

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

September 1, 2020 7:30 a.m.

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**MEMBERS PRESENT**

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

**EX-OFFICIO**

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

**STAFF PRESENT**

William Jabjiniak  
Jaye O'Donnell  
Lori Collins  
David Packard  
Maribeth Smith

**GUESTS**

Vice Mayor Mark Freeman  
Councilmember Jennifer Duff  
Councilmember Kevin Thompson

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

**1. CHAIR'S CALL TO ORDER**

Chair Kasselmann called the Economic Development Advisory Board meeting to order at 7:30 a.m. He welcomed Mayor Giles and Councilmember Duff to the meeting.

**2. ITEMS FROM CITIZENS PRESENT - None.**

**3. APPROVAL OF MINUTES FROM THE AUGUST BOARD MEETING**

Chair Kasselmann called for a motion to approve the minutes from the August 4, 2020 meeting.

Brian Campbell moved to approve the August 4, 2020 minutes as presented; seconded by Dominic Perry.

Upon tabulation of votes, it showed:

AYES – Kasselmann, Adams, Campbell, Duvall, Likens, Nickerson, Ovando-Karadsheh, Perry, Wilson  
NAYS – None

Chair Kasselmann declared the motion carried by unanimous vote.

Vice Mayor Mark Freeman, City Manager Chris Brady, and Councilmember Kevin Thompson also joined the meeting.

#### **4. WI-FI INFRASTRUCTURE EXTENSION**

Mayor John Giles appreciated Chair Kasselman and Dexcom's investment in Mesa. He values the opinions and insight of the Board and asked for the Board's help and advice on a topic that is important in our community. The COVID-19 pandemic has taken lives and destroyed businesses, although there are lessons we can take from this experience. He commended Mesa Public Schools and United Food Bank for being major suppliers of food and nutrition in the community. Over the last few months, Mayor Giles has participated in food distribution events by United Food Bank and was horrified at the long lines and the number of people suffering from food insecurity. It appeared to be primarily older people who were not in good health, which is the exact population we don't want standing inches away from each other in a line to get food. From that experience, we rallied the community for an Adopt-a-Grandparent response in order to minister to those folks, help them stay at home, and make the necessary connections. He had a similar experience with long lines of cars at a food distribution event at a Mesa elementary school where his son-in-law serves as principal. This was a Title 1 school where 90% of students receive free and reduced-cost lunch. The families coming to pick up food were also there to pick up packets of educational materials for their 2nd, 3rd, and 4th graders as they did not have access to the online curriculum. We have all heard of the digital divide. It is not just in Mesa, but everywhere. There is a part of our population that does not have access to devices or to functioning high-speed Wi-Fi. When the schools shift to a digital curriculum, those families are left outside of the education system.

The City of Mesa is utilizing CARES Act money to partner with our school district to make sure all students in Mesa have a distance learning device and the means to connect to Wi-Fi. The digital divide does not just affect low-income communities but many others who don't have the bandwidth to function in this new environment with both kids and parents on devices trying to work online. Many are disconnected or under-connected in terms of access to technology. Mesa is in a better position than a lot of cities due to the concerted efforts to add conduit when doing infrastructure improvements to enable tech companies to stream fiber. Mesa has also used Public Safety Bond money to extend conduit to police and fire stations, which allows us to make that conduit available to industry and technology companies as well. Despite our best efforts, there are still a lot of cold spots in Mesa, which is not good for the people who live here as well as those who want to do business here. Some communities have prioritized this type of infrastructure and it has paid huge dividends. Chattanooga, Tennessee, decided several years ago to treat this type of infrastructure as a utility in their community. It was valued the same way as water, electricity, and gas. Here in Mesa, we are coming to the realization that this is an essential service and it is appropriate for the city to prioritize that. We currently have an expert preparing a report for City Council on the cost investment for Mesa to be that shining city where devices light up everywhere. We want businesses to see Mesa as a very attractive place to locate because of the technology infrastructure and access to high-speed broadband Wi-Fi. City Council is looking to find a way to prioritize this investment, not only for the sake of the disconnected youth and families but also for the business community to see this as a wise investment for Mesa to stand out as a city that treats this as an essential service in our community. In order for us to properly tell this story and rally the support needed for this investment, we need examples from the business community of why this would be a good thing. What is the potential for attracting additional businesses or upgrading businesses? Mayor Giles can tell the story of the digital divide in the education environment and in our low-income population, but he would like to augment that story with examples from the business community. He looked for the Board's input as to the value of such an investment and how big a priority this should be in our community.

