

Now is the time to attract private capital to Airpark

I have resisted adding “the Great Recession” to my vocabulary. But the downturn is lasting longer than any economists predicted in 2007.



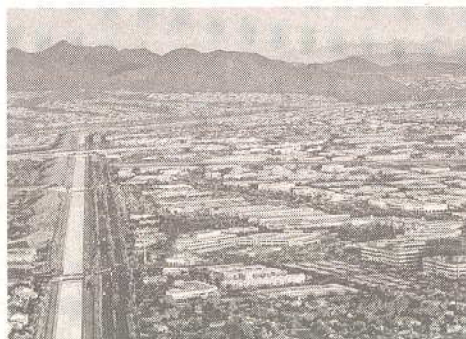
My Turn
RAY TORRES

Banks, for the most part, are still hoarding cash, lending only to those businesses that don't need financing. Uncertainty of what's to happen persists amongst businesses.

The slowdown has been felt in the Scottsdale Airpark, as elsewhere in the city. While pockets of vitality can be found in areas such as the Scottsdale Quarter, the Airpark remains saddled with high vacancy, nearly 29 percent at the end of 2010.

Jim Keeley of Collier International is optimistic, however. With nearly 1,000 acres of state-owned land within Airpark borders, economic vitality has yet to reach its potential.

He projects that by 2030, the Airpark will have 50 million square feet of buildings, compared with 29 million today.



With a strong venture-capital base, the Airpark area could reach mega-economic-engine status. CARLOS CHAVEZ/THE REPUBLIC

There will be 4,000 companies, a milestone. Today there are 2,580 companies.

With such a bright outlook for 2030, I would expect to see a flood of capital investment and more deal making than ever in the Airpark. The current business recession may have soured private investment, but now is the time for action. The city must advance a more business-friendly climate to attract private

capital.

With the Arizona jobs bill recently signed by the governor, the city should leverage the provisions that eliminate capital-gains tax on income derived from investments in small businesses, and the increased eligibility for tax credits available to angel investors. Further, through a public-private partnership, private-investment summits could attract accredited investors and showcase Scottsdale's assets.

Any entrepreneur knows that venture-backed funding is lackluster in Arizona compared with other states. Statewide venture-capital dollars invested dropped by almost 50 percent last year, while investment across the nation was up 11 percent.

According to new data from Dow Jones Venture Source, 18 venture-capital deals worth \$98 million were closed in Arizona in 2010. In comparison, Colorado saw \$468 million in venture-backed funding last year.

Private capital is the oxygen needed to fuel the growth of startup and emerging technology companies. More than 400

technology companies call the Airpark home, but few Scottsdale-based companies have experienced funding.

With a strong venture-capital base, the Airpark area could reach mega-economic-engine status. Startup social-media companies such as ArmedZilla, which caters to veterans, could add “knowledge workers” to the employment core. It's the kind of emerging, fast-track company that should populate the Airpark.

Beechtree Capital, which recently opened a branch here, provided seed money to and is working closely with ArmedZilla. Over its 90 past investments, Beechtree preferred to invest in or advise high-growth companies in emerging industries with business models that lead to positive operating income and cash flow within three years as well as a clear, attainable exit strategy.

With a higher propensity of venture-backed deal making, vision 2030 for the Scottsdale Airpark could be achieved in a shorter period.

Ray Torres of Scottsdale is a business consultant.