

MEETING MINUTES

Office of Economic Development Economic Development Advisory Board

57 E. 1st Street
Lower Level Council Chambers
Mesa, AZ 85201

Date: May 7, 2019 **Time:** 7:30 A.M.

MEMBERS PRESENT

Natascha Ovando-Karadsheh, Chair
Jim Kasselmann, Vice Chair
Rich Adams (Via Telephone)
Brian Campbell
Deb Duvall
Matt Likens
Christopher Nickerson
Dominic Perry

EX-OFFICIO

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

STAFF PRESENT

Jaye O'Donnell
Tom Ellsworth
JD Beatty
Maribeth Smith
Aric Bopp
Nana Appiah
Christine Zielonka

MEMBERS ABSENT

James Christensen (Excused)

GUEST SPEAKER

Jordan Rose, Rose Law Group, PC

1. Chair's Call to Order

Chair Natascha Ovando-Karadsheh called the Economic Development Advisory Board meeting to order at 7:30 a.m.

2. Items from Citizens Present – None.

3. Approval of Minutes from the April Board Meeting

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

MOTION: Brian Campbell moved to approve the April 2, 2019 minutes as presented; seconded by Deb Duvall. Upon tabulation of votes, it showed:

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

NAYS – None

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

4. Introduction of New Board Member - Christopher Nickerson

Chair Ovando-Karadsheh welcomed Christopher Nickerson to the Board.

Mr. Nickerson is the Director of Business Development with Banner Desert Medical Center primarily working with Cardon Children's Medical Center as well as Casa Grande and has served in that role for 12 years. He was previously in Colorado and prior to that was a Professor at Florida State University. He has been married for 25 years to his wife Jan who works for Gilbert Public Schools. One of his daughters just graduated from Grand Canyon University in Nursing. He gave a shout out to all our nurses for National Nurses Week. His younger daughter is a junior at Mesquite High School in Gilbert. He and his family live in Eastmark and they love it. There is tremendous growth in that area, and he looks forward to working on the Board and learning more about economic development in the East Valley.

Rich Adams welcomed Mr. Nickerson and was glad to have a representative from the health care community on the Board.

Chair Ovando-Karadsheh announced that this week is Economic Development Week. She expressed her appreciation for all the great work the Office of Economic Development does on behalf of the City.

5. Inner Loop Study Presentation

Chair Ovando-Karadsheh noted that this Board has had a strong interest in the Inner Loop area and the southeast quadrant of the City and mentioned the growth in the Elliot Road Tech Corridor over the last 24 months. She introduced Tom Ellsworth, Principal Planner, to review the Inner Loop Study.

Mr. Ellsworth advised that the Inner Loop Study was a land use study undertaken a year ago. A map of the Inner Loop area showed the boundaries of the Transmission Line Corridor between Elliott and Guadalupe to the north, Power Road to the west, and the Loop 202 to the south and east. The Mesa Gateway Strategic Development Plan (MGSDP) was adopted in 2008. As part of that plan, everything south of the transmission line down to Germann in and around the Airport was sectioned out into quadrants, with the Inner Loop being the northwest portion of the Gateway Study Area. The Gateway Area is unique in that it has a wide variety of uses. Over the past few years, there have been quite a few inquiries on development in the Inner Loop area ranging from economic development to non-residential to businesses to homes. The Gateway Strategic Plan calls for a wide variety of land uses and states that a mixed-use environment is compatible with the increasing overflight areas with the possibility for higher density residential in the area. There was no further guidance within that Plan as to appropriate locations for residential or the final land use mix to meet the economic development goals of the City. Towards the end of 2017, a group of property owners, the dairy farmers in the area that represent almost a fourth of the land area in the Inner Loop, came forward with a planned development that incorporates a mixture of uses including quite a bit of residential.

The Gateway Strategic Plan and the General Plan call for primarily non-residential development in this area, although the Gateway Strategic Plan allows for the possibility to introduce some residential as part of a mixed-use development. A more in-depth study was needed as to the appropriate land use mixture in the area to accomplish the goals of protecting the airport and showing the appropriate location and intensity of residential and the impact on job growth in the Inner Loop area. That process began in January 2018 and included public outreach meetings and focus groups. The stakeholders were comprised of landowners, dairy farmers, the Airport, East Valley Partnership, SRP, Gilbert Schools, GPEC, and City departments. The study was completed in the summer of 2018.

