

# Boomtown, AZ

*Investing in the state's smaller communities*

Arizona's rural communities are experiencing a steady increase in their economic growth and resident populations. So what's the draw to all of these smaller communities?

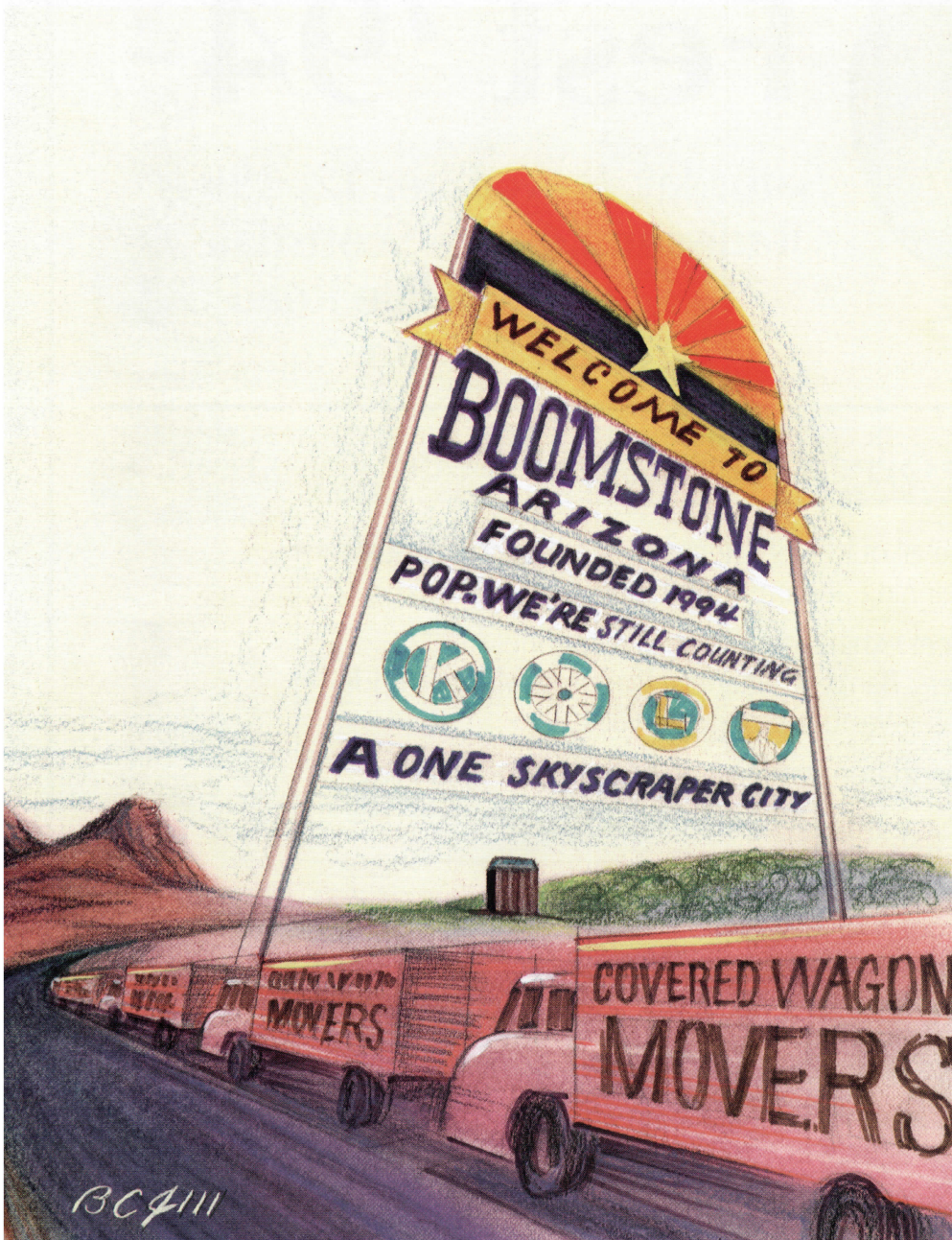
According to Craig Swartwood, manager of the Payson Chamber of Commerce, the climate, slower pace and lack of bumper-to-bumper rush hour traffic all contribute to the qualities that individuals are now seeking.

"People are discovering that quality of life means as much as a high paycheck," he says. "People are willing to work for slightly less money and make up the difference in psychic income."

