

PINAL COUNTY ENTERPRISE ZONE PROGRAM

ANNUAL REPORT JULY 1, 2008 - JUNE 30, 2009

General Overview

The Pinal County Enterprise Zone was originally designated by the Arizona Department of Commerce effective June 1, 1991. In 1996, the Pinal County Enterprise Zone was renewed for a five-year period, extending through December 31, 2000. In October 2000, the Pinal County Enterprise Zone Commission requested renewal of its designation. In February 2001, the Commission was notified that its designation was renewed for another five-year period, extending through December 31, 2005. Because the 2000 census provided new data with regard to income, all Enterprise Zones were required to reapply for designation in 2003. Pinal County submitted an application for renewal in October of that year for two enterprise zone areas because all of Pinal County no longer met the poverty status criteria. On January 28, 2004, Pinal County received approval of two enterprise zone areas effective January 1, 2004 through December 31, 2008. The two enterprise zone areas were granted renewal for another five-year period process in January 2009.

Member entities of Pinal County Enterprise Zone 1 include the incorporated municipalities of Casa Grande, Coolidge, Eloy, Florence, Kearny, Mammoth, Maricopa, Superior, the Ak-Chin Indian Community, the Gila River Indian Community, the San Carlos Indian Reservation, the Tohono O'Odham Indian Nation, and Pinal County (Zone 1).

The member entity of Pinal County Enterprise Zone 2 includes a small area of the municipality of Apache Junction. This area is bounded on the north by Superstition Blvd, on the west by Delaware Drive, on the south by Apache Trail and on the east by State Highway 88, extending north on Idaho Road back to Superstition Blvd. (Zone 2).

Pinal County encompasses 5,386 square miles, and is strategically located in the major growth corridor between the Phoenix and Tucson metropolitan areas. In both economy and geography, the county is divided into two distinct regions. Historically, copper mining has been the primary economic activity in the mountainous eastern region, while a strong emphasis on an agriculture-based economy has characterized the low desert valleys of the western region. Expansion and diversification of the county's economic base into manufacturing, trade and services have occurred, partly due to the influence of the Phoenix and Tucson metro areas. In addition, interest in tourism and winter visitor attraction remains an important component of the area economy. Increased urbanization has become more pervasive throughout the county, particularly along

transportation corridors which provide access to Maricopa and Pima Counties. While much of the development of these areas has been residential in character, there has been an increase in commercial development to serve the employment and consumer needs of these residents. Pinal County has continued to experience strong development interest, especially for new residential communities during the past fiscal year as developers in Maricopa and Pima Counties continue to expand their activities into Pinal County.

For the period 2000-2008, Pinal County continues to be the fastest growing county in population in Arizona ranked by percent change, as well as one of the top 5 counties in the nation for growth by percentage. This continues despite the persistent slump in the current housing market. The State of Arizona for this period has seen its population increase 29.2% while Pinal County's population has increased an astounding 95.1%. As a comparison, Yavapai County has overtaken Mohave County for second place with a 35.8% growth rate with metropolitan Maricopa and Pima Counties at 29.8% and 20.2% respectively. The official results from the 2000 census showed Pinal County with a population of 179,727. The July 2008 population estimates from the Arizona Department of Economic Security show Pinal County with a population of 350,558. The City of Maricopa has seen its population increase an astonishing 2,413.6% from 2000 to 2008 (from 1,482 to 37,252 persons) and continues to be the fastest growing city in Pinal County. The cities of Apache Junction (37,641) and Casa Grande (45,116) continue to be the two largest (by population) municipalities in Pinal County. However the City of Casa Grande has seen its population grow by 78.9% during this time period while the relatively land-locked Apache Junction has grown only a modest 18.3%. During that time, Casa Grande surpassed Apache Junction in total population. The Town of Florence and City of Coolidge have also experienced significant population growth during this time period. Population growth in the area between Florence and Apache Junction made it necessary for the U.S. Postal Service to create a new post office in Pinal County. San Tan Valley was the name chosen for the people who have moved into the San Tan/Johnson Ranch area, which has an estimated 80,000 population. This huge area of development is one of the main reasons the population of the unincorporated areas of Pinal County now accounts for nearly 50% of the total population of Pinal County. The eastern parts of Pinal County are not experiencing the exploding growth of other parts of the county and have had only slight population gains during this time period. The communities of Kearny and Mammoth have had population increases of less than 1.7%.