A market analysis of the Gateway area showed how much land was available for economic growth for non-residential land uses. The Gateway area is approximately 11,000 acres or 15 to 20 square miles, and the Inner Loop area covers about 3,500 acres. The proposed land use mixture would have 832 acres of residential with 12,000 more units. The available land mass for employment would be roughly 2,000 acres generating about 55,000 jobs based on market studies throughout the valley around airports and other business park areas. The land use mixture primarily places employment, industrial, and business park areas to the south where the noise contours are from the airport and protects the freeway corridor. The primary areas that were best suited for residential were along the Hawes Road corridor and to the north. In meetings with the economic development community, the Elliot Road Tech Corridor came up frequently and there were a few areas where compromise was needed. If we protect the Loop 202 Corridor and the Elliot Road Tech Corridor from residential encroachment, we would end up with a community that is basically cut off by a business park. As the applicants in the rezoning case met with property owners to the north, it became obvious that there was a need to connect to the greater community. The proposed residential development is north of Elliot Road between Sossaman and Hawes Roads to create a continuity of community from the north all the way into the Inner Loop area. There were also concerns of limiting the land uses to non-residential along the Power Road Corridor. Attorney Jordan Rose of the Rose Law Group, PC, will provide an update on the Hawes Crossing rezoning request later in the agenda.

BOARD DISCUSSION:

Brian Campbell appreciated all the work that went into the presentation. This has been a challenging project. As an attorney and coming from a family with a lot of personal interest in the agricultural business, he felt to bring all those diverse interests together was exciting. One of the challenges is the area north of Elliot Road south of the power line. As we are constrained by confidentiality agreements, he will refer to national numbers regarding power consumption. In terms of sales tax revenue to the City, those types of projects stretching from Power Road to Signal Butte along the Elliot Road Tech Corridor generate on average \$14,000 per acre per year. Each one of those types of projects generates about \$1.2 million in sales tax revenue to the City every year. That is a lot of revenue the City is being asked to surrender for a residential component when the City had the foresight to invest the infrastructure. He asked how much consideration was given to the financial impact to the City in the Inner Loop Study.

Mr. Ellsworth felt the focus was not so much on the particular areas as much as the area as a whole in terms of balancing the land uses. The focus was on the goals of the General Plan versus the goals of the community or the neighborhoods. This plan will be presented to the Planning and Zoning Board and to City Council as part of the analysis for the General Plan Amendment that is part of the rezoning request. This is the area that had the most contention with competing interests from the property owners, the community to the north, and the economic development community. This is not an adopted plan, but a Land Use Study to inform future land use decisions. The General Plan designation on this entire area is for a Mixed-Use Activity District or business park. The zoning case only covers the area up to 80th Street and their plan has a spine corridor about 1/4 mile in from Hawes Road. That will provide connectivity to the neighbors to the north and will meet some of the land use goals of the property owners themselves. We have tried to minimize the encroachment and maintain the integrity of the Elliot Road Tech Corridor. The intent is to keep the intensity of that corridor as well as to tie the employment on the canal side to the employment that is anticipated on the 202 side. The intent is not to create a low-intensity suburban type of development between the two employment land uses. This plan envisions a higher intensity use along that immediate corridor but blending the intensity of the residential use up into the existing neighborhoods to the north.

Mr. Campbell stated this was a challenging process and he appreciated the work that requires. His concern was with the Employment/Business Park use (EMP-BP) which corresponds to the current property owner we call Morrison. We are optimistic for a use of that location where we have EdgeConneX announced at the EMP-BP immediately to the west of the 202, and the Utility Corridor at the top, resulting in three sides surrounding that area. He was genuinely concerned about that location and the use in that area.

Rich Adams appreciated the informative presentation. Over the years as he served on Planning and Zoning, there were discussions about this area many times. Mr. Ellsworth mentioned the goals of the various entities versus the goals or needs of the landowners. It seems that the plan being presented is working awfully hard to try to fit residential in a place where it just doesn't belong. He suggested this Board consider the goals of the community, goals of creating jobs, goals that Mr. Campbell referred to as a significant revenue source versus the wants and needs of a group of folks that presently own land, who after this is all said and done will have sold and moved on.