**Board Feedback:**

Natascha Ovando-Karadsheh felt this was really great foresight as we look ahead. So many people are moving to this market and the region was just voted one of the best places to telecommute in the country. More than ever, we need to have the technology to support these types of teleworking and telelearning environments. The Board previously talked about how we are looking ahead knowing there will be an economic challenge. She commended the Mayor and Council for pushing this idea forward.

Chair Kasselmann stated the Board will consider our recent experiences as a result of COVID in Arizona as well as outside of Arizona, how important our infrastructure has been, and how this type of investment can be seen as a business enabler as we move forward.

**5. BUSINESS ATTRACTION BASICS & SITE SELECTION OVERVIEW**

Lori Collins, Deputy Economic Development Director, has been with the City of Mesa this time around for about a year. Economic development comes down to whether our residents have ample job opportunities close to where they live. Economic development at its heart is product marketing and product improvement. This group spends a lot of time working on product improvement and we talk about educational attainment, infrastructure, and how to make Mesa better. She was asked to provide some insight into what the Economic Development team does on a daily basis in terms of business attraction and the role of the commercial real estate sector and site selectors in what our team does. It is important to have a guiding vision that drives the city forward plus the workforce to attract companies. No longer do people go to where the jobs are, but companies move to where the people are. It is also important to make sure this is a place where the talent wants to live. At the end of the day, if we don't have the product and the commercial real estate inventory, we won't win those businesses. Product equals projects. When all of these moving parts click, it is magical. Within the basic functions of our Economic Development Office, business attraction gets a lot of press, but the heart and soul are with our business retention and expansion program. We focus on how to lay a good foundation for small business and entrepreneurship, as well as a number of strategic initiatives, strong partnership building, and marketing efforts. Today our focus will be on our relationship with the Arizona Commerce Authority (ACA), the Greater Phoenix Economic Council (GPEC), and the commercial real estate sector as a whole.

How are projects driven through ACA and GPEC? Both of these groups focus very strongly on site selection consultants who drive a lot of the big projects when they are exploring markets. Typically, when a site consultant is representing a company who is looking to relocate or expand, they start with interest at the state or regional level. Very rarely do they target local municipalities. Our partners the ACA and GPEC and all of the money that they contribute to marketing and building a brand for Arizona and the region really is where Mesa gets its bang for its buck. While Mesa does have a solid marketing program, to be able to leverage what they have is critical. When a site consultant comes to the ACA or GPEC with a project, GPEC will send that out confidentially as an E-track or a prospect to all of its 23 member communities. These E-tracks come in with clever project names like Project Green, and we may not know who the company is until we meet face to face. We respond to these E-tracks by submitting sites, detailing how we can support the client, and how our community could be a better fit. Sometimes, the site consultant will provide a very detailed questionnaire. GPEC packages the pages and pages of information provided by communities and sends it on to the consultant. They review all of this information and eliminate regions and specific sites. Our goal in this process is to always stay on the short list until we are the last community standing.

