

**CITY OF PEORIA, ARIZONA
COUNCIL COMMUNICATIONS**

CC #: R
Amend #

Date Prepared: October 7, 2010 **Council Meeting Date:** October 19, 2010

TO: Carl Swenson, City Manager

THROUGH: Susan J. Daluddung, Deputy City Manager 

FROM: Scott Whyte, Economic Development Services Director 

SUBJECT: City Council adoption of the Economic Development Implementation Strategy (EDIS)

RECOMMENDATION: That the City Council adopt the Economic Development Implementation Strategy.

SUMMARY:

The Economic Development Services Department has been working with Wadley Donovan (EDIS consultant) on the creation of the EDIS since February 2010. The purpose of the EDIS is twofold:

1. To conduct for the first time an in depth analysis of local economic factors, including a SWOT (Strengths, Weaknesses, Opportunities, Threats), analysis for economic development objectives, and an impartial evaluation of the City's competitive advantage; and
2. To develop an implementation-based road map for achieving the City's stated economic development goals.

The EDIS encompasses all of the economic analysis and data driven conclusions and initiatives necessary to achieve the desired outcomes, organized in the following areas defined as the Economic Development Services Department's core functions:

- Business retention
- Business attraction
- Workforce development
- Redevelopment opportunities
- Small business assistance

The EDIS Executive Summary is attached.

ATTACHMENT:

CITY CLERK USE ONLY:

- Consent Agenda
- Carry Over to Date: _____
- Approved
- Unfinished Business (Date heard previous: _____)
- New Business
- Public Hearing: No Action Taken

ORD. # _____ RES. # _____
LCON# _____ LIC. # _____
Action Date: _____

City of Peoria, Arizona

EXECUTIVE SUMMARY

Economic Development Implementation Strategy

October 2010



TABLE OF CONTENTS

Introduction	1
Executive Summary	2
Community Assessment.....	2
Conclusions	6
Economic Base Assessment and Target Industries	9
Economic Base Assessment	9
Target Industry Identification	9
Retail Assessment	11
Northern Peoria	11
The Sports/Entertainment District.....	11
Old Town	12
Conclusions	12
Program Plan Exploration	12
Old Town Revitalization Plan	13
The Entertainment District/Sports Complex Redevelopment Plan	13
The Loop 303 Area	14
Economic Development Financing And Incentive Programs	15
Economic Development Strategy.....	15

INTRODUCTION

This Economic Development Implementation Strategy (EDIS) provides an implementation-based road map for achieving the economic development goals of the City of Peoria through the five core functions of the City's Economic Development Services Department:

1. Business retention
2. Business attraction
3. Workforce development
4. Redevelopment
5. Small business assistance

The EDIS is composed of six sections. The first four provide the background and analysis needed to identify the issues requiring attention by the City to enhance its economic development:

- A community and business climate assessment of Peoria.
- An economic base analysis and identification of business activities and industries for the City's attraction efforts.
- A retail potential analysis
- An exploration and evaluation of existing economic development related programs and plans

The last two sections present a strategy for addressing the identified issues and a plan to implement that strategy.

These sections are presented, in their entirety, in this EDIS in the following chapters:

- Chapter 1 Community Assessment: An assessment of the community and its business climate, including an economic base assessment and recommended target industries for the City.
- Chapter 2 Economic Base Assessment and Target Industry Identification: A profile of the City's economic base and recommended targeted industries for the City's attraction efforts.
- Chapter 3 Retail Potential Analysis: A retail assessment of the City's three key retail areas: Northern Peoria, The Sport-Entertainment District, and Old Town.
- Chapter 4 Program Plan Exploration: An analysis of previous developed plans for the Entertainment District, Old Town and the Loop 303 Corridor.
- Chapter 5 The Economic Development Strategy: A list of strategies to enhance the City's economic development future.
- Chapter 6 The Implementation Plan: A detailed plan to implement each of the strategies in Chapter 5.

These chapters were developed from extensive research including secondary data provided from a variety of public and private sector sources; interviews with employers, real estate developers, industrial and commercial realtors, City officials, and numerous stakeholders in and outside of Peoria; extensive website reviews; and a survey of City employers. The Economic Development Advisory Board, City Staff and the EDIS Advisory Board provided valuable input into the development of these chapters through product review and refinement.

EXECUTIVE SUMMARY

Community Assessment

Peoria is a city in Maricopa and Yavapai counties with the majority of its land mass within Maricopa County. It is located northwest of downtown Phoenix, 30 miles from Phoenix's Sky Harbor International Airport, in the West Valley region of greater Phoenix. Like the Phoenix metro area as a whole, the City has experienced tremendous growth. Since 2000, Peoria's population has increased by 36.2% to its estimated 2009 level of 147,602.

The City is largely a residential community recognized for its high quality of life, including a well-regarded public school system and low cost of living. Its median household income exceeds those of the county, West Valley, state and nation, and its residents are well educated, with levels of education that exceed the West Valley average. Many of the City's residents are employed in high-knowledge occupations that require advanced training or education. The ratio of residents employed in these occupations exceeds the county, West Valley, state and national averages.

The City's key assets include:

