

## MEETING MINUTES

### Office of Economic Development Economic Development Advisory Board

57 E. 1<sup>st</sup> Street  
Lower Level Council Chambers  
Mesa, AZ 85201

Date: April 2, 2019 Time: 7:30 A.M.

---

#### **MEMBERS PRESENT**

Natascha Ovando-Karadsheh, Chair  
Jim Kasselmann, Vice Chair  
Rich Adams  
Brian Campbell  
James Christensen  
Deb Duvall  
Matt Likens  
Dominic Perry

#### **EX-OFFICIO**

Mayor John Giles (Excused)  
Chris Brady, City Manager (Excused)  
Sally Harrison (Excused)  
Jeffrey Pitcher

#### **STAFF PRESENT**

William Jabjiniak  
Will Novak  
Jaye O'Donnell  
Maribeth Smith

#### **1. Chair's Call to Order**

Chair Ovando-Karadsheh called the Economic Development Advisory Board meeting to order at 7:33 a.m.

#### **2. Items from Citizens Present** – None.

#### **3. Approval of Minutes from the March Board Meeting**

Chair Ovando-Karadsheh called for a motion to approve the minutes from the March Board meeting.

**MOTION:** Jim Kasselmann moved to approve the March 5, 2019 minutes as presented; seconded by Deb Duvall. Upon tabulation of the votes, it showed:

AYES – Ovando-Karadsheh, Kasselmann, Adams, Campbell, Christensen, Duvall, Likens, Perry

NAYS – None

Chair Ovando-Karadsheh declared the motion carried by unanimous vote.

#### **4. Southeast Mesa Driving Tour Follow-Up**

Chair Ovando-Karadsheh thanked everyone for attending the driving tour and thanked James Christensen for hosting the brief Board meeting.

Bill Jabjiniak provided a map of projects in the tour area of southeast Mesa. The vision for the Elliot Road Technology Corridor started about eight years ago. The development activity shown on the map is color coded as to the status in the planning process. Along the top of the map is the large Morrison site at Power Road, EdgeConnex, and the METP industrial park. Dignity Health's hospital is up and there is talk of medical offices coming this year. The Niagara facility is up and CyrusOne is going through the approval process. The site plan for Digital Realty is expected to be approved with construction starting this year. Project RW is new. The area above Apple at Signal Butte and Elliott is still open. Mortenson recently bought the old Steffey property and they have an industrial user. The Point is the Safeway shopping center. EdgeCore has a total of seven buildings. The next steps will be to quantify the amount of power and the numbers created by the data center activity along Elliot Road.

Sunbelt is proposing a mixed-use development with industrial, residential and retail, in proximity to the airport. Along the 202 things are changing every day. There are 10 buildings under construction with seven more in various stages of the planning process. Gallery Park was approved at Planning and will go to Council on April 15. The mixed-use commercial parcel inside the Loop is a 150-acre piece with a variety of hotel and industrial uses. That has not moved forward. There is a water line coming down Sossaman. Just off the map along the Airport there are a variety of projects that are not yet identified. To the southeast, also off the map, is the Fuji expansion as well as a truck terminal that was previously proposed on Ray Rd.

#### **Board Questions/Comments:**

Deb Duvall suggested dating the map for future reference as well as labeling the roads.

Brian Campbell noted that Elliot is anchored by Apple on the east and the Morrison property on the west with a number of outstanding projects and large facilities along the corridor in between. He felt the Morrison property will be a wonderful project that Mesa can take pride in. This creates a lengthy corridor that does not exist in many places in the East Valley, Arizona, or in the country. This activity is unprecedented in Mesa along Elliot Road, and we're going to drop a residential bomb in the middle. It defies logic. He felt it is malfeasance if we allow that to happen.

