MEETING MINUTES

Office of Economic Development
Economic Development Advisory Board
57 E. 1st Street
Lower Level Council Chambers
Mesa, AZ 85201

Date: November 4, 2014 **Time:** 7:30 A.M.

MEMBERS PRESENT	EX-OFFICIO	STAFF PRESENT
Terry Benelli	Mayor John Giles (excused)	Bill Jabjiniak
James Christensen	Chris Brady (excused)	Tony Cadorin
Tony Ham	Rich Adams	Andrew Clegg
Mitzi Montoya	Brian Campbell	Shea Joachim
Dominic Perry	Jeff Crockett	Karen McNulty
Jeff Pitcher	Sally Harrison	
Steve Shope		
Laura Snow, Chair		
Jo Wilson		
	GUESTS	
MEMBERS ABSENT	Marc Garcia	
None		

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1. **Chair's Call To Order**

   Chair Snow called the November 4, 2014 meeting of the Economic Development Advisory Board to order at 7:34 A.M. at the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201.

2. **Items from Citizens Present**

   None.

3. **Approval of Minutes from the October 7, 2014 Board Meeting**

   Chair Snow called for a motion to approve the minutes from the meeting held on October 7, 2014.

   MOTION: Ms. Wilson made a motion to approve the minutes.
   SECOND: Mr. Ham
   DECISION: Passed unanimously

4. **Business Retention & Expansion Program Update**
   Andrew Clegg, Project Manager, Economic Development Team

   Mr. Clegg made a presentation on the Business Retention and Expansion Program. He shared that, over the last quarter, Ms. Harrison and he have been going out and meeting with businesses in the City of Mesa.

   This was a partnership carried out with the Chamber of Commerce. They used a 3-tier approach. The first tier they focused on was high level employers; those that have been in the City of Mesa for a long time, have a lot of employees, and have a longstanding partnership with the City. The second targeted tier was a group of companies with a smaller number of employees. The third tier were those businesses that reached out to his team, saying they had heard about the program and wanted further information about what the City has to offer. The initial focus was on healthcare and aviation, two of the pillars of the H.E.A.T. Initiative. He shared that they did their best to focus on businesses in these fields, but the focus expanded somewhat when they reached out to the businesses, depending on who was available. Mr.

Clegg shared that he had been challenged by Director Jabjiniak with the goal of visiting 60 businesses in the first quarter. Rather than focusing only on healthcare and aviation; they spread out to additional businesses. This allowed them to visit many different businesses operating in Mesa and become familiar with businesses that they were not familiar with. Over 150 businesses were targeted geographically and across the city: 60 businesses were visited.

Eleven Tier 1 companies were visited, representing about 13,690 employees. Forty-four Tier 2 companies were visited, representing 1718 employees, as well as five Tier 3 companies, representing 82 employees. The goal of 60 visits was reached, representing a total of 15,490 employees. Breaking it down by the H.E.A.T. Initiative it looked like this:

- Healthcare: Representing 10 employers representing 7,401 employees
- Education: Representing 1 employer representing 686 employees
- Aerospace and Aviation: 17 employers representing 5,784 employees
- Technology: 16 companies representing 359 employees
- Other: 16 companies representing 1,260 employees

Other companies that are not within the H.E.A.T. Initiative included basic manufacturing, and a few other types of businesses. Out of the 60 visited, 18 companies expressed some type of interest in expansion. This group of 18 was in different levels of readiness for expansion. Five are current projects actively working on expansion efforts. 13 are prospects for future expansion. The team will continue to follow-up with this group. Mr. Clegg shared a visual representing the locations of the various businesses that were visited.

Initial findings indicated there are many different industries within the City of Mesa. Mr. Clegg then discussed several of these businesses. Many of the businesses started out in the early 2000's and weathered the downturn, but have not returned to their pre-downturn numbers. They are still in business and are beginning to see an uptick in activity. Overall, these businesses believe that operating in the City is a positive and they like being in Mesa. Many are residents of Mesa and their experience with the City of Mesa has, for the most part, been positive. Mr. Clegg shared that they are pleased with the relationships that have been established with these businesses, and that these businesses now have a contact within the City. Many of the businesses the team spoke with did not know about the existing resources that are available within the state, and they hope the newly established relationship will help them connect with some of these resources. The businesses seemed pleased about the outreach.

