

Tucson 20/20

March 9, 2018 State of the City Address

Mayor Jonathan Rothschild

INTRODUCTION

Good afternoon. Welcome. Thank you for coming.

Thank you to the Tucson Metro Chamber and the Tucson Convention Center for hosting this year's event—and congratulations, Amber, on becoming the Chamber's first female CEO. Part of today's proceeds is being shared with CHRPA, Community Home Repair Projects of Arizona, and Southern Arizona Legal Aid. Please join me in recognizing the Chamber for this donation and CHRPA and SALA for their work.

Cities operate within constraints, never more so than today. Obstacles can be overcome. But first, you need a clear vision—a shared vision—of where you're at, and where you want to go.

We've seen what this can bring over the past few years, working with the business and nonprofit sectors on many initiatives.

In that regard, I'd like to thank City Manager Mike Ortega and city staff, my colleagues on the City Council: Regina Romero, Paul Cunningham, Paul Durham, Shirley Scott, Richard Fimbres, and Steve Kozachik, and the many people and organizations we worked with this past year. Thanks to your efforts, we continued to move Tucson forward, making progress on jobs, city services, and meeting community needs.

Yesterday, we had some bad news about Rockwell Collins. We're reaching out to the company, which is being acquired by United Technologies. But if their decision to leave is final, that's all the more reason why we need to double down on economic development. It's a volatile world, and we can't sit back and wait for employers to find us.

ECONOMIC DEVELOPMENT

To create jobs, we offer incentives, with guarantees in place so taxpayers will also benefit. Raytheon and Caterpillar are just two examples of companies we successfully engaged with, using incentives to create jobs in this community—at Raytheon, more than 1,900 jobs over 10 years, and at Caterpillar, more than 630 jobs over five years—for a combined economic impact of well over a billion dollars from these two companies alone! In 2017, we unanimously approved incentive packages for each.

Other city incentives helped create 400 new jobs in technology, healthcare, entertainment, and business services.

There was more good news. A number of major employers announced expansions, from Banner Health to GEICO to Vector Space Systems, creating another 5,200 jobs.

And if some of these new employees want to live downtown, they can.

We added to our inventory of downtown housing: 400 new market-rate apartments and 300 new affordable housing units—most built with federal, state, and city incentives. We opened a new hotel, the AC Hotel by Marriott, the first hotel to be built downtown in a generation—and yes, city incentives helped with that project, too.

I want to remind everyone that these incentives don't come without safeguards. Developers can't benefit until they deliver on their promises. And always, always, taxpayers must come out ahead.

Housing and hotels aren't all that's going up downtown. We're adding retail, restaurant, and much-needed new, modern office space at several locations. City Park is under construction on the long-vacant Thrifty Block. Caterpillar is building its facility just west of the freeway, giving its employees easy access to our urban core. Even KXCI, a local arbiter of hipness, opened a studio downtown, at Hotel Congress. As mayor, I got to spin the first record. It was Martha and the Vandellas' Dancing in the Street.

Of course, Motown isn't all they play at KXCI, and incentives aren't all we offer at the city. We help economic development in a variety of ways, including working with the Chamber on Project Prosperity. Last year, we approved final plats for 535 acres of subdivisions. We revised our sign code, delayed impact fees, and eased zoning restrictions. We brought together staff from different departments to coordinate development review. And our Planning and Development Services Department issued 9,100 permits and completed more than 84,000 inspections. You heard that right, 9,100 permits and 84,000 inspections.

We made gains in the Five T's: Technology, Trade, Transportation, Tourism and Teaching.