Bill Jabjiniak noted that the Elliot Road Tech Corridor runs from Signal Butte to Hawes, just west of the 202. The EdgeConnex property is at the edge of that corridor. The rest of the projects are technically outside of the Tech Corridor. The residential that has been discussed is proposed, nothing has been approved although it will be a little more active in the planning process within the next 30 days or so. These companies are here because of the access to power since some of these projects are 100 to 300 megawatts. SRP is running an additional 230kV power line that will come up the SR 24 alignment to the 202 because of the need for redundancy and additional power. There are also 69kV easement concerns. The broker community's view is that we will never absorb this much industrial. We are coming to the two-year mark and we are still at 459 acres with the Morrison piece which has not yet sold. An Opportunity Zone wraps the bottom of the Airport coming up on the east side between Ellsworth and Meridian up to Ray Road. Opportunity Zones are what is driving the investment on Ray Road today, in addition to the infrastructure and highway access.

Rich Adams commended staff on the great, easy to understand map. He agreed with Mr. Campbell's comments. The part that stands out like a sore thumb is the residential. It just doesn't make any sense. In his experience in Planning & Zoning going back 15 years, you don't put residential in the heart of an area of opportunity for commercial development like this. It threatens the Airport. Developers would have second thoughts seeing the residential here. For the record, he felt the greatest threat we have here is the existence of this residential proposed development in the heart of this opportunity. As a Board, we need to take some very drastic action, as appropriate, to make sure this does not happen and that it does not threaten the opportunity before us.

Jim Kasselmann has seen residential areas built up around airfields and prime industrial projects, and stated it is a choke hold, a strangle weed on an area. It becomes nothing but a problem in the future with congestion and conflicts.

Bill Jabjiniak noted that the planes taking off from this Airport have to bank hard right to stay out of Sky Harbor airspace. Gallery Park which was recently approved by Planning is a mixed-use development with residential. It is a vertical, for rent product five-stories tall on the southern end by Ray Road. After much discussion, that was allowed because it is outside of the noise contour and some of the office users wanted walkability from the residential to the office, retail and hotels. The developer at the last minute added 39 units above a retail environment in a noise contour. The Planning staff added noise attenuation, which was a very prudent move. There is residential close by, although it is certainly not a single-family subdivision.

Chair Ovando-Karadsheh was concerned about EdgeConnex. It is very hard to sell housing up against a power line as it deteriorates faster. It does not make sense to have housing in the middle of these

big projects for quality of life and for the long-term value. We have been so careful not to put housing right up against a major freeway. She did not understand why that is now being considered when we have worked so hard to change the type of product that we put in the City. We need to take a serious look at what is happening.

Deb Duvall asked about the status of single-family residential as part of the City's plan. Have those parcels already been zoned residential?

Bill Jabjiniak stated those parcels are currently in the County and must be annexed in. For over a year, there have been discussions on a zoning change. A study was conducted, which did serve to protect the highway belt. The attorney for the developer has gone back to evaluate the residential on that highway loop. It still has to go through the planning process. They have been lobbying hard to all of the elected officials with some push back. It was part of the activity in this tour area. There are multiple property owners and a lot of it is farms or old dairy farms.

Chair Ovando-Karadsheh suggested that this map be provided to Council as it visually represents not only the story of success, but also what needs to be addressed.

Bill Jabjiniak stated the map was hot off the press for this meeting and there are some technical corrections that are needed.

Jim Kasselmann suggested including on the map the major utilities, power lines, the canal, as well as where the sewer needs to be added.

Dominic Perry asked about looking at projects like EdgeConnex or Project RW to quantify what their tax implication will be for the City of Mesa versus that of a residential area. How much will the City of Mesa make on those projects versus a residential community?

Mr. Jabjiniak would hesitate to put it into a residential community comparison, although he can get figures on the construction sales tax, power, water, and sewer.

Mr. Perry asked about the number of acres or square miles in the inner loop area and what it would take to extend the Corridor to Power Road.