Like the rest of the state and country, the unemployment rate has risen across Pinal County. The average annual unemployment rate excluding the Native American reservations thru May 2009 stood at 10.6% percent, a significant jump from the 4.8 percent in May 2008. This is higher than the statewide average unemployment rate excluding the Native American reservations of 8.2% thru May 2008. Unemployment rates among member entities in the Enterprise Zone vary from a high of 18.3% in Coolidge to a low of 6.6% in Kearny. Unemployment rates in Apache Junction and

Casa Grande also are below the county average. Florence is just barely under the average at 10.5% unemployment. Eloy, Mammoth and Maricopa join Coolidge as communities that are above this average.

Goals and Strategies

The goals and strategies for the Pinal County Enterprise Zone Program have remained consistent since inception of the program. These goals include the following:

- Continue to develop the resources needed to effectively implement and maintain the Pinal County Enterprise Zone Program.
- Enhance economic diversification and strengthen the economic base of the local economies within the Pinal County Enterprise Zone.
- Strengthen existing alliances among governmental and economic development interests within the county.
- Enhance the attractiveness of the Arizona Enterprise Zone Program to new and existing businesses.

The strategies for achieving these goals focus on maintaining communication and support for networking among various public and private sector entities and organizations within the zone, sustaining cooperative working relationships among various economic development interests within the zone and between the Pinal County Enterprise Zone and the Arizona Department of Commerce, streamlining and simplifying local development policies and procedures, and accessing and sharing informational databases. Over the past 12 months, communication, networking, and cooperation have continued to be maintained among the member entities, various economic development organizations, business-related contacts, and the Arizona Department of Commerce. The Pinal County Enterprise Zone Program has further enhanced this environment by functioning as a facilitator for bringing together economic development interests, as an information and referral resource for local government and business contacts, and as a forum for promoting and enhancing networking among various public and private sector organizations.

In addition, the Enterprise Zone Program continues to encourage streamlining and simplifying of local development policies and procedures as a means of stimulating local economic development activities. Several local governments including Apache Junction, Casa Grande, Maricopa and Pinal County have implemented one-stop shop concepts for their planning and development approval and permitting processes, emphasizing a user-friendly, customer service approach to the development process.

One strategic area that is an ongoing challenge is the development of an informational

database for documenting and tracking zone activities. A lack of staff, operational and financial resources characteristic of many non-metropolitan areas has made it difficult to create such a database. In most cases, neither local governments nor economic development agencies in the zone are actively maintaining a database of information which could be aggregated to a zone level. For example, most of the local economic development agencies such as Chambers of Commerce do not systematically track and document data on business start-up, relocation, closing, and expansion activity on an ongoing basis. Several localized databases have been created by entities within Pinal County, but are oriented toward limited geographic areas and are not linked. It is hoped that these resources may provide a foundation for an overall database at some point in the future. The Pinal County Enterprise Zone Program continues to encourage progress in this regard.

Marketing Plan

The marketing program for the Pinal County Enterprise Zone is a countywide effort. The program has been based on a cooperative partnership among the Enterprise Zone Commission and Administrator, member entities, the Central Arizona Regional Economic Development Foundation (previously the Greater Casa Grande Valley Economic Development Foundation) and other local economic development organizations, the Economic Development District administered through the Central Arizona Association of Governments, and the Economic Development Information Center administered through the Pinal County Library District. These efforts are complemented by the Arizona Department of Commerce and its marketing of the Arizona Enterprise Zone Program on a statewide basis.

