

AGENDA

AGENDA OF THE WORK SESSION OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, TO BE HELD ON MONDAY, AUGUST 29, 2011 AT 5:30 PM IN THE BISBEE MUNICIPAL BUILDING, 118 ARIZONA STREET, BISBEE, ARIZONA.

THE MEETING CALLED TO ORDER BY _____ AT _____ PM.

ROLL CALL

COUNCIL

Councilmember Boyd Nicholl, Ward I, Mayor Pro Tempore
Councilmember Bennie Scott, Ward III
Councilmember Luche Giacomino, Ward II
Mayor W.J. "Jack" Porter
Councilmember Anna Cline, Ward III
Councilmember Ransom Burke, Ward II
Councilmember Ken Budge, Ward I

STAFF

Stephen J. Pauken, City Manager
Gloria P. Gonzalez, City Clerk
Dee L. Flanagan, Finance Director
John Charley, Community Development Director
Jim Elkins, Chief of Police
Jack Earnest, Fire Chief
Jennifer L. Graeme, Personnel Director
Tom Klimek, Public Works Director/City Engineer
Peg White, Library Director

CITY ATTORNEY

John A. MacKinnon

THE FOLLOWING ITEM WILL BE DISCUSSED AND/OR CONSIDERED AT THIS MEETING:

1. Discussion Regarding Current and Future Economic Development Opportunities within the City of Bisbee.
John Charley, Community Development Director

ADJOURNMENT

Anyone needing special accommodations to attend this meeting should contact Gloria Gonzalez at (520) 432-6000 at least twenty-four hours before the meeting.



AGENDA ITEM NUMBER 1

**COUNCIL ACTION FORM
WORK SESSION**

DATE SUBMITTED: August 26, 2011	TYPE OF ACTION: <input type="checkbox"/> RESOLUTION	SUBJECT: DISCUSSION REGARDING CURRENT AND FUTURE ECONOMIC DEVELOPMENT OPPORTUNITIES WITHIN THE CITY OF BISBEE
DATE ACTION REQUESTED: August 29, 2011	<input type="checkbox"/> ORDINANCE	
<input checked="" type="checkbox"/> WORK SESSION	<input type="checkbox"/> FORMAL ACTION <input checked="" type="checkbox"/> OTHER DISCUSSION	

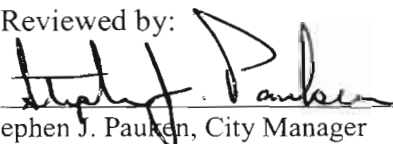
TO: Mayor and Council
FROM: John Charley, Community Development Director
RECOMMENDATION:
PROPOSED MOTION: DISCUSSION ONLY

DISCUSSION:

As part of a series of scheduled discussions between City departments and City Council regarding economic development opportunities within the City, the Community Development Department will provide an overview of potential projects designed to enhance, foster and grow local businesses

FISCAL IMPACT:
DEPARTMENT LINE ITEM ACCOUNT:
BALANCE IN LINE ITEM IF APPROVED:

Prepared by: 
John Charley, Community Development Director

Reviewed by: 
Stephen J. Pauken, City Manager



A MEMO FROM COMMUNITY DEVELOPMENT

TO: MAYOR AND CITY COUNCIL
FROM: JOHN CHARLEY, COMMUNITY DEVELOPMENT DIRECTOR
SUBJECT: ECONOMIC DEVELOPMENT OVERVIEW
DATE: 8/25/2011
CC: STEVE PAUKEN, CITY MANAGER

The following is a brief overview of economic development efforts by the City of Bisbee; past success, status of our current efforts and proposals for the near future.

Until the closure of mining operations in the mid seventies it's safe to say that economic development in Bisbee began and ended with the mining industry. In partnership with Phelps Dodge the City of Bisbee developed the Queen Mine Tour and entered into what would become the cornerstone of its most important industry, tourism. Today the Queen Mine is the number one paid attraction in Bisbee. Hosting nearly 50,000 visitors a year the tour is staffed by 12 employees and contains a highly profitable gift shop.

