

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

October 6, 2020 7:30 a.m.

MEMBERS PRESENT

Rich Adams, Vice Chair
Brian Campbell
Deb Duvall
Matt Likens
Christopher Nickerson
Natascha Ovando-Karadsheh
Dominic Perry
Brad Wilson

EX-OFFICIO

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

STAFF PRESENT

William Jabjiniak
Jaye O'Donnell
Maribeth Smith
David Packard

MEMBERS ABSENT

Jim Kasselmann, Chair (Excused)

GUESTS PRESENT

Councilmember David Luna
Isaias Garcia Romero, Assistant to Councilmember Luna

The Economic Development Advisory Board meeting was conducted via virtual platform with options for the public to participate or listen electronically as posted on the meeting agenda.

1. CHAIR'S CALL TO ORDER

Vice Chair Adams called the Economic Development Advisory Board meeting to order at 7:30 a.m. He welcomed Councilmember David Luna and City Manager Chris Brady to the meeting.

2. ITEMS FROM CITIZENS PRESENT – None.

3. APPROVAL OF MINUTES FROM THE SEPTEMBER BOARD MEETING

Brian Campbell moved to approve the September 1, 2020 minutes as presented; seconded by Christopher Nickerson. Upon tabulation of votes, it showed:

AYES – Adams, Campbell, Nickerson, Ovando-Karadsheh, Wilson

NAYS – None

Vice Chair Adams declared the motion carried by unanimous vote.

4. FALCON DISTRICT STRATEGIC PLAN UPDATE

Vice Chair Adams had chaired the Falcon Visioning Commission several years ago. That Commission, working with Jaye O'Donnell, took a hard look at the Falcon District and considered what economic development could and should happen there. Driving around the District today, we can see some significant commercial developments as well as the cool logos and signage that identify the district. Councilmember Luna has been very involved in this process as it is in his district. After the presentation, Vice Chair Adams will look to the Board for any recommendations.

Jaye O'Donnell thanked Vice Chair Adams for all of his work, which helped this come to fruition. The Falcon Field Strategic Visioning Commission was established in 2014 by Mesa City Council and consisted of Rich Adams as chair and six other members representing Mesa businesses, developers, brokers, and residents. Working with Economic Development, that Commission developed a strategic plan for the Falcon Field Economic Activity Area in order to guide future development efforts with the airport being front and center in that plan and focusing on non-residential areas. As part of that process, the Commission defined the boundaries of the 35-mile Economic Activity Zone and adopted a vision for the area as a vibrant aerospace, aviation and defense hub and a premier location for businesses in those industry sectors as well as technology and advanced manufacturing.

The plan also identified goals, objectives, opportunities, and recommendations. The primary goals were to build awareness, increase visibility, and aggressively promote the Activity Area as an attractive destination for businesses. To do that effectively, a brand was needed. The Falcon Field Economic Activity Area became the Falcon District - Aerospace Manufacturing Technology. The Commission developed additional focus around developing product in the District, including amenities like retail, restaurants, and hotels to improve the attractiveness for other businesses to locate in the area. Specific goals related to branding and marketing were to develop a value proposition and key differentiators for the region. We also wanted to increase lead generation for commercial development and increase local and national media coverage. Setting strategic goals to measure our success was critical. The plan over the next three years was to increase the number of quality high-wage jobs by 5% or 950 and attract at least \$25 million in capital investment through new attractions and expansions.

In FY2017, we began to implement a branding signage plan in the Falcon core business district. Street signs were placed at 13 key intersections, 50 banners were installed on light poles, and wraps were placed on six traffic signal boxes along Greenfield, Higley, and McDowell Roads. Three 14-foot tall monument signs are strategically located on Greenfield, Higley and Recker Roads south of the 202. Ms. O'Donnell noted that the image of the bridge over McDowell Road was just a rendering of what that could look like at some point.

We also boosted our marketing efforts by creating special niche websites or landing pages with targeted messaging to promote the new district and the assets around aerospace, manufacturing and technology. Over the last few years, we've had a really good amount of page views and we typically promote these pages when we are going to a trade show.

