

**ARIZONA COMMERCE AUTHORITY BOARD OF DIRECTORS
APPROVED PUBLIC MEETING MINUTES**

Wednesday, September 8, 2021 at 1:00 P.M.

Arizona Commerce Authority

100 N. 7th Avenue, Suite 100, Phoenix, AZ 85007

I. Call to Order and Roll Call

Governor Ducey, Chair, called the September 8, 2021 meeting of the Arizona Commerce Authority Board of Directors to order at 1:02 p.m. and welcomed attendees. The meeting was noticed and properly posted. Governor Ducey requested Lauren Wright call the roll. Quorum of voting members present.

Board Members Present In Person:

Governor Doug Ducey
Sandra Watson
Michael Bidwill
Gary Abrams

Dawn Grove
Wick Pilcher
Barry Smith

Board Members Present Via Zoom Conference:

Mayor Cathy Carlat
Dr. Jose Luis Cruz Rivera
Dr. Robert Robbins
Duff Hearon

Taylor Lawrence
Richard Luebke
Girish Rishi

Board Members Not Present:

John Arnold
Speaker Rusty Bowers
Dr. Michael Crow
Supervisor Steve Gallardo
President Karen Fann
Nancy Ham

Chancellor Lee Lambert
Clate Mask
John Wolfe
Quinn Palomino
Jack Selby

II. Welcome Remarks from Chair – Governor Doug Ducey

Governor Doug Ducey, Chair, thanked everyone for joining the meeting and expressed enthusiasm for those who were able to join in person.

The Governor celebrated the success of this year's legislative session, noting significant achievements in tax reform, which include:



- Arizona’s historic tax reform, moving Arizona to a 2.5% flat income tax — the lowest flat tax in the country
- Reduction of the top rate from 8%—one of the highest in the nation—to 4.5%, cementing our economic competitiveness for generations
- Tax cuts for all Arizonans—no matter how much they make—and prevents a crushing 77% tax increase on our small businesses
- Property tax reductions on small businesses and job creators by 10%
- Increase in the homeowner’s rebate
- Elimination of all income taxes from our veterans’ military pensions

The Governor then provided a budget overview, noting that we were able to implement the historic tax relief while continuing to invest in top priorities and save for the future. The budget signed by Governor Ducey includes new investments for K-12 schools, higher education, public health and safety, quality childcare, infrastructure, wildfire protection, and more. All while paying off nearly \$1 billion in debt plus another \$1 billion in pension liabilities. The budget leaves nearly \$1 billion in the Rainy Day Fund and over \$200 million in the State's General Fund, continuing the longest streak of consecutive structural surpluses in Arizona since 2000.

The Governor thanked legislative partners in these efforts, especially President Karen Fann and Speaker Rusty Bowers.

The Governor then noted several key job announcements that indicate Arizona's strong economic recovery:

- KORE Power, which announced 3,000 new jobs and a nearly \$1 billion investment to build a new lithium-ion battery manufacturing facility in Buckeye;
- Zero Electric Vehicle, which finalized plans for a new electric vehicle manufacturing facility in Gilbert, along with more than 300 jobs and a nearly \$60 million investment;
- TCS announced a 220-employee expansion in Phoenix along with a \$300 million investment;
- CP Technologies opened its new manufacturing facility and headquarters in Prescott.

The Governor emphasized that Arizona is open for business.

III. Consent Agenda

a) Approval of May 19, 2021 Board Meeting Minutes

b) Approval of FY22 Budget

Governor Ducey, Chair, called on the board for a motion to approve the consent agenda items. Gary Abrams made motion to approve, Michael Bidwill seconded. All board members in favor. Consent agenda items approved as presented.



IV. CEO Report-Sandra Watson (A.R.S. § 38-431.02(K))

Sandra reported that the ACA has closed another record-breaking year.

During Fiscal Year 2021, the ACA worked 106 projects with companies that committed to creating 27,536 new Arizona jobs at excellent average wages over \$63,000 and investing an impressive \$25 billion in capital into our communities.

Contributing significantly to these results was Intel's historic \$20 billion investment for two new semiconductor fabs announced in March, KORE Power's \$943 million investment in its one-million-square-foot lithium-ion battery manufacturing facility announced in late July, and an investment from a key semiconductor supplier.

When it comes to both the volume of projects and jobs closed this past fiscal year, technology and innovation led the way.

This trend is carried forward from last year, signaling our state's continued economic growth in high impact, capital intensive projects representing sectors like semiconductors, renewable energy, battery, IT/Software and Optics and Photonics.

Consumer Products and Services and Bioscience and Healthcare now both fall within our top three positions by jobs and projects, with Business and Financial Services and Aerospace and Defense rounding out the remaining share of activity.

With Intel's impressive news this year, it's no surprise that geographically the southwest region led in terms of volume of jobs and capex. This category represents other Arizona expansions as well, showcasing our substantial statewide business growth.

Like the year previous, California continues to be our top source of domestic wins.

As Arizona leads the nation in economic recovery from the disruption of 2020, our state's unique business environment fostered by the leadership of Governor Ducey, drives business activity from our neighboring state.

The West and International markets saw an increase of activity this year. KORE Power drives the volume of activity from the West.

We closed a number of International projects from Canada, including ElectraMeccanica, APEL Extrusions and Li-Cycle.

This increase in Foreign Direct Investment reflects the ACA's focused strategy of targeting advanced manufacturing operations and critical high-tech suppliers.



In Fiscal Year 21, we launched our Advanced Manufacturing Pipeline Development initiative, or AMPeD. We delivered increased, targeted messaging globally, and the positive results showcased here reflect our team's proactive efforts from this last year.