As the tourism sector grew and Bisbee's popularity expanded to include artists, retirees and second home owners the City moved forward with its second major initiative to secure the health, safety and economic viability of the City; the 3 \$33,000,000 replacement of the sanitary sewer system.

After the completion of this system, economic development efforts by the City were primarily focused on the tourism industry. Along with business friendly modifications to the City's Zoning Code these efforts (please see the attached Exhibit A) resulted in record numbers of visitors, increased property values, and national recognition for Bisbee as one of the best small towns in America.

Unfortunately the continuing economic recession has brought to a halt to much of the City's economic growth. In early 2007 nearly two hundred homes that were projected to be built in Bisbee failed to materialize. In addition our largest employers, tourism and government, saw significant reductions in revenue and employees.

For a more detailed examination of Bisbee's economic profile including strengths, weaknesses, and opportunities there are four publications that should be consulted:

- *The City of Bisbee General Plan*
- *Bisbee Focused Future, Strategic Plan for Community and Economic Development, APS*
- *Bisbee Economic Outlook 2010, Cochise College Center for Economic Research*
- *Comprehensive Economic Development Strategy 2010-2015, South Eastern Government Organization (Exhibit B)*

These four publications span over a decade of analysis, recommendations and adopted policy. Much of these publication's insights and findings were gained through extensive public processes in cooperation with professional economists and planners. Without repeating the information found in the above mentioned publications it is clear that although some points may have lost there relevancy over time the key economic opportunities for Bisbee have changed very little.

In 2011 the City's economic strengths remain tourism, government jobs, proximity to Mexico, available land, and Arizona's projected growth.

With these factors in mind the Community Development Department is proposing three opportunities to investigate further: Tourism, both local and regional. Development of a business incubator and an industrial park adjacent to the Bisbee Airport.

Tourism

Today and in the near future tourism will continue to be the backbone of Bisbee's economy. The overall promotion of Bisbee as a destination and the enhancement and expansion of the Queen Mine Tour are instrumental in the stability and success of this industry. With ever increasing number of visitors to Bisbee and hundreds of thousands of dollars worth of story placements the efforts to promote Bisbee by the City far exceed all expectations. However, the majority of these efforts are funded by the City's bed tax, The Queen Mine Tour and the City's participation in the Cochise County Tourism Council (CCTC). In order to elevate Bisbee to the next level of tourist destinations the City stands to lose much of its advertising presence by depending on the limited and fluctuating revenue of the bed tax. Now may be the time to consider dedicating additional funds to increase advertising, expand Visitor Center marketing efforts.

The City can also encourage its partners on the CCTC to substantially increase their funding in order to promote regional tourism. Other City funds may be directed to improve directional signage, lighting and address other pedestrian safety issues. Last, but not least the city needs to continue working closely with Freeport McMoRan to expand the Queen Mine Tour, perhaps as a surface tour of the Campbell Yard.

It is estimated that for every dollar spent on advertising \$180 dollars is generated in direct travel spending and \$14.95 in state and local taxes.

Regional Business Incubator

A business incubator potentially housed at Bisbee City Hall could provide start up businesses the professional space they may need to develop and nurture a new business initiative (Exhibit C). With SEAGO not renewing their lease, the City will be challenged to find compatible tenants. One solution would be the development of a business incubator. Although the rents would be minimal and the typical incubated business may take several years to develop a regional incubator program would demonstrate the City's commitment to business growth.

Potential Locations: Bisbee City Hall, Bisbee Airport, Bisbee Middle School

Type: On site and virtual

Industry Sectors: Tourism
Homeland Security
Defense
Mining
Retail
eBusiness and eCommerce
Environment
Services/professional
Agriculture
Medicine

Services: Office space, receptionist, computers, copiers, conference room, mentors, IT support and access to funding opportunities.