Jim Kasselmann thanked Mr. Ellsworth for the information. He asked for clarification as mentioned in the presentation that there was some concern that if the Elliot Road Tech Corridor were left as a pure tech corridor, it might be seen as or in practice become a bit of a blockage.

Mr. Ellsworth stated it is not that it would be a blockage, but if residential goes south of Elliot Road, we would end up with a community inside of a business park. This plan will maintain the linkage to the greater community as a whole backing up into the neighborhoods to the north. In looking at the development of the community and in laying out the land uses, you need to consider the livability and connectivity. By bringing in residential development, you are adding a pedestrian level which needs multi-modal transportation, walkability, and a connection back into the other neighborhoods or the

neighborhoods to the City as a whole. This area will bridge the gap. The team is working on appropriate buffers, transitions, and design elements that will create that bridge. No one is arguing that the Elliot Road Tech Corridor is not a great economic engine to the City. Development has come to a point in this area where we have competing land interests. What is that best blend? This is what the consultant came up with through the Study that best creates that blend, best creates that feeling of community, and can also meet the economic development goals of the City.

Mr. Kasselmann noted the primacy of the economic value of the Tech Corridor. Having served on other city economic development advisory boards and having lived across the country and in various parts of the world, he has seen that there are certain areas that are suited to deliver specific strengths to a city or a region. This is one of those areas that stood out. The strength of this area and what it represents for the City, as Mr. Campbell pointed out, is very unique.

Dominic Perry noted when SkyBridge comes online, it will add 2,000 flights a year. There are noise contours on this map, but no flight lines. The area would be blocked out with constant overflights. This is not only important for the City of Mesa, it is important for the region, for the five cities that make up Mesa Gateway Airport, and it is important for the state. With this unique area where we can have land and access and pay for the utilities to bring the water in, it would seem that the best use of that land would be more of an industrial commercial use than in residential. He understood having the residential tie together but felt this unique situation stands on its own.

Chair Ovando-Karadsheh is a native of Mesa having been born at Williams Airforce Base. She has watched the area develop out of farmland her whole life and is very vested in this community. We have watched a lot of planning and zoning and have had sprawl. This whole part of the City gives Mesa the opportunity to make some great and thoughtful decisions about how we move forward. We cannot neglect the fact that Mesa is not a property tax revenue-based city. We have become a bedroom community without a primary property tax. As sale tax revenue declines with the decline of retail, we really need to be thoughtful about how we will find sources of revenue. Bringing jobs to the City and bringing the capacity for sales tax revenue from some of these larger facilities is important as we look ahead economically. It is very easy to look at any project in the moment in time, but we all need to look ahead 20 years and what will be best over time.

Chris Brady, City Manager, stated the idea of preserving our assets and our advantages from an economic development standpoint is very critical for us and that is something we are very sensitive to. The fact that we have been able to recruit some large manufacturing groups to this area is important, but it is not significant as far as job creation. In terms of the ratio of square feet to jobs, these are not job makers. A big manufacturing plant may only have 10 people. Niagara Water is mostly robots and conveyor belts. An Apple data center has a handful of people running some very sophisticated systems. There is a balance to understanding the kind of economic development we want. We sell utilities and that is important to us. The forefathers of this City in 1945 made the decision to not have a primary property tax and to increase income from the electric utility. There is a debate coming up that could be a pivotal point for the City in the next few months. We take \$110 million out of our utilities today to pay for public safety as well as other economic development initiatives. Selling water is important for us as a major utility which supports other City activities. The challenge on the utility side is with large water users such as data centers and how much water to allocate to these users versus the needs of the City at full build out. We can probably only handle one or two more big data centers based on the current estimates of water consumption without impacting our future portfolio. What is the right kind of economic development? Is it big manufacturing and data centers, or is it office and tech which would provide jobs. There are a lot of other factors that come into play when we are trying to figure out the right balance of these property owners. With this much land mass, we need to look at the reality of how much land can really be dedicated to non-residential in a particular area. This is a huge area, and the Inner Loop is only about a quarter of the whole area. Where else in the Valley do we see that kind of massing of employment center?

Chair Ovando-Karadsheh asked where the estimated 55,000 jobs were coming from?

Mr. Ellsworth stated it would be based on the land use type based on comparable densities throughout the Valley.