Mr. Jabjiniak stated it would be a matter of running the zoning case with an opt-in for property owners. He felt it would not be prudent to start that process now, given everything that is currently in the planning process and with the residential proposal. The Morrison site is 186 acres which was rezoned to Employment Opportunity (EO). That basically entitles it to the same flexible zoning as the Tech Corridor. That was introduced to Council last night and we fully expect it to be approved on April 15. That will leave the mile stretch between Hawes and Sossaman from Elliot north to the power line as the only open piece that is not in the Corridor.

Rich Adams recommended that the Board Chair, rather than staff, provide the map to the Mayor and Council with some strong recommendations about countering the residential threat. The resources on the other side will be starting their drum beat now with the elected officials.

Mr. Campbell stated a motion would not be necessary as the Board has already authorized the Chair in a previous public action which was noticed and approved to take such public action necessary to protect these corridors. He did second Mr. Adam's suggestion.

Jeff Pitcher advised that noise contours must be included in residential subdivision public reports. He felt it important to show those kinds of contours on the map as it relates to the proposed residential.

Mr. Perry noted the future plans for a new terminal at the Airport that will go on the northeast side of the runway likely from Hawes Road east. There may be a need for hotels there.

Mr. Jabjiniak stated that Hawes would be a major entry point into the Airport as well as SR 24 off of Ellsworth Road. The parcels on either side of Hawes west of SR 24 are anticipated for more of a retail, hotel, and service-oriented environment.

Matt Likens noted that during driving tour there was mention of a major potential tenant north of that area with an announcement expected in the May-June timeframe.

Mr. Jabjiniak stated that is the property owned by Morrison and an announcement is still pending. The map had to comply with non-disclosures.

Chair Ovando-Karadsheh reiterated how important it is for the Board to get out and look around from time to time to be able to understand what is happening in each corner of the City.

Mr. Jabjiniak referenced the upcoming Office of Economic Development newsletter and quarterly Quick Jab article which will cover the industrial activity in the City. There are over 35 new industrial projects active in the City. Not all of those are specs and some have users. Over 2.5 million square feet are being developed as we speak. A lot of that activity is in Opportunity Zones.

### **5. West Mesa Update**

Will Novak, Economic Development Project Manager, provided an update on some of the developments in west Mesa. He noted that the Riverview area was not included in this presentation, although a more in-depth presentation can be provided at a later date.

### **AT&T**

The AT&T Administrative Center at Alma School and University announced in February 2019 a major expansion which will add 500 new employees. Their 700,000 square-foot complex has been renovated. This facility handles back office operations with 1.4 million customer contacts a year and is one of their largest centers in the country.

### **Asian Cultural District**

This area runs along the Dobson Road corridor from just north of Main Street to Southern Avenue. Mekong Plaza has been a main feature of the area for the last decade. There has been a natural progression in the area with a number of first- and second-generation Asian immigrants. Last year, the City adopted a Redevelopment Area Program with the number one priority in the West RDA to focus more on the Asian Multi-Cultural District. The plan will bring together the business owners and residents in the area to come up with a brand or name for the area. An inventory of businesses in the area counted at least 65 and there are requests in to both the Chinese and the Asian Chambers of Commerce for additional businesses. The businesses in the area are primarily retail and restaurants. The Asian population in this area is much higher than in the rest of the City. In Mesa as a whole, the Asian population is 2-2.5%, whereas in this area it is two to five times that, depending on the census tract. Just to the west in Tempe, there is a large Asian population as well.

### **Board Discussion:**

Brian Campbell noted that restaurants in that area have gained a wonderful reputation nationally. In speaking with people in the area, he learned that they refer to it as the Dragon District, with the dragon being the Pan-Asian symbol of good fortune.

Mr. Novak has also heard people refer to the area as Mekong, as that river flows through China, Laos, Thailand, Cambodia and Vietnam, connecting many different cultures and peoples.

Mr. Campbell cautioned that the word Mekong carries a certain connotation from a western perspective with Vietnam War veterans that is not shared by the Asian culture.