Sponsors: City of Bisbee
University of Arizona
Cochise County
Cochise College
SEAGO
Local First
Local bank

Funding: USDA, EDA, Freeport McMoRan, HUD, SBA

Airport Industrial Park

An industrial park located next to the Bisbee Airport would provide much needed commercial/manufacturing space to meet current needs as well as, potential growth from increased activity at the Naco port of entry. Currently the City owns approximately eighty acres of undeveloped property next to the Bisbee Airport (Exhibit D). Much of this property fronts Airport Road and is in close proximity to wastewater and railroad infrastructure. Potential clients for the industrial park could range from alternative energy development, homeland security and agriculture to eCommerce and mining technology. The park may also be a natural fit for businesses that are ready to “graduate” from the proposed business incubator. Major support for developing the park could come from a combination of federal funding (Economic Development Administration) and private investors.

Conclusion

Much like the first two examples of successful efforts by the City of Bisbee regarding economic development; The Queen Mine Tour and the waste water system the business incubator and the industrial park will need time, funding and a shared vision to develop. However their success could provide years of positive returns both in recognition and revenues. As for increased funding for the promotion of tourism it is hard to dispute that without marketing your product you have consigned your product to irrelevancy.

EXHIBIT A

The following points briefly illustrate recent initiatives, primarily from the Community Development Department, to support economic development in the City of Bisbee

- Re zoned a substantial portion of the Bisbee Historic District to a commercial mixed designation allowing property owners to activate unused portions of their properties for residential use.
- Suspended minimum parking requirements in the Historic District to encourage new businesses and current business expansion
- Completed a \$200,000 sidewalk improvement project in the commercial section of the Bisbee Historic District.
- Created a business and attractions kiosk system to assist visitors in finding locations through out the Historic District.
- Streamlined the process for home based businesses to open and operate by removing the special use permit requirement and the business license requirement.
- Re zoned property to assist in the development the 1.8 million dollar Ace Hardware Center.
- Reduced the approval time for commercial signs in the Historic District from thirty days to same day approval
- Invested in a \$35,000 dollar rehabilitation of the City of Bisbee Visitor Center.
- Authorized over \$200,000 in improvements to the Queen Mine Tour, Bisbee's top *paid* attraction.
- Increased revenues at the Queen Mine Tour gift shop from approximately \$30,000 to \$225,000 per year.
- Working with Arizona First, an organization dedicated to promoting local businesses.

Future efforts

- No cost listing of new businesses on CH 5
- Developing an on line information site dedicated to answering questions from prospective and current business owners regarding business licenses, zoning issues, building permits and networking opportunities.
- Development of an Airport Industrial Park
- Placement of a business incubator possibly at Bisbee City Hall
- Zoning Code changes to accommodate businesses that want to access the public right a way (sidewalks, streets) for business opportunities such as outdoor cafes and specialty food vendors.
- Targeted advertisements geared to attracting specific businesses (long term care facilities, alternative energy, and homeland security).

EXHIBIT B

The City of Bisbee in SEAGO CEDS

Overview

What is Economic Development?

How can Bisbee benefit from the CEDS?

Action steps, timeline

The City of Bisbee is a member entity of the Southeastern Arizona Governments Organization (SEAGO). As a member, the City of Bisbee enjoys many privileges and can avail themselves to as much or as little involvement with SEAGO as they see fit.

The SEAGO Comprehensive Economic Development Strategy (CEDS) is a amalgam of reports by consultants, volunteer and staff research and a concentrated effort to accurately assess where this Region fits into the state, national and international economic development communities.

The CEDS is also an inventory of sorts, as well as a resource document. Input was obtained from each and every member entity and the data was scrutinized for accuracy and then how each piece fit into the fabric of the entire SEAGO Region.

Two areas worth reading closely can be found in the Implementation Plan and Regional Project list. Why? Consider the implementation as you would a buffet line, you pick and choose what you feel is most beneficial to the City of Bisbee, then make sure the project or projects you want to take forward are listed in the Project List. For most federal funding opportunities to be considered, the project must be listed in the regional CEDS.