Chair Ovando-Karadsheh stated in a housing permit the developer pays the infrastructure, the City gets no property tax, and it costs the City in police and fire services. She asked about the profit margin on a house versus a business. Housing without a primary property tax often costs the City more down the road in providing those services. How would 3,000 homes compare to what a large industrial user would generate in revenue?

Mr. Brady advised that embedded in the City of Mesa utility bill is an assumption of dollars that goes to pay for general purposes, public safety, and economic development specifically. What is unique for Mesa is there are so many exemptions from property tax whether it is a state agency, a governmental agency, a church, or university. Mesa collects that fee from everyone using a utility and most people that use a utility rely on public safety services. The folks at Eastmark are getting below average consumption. It also depends on what kind of employment. A data center provides a tremendous amount of revenue to the City for water services. They are buying electric utility most likely from SRP and Mesa gets a percentage of that. Those are such huge users that at some point the question becomes can we deliver that much resource to one group and still be able to provide that water resource to the whole area. At some point, will we need to buy additional water resources? Frankly, retail is mostly what cities live off of. We like retail with high-value sales tax, although that retail will not come without rooftops. We don't want to be just rooftops. We want to have places for people to shop and work. Employment is not in itself generating a lot of revenue, but it provides a place for the residents of Mesa to work, create an income, and then spend that money in Mesa. Those things all work together. How can we have a healthy residential component that has a job in Mesa and can spend in Mesa and keep those dollars circulating?

Chair Ovando-Karadsheh noted that Eastmark is the third fastest growing community in the country. There is no retail and there are limited jobs around Eastmark. What comes first? Is it housing that leads jobs or jobs that lead to housing? She is in the residential real estate market and sees this all the time. A lot of people don't have jobs here, although they may choose a house in Mesa because it is cheaper. We are a value proposition; we are not driving people to move here because of jobs.

Mr. Brady felt we need to look at what is the right kind of economic development. When we track our sales tax cells, the existing retail in southeast Mesa in our heat charts is getting brighter every day.

Mr. Campbell felt the City Manager raised some critical points that we need to keep in mind. Mr. Campbell has been on the GPEC board and comes from a family of ranchers. He noted that the data centers don't create the jobs. His focus on the numbers was strictly from a sales tax standpoint. That little 2% we get on power that they buy from SRP is where that \$14,000 per acre comes from. The \$1.2 million is just sales tax revenue. The balance is critical. He would give this project an A grade, although not 100% because that little area is such a huge revenue generator that doesn't create the demand that we are looking at. It is not a job equation; it is straight sales tax revenue. One of the challenges we face as a Board is that a large retail component is attractive for the sales tax revenue, but the job cost is tremendous. A large discount retailer has a health care plan that is basically a state funded AHCCCS plan. For every job created with that retail, it costs the community about \$15-20K in health care costs. The utility corridor is not a job play, it is a sales tax play without the low retail job costs. The Elliot Road Tech Corridor is unique in the country. There is one in Virginia and one in the Bay area and this is number three in the country. In terms of a unique, low cost revenue generator, it is wonderful. He felt the rest of the project was amazing, but this is a tough piece to balance.

6. Hawes Crossing Inner Loop Presentation (Action Item)

After the presentation, the Board will discuss and make a recommendation to the Planning & Zoning Board regarding the Hawes Crossing development proposal.

Jordan R. Rose, Attorney for the applicant in the Hawes Crossing rezoning request, thanked City staff for their work on this project. She comes to the Board to discuss this project before having a final application to go before Planning and Zoning. The six dairy families that have been in Mesa for 30 years were in attendance, plus the State Land Department represented by Mark Edelman, as well as Nate Nathan and Joe Colucci of Nathan & Associates. These dairy families have held together for three years planning and re-planning after input on their property and are excited to be here. She noted that the City's Inner Loop Study was conducted by professional consultants, planners, and engineers. This proposal now matches their conclusions. That Study shows a 48% employment ratio in the project area, and the project exceeds that at 56%. This is an opportunity for Mesa. The Inner Loop District is at a crossroads and the dairies are at a crossroads. The life of a dairy is about 30 years and these families have been here for that long. The economies of scale are such that you need to dairy together due to suppliers and transportation costs. After 30 years, the dairies either need to reinvest with significant new technology at a cost of tens of millions of dollars and stay for another 30 years, or wisely plan their land as a mixed-use community and leave a legacy for their future generations. Mr. Ellsworth pointed out that the City's General Plan calls for a wide variety of uses in this area. About half of the property is a County Island, and the intent is to annex that into the City of Mesa.

