



ECONOMIC DEVELOPMENT COMMITTEE

March 18, 2013

The Economic Development Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on March 18, 2013 at 3:33 p.m.

COMMITTEE PRESENT

Scott Somers, Chairperson
Alex Finter
Dave Richins

COMMITTEE ABSENT

None

STAFF PRESENT

Bill Jabjiniak

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss and provide direction on the Mesa Healthcare Business Development Update.

Economic Development Deputy Director Jaye O'Donnell reported that several years ago, the City of Mesa issued a Request for Proposals (RFP) for its initial healthcare initiatives. She explained that in 2010, the initial contract was awarded to ESI Corporation. She advised that today's presentation will address phase two of that process.

Ms. O'Donnell displayed a PowerPoint presentation (**See Attachment 1**) and stated that the primary objective of the City of Mesa's healthcare recruitment strategy is to develop a comprehensive healthcare and life sciences recruitment plan for stimulating economic growth.

Ms. O'Donnell noted that the project components are divided into three different areas. She stated that staff's approach/methodology for this particular phase of the program looks at defining market opportunity and elevating Mesa not only in the region, but also the State and the country. She explained that this component includes a market analysis, vision statement with goals and objectives, and identifies other potential target opportunities. She remarked that the second element includes evaluating existing assets as potential "catalysts" for synergies or expansion opportunities. (i.e., Banner M.D. Anderson Cancer Center and Banner Simulation Center) She added that the final component is developing the recruitment strategy.

Ms. O'Donnell explained that in terms of the market analysis, staff and the consultants have conducted more than 30 interviews with healthcare providers, life science companies, higher education institutions and healthcare real estate brokers and developers. She said that additionally, staff has identified and evaluated cities that are successfully using healthcare and biotech specifically for economic development strategies and also reviewed the local "competitive" markets and national comparative markets.

Ms. O'Donnell further reported that staff has mapped the current healthcare and biotech assets, including the physician pipeline in Arizona, which was benchmarked against the United States. She commented that without physicians to provide healthcare and conduct research and development, Arizona will be at a significant disadvantage. She added that staff will prepare a report that addresses where the target markets are located, how they can implement business development, based on what other cities have accomplished, and what is taking place in various sectors that may be of value to the City of Mesa.

Chairman Somers suggested that in addition to staff assessing the medical doctor (M.D.) pipeline, they might also include research-oriented Ph.D.s as part of their analysis.

Ms. O'Donnell continued with her presentation and briefly highlighted the process for identifying Mesa's potential with respect to the catalyst projects. (See Page 5 of Attachment 1)

Responding to a question from Committeemember Richins, Ms. O'Donnell clarified that the white papers developed with respect to the Banner Simulation Center and Banner MD Anderson Cancer Center outline a variety of issues, such as the Simulation Center's potential and what Banner is using the facility to do; identifying ways in which the City could expand capabilities (in concert with Banner's goals); and exploring opportunities by which the City could "plug in" different kinds of sectors (i.e., medical device manufacturing companies) that use simulation centers for research and development and testing and demonstration projects.

Ms. O'Donnell further reported that the draft of the market analysis has been completed and will be finalized by March 29th. She also said that the vision, goals and some of the messaging has been developed and will be vetted with the City and industry leaders in the next 30 days to ensure that it is an acceptable position statement and vision.

Ms. O'Donnell commented that regarding the catalyst projects with MD Anderson Cancer Center and the Banner Simulation Center, in staff's opinion, the plans for these existing assets will be longer-term development. She pointed out that with a corporation as large as Banner Health, it would not be easy to "put things in place" over the next six to eight months. She added that staff endeavors to work with Banner to explore short and long-term development opportunities in order to maximize the potential of the Simulation Center, as well as MD Anderson Cancer Center, which is surrounded on three sides by Mesa.

Ms. O'Donnell provided a short synopsis of the ongoing business recruitment strategy and lead generation (See Page 8 of Attachment 1) and indicated that the City is developing specific targets, including prioritized industry segments. She noted that since the healthcare industry is extremely broad, staff will focus their efforts on several industry sectors that already exist in Mesa in order maximize its strength and minimize any weakness.

Ms. O'Donnell advised that staff will seek the assistance of the Council and City management to prioritize some of the recommendations that are generated as a result of the recruitment strategies. She said that the recommendations will include suggested priorities, a timeline and

resource considerations. She indicated that if a recommendation was made, for example, to form a medical district, it would be important to determine what steps the City would need to take in order to develop such a district with respect to infrastructure, incentives and potential staffing requirements.

Committeemember Finter noted that the area on Main Street between Recker and Power Roads, which is just north of Banner Baywood, has struggled for some time and "is a dying area." He acknowledged, however, that assisted living facilities, medical offices and surgicenters have begun to move into the area. He remarked that he has spoken with local property/business owners who have asked for the City's assistance in revitalizing the area. He added that he would be interested in staff pursuing the issue of how the property could be rezoned so that it could be part of a medical district.

Chairman Somers expressed a series of concerns regarding the viability of a medical district, especially since many neighboring communities already have existing and successful healthcare facilities. He suggested that it might be appropriate for Mesa to find a healthcare-related niche to ensure that Mesa does not compete with other municipalities.

Ms. O'Donnell responded that some of Chairman Somers' concerns will be addressed as part of the strategies to not only ensure that Mesa recognizes other cities' strengths and where other cities already have core competencies, but also to offer what Mesa has that is different.

Chairman Somers also remarked that since the MD Anderson Cancer Center is surrounded by Mesa on two sides, not counting the side that fronts the freeway, it will be necessary for Mesa and Gilbert to work together in order to maximize the facility for both communities. He stated that a more difficult opportunity, although an opportunity nonetheless, is how Mesa can link the Simulation Center with what Chandler and Phoenix are doing with their education programs, both with M.D.s and research Ph.D.s, and build off of those efforts.

