

A PLAN FOR THE NEXT ECONOMIC TRANSFORMATION

Greater Phoenix Metropolitan Business Planning
Strategy Development Sessions

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GREATER PHOENIX MARKET OVERVIEW

Fast growing economy ...

\$173B GMP (2010)
15th Largest Metro

70% of state economy

GMP growth outpaced
U.S. and top metros
(2001-09)

Job growth outpaced
U.S. and top metros
(2001-09)

GREATER PHOENIX MARKET OVERVIEW

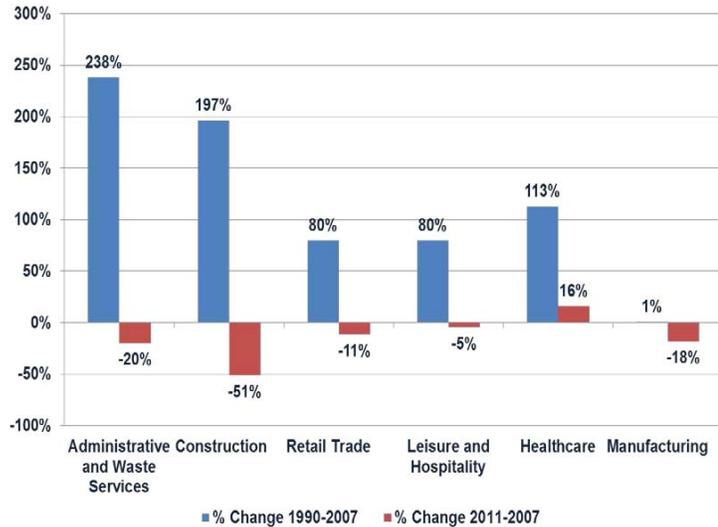
Growth driven by population...

Population growth
2nd fastest in the 1990s
4th fastest in the 2000s

70% of population growth attributed to net migration (2001-10)

Reflected in employment dynamics – five sectors accounted for 56% of job growth and 72% of job loss

Manufacturing flat and lost 18% of jobs in the recession



Source: Arizona Department of Administration, Office of Employment and Population Statistics

GREATER PHOENIX MARKET OVERVIEW

Economic performance is lagging... not resulting in greater prosperity

Productivity is below U.S. and top metros (2001-09)

Five of the least productive sectors account 627,180 jobs

Manufacturing employ 112,000 (7.5%)
Construction & retail employ 290,000 (14%)

Exports grew 29% while U.S. exports grew 60% (2005-11)

Median household income (\$50,385) below top and peer metros

GREATER PHOENIX MARKET OVERVIEW

Upside... region has good assets for the next economy

**Core Sectors with
productivity and
innovation potential**
Aerospace
Electronics &
Semiconductor

Emerging Sectors
Personalized Medicine
Information Tech
Renewable Energy

**Large and diverse
labor force**

**Increasing innovation
capacity to transform
good ideas to
commercialization**

IN SUMMARY...EMERGING THEME AND VISION

Our region is beginning to shift into more innovative sectors of the next economy...

- ❖ Can be observed in aerospace, renewable energy, electronics, informative technology, and personalized medicine

Consequently, the region needs to position its assets for the next economy and drive greater productivity and prosperity...

- ❖ Increase research capacity at universities and industries; enhance commercialization; attract, retain and train workforce; support entrepreneurial activities with the right resources; and invest in 21st century infrastructure and urban form

The region must support/accelerate this transformation with targeted and strategic interventions (right kind of public & private investments)

REGIONAL CONCENTRATIONS

What is it?

- ❖ Geographic concentrations of specialized firms, industries, and institutions
- ❖ Co-location benefits: sharing of labor and other productive inputs generate productivity, efficiency, and knowledge spillovers

Aspects to consider:

- ❖ Promising clusters in terms of growth, size and concentration
- ❖ Clusters needing redeployment and transformation
- ❖ Gaps in the shared inputs (workforce, infrastructure, supply chain)

REGIONAL CONCENTRATIONS - QUESTIONS

What industries in our region will be known for in the next economy, and what are the kind and scope of strategies to get us there?

- ❖ What are our core, emerging and upgrade clusters?
- ❖ What gaps exist in our industry clusters?
- ❖ What do our clusters need to become more productive, grow jobs and firms, and globally competitive?

HUMAN CAPITAL

What is it?