Brian Cary, vice-president and senior economist for First Interstate Bank, agrees. "Many residents of larger urban areas are seeking a simpler life," he says. "They're looking for wide, open spaces, clean air and clean water. Those are things that most of our rural communities have in abundance."

Cary adds, "People perceive that their quality of life will be enhanced by coming to Arizona, whether they are seeking warm, dry weather in the urban desert regions or whether they are seeking natural environments with wide, open spaces and mountain vistas."

The population growth for Arizona's rural communities has grown steadily for the past 10 years. Payson has gone from 5,068 to more than 8,000; Prescott has grown from 20,000 to almost 29,000; and Yuma has jumped from 42,000 to more than 58,000 people. ▶



by Cynthia Scanlon illustration by **Bernard C. Jefferson III**

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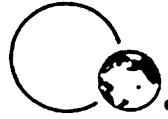


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## Born in the MSA

According to Butch Opsahl, president of the Yuma Chamber of Commerce, Yuma's jump in population has been the driving force behind its economic rise. Now that Yuma's population exceeds 50,000, the city has been classified as a Metropolitan Statistical Area (MSA).

"When you are less than 50,000 in population, you're not very interesting as a potential new market for [businesses that] are expanding or relocating," he said. "But once you have 50,000 population area, you end up on maps you've never been on before and in books you've never been in. We began to fit the formulas of people looking to expand into new markets."

Opsahl says that since Yuma lies at the center point on the Colorado River where Arizona, California and Mexico meet, their MSA now includes a portion of California, which gives them a market population of 124,000 people. "This is a brand new picture for us," he says.

Opsahl also cited the passage of the North American Free Trade Agreement (NAFTA) as another factor fueling Yuma's economic and population growth.

"Yuma has had some tremendous business relationships with Mexico, and NAFTA has brought a promise of a lot of new industries," he says. Currently, Yuma's major industries include agriculture, tourism, the military and the government. A U.S. Marine Corps air station and the Yuma Proving Ground, a U.S. Army testing area, also contribute to the dollars moving into the city.

Opsahl states that NAFTA will lead to the improvement of Yuma's infrastructure, highways and environmental conditions. "Because of NAFTA, people are investing in this area," he says. "They are essentially betting on our future."

That future includes a commitment to build an industrial park on 8,500 acres just across the border in Mexico. Holland, Japan, Canada and Arizona have all invested money in the project. "NAFTA is what stimulated that," Opsahl emphasizes.

Payson's Swartwood says that in the past, financial institutions and entrepreneurs viewed rural Arizona as a secondary home market. But with younger retirees moving in healthy bank balances and buying property, that view is now changing.

"They've come to realize that places like Prescott, Payson and Yuma are more of a solid, viable year-round market than just an escape market," he explains.

Cary agrees that secondary home development has accelerated in all of these communities with the improvement



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of Arizona's economy. "People from Phoenix and Tucson had retreated from the secondary home market in the late '80s and early '90s. But it looks like that trend is on the upswing again," he says.

### Growth guidelines

The fear, of course, with this kind of growth is that the communities will become unmanageable, eventually destroying all the qualities that make them desirable places to live. But Swartwood doesn't believe that Payson's growth will damage the city because strict planning spells out the density and availability of property in the area.

"Because it is surrounded by national forest, Payson has a maximum population that it can support," he says. "There are fail-safe provisions in place that preclude the city from growing beyond that."

Payson's major industries now include retirement, tourism, forestry, health care, light industrial and Indian gaming. One of the biggest boosts that Payson's economy has enjoyed is gambling at the nearby Tonto-Apache Indian Reservation. People who visit the reservation to gamble usually eat in Payson's restaurants and sleep in Payson's hotels.

Payson is also influenced by the fact that it's close to the Phoenix metropolitan area. "There have been improvements to state Route 87 that promise to make Payson more accessible over time," says First Interstate's Cary. "They also enjoy a four-season climate and a delightful natural environment."

Swartwood cautions, however, that Payson views itself as a long-term community and not an area to make quick money.

"Right now times are good and people are jumping on the band wagon," he explains. "But during the late '80s, everyone learned the lesson that speculation is not a healthy form of investment. And we don't want speculators up here."

One of the most exciting economic projects planned for Payson right now is a housing development, called Chaparral Pines. The project, contracted by Perry Overstreet, a developer with High Chaparral Holdings, includes two designer golf courses built in part by Tom Weiskopf.

"We sought a developer that would not be a speculator but would come in with a ten-year plan and become part of the community," Swartwood says. "We only agreed to the forest service exchange as long as it was with a master developer such as this."