Committeemember Finter commented that with respect to the future City of Mesa Wellness Center, it might be appropriate to consider the best way in which to strategically locate the facility so that it would support a possible medical district. He also stated that he and Economic Development Director Bill Jabjiniak recently met with representatives of A.T. Still University to review the college's plans/goals for its medical complex and how it aligns with Mesa's healthcare recruitment strategy.

Committeemember Richins remarked that in 2007, Banner Mesa Hospital closed and rehabbed the facility into something that features predominantly in staff's strategy. He noted that Mesa General Hospital also closed and said that a physician-owned hospital came into the facility and is struggling to serve many patients who are unable to pay for services rendered.

Committeemember Richins inquired regarding the City's retention strategy for maintaining Mesa's current assets. He expressed concern that Mesa will lose inner-city healthcare if it is not careful. He added that the service delivery for basic healthcare is an important component of Mesa's healthcare recruitment strategy and said that if it is not addressed quickly, it could damage the other elements of the City's economic development strategy.

Ms. O'Donnell clarified that the consultants have interviewed Mesa's existing healthcare providers to ensure that their needs are being addressed and also to determine whether there are any potential weaknesses that can be built into the strategies. She explained that as part of the interviews, there have been a number of leads already identified for ways in which the City

can help build the pipeline and relationships to create additional business development opportunities. She added that Economic Development staff is already working on such leads.

Ms. O'Donnell remarked that concerning the need for healthcare in and around the downtown area, it is staff's opinion that the additional demand from the colleges will certainly help and said they intend to facilitate some of those meetings. She advised that there is also some synergy with the City of Mesa's Wellness Center and noted that the goal is to select a location that would, first and foremost, serve City employees. She also indicated that there is the potential to help with existing assets and said that as part of the strategy, retention could be highlighted a bit more. She pointed out that staff is also in the process of developing a more robust expansion strategy, all of which will be "wrapped around" the H.E.A.T. (Healthcare, Education, Aerospace and Tourism) initiatives.

Discussion ensued relative to an ordinance that was recently adopted in Phoenix, wherein the hospitals tax themselves to help pay for uncompensated care costs; that at the end of 2013, the process will expire when elements of the federal healthcare reform act go into effect and reimburse those facilities; and that staff was directed to research the ordinance and report back to the Committee in this regard.

Chairman Somers thanked Ms. O'Donnell for the presentation.

2-b. Hear a presentation, discuss and provide direction on the Downtown Mesa Sprinkler Update.

Assistant to the City Manager Natalie Lewis introduced Economic Development Project Manager Lori Gary, who was prepared to assist with the presentation. She also recognized Community Revitalization Specialist Constance Bachman, who was present in the audience, and has also worked on the Downtown Mesa Sprinkler Cost Assistance Program.

Ms. Lewis displayed a PowerPoint presentation (**See Attachment 2**) and reported that the Downtown Mesa Sprinkler Cost Assistance Program came about as a result of the Neighborhood Stabilization Program (NSP) and some of the success that the City had with installing fire sprinklers in residential properties. She explained that the Council was also interested in assisting downtown business owners/merchants in being successful, creating new jobs and exploring creative financing vehicles. She said that as a result of such efforts, staff developed the concept of utilizing Community Development Block Grant (CDBG) dollars to fund the installation of fire sprinklers in downtown businesses.

Ms. Lewis advised that one of the CDBG's national objectives is to create employment opportunities for low-moderate income (LMI) targeted areas. She referenced a document titled "What is low-mod income?" (See Page 4 of Attachment 2) and highlighted various income levels in households ranging from 1 to 4 persons.

Ms. Lewis indicated that in 2009-2010, the Sprinkler Cost Assistance Program was implemented and designed to provide funding assistance for downtown merchants to install fire sprinklers in their businesses. She noted, however, that it remained cost prohibitive for many individuals to participate in the program. She said that staff determined that it was necessary for the City to upgrade certain infrastructure in the alleys behind the buildings in order to more easily facilitate the sprinkler system installation. She explained that certain revisions have been made to the program and added that staff is now confident that they have achieved a solid and robust program that will be successful.

Ms. Lewis briefly discussed the details of the program (See Page 5 of Attachment 2), which include up to \$20,000 for reimbursable costs. She said that the merchant is required to adhere to various City specifications and federal requirements and noted that the full costs are fronted by the merchant/contractor. She pointed out that there is one reimbursement following the completion of construction and a successful inspection. She added that LMI jobs must be created at the business within two years of construction being completed.

Ms. Lewis reported that since the inception of the program, staff has created a business-friendly model and taken a hands-on approach to help downtown businesses be successful. She explained that from a paperwork standpoint, although the initial process was somewhat overwhelming, it is now well organized and includes a new agreement, resource notebooks, checklists, samples/forms and ongoing support from staff in order to make the process easier for the business owners and merchants. She also stated that staff anticipates that the City will be audited at some point in time by the U.S. Department of Housing and Urban Development (HUD) and wanted to be well prepared not only from the City's perspective, but also for the benefit of the merchants and property owners.

Ms. Lewis indicated that the City's first project is Tre Bella, a wedding reception hall, which is located at 121/123 West Main Street. She stated that the fire sprinklers have been installed and the reimbursement process is now underway. She displayed photographs of the facility after the installation, much of which includes recessed fire sprinklers. (See Page 8 of Attachment 2)

Ms. Lewis advised that the next project is 12 West Main Street and said that the business will do catering and host receptions. She said that staff has received the business owner's application and are proceeding through the various stages of the process.

Responding to a question from Chairman Somers, Ms. Lewis clarified that what staff heard from the downtown property owners early on in this process is that while they were eager to do more with their businesses and bring more activity to the downtown, they were unable to do so because of certain Fire Code restrictions that limited the number of occupants allowed in the establishments. She explained that installation of the sprinkler system allows a business owner to have a maximum of 49 people in a particular business.