- A population that continues to grow. The current population base is projected to increase by 15.2% to 170,053 in 2014, faster than the county, Phoenix metro area, state and national rates. Although high, this growth rate is lower than other cities in the Phoenix area, such as Avondale, Goodyear, Surprise, Gilbert and Queen Creek, indicating that the pressures to accommodate a growing population with infrastructure and services is not as strong in Peoria as in these and other rapidly growing area communities. The population growth in Peoria is at a manageable pace. Housing foreclosures in the Phoenix area have resulted in only very modest population decreases over the past two years, according to some estimates.
- Access to a large and growing labor force. Because labor markets do not stop at political boundaries, employers in Peoria draw workers from a much greater area than within the City limits. Current commuting patterns show most employees commute up to 30 minutes, however, almost 40% do commute over 30 minutes to work. Within Peoria's 30-minute labor shed, there is a labor force of up to 1,122,592. Within 45-minutes, the City's labor shed workforce increases up to 1,651,105. WDG's labor yield model shows that an office employer with a standard occupational profile could expect to staff up to 2,266 qualified employees in one year, while a standard manufacturer or distributor would be able to hire up to 2,179 qualified employees in one year.
- A rapidly growing labor force. The labor force available within Peoria's labor shed grew almost three times the national rate between 2000 and 2009, and is expected to continue growing into the future as metro Phoenix and the West Valley grow. Much of the metro area's future population growth will be in the West Valley because of available land.
- No gaps between labor supply and demand. The supply of labor is sufficient to meet the current demand for virtually all of the occupations included in the employer survey. Employer survey results show there are only modest gaps between the demand and supply for a few information technology (IT) occupations in the City and Valley.
- Strong educational levels. The education levels of City residents are comparable to state and national averages and exceed levels seen in the West Valley as a whole. The City and its labor sheds have a high ratio of residents with the educational attainment frequently sought by employers. More than 39% of City residents have some post secondary education short of a four-year degree, which is significantly higher than the West Valley, county, state, and national averages. The percentages for this portion of the population in the labor sheds are also high. This high ratio is favorable for attracting business, as many employers prefer to hire residents with this level of education for many production, technical support, office, and other jobs.
 - The percentages of residents with just a four-year college degree in the City and labor sheds generally match the national average.
- High household incomes with favorable distribution patterns. The median household income in the City is well above the national, state, and county norms. The income distribution of the City's residents shows no income bifurcation, or other uneven distribution patterns. The pattern shows a solid middle to upper middle income spread, indicating a favorable environment for economic development and company investment.

- A young workforce. The median age for the City's commute zones is well below the national norm. Younger employees typically offer a higher energy level and technical awareness, learn faster, are more creative, agile, and flexible, and require lower healthcare costs and salaries than older employees.
- A diversified occupational base. The occupational ratio of Peoria residents is well distributed across the 23 occupational groups identified by the U.S. Department of Labor, matching or exceeding the national average in more than half.
- Strong base of "high knowledge" occupations. Within the 23 major occupational groups, there are 11 that generally require a higher level of education and training. Peoria residents are employed in seven of these occupations at levels that exceed national norms, including, among others, engineering, computer and mathematics, finance, and health care practitioners and technicians.
- A flexible labor market. Surveyed Peoria and Valley employers report satisfactory to good experiences recruiting most of their required occupations from the local workforce. Only 5% of the occupations in the survey are slightly difficult to recruit.
- National recruiting of key personnel is favorable. Surveyed employers reported very good experiences recruiting professional, technical, and managerial talent from elsewhere in the country and internationally. The area's availability of affordable housing and a well perceived quality of life are major recruiting assets. Employers report that their foreign-born employees, such as engineers from East Asia, adapt well to the area and find an accepting community. There are a variety of ethnic neighborhoods in the Valley that offer a base from which these employees can acclimate to the area.
- A strong post-secondary educational base. The greater Phoenix area has eight four-year colleges and universities, including Arizona State University, University of Phoenix, and Thunderbird School of Global Management. It also is home to Maricopa Community College (MCC), with multiple campuses across the Valley. Employers report excellent experiences working with MCC in a variety of programs. Employers have good experiences recruiting graduates from the area's schools. Students are graduating from these institutions with degrees in key business, engineering, healthcare, and other industry-related fields. Meanwhile, universities elsewhere in the state, such as the University of Arizona in Tucson and Northern Arizona University in Flagstaff offer recruiting opportunities to employers in greater Phoenix, including Peoria. There are roughly 18,000 students graduating each year from area two-year institutions and 56,000 from area and state four year and graduate institutions.
- Strong basic skills. Employers report satisfactory to good basic skills within the workforce, and a strong work ethic and very good employee productivity.
- Modest labor costs. Relative to other major metro areas and other areas within the Phoenix metro area, salaries for entry-level and experienced workers are modest. Overall, average wages/salaries in Maricopa County are 3% below the national average.
- Highly accessible location. Peoria has a highly accessible transportation infrastructure and services that support current economic development, and planning that supports future development. The City has highway access to Interstate 10 six miles to the south of the City, and to I-17 giving the City access within seven hours to multiple large and mid-sized metropolitan areas in the Southwest, California, Texas, the Mountain States, and Mexico. Freight rail service is provided by the Atchison, Topeka & Santa Fe Railroad (a portion of the Burlington Northern Santa Fe Railroad system). The potential availability of rail-served sites (although few and none with an existing rail spur to serve those sites) affords Peoria with the opportunity to compete for industries needing rail service.
- Excellent utility system and public services. From an economic development perspective, Peoria is well planned and served with utilities and other public and private services. All utilities can support additional economic development in the near and mid-term future. Public water and sewer services in Peoria currently meet economic development needs for a wide-array of business types, with excellent planning of and investment in future capacity. The City has a demonstrated commitment to planning and funding infrastructure improvements. Additionally,
 - Electric power availability and costs in Peoria support future economic development efforts.
 - Availability of natural gas service at reasonable prices will support current and future economic development in Peoria.