The national and state economic downturn has eroded many resources but others still exist. What is possibly the most important area of focus for Bisbee? Job creation.

Jobs mean a demand for housing. Jobs mean disposable income that will boost sales tax revenues. Jobs provide a reason for children and grandchildren to either stay or return to the Bisbee area.

The City of Bisbee is a business, a medium sized and rather complex business. So to simply, compare all aspects of City functions and departments into a private sector analysis. This means looking at each department, each employee as a profit center or as an expense item. Not to demean, but to monetize and put into a financial perspective the corollary cost of doing business.

The City of Bisbee does not need another study to ascertain economic low-hanging fruit. An ample number of reports and commissions have produced good examples of opportunities that can add diversification to the economic base while adding quality, sustainable jobs. Although the economy has evolved away from mining and agrarian enterprises we should continue to embrace these areas as continued economic engines in the future.

And we hasten to add that attracting commercial, manufacturing, transportation and industrial employers is necessary as we continue to adapt and compete with the rest of the United States.

What is economic development mean here in Bisbee? As policymakers the City Council has the ability to determine how economic development is defined for the citizens of Bisbee. Council members are elected by the people, and the people need jobs. A concerted effort by this council and City staff to promote a sustainable quality of life and bring about economic health is well within your grasp.

Sustainable prosperity is possible, which brings us back to how can Bisbee benefit from the CEDS? By picking and choosing what you want from the CEDS or the support you need from SEAGO and then following through.

What action should the Council take? That is up to the Council itself, but a suggestion would be for the Council to choose from many the options and myriad of opportunities currently present and decide to focus on no more than three of them for the next 3 to 5 years. Set realistic timeline expectations, measure deliverables, expect routine progress reports and stay involved in the process. Such an effort will pay off in the form of a diversified economy, sporting new jobs which attracts even more employers who will continue to grow your job base and not only replenish but grow the currently declining population.

EXHIBIT C

Business incubator

From Wikipedia, the free encyclopedia

Business incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a start-up company will stay in business for the long term: Historically, 87% of incubator graduates stay in business.^[1]

Incubators differ from research and technology parks in their dedication to start-up and early-stage companies. Research and technology parks, on the other hand, tend to be large-scale projects that house everything from corporate, government or university labs to very small companies. Most research and technology parks do not offer business assistance services, which are the hallmark of a business incubation program. However, many research and technology parks house incubation programs.

Incubators also differ from the U.S. Small Business Administration's Small Business Development Centers (and similar business support programs) in that they serve only selected clients. SBDCs are required by law to offer general business assistance to any company that contacts them for help. In addition, SBDCs work with any small business at any stage of development, not only start-up companies. Many business incubation programs partner with their local SBDC to create a "one-stop shop" for entrepreneurial support.

In 2005 alone, North American incubation programs assisted more than 27,000 companies that provided employment for more than 100,000 workers and generated annual revenues of \$17 billion.^[2]

Contents

- 1 The incubation process
- 2 Incubator types, goals, and sponsors
- 3 History
- 4 References
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- 6 See also

The incubation process

Most common incubator services:^[3]

- Help with business basics
- Networking activities
- Marketing assistance
- High-speed Internet access
- Help with accounting/financial management
- Access to bank loans, loan funds and guarantee programs

- Help with presentation skills
- Links to higher education resources
- Links to strategic partners
- Access to angel investors or venture capital
- Comprehensive business training programs
- Advisory boards and mentors
- Management team identification
- Help with business etiquette
- Technology commercialization assistance
- Help with regulatory compliance
- Intellectual property management

Unlike many business assistance programs, business incubators do not serve any and all companies. Entrepreneurs who wish to enter a business incubation program must apply for admission. Acceptance criteria vary from program to program, but in general only those with feasible business ideas and a workable business plan are admitted. It is this factor that makes it difficult to compare the success rates of incubated companies against general business survival statistics.^[4]

Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubation program is the services it provides to start-up companies.