Ms. Lewis, in addition, highlighted the next steps in the process. (See Page 10 of Attachment 2) She noted that it is staff's goal that the remaining CDBG funding for this program be allocated by the end of 2013.

Ms. Lewis briefly reviewed three matters for the Committee's consideration as follows: 1.) Should the City apply for new CDBG funding in the FY 14/15 cycle; 2.) Should the City expand the use of funds to other CDBG-eligible areas beyond the downtown; and 3.) Tre Bella has requested an additional \$20,000 for a different parcel, which would create new jobs, but with the same merchant.

Ms. Lewis noted that staff would prefer that the first \$100,000 in CDBG monies be used to focus on the downtown area since the infrastructure behind the alleys has been installed. She said that with respect to Tre Bella's request, staff would recommend waiting until the merchant at least fulfills the job requirements and the first HUD file is closed, and then allow the merchant to request additional monies. She added that the program is on a first come, first served basis.

Committeemember Richins inquired how many business parcels are eligible in the downtown area that would benefit from this program. He stated that if 100% of the eligible properties in the

target area participated in the program, he would like to know what the cost would be to accommodate those entities.

Chairman Somers further requested that staff provide the square footage of the eligible properties.

Ms. Gary clarified that not all businesses are required to be sprinklered and noted that Chairman Somers' question with respect to the square footage of the eligible properties may be a different question than what the Fire Code requires in terms of occupancy. She stated that many downtown businesses have expressed an interest in participating in the program.

Chairman Somers suggested that Desert Eagle Brewery would be a great case study of what the Fire Code allows. He commented that in that particular instance, the Code allows 49 occupants, which was adequate since the business wanted to open up a tasting room and a brewery. He said that the next phase for the business would be to open up a full bar and restaurant, which is the kind of nightlife activity that the City would like to see in the downtown area. He said that the Sprinkler Cost Assistance Program would help offset those costs and reap rewards back to the City, since it would be activating the downtown and enabling the business to grow.

Chairman Somers further commented that one of the reasons this program took so long to implement is that HUD had never heard of such a program. He said that CDBG monies have been used to install fire sprinkler systems as part of an entire package of redoing a building. He pointed out, however, that for the City of Mesa to develop a grant program to specifically fund fire protection is unique. He added that the program has also garnered the attention of the National Fire Protection Association (NFPA), which would like to see the program introduced throughout the United States.

Committeemember Richins said he would prefer to identify the scope of the problem in the downtown and initially focus on that area. He noted that he would like to ensure that the program is successful before it is expanded beyond downtown Mesa. He added that the type of structures in the downtown is a particularly vulnerable class of buildings, which is the reason for initiating the program in that area.

Chairman Somers and Committeemember Finter concurred with such direction.

Chairman Somers suggested that at a future Committee meeting, it might be appropriate to discuss potential FY 14/15 CDBG funding allocations for the program.

Economic Development Director Bill Jabjiniak advised that although there is sufficient funding today, staff would like to proactively develop "a pipeline" of eligible applicants and "let the money catch up," whether it is this year or next year. He reiterated that after the initial funds are expended, no additional monies would be available until possibly FY 14/15, pending Council direction. He added that the City has spent \$40,000, which would leave funding for four more applications.

Committeemember Richins requested that the Committee be provided maps illustrating the location of the businesses that would be eligible for the program. He commented that next year, light rail construction in downtown will impact the businesses and stated the opinion that FY 14/15 would be the correct timeframe to once again target the area. He added that he was not

necessarily concerned about a lack of a pipeline of eligible applicants due to the impending light rail construction in the downtown area.

Committeemember Richins, in addition, stated that he would like to see a diversity of applicants and remarked that in some respects, it would depend upon what the business “wants to accomplish and bring to the downtown.”

Ms. Lewis reported that Tre Bella’s administrative offices, which were initially located next to the reception hall, were moved across the street. She explained that this has freed up an empty building in which the business owner would like to create a new restaurant, The Spare Room. She advised that although Tre Bella is the kind of business the City likes, since it is investing in the downtown, from a policy standpoint, it would make sense to “spread the wealth” in the target area. She added that the alternative would be to continue the program on a first come-first served basis.

Committeemember Richins commented that if Tre Bella’s new business enterprise consisted of a restaurant or a bar, he would be willing to help the owner. He said that if that were not the case, he would caution staff to “move more slowly.”

Ms. Lewis inquired if the Committee would be comfortable with the approach that if Tre Bella fulfilled the job requirements with respect to the wedding reception hall and the first HUD file was closed, that staff could then advise the business owner that three more grants were available and whoever was ready to proceed could do so.

Chairman Somers stated that the Committee concurred with Ms. Lewis’ suggestion.

Ms. Lewis added that staff will market the program more extensively to ensure that the business owners in the area know it is available.

Chairman Somers stated that he would be interested to hear a variety of success stories, as well as the risks, if any, associated with the Sprinkler Cost Assistance Program.

Chairman Somers thanked staff for the presentation.

2-c. Hear a presentation, discuss and provide direction on an update of Foreign Trade Zone No. 221.

Economic Development Project Manager Jennifer Graves displayed a PowerPoint presentation **(See Attachment 3)** and provided an extensive analysis of Mesa’s Foreign Trade Zone No. 221 (FTZ). She reported that the FTZ, which encompasses 2,017 acres, was established in 1997 and said the boundaries were modified in 2008. (See Page 2 of Attachment 3) She explained that there are currently no FTZ operators or users within the zone.