The Office of Economic Development has worked on a number of projects over the years that have successfully located or expanded in the Falcon District. With each announcement, we execute a media relations effort that earns regional or even national or international media coverage. In the last two years, OED has generated over 50 million impressions in earned media. If we had to actually pay for that coverage, it would have cost in the hundreds of thousands of dollars. Social media is a very inexpensive way to reach new audiences and generate new followers. Some of the projects include Piper Plastics, Northrop Grumman, and Home2 Suites. Locates and expansions include BEMO, Atlas Motor Vehicles, and some needed entertainment and restaurants such as FatCats, In & Out Burger, Hava Java as well as Hangars on Falcon Field Airport.

The intent for the Falcon District was to increase the number of jobs by 950 and generate more than \$25 million in capital investment in three years. From August 2014 to today, OED has successfully completed 37 locates or expansions that created nearly 3,000 jobs with an average annual salary of \$47,500. We have also assisted in creating over 1.8M SF of commercial space and more than \$279M in capital investment. Having this plan and making a concerted effort to focus on an area and elevate the brand has certainly paid off.

Looking ahead, it is critical to continue to attract the large footprint industrial buildings, attract integrated office, if the demand is still there, attract higher-end amenities, and preserve our employment corridors.

Board Discussion

Vice Chair Adams felt it was a testament to the leadership of the Council, Mr. Brady, and city staff that we are seeing these kinds of results. He reviewed with Ms. O'Donnell the sizeable district boundaries with the River and Reservation to the north, Brown Road to the south, Gilbert Road to the West, and Ellsworth Road to the east.

Brian Campbell asked if we have had an opportunity to look at the Falcon District through the lens of the impact that COVID has had on the economy. He is seeing and hearing that the industrial side of the equation is still going quite strong. We have had some great developments with Boeing and other aerospace sector companies. This is a great opportunity for us to have product in this hot industrial market if we can encourage that.

Bill Jabjiniak stated the industrial demand is phenomenal right now. We are out of large footprints and he hoped by the end of the year to see 75K and 87K SF buildings being started. We landed Amazon because it was an existing building. COVID has accelerated demand, but it has also slowed some retail growth. We have seen proposed developments around Longbow slow down, pause, and regroup. Capital is not available all of a sudden. We have one hotel going forward but the hospitality industry is in a big pause mode. We are still seeing demand, although it depends on what sector. He was in the Groves area and one restaurant that just reopened in September was booked solid. There is a need for more marketing for industrial. The Falcon District is not that far from the 101 and 202 and yes, we have product available, although not the big parcels that are in demand. We need to be mindful as we are seeing the demand for housing all over the city and in these employment corridors as well.

Councilmember Luna remembered when he was newly appointed to City Council, the hot topic was looking at the development of the Falcon area as an economic driver for the City of Mesa. Mr. Jabjiniak, Ms. O'Donnell, and the Board have done a wonderful job in developing this strategic plan and we are seeing the results. He is proud to represent the Falcon District. Natascha Ovando-Karadsheh has joined him in leading the Falcon Business Alliance to help our businesses continue to thrive during the pandemic. Partnering with Sally Harrison and the Chamber of Commerce, we were able to provide workshops to get small businesses activated and to make sure they know they are supported by the City of Mesa. We will continue to work hard to do great things for the Falcon District. With only two years left on City Council, Councilmember Luna wanted to be sure to leave some legacy projects. A video is being developed geared towards brokers and developers to let them know we are still open for businesses here in Mesa, and specifically the Falcon District. He expects the video to launch in late fall or early next year. His goal has always been to make sure that we are business-friendly and that we continue to cultivate these kinds of relationships with our business community in the Falcon District. With regard to the proposed bridge over McDowell Road, Councilmember Luna will be talking to some key players in the area to collaborate on some type of public art to highlight the history of the Falcon District and the City of Mesa. That is just in the initial stages now. This will be something our community will be proud of that highlights the Falcon District and showcases our accomplishments and all of the hard work our community has done to make this a viable place in the City of Mesa. He thanked the Board and the Economic Development team for working so hard to make District 5 the best place to live, work and play and for moving Mesa forward.