Mr. Clegg continued that on Monday, November 10th, the BR&E Subcommittee will meet and will review the findings in more detail. During the present quarter (Q2) they will continue to follow up with the businesses they visited and identify new businesses to target in the future. The goal for Q3, which begins in January, is an additional 60 visits over four months. He then asked for any questions from the Board.

Question: Mr. Ham asked how many of the businesses they visited belonged to the Chamber of Commerce.

Response: Mr. Clegg stated that they didn't make Chamber membership a large part of their visit. They didn't want the visit to be a sales pitch. If the business asked about Chamber membership, they provided information. Ms. Harrison shared that a total of eight new businesses joined and several members have attended a meeting to see what the Chamber is all about.

Comment: Mr. Ham shared that he hoped the businesses would be able to see what kind of benefits they would have if they were part of the Chamber.

Response: Mr. Clegg stated that they did share a little about the services the Chamber provided.

Comment: Mr. Campbell brought up the 18 prospects that were considering expanding and asked if they identified any challenges they were facing in the expansion process.

Answer: Mr. Clegg responded that for the five businesses expanding in the immediate future, they knew where they were headed and needed minimal support. Support could be provided in helping them find a

new location within the city. The additional 13, with expansion in their future, have some challenges with funding and workforce. Mr. Clegg added that they have put those businesses in contact with the City's workforce partners and will also connect those that need funding help with possible investors or banking institutions. Mr. Clegg also stated the City would help these businesses partner with the City's educational institutions, Maricopa Workforce Connection, as well as job-training grants and the registered apprenticeship program, which is administered through D.E.S. OED will research which pieces they are missing and then provide them with contacts for help in solving those particular problems.

Question: Mr. Shope wondered what the selection criterion was, as it seemed to him that the businesses selected were kind of clustered. He didn't see a lot along the power and technology corridor.

Answer: Mr. Clegg stated that a particular area was not targeted, rather types of businesses. The list of 4200 companies was narrowed down to about 300, using manufacturing as the criteria, with a main focus on aerospace and aviation. Due to the large number of companies that weren't interested or didn't respond, many of the selections ended up being from areas with a more densely populated employment area.

Comment: Director William Jabjiniak asked Mr. Clegg to discuss additional partners that will be introduced into the picture.

Response: Mr. Clegg responded that OED will be working with the Arizona Commerce Authority (ACA). ACA wants to participate more in the BR&E activities. Greater Phoenix Economic Council has indicated that they would like to participate as well, so it will become more of a regional initiative to help meet the needs and challenges of businesses in Mesa.

Question: Mr. Shope commented that it seemed they were targeting the larger businesses and asked for clarification.

Response: William Jabjiniak shared that GPEC and ACA came out with a corporate 100 campaign, to target the top 100 businesses. The model that was used by the BR&E committee was broken into tiers and not intended to only focus on the larger companies. He added that they already visit the larger employers as they account for a large number of employees, but Mr. Clegg and Ms. Harrison focused specifically on many of the smaller companies. He stated that 80 percent of growth comes from the existing business community, which is one of the reasons to stay in touch with the smaller companies, but he also believes it is important to remain in touch with bigger ones as well.

Question: Dr. Montoya asked how to get the message out to people that had a lack of awareness in regard to services offered, and she wondered if the BR&E Program had a communication plan in place for this.

Response: Mr. Clegg stated that they believe that one of the biggest ways to promote information is through forums. Forums will allow a wider group of people to be influenced by the material presented by various subject matter experts. He added that a communication plan was not in place, but contact will be continued with the businesses they have already visited. He agreed it would be a good idea to begin proactively pushing out some information for the sake of other businesses that they won't get a chance to visit with.

Comment: Dr. Montoya commented that she thought this was important to do and pointed out that there are many channels available to do so. She added that they need to get the word out and this could be done in a way that is fairly low cost and customizable by sector.