Some of the key factors that drive the site selection process are cost, location, infrastructure, and

talent. The site selection consultants are part of bigger firms and have access to data modeling that we can't afford. Many times, they already know the basic answers in terms of cost, location, infrastructure, and talent. When they engage with our Economic Development Office, they are looking for a street-level view of what is really happening, which companies have been successful, and actual operating costs in the community. Those are things that GPEC is able to help us model. They want to know what the location will mean to their suppliers and customers. Within greater Phoenix, there is access to 33 million consumers within a day's truck haul. That is a key point for us to highlight. In terms of infrastructure, it is important to show how forward-thinking we are from a telecommunications standpoint. Mesa's reputation for backing specific bonds to help with infrastructure improvements is something that site selection consultants take note of. They can look up the percentage of the community with bachelor's degrees from the data sets. We like to point out that within a 30-minute commute from the Phoenix Mesa Gateway area, there is access to over 400,000 people with bachelor's degrees. That is an astounding number that is bigger than most cities in the country. In a more dense population center like our Riverview District, we tout that there is access to more than 620,000 people with bachelor's degrees. That starts to be a real game changer when marketing that area for corporate headquarter relocations and tech companies.

Our marketing strategy includes press releases, media events, social media with organic and paid posts, as well as social media campaigns. We pay for hyper-targeted digital campaigns with our advertising. We push priority information front and center on our website with analytics and we track visitor behavior. We do a lot of trade shows in confidence in order to gather intelligence and conduct face-to-face meetings with companies. Partnering with GPEC, we hold face-to-face meetings in key markets with site consultants, new developers, and companies. During those sales missions, our goal is to build high-value relationships with that commercial real estate community because they are driving so many of the projects. We are fortunate here in greater Phoenix that the big firms really leverage their global reach throughout their market. Many times, some of the big nationwide firms like CB Richard Ellis will call the Phoenix office directly to run a project. We are always messaging those brokers and site consultants, building good relationships, and bringing it face-to-face to share what good things are happening in Mesa that will benefit their clients.

When Ms. Collins was with the City of Phoenix, she had built a relationship with a site consultant and visited his firm when she was in New York. He came out to service a client in Phoenix and asked to meet with her to learn about the new city she was with, Mesa. She was happy to share all of the new commercial real estate being constructed in District 6 and the Falcon area as well as Mesa's strength in manufacturing. He had done a quick analysis of the Greater Phoenix area for a manufacturing client looking for 100K SF, although the real estate didn't show anything for Mesa because they had not searched for under construction. He remembered that Lori mentioned the large industrial buildings that were coming online and we were able to put four new buildings in front of them. At the end of the day it really is about that handshake and the face-to-face interaction.

The last important ingredient is having a diverse commercial real estate inventory. We have targeted certain developers that have projects that we have admired around the country and we are beginning outreach to show them all of the benefits that come from Mesa and how we can support them. We want to continue to see Class A development in Mesa so we can continue to win projects.

### **Board Questions/Comments**

Rich Adams had an experience yesterday that highlights the opportunity that exists for us not only in Mesa but in the Greater Phoenix area. He is currently in South Carolina with family. He was walking on the beach wearing a Greater Phoenix Greater Together shirt and a gentleman stopped him as the shirt caught his attention. His name was Abe Kravitz and he runs a tech company in Manhattan. He

was looking to get out of New York as he was tired of the taxes and regulations and was thinking about Arizona or Florida. They had a nice conversation about Mesa and GPEC. The shirt was actually a great advertisement.

Chair Kasselmann had read about the number of real estate vacancies in the northeast cities, particularly in New York. He asked if a comparison had been done for GPEC inquiries from Q2 2019 to Q2 2020. He was interested to see if there had been an uptick in inquiries generated as a result of COVID and the resulting desire to move out of more congested areas or to bring businesses back on shore?

Ms. Collins stated we do have regular meetings with GPEC where they provide a business development overview. They did see a dip in office activity. There was a time when they were cramming everybody in and the parking requirements were 8 per 1000 SF. Now they realize they don't need to cram people into their space. She will look up those comparisons and share it with the group.

Bill Jabjiniak stated the office numbers are way off. The industrial numbers took a dip but have bounced back and are now pretty much on par with last year. The type of product in demand is changing. We struggled years ago with not having the proper floorplates or high enough ceilings. Today, we have new product and they are going quickly. Logistics is still very much in play. It is good to see that some strategic moves have paid off for us and that will continue in the future.