Bill Jabjiniak advised that this is a region staff is working on with the support of a Councilmember and the City Manager. This is just the beginning of the process and a name for the district has yet to be determined.

Chair Ovando-Karadsheh felt this is the texture that we need in the City. We talk about what attracts business, and from an economic development side it is not only about spec industrial property or

housing or jobs, but it is also about texture. It is exciting to see that this has happened naturally and organically. It will be a wonderful attraction point down the road.

Matt Likens felt it would be advantageous from a marketing standpoint to promote the diversity in Mesa with an Asian center.

Mr. Novak stated staff has been looking at a similar area in Oklahoma City called Asian Town which started out as a suburb and is now being re-adapted as a Pan Asian community. We are looking at that area as a model.

### **H Mart**

H-Mart is a higher-end Korean grocer that will be coming to the southeast corner of Dobson and Main. H-Mart will also incorporate community space as well as smaller restaurants and shops, much like Mekong Plaza. It will be the first H-Mart in Arizona, although there are some in California and Texas. The plans are to open by the end of the year. The H represents a Korean phrase that means an armful of groceries.

### **Broadway 101**

This is an 800,000 SF major industrial park, currently 90% leased. The major users include Sloan, Konica Minolta, Waymo, Dexcom, Marine Fasteners, and Mitel. It is a unique green building that used recycled materials from the old Motorola plant, and it is a LEED certified project.

### **Waymo**

Waymo is an autonomous vehicle company and a subsidiary of Alphabet, Google's parent company. This will be a dispatch center for the Waymo One service, which is the beta test of their autonomous vehicles. People are required to sign up to participate in the early rider program, which provides a ride service similar to Uber or Lyft but in a self-driving vehicle. The program will have an employee in the driver's seat to monitor the vehicles. This will be a huge expansion of Waymo's existing operations in the East Valley with 100 additional high-paying jobs.

Mr. Jabjiniak advised that Waymo started in Chandler with a 40,000 SF facility, which expanded to 60,000 SF. The Mesa facility will add 85,000 SF. It is great to see that story told further into the East Valley, and particularly here in Mesa.

Mr. Campbell asked if Waymo was getting enough people to sign up for their beta test and Mr. Novak stated they had more people sign up than they could enroll.

### **Dexcom**

Jim Kasselmann advised that Dexcom was moving the call center positions out of Mesa, as it was a temporary measure to have call center operations in the building. He brought Dexcom to Mesa to build and expand upon the manufacturing capability. There is one controlled environment room operational today and they will be building a second one this year which will double capacity. There are future plans for a third and fourth controlled environment room within the facility. The call center positions affected will be replaced by over 150 open manufacturing, engineering, and quality assurance roles. He is excited about the direction Dexcom is moving and they are currently operational 24/7 in all areas.

### **The Landing at Fiesta Village**

The site plan was reviewed for the development at the northwest corner of Alma School and Southern, which has been a long-blighted strip center. Back in 2014, the Arizona Republic reported it as an area ripe for redevelopment opportunity. The project will have 220 residential units with 4 retail pads along Southern. The unique mixed-use project has received approval from Planning. The developer is now looking for a tax incentive through a GPLET or Government Property Lease Excise Tax. Some other states use TIF, Tax Increment Financing, which is legal in 49 states but illegal in Arizona. In a GPLET, the government owns the land and leases it back, and instead of a property tax, there is a lower excise tax which can be abated for eight years. The developer may save \$3.3 million over the first eight years

of this project, with the condition that funds be provided to Maricopa Community Colleges, Mesa Unified School District, and EVIT.

Mr. Jabjiniak stated the GPLET does not apply to the four retail PADs included in the subdivision. Planning has approved the project, although Council has not. The developer requested the GPLET incentive after the project received approval from Planning. It is planned for Council on May 20. There appears to be support going forward as it will develop a long-time blighted property. In order to protect the school district, the condition was proposed calculating a 5% a year increase on the taxes the land values would generate. Due to the proximity to the Redevelopment Area and the Central Business District, it would be eligible for not only a GPLET, but the abatement as well. It would save the developer a lot of money tax-wise, the City would get rid of the blight and the school districts would be protected. A second notice has gone out recently to the school districts, the County and others regarding this project and the City's intention.