Currently, it is a rough reality and a tough future for this area. There is equipment storage, contractor yards, heavy truck operations, discount storage, lot splits, outdoor storage, and paintball in this area. Ms. Rose provided photos of the area. Residents and restaurants complain about the flies that the dairies attract. It is a time for Mesa to decide its path to growth. One of the best success stories and redevelopment of a county island was Tempe Marketplace. What existed on that site prior was frightening. Now it is very beautiful, although the redevelopment was very costly. The City of Tempe gave sales tax incentives and Vestar spent a lot of federal loan money. Mesa's Inner Loop is eleven times larger and this project is four times larger than Tempe Marketplace. Some county islands are not so lucky, although it is easy to prevent the problem in the first place. The six property owners have worked with the State Land Department for three years to try to propose responsible future sustainable growth on this 1,131 acres. The intent is to transform this vacant employment/storage land to residential mixed use, employment, and commercial higher density uses. This plan represents a bright valuable future and mirrors the Inner Loop Study presented. Over the past three years, the group has gone through 28 plans because they have met with residents and councilmembers and City staff. The dairy families hired the best of the best in consultants: Greey|Pickett, Hilgart Wilson, CivTech, and Nathan & Associates. The culmination of all those revisions came about just a few weeks ago and the team then met with Mr. Jabjiniak and a Councilmember before yet another revision. The Councilmember held a neighborhood meeting north of the site to gather feedback and everyone was in support of the plan. After that meeting, over 1,000 signatures in support were collected in that neighborhood within one week. The group is very excited about the plan, the mix of uses and the balance, and felt very involved with the Inner Loop Study. The City staff did a great job of getting people out and involved. The 851 acres in the consultant draft shows a 48% employment land use. When our uses are overlaid on top, that results in a 56% employment land use. The State Land Department was kind enough to allow Mesa to annex that east side of the Loop 202, which will be a key connector between Eastmark and the proposed community.

The Inner Loop Study talks about sustainability through the integration of a variety of land uses that create the self-sustaining community. The Elliot Road Tech Corridor supports the Power Line Corridor. Ms. Rose advised that there will be major roadway improvements to Hawes, Elliot, Warner, and Ellsworth. The Elliot Road Tech Corridor is really a mixed use and what Mr. Brady talked about regarding the sales tax revenue generation and potential employment uses. These are unique circumstances, and this is not a normal zoning case, but an economic development decision. The farmers have a desire to move on to another community. It is a choice for a vibrant future that has been well-planned and what the City's outside consultant has recommended after months of study and

lots of input with a healthy mix of uses. The City has an opportunity to choose the course of history and the group is hopeful that the City can support their plans.

BOARD COMMENTS/QUESTIONS:

Brian Campbell liked the proposal and appreciated the relationship with the dairies. His family took all the topsoil from the old Roeloff Dairy outside Mountainview for their citrus ranch. Their current land use generates about a ton of manure a day that they dispose of on site. He is familiar with the challenges the dairies face as they transition through that process. He felt what the group has done with this proposal was fantastic, although the main challenge is that area north of Elliot Road of about 100 acres. Using Ms. Rose's projection to 2039 and using national numbers, it would be about \$28 million dollars over that period of time that the City will forego on that 100 acres. He appreciated that the group has been very up front with the City and has adjusted their plans. He personally was not that offended by the residential use south of Elliot Road, although there will be airline traffic and impact. He asked about the need for residential north of Elliot Road south of the utility line in that piece aside from the connectivity to the north of the utility line. Could we perhaps put more residential in other areas south of Elliot to achieve that balance?

Ms. Rose believed the City's economic development consultant, Rick Merritt, indicated that you don't want to create a slum that is all big box data centers. There is a school to the north of the Van Otterloo property. A few hundred residents came out to one of the neighborhood meetings. The idea that there could be connectivity between this project and those neighbors will allow for a live, work, and play environment is very powerful. The Feenstra property will be a mixed-use transit-oriented development. On Hawes Road, the project has allowed for a buffer where the powerline would go down to the Elliot Road Corridor. The State Land to the southeast is designated for some employment type uses. The City's consultants that studied the land use and economic development potential came back with exactly what we have in this project. It was mentioned that the City can only sustain so many of the high intensity water users, and the City is in discussions on those types of uses to the west and east of this area. Ms. Rose stated north Scottsdale was approached by a Nationwide, although they were not looking to do the big box employment center. The new deal is that employers want live, work, and play in one place. They want housing, mixed use, and retail. That is the kind of concept brought by this plan. The residents to the north felt very strongly about this plan.