- Telecommunications services are currently adequate to support additional economic growth.
- A reasonable short-term inventory of land for business development, with a good mix of parcel sizes (although dominated by smaller parcels that are 5 acres or less) and allowed uses by zoning. The timeframe for development of this inventory is dependent in large measure on the speed of the Valley's economic recovery and competition from available space in existing buildings.
- Additional business development areas associated with the Loop 303. When these areas become available, the City will have a strong long-term inventory. Developability of these areas is contingent on extension of utilities to serve them.
 - The development of most of the Loop 303 area is dependent upon securing control of the land from the Arizona State Lands Department (ASLD), a process that can require an extended timeframe, and demonstration to ASLD that intended development supports ASLD's fiduciary responsibilities. Typically ASLD commercial/industrial land is subject to a 99-year lease, and it is not available for sale. However, this policy is flexible, and in some cases, sale of land is possible.
 - Because of the existing inventory of properties available for development or occupancy, coupled with what is expected to be a protracted emergence from the recent recession, the delayed availability of utilities to properties associated with the Loop 303 should not have a major impact on the City's economic development future.
- A reasonable inventory of available buildings or spaces in buildings for industrial, office, and retail use. This is particularly true given the current sluggishness in the marketplace and availability of similar space throughout the Valley. For office space, the availability is greatest for space less than 20,000 SF, while industrial/flex space is available below 81,000 SF. The current office vacancy rate in the City is 19.2%; however, contiguous space of significant size is not available.
- An Expedited Plan Review Process (Engineering Department) and a Fast Track Development Process (Building Department). These programs were developed by the City to facilitate development.
- The City is making efforts to streamline its permit & approval process, and has an improved economic development service delivery system. Interview sources consider the City's current Economic Development Services office to be an improvement over prior operations, but additional improvements are still needed.
- The City of Peoria is part of the Western Maricopa Enterprise Zone. Enterprise Zone incentives offer two types of benefits: income or premium tax credits and property tax reduction.
- The quality of life in the City is very good to excellent, particularly for families. In July 2008, Money Magazine listed Peoria in the "Top 100 Places to Live". Cultural and recreational offerings in the City and metro area are diverse, and outdoor recreational opportunities are plentiful.
- Low crime rate. The City's crime rate is below those of the state and nation.
- High performing public schools. The Peoria Unified School District has higher graduation rates and lower dropout rates than the state average. It also has higher test scores than the state average, and meets or exceeds the scores registered by the top-rated schools in the Southeast Valley.
- Housing at multiple price points. Peoria has a broad price range of available homes. Current Multiple Listing Service real estate offerings indicate strong housing availability priced below \$300,000.
 - Since October 2008, the average home sales price in Peoria has declined by 26.0%. In March 2010, the average sales price for homes in the City was \$192,350 compared to \$246,814 in October, 2008. During this same time period, average sales prices in Maricopa County dropped by 19.7%. The decline in prices is creating opportunities for younger families to move into the community.

Meanwhile, the City is facing the following challenges:

- Non-diversified economic base. Peoria's economy is heavily concentrated in the retail-trade and accommodation sectors. According to the latest available data, 41.7% of the jobs within the City are within these sectors. These two sectors are characterized by modestly paying jobs with moderate skill requirements. Healthcare and social assistance (18.6%) and construction (9.1%) are the other major employment groups in the

City. The City's employment ratios are below the county average in finance/insurance, professional/scientific/technical services, administrative support services, wholesale trade and manufacturing.

- Low percentage of graduate degrees. The percentage of City residents with graduate degrees is two percentage points below the national average. It is also below the averages for the county and state. The ratio of residents with graduate degrees in the City's 30-minute labor sheds is also lower than the national, state, and county averages. On the other hand, the percentages are higher in the 45-minute labor shed, indicating that employers in Peoria seeking a substantial number of employees with advanced degrees may have to rely on attracting residents living between 30 and 45 minutes from their facility, particularly from the East Valley. Most of these people would be commuting from the East Valley.
- Shortage of engineering degree programs. There are no electrical-electronic or software engineering degrees offered in the metro area, which could be a handicap for recruiting those technology intensive firms needing these degrees for applications and research purposes.
- Recruiting difficulties. Some employers report difficulties recruiting graduates with IT skills from Arizona State University. It is observed that many of these students prefer to return to their home states or countries after graduation, or to seek jobs in other parts of the country with greater job opportunities and larger IT clusters.
- Large number of out-commuting City residents. Most of Peoria's residents work outside of the City, with the largest share commuting to the City of Phoenix and the East Valley. Roughly 93% of the City's employed residents commute outside of the City.
- An older population. The City of Peoria has an older population than the county and state. The median age in Peoria in 2009 was 36.6 years, compared to 34.2 years in Maricopa County, and 35.1 years in Arizona. The median age in Peoria is only slightly younger than that of the nation (36.9 years). The higher median age in the City is largely driven by a low percentage of residents between the ages of 18 and 34, and a higher ratio of residents 75 years old and older. The age profile of the City's residents is forecast to get younger. The 18-34 age group is forecast to grow almost twice the county average over the next five years as younger families are increasingly moving into the City because of its affordable housing, quality public schools, and quality public services and amenities.
- Low unemployment. In 2009, the City's average annual unemployment rate stood at 6.0%, well below state and national averages indicating that fewer City residents are available and actively seeking employment for new business recruitment. The average unemployment rate for the county in 2009 was higher at 8.5%.
- Uneven high school performance. The test scores at Peoria High School are below those of Centennial and Sun Rise Mountain High Schools.
- A housing foreclosure rate that is higher than county, state and national rates. However, it is lower than other Valley communities such as Glendale, Goodyear, Avondale, Surprise, Gilbert, and Queen Creek.
- Mixed reviews on the permit and approval process. There is a distinct difference of opinion among developers about the "business friendliness" of Peoria's permit and approval process.
 - Some believe the process takes much too long and City staff provides inadequate assistance.
 - Others believe Peoria's permit and approval process is tough, but this is true for almost all of the towns in the West Valley, and is still better than in some other states.
 - The problem particularly impacts small businesses with little or no experience dealing with municipal regulatory requirements
 - Staff cutbacks are impacting the ability to process applications for the City's Expedited Plan Review Process and a Fast Track Development Process
 - A recurring theme in interviews with developers is that the City is always studying ways to improve the Expedited Plan Review Process and a Fast Track Development Process system, but never seems to do anything with the information it collects.
 - The City's fee schedule for development is lengthy and potentially confusing, particularly for those not from the City or familiar with process already.

- Peoria competes with the City of Phoenix which is starting a Self-Certification Program (SCP) that eliminates building plan reviews for eligible projects by allowing a State of Arizona registered architect or structural engineer who has received Self-certification training by the City to take responsibility for code compliance.
- Limited set of local financing and incentive tools. Peoria has a limited portfolio of incentives, and these are primarily available from the state of Arizona, which do not provide Peoria with much, if any, competitive advantage over neighboring communities
 - The incentives are difficult to find on the City’s website.
 - The City’s website shows only three incentive programs specific to Peoria: a Façade Improvement Grant Program for the Oldtown redevelopment area, which is being replaced by a Commercial Rehabilitation Program; a Fast-Track Permitting process; and a Peoria Industrial Development Authority, which reportedly has not been used for many years
 - While Peoria’s list of available incentives is limited, most communities in greater Phoenix are in a similar situation with similar programs, although a few do offer customized programs.
- Dissatisfaction with business assistance programs. Employers throughout the area responding to the WDGT Employers Survey were dissatisfied with the availability of business assistance programs and incentives.
 - Peoria employers rated business assistance programs and incentives as “poor”.
- Competition. While the Phoenix metro area is a sought after destination by locationally active companies, Peoria is facing stiff competition from other communities across the region with similar attributes.
- Land costs in Peoria are a concern. Costs are at the high end of the regional range. Surveyed City businesses consider that land costs are too high.
- Construction costs and availability of business financing. Surveyed Peoria employers think that construction costs are higher than elsewhere in the Valley.
- Inadequate Enterprise Zone property marketing. While Peoria has a sizable Enterprise Zone, availability of sites in this zone is not adequately marketed.
- Gaps in office and industrial space. There are significant gaps in availability for larger (100,000+ SF) industrial or flex-space users, and general office or medical office facilities above 10,000 SF. The majority of office and industrial space in the City is Class B, with a few Class C properties. There are very few or no Class A properties. These are all competitive disadvantages for the City.
- Shortage of office and industrial space for sale. Available information indicated the majority of available office and industrial space in Peoria is for lease, a competitive disadvantage in attracting companies that wish to own their building.
- High “for sale” space costs. Although costs for office and retail space in the City appear reasonable, office condominiums and industrial buildings are at the high end of the regional market.