- We made an agreement with AHCCCS that allowed us to obtain federal funding to start a pediatric residency program at TMC. *Technology and Teaching.*
- We added nonstop flights to Austin, Charlotte, Minneapolis-Saint Paul, and San Jose, giving all of us four more reasons to fly Tucson first, and bringing our total to 20 nonstop destinations. *Transportation and Tourism.*

- We met with business and government leaders in Mexico and Canada, speaking with aerospace industry representatives in Ciudad Obregón and Montréal, and with tourism professionals in both countries. *Technology, Trade, and Tourism*.
- Together with PAG, we held a Borderlands Trade and Transportation Technologies Conference. Three of the Five T's right there in the name.
- We added World Festival & Event City to our World City of Gastronomy designation. In Tucson, we know how to eat and have a good time—and what tourist doesn't want to experience that?

And, just this week, we learned that SR 189, the 4-mile spur that connects the Mariposa Land Port of Entry and I-19, was awarded a \$25 million TIGER grant by the U.S. Department of Transportation. We've been advocating for improvements to this important trade corridor for years. Our thanks to the entire Arizona congressional delegation for securing this funding.

When we see things clearly, we realize we need to work in teams. Look at the Greater Tucson Healthcare Sector Partnership, founded with leading hospitals and healthcare providers. Healthcare is a fiercely competitive sector. But by seeing that they share common ground, these competitors have worked together on talent development, opioid misuse, innovation, and marketing Tucson as a healthcare and wellness destination.

Promoting Tucson as a business destination, we welcomed the Annual Conference of the Site Selectors Guild to Tucson. We invited some of the leading site selectors in the country to come back and meet with some of our largest employers, to hear from them what the region has to offer. They took us up on our invitation and visited last month. I was very pleased to hear, again and again from the businesses we toured, their positive experiences working with the city.

CITY SERVICES

Cities focus on economic development because a prosperous economy helps workers and their families, and because it provides the revenue we need to deliver services. Tucsonans—and people throughout the region—need and use our city services.

Last year, Tucson voters passed a five-year, half-cent sales tax for roads and public safety. On your way in, you saw vehicles and equipment purchased with Prop. 101 funds, ensuring that our first responders arrive on time, with the equipment they need.

Voters trusted us because we've shown that when Tucson makes a promise, Tucson delivers—for example, the five-year, \$100 million street bonds, passed in 2012. We told voters what streets we were going to fix and when, and we delivered on our promise, paving 963 lane miles

of city streets. When the street bonds expire, sales tax from Prop. 101 takes over, adding another \$100 million of road repair.

We've been good about telling voters what we're going to buy with their money, and we've been just as good about showing voters that yes, that's what we bought with their money, under the banner of "Tucson Delivers."

In 2017, not only did the Tucson Fire Department win the best possible rating for fire suppression and prevention, an ISO rating of Class 1—the only fire department in the state to do so—but Tucson firefighters responded to more than 92,000 emergency calls and more than 500 structure fires.

Some more numbers from 2017:

- Tucson Police Officers responded to more than 19,000 emergency calls.
- The Tucson Department of Transportation filled more than 50,000 potholes.
- Tucson Water delivered close to 33 billion gallons of clean drinking water to homes and businesses.
- Environmental and General Services disposed of more than half a million tons of trash.
- Sun Tran and Sun Van served about 55,000 riders every day, Monday through Friday.
- The Sun Link streetcar welcomed its three-millionth passenger.
- And more than 49,000 kids swam for free at city parks.

We launched Tugo Bike Share, extending our public transportation system with bikes meant for short, under-30-minute rides from station to station. We were able to launch with 330 bikes at 36 stations thanks to sponsors TMC, TEP, the Tohono O'Odham Nation, Banner Health, Visit Tucson, Rio Nuevo, the Tucson Roadrunners, HealthOn Broadway, Gadsden, El Rio, and Caterpillar; and grant funders PAG and the Federal Highway Administration—a great example of public-private partnership.

While much of what the city does goes unrecognized, occasionally we do receive recognition. TDOT's Airmen Memorial Bridge won a Public Works Project of the Year award from the Arizona Chapter of the American Public Works Association last year. And we all celebrated Congress Street being named one of five Great Streets in America and one of 15 Great Places in America by the American Planning Association.