More than half of incubation programs surveyed by the National Business Incubation Association (http://www.nbia.org/about_nbia/) in 2006 reported that they also served affiliate or virtual clients.^[5] These companies do not reside in the incubator facility. Affiliate clients may be home-based businesses or early-stage companies that have their own premises but can benefit from incubator services. Virtual clients may be too remote from an incubation facility to participate on site, and so receive counseling and other assistance electronically.

The amount of time a company spends in an incubation program can vary widely depending on a number of factors, including the type of business and the entrepreneur's level of business expertise. Life science and other firms with long research and development cycles require more time in an incubation program than manufacturing or service companies that can immediately produce and bring a product or service to market. On average, incubator clients spend 33 months in a program.^[5] Many incubation programs set graduation requirements by development benchmarks, such as company revenues or staffing levels, rather than time in the program.

Incubator types, goals, and sponsors

Industry sectors intentionally supported by incubation programs^[5]

Technology

Computer software

Services/professional

Manufacturing

Internet

Biosciences/life sciences

Electronics/microelectronics

Telecommunications

Computer hardware

Medical devices

Creative industries

eBusiness and eCommerce

Wireless technology

Healthcare technology

Advanced materials

Defense/homeland security

Energy

Environment/clean technologies

Media

Nanotechnology

Construction

Arts

Aerospace

Kitchen/food

Retail

Fashion

Wood/forestry

Tourism

More than half of all business incubation programs are "mixed-use" projects; that is, they work with clients from a variety of industries. Technology incubators account for 39% of incubation programs.^[5]

Business incubation has been identified as a means of meeting a variety of economic and socioeconomic policy needs, which may include

- Creating jobs and wealth

- Fostering a community's entrepreneurial climate
- Technology commercialization
- Diversifying local economies
- Building or accelerating growth of local industry clusters
- Business creation and retention
- Encouraging women or minority entrepreneurship
- Identifying potential spin-in or spin-out business opportunities
- Community revitalization^[6]

About one-third of business incubation programs are sponsored by economic development organizations. Government entities (such as cities or counties) account for 21% of program sponsors. Another 20% are sponsored by academic institutions, including two- and four-year colleges, universities, and technical colleges.^[5]

In many countries, incubation programs are funded by regional or national governments as part of an overall economic development strategy. In the United States, however, most incubation programs are independent, community-based and resourced projects. The U.S. Economic Development Administration is a frequent source of funds for developing incubation programs, but once a program is open and operational it typically receives no federal funding; few states offer centralized incubator funding. Rents and/or client fees account for 59% of incubator revenues, followed by service contracts or grants (18%) and cash operating subsidies (15%).^[5]

As part of a major effort to address the ongoing economic crisis of the US, legislation was introduced to "reconstitute Project Socrates". The updated version of Socrates supports incubators by enabling users with technology-based facts about the marketplace, competitor maneuvers, potential partners, and technology paths to achieve competitive advantage. Michael Sekora, the original creator and director of Socrates says that a key purpose of Socrates is to assist government economic planners in addressing the economic and scioeconomic issues (see above) with unprecedented speed, efficiency and agility.^[7]

Many for-profit or "private" incubation programs were launched in the late 1990s by investors and other for-profit seeking to hatch businesses quickly and bring in big payoffs. At the time, NBIA estimated that nearly 30% of all incubation programs were for-profit ventures. In the wake of the dot-com bust, however, many of those programs closed. In NBIA's 2002 State of the Business Incubation survey, only 16% of responding incubators were for-profit programs. By the 2006 SOI, just 6% of respondents were for-profit.^[5]

Although some incubation programs (regardless of nonprofit or for-profit status) take equity in client companies, most do not. Only 25% of incubation programs report that they take equity in some or all of their clients.^[5]

History

The formal concept of business incubation began in the USA in 1959 when Joseph Mancuso opened the Batavia Industrial Center in a Batavia, New York, warehouse.^[8] Incubation expanded in the U.S. in the 1980s and spread to the UK and Europe through various related forms (e.g. innovation centres, pépinières d'entreprises, technopoles/science parks).