Jeff Pitcher appreciated the presentation and felt it was a good reminder of what the Economic Development team does and what we need to focus on. Being involved with GPEC, he can attest that they are really trying to promote the region. He is seeing a lot of industrial and warehouse. If you build it, they will come. If we have the product, then we will be able to be more attractive to these site selectors. He felt we are on the right track. Anything we can do to expand our infrastructure will be a benefit as well as what the Mayor talked about as far as showing that we can take care of our people. That goes a long way too. These are the things we need to focus on.

Matt Likens felt this presentation coalesced nicely with Mayor Giles' presentation. Other than the practical improvements and being able to have a fully connected city with all its advantages, the associated marketing power and image enhancement are just as critical. If Mesa could be viewed as valuing technology infrastructure, much like Chattanooga, Tennessee, that will change the dynamic as far as tech companies and others considering this part of the Valley as one of their priorities. He felt a lot of this can mesh together nicely.

## **6. FOREIGN TRADE ZONE OVERVIEW**

David Packard, Management Assistant, advised that when companies are evaluating different locations, they are looking for any type of incentive or program that can help them with their operations. The Economic Development team is always looking for economic development tools that we can offer to help businesses improve operations and their bottom lines. The Foreign Trade Zone is a great opportunity that we have been taking advantage of for a few decades. A Foreign Trade Zone (FTZ) is a designated zone in the US designed to facilitate the ease of international commerce. The FTZ is a federal government program under the supervision of the US Customs and Border Protection and monitored by the FTZ Board. An FTZ is an area that is considered outside of the customs territory. The International Free Trade Zone is a similar concept.

A video made by the FTZ Board described the benefits of delayed or reduced duty payments and streamlined customs procedures. While most FTZs are located near ports of entry, a facility does

not have to relocate to use the FTZ program. Businesses can work with an FTZ sponsoring grantee organization to apply for FTZ approval. Once approved, the facility will need authorization by Customs and Border Protection before it can begin to receive merchandise. FTZs encourage domestic manufacturing by helping companies in the US compete more effectively in the global marketplace and also help to create and maintain local employment. Keeping a company's business and investment in the US promotes economic growth. For more information call the US Department of Commerce FTZ office at 202-482-2862 or email FTZ@TRADE.GOV.

Mr. Packard noted that the two main activities permitted in an FTZ are manufacturing and warehousing. Key FTZ users in Arizona include Abbott Labs, Apple, Avnet, Honeywell, Intel, Northrup Grumman, and Sub-Zero. FTZ 221 in Mesa is located around the Phoenix-Mesa Gateway Airport. While companies located within Mesa's FTZ boundary will have a more simplified process for activation, it is possible to open a Subzone anywhere in Mesa outside of this boundary although it will require a more lengthy administrative process. As much as our community might lobby for a business to join the FTZ program, the final say comes from the federal level by the FTZ Board. For example, we recently helped SkyBridge join the FTZ program. Customs came out to tour their facility and they met all of the requirements, although they have not received final approval from the FTZ Board as of yet because they have not been doing international commerce. That is coming soon. The Grantee or the administrator at the local level is the City of Mesa. There are other FTZs in Arizona in the City of Phoenix, the Yuma area, and the Tucson area. An Operator would be a business, like Apple, located in an FTZ. An FTZ Subzone can be created where a business can take advantage of the FTZ benefits. Apple is located in an FTZ Subzone.

Lori Collins, Deputy Economic Development Director, noted that a business located within an FTZ is not considered part of the US or the International Customs territory. The benefits are duty deferrals, exemptions, and reductions depending on the type of resources being brought in, how those are transformed and pushed out of the zone, and whether those will enter US commerce or foreign commerce. Another benefit is streamlined logistics. A merchandising fee is paid per import if a business is not part of an FTZ. As part of an FTZ, entries can be combined under one weekly fee. There is also the opportunity for direct delivery into a company's warehouse without the need to break the Customs seal at a port. This streamlined process saves the company time and money. Mesa utilizes a couple of consultants to help companies evaluate if an FTZ is right for them. Honeywell is the largest FTZ user in terms of activity and volume in Arizona.