Conclusions

Peoria is an attractive, well-planned, growing community with many assets upon which it can build its economic future and long-range development. These assets include:

- A good short-term inventory of shovel-ready sites and available building space, with a significant potential inventory of sites for future development
- Public water and sewer services that meet current (although not future) economic development needs, and excellent planning of, and investment in future capacity. The City is well-positioned to meet the water and sewer needs of a wide array of business types.
- Electric power availability and costs that support future economic development.
- Availability of natural gas service at reasonable prices
- Telecommunications services that meet business needs
- A well managed, responsive, development-friendly, pro-business government
- Convenient 30-45 minute access to Sky Harbor International Airport

- Interstate overnight access to multistate regional markets
- Rail freight services
- Low crime rates and a high, distinct quality of life
- A virtually union-free town within the office and industrial sectors
- A growing, well educated, diversified and large labor force that will meet the needs of most employers across the business spectrum

Meanwhile, the City is a unique “island” within the West Valley because of its residents’ high educational attainment, high household income, and their high percentage of knowledge-based skilled occupations. This “island” characteristic is both an advantage and a disadvantage as Peoria strives for economic diversification and growth.

Peoria will benefit from this situation because it can offer an alternative to Southeast Valley communities for companies seeking a workforce with technical skills and a strong educational foundation.

However, Peoria is also at a disadvantage because its population is not large enough, on its own, to support anything but small office or industrial operations. Therefore, any employer seeking to locate a mid-sized or large office or industrial facility would have to attract residents from surrounding communities and from other sectors of the Valley to provide adequate staffing.

This will not be a problem for most employers, as the City’s 30 minute labor shed can supply enough labor for an office or industrial operation needing to staff up to 1,000 employees or more in one year. However, because of the demographic and occupational profiles of the residents in the labor shed, employers needing a significant staff of professional and managerial talent will have to attract much of that talent from outside of the West Valley, particularly from parts of Phoenix and from the East Valley. Given that there are significant numbers of employers in these sectors seeking the same skill base, success in such recruiting will be challenging unless employers offer some distinct advantage, such as higher salaries, excellent “employer of choice” reputation and high name recognition, and strong occupational growth opportunities.

The City needs to attract more office and industrial operations that offer job opportunities that match the skill sets of its residents. Just over 93% of the City’s residents in the workforce, or 63,000 people, currently commute to work outside of the City. Many of these out-commuting residents are employed in occupations that require technical, administrative and management expertise that is not demanded by the City’s current employers, which are largely in the retail and accommodation business sectors. The City’s ability to attract such employers in the short-term, however, is limited because of its real estate portfolio.

The City has a good short-term inventory of shovel-ready sites and available building space. However, most of its available buildings are small or inadequate to the needs of many employers, and are, for the most part, not competitively priced. Meanwhile, much of its available land is not currently developable because it is in the northern part of the City within the Loop 303 corridor area and does not yet have required highway or utility service, or it is in other parts of the City, but will not likely be developed until the excess office and industrial real estate inventory throughout greater Phoenix is occupied or otherwise removed from the market, and credit restrictions lessen.

These impediments will exist for the next three to five years based upon development and real estate market forecasts. The City needs to adopt a short-term strategy for this period that will attract companies to occupy its existing office and industrial space and provide a base for future economic diversification and expansion. More aggressive economic development efforts can begin once the local, regional, and national economies recover, Loop 303 is completed, and the commercial and industrial properties in its corridor are served with all of the needed utilities.

The next three to five years can be used effectively by the City to enhance its economic development image, improve its competitive position for attracting industries and corporate investment that will let the City meet its economic development potential, and set the stage for longer term development once economic conditions improve.

Items that need to be addressed as part of this three to five year strategy include the following:

1. The City needs to continue attracting families, but it also needs to become more attractive to single professionals, technicians and skilled tradesmen, and it is important to attract more highly educated and skilled residents in their twenties and thirties to balance the City's demographic mix. Creating job opportunities in the City is important to meet this goal. But other steps are needed, such as:
 - Offering a variety of market priced housing options that meet the needs of families and singles.
 - Continue to offer the environment that is attractive to residents and business, including good municipal services; low to moderate taxes; stable, responsive, and well functioning government; excellent schools; and low crime. These conditions must be offered uniformly across the City.
 - Provide residential zoning that allows a variety of options in housing styles and income ranges. Targeted income ranges should not be focused on upper income sectors, but should also include those in the middle income and upper middle income ranges.
 - Offering an attractive environment for a variety of ethnic populations.
2. Residential development needs to be such that a geographic bifurcation of the City along income, educational levels and social lines does not occur, such as a North Peoria and a South Peoria, or an East Peoria and a West Peoria.
3. The City must continue to plan and fund public water, sewer and solid waste services to support areas planned for business growth, and it should monitor the satisfaction level of its businesses about privately provided utilities and services to identify needed improvements in those areas.
4. In planning its future supply of land for economic development, the City should take care not to flood the market with new real estate product, which would hurt owners of property already on the market. An effective balance must be sought between real estate supply and market demand.
5. There is room for continuous improvement in the City's development and construction-related permit and approval process. Peoria should strive to become recognized as one of the best places in the Valley to undertake commercial construction. The City can accomplish this by streamlining its permitting and approval process, the process of implementing its regulations, and clarifying its fee schedule. In order to assist in the filling up of its vacant office and industrial space by attracting more business to Peoria, it is very important that the City have one of the best business-friendly environments in the Valley and be recognized as such in the development and business communities. Improving its permitting and approval process is one of the most cost-effective "incentives" a community can offer to support its economic development program. Once these improvements are taken, active promotion of these changes should be taken through a public relations program to the development and real estate communities, including special outreach programs and publicity of program changes.
6. Peoria can also increase its competitiveness within the Valley by identifying, funding and implementing specialty business assistance and incentive programs that distinguish it from its neighbors. Any new incentives must comply with the Arizona Supreme Court's recent ruling on the City North project that requires that incentives meet a clear public purpose and do not violate the state's Gift Clause by providing a subsidy to a private enterprise.
7. Other steps that can be taken by the City are:
 - Continue relationship building by the Economic Development Services Department with local businesses and allies (particularly private utilities)
 - Sponsor or encourage a market analysis to stimulate building development in the City to correct any office and industrial real estate gaps
 - Market sites/buildings in the Enterprise Zone more effectively
 - Use the City's Industrial Development authority more effectively
 - Monitor the satisfaction level of its businesses about privately provided utilities and services to identify needed improvements in those areas.