Board Discussion:

Mr. Campbell fought the GPLET-TIF battle decades ago at the legislature and advised that this was a challenging use of a GPLET with potentially damaging consequences if applied in a project like this. The traditional selling point of a GPLET is the ability to abate the tax while gaining substantial economic revenue that otherwise would not take place. This project was presented and approved at Planning & Zoning without the incentive. Only after it was approved by Planning did the developer request the GPLET. There is the potential for mischief if it is not done correctly.

Mr. Jabjiniak expects a lot of questions from a variety of groups throughout the state on this deal. The economic analysis that was done as part of the negotiations showed that it does work because of the construction sales tax. The City also said that a GPLET would not apply to any drive-through restaurants. Three of the four proposed restaurants are drive-throughs. The one sit-down restaurant can apply for a GPLET, although it would have to stand alone on its own economic analysis. Staff is working to stay within the law while eliminating a major blight in the East Valley.

Mr. Campbell's concern was that if this project is not successful in hitting those projections, it will become the exemplar of those who wish to attack the GPLET at the legislature, which may result in the loss of the GPLET going forward. This is a rare tool in our economic development toolkit which is under fire at almost every legislative session. We have to be careful to not add gasoline to the fire. There may be costs down the road that will not be reflected in an economic analysis.

Jeff Pitcher advised that most of the properties in downtown Phoenix are under GPLETs. All of the student housing downtown sits on GPLETs. This is something the legislature gets beat up on all the time because those that are opposed to it, like the Goldwater Institute folks, see it as a money giveaway. He gave the example of a student housing tower that Phoenix decided was right for a GPLET. The Goldwater folks objected to the project and brought litigation to protect a bar that was being overshadowed by that big building. He felt the Landing project would also be a target, especially with the PADs. Opponents will ask why allow that benefit when they have the retail ability to make their own buck. It is good that the City is excluding GPLETs for drive-through restaurants and protecting the educational institutions, although he felt there will be a fight and this project could potentially be the poster child. A similar issue happened in Tempe when they tried to put up a nice hotel on a GPLET.

Chair Ovando-Karadsheh noted there was a lawsuit filed by the Attorney General's Office last year naming up to 10 projects in Tempe.

Mr. Jabjiniak advised that to get the GPLET abatement, a development must be in the Central Business District. Mesa's Central Business District began with a square mile and we creatively wound it along Country Club and then turned across Southern. The intent was to reach two properties, this one and the mall, in order to redevelop. He noted Mesa has been held up as a poster child during a lot of legislative discussions. At the end of the day, he felt we are ready to take on that battle.

Rich Adams asked what the Board could do to assist. Mr. Jabjiniak stated that the Board could certainly get engaged, as it has been charged with advising the elected officials on economic development matters. Staff has worked with legal and the elected officials as to what they would support.

Mr. Campbell, given the contentious history that GPLETs have, suggested we be proactive in telling the message of the City's responsible use of a GPLET. The City has done a wonderful job addressing concerns and making sure the school district is whole. If we allow the opponents of GPLETs to set the agenda, we will be digging ourselves out of a hole.

Mr. Jabjiniak felt Mayor Giles and Councilmember Heredia would appreciate any assistance to get out in front of the matter.

### **Fiesta Mall**

Mr. Novak reviewed the mall's current ownership. Up until last year, the mall was divided between five different ownership groups. Ownership is now down to three – Verde Fiesta (headed by Ernie Garcia Sr.), Dillard's, and MMCP (Ray Cashen, Jerry Tokoph, and Wayne Howard). As a comparison, Park Central Mall in Phoenix was built before Fiesta Mall and is now experiencing a comeback. That is a pattern that malls around the country seem to be going through. Unfortunately, we will not see any movement on Fiesta Mall until there is one less owner.