An additional benefit to companies with activated FTZ sites in Arizona is a Property Tax Reclassification. In 1991, the Arizona State Legislature approved a lower assessment ratio for activated FTZs. This is not a guaranteed option for FTZ users. In fact, there are very few in Arizona that actually take advantage of this opportunity. When we think about the Honeywells or the Intels that are making multi-billion-dollar investments into the state, this becomes very important to them. Class 1 properties, including commercial and industrial uses, have an 18% assessment ratio. Activated FTZs are eligible for a property tax reclassification to Class 6 which carries a 5% assessment ratio. Aside from FTZs, Class 6 properties also include Military Reuse Zones, renewable energy manufacturing, and non-commercial historic properties.

FTZs and the opportunity for property tax reclassification enable cities to attract higher-quality jobs and greater investment to the entire community. A comparison was made for a 40-acre site in southeast Mesa with two different projects. The property tax revenue for a vacant 40-acre AG-zoned site over 10 years would be just over \$7,500. A 40-acre distribution center with no FTZ would have the potential for 250 jobs, a 500,000 SF building, a capital investment of \$50 million, with an annual payroll of \$12.1 million. An advanced manufacturing use on a 40-acre site with an FTZ would have the potential for 350

jobs, a 400,000 SF building, \$250 million in capital investment, and an annual payroll that is almost double that of a distribution center. There are some high-value companies looking into FTZs today. The distribution center would yield \$9.5 million in property taxes over 10 years with an economic impact of just under \$500 million. An advanced manufacturing company, even with an FTZ and the property tax reclassification, would have a 10-year property tax revenue of \$1.2 million under what a distribution center would bring without an FTZ. However, the overall economic impact of an advanced manufacturing company on that 40-acre site would be \$1.3 billion. That would also stabilize families with good incomes, increase property values overall, and would have a stronger multiplier effect for the types of jobs that will be created.

Mr. Packard reviewed the FTZ site approval process. Required items include concurrence letters from affected tax jurisdictions, an operations agreement with the city, and City Council approval. The final approval will come from the Port Director for activation. The Office of Economic Development would serve as administrator and there would be an application fee as well as an annual fee payable to the City of Mesa. Companies would be required to submit annual reports and comply with the operations requirements of FTZs.

The FTZ Board adopted an alternative site framework (ASF) that minimizes the administrative process through a minor boundary modification. The same relationship would exist between the Grantee and Operator, and the FTZ Board would grant the final approval. Currently, Mesa does not have the ASF framework, although it is being explored as a result of increased interest. This may be a great alternative for us to get FTZ users on board faster.

The Economic Development team will continue to assist projects interested in FTZ status and consultants will be utilized to walk through the technical numbers. We will continue to research and apply for the ASF status and we are working to develop a more robust marketing plan to push the FTZ and its benefits.

### **Board Questions/Comments**

Chair Kasselmann appreciated the timeliness of this presentation, especially with the acquisition of Landing 202 and its physical proximity to the FTZ. He will forward the presentation to his corporate supply chain folks. As close as that 486,000 SF facility is to the FTZ, the Alternative Site Framework may be something his company would want to undertake as it will operate as a regional distribution center.

Bill Jabjiniak noted Chair Kasselmann does not have to wait for the ASF. Apple exists today in a Foreign Trade Subzone. This can be done through a minor boundary modification or through creating a subzone. We have had the FTZ for a while, although with the reshoring efforts, we are seeing a lot of interest in the FTZ. There are currently three projects actively looking at the FTZ. The CMC announcement from a few weeks ago is looking for a Foreign Trade Subzone. This is one of the good economic development tools out there and a lot of users are taking advantage of it. However, many people are not aware that Mesa has an FTZ. This is a great opportunity, not just for duty and tax deferrals, but the property tax reclassification, especially on big empty sites, can make a big difference to a project.

Rich Adams asked how many companies are currently taking advantage of the FTZ in Mesa and whether there was a limit?

Mr. Packard stated Apple is currently our lone user in Mesa. Nammo Tactical was a user but recently had a change in their operations and are no longer in the FTZ. We are working hard to get SkyBridge

online soon. The number is unlimited as long as they meet the requirements of the federal FTZ Board. Statewide there are a few dozen users. He will share the report with the group.