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tier of the United States.

"There's a lot of seasonal labor and people seeking economic opportunity coming to those communities, which tend to make the labor force expand as fast or faster than the number of jobs available," he says. "So that has been a challenge for Yuma and many of the other Mexican border towns."

But Chamber President Opsahl doesn't see Yuma's boom as cyclical, nor does he see the potential for economic growth ending anytime soon.

"We sit here ready to serve the California and Mexican market," he says. "And we've got a better water situation than anywhere else in the state of Arizona."

Opsahl thinks the only gray cloud on Yuma's horizon could be the failure to

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**"We've all  
learned the lesson  
that you can get  
hurt in the dirt  
in Arizona."**

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plan properly or the propensity to ignore some of the city's potential growth problems.

"It's tough to drive a street in Yuma in November because there's an additional 55,000 winter visitors driving around here," he explains. "Tourism is a good industry for us, but if we're faced with that year around, we may become less desirable. We could be a miserable place to live if our infrastructure isn't there."

One interesting note, according to Ed Lutz, senior vice president for Bank of America, while there has been growth in the Arizona economy, the financial institutions in these communities have experienced little or no growth.

"Bank deposits in Yuma have been declining steadily over the last two or three years," he says. "And it's not just our bank deposits but the bank deposits throughout the Yuma market."

Lutz says the same scenario has been taking place in Prescott as well. "Bank deposits in Prescott for '92-'93 are flat. You run a line across all eight quarters, it's a straight line."



### Small town, big attraction

Prescott is another community getting a lot of attention. "The city is growing at an annual rate of almost 5 percent a year," says Cary. "That's almost double the statewide population growth rate."

He adds, "The demand for homes and business locations rises in a community that has a limited ability to deliver those things, and so the cost runs up quite rapidly. But that has yet to stifle the rate of economic growth in the Prescott area."

According to Mary Baker, president of the Prescott Chamber of Commerce, Prescott offers tremendous educational opportunities and a diversified mix of business including tourism, ranching, government and copper mining all situated in a homey, close-knit atmosphere.

"We are an historical town. We have the modern, but we also have the very special courthouse plaza downtown," she says. "Everything is very alive and vibrant there and it seems to take people back to what they think real America is."

Baker believes that Prescott's growth will continue until at least the turn of the century, but she is also concerned that the growth may change what makes the city desirable.

"Many people have come from other areas they didn't feel were planned, and they are very concerned about planning for the future

here," she says. "Very few people say they don't want growth or want to turn people back. We just want to plan our area so the desirability is still here."

### Everything is cyclical

In spite of the rosy picture of continued growth, do these communities have to be worried about the downside? Will the so-called boom end?

"Everything is cyclical," says Steve Roman, senior vice-president of Bank One of Arizona.

Swartwood of the Payson Chamber of Commerce agrees, "What we need to do is make the best of it, prepare and diversify our economy enough so when the business cycle turns down again, we've had enough net gain that we don't suffer."

According to Cary, Prescott has had some success in attracting well-paying jobs and relocating firms, but they have not made as much progress in that direction as they'd like.