Tucson grew in 2017. We annexed close to 680 acres, bringing back more than \$13 million in state-shared revenue over 10 years. Even after service costs, that means a net gain to the city of more than \$9 million. Annexation is a win-win. The city gets revenue from the state.

Residents and businesses get city services. And annexation allows us to offer city incentives to newly-annexed businesses that qualify.

The numbers are big, in part because this is a big city—the 33rd largest in the United States. Our incorporated population is larger than the cities of Atlanta, Miami, New Orleans, and St. Louis. Their surrounding areas have more people, and that gives them more resources, but their city governments serve smaller populations. In Tucson, we have big challenges because we're a big city.

Our city manager and department heads continue the Herculean task of balancing our budget—a huge challenge, as it is for all cities and towns in Arizona, who must make accelerated payments into the state-run public safety pension system in the wake of the Supreme Court's decision in Parker vs. PSPRS. For Tucson, this means that the city's contribution to PSPRS, the Public Safety Personnel Retirement System, will be \$83 million in fiscal year 2018—15% of the city's general fund. By comparison, 20 years ago, our contribution to PSPRS was just \$2 million.

Arizona voters gave local governments some relief by passing Prop. 124, an amendment to the state constitution supported by police and firefighters that created a third tier of public safety benefits. While we're grateful for this relief, and for the support of our public safety personnel, the Parker decision means that Tucson's contribution to PSPRS will remain very high for years to come.

This is the hand we're dealt. As I said, this is a state-run system. The state presents us with a bill and we pay it.

At the same time, we have a state legislature that keeps chipping away at the city's tax base. There's a bill right now—SB 1392 and its companion bill HB 2479—that would create new exemptions for digital transactions that have been taxed for decades. If it passes, it would cost Tucson \$2.3 million in sales tax, with that figure increasing annually—more than wiping out any gains we've made by consolidating services. Efforts like this, that seek to undermine the financial stability of cities, must stop, and I'm calling on all of you to help stop them. We can't keep asking city employees to do more with less, and less, and less.

COMMUNITY

Economic development is about more than business. It's about the community, giving people the resources they need in order to succeed.

Economic development is about education.

Last year, we received a \$2.1 million grant from the Corporation for National and Community Service, adding three years to our Community Schools initiative. Housed at 10 local middle and high schools, Community Schools aims to increase graduation rates by surrounding students and their families with support services, including tutoring and college and career planning. In its first two years, Community Schools served more than 5,000 students at eight high schools—eight high schools that saw graduation rates increase by 3%, and college attendance increase by 9.5% among graduating seniors.

We continued our Steps to Success program with TUSD, knocking on doors of students who dropped out or are at risk of dropping out. To date, the program has reenrolled 617 students, and 95 are now high school graduates, with more expected this spring.

We organized College and Career Readiness Fairs at Desert View and Sunnyside high schools, and we're organizing three more at TUSD high schools.

Through donations, our Great Start program was able to get 2,100 students access to the arts. But we learned there was another organization that could do more, so we merged our program with theirs. Act One provides Title I schools with field trips to concerts, museums, and plays. Now, instead of 2,100 students, we're getting 7,000 students access to the arts. Vision has to be about the goal, not ownership of the method. Vision is about finding the right partners, and being willing to compromise.

We found the right nonprofit partners for Mentor Tucson Youth, our initiative to increase the number of adults volunteering as mentors. One mentor pair is here today: Jackson Bahati and his mentor, Marsharne Flanagan. Jackson came here as a refugee from Rwanda. Today, he speaks English, graduated high school in three years, and will be attending Pima Community College in the fall. He is the Boys & Girls Clubs of Tucson's 2018 Mark Irvin City Youth of the Year—all things he credits his mentor, Marsharne, with helping him to achieve. Jackson, Marsharne, would you please stand and be recognized?