Ms. Graves briefly discussed the different types of FTZs, including a General Purpose Zone (GPZ) and a Subzone. She advised that Mesa’s FTZ, of which it is a grantee, was a GPZ. She noted that currently there are six other grantees in Arizona. (Phoenix, the West Valley, Tucson, Nogales, Yuma and Sierra Vista) She stated that Phoenix and the West Valley realigned their FTZs under an Alternative Site Framework, which creates “a magnet site” (similar to an industrial park) in the GPZ. She added that Tucson also realigned its FTZ under a similar process.

Ms. Graves explained that an FTZ is a secure area located in or near a U.S. port of entry and that it is legally outside the U.S. Customs territory for duty purposes only. She indicated that Phoenix-Mesa Gateway Airport is considered a fee-based port of entry, with Customs onsite and added that Phoenix Sky Harbor Airport is the main port of entry for the region. She said that within an FTZ, merchandise can, for example, be manufactured, repaired or assembled, but retail sales are prohibited.

Ms. Graves further remarked that businesses are attracted to an FTZ because it offers, among other things: duty deferral on products; duty elimination on exports and scrap; inverted tariff opportunities (i.e., the duty rate for the overall finished product is lower than the duty rate of the component part); and an Arizona property tax reduction, pending approval of all taxing jurisdictions.

Ms. Graves, in addition, reviewed some of the benefits and costs of an FTZ. (See Page 4 of Attachment 2) She noted, in particular, that an FTZ assists the City of Mesa's efforts to establish the Phoenix-Mesa Gateway Airport as a thriving center for business, employment, aviation and technology. She added that as a grantee of an FTZ, the City incurs various administrative costs to oversee the zone.

Discussion ensued relative to the fact that in 2012, the Foreign Trade Zone Board updated its regulations; that two of the more prominent updates include the definition of "Manufacturing" being replaced by "Production," and that the Subzone activation timeline was shortened to three to five months (as compared to up to one year).

Ms. Graves reported that in the next few months, staff will bring forward an updated Zone Schedule for the Council's approval. She explained that per new regulations, the document must be updated by February 28, 2014. She stated that in the past, the City of Mesa's Zone Schedule was one sheet of paper, which included various fees. She noted that the updated version will be a much larger document consisting of an overview of what the zone allows, rules, regulations and policy from the Foreign Trade Zone Board, an updated fee schedule and more defined terms.

Ms. Graves advised that staff is also updating the User and Operator Agreements. She said that the City Attorney's Office is currently reviewing a draft from the Foreign Trade Zone Board consultant to ensure that it complies with the Mesa City Code.

Further discussion ensued relative to the fact there are currently four property owners within the zone; that one entity owns 600 acres at the end of the runway; that another group owns a sliver of property west of the runway; that Phoenix-Mesa Gateway Airport is the largest property owner; and that the City of Mesa also owns a small parcel.

Ms. Graves stated that staff will also update Title 9, Chapter 13 of the Mesa City Code, which addresses the FTZ. She said that most of the updates will include definition modifications, in an effort to comply with new rules and regulations, and also Schedule revisions, in order to correspond with the new Zone Schedule. She also remarked that staff will add the following two provisions: that the grantee makes no warranty or representations regarding benefits that one might receive in the FTZ; and the City will not undertake operational oversight of the FTZ.

Additional discussion ensued relative to the fact that the City entered into a contract with the Rockefeller Group, an FTZ consultant, to assist staff in updating the above-mentioned documents and market the FTZ; that per the agreement, the consultant will provide a free

assessment analysis to businesses to determine whether the FTZ would be beneficial/cost effective for their companies; that Phoenix realigned its FTZ under an Alternative Site Framework and its jurisdiction includes all of Maricopa County and parts of Pinal County excluding only Mesa's FTZ; that even though Phoenix has jurisdiction over most of Mesa, Mesa is still allowed to grant Subzones inside and outside of Mesa; that a business, which is located at the Broadway/101 Center, approached the City with respect to allowing a Subzone at that site; and that because 2,000 acres is the maximum allowable size for an FTZ and Mesa's encompasses 2,017, staff would consider swapping land in the FTZ for a Subzone.

Responding to a question from Committeemember Richins, Ms. Graves explained that Phoenix realigned its FTZ under an Alternative Site Framework, which gives the municipality the ability to grant Subzones as "magnet sites" within Maricopa County and Pinal County. She said that because Mesa's FTZ is a GPZ, which was formed under a different framework, it cannot exceed 2,000 acres. She explained that Mesa could allocate more acreage, but said it just takes a longer process to complete.

Ms. Graves further commented that since Mesa's FTZ has no active users, the Foreign Trade Zone Board will not grant additional acreage since it is not using what it has. She said that the City could designate, for example, the Broadway/101 Center as a Subzone for the single user, or make all of the Broadway/101 Center a Subzone under that framework. She said that Phoenix currently has five magnet sites and five Subzones.

Ms. Graves pointed out that most large metropolitan areas have one FTZ and stated that the Port of Los Angeles, for instance, is the FTZ for Los Angeles and the surrounding communities. She stated that Arizona is unique in that Phoenix established the first FTZ, followed by the other communities at different periods of time.

Economic Development Director Bill Jabjiniak indicated that the FTZ is an economic development tool that the City has not utilized to its fullest. He said that the consultant's free analysis assessment will assist businesses in determining whether they would benefit from the FTZ.

Chairman Somers thanked staff for the presentation.

2-d. Hear a presentation, discuss and provide direction on the HUBZone Program Overview.

Economic Development Project Manager Thomas Webb displayed a PowerPoint presentation (**See Attachment 4**) and said that in 1997, the Small Business Administration (SBA) established the Historically Underutilized Business Zone (HUBZone) Program. He explained that the program is designed to help small businesses in rural and urban areas to gain preferential access to federal procurement opportunities.

Mr. Webb briefly reviewed the qualifications that a business must meet in order to be a certified HUBZone business. (See Page 3 of Attachment 4) He noted, in particular, that the small business must be independently owned, organized for profit and not dominant in its field.