- ❖ Linking human capital and job pools
- ❖ Supply of skilled workers to meet employer demands
- ❖ Demand for skilled workers by cultivating appropriate jobs

Aspects to consider:

- ❖ Concentrations and growth prospects (both skills and occupations)
- ❖ Existing skills/education levels – obstacles and opportunities
- ❖ Quality of education/training system
- ❖ Attraction/retention record and factors
- ❖ Greater coordination, improved workforce information flow and feedback between employers and training

HUMAN CAPITAL – DISCUSSION QUESTIONS

How do we better develop, retrain, attract, retain and efficiently deploy an on-going supply of talent aligned with next economy growth?

- ❖ What are the dynamics that explain high level of skills to jobs mismatch?
- ❖ In what ways can we best prepare existing and projected labor force skills?
- ❖ What opportunities and obstacles exist in facilitating labor mobility (i.e., training/retraining, internships)?
- ❖ Opportunities for targeted retraining, credentialing?

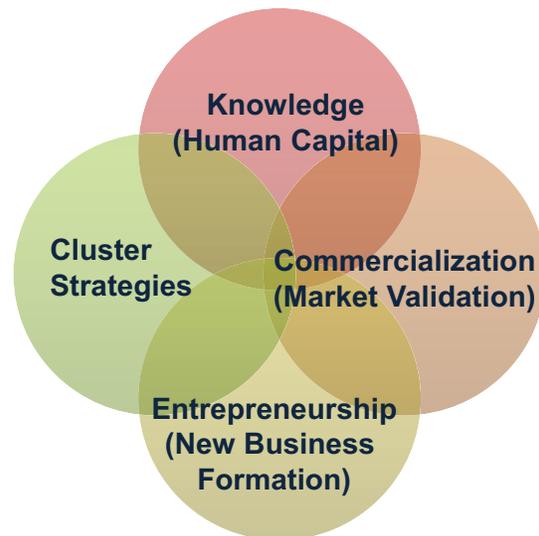
INNOVATION

What is it?

- ❖ Innovation drives increasing productivity and efficiency - the source of all long-term growth. Innovation results in development of new products, processes, business models, and markets.

Aspects to consider:

- ❖ Knowledge/discoveries
- ❖ Cluster specific strategies
- ❖ Commercialization of R&D
- ❖ Entrepreneurship



INNOVATION – DISCUSSION QUESTIONS

What will enable us to shift towards more continuous innovation across the economy?

- ❖ What do we have that should be enhanced and what are we missing in our innovation ecosystem?
- ❖ What industry clusters have innovation-rich potential and what do these cluster need?
- ❖ What kind of public and private coordination is needed to improve innovation pipeline?

SPATIAL EFFICIENCY

What is it?

- ❖ The location of firms and workers within the region determines costs for people and businesses, and influences agglomeration benefits (such as shared inputs and knowledge spillovers)

Aspects to consider:

- ❖ Public policies regarding land use/zoning, infrastructure, etc.
- ❖ Spatial concentrations of firms, occupations, functions, etc.
- ❖ Degree of housing-jobs mismatch
- ❖ Access to transit

SPATIAL EFFICIENCY – DISCUSSION QUESTIONS

What do we need to foster well-connected, mixed use, vital communities that efficiently connect firms, workers and customers and enhance the region's place types?

- ❖ Where are opportunities for mixed-use and innovation-enhancing developments?
- ❖ Are there opportunities for transformative infrastructure (next gen. energy, IT, public transit, PUDs)?
- ❖ What level of coordination is needed across jurisdictions (land use, permitting)?
- ❖ Are there opportunities to develop new tools and methods of financing for redevelopment and infrastructure projects?
- ❖ What strategies are needed to diversify housing types and prices near employment centers?

GOVERNANCE

What is it?

- ❖ Government and civic sector activities hinder or enhance the productivity of economic systems – attracting entrepreneurs, enabling markets, lowering transaction costs, increasing deployment of assets, etc.

Aspects to consider:

- ❖ Degree of horizontal and vertical fragmentation
- ❖ Tax and regulations, value proposition
- ❖ Areas and mechanisms for inter-jurisdictional coordination
- ❖ Strategic engagement of citizens, private and civic sectors
- ❖ Transparency, openness, responsiveness

GOVERNANCE – DISCUSSION QUESTIONS

What kind of alignment is needed to capitalize on our growth potential?

- ❖ What kind of strategic and targeted investments can be made to improve regional competitiveness in the next economy?
- ❖ What opportunities exist to coordinate and streamline services/initiatives among cities?
- ❖ How can regulatory and business environment be more efficient (permitting, licensing, inspections, etc.) to support business growth?