The Central Arizona Regional Economic Development Foundation (previously the Greater Casa Grande Valley Economic Development Foundation) offered its expertise in marketing to the Enterprise Zone Commission when the zone was initially established in 1991, and has continued to serve as the primary marketing resource since that time. The Foundation effectively markets the Enterprise Zone through direct mailings, prospecting trips and trade shows, and in its working relationships with various local governments and other economic development organizations within the zone. Marketing and promotion of the Pinal County Enterprise Zone is accomplished through a variety of tools including program brochures, employer guideline packets, communications with local organizations and agencies, and one-on-one meetings and contacts with business officials and economic development representatives. Pinal County has also created a Web site with a link on the Home Page to the Pinal County Enterprise Zone that contains a general overview regarding the program, maps showing the two enterprise zone areas, a copy of the annual report and a link to the Arizona Department of Commerce where more specific information can be obtained about the enterprise zone program. Communities within the Pinal County Enterprise Zone, such as Maricopa and Apache Junction have also marketed the Zone through regional organizations such as the Greater Phoenix Economic Council, through membership organizations such as

CoreNet Global, and in internal Web sites, prospect proposals, brochures and other collateral.

Management Plan

Management of the Pinal County Enterprise Zone is the responsibility of the Pinal County Enterprise Zone Commission. The Commission consists of nine members which are appointed by each of the participating entities, with the number of members from each entity based on relative population. The Pinal County Enterprise Zone Administrator assists with the day-to-day ongoing operation of the zone under the general direction of the Commission. Pinal County assigned one of its staff to provide this administrative support to the Commission at the time of initial establishment of the zone, and has continued to provide this resource at the request of the Commission members.

On behalf of the Commission, the Enterprise Zone Administrator assists with program outreach and education efforts, maintains communication and coordination with member entities and local economic development interests, provides technical assistance, serves as an information and referral resource, and staffs Commission meetings. The administrator also serves as the Commission's liaison with program staff at the Arizona Department of Commerce. This management structure has enhanced the cooperative relationship among the governmental entities within the zone and has also proven to be cost-effective.

Business Activity

At this time, a zone-wide database of business activity information or local databases which could be aggregated to a zone level do not exist. Most of the local economic development agencies such as Chambers of Commerce do not systematically track and document data on business start-up, relocation, closing, and expansion activity on an ongoing basis. Therefore, it is not possible to provide detailed information on these parameters for the reporting period. Some of the most significant industrial and commercial business/development activity of which the Commission is aware of is summarized below:

- Companies who applied for the Income Tax Credit in FY 2007-08 were:
- There were no manufacturers who were certified for the property tax reclassification for the 2008 Valuation Year.
- Manufacturers who were recertified for the property tax reclassification for the 2008 Valuation Year were:

Republic Plastics, LP – San Manuel

- Bull Moose Tube (Casa Grande)
- Glass Fibers, Inc. (Casa Grande)
- Jensen Precast (Casa Grande)
- L.P. Steel Industries, Inc. (Stanfield)
- National Vitamin Company, Inc. (Casa Grande)
- OMYA Arizona, Inc. (Superior)
- Pinal Energy, LLC (Maricopa)
- Plastic Technology, Inc. (Eloy)
- Arizona Environmental Container Corp., dba San Juan Pools (Casa Grande)
- Sky Cast LLC (Eloy)
- Superior Marble, LLC (Superior)

The lagging economy has been a well-worn subject in the Enterprise Zones. Still, businesses that opened during last year's reporting period have kept their doors opened. The Promenade, a regional mall east of I-10 in Casa Grande, still has Target, Kohl's, Best Buy, JC Penny's, Dillard's, Marshalls, Michaels, PetSmart and the Sports Authority, along with chain restaurants like Mimi's Café, Olive Garden and Rubio's. In the last year, In and Out Burger and a Subway Sandwich Shop also have opened at The Promenade.

- Major growth in central Pinal County and especially in the cities of Casa Grande, Coolidge, Florence and Maricopa continue to attract many new businesses to the area. The Promenade, a planned regional mall near I-10 east of the City of Casa Grande has opened for business. Large department stores in this shopping center include Target, Kohl's, Best Buy, JC Penny's, Dillard's, Marshalls, Michaels and the Sports Authority. The Promenade features a Harkins multiplex theater and well-known chain restaurants such as Mimi's Café, Olive Garden, and Rubio's. The City of Maricopa continues to attract many new businesses and restaurants to serve the needs of new residents, with Walmart open for business as of May 2009. Other new businesses are sprouting along the areas of housing development throughout Pinal County. An example of this is the Anthem Marketplace in Florence, where a Safeway store serves as the anchor for a shopping center that includes a Wells Fargo bank, a restaurant and other businesses. Florence also has seen many new businesses open within its downtown. The City of

Coolidge has seen recent activity in its industrial park south of the city and new tenants at the Coolidge Airport.

