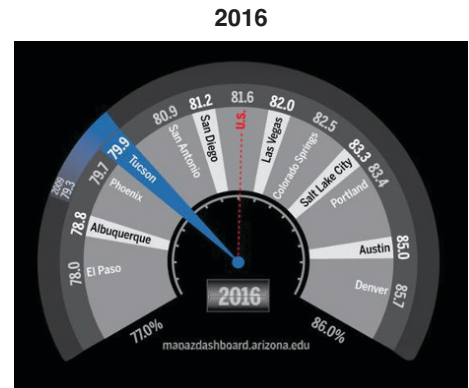
force participation rate can slow the growth of GDP and lead to higher tax rates, since the government has a narrower tax base from which to draw revenue.¹³

Historically, Tucson’s labor participation rate has lagged the U.S. and peer markets in the west. Among a competitive set of peer western Metropolitan Statistical Areas (MSAs), in 2022 Tucson ranks #11 out of 12 MSAs in labor force participation among adults in their prime working years, ages 25-54. While the rate has remained steady, the region is ranked lower than in 2016, when Tucson was ranked #9 out of the same 12 markets. In other words, while Tucson holds steady, peer markets have made gains that the Tucson region has not.¹⁴

Determining why prime working-age adults in the Tucson region do not participate in the labor force is a multi-faceted issue. One reason cited by both focus group participants and site selectors is the lack of affordable childcare. Access to childcare has long been a challenge for working families. However, an even greater shift occurred coming out of the pandemic, when many workers did not return to work, citing the high cost and lack of availability of childcare.

A 2023 study by Ready Nation and funded by the Helios Foundation found that Arizona is experiencing \$4.3 billion in lost earnings, productivity and revenue due to the lack of adequate childcare. The study also stated that the average cost of infant childcare is more than \$14,000 annually, which is greater than the approximately \$12,000 cost of in-state public college tuition.¹⁵

Labor Force Participation Rate Among Ages 25-54



NEXT STEPS

1

Sun Corridor Inc. will form an action team to develop a regional strategy to address the physician shortage. The group may include the following representatives:

- Arizona Board of Regents
- University of Arizona Medical Campuses
- Arizona State University Medical Campuses
- Physician Groups
- Regional Hospital Executives
- Pima County Health Department
- Veteran Affairs Medical Facilities
- Insurance Providers

2

Affordable, safe and dependable childcare hinders labor force participation, particularly for women. The public and private sectors should partner to develop solutions, which may include creating local incentives that either encourage employers to offer childcare or provide financial support for parents seeking childcare.

¹³ <https://www.stlouisfed.org/open-vault/2020/august/labor-force-participation-rate-explained>

¹⁴ <https://mapazdashboard.arizona.edu/workforce-demographics/labor-force-participation-rate>