Economic Base Assessment and Target Industries

Economic Base Assessment

According to the latest available data, the City's economic base is within six business sectors: accommodation/food services, retail trade, health care/social assistance, construction, arts/entertainment/recreation, and other services (excluding public administration). These sectors have per capita employment, or location quotients, above the county and state averages. Meanwhile, the City has very low per capita, and actual employment, in the largely basic sectors of manufacturing, wholesale trade, and transportation and warehousing.

Maricopa County, meanwhile, has per capita employment above the national average in industries that offer high paying jobs and are net generators of community wealth: Biomedical/biotechnical (Life Sciences); Business and Financial Services; Information Technology and Telecommunications; Computer and Electronic Product Manufacturing; Electrical Equipment, Appliance & Component Manufacturing; Printing and Publishing; and Defense & Security.

This data demonstrates that except for healthcare, the City's economic base rests on business sectors characterized by modest wages and educational requirements and that the City's economy is heavily dependent upon the greater Phoenix economy.

Other characteristics of the City's economy include:

- A very low ratio of jobs to population relative to the county and benchmark cities in the metro area. For example, to match Goodyear's jobs to population ratio in five years, 15,867 new jobs will be needed.
- A job base that is largely in retail and accommodation (41.7%).
- With the exception of healthcare, the City's job base is very small in the industry sectors characterized by knowledge-based occupations, while benchmark cities in the Valley, such as Goodyear, Glendale, Chandler, Gilbert, and Surprise have significant employment clusters characterized by knowledge-based occupations.
- The City has a potential employment base to support expansion and diversification of its economic base to include more companies requiring knowledge workers.
 - Peoria has a workforce of roughly 67,000 with about 25,500 with knowledge based occupations, of which 93% are commuting to jobs outside of the City.
 - Administrative support occupations constitute almost 20% of this base
 - There is a significant base of knowledge workers living within a 30 and 45 minute drive from the City that could support professional, technical and managerial intensive business facilities in Peoria.

Target Industry Identification

The identification of business sectors or industries for the City to target was based upon the findings of the Community Assessment and the Economic Base Assessment. The key findings from these analyses instrumental in identifying targets were:

1. The City has a shortage of office space to attract significant numbers of businesses with more than about 70 employees.
2. The City has a shortage of Class A industrial space.
3. Peoria has a reasonable short-term inventory of land, but development potential is problematic.
 - Land is not competitively priced, and construction costs are deemed high.
 - Current economic conditions militate against development due to competition and tight financing availability.
4. The opening of Loop 303 and utility expansions will create a large land inventory opportunity to the City, but these combined developments will not occur until about 2013-2014.
5. GPEC has identified eight targeted business activities (those that correspond to Peoria's targets are denoted with an * asterisk):
 - Advanced business services, including data centers*

- Defense and aerospace
 - Bioscience*
 - Global business*
 - Healthcare*
 - High-Tech business operations*
 - Solar
 - Sustainability
6. With over 40% of occupations in the retail and service industries, Peoria does not have the employment base (existing employers in the City) in business sectors characterized by knowledge based occupations to support short term attraction efforts in those industries. This shortage affects the City's image as a business location for these sectors.
 7. The City's labor shed contains a labor force of over 1 million. This labor force is highly educated and is employed in a variety of professional, technical and managerial occupations.
 8. The City has a well-educated population employed in high knowledge occupations, but almost exclusively (93%) commutes outside of the City for work. Occupational fields that are in high concentrations among the City's residents include engineering, business operations specialists, computer and mathematical, financial specialists, healthcare practitioners/technicians, and management. This population base, coupled with the well-educated workforce within the City's labor shed, will serve as a base for business development.

From these findings, the following recommendations for action by the City are offered:

1. In the short term have a program aimed at attracting small professional office operations to fill up the City's existing office inventory in the following four business activity sectors (associated with the City's targeted industries):
 - Healthcare
 - Financial and insurance services
 - Professional, scientific and technical services
 - Administrative services
2. Have a long range strategy to expand the number and size of business facilities in the City.
 - Match the jobs to population ratio of Goodyear and Glendale as a minimum.
 - Focus on industry sectors that are characterized by knowledge based occupations, such as in health care, advanced business services, global business, renewable, and bioscience.
 - Seek to diversity the City's economy.
3. Have a staged plan, based upon Peoria's current unique assets and potential.
 - Do not try to emulate other West Valley communities in terms of business attraction efforts.
 - Build up the City's image as a business-friendly location with diversified employment opportunities
4. Continue to maintain Peoria's attractiveness for residential growth through:
 - Affordable housing and living.
 - Well run City with attractive quality of life, excellent schools, City services and infrastructure.
 - Diversified housing opportunities for a full range of ages and interests.
5. Over the next three to five years and over the long term redevelop the City's business base to contain more operations that require knowledge based occupations. Seek a university campus that has an engineering school with nationally and internationally recognized and respected programs in electrical and electronic engineering, bioengineering, aerospace engineering and mechanical engineering. Also seek to develop a bio-incubator. These actions will:
 - Begin the revamping of the City's image.