5. <u>Opportunity for Downtown</u>
Shea Joachim, Senior Project Manager

Mr. Joachim discussed a conceptual opportunity for the downtown area regarding the possibility of a data center being built. This is a partnership between the Economic Development Department and the City's Energy Resources Department. Mr. Joachim introduced Mr. Cadorin, from the Energy Resources Department. Mr. Joachim stated that approximately two months ago, the Director of Energy Resources, Frank McRae, read an article about what the data center of 2025 would look like. In the article, the authors interviewed 800 data center professionals and came up with some key findings. Mr. Joachim

added that what his team garnered from the report is that data centers will have a smaller real estate footprint. People that utilize data centers are interested in green power and they are always looking for ways to lower operating costs. One of their biggest costs is cooling the server racks. With these things in mind, they began looking at possible scenarios involving the Energy Resource Department, which covers electric and natural gas utilities for the downtown area. Arizona also has additional advantages to help bring the data center of 2025 into 2014. Some of the advantages in the Greater Phoenix area are: low catastrophic risk, extensive fiber network, fast internet speed, and electrical costs at about the national average. In addition, Downtown Mesa has ample redevelopment opportunities in and around the downtown, dark fiber availability, and city-owned utilities. Mr. Joachim asked Mr. Cadorin to discuss how City owned utilities could be used to their advantage.

Mr. Cadorin shared that Mesa is uniquely positioned to serve this type of facility. Data centers are looking for a reliable supply of energy and cannot afford downtime. They are looking for cost competitiveness and some measure of renewable energy. The City's electric utility can supply power to these facilities; 20 percent of their energy comes from renewable hydro power so they are already well-placed in the area of renewable energy. Additionally, they can provide on-site natural gas generation through the City of Mesa's natural gas utility. The district cooling system is located in downtown Mesa. Temperature is critical to these facilities. Mr. Cadorin concluded by saying that between these three utilities, Mesa is uniquely positioned to provide stable, cost competitive, reliable energy to any potential facility.

Comment: Mr. Jabjiniak asked Mr. Cadorin to explain the concept of chilled water to the Board.

Response: Mr. Cadorin replied that next to the Mesa Arts Center, the City of Mesa has a large chilling plant that cranks out cold water and then sends it through a loop of piping throughout the city. Some of the chilled water is pumped to City buildings. Currently there are two commercial customers, which take advantage of an alternative to a traditional air conditioner. It is a very energy efficient system.

Question: Mr. Pitcher asked for an explanation of dark fiber.

Answer: Mr. Joachim responded that dark fiber is just the *availability* of conduit in the ground that can be licensed and utilized for fiber optics. The provider to the downtown area is Zayo.

Comment: Mr. Shope voiced his concern of data centers using a lot of utilities and requiring large square footage, but not creating many quality jobs. He questioned if it is a wise investment to bring this type of business to Mesa.

Answer: Mr. Joachim explained the City of Mesa does not have a primary property tax and utilities make sizable transfers into the general fund to pay for police and fire. From the utility perspective, a data center is an attractive option. From an economic development perspective, there is usually a low job count. The challenges are how to utilize this type of investment to kick off a larger investment in the downtown area. Mr. Joachim added that in the future he will provide conceptual designs that reflect how data centers will look and feel very differently in the future than they do now, and how this can be viewed as an economic development opportunity. Mr. Joachim concluded that he hopes it would kick off investment in the downtown area, create financial stability, and benefit the City's utilities.

Comment: Mr. Shope stated from the standpoint of utilities he could see the benefit, but that data centers can be built in the middle of nowhere and don't need to be in an urban area.

Answer: Mr. Joachim replied they would be going after a much smaller model with a smaller footprint. Mr. Joachim added that he believes it would be an attractive model, as the utilities are leveraged to make operational efficiency of the data center very attractive.

Question: Mr. Pitcher asked how many of these types of players are out there. He shared that he was only familiar with big time data centers and he wondered who would be interested in this type of smaller center.

Answer: Mr. Joachim stated that he believes there are a lot of parties interested in what they are proposing.