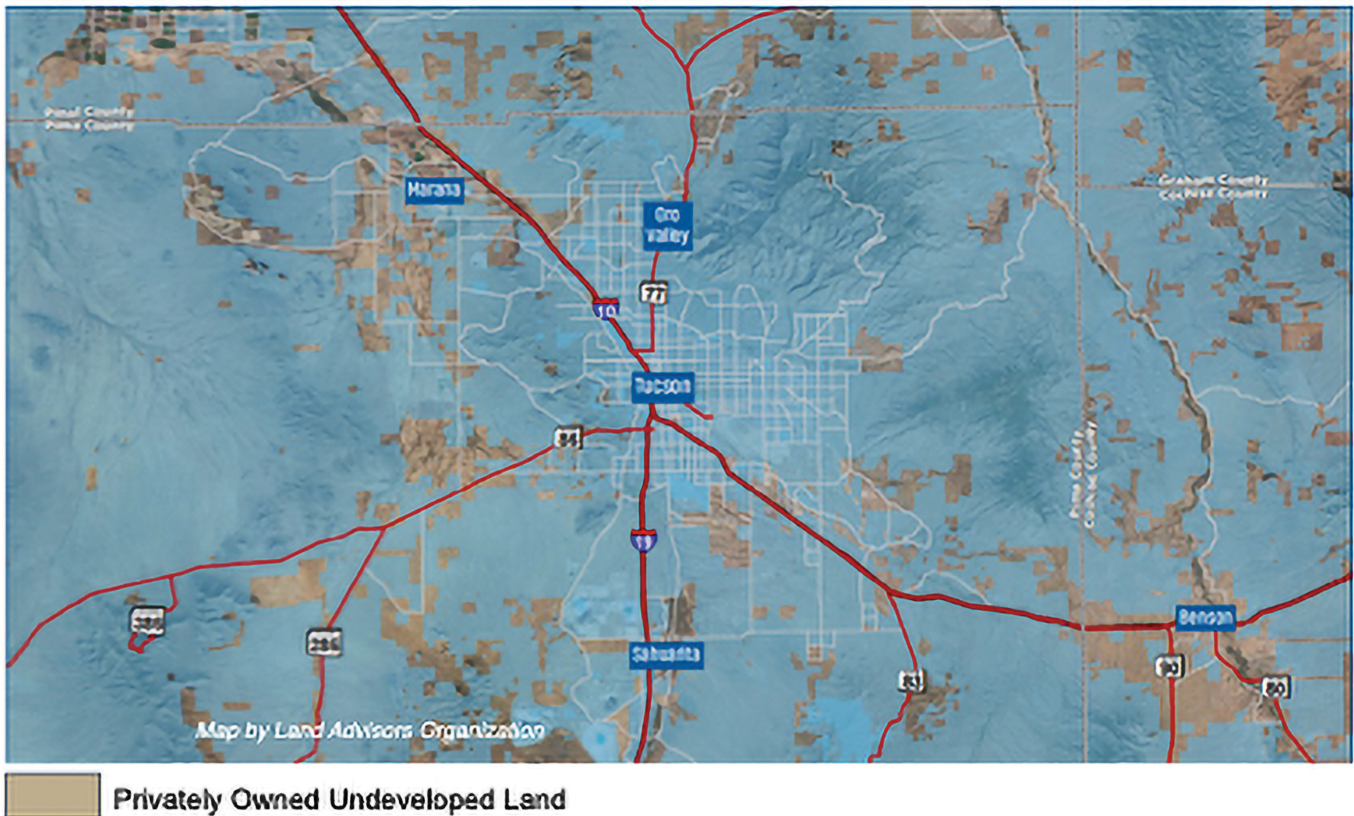
¹⁵ [https://strongnation.s3.amazonaws.com/documents/1740/5678dd3f-a838-4e54-9654-8db30c7bac34.pdf?1701287345&inline;%20filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20Cost%20Arizona%20\\$4.7%20Billion%20Annually.pdf%22](https://strongnation.s3.amazonaws.com/documents/1740/5678dd3f-a838-4e54-9654-8db30c7bac34.pdf?1701287345&inline;%20filename=%22The%20Economic%20Impacts%20of%20Insufficient%20Child%20Care%20Cost%20Arizona%20$4.7%20Billion%20Annually.pdf%22)

KEY COMPETITIVE OPPORTUNITY #5

ACCELERATE ACCESS TO ARIZONA STATE LAND

Future growth in the Tucson metro region is dependent on converting land owned by the state of Arizona into private ownership, where the commitment from private owners to make capital investments and create quality jobs will result in significant regional economic and fiscal impacts.

In the last five years, the availability of private land for industrial development has rapidly decreased as the industrial market boomed and large parcels were sold to developers for speculative development and end users to construct new operations. While this is a positive development for the regional economy, it has resulted in a minimal inventory of land available to market to new prospective companies, particularly those that need large parcels to develop new facilities. According to Cushman & Wakefield/PICOR, there are very few sites of 100 acres or more zoned for industrial development that are privately owned.



Arizona State Trust Land comprises approximately one-third of the land in the Tucson metro region. Most other undeveloped land is federal, state and local natural preserves or tribal land. This land is either unavailable for future development, or the process of developing it would be too costly and time-consuming.

With the tight inventory of privately available land, access to Arizona State Trust Land becomes even more critical for the future growth of the Tucson region. Securing Arizona State Trust Land for economic development purposes was previously considered too arduous, time-consuming and risky. The Arizona State Land Department (ASLD) became more aggressive with the sale of state lands under the administration of former Governor Doug Ducey, who encouraged the agency to be more “business-like” and to focus on the sale of high-value properties. ASLD has been active in the metro Phoenix market, playing a crucial role in several transformational economic development projects in the region, including the location of the Taiwanese Semiconductor Manufacturing Company (TSMC), LG Energy Solutions and Mayo Clinic, to name a few. These companies, and many others like them, represent billions of dollars in investment, as well as thousands of jobs for the Phoenix region. ASLD had demonstrated their ability to successfully work on high-profile economic development projects.

In the Tucson region, no sales of Arizona State Trust Land for economic development purposes have occurred in the last twenty-plus years. Preparing land for auction takes considerable time and planning by not only the ASLD but also the jurisdiction(s) in which the land is located. For the last several years, ASLD has worked with the City of Tucson on the entitlement and annexation of more than 2,000 acres of land on the east side of Tucson, north of Interstate 10 and between Houghton and Colossal Cave Roads. The site, known as H2K, has positioned the region to compete for several mega projects that otherwise would not have considered Southern Arizona.

NEXT STEPS >>

1

Continue to educate ASLD on the drivers of the Tucson economy and how it differs from the Phoenix region.

2

Encourage jurisdictions to create additional “zoning banks,” like the City of Tucson did with H2K. These banks allow cities and towns to annex state trust land for particular uses to attract more bidders and shorten the timeline for successful buyers to go from auction to shovel in the ground.



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