Vice Chair Adams thanked Councilmember Luna for his leadership and looked forward to seeing the video.

Jeff Pitcher asked what size would be considered a large footprint industrial building and where do we have that kind of possibility in Mesa. From what he is seeing, much like with Amazon, if we have the product, they will come.

Mr. Jabjiniak stated his target for the Falcon area would be 100K SF if possible. There is demand for larger, although it would not fit in this area. There are also some empty spaces he would like to see built properly. We are seeing 75-80K SF buildings typically. The Falcon area traditionally does not attract 200K SF buildings. If you take a 100K SF building and divide it into 25K SF increments, it works out really well. The buildings along Higley have filled up fairly quickly in the 20-25K SF range. That is what the demand is. Boeing is under construction for 155K SF. The Falcon District is differentiated from Gateway due to its easy accessibility from the Scottsdale market.

Christopher Nickerson had a conversation with Natascha Ovando-Karadsheh six months ago before the pandemic regarding the need for access to healthcare in that area. Has there been any discussion or thought to where the potential residents will go for their healthcare in that area? There is easy access up to Scottsdale, although we would like to keep people in Mesa.

Ms. O'Donnell noted that Banner is just down the way and they have been working on some medical office in their area. We think there will be some medical office coming online with the developer from Home2 Suites. The development needs to catch up with the demand. We had been focused on medical device manufacturing in the area because it seemed like a good compliment to the aerospace and defense companies and the cross-pollination with workforce. She can gather additional information regarding what is on the horizon.

Vice Chair Adams asked if Mr. Nickerson was focused on specialty type medical buildings or a hospital in that district. Mr. Nickerson was thinking about a hospital or micro-hospital. As that area continues to grow and the population grows, at what point will there be a need for additional access to healthcare without having to travel long distances?

Mr. Jabjiniak has not had any conversations about micro-hospitals in northeast Mesa. We are seeing that down to the south where there is heavy growth with the Cadence and Eastmark communities. There were plans for medical right at the 202 and McDowell Road which never materialized as it was dominated by residential. Now it comes down to what the hospitals want for demographics and growth patterns. The Mountain Bridge master-planned community is still going strong. Similar to retail, if you place it too far to the north, half of the demographic circle will be empty. We need to think about how all of that really works together. He and Councilmember Luna would be glad to entertain a micro-hospital in northeast Mesa. We may see that further to the south at Brown and Power instead of at McDowell and Recker.

5. FALCON DISTRICT VIRTUAL TOUR

William Jabjiniak provided a virtual tour of the Falcon District. He noted that Google Earth does not reflect the most current buildings in the area.

202/Greenfield – North of 202, Greenfield looks like it dead ends, although it leads to Nammo Defense Systems. They have already expanded with two warehouse-type buildings for a total of 15K SF. That is the beginning of a larger expansion plan that will go east toward Higley north of the 202.

Greenfield/Virginia – North of Quail Run Sports Complex is a parcel Sunbelt Investment bought at state auction. They have proposed several buildings with office and industrial mixed flex space just under 500K SF. They had talked about hospitality, although Boeing raised an issue with anything under their flight path. On Virginia across Greenfield to the east is an empty lot. At the hard corner, Majestic

Realty will construct two buildings, 85K SF and 75K SF. They are permitted and ready to start by the end of the year. That stretch of Virginia has become quite developed. To the east is a building with no windows that can be seen from the Highway. That is part of DAICEL Safety Systems which manufacturers igniters for airbags. They have expanded twice to add 20K and 23K SF. Further to the east is Special Devices which is related to Daicel. Northrup Grumman put in a second 36K SF building to the east which opened in 2018. Their combined campus is about 100K SF with an underground .50 caliber gun range. Mr. Jabjiniak has been to Northrop's headquarters outside of DC and they are very aware of the expansion capabilities on this site as well as what is available in Chandler and Gilbert. The Falcon Field Business Center was developed by the East Group with 97K SF. Solstice, Urbix Resources and SPOKE Custom Products are some of the tenants and there are only 21K SF left available. Across the street, there is construction on the Boeing site with 155K SF fabrication center.