The U.S.-based National Business Incubation Association estimates that there are about 5,000 incubators worldwide. As of October 2006, there were more than 1,400 incubators in North America, up from only 12 in 1980. Her Majesty's Treasury identified around 25 incubation environments in the UK

in 1997; by 2005, UKBI identified around 270 incubation environments across the country. A study funded by the European Commission in 2002 identified around 900 incubation environments in Western Europe.^[9]

Incubation activity has not been limited to developed countries; incubation environments are now being implemented in developing countries and raising interest for financial support from organisations such as UNIDO and the World Bank.

On November 3, 2010, New York City broke ground on its sixth business incubator and the first in the Bronx called the Sunshine Bronx Business Incubator^[10] which is a joint venture between the New York City Economic Development Corporation and Sunshine Suites.

References

- ¹ ^ University of Michigan, NBIA, Ohio University and Southern Technology Council, *Business Incubation Works*. Athens, Ohio: National Business Incubation Association, 1997.
- ² ^ Linda Knopp, *2006 State of the Business Incubation Industry*. Athens, Ohio: National Business Incubation Association, 2007.
- ³ ^ *2006 State of the Business Incubation Industry*
- ⁴ ^ Meredith Erlewine, "Comparing Stats on Firm Survival." In *Measuring Your Business Incubator's Economic Impact: A Toolkit*. Athens, Ohio: National Business Incubation Association, 2007.
- ⁵ ^ ^a ^b ^c ^d ^e ^f ^g ^h *2006 State of the Business Incubation Industry*.
- ⁶ ^ 2006 State of the Business Incubation Industry.
- ⁷ ^ Sekora, Michael (28 Jan 2010). *Mastering the Art of Competition*. New York, New York: Jossey Bass. ISBN 978-0470500712.
- ⁸ ^ Stone, Mary (2008-04-24). "Mancuso, inventor of business incubator, dies" (<http://www.rbj.net/fullarticle.cfm?sdid=72679>) . *Rochester Business Journal*. <http://www.rbj.net/fullarticle.cfm?sdid=72679>. Retrieved 2008-04-24.
- ⁹ ^ Centre for Strategy and Evaluation Services, "Benchmarking of Business Incubators." Brussels: European Commission Enterprise Directorate General, 2002.
- ¹⁰ ^ Jaccarino, Mike (2010-11-04). "City breaks ground on first business incubator in the Bronx's Hunts Point" (http://www.nydailynews.com/ny_local/bronx/2010/11/04/2010-11-04_city_breaks_ground_on_first_business_incubator_in_the_bx.html) . *New York Daily News*. http://www.nydailynews.com/ny_local/bronx/2010/11/04/2010-11-04_city_breaks_ground_on_first_business_incubator_in_the_bx.html. Retrieved 2010-11-04.