- Set the stage for accelerated action after Loop 303 area is served by utilities and the economy strengthens.
6. Plan for development of the Loop 303 area for long-term development of manufacturing and office facilities in targeted industry sectors.
 7. Do not conduct any major target-industry-recruitment efforts until the Loop 303 area is served by utilities and sites are developed.
 - Focus on a staged development, building your employment and business base methodically.
 - Redevelopment of the City's economic base will be long term.
 - Focus business attraction activity along the Loop 303 corridor in terms of creating targeted end-user relationships so that when the 303 corridor is shovel ready, much of early marketing has been completed.

Retail Assessment

Peoria has a significant retail sector that includes more than 40 shopping centers. The amount of per capita retail space, 55.67 square feet, is 26% above the national average. With this foundation, Peoria residents rate retail-shopping opportunities available to them favorably.

Peoria's retailers have been affected by the national recession. They are seeing trends that are reflective of the national situation in which Americans have become more deliberate consumers, being careful about what they buy, and basing their purchase decisions on "needs" rather than "wants". Peoria's residents, largely solidly middle class, historically tended to be value price-oriented shoppers. Now they are even more cautious about spending on retail purchases.

These conditions have produced two results:

- Shopping centers in Peoria are largely dominated by "value" retailers that offer little or moderate retail diversity; there is a scarcity of specialty and high quality, small independent retailers; and there are no shopping centers like Kierland Commons or Westgate that feature public spaces and a pedestrian orientation.
- Absorption of new retail space in the City, along with the rest of the West Valley, has slowed considerably, exacerbated by a combination of reduced demand for retail space stemming from lower retail sales volumes, and a permitting and approval process that is seen by developers as comparatively more difficult than other Phoenix area cities.

This assessment focused on three of the City's key retail areas: Northern Peoria, the Sports-Entertainment District, and Old Town. Each has its own unique characteristics, assets and challenges.

Northern Peoria

- Developers report a lot of unabsorbed space and weakened tenants
- An analysis of the drive shed characteristics of five retail locations in Peoria, Phoenix and Scottsdale shows the area around Lake Pleasant Parkway and Happy Valley Road is an "immature" market in size, but has relatively high household incomes
- However, the dominant lifestyle groups in its drive sheds now are prone to be deliberate consumers
- The completion of the Loop 303 and a real uptick in the economy very likely will bring retail growth back to this area
- However, attracting more upscale retailing near the Loop 303 will require attracting more Young Entrepreneurs and High Society lifestyle households to the area
- They will look for high quality of life environments with lots of public and private amenities

The Sports/Entertainment District

- The Sports Complex and Arrowhead Fountain Center interact and are co-dependent, forming a meaningful Sports-Entertainment District
- This district has significant existing year round assets such as hotels, an 18 screen cinema complex, restaurants, an ice rink, and a theater.

- Consumer leisure behavior suggests some additional uses are possible (e.g., a theme park, bowling, putting green, carousel, auto shows).
- Many opportunities to promote, brand and strengthen the district are being lost because the District lacks the “central management” available to malls and business improvement districts (BIDS). For example, the district could be linked to Peoria’s large auto dealership “mall” on W. Bell Road
- The District badly needs a great public space to serve as a focal point for its identity and a venue for popular informal entertainment activities

Old Town

- Old Town has crowded consumer retail market areas with lots of competition
- Future retail growth would be best pump primed from in-close assets (e.g., municipal complex, University at Peoria Place, commuter rail) that can attract or generate customer traffic
- Distances and the ambience along the walkways usable to pedestrians will be keys to benefiting from the above assets
- Some new retailers will want locations close to these strong assets, even though the market is otherwise crowded
- Linking both sides of Grand Ave should wait until they both are stronger. If done too soon attempts to link them will very likely fail
- The ability of Old Town shops to capture student expenditures will depend on their proximity to the new university and their “magnetism.” A college student can be expected to spend about \$4,200/yr on retail and entertainment

Conclusions

Currently, Peoria’s retail market is crowded. New entrants are either “retail raptors” who are able to compete for and win market share or are enabled by population growth. Concurrently, retail growth is weak and likely to be so for five or more years because the economy and population growth engine is stalled. Due to this weakened population growth, Peoria needs to attract customer traffic generators (colleges, rail stations, resorts, offices) on which new retail can build. The attraction of a university to Old Town and the siting of a commuter rail station there are two excellent examples of what can be done.

Meanwhile, this is the time to leverage existing customer traffic generating assets to attract both customers and tenant prospects through marketing, promotions, and district management – in the Entertainment District now and in Old Town in the future

There is a real need to encourage developers to create more diverse shopping center environments by providing incentives, plans, guidelines and “jawboning”. There is also a growing need to encourage and cultivate more small independent retailers. This is a difficult task because new small firms have a very high failure rate and have substantial needs for capital and management assistance

The nature of future retail growth around the Loop 303, Sports Complex and Old Town will be impacted by well-activated public spaces and quality private project amenities (commercial and residential). The creation of such space will not only create a strong recreation amenity for Peoria’s citizens, but also draw more customer traffic and serve as a *de facto* incentive for developers

Young professionals and High Society lifestyle segments are keys to Kierland-like retailing coming to northern Peoria. They are very demanding about such amenities as parks, cultural facilities, awesome public spaces, high quality restaurants, and “watering holes.” “Walkability” -- i.e., the ability of people to feel safe and walk easily along an interesting path -- is a critical element for successful retail/entertainment districts. Project planning and implementation in Peoria needs to take into greater consideration how pedestrians actually behave.

Program Plan Exploration

This exploration provides an independent evaluation of three City plans and its existing economic development directed incentives and financing programs:

- The Old Town revitalization plan
- The Entertainment District/Sports Complex redevelopment plan
- The Loop 303 market study
- Existing economic development incentives and financing programs

Old Town Revitalization Plan

Old Town is the historic heart of Peoria, and therefore a portion of the community with strong emotional commitment to historic preservation and economic revitalization. It is critical to note that the ability to afford historic preservation is closely linked to the ability to improve Old Town's economic characteristics and performance. Two primary factors control Old Town's economic destiny: attractiveness of the area and attractiveness of the business opportunities.