In response to a question from Chairman Somers, Mr. Webb clarified that the Arizona Laboratories for Security and Defense Research (AZLabs) is the designated HUBZone and stated that the independent companies that locate to the site must be certified HUBZone businesses. He stated that Raytheon, which is a major corporation, could lease space at AZLabs, but would not receive the benefits as a certified HUBZone business.

Mr. Webb further commented that HUBZones are typically areas of low-to-median household incomes, high unemployment, or both, and former military installations. He noted that the purpose of the HUBZones is to increase employment opportunities and stimulate capital investment.

Mr. Webb, in addition, highlighted the benefits for businesses located in HUBZones. (See Page 6 of Attachment 4) He indicated that in full and open contract competitions and subcontracting opportunities, a certified HUBZone business may be eligible for a 10% price preference.

Responding to a question from Chairman Somers, Economic Development Director Bill Jabjiniak clarified that staff is currently engaged in discussions with one entity that is considering leasing space at AZLabs that may be interested in utilizing the HUBZone Program. He also remarked that on September 5, 2011, AZLabs was designated as a HUBZone when the former Air Force Research Lab (AFRL) was officially closed per the Base Realignment and Closure Commission (BRAC) process.

Mr. Webb pointed out that the HUBZone designation expires after five years and said that a business's benefits would terminate at that time.

Chairman Somers thanked staff for the presentation.

2-e. Hear a presentation, discuss and provide direction on an AZLabs Update.

Economic Development Project Manager Thomas Webb displayed a PowerPoint presentation (**See Attachment 5**) and provided a brief historical overview of AZLabs. (See Pages 2 through 5 of Attachment 5)

Chairman Somers stated that the Committee was very familiar with AZLabs and asked that Mr. Webb focus his presentation on the issues of business attraction and the upcoming Defense Forum.

Mr. Webb explained that the City of Mesa hired Alion Science and Technology (Alion), an employee-owned defense company, to provide security, maintenance, repair, renovation and facility management at AZLabs. He advised that Alion's business attraction strategy focuses on the following areas: 1.) U.S. government agencies; 2.) Contractors supporting defense and homeland security; 3.) Academic researchers with Department of Defense (DoD) requirements; and 4.) Small businesses seeking security accreditation and federal contracting opportunities.

Mr. Webb, in addition, remarked that on March 26, 2013, a Defense Forum will be held at AZLabs to promote the facility. He stated that the invited guests include government, industry and academic leaders, all of whom must receive security clearance to enter the facility and attend the event. He indicated that the event is hosted by the City of Mesa, the Arizona Commerce Authority (ACA), the Greater Phoenix Economic Council (GPEC) and Tucson Regional Economic Opportunities (TREO). He added that presentations will be made by national leaders in defense and homeland security.

Economic Development Director Bill Jabjiniak clarified that due to sequestration cuts in Washington, D.C., various cyber-security invitees are on a no-travel ban and will be unable to attend the event. He stated that the Defense Forum will be more regional in nature, with the goal of making people aware of AZLabs, which is a Statewide asset. He added that the Council and other elected officials have been invited. He pointed out that Alion has struggled with the

national defense security agency with respect to protocols that must be maintained at the facility. He added that with appropriate lead time, everyone is being secured to gain access to the event.

Chairman Somers stated that he would think Arizona's elected officials, such as Senator John McCain and U.S. Representative Matt Salmon, would be interested in attending the event since it would provide an opportunity for them to come home to Arizona and also advocate bringing high-paying jobs to their district.

Chairman Somers thanked staff for the presentation.

3. Adjournment.

Without objection, the Economic Development Committee meeting adjourned at 4:49 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Economic Development Committee of the City of Mesa, Arizona, held on the 18th day of March, 2013. I further certify that the meeting was duly called and held and that a quorum was present.

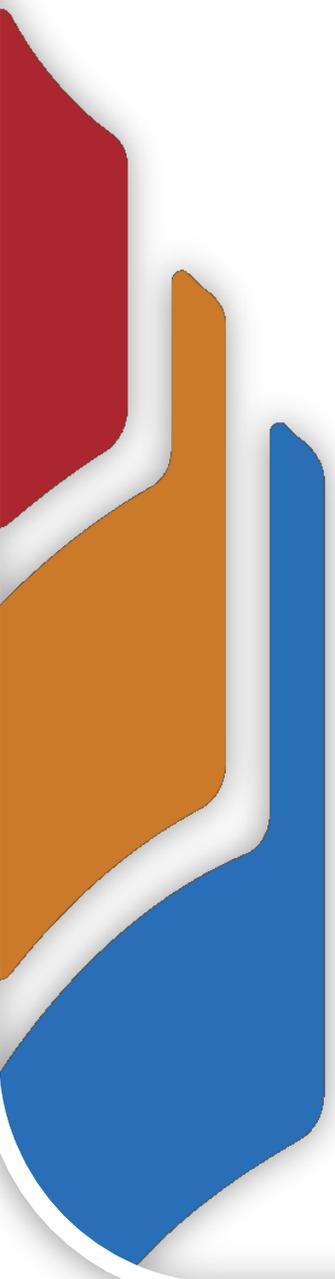
DEEANN MICKELSEN, INTERIM CITY CLERK

pag
(attachments – 5)

Mesa Healthcare Business Development Update

**Economic Development Council
Committee**

March 18, 2013





mesa·az

Project Update

Healthcare Recruitment Strategy

Primary Objective:

- Develop a comprehensive healthcare and life sciences business recruitment plan for stimulating economic growth



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Project Components

Approach / Methodology:

- Define Market Opportunity / Elevate Mesa within the Region, State, and US
 - Market Analysis
 - Vision Statement, Goals and Objectives
 - Other Potential Target Opportunities
- Evaluate existing assets as potential “catalysts” for synergies or expansion opportunities
 - Banner M.D. Anderson Cancer Center
 - Banner Simulation Center
- Develop the Recruitment Strategy



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Market Analysis

Research: Qualitative & Quantitative

- Conducted 30+ interviews with subject matter experts
 - Healthcare providers, life science companies, higher ed institutions and healthcare real estate brokers and developers
- Identified and evaluated cities successfully using healthcare / biotech for economic development
 - Local “competitive” markets and national comparative markets
- Mapped Current Healthcare / Biotech Assets



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Catalyst Projects

Process for identifying Mesa's potential

- Compiled research on simulation centers around the world and creation of medical districts and life science technology parks
- Developed white papers on Banner Simulation Center and Banner MD Anderson Cancer Center
- Considered international best practices and Mesa's strengths in the region and state to define opportunities for expansion
- Recommend next steps for a ongoing effort



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Progress to Date

Market Analysis

- Draft is completed, finalized by March 29

Vision, Goals and Messaging

- In process. Vision, goals, messaging will be vetted with city and industry leaders in next 30 days



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Progress to Date

Catalyst Projects

- Plans will be for longer-term development
- Area surrounding MD Anderson requires cooperation and collaboration with Gilbert
- Banner Health is interested in exploring short and long-term development opportunities with the City to maximize the potential of the Sim Center



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Progress to Date

Business Recruitment Strategy

- Being developed with specific targets including prioritized industry segments
- Recommendations including suggested priorities, timeline, and resource considerations
- Timeline for completion: April 2013
- Implementation begins immediately

Lead Generation

- Interviews have already generated leads for business development
- Economic Development is pursuing



Questions?



Downtown Mesa's Sprinkler Cost Assistance

Program Overview and Update
Economic Development Committee
March 18, 2013



Info.

Goals

- **Mesa City Council Economic Development Strategic Initiative:**
 - Focus on assisting Downtown business.
 - New job creation.
- **Expand building occupancies.**
 - Community Development Block Grant.

Info.

Goals

- One of the CDBG national objectives is to create employment opportunities for low-moderate income targeted areas.

Info.

Info.

What is low-mod income?

Median Income	2013 Income Limit	1 Person	2 Person	3 Person	4 Person
	Extremely Low (30%)	\$13,300	\$15,200	\$17,100	\$18,950
	Very Low (50%)	\$22,100	\$25,250	\$28,400	\$31,550
\$62,200	Low (80%)	\$35,350	\$40,450	\$45,450	\$50,500

Info.

Program Details

- Up to \$20,000 for reimbursable costs.
- City specifications and federal requirements.
- Full costs fronted by merchant/contractor.
- One reimbursement following construction completion and successful inspection.
- Jobs created within two years of construction completed.

Info.

Program Status

- Business-Friendly “Model” created.
 - New agreement, resource notebooks, checklists, samples/forms, ongoing support.
 - Cross-departmental reviews. Checks and balances. Housing and Urban Development (HUD) consultant insight incorporated.

Goal = Collaborative Effort to Ensure Clarity and SUCCESS.

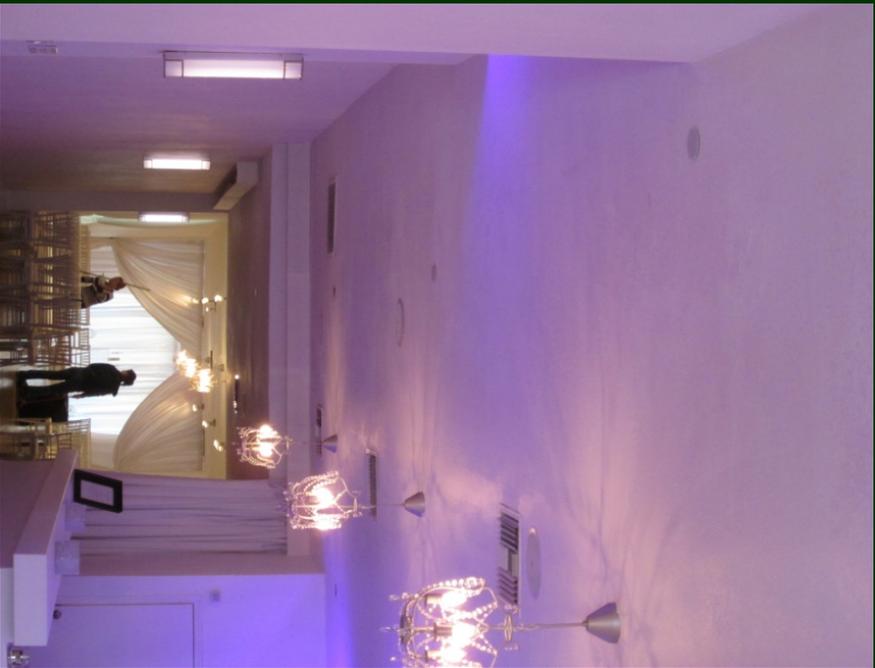
Program Status

Info.

- **TreBella– 1211/123 W. Main Street.**
Wedding reception hall and restaurant.
 - Sprinklers installed.
 - Reimbursement process underway.

TreBella

Info.



Program Status

Info.

- **12 W. Main Street**
 - Catering and Receptions.
- Application received.

Next Steps

- Continue monitoring job creation status within two years. “Close HUD File status.”
- New program marketing.
- Goal is to allocate remaining CDBG funding for this program by end CY 2013.

Info.

Info.

Considerations

- Do we want to apply for new CDBG funding in 14/15 cycle?
- Should we expand use of funds to other CDBG eligible areas beyond downtown?
- Recommendation for single merchant requesting funds for multiple parcels/business.