It's important to note that manufacturing projects are spread out across all industries, and half of the total won projects were manufacturing projects.

Sandra then shared the ACA Fiscal Year 2022 YTD Results noting that just two months into Fiscal Year 2022, the final year of our five-year plan, the ACA is off to a strong start, closing 18 projects that will create 4,254 projected new jobs for Arizonans at average wages over \$54,000. Together, these 18 projects represent \$2.7 billion in capital investment, which is more than four times the capex reported this time last year.

Nearly half (45%) of the 18 projects closed to date are manufacturing projects, a trend that is being carried forward from fiscal year 2021.

A significant number of our attraction projects are from California, which includes the recently announced Facebook Data Center in Mesa. The operation will be part of Facebook's global infrastructure, investing \$800 million and creating 100 projected new Arizona jobs.

Sandra introduces Senior Vice President of Business Attraction, Vic Narusis, to share an update on the current project pipeline.

Vic shared that, to date, the pipeline has 271 opportunities that represent more than 88,000 jobs at wages of \$60,900 and a total capital investment of nearly \$114 billion.

Across the board, the largest share of opportunities is categorized within the manufacturing project type, representing about 60 percent of total opportunities, 65 percent of total jobs and nearly 90 percent of total capital investment.

Office projects remain the second-largest project type, with 11,158 jobs and average wages at nearly \$70,000.

Headquarters projects represent nearly 9,000 jobs, or just over 10 percent of our total pipeline and 12 percent of our total opportunities.

Logistics projects have increased since the last time we met, with four additional projects added, increasing the capital investment to \$1.2 billion and representing 8 percent of our total pipeline jobs.

Our research and development projects have increased and with it the number of jobs at 2,016. This category represents the third-largest capital investment behind manufacturing and data centers. Additionally, I'd like to note the average wages for R&D are the highest, at just over \$93,000.



80 percent of our pipeline opportunities are attraction projects. The California and International markets reflect the largest share of opportunities at 20 percent respectively.

California represents \$7.6 billion in capital investment and more than 11,000 jobs. International projects represent 17,682 new jobs, the largest share of jobs across all target markets, and a \$29.6 billion capital investment.

In May, Arizona was announced as a recipient of Area Development Magazine's 2020 Gold Shovel Award within the 5-8 million population category.

Additionally, the leading site selection trade publication named TSMC's announced \$12 billion investment as a "Project of the Year" winner, garnering more attention for its selection of Arizona for its North American semiconductor operation.

Another dominant trade publication called Site Selection Magazine for the first time ranked Arizona among the Top 10 states in its 2021 Prosperity Cup results, which recognizes competitive states in economic development.

Our state also maintained its number one position within the Mountain Region category.

In 2021, Arizona ranked among many other top spots affirming its premier position as a best state for business.

- Arizona earned the top spot for FDI from Business Facilities Magazine, another well-respected site selection publication.
 - In August, PayChex announced Arizona ranks first in the nation for small business growth, with 6 percent growth over the previous year.
 - Phoenix holds the top spot for population growth from 2010-2020.
 - LaborIQ Index ranked Phoenix among the top two for best performing labor markets, ahead of Austin, Denver and Atlanta.
 - Arizona continues to hold its rank as third for jobs recovered from the pandemic, outpacing the nation.
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- Our state also earned a position within the top 5 for aerospace leaders as well as economic growth.
 - Finally, Arizona is ranked very favorably for business friendliness.

The record economic activity, historic announcements and top-tier rankings taking place under Governor Ducey's leadership has led to a surge of national media attention.



Arizona has been featured prominently across statewide, national and even global media publications.

Bloomberg, The Wall Street Journal, New York Times, CNBC and even 60 Minutes have highlighted Arizona's manufacturing momentum and incredible project activity over the course of fiscal year 2021.

With a total of \$32 billion in semiconductor manufacturing investment between Intel and TSMC announced within just ten months of each other and three major electric vehicle groundbreakings within a matter of sixteen months, Arizona has become the epicenter of domestic manufacturing activity - with the best yet to come.

That's because, as Governor Ducey mentioned, this year saw one of the most significant policy wins for economic development in our state's history. The budget signed by Governor Ducey over the summer catapults our economic competitiveness to the top of the class - and cements it for the future.

In addition to the improvements and simplifications to Arizona's tax structure, this legislative session saw significant enhancements to the Qualified Facility Tax Credit, allowing us to continue attracting and winning high-tech, high-wage, quality projects that lead to more opportunity for all Arizonans.

Vic thanked Governor Ducey for his leadership and vision to turn these reforms into law, positioning Arizona to continue driving record-breaking results.

Governor Ducey, Chair, called for motion to enter into Executive Session. Gary Abrams made motion, Barry Smith seconded. All board members in favor.

Dawn Grove, ex-officio member in her role as the Chairman of the Workforce Arizona Council, announced that she would be stepping down from the Council as she is now running for Arizona Attorney General. The Governor thanked Ms. Grove for her service to our state and wished her well in her future endeavors.

Executive Session

The board entered into Executive Session at 1:23 p.m.

- a) Client Updates**
- b) Business Development Strategies**

The Board returned to public session at 2:12 p.m.



V. Call to Board Members for Future Agenda Items

Governor Ducey, Chair, called for any items the Board would like to address at future meetings then acknowledged that Sandra Watson would set the future agenda.

VI. Adjournment

Governor Ducey, Chair, called for motion to adjourn. Gary Abrams made motion, Michael Bidwill seconded. All in favor. The meeting was adjourned at 2:14 p.m.