Implementation of the concepts presented in the "Old Town Peoria Revitalization Plan", or any other plan for that matter, will depend on market conditions at the time development is about to occur.

Because of Old Town's demographics, coupled with other existing retail areas within a short drive, Old Town is not likely to become a major community or regional retail center. Rather, Old Town's commercial future will be as a neighborhood-focused retail and entertainment center that provides necessity and convenience goods and services for residents and drive-by traffic on Grand Avenue, and some specialty retail and entertainment opportunities (e.g., the Peoria Center for the Performing Arts).

An approach that combines upgrading, infill development and selective demolition and replacement, with targeted assistance by the City, will be the most effective direction to take for Old Town.

There are two complementary needs that must be met if Old Town is to attract the interest and investment needed to make it a more desirable and economically vibrant neighborhood: increasing the reasons why both businesses and business patrons would be interested in going there; and reducing the physical and psychological obstacles that keep businesses and patrons from considering the area.

Depressing Grand Avenue will have the effect of reducing the visibility of commercial establishments along Grand Avenue to those in vehicles on Grand Avenue. This may result in an increase in business from cross-street foot traffic while decreasing the amount of business from drive-by traffic. For many retail and service establishments, a portion of the rent they pay is for visibility to potential customers. Depressing Grand Avenue will reduce or eliminate this visibility for those merchants on either side of the depressed street, which we consider to be a disincentive for development that is not outweighed by any positive benefit.

Two interrelated development strategies would help develop the necessary density of use in Old Town:

- Once the college campus has begun developing at Peoria Place, a business incubator program should be developed within or near the campus.
- Any new housing development in or near Old Town should include creation of specific live/work environments with dedicated space for small businesses. Ideally, future housing development on Old Town will offer a mix of unit types (both single and multi-family) and costs.

The Entertainment District/Sports Complex Redevelopment Plan

The Entertainment District/Sports Complex is sometimes thought of as two separate sections – a business area and the sports complex. Because of the mix of activities, which are largely mutually supportive, the area functions in a unified manner and should be positioned accordingly.

There is strong consensus that the greatest potential for the area is as a mixed-use "Entertainment District." This District needs to be developed and promoted as a major and unique destination that can draw from both the West Valley and nationally or internationally.

Entertainment means different things to different people, and different customer groups will be looking for different things. Peoria's Entertainment District should contain elements that appeal to the business traveler and tourist, residents of the Valley, and residents of Peoria. Most importantly, the linkage between tourist visits to

regional destinations and the potential for attracting a diverse mix of businesses and employment opportunities must be noted and encouraged.

Observations of the area include:

- The area should be positioned as “The Peoria Entertainment District at Arrowhead” or something similar.
- There is strong commitment by City officials to assure that additional development or use of the district does not hurt the City’s ability to retain the Padres and Mariners.
- Major new development in the district is limited by a lack of undeveloped land.
- The district has ample parking areas with 70± acres devoted to large parking lots. While this is largely a reflection of the City’s parking regulations, it is most likely more than is actually required.
- The idea of creating an area for “high-end or upscale retail” (generally higher quality and more expensive goods) in the Entertainment District appears to have little public or market support at this time.
- Because of its size measured both in terms of area (570 acres or .89 of a square mile) and distance (more than a mile from east to west and nearly a mile from north to south), the district is not walkable for many people (especially the elderly and handicapped and by many residents and visitors in the heat of the summer months). Consideration should be given to establishing some sort of trolley or jitney service to move people conveniently through the district.
- At six lanes and approximately 100 feet in width (with a 130-140 foot right-of-way in places), 83rd Avenue is seen by some as a “pedestrian moat” that impedes foot traffic between the east and west sides of the street. Prior planning for the district includes the possibility of depressing of 83rd Avenue and creation of a pedestrian deck linking the east and west sides of the street. This is likely to be a very expensive solution (estimated at \$15 million) that would reduce the visibility merchants want to maximize.
- To function effectively as a unified Entertainment District, some form of district management is required.
- A primary way the City can assist the Entertainment District is to help establish and promote its identity and image.

The Loop 303 Area

The future growth needs of Peoria will be well served in the foreseeable future by development areas associated with the Loop 303. The Loop 303 Specific Area Plan appears to be an excellent plan that effectively mixes residential areas, employment centers, support commercial uses of various sizes, and parks/recreation areas/open space. Future revisions in the plan may be necessary to reflect actual market demands and development patterns.

Because of the existing inventory of sites available for development or buildings available for occupancy (both in Peoria and the entire Valley), coupled with what is expected to be a protracted emergence from the recent recession, the delayed availability of utilities to properties associated with the Loop 303 should not have a major impact on the City’s short-term economic development future. However, the delivery of utilities not provided directly by the City (natural gas, electric service, and fiber optic telecommunications) will not likely occur until a specific user is identified. Therefore, business development areas along the Loop 303 will not be “shovel-ready” until that time.

Development of most of this area is dependent upon obtaining control of the land from the Arizona State Land Department (ASLD). Peoria can also expedite the process of having this land available by directly purchasing or otherwise obtaining control of key development areas from ASLD. For companies seeking to set up operations in this area, anything the City can do to reduce the timeframe will increase Peoria’s competitiveness.

In planning its future supply of land for economic development, the City should take care not to flood the market with new real estate product, which would hurt owners of property already on the market. An effective balance must be sought between real estate supply and market demand.

In the past, Peoria has not had an aggressive focus on recruitment of industrial, distribution, or office facilities. A focus of the Economic Development Implementation Strategy—of which this document is part—is to change that situation.

The need for significant amounts of new retail and personal services space associated with the Loop 303 will be tied in large part to the development of new housing in the area, and the types of stores and services that will succeed in these areas will reflect the demographics of the households locating there.