Comment: William Jabjiniak commented that with the market looking at Arizona more, he feels there is an opportunity for this type of data center. He envisions a 2-story model that would fit nicely within the downtown area and be used as a marketing tool.

Mr. Joachim further discussed the possible deal structure. He pointed out there is plenty of City-owned real estate in the downtown area and there is infrastructure in place that is ready for service. The ideal situation would be to find a private partner for design, construction, and financing of the data center. The result would be a turnkey opportunity. Mr. Joachim added that it is all very conceptual at this point. The conceptual site chosen is on South Center Street in between Center Street and McDonald, half a block north of Broadway. This site was chosen due to infrastructure already in place. The site is well-served by electric, water, sewer, and the chilled water district. The architect came up with a 2-story, 200,000 square foot data center. He then discussed the challenge of making something like this fit with the vision and goals for the urban downtown environment.

Mr. Joachim concluded by saying the next steps in the process are to revise the business plan for this opportunity including working with the Arizona Commerce Authority and the State of Arizona regarding tax incentives for data center investment. This will be incorporated into the marketing package and work will continue to put everything together to make an efficient operation. At that point, it will be aggressively marketed.

Question: Chair Snow wondered about what size company would be able to utilize this type of operation.

Answer: Mr. Joachim responded that it could be one single company or it could be a co-location facility, where someone comes in and does this as a business and sublease space to many companies.

Question: Ms. Benelli asked if they were looking at any other areas, specifically mentioning the industrial area south of Broadway that is largely vacant. She wondered if the reason they were looking at downtown was because the City owns it.

Answer: Mr. Cadorin said that the site being discussed has advantages, specifically cooling within a couple hundred feet of the site, as well as electric. Mr. Cadorin added that he could only speak to the advantages of this site, as he had not looked at other sites.

Question: Ms. Benelli asked if this would affect the Council's vision of 1500 additional residential units in downtown. She also asked if this was something that the Downtown Visioning Committee is looking at.

Answer: Mr. Joachim stated that he didn't think there were any plans for residential at that particular site, but felt 1500 could be accomplished using a combination of other sites. He added that they had not taken this idea to the Downtown Vision Committee.

Answer: Mr. Jabjiniak stated that this was a relatively new development idea and he is still sharing it with Council and making sure it is viable at the administrative level. He said it could probably be brought out as part of their presentation to the Downtown Vision Committee, although not yet certain as he is still ascertaining what interest there is.

Comment: Ms. Benelli stated that she didn't want it to be at the expense of the plans for downtown.

Comment: Mr. Adams stated he thought this was very interesting and definitely deserves further consideration, however, asked if the chilling system presented any possible opportunities that the Board might look at as far as attracting other businesses or converting existing businesses to generate revenue or create redevelopment opportunities. He wondered additional opportunities could be considered.

Answer: Mr. Joachim replied that he couldn't speak in regards to a marketing plan that would leverage the district cooling infrastructure to attract more business to downtown.

Comment: Mr. Adams added it seemed like a good opportunity to open up other possibilities.

Response: Mr. Cadorin said it was more difficult to retrofit a building for this type of cooling system, so timing could be an issue.

Comment: Mr. Crockett commented they have a district cooling center in downtown Phoenix that was for the Diamondbacks' facility. It is now used not only for evening games, but also during the day in some of the surrounding business offices. It has become a symbiotic relationship and this has him thinking about the potential opportunities this might create. He stated that he understood the data center opportunity and was in favor of pursuing it, but also wondered about using it as an asset that could be used for further growth.

Comment: Mr. Jabjiniak said that this idea was new and different. The infrastructure is right on their doorstep, which is what we are trying to take advantage of it. We plan to take it to market and see what the interest is. We have invested some time, but not a lot of money, so we will see where it goes.

Comment: Mr. Crockett applauded the effort. He thought it was thinking outside the box and moving in the right direction, and would like to see this move a little bit further down the road.

Question: Mr. Shope asked how it would be marketed. Would a marketing firm be hired? He also suggested AZLabs might be a good opportunity for a classified data center and pointed out that some of these companies may have security needs.