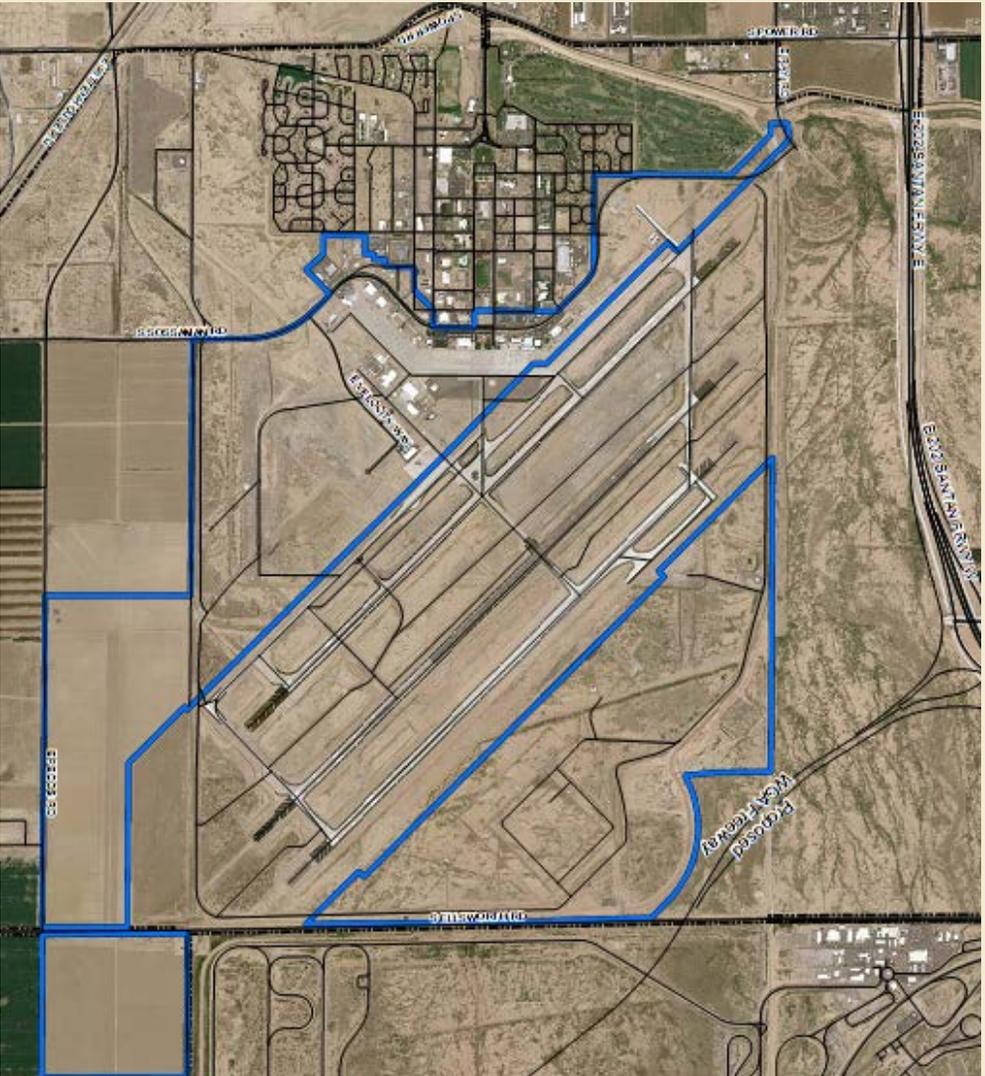
Questions?



Info.

City of Mesa Foreign Trade Zone No. 221





- Established 1997
- Modified in 2008
- Encompasses 2,017 acres
- No current FTZ operators/users
- Types of Zones
 - General Purpose Zone
 - Subzone

Mesa FTZ No. 221



What is an FTZ?
(and why should businesses use It?)

What?

- A secure area located in or near a U.S. port of entry
- Legally outside the U.S. customs territory (for duty purposes only)
- In a zone, a business can?

Why?

- Duty Deferral
- Duty Elimination on Exports & Scrap
- Duty Reduction/Inverted Tariff
- Logistics Flow/Trade Facilitation
- AZ FTZ Property Tax Treatment



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Benefits & Costs

- Tool that can be utilized to attract new or expanding export oriented business
- Assist our efforts to establish the PMGA as a thriving center for business, employment, aviation, and technology
- Administrative time expended
- Bond - \$700 per year





2012 FTZ Regulation Changes

- “Production” replacing “Manufacturing”
- Shorter Subzone activation timeline
 - 3 to 5 months

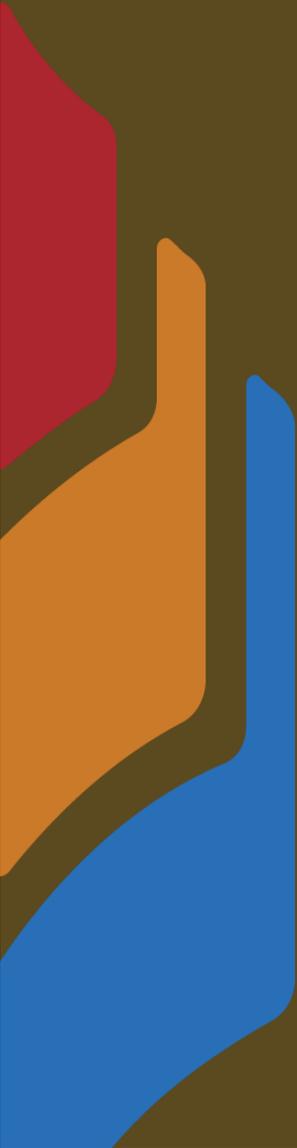




Grantee Requirements

- Update the Zone Schedule
 - Must be updated by February 28, 2014
- Update User & Operator Agreements
 - Currently, there are 4 property owners in the zone
- Update Mesa City Code (Chapter 13)