Mentoring works. There are many ways to be a mentor, and I encourage all of you to consider becoming a mentor.

Economic development is also about housing.

Since launching the Obama initiative to house homeless veterans in 2013, we've placed 2,525 formerly homeless veterans in permanent supportive housing. In addition, the city's homeless

work program has helped more than 260 people experiencing homelessness connect with social services.

Another Obama program, called Pathway to Purchase, one of the programs featured in our Help for Homebuyers initiative, expended its funding, ultimately helping 1,407 families and individuals buy homes in Tucson and South Tucson. Also last year, our office held two Homebuyer Expos, one with TMC, one with Pima County and El Rio, with information on various assistance programs and home buying in general. We have two more coming up this year, with the Pima Area Labor Federation and TUSD.

Economic development is also about social services.

The Second Chance Tucson coalition, which we started with Judge Charles Pyle in 2012, held a luncheon to recruit more participating employers—I see some of you in this room, thank you—and held its fourth Second Chance Job Fair. I also visited prisons to talk with inmates about re-entry. With the cooperation of the Federal Bureau of Prisons and the Arizona Department of Corrections, some inmates attended our job fair while still incarcerated, lining up jobs pre-release.

We took steps to make it easier for Tucsonans to resolve outstanding legal issues without missing work, holding evening and weekend Warrant Resolution Court, offering affordable monthly payment plans to defendants, and reducing the need for pretrial detention by offering 24-hour telephone access to a magistrate.

At the same time, we passed ordinances prohibiting texting while driving, street racing, and the sale of “Spice,” or synthetic cannabinoids.

And finally, economic development is about being a welcoming city.

Recognizing that we are a nation of immigrants, Tucson joined Cities for Citizenship. Working with our partners, we created a program that offers legal, financial, and educational help for immigrants who want to become naturalized U.S. citizens.

We put a section on my website called Don’t Wait to Fight Hate, with resources for people to report bullying, discrimination, and hate. And we passed a misdemeanor hate crimes bill.

I also joined thousands of Tucsonans at the local Women’s March and the local March for Science, and I will join the local March for Our Lives, although I regret the fact that we need

these demonstrations to take place. Women, and all people, should be treated equally; science should be respected, and lives—especially children’s lives—should be protected. This should be a given. That it’s not has inspired countless Americans to rededicate themselves to these principles—core values of our republic.

GOING FORWARD

Vision is not just about seeing the need—it’s picturing how to meet that need. Sometimes we get stuck looking for problems when we really need to be looking for solutions. You can’t build on what’s going wrong. But you can build on what’s going right. You just have to find it.

Right now, Tucson’s downtown is going right. University of Arizona President Dr. Robert Robbins has even assured me that we can expect to see an innovation center, focused on medical technologies, in the old Walgreens building by the end of this summer. A synergy has taken hold, and downtown has taken off.

So one question is, how can we build on that success, adapt it to other parts of town?

My first approach, always, is to look for partners. There are just four full-time staff members in my office, two part-time, and the mayor’s office budget barely pays their salaries. There’s no extra money at the city, either. So working with others is a necessity.

This is hardly unique to government. Successful businesses work in partnership with their vendors and customers. Successful nonprofits work in partnership with their clients.

It just so happens that, this year, we’re working with the Rose Center for Public Leadership and the Urban Land Institute as Rose Center Fellows—along with Salt Lake City, Utah; Richmond, Virginia; and Columbus, Ohio. We were given the opportunity to work on a local land use challenge, and our team chose Oracle Road in Ward 3, a historic commercial corridor and a gateway into the city. I wanted to do six of these, one in each ward, but we had to choose one. What we learn there can be adapted to other parts of town: South 12th Avenue in Ward 1, Tanque Verde Road in Ward 2, Houghton Road in Ward 4, the Millville neighborhood in Ward 5, and Grant Road in Ward 6.

Last week, we had our first presentation of preliminary suggestions, which began with observations.