Answer: Mr. Joachim added that they were still working on how they would market the idea and need to figure out how to get in front of the people they could service. Regarding the comment on AZLabs, Mr. Joachim stated that with the emphasis on cyber defense, there are some aspects of AZLabs that could make them interested in a small classified data center.

Comment: Mr. Pitcher mentioned tax incentives. He encouraged the team to focus on that area and take advantage of it when they market the idea because that is what people are looking for to come into Arizona.

6. <u>Visit Mesa Presentation</u>
Marc Garcia, President and CEO

Chair Snow introduced Mr. Garcia who provided an update on Visit Mesa. Mr. Garcia distributed his business development plan to the Board. Mr. Garcia stated as of the end of the fiscal year, June 30th, room bookings were up 30%. At fiscal year-end, June 2012, total room bookings equaled 11,000 room nights for the entire destination. Two years later, they are up to 50,000 room nights; an increase of 440 percent over two years. When calculating visitor spending, it shows that for every dollar invested into Visit Mesa by the City of Mesa, there's a $22.40 return. Some major highlights: For the first time ever Mesa is in some international markets - UK, Germany, and China. He added that British Airways Holidays have just contracted with one of Mesa's hotels. Sports continue to make up two-thirds of business. Mesa just hosted the USA Water Polo Nationals for the 12 and under program. In January, Mesa will be hosting the Under Armour pre-season All-American Baseball Classic at Riverview in Cubs Park. In February Mesa will be hosting a PAC 12/Big 12 baseball challenge. All of these things will bring people to Mesa hotels. He added that the City has put in six new state-of-the-art soccer fields at Riverview and that the soccer community is very excited.

Mr. Garcia explained that Visit Mesa had issued an RFP for the 22-25 Field Sports Complex feasibility study for the Falcon Field region. The deadline is this Friday and he is looking forward to seeing what kind of responses they get. The report should be ready mid-February. Mr. Garcia then presented a video made by talented EVIT students showcasing the Mesa Arts Center. He also shared that a destination app was being developed that should be ready in February. Mr. Garcia added that he would be interested in any input from this Board about the new app. It will be focused toward the visitor, but representative of the entire destination.

Comment/Question: Mr. Adams commented he thought the video was great and the students should be recognized at some point in time. He asked Mr. Garcia to expand upon the focus of the feasibility study and what specific things are being looked at other than just the fields themselves and the sports complex.

Answer: Mr. Garcia responded Visit Mesa will be looking at what type of activity can be created, as well as what new business opportunities can be attracted with these fields, whether it would be hotel or retail development; in general, what it will look like. Is it going to be right next to Falcon Field? Will it be further south and east at Red Mountain? That's what will be looked at.

Question: Mr. Shope asked about what they were doing as far as organic development of events was concerned. He said it seemed like they look for events they can host, but wondered about internally developing events and how they could encourage more organic events in the City of Mesa.

Answer: Mr. Garcia said that Visit Mesa's objective is to drive room nights. So any type of event would be marketed. The issue has been discussed internally, specifically on the sports side. As far as cultural events are concerned, Visit Mesa is trying to do that organically. Mr. Garcia concluded it was an expensive proposition to start creating those types of events, so it has to be driving hotel room nights.

7. Committee Updates

- **Accelerator** - Mr. Shope stated that the committee had not been able to meet, but they are trying to schedule a meeting as soon as possible.
- **Healthcare** - Terry Benelli stated that there was no update on Healthcare.
- **Higher Education** – Mr. Campbell stated that the Higher Education Committee has not met, but individual committee members have been meeting with existing partners and some others to bring new opportunities to the city. There will be an update meeting next month and some announcements then.
- **Marketing/Research** - Mr. Christensen stated they were trying to create a fund. They are looking for four companies to be a part of this, have one already signed up and should have another one soon. Mr. Jabjiniak commented he had updated industry brochures in the following areas: Healthcare, Education, Aerospace, and Tourism. The Technology brochure is not up to date yet. The Council approved the Technology Corridor on Elliot Road, so that's now finalized and can be put into action with a marketing piece.
- **Business Retention & Expansion** – Ms. Wilson had nothing to add as Mr. Clegg had already done a presentation in this area.