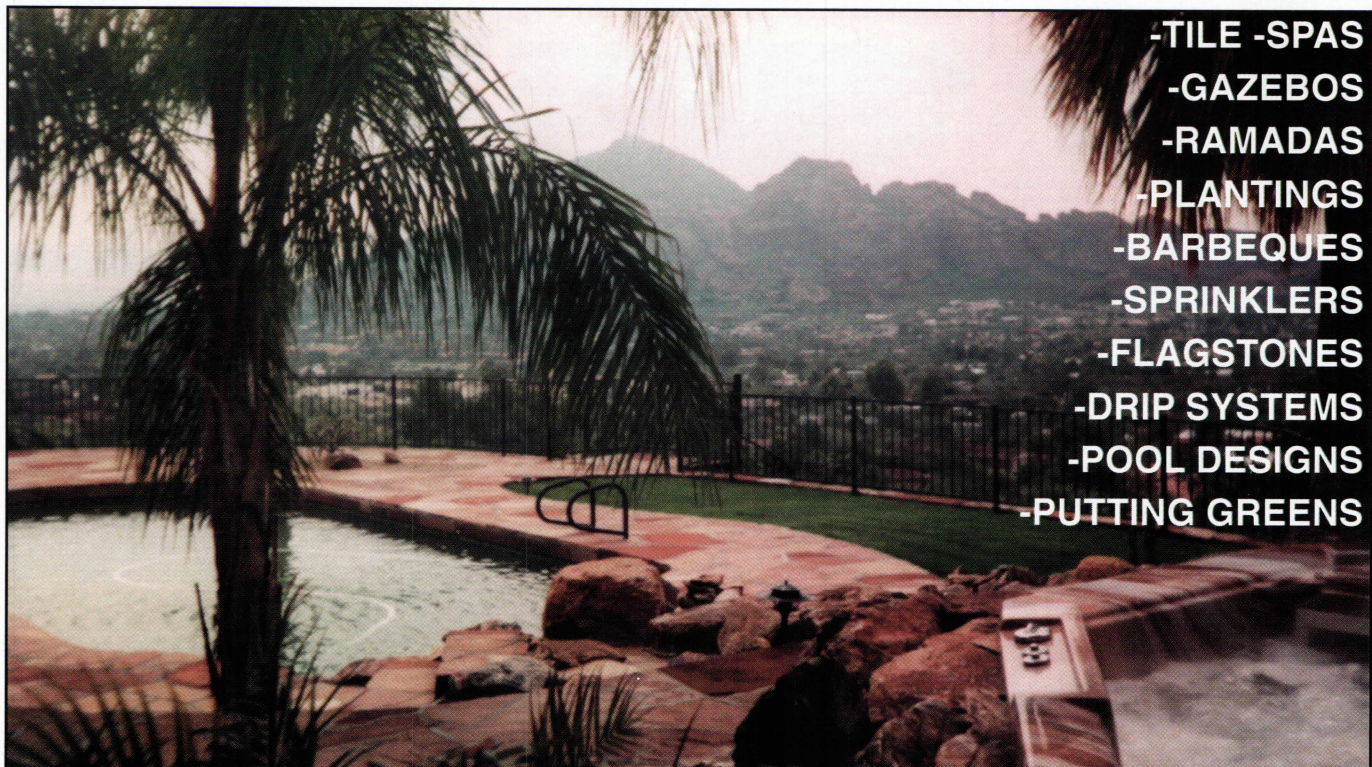
"Medium incomes in the Prescott area, in spite of the influx of money from outside the state, remain well below the state average," he says. "They have been improving, but they have a way to go."

And, in spite of Yuma's rapid growth, it continues to have a chronically high unemployment rate. According to Cary, that is characteristic of a lot of the border communities in the southern

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**In the past, financial institutions and entrepreneurs viewed rural Arizona as a secondary home market. Today, they're realizing these communities are a solid, viable year-around market.**

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Lutz points out, however, that several factors may explain the decline in bank deposits including the anemic condition of Arizona's economy over the past few years. "We're coming out of it now, but we haven't seen the uptick in deposits that we expected to see," he says.

He also notes that before the collapse of the savings and loan industry, S&Ls used to attract chunks of money from out-of-state. "But that's all gone away now," he explains.

Finally, Lutz cites the huge numbers of consumers who have elected to find alternative investment arenas away from banks, such as mutual funds and annuities.

"With the rate environment we've been in for the last few years, we've seen a lot of that," he says. "All of these things have taken the dollars out of the bank deposit numbers."

Cary of First Interstate adds that in a case where a community might be drawing heavily on a population of new retirees, it's not unusual for the retirees (especially in the early stages of their relocation) to maintain their financial relationships in the towns and cities they came from.

He also notes that bank deposits along the border cities are influenced by international policy. "Every now and then, the Mexican government has been known to pass a regulation or change the foreign exchange or currency market," he says. "Deposits will ebb and flow rapidly from those bank locations."

While, for most, the boom in Arizona's smaller communities looks solid, financial institutions are leery of making the same mistakes now that they made in the '80s by speculating in questionable property using shaky loan practices.

"All banks have adjusted their lending strategies after the last seven or eight years," Lutz says.

Bank One of Arizona's Roman agrees, "In the '80s, we suffered a severe downturn, and that changed the way institutions do business. Institutions are smarter now. Hopefully we won't get caught in the trap of doing business the way it was done in the late '80s."

Despite all the pros and cons of rural Arizona's burgeoning economic growth, Cary of First Interstate Bank says he sees the trend continuing.

"Longer term growth will favor most of the communities in this state for some time to come regardless of what the short-term turns of the business cycle might produce," he says.



*Cynthia Scanlon is a writer and communications consultant based in Mesa.*

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