Falcon Field Airport - MD Helicopters is located at the airport, although they are down in their workforce count. Construction is underway for the Hangars on Falcon Field. Combined, this project will have 390K SF. They are looking for FBO operations, corporate aircraft storage, aircraft maintenance, etc. It is great to see that development getting started, which will add to the viability of the district. Across the street is the Falcon Tech Center. The intent is to focus on technology. There has been a hotel/housing proposed, although there are concerns with overflight from both Boeing and MD Helicopter. We are anxious to see what else we can put on the city-owned property, which would have to be a lease scenario.

McKellips/Greenfield - Heading east there are two empty parcels next to Walmart immediately south of the airport. We are hearing about housing, especially for the larger site. This is an area with a lot of industrial growth where something substantial could be built and there is a lot of interest from industrial developers. We had a visit request from a group out of California yesterday looking at six sites. We will introduce this as an alternative. Walmart owns it and they are trying to push housing, although housing and airplanes don't always mix. Down 48th Street, BEMO Roof Systems is under construction with 100K SF. It looks like an airplane hangar. Immediately to the south on the corner is Mitsubishi Advanced Materials. This innovative facility deals with high-quality plastic and metal parts. We are anxious to see what else this can spur in the region. At the corner of Rosemont and Ingram are two suites and an empty lot. Tenants are Coolistics (cold, frozen, and dry food fulfillment, logistics, and shipping to E-commerce companies) and Next Gen Ice, Inc. It is great to see these unique specialties helping to support the big Amazons and Walmarts of the world. To the south is a series of buildings by the same developer. EA Restoration leased 28K SF. A sister building to the east of similar size is available. On Higley there is a 75K SF building with 38K SF available. Tenants include Vortex/Vitasome Labs which manufacturer liquid dietary supplements. North of WireMasters is where Majestic built 85K SF. Atlis Motor Vehicles is trying to solve a building code compliance issue from when it was built. The broker called us looking for help filling the remaining 21K SF. The second user is a nutraceutical company.

Higley/Longbow - North of Boeing, there are four small buildings which have filled up with Myndshft Technologies, Christmas Decorators, Neurology Associates Neuroscience Center, and a masonry company. That type of flex space is very much in demand and already filled here. Across Higley is an empty building of almost 150K SF that will house an Amazon last-mile delivery facility. They have also leased a lot of space along Longbow Parkway for vehicles. Amazon was considering building on the north side of 202 on Thomas, but they could not wait. Having existing product made all the difference in the world and this is where big footprints come in handy.

To the east, Home2 Suites is under construction, although it is moving at a COVID pace. It has been exactly a year since that project broke ground. It will be completed in 2021 and there is a second hotel planned next to this one. Going east on the south side of Longbow Parkway to Recker Road, there is an agreement for a mixed-use development with residential continuing south along Recker. They have

worked carefully with the Airport to come up with a plan that is acceptable, but access to capital is key. There is a lot of capital right now in the industrial market, but virtually none in the retail and hospitality categories. It may take some time, and hopefully the owner will be patient.

Immediately to the north, we have seen a lot of success with Fat Cats, Sprouts, and In-N-Out Burger. Fat Cats was hit hard with the pandemic, while Sprouts is setting records. That is the kind of high-quality development we would like to see duplicated on the south side of the street. Also, in this area, a Denny's has been approved, although Planning made them redesign their submission to be compatible with the high quality surrounding development.