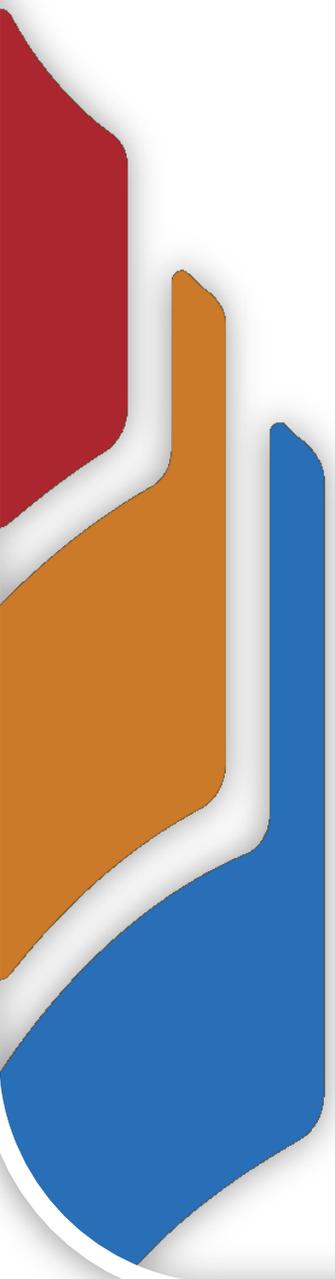
Questions?



HUBZone Program Overview

Economic Development Committee

March 18, 2013





What is a HUBZone?

- A program designed to help small businesses in rural and urban areas, to gain preferential access to federal procurement opportunities
- Established in 1997 and is administered by the Small Business Administration (SBA)



Certified HUBZone Business

- Must be a small business by SBA standards; independently owned, organized for profit, and not dominant in its field.
- The business must be at least 51% owned by a US citizen
- Principal office must be located in a HUBZone
- At least 35% of the firm's employees must reside in a HUBZone



HUBZone Areas

- Typically areas of low median household incomes or high unemployment, or both
- Former military installations



Purpose of HUBZones

- Increase employment opportunities
- Stimulate capital investment



Benefits for Businesses in HUBZones

- Competitive and Sole Source Contracting
- 10% price preference in full and open contract competitions and subcontracting opportunities
- Federal government has a goal of awarding 3% of prime contracts to HUBZone certified small businesses



AZLabs HUBZone

- AFRL Mesa designated on 9/15/2011
- Eligible for 5 yrs. beginning on the official date of closure

<http://www.sba.gov/content/hubzone-maps>



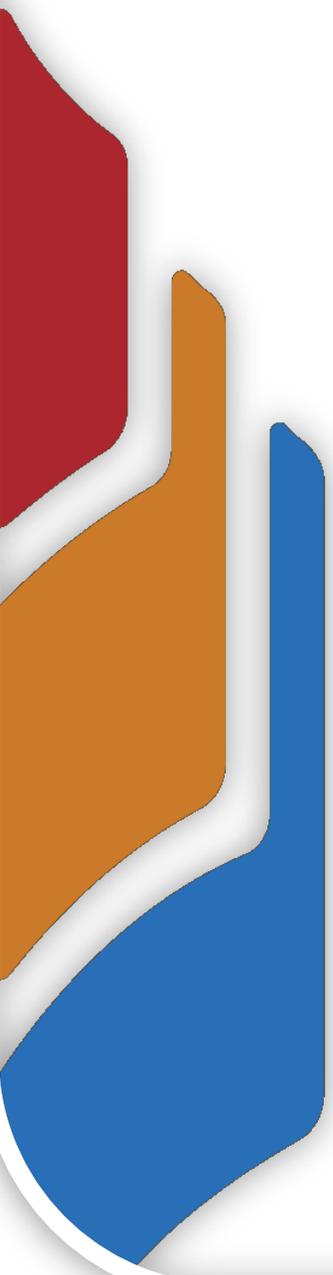
Questions?



Arizona Laboratories for Security and Defense Research (AZLabs)

Economic Development Committee

March 18, 2013







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AZLabs

- Formerly the Mesa Air Force Research Lab
- Located adjacent to PHX-Mesa Gateway Airport
- The 6.8 acre complex consists of 10 building (93,000 sf.)



Historical Outline

- Interim Lease with the Air Force, 6/27/11 - 6/27/13
- AZLabs was designated as a HUBZone on 9/15/11
- Economic Development Conveyance (EDC) Application submitted to the Air Force 4/12/12



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Economic Development Conveyance

- 6/7/12, Initial discussions with the Air Force regarding the EDC Agreement
- 9/6/12, Air Force presented the City a draft term sheet
- 11/20/12, the City tentatively agreed to a 8 yr. reinvestment/net revenue sharing period with the Air Force
- City and the Air Force are working on a final EDC Agreement



mesa·az **Property Management**

- Alion Science and Technology is a employee owned defense company based in McLean, VA
- Alion is a prime contractor that provides security, maintenance, repair, renovation and facility management
 1. Department of Defense (DoD) compliant security accreditation
 2. Tenant attraction and leasing management
 3. Subcontractor oversight



Business Attraction

- Alion's business attraction strategy focus on four areas:
 1. U.S. government agencies
 2. Contractors supporting defense and homeland security
 3. Academic researchers with DoD requirements
 4. Small businesses seeking security accreditation and federal contracting opportunities



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Defense Forum

March 26, 2013 at AZLabs

- VIP gathering of government, industry and academic leaders to promote AZLabs
- Co-hosted by City of Mesa, ACA, GPEC and TREO
- Presentations by national leaders in defense and homeland security
- Networking event, Cubs vs. Reds Spring Training Baseball
- Alion and NDIA are coordinating the event