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Tucson 'hooked on drug' of growth

It was great while it lasted, but economy needs 'detox'

By Tim Steller

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Population growth put thousands of Tucsonans to work this decade, building for actual or expected new residents.

But now many of those workers are facing the downside of depending on growth.

The boom has turned into bust. They've been laid off, lost hours or relinquished pay and need to find a way forward, often in another field.

It's a challenge that's facing the economy as a whole, too. We remain too dependent on population growth to sustain our economic growth, some local officials say. This downturn could help us in the long run, they say, if it persuades us — at last — to diversify our economy.

"We're hooked on a drug right now," said Joe Snell, president and CEO of Tucson Regional Economic Opportunities Inc., the regional economic-development agency. "We're going to have to go through detox."

The treatment Snell and others prescribe is to grow segments of our economy that are not so dependent on new residents. TREO is directing its efforts at spurring four industries: biosciences, solar, logistics, and aerospace and defense.

"We need to go into the next recession more diversified," Snell said.

But that won't be easy, said economist Marshall Vest of the University of Arizona's Eller College of Management. He noted that decades of economic-development efforts have failed to wean Arizona off population growth as its economic engine.

This decade, "The economy was powered by the growth in population and the flow of money into real estate," Vest said. "That's not a good driver of the economy, because it usually ends badly, as we're seeing."

The number of Pima County jobs in construction, the industry that perhaps depends most on population growth, shrank by 25 percent to 18,000 in January 2009 from 24,000 in January 2008. It peaked during this run-up, in late 2006, at 28,700, the highest number ever.

"The bottom line is, as long as Arizona is a desirable place to live and do business, we're going to be subject to the swings in this investment cycle and construction cycle," Vest said.

Must upgrade skills

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One way to diversify the economy is to attract employers from industries that aren't dependent on population growth. But to do that, Snell said, we need to improve the skill level of the local work force.

TREO surveyed about 100 of the area's top employers and found plans to fill more than 2,000 positions this year.

The problem: Most of the jobs require a bachelor's degree or other specialized training, experience many of the local jobless don't have.

"In job training, we need to put more focus on the demand side than the supply side," Snell said.

That's what they're trying for at Pima County One Stop, 2797 E. Ajo Way. The advisers at the One Stop try to steer clients into seven industries with long-term growth potential.

- Aerospace and defense.
- Hospitality and tourism (higher level jobs).
- Border related (security-related jobs that aren't in law enforcement).
- Health and biotech.
- Construction trades (green industry).
- Transportation.
- Information technology.

"We're taking a lot of people in manufacturing and putting them in medical" jobs, Vera Westerman, a One Stop employee, said at an orientation for new clients last week.

One Stop can help clients get training in a field with a future. But what may attract higher-end employers over the long run is a well-educated populace, said David Taylor, a former Tucson city planner who is now a demographic adviser at the Pima Association of Governments.

The problem, he said, is that local schools continue to educate kids for 19th- and 20th-century jobs.

Encourage costlier housing?

Or how about simply making housing more expensive? That would be a surefire way to slow population growth, forcing the economy to diversify beyond growth-dependent industries.

It could be done by raising impact fees, imposing a transaction tax and using zoning to force growth down.

"Politically, you're not going to do any of this," economist Vest predicts.

But Snell, of TREO, supports trying. "At some point we're going to have to draw the line in the sand and say we'll develop within this radius," Snell said. "We'll have to develop vertically rather than horizontally."

Roger Yohem, vice president of the Southern Arizona Home Builders Association, said such a growth boundary has already been drawn: It's the Sonoran Desert Conservation Plan.

That plan, though not exactly a radius, gave developers more certainty about where they'd be able to build in the future.

For now though, building is on hold. With the U.S. housing market in a glut and the economy in a rut, people who would like to move to Tucson aren't coming here because they can't sell their current houses, Yohem said.

This year, Pima County will probably grow by just 7,000 people, as compared with at least 20,000 in a more usual year, Taylor said.

But history says the growth cycle will return eventually. The only question is if Tucson will be better able to handle the next building bust.

"We need to make sure we take the steps now," Snell said, "to be sure we're not in this position over the

lung run."

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