Jeff Pitcher stated that Dillard's is the hold up as it knows one of the two other owners will have to buy them out and they are asking top dollar. Under the CC&Rs, there are other requirements that will come into play as well. The piece to watch is Dillard's.

### **Mesa Tower**

Formerly known as the Bank of America building, Mesa Tower is now 85% leased. It contains recently renovated Class A Office space with just a few small suites not yet leased. The largest user is StateServ Medical with over 20,000 SF, providing IT and data back-end for hospitals and hospice uses.

### **Titan Solar**

Located at Country Club and Baseline, Titan Solar's corporate headquarters occupies a former flooring store. Titan Solar has been named the top solar contractor in the US, and one of the fastest growing solar companies in 2018. They have installed twice as much rooftop solar as their nearest competitor in Arizona.

### **Mesa Royale**

This development will replace a dilapidated RV Park on Main, between Extension and Country Club. It will have three to four stories of fairly dense urban residential, with walkability to the light rail. The initial phase will have 56 units, with over 100 units over four phases. This will help fill in the need for market-rate housing along the light rail line.

On a side note, Will Novak has become quite famous and appeared on the Today Show for responding to an accidental email invitation to a bachelor party in Vermont earlier this year. There is talk of a movie deal, although Mr. Novak's condition would be that it take place in Arizona.

## **6. Director's Update**

William Jabjiniak reported on a new interactive map showing development sites in the City of Mesa. The map is continually updated and includes projects in all phases of the development process. This will be a great asset to reflect what is currently available or under construction.

Myndshft Technologies held a ribbon cutting on March 20, 2019, north of Boeing. They have expanded from 4,000 to 11,000 SF and will quadruple their employees. Myndshft Technologies integrate artificial intelligence on the medical side. Board member James Christensen has been involved with them from

day one assisting with financing. They have grown a niche business and we are glad to have them here in the Falcon Business District.

A new EDAB member was approved by Council last night. Christopher Nickerson is the Director of Business Development for Banner Health and lives in District 6. He will fill the vacancy left by the resignation of Richard Warren. Mr. Nickerson will be invited to the next Board meeting in May.

The GPEC Executive Mission will be held May 6-9, 2019 in Washington, D.C. Gilbert, Chandler, and Mesa will meet with Northrop Grumman executive leadership with a regional pitch at their corporate headquarters. Mayors and economic development directors will be participating in the mission.

The Calgary Mission is scheduled for May 28-31, 2019 through MAG.

#### Upcoming Ribbon Cuttings/Groundbreakings:

May 10, 4 p.m. - Potato Barn will open with 100,000 SF

May 13, 2 p.m. - EdgeCore will open its first building in District 6

May 21, 10:30 a.m. - Residence Inn will open with a \$300 million investment

May 21, 11 a.m. - Groundbreaking for Grande Vida, next to Residence Inn. Grande Vida will be a mix of medical office, assisted living, and potentially some school space on the south side of Hampton Ave near Mountain Vista Hospital.

Spring Training - The average attendance was down, although records were set for several single games with over 16,000 in attendance. It was great to wrap up the season with the Red Sox in town.

Business to Baseball received a lot of positive comments on both Industry Day and Broker-Developer Day and we had a great turnout.

The GPLET request referenced today will take a lot of Council actions and there are several other big developments expected to hit the books in May.

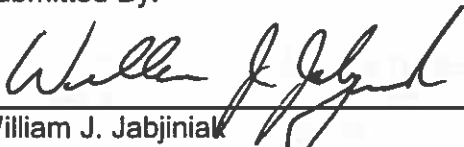
#### **7. Other Business**

The next EDAB meeting will be held on May 7, 2019, 7:30 a.m. in the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201.

#### **8. Adjournment**

Chair Ovando-Karadsheh adjourned the meeting at 8:42 a.m.

Submitted By:



---

William J. Jabjiniak  
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)