These activities are representative of the continuing development momentum and economic growth occurring in selective areas of the Pinal County Enterprise Zone. In addition to the business and development activity noted above, contacts were also received by the Enterprise Zone Administrator from a variety of businesses, developers, tax consultants and local government officials during the reporting period requesting information and/or technical assistance regarding the Pinal County Enterprise Zone Program.

Local Incentives

Various local incentives have been provided to businesses and developers by local governments during the reporting period in an effort to stimulate economic development activity. These incentives included:

- Targeted Community Development Block Grant (CDBG), Highway User Revenue Fund (HURF), Economic Development Administration (EDA), and Rural Development (RD) funds to meet development-specific infrastructure needs and address other economic development activities.
- Issued low-interest business financing through the Pinal County Industrial Development Authority (IDA) or one of the various municipal IDAs.
- Expedited the development plan approval and permitting process.
- Constructed locally-funded public infrastructure improvements in support of development projects.
- Enterprise Zone tax credits and property tax reclassification.
- Impact fee credits to developers who make public infrastructure improvements.
- Community Facility Districts and other improvement districts as provided.
- Updates of various City codes affecting business operations (Maricopa is in process for a sign code update in partnership with its Chamber of Commerce).

Other Program Resources

A variety of state and federal program resources were utilized within the Pinal County Enterprise Zone during the past 12 months. Major resources which were provided in support of local business and community development included: rental housing assistance and housing rehabilitation assistance through the HUD Public Housing,

Section 8 Rent Assistance, and Community Development Block Grant (CDBG) Programs; transportation system improvements funded through FHWA, ADOT and the Economic Strength Projects (ESP) Fund administered jointly by the Arizona Department of Commerce and ADOT; and public infrastructure development and strategic planning activities funded through EDA.

Public Expenditures/Infrastructure Development

Due to the countywide nature of the Pinal County Enterprise Zone, all ongoing public operating expenditures and infrastructure development projects undertaken by the various local governments, school districts, special districts, and other public entities within Pinal County served to sustain and enhance the development of the zone and the overall quality of life for zone residents.

The Pinal County Enterprise Zone Commission did not apply for or receive any gifts, loans or other moneys from any private sources for improvement of the enterprise zone during the reporting period.

Conclusion

The growth and development opportunities that have been created for the Pinal County Enterprise Zone as a result of the strategic location of Pinal County between the Phoenix and Tucson metropolitan areas are expected to continue in the foreseeable future. Pinal County has identified much of the Enterprise Zone as a growth area. Areas of San Manuel, Oracle, and Mammoth will continue to see their fortunes rise and fall with the price of commodities and other minerals. Maricopa's economy is tied to both that of the Phoenix metro area and Casa Grande. Florence and Coolidge will be influenced by the Phoenix area but will continue to be reliant on the government sector and the few industries located within Coolidge as their primary economic drivers. The I-10 corridor near Red Rock and Picacho and continuing through Eloy and Casa Grande will have the greatest potential for short term economic growth given their strong transportation infrastructure and manufacturing base. The population in Pinal County is estimated to reach 1 million residents by 2050. Demand for housing, services, jobs and transportation corridors will continue to play an important role in the development of the county. As in past years, businesses located in the Casa Grande/Eloy area continue to apply for the income tax provisions and property reclassifications of the enterprise zone program. The Pinal County Enterprise Zone Commission, its member entities, and local economic development interests will continue to strive to maintain a close working relationship in support of the Pinal County Enterprise Zone Program. The Commission and its partners will continue to work cooperatively with the Arizona Department of Commerce in an effort to maximize the effectiveness of the Arizona Enterprise Zone Program.