Nammo Defense Systems – North of Thomas on state land Nammo Defense Systems continues. They have proposed six new structures, an access road and parking as part of their growth strategy. They have another \$30 million to invest here, although they need the state land to renew or extend their lease. City Manager Chris Brady has signed a letter of support to the Land Commissioner. We continually talk about business retention and expansion and are anxious to see that materialize in early 2021. Nammo has engaged the Governor's office and have asked for support from the City of Mesa, which we have provided. Nammo is a long-standing employer consisting of high-quality, high-paying jobs.

Market Data - In 2018, the Falcon Field industrial market absorbed 138K SF; in 2019 162K SF, and in 2020 YTD 281K SF has been absorbed. That is significant. Lee and Associates provided data on lease rates. In 2016, the average asking lease rate was \$0.73, in 2017 it was \$0.74, in 2018 it was \$0.72, in 2019 it was \$0.74, and in 2020 YTD it is \$0.72. cents. This area has remained steady, while other parts of the market in Mesa have gone up.

Board Discussion

Councilmember Luna stated our community in northeast Mesa, especially the Red Mountain area, is happy to have Sprouts in the Longbow location as well as all of the great restaurants. He has heard a lot of great positive comments on the whole area. As soon as the pandemic is over, Fat Cats will be back up and running. It is a beautiful building with 8 theaters and multiple bowling alleys. It is a great entertainment venue for families.

Vice Chair Adams has experience both with this Board and the Planning Board. With respect to some of the properties Mr. Jabjiniak referred to and for the perseverance we have maintained through those Boards, we need to stick to our guns about the appropriate uses for these lands. He has stood on that property on the east side of the golf course and watched airplanes fly over while he was being told it would be an ideal place for single-family residential. Of course, that is not appropriate. If there was ever a place where this Board's perseverance in staying the course and pressing for appropriate, proper, highest and best use of these lands, it is demonstrated here. We need to be able to say no to residential where it is just not appropriate.

Brian Campbell stressed the importance of making sure we have available product, particularly the pit that is north and west of the proposed Amazon facility. It was his understanding that they were reaching the end of their reserves there. Is there a way we can accelerate reclamation of that? That would give us a very large attractive parcel. Has there been any discussions with them regarding their projections?

Mr. Jabjiniak stated there has not been any discussion with our office regarding that property. He was not aware it was near the end of its useful life. That may be something for us to dig into and start to work out a bigger game plan.

Mr. Campbell asked if there was anything the Board could do to help the State Trust Land issue. That is critical to be able to secure \$30 million in additional investment. They have been great to work with on other projects in the East Valley like Superstition Vistas.

Mr. Jabjiniak noted that since the City provided a letter, perhaps the Advisory Board could weigh in to demonstrate to the State Land Commissioner that there is also private support for this. He will work with Chair Kasselmann and Vice Chair Adams on drafting a letter. Vice Chair Adams felt that was a great recommendation.

Natascha Ovando-Karadsheh appreciated the in-depth overview of the Falcon District and felt it would be helpful to see a similar presentation for other districts in the City, particularly District 6. With the enormous demand for housing, how do we as a Board help maintain those employment corridors? Do we need to update the Falcon District Strategic Plan and really define those employment areas? We lost the battle at Hawes Crossing. She suggested we get ahead of this and carve out and define some of these areas now, such as Thomas and Recker and the areas next to Walmart, and as a Board endorse that plan. Perhaps a subsection of the Board can work on that. How can the Board help so we don't go down that same road?

Mr. Jabjiniak stated a virtual tour of District 6 is being planned for December and it will be the only thing on the agenda. They will be working on the same for other parts of the City. This is one of the reasons we brought the Falcon Strategic Plan back. He reminded the Board that the City pivoted half of the staff to Mesa CARES and they have been working nonstop. The Advisory Board, being our eyes and ears in the community, can help figure out what we are missing. His intent is to do an informal update of the Plan. Defining the vision on the north side of 202 between Recker and Higley will be huge, but we need to have willing property owners. It is also about market forces. Even at Hawes Crossing there are industrial brokers interested, although we are lacking infrastructure. He received a call yesterday about 1 million SF at Elliot and Hawes, although we may not see the power in place until the second quarter of next year. He just prepared a statement for our bond issuance about the activity on both Ray and Elliot Roads. The City invested in that infrastructure. What will we do with the Falcon Field area? He felt a subcommittee or the Board as a group could get together with staff to brainstorm ideas. As Ms. O'Donnell reported on the Falcon District, we blew the three-year plan away. We are now six years in and it may be ready for an update, although finding the time for a full rewrite with such a hot market would be difficult.