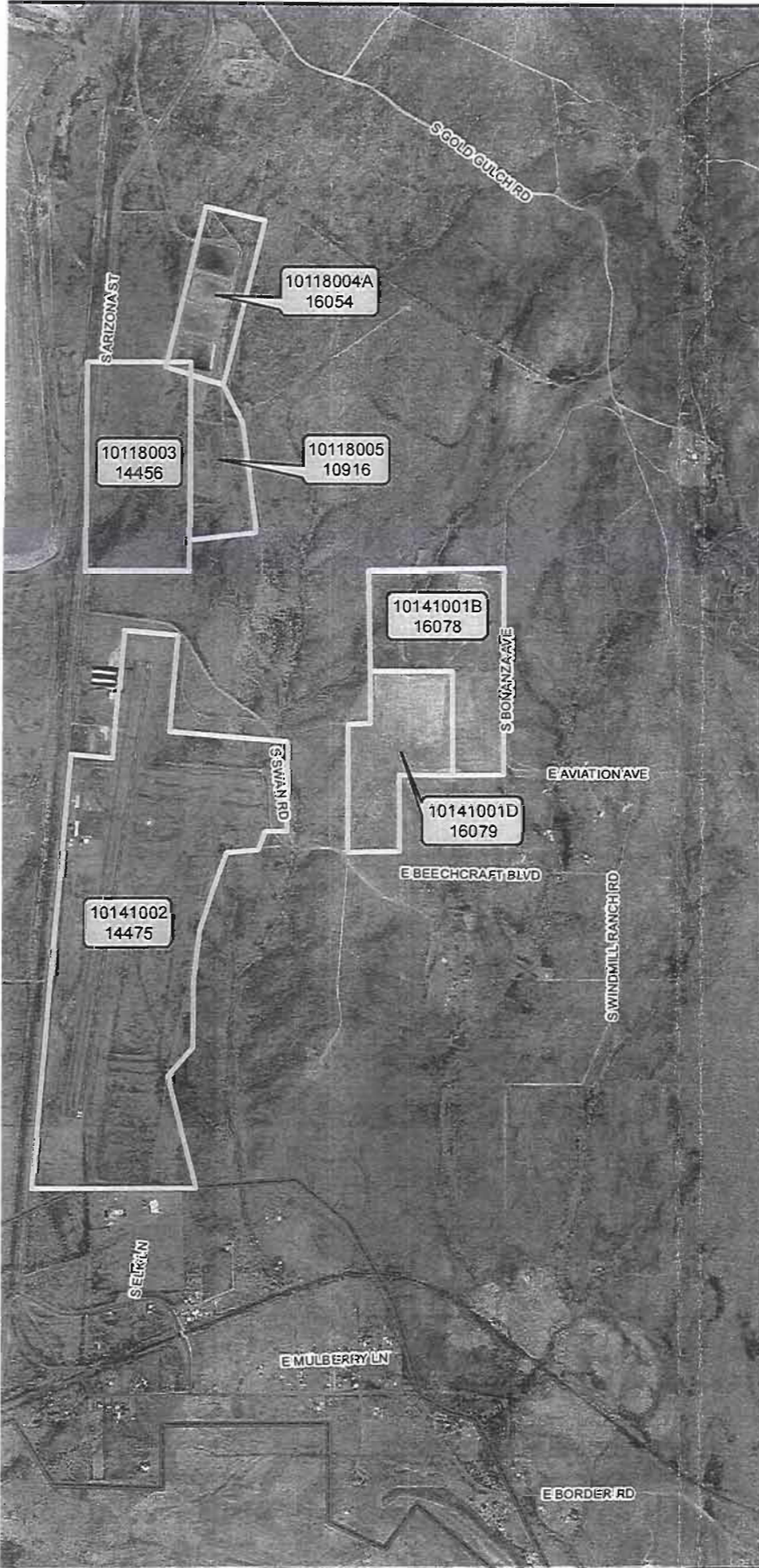
External links

- Business incubator (http://www.dmoz.org/Business/Small_Business/Start_Up/Incubators/) at the Open Directory Project

See also

- Science park
- Bioincubator
- Kitchen incubator
- Virtual business incubator
- Public incubator
- Business Support office

EXHIBIT D

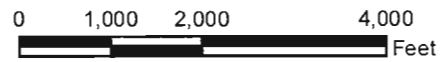
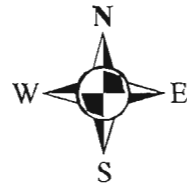


LEGEND

City of Bisbee Parcels



Bisbee Study Area



Arizona State Plane (East - 0201) - NAD 83

Bisbee Soil Program

Southern Outside Study Area
City of Bisbee Properties

BISBEE, ARIZONA