Rich Adams thanked Ms. Rose for the presentation. In his six plus years serving on the Planning and Zoning Board in Mesa, he has seen many presentations and felt this group has done one of the most thorough jobs of working with the various interests. Some feel that the residential piece will interfere with the potential of what the Elliot Road Tech Corridor offers the City. What he understood from the presentation was that without that relatively small piece of residential, the whole plan will not work and we will have dairies for the next 30 years.

Ms. Rose apologized for not providing the presentation materials earlier as Mr. Adams was attending by phone and could not see the ownership map. That specific 100 acres is composed of two property owners and that is all the property they have. Unfortunately, the fact is they need an economic reason to leave, which would be the HUD density to mirror the northern area of the community.

Mr. Adams understood that it was basically the interests of two groups versus the overall economic interests of the City.

Ms. Rose felt that the City's Inner Loop Study designated this portion as exactly the same use that is being proposed. This group is not doing anything other than what the City's consultant team, with arguably the best economic development consultant in the state if not the western United States, has designated for this area.

Mr. Brady noted that the consultants spent a lot of time talking to the neighborhoods. The neighbors were very adamant against having the employment backing up against the residential. It is not just one pivot point, there have been a million compromises along the way. This is one where the residents

weighed in heavily. This may not be the perfect example for economic development or the perfect fit for residential, but it does acknowledge the input from the residents.

Mr. Rose stated when that conversation first started, we did not have the State Land to the east of the freeway in our plan. When we realized that Mesa wanted more solidified employment uses, we approached the State Land and they agreed to put that into the plan. She understood that Mesa had tried to annex that State Land over time and that has just not been successful. When the State Land was added, that increased the solidified employment land.

Deb Duvall served on Planning and Zoning in the mid to late 90s and noted the area south of the power lines and north of Elliot Road was a bone of contention back then. We have been talking about this stretch of property for 30 years. She appreciated hearing both from Tom Ellsworth of the City of Mesa as well as the dairy farmers and landowners in the area and appreciated both presentations. She was honestly confused. She asked whether the issue was only that area north of Elliot and south of the power line. Is the City in reasonable agreement with some of the other recommendations for the area south of Elliot as proposed by Ms. Rose or not?

Ms. Rose stated there was no conflict with the City planning staff north of Elliot. The only conflict now was on the very south, and that has been fixed per staff suggestions in the next submittal. This is a preliminary proposal and staff has not given a recommendation. There was a suggestion to come to the Economic Development Advisory Board before there would be a recommendation from staff. She believed everything was in line with the staff expectations and matched to the study.

Jim Kasselmann also had the same question as Mr. Adams in terms of needing the small residential piece or there would be no deal. He thanked Ms. Rose for her comments in that regard. He has heard the live, work, play term. Most of his experience is with southern California, San Diego, and Orange County. In those live, work, play areas, there are a lot of people who live there, a lot of lower paying jobs with things like Smashburger, although it is not generating the economic activity. He has seen here in Arizona that people love to play, although they are going elsewhere to enjoy their outdoor recreational toys. When he hears live, work, play, it sounds a little buzzish. One of the other main factors with this area is the proximity to the Airport. If there is a part of the country that been hamstrung by building residential units around the proximity of an airport, it is from Orange County on down. He has lived that personally and guaranteed that there will be complaints. For the City, as more and more residential areas come into airport areas or industrial locations with truck traffic, things get noisy on the residential side. He understood there were 1,000 signatures, but while they like the sound of the plan, in reality that burden will come home to roost at some point in the future. The idea of the Tech Corridor and what it represents for the City still resonates as a prime lever for the City. Having grown up in the Midwest, he is well-acquainted with the agricultural industry and understands what the dairy families are facing. This is a unique point in time with some unique property. That Tech Corridor is the center of gravity for some economic growth that is sustainable for the City. He felt a lot of great work has gone into this plan and saw a lot of opportunity to make this come to be, although the Tech Corridor is critical.