Ms. Ovando-Karadsheh suggested a few Board members work with Councilmember Luna and put together a position statement on some of these areas. It can be a standard letter that can go out as we look at some of the projects. There is a significant shortage of housing and the developers are not going to go away because the demand is so massive. If we blink, it will be gone. We need to get ahead of this now and have something ready to go in support.

Vice Chair Adams felt that was a great idea. If we look at the square mile from Greenfield to Higley and McKellips south to the canal, we have already compromised on residential here with Copper Point at the corner of Higley and Brown. That piece next to Walmart is totally inappropriate for residential. That doesn't mean a residential developer that can turn it quick will look at it that way. The time is now and the priority is now to protect parcels like that or we will see less than appropriate residential on what is employment land.

Deb Duvall suggested that the letter to be drafted from the Board should go to each individual member on the Planning & Zoning Board. EDAB does not have a vote on any of these upcoming issues where Planning and Zoning does. If they had a better understanding of the economic development implications of putting housing next to Walmart, for example, it might help provide for the City Council yet another volunteer group, i.e. Planning and Zoning, who are expressing concerns about the

encroachment of residential in some of these potential economic development areas. She also suggested Board members as individuals contact Planning and Zoning members that they may be familiar with so their vote will be more consistent with the economic point of view as opposed to that of a hired lobbyist.

Vice Chair Adams stated the Board members can do what they please as citizens, although the more we can communicate in that regard, the better.

Councilmember Luna felt letters or emails from citizens as well as our boards would be quite effective in terms of how councilmembers decide to vote. Projects can come up quickly, and we will need Mr. Jabjiniak's help in pointing out to Planning as well as Council when certain items are coming before Planning and Zoning that may conflict with our economic development vision and plans. If Council does not hear a response when an item comes up, they think it must be okay.

6. DIRECTOR'S UPDATE

William Jabjiniak reported that Mesa Al Fresco, a Mesa CARES program, is encouraging restaurants and bars to offer patio dining. We are also using online marketing to help merchants generate foot traffic. There have been a variety of interviews on that topic on Money Radio and the East Valley Tribune.

Legacy Sports Park is announced; however, they do not have permits. They are working on annexation, water rights, and who will be responsible for roadway improvements. They did an announcement in order to hold off other competition in the area. Cannon Beach was also announced.

The City applied for a \$25 million federal BUILD grant and another \$18 million CRISI (Consolidated Rail Infrastructure and Safety Improvements) grant, although both were unsuccessful this year. BUILD only grants two per state. It is not restricted to rail, although we are looking at some rail spur activity in southeast Mesa. We are now working with Union Pacific on a financing alternative.

Mr. Jabjiniak noted that Councilmember Luna was heavily engaged in the National League of Cities' Small Business Economic Resiliency Conference which featured Mesa, Gilbert and Queen Creek. That was very well received. He thanked Ms. O'Donnell for coordinating everything on behalf of the City.

The press has gone out on the Office of Economic Development's IEDC reaccreditation. That was well recognized by our peers across the country as well as internationally. Mesa is one of only 68 organizations to achieve that accreditation.

7. OTHER BUSINESS

Vice Chair Adams thanked Councilmember Luna for joining the meeting. The next EDAB meeting will be held on November 3, 2020, 7:30 a.m.

8. ADJOURNMENT

Vice Chair Adams adjourned the meeting at 8:49 a.m.

Submitted By:

A handwritten signature in blue ink, appearing to read "William J. Jabjiniak", is written over a horizontal line.

William J. Jabjiniak
Economic Development Department Director

(Prepared by Dana Desing)