

How the Valley worked its way into the major leagues of economic development

Phoenix, Dallas go head-to-head in World Series — and compete for megaprojects



The TSMC semiconductor factory being build in north Phoenix was a huge economic development win for Arizona. Jim Poulin | Phoenix Business Journal



By Audrey Jensen – Reporter, Phoenix Business Journal - Nov 1, 2023

In the past decade, the Phoenix economy has undergone a roster overhaul in the form of infrastructure, taxes, workforce and population growth.

After previously relying on housing, resorts, golf courses and call centers, economic development leaders took advantage of the Great Recession to switch up the region's game plan and attract a more reliable set of industries such as health care, defense, aerospace and microchips.

As a result, Chris Camacho, president and CEO of Greater Phoenix Economic Council, said the Phoenix market's GDP has tripled since 2001 — when the Arizona Diamondbacks last competed in the World Series and won.

"We've shifted from a real estate-driven economy to one that is anchored by so many interesting industries," Camacho said. "That's 20-plus years worth of effort to intentionally shift this economy and now we're reaping the benefits of a more diversified economic base."



Chris Camacho, president & CEO of the Greater Phoenix Economic Council, at the site of the TSMC semiconductor factory being built in north Phoenix.

Jim Poulin | Phoenix Business Journal

The Phoenix region is now competing at the highest level of economic development and business attraction with other top-tier markets such as the Dallas-Fort Worth metroplex — home to the Texas Rangers, the Diamondbacks' opponent in Major League Baseball's 2023 World Series.

A World Series trophy would be nice, but it's not the only game in town. These days, the two markets increasingly find themselves in the same arena, fighting for major investments and trophy projects.

"The irony of having the Dallas market and Phoenix market as the final two in the World Series — it's funny how this has played out because they're two of the hottest markets in the U.S. right now," said Camacho.

Competing when the chips are down

Right now, GPEC has about 216 companies that are actively considering the Phoenix market.

But it wasn't always that way.

It was once rare that Phoenix would even make the long list for major expansions, according to Christine Mackay, community and economic development director for the city of Phoenix. But now it's rare for Phoenix not to be shortlisted for projects alongside the nation's top metros.

The year 2015 marked a major shift: that's when Phoenix started to make every major shortlist for megaprojects — including manufacturing, headquarters and research and development — alongside markets like Dallas, which had already been a top region because of its central location, Camacho said.



Intel's Fab 42 factory became fully operational in 2020 on the company's Ocotillo campus in Chandler. Work is now under way on Intel's newest \$20 billion investment to build out two more factories (or "fabs") at the Ocotillo campus. Intel Corp.

Semiconductor juggernauts including Texas Instruments and Samsung have major footprints in Texas, while Intel Corp. and Motorola have storied histories in Arizona.

"They both have legacy ecosystems in semiconductors," said Bob Hess, vice chairman of global strategy for Newmark, who has consulted on major semiconductor expansions such as Samsung.

Both regions have also seen continued investment from heavy hitters in the industry: the Phoenix metro is home to Taiwan Semiconductor Manufacturing Co.'s \$40 billion investment in north Phoenix, along with Intel's \$20 billion expansion in Chandler.

In Texas, Samsung is undergoing a \$17 billion expansion in the Austin area with plans for \$192 billion in additional investments in the region over several decades. Texas Instruments is also undergoing a \$30 billion expansion in Sherman, Texas for new fabrication plants.



An earth-moving machine working on the plant site for a new Texas Instruments factory in Sherman, Texas, as the company invests in its manufacturing capacity.

Jake Dean

Each state's dominance in the industry is also reflected in jobs.

In 2020, Arizona had 28,900 people working in the semiconductor industry, which made up about 10% of the U.S. semiconductor workforce of about 277,000 people in the U.S., according to the Semiconductor Industry Association.

Texas had 43,800 workers in the industry, or about 16% of the country's workforce, according to the report, which cited data from Oxford Economics. California led the country with 63,300 semiconductor jobs, or about 23% of the workforce.

Hess said that both Texas and Arizona are working to invest in further building up a semiconductor workforce and ecosystem, which will be critical for the success of tech giants like TSMC and Samsung. The SIA estimates the U.S. could have a shortage of 67,000 workers in the industry by 2030.

"We need both teams to win in the semiconductor world," Hess said. "We need those jobs and this is about foreign direct investment. ... It's the people we put on the field inside these plants — that's the next big story."

Why companies are flocking to Phoenix, Dallas

Dallas has been an established market longer than Phoenix and is also part of a larger state geographically, which comes with more legislative clout in Washington, D.C. and representation in congress, experts say.

The Dallas-Forth Worth region also has 168 banks operating in the markets compared to 58 in Phoenix in 2023. The total bank deposits were \$714.7 billion in Dallas and \$167.2 billion in Phoenix, Federal Deposit Insurance Corp. data showed in June 2023.

Dallas is also part of a megaregion called the Texas Triangle that is anchored by San Antonio, Dallas-Forth Worth, Austin and Houston. The Dallas area has more than 7.6 million people compared to metro Phoenix's 4.9 million population.

The Dallas metro's largesse has helped it attract major corporate headquarters, such as that of financial giant Charles Schwab Corp., which announced in 2019 that it was moving its corporate headquarters from San Francisco to North Texas.

But Phoenix has been working to catch up with Dallas as one of the fastest-growing markets for population growth in the country and has access to large population pools in Pinal County and Tucson.

"Both Phoenix and Dallas are in the big leagues with respect to U.S. population growth," said John Boyd, principal of site selection firm The Boyd Co. Inc., adding that Dallas and Phoenix are projected to be two of the four largest metros by the end of the century.

"Growth is such an important part of the site selection business today because companies are only as good as their people. HR managers want a steady stream of applicants and a broad, diverse set of skillsets," Boyd said.

In addition to population growth, Dallas and Phoenix are both business-friendly states with low tax structures and competitive tax incentives — plus, they have historically been seen as affordable places to live that are also bordering emerging industries in Mexico.

Both cities have also made major investments in their international airports.

"Dallas is the No. 1 airport with respect to non-stop service to major global markets," Boyd said. "Few markets around the world can compete with Dallas with respect to air service."

Where Phoenix stands out, according to Phoenix leaders, is its modern infrastructure including a reliable power grid and workforce development.

"We continue to reinvest constantly in our STEM and engineering capacity in our technical schools with community colleges," Camacho said. "We're building labor supplies in the future that will enable companies to grow and scale with us."

Phoenix leaders have also been working to combat negative messaging about the region's water supply as the state has upped its restrictions for groundwater on the outer-lying edges of the Valley amid Colorado River shortages.

Camacho said Phoenix has also made taxes competitive, has cities that are "very supportive" of new industry and are able to meet speed-to-market needs of companies based on occupancy timeframes.