Mr. Adams felt there was a huge opportunity here as reshoring takes place.

## **7. DIRECTOR'S REPORT**

William Jabjiniak reported over the last several weeks, we have seen the announcement for Dexcom's expansion as well as the CMC Steel \$300 million investment. Amazon is a great brand name to have here. Between their employees and contract employees, that will max out at about 600, which is important for the Falcon area. Last week, Marwest started on Phase 3. It was probably 10 years ago that Chris Brady gave the okay to put the infrastructure on the north side of the Airport and create Ray Road. By the end of the year, that area could have close to a million square feet under construction. Marwest Phase 3 of The Landing will be 525,000 SF. We are seeing a lot of continued interest. Last week, Legacy Sports Group secured financing, although there are a lot of remaining obstacles from the annexation into the city, the planning process, and where they will pull water from. Having a big sports complex has certainly created a lot of interest from around the country. Mr. Jabjiniak heard from a head of international scouting that used to be with the Cubs who was intrigued by that development. Other sports venues are looking at Mesa as well.

Mr. Jabjiniak received a draft of the Reshoring Campaign yesterday. That is being coordinated with GPEC. He hoped by the next meeting that will be finalized so he can share it with the Board.

The National League of Cities First Tier Suburbs virtual conference is scheduled for September 29 and 30. The invitation will go out this week to the group.

Jaye O'Donnell, Assistant Economic Development Director, stated the first day will be focused on national trends, research, and data. The keynotes will be Venture Forward and Empower, and GoDaddy will have a wealth of information and research reports to share about ventures and how they are weathering the storm of the pandemic. A lot of the marketing we have been doing to small businesses is reaching our stakeholders, but that does not always trickle down to the small micro-businesses who actually need the most support. The first day of the summit will be marketed to a broader national audience, although a lot of small businesses will want to tune in as well to hear from experts in small business support services. The second day will be more localized in focus with workshops on the gaps we have identified over the last few months in the region and how we can come together as a consortium of different municipalities to leverage support and potentially fill some of the gaps.

Mr. Jabjiniak advised that the Office of Economic Development received its initial IEDC accreditation three years ago and has just been reaccredited. Mesa is one of only 69 in the country, including Canada and Mexico, to have IEDC accreditation. Overall, the review team felt the reaccreditation application was thorough, professional, and demonstrated adaptability in the face of the COVID-19 pandemic. They stated the Office of Economic Development is well-managed and focused to achieve its goal. There will be some press going out with the International Economic Development Council. We also received early notification of six substantial awards from IEDC. That will not be announced until October. Three of those awards represent the gold standard. He will have more details at the next Board meeting.

Chair Kasselmann congratulated Director Jabjiniak and his team on the reaccreditation. As one of 69 organizations with that accreditation, that is pretty special company to be in. The Director's Report is



evidence of the strength and vibrancy of the economic growth and development that has taken place in the city. Where we are postured today is an enviable position for many other cities to be in. He thanked Mayor Giles, Vice Mayor Freeman, and Councilmembers Duff and Thompson for joining us today. It is always good to have this kind of engagement from our leadership and it means a lot to everyone that is part of this Advisory Board.

#### **8. OTHER BUSINESS / NEXT MEETING DATE**

The next EDAB meeting will be held on October 6, 2020, 7:30 a.m. There will be a virtual tour of the Falcon Field District.

#### **9. ADJOURNMENT**

With no further business before the Board, Chair Kasselman called for a motion to adjourn the meeting.

**MOTION:** Brian Campbell moved to adjourn the meeting; seconded by Deb Duvall.

Upon tabulation of votes, it showed:

AYES – Kasselman, Adams, Campbell, Duvall, Likens, Nickerson, Ovando-Karadsheh, Perry, Wilson

NAYS – None

Chair Kasselman declared the motion carried by unanimous vote. The meeting was adjourned at 8:39 a.m.

Submitted By:



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William J. Jabjiniak  
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)