8. Director's Report

- Mr. Jabjiniak thanked Mr. Clegg for the BR&E presentation. He is curious to see what the suggestions and findings are as they look to do this once again in January.
- AZLabs Update: Still seeing a little bit of activity at AZLabs.
- GPEC Update: Mr. Jabjiniak traveled with GPEC to Las Vegas and San Francisco and also attended a conference where GPEC had a couple of lead roles. GPEC hosted an event and a couple of panel presentations. The Office of Economic Development received three awards at the IEDC Conference in Fort Worth, Texas. Mr. Campbell added GPEC remains concerned about political risk to the market on a national and local level.
- Marketing & Business Development Activities - Today is the first broker road show. Mr. Jabjiniak and Ms. O'Donnell will be going to the brokerage community. Approximately 35 to 40 brokers will have lunch and then talk about what's going on in Mesa and what some of the opportunities and needs are. OED began their Export Tech Boot Camp October 17th. The next boot camps are scheduled for November 14 and December 5. It's a three day program to help companies develop an international marketing expo strategy. OED staff will be attending the BioMed Device on December 3rd and 4th and will showcase medical opportunities that exist here. Business development is good, not excellent. There are three Fortune 500 companies in play in Mesa today in various stages. They are trying to be competitive with the assets that they have. Some are looking at existing facilities; some are looking at build-to-suit. They represent three different sectors of the market. He further stated that the quality of jobs is dropping. The number of jobs is up, but the quality is down.

- Committee Assignment Updates: Mr. Jabjiniak distributed updated Committee assignments to the Board Members. He requested if anyone had questions or concerns to contact him. Mr. Jabjiniak concluded by saying he hoped to see the committee's pick up the pace a little after the first of the year and be quite active.

Question: Ms. Wilson asked Mr. Jabjiniak, in regards to trying to stay competitive, if there was one thing in Mesa that we are lacking or that is a challenge, what would it be?

Answer: Mr. Jabjiniak responded they've succeeded in getting people's attention and changing some attitudes, not just locally, but across the country. That's what happens when you compete and really attract some big users. They need to find creative solutions for the problems facing them. He pointed out that the community has done a good job of investing in infrastructure, which is proactive and you can sell that. Now the City is pushing the entitlements piece of things as well. Those two things: infrastructure and entitlements are things a local community does well. The City has some great workforce partners, but that is becoming one of their biggest issues. Mr. Jabjiniak added that staff continues to be aggressive in taking proactive steps in this area.

Question: Mr. Shope asked if there were any metrics that could create monthly or quarterly reports relating to number of jobs in the City, and real estate available, etc. He said it would be nice to have a snapshot of where we're at in terms of gaining or losing jobs. He was very interested in obtaining this type of data.

Answer: Mr. Jabjiniak stated it was possible to create something like that. He does this type of exercise with staff to see trends and with some additional work, he could provide these numbers.

Comment: Mr. Christensen commented that the banking schools in the country graduate a small portion of what is needed in the compliance area. He was thinking about some of the initiatives. If the report were broken down by industry, they could get CEOs together to provide information about what they need. He added that there seems to ties between the private sector and the educational institutions and the City could benefit from this partnership. Mr. Christensen commented about an area in Anaheim that has been redeveloped and hopes that something similar could take place in Mesa.

Comment: Mr. Jabjiniak said that Mayor Giles is very focused on downtown. The City is developing a restaurant focus and pitch for certain locations. Several specific individuals have been identified who are interested regarding in various types of restaurants. The right environment needs to be created.

Comment: Terry Benelli discussed the Human Relations Advisory Board and a report they completed on diversity and the needs of the city. A recommendation was made to Council to enact a non-discrimination ordinance for the City. Ms. Benelli added this had received some press in the Republic, but she regards it as important to help the City get over the incorrect perception of whom and what Mesa is.

9. <u>Other Business</u>

Chair Snow stated the next EDAB meeting will be held on December 2, 2014.

10. <u>Adjournment</u>

Chair Snow adjourned the board meeting at 9:01 A.M.

Submitted By:

William J. Jabjiniak
Economic Development Department Director
(Prepared by Debbie Frazey)