Economic Development Financing and Incentive Programs

Observations of the City's economic development financing and incentive programs include the following:

- The information about incentive and financing programs on the City's website is limited and difficult to find.
- While Peoria's list of available incentives is limited, most communities in the greater Phoenix area are in a similar situation.
- Any future incentives must comply with the Arizona Supreme Court's recent ruling in the Phoenix City North case which stipulates that the project supported by the incentive must meet a public purpose and that the benefit offered the business must not constitute a public subsidy that violates the State's Gift Clause.
- Three approaches may help satisfy these incentive related conditions:
 - The amount of incentive offered by the City should be determined by an objective cost-benefit analysis.
 - The incentive agreement should require the incentive recipient to generate a guaranteed minimum public benefit to the City.
 - Where possible, the City should use "performance-based incentives" where the incentive is received after a stipulated benefit is provided by the business.
- The Industrial Development Authority of the City of Peoria, Arizona (IDA) is an underutilized resource.
- Use of benefits offered by the Western Maricopa Enterprise Zone (WMEZ) is likely to increase as business areas associated with the Loop 303 become available.
- Peoria's shovel ready sites list is an incentive that is inadequately marketed.
- A Foreign Trade Zone (FTZ) or subzone of Phoenix's FTZ #75 should be established in Peoria in conjunction with the development of the Loop 303 area.
- Create a site certification program to expedite the selection of sites appropriate and ready for development.
- Major improvements to the City's website for economic development are necessary, including information on financing and incentive programs available in Peoria.
- Peoria is currently suffering an image problem as a difficult and slow place to get permits for development. The City should commit itself to changing this perception and becoming "The Fastest Permit in the West (Valley)" or some similar goal.
- Effective use of existing programs and new ones to be created should be aimed at accomplishing specific goals (in particular, the recruitment of target industries) that are identified in other parts of this Economic Development Implementation Strategy.

Economic Development Strategy

The creation of an economic development strategic plan or action agenda is the result of extensive research, which leads to an understanding of:

- Marketable strengths that can be capitalized upon
- Product deficiencies that can be corrected cost-effectively
- Development opportunities
- Issues impacting the community's or region's economic development future
- Obstacles to development

Research for this Economic Development Implementation Strategy included preparation of:

- An Economic Base Analysis and Target Industry Analysis including a detailed statistical profile
- A detailed Community Business Climate Analysis

- A Retail Potential Analysis
- A Program and Plan Exploration that revisited several prior plans specific to portions of Peoria (The Sports Complex, Old Town, the Loop 303 area) and also evaluated Peoria's existing economic development financing and incentive programs.

This research provided the consultant team with a strong background understanding of Peoria as an "economic development product" and of the related strengths and opportunities, deficiencies and obstacles, and issues that will shape the City's economic development future.

The next step was to compile a preliminary list of possible initiatives that could be included in the final Economic Development Implementation Strategy (EDIS). Usually such an initial list is far too lengthy for all items to be included in a final plan. However, it provides the basis for refinements from initiative prioritization, combination, sequencing, or deletion based on resource limitations, unacceptability, or other reasons.

It should be noted that this list does not include many important initiatives the City is already working on, or does include some to underscore their importance; these include:

- Commercial rehabilitation, including façade improvements, for Old Town Peoria
- Redevelopment of key underutilized properties in Old Town
- Establishing higher-education campuses throughout the city, particularly a residential campus at Peoria Place in Old Town
- Identity creation and branding of the Entertainment District
- Strategic partnerships with healthcare and bioscience partners
- Attracting projects that will benefit from the Peoria Industrial Development Authority
- Revamping the economic development portion of the City's website to make it more business-friendly
- Redesigning collateral materials for targeted audiences and messages

The preliminary list presented was the consultant team's initial attempt to identify possible initiatives. These were not presented in any order of priority, but rather as a compilation of ideas that had emerged during the research process.

This list was refined through a multi-step process:

- First, the list was reviewed by the City's Economic Development staff and the EDIS Advisory Committee, which provided comments and recommendations on opportunities to combine and prioritize the initial 28 economic development initiatives.
- These recommendations were then reviewed by the City's Economic Development Advisory Board (EDAB), and with additional discussion among EDAB, City staff, and the consultant team, a revised list of 13 initiatives was created.
- This revised list was reviewed again by the City's Economic Development staff and EDAB, and consolidated into 11 prioritized initiatives.

The final list of the 11 initiatives, in priority order is:

1. University Recruitment
 - Continue current efforts to recruit a university to the City emphasizing one with a strong, internationally recognized engineering program
2. Investment Zones
 - Create targeted investment zones within the City offering business assistance and incentive programs aimed at attracting desirable business investment to those zones
 - Old Town
 - Entertainment District
 - Loop 303

- Northern Avenue redevelopment corridor
 - Plaza Del Rio
3. Healthcare Strategy Development and Recruitment
 - Build on ongoing efforts to create and implement a targeting strategy for recruiting and servicing of a significant healthcare sector including facilities and services
 4. Business Assistance Program
 - Adopt and aggressively promote programs, policies, and incentives that provide:
 - Necessary services and assistance to existing City businesses
 - Demonstrate Peoria is a serious competitor for economic development investment
 5. Strategic Land Assembly
 - Strategically seek to obtain or facilitate control of critical business development parcels to provide shovel-ready sites for development, in particular, in
 - Loop 303
 - Old Town redevelopment
 - Key parcels with Loop 101 frontage
 - “Plan to suit” program for targeted projects (for example, by acquiring land from ASLD for a long range development plan and end-user specific site plan)
 - Develop “virtual buildings”
 6. Marketing Plan
 - Create a comprehensive, multi-year marketing plan and budget for Peoria’s economic development efforts with specific attention to Old Town, the Entertainment District, Loop 303, university recruitment, and health care and bioscience recruitment.
 7. Target Industry Advisory Groups
 - Create advisory groups for each of Peoria’s target industries comprised of industry employers, educators, and other relevant groups. Short- and long-term targets include:
 - Healthcare services
 - Biosciences/life sciences
 - Financial and insurance services
 - Professional/scientific/technical services
 - Administrative services
 8. Economic Development Investment Policy (EDIP) and New Tools
 - Create the EDIP with an emphasis on job creation and return on investment
 9. Business Incubator
 - Provide services that start-up businesses need, including financial support, equipment and supplies, administrative support, and space
 - Create a bioscience incubator to encourage start-up companies to grow in Peoria
 10. Permit and Approval Process Task Force
 - Create a City/Private-Sector Task Force to identify specific problems with or weaknesses in the City’s permit & approval process
 11. Workforce Development
 - Identify and implement programs designed to assure that Peoria can provide the workforce of the future that will be sought by targeted business sectors.