I have to say, I felt cautiously optimistic. That’s what focusing on strengths and opportunities will do for you. There are many partners to work with, starting with those who are already

there. That's how we make sure existing residents and businesses also benefit from growth, and have a say in how their neighborhood develops.

Once you envision the future you want, you have to look at the tools in your toolbox to attract that kind of development.

We were clear about the kind of development we want with the Water Infrastructure Incentive, passed last month. Available in areas appropriate for manufacturing and logistics, such as land near the airport and along I-10, I-19, and the Sonoran Corridor, the Water Infrastructure Incentive provides offsets to the cost of bringing water to sites that lack it. To qualify, businesses must pay their employees well and be socially and environmentally responsible, doing things such as adopting water conservation and green building practices, and hiring military veterans.

So, incentives are one tool. But in Tucson, with financial limitations on our budget, and statutory limitations placed on us by the state, they can't be the main tool. For example, the City of Atlanta has 10 TIFs, or Tax Increment Financing districts, to help attract the kind of development it wants. The State of Arizona has one, Rio Nuevo, which the state legislature often threatens to take away.

CONCLUSION

I came into this job knowing that we had to grow our economy to be able to provide the services our residents deserve. That remains a key component of making Tucson thrive, but economic development alone can't solve all of a city's problems.

Cities across the country are facing revenue shortfalls because they depend on sales tax, and sales tax is not being collected. Why? Because people are shopping online. And in Arizona, cities no longer control collection of their own locally-generated sales tax. The state passed a law saying they would do that, and cities would have to pay the state to do what we used to do ourselves.

Furthermore, sales tax can only go so high, and the state gets most of it as it is. The state legislature refuses to raise income tax, so when they do look at taxes, it's always sales tax. We need a more stable funding model for cities—new ways to generate revenue.

We also need new ways to deliver services.

Part of that will be reorganization, such as City Manager Mike Ortega's consolidation of business services, or public safety communications. Part of that will be more coordination of services with other local governments—the county, but also PAG, the RTA, and other cities and towns.

Cities—this city—deliver essential services. Firefighters and police need to be able to respond to emergencies. Roads need to be maintained and fixed. Streets need to be safe for everyone. Water needs to be clean and pure. Trash needs to be picked up. And kids need parks to play in.

That's the business of a city: quality of life. That's the service we provide. That's the product we demand. And it doesn't happen without investment.

Here's where we start with that clear, shared vision for Tucson: a city that has the resources to provide all that, and more. For too long, our parks have been too far down on our list of funding priorities. I will ask my colleagues on the council and city staff to explore a parks initiative, that includes provisions for bike and pedestrian connectivity. For too long, our police department has had too few officers. Working with my colleagues on the council and city staff, this year, we will address both recruitment and retention at TPD.

What else would that shared vision include? Here are some ideas.

- Tucson as the preferred headquarters location for U.S. companies doing business in Mexico and Mexican companies doing business in the U.S.
- Tucson recognized as a center of music and art, alongside places like Austin and Santa Fe
- Tucson as the best place to launch a business in the Southwest, with several innovation centers and a thriving ecosystem of companies in all stages of development
- Tucson recognized as a center of green technology
- Tucson as a city that never gives up on its people, working to keep them connected and productive, whether that's getting dropouts back in school, getting the formerly incarcerated back in the workforce, getting homeless veterans back in housing, or any of the many other social service missions in this community

Can city government do this alone? No. Certainly not, given our financial constraints. But we can bring the community together to have the conversation.

2020 is less than two years away. Let's look where we're at today, and where we want to be then, with clear-eyed, 20/20 vision. Let's strive to see things from each other's perspective, and not through the distorting lens of ideology.

Progress isn't made overnight. But think back to where we were in the Great Recession, and look where we're at now. We're making our own future here. Let that future be one we envision for ourselves.

Thank you for all you do for Tucson, and for allowing me the privilege of serving as your mayor.
Thank you.