Ms. Rose advised that the proposal is preserving that Tech Corridor on Elliot Road. There is nothing that diminishes that Tech Corridor, the plan is just not extending it all the way to the residential homes to the north because those homeowners do not want that. The plan also gives the City more employment percentage. Half of this land is not even in the City but is County Island junk storage. The reason it has taken three years to get to this point is because there has been a lot of compromise and 28 versions of the plan with dramatic changes.

Chair Ovando-Karadsheh saw many photos in the presentation showing what we do not want to have going forward, although the Board has not seen the vision for this plan, or the types of housing proposed. It is never recommended to buy against a power line as it is a value issue for property resale. She has seen in other communities where one housing piece is separated off and is not part of the general community. Las Sendas has that on the south side of McDowell and those properties sell

for less per square foot than those on the north side of McDowell. There is a perception from the buyer that those properties are not as valuable. She would appreciate having the vision of this plan.

Ms. Rose advised that when she was asked to talk to this Board before going to Planning and Zoning, she was under the impression that the Board would not want to look at the planning and that it would come later. She was not prepared to go into the entire plan and that information has not been finalized. She did not want to steer out of the lane of economic development today. The concept and theme is milk and metal as a tribute to the history of the dairies on the site. It is very modern and like nothing seen before. From a planning perspective, the concept was to make this a very special place that allows for great vibrant development in Mesa. The mix of uses interplays well. She felt the details of the plan would need to go to the Planning Commission first. She noted that the dairymen appreciate having this forum to talk through issues and look forward to future discussions.

Mr. Kasselmann noted that the Board has spent a lot of time touring the area and has held many discussions on the Inner Loop. He felt today was a rich opportunity to hear from Mr. Ellsworth as well as Ms. Rose and the dairy farmers. He agreed with the Chair on the uncertainty of what this plan will be. He suggested that the Board send a letter to the Planning and Zoning Board with copies to the Mayor and Council expressing the Board's opposition to this plan until further details are presented. The employment opportunity uses in that area with the Tech Corridor is critical to the City.

MOTION: Jim Kasselmann moved to send a letter to the Planning & Zoning Board, with copies to the Mayor and Council, expressing the Board's opposition to the Hawes Crossing project as currently presented; seconded by Deb Duvall.

Ms. Rose reiterated that she was not asked to present the full project to the Board, but to provide an overview of the concept with regard to the Inner Loop Study. The plan does comply with the Study and is adding employment uses to the City.

BOARD DISCUSSION ON MOTION:

Mr. Campbell noted that the Planning and Zoning Board has indicated that they want more input from this Board on these types of issues. Many times, the process moves forward and is approved by Planning and Zoning without our input. The applicant has the challenge of fitting this Board into the City's timeline. He felt this was an A project and the work that has gone into it has been fantastic. He has only found that one challenge and was torn on that one area. No other complaints have been heard with the project. The Board has to give to Planning and Zoning what they have asked for under the time constraints. He asked if the Chair would be amenable to calling a special meeting to hear about this plan once it is better developed so that the Board can fit into that timeline and provide input to Council and Planning and Zoning.

Mr. Ellsworth advised that no date has been set for this item to go to Planning and Zoning as there is not a complete submittal.

Ms. Duvall suggested inviting Ms. Rose and the group back to present a more full-blown proposal for the use of this property.

Mr. Adams echoed Mr. Campbell's remarks that there were overall a lot of good components to what was proposed today by Ms. Rose. He did have a strong opposition to a small piece which he believed to be an inappropriate location of residential development. As the project stands now, he is not able to support it moving forward based on the residential issue.

Mr. Ellsworth stated the earliest this item could go to Planning and Zoning would be in June. Another factor holding this item up at Planning and Zoning is the standing of the annexation. We are waiting on the State Land Commission to meet and make their decision.

Ms. Rose felt if she would be allowed the opportunity to give the Board a more detailed presentation, she would prefer that the motion be changed to just table the item.

MOTION WITHDRAWN: After discussion by the Board, Jim Kasselmann withdrew his current Motion; seconded by Deb Duvall.

MOTION: Jim Kasselmann then moved to table this item to the next Board meeting to allow for a more thorough presentation and time for further research on the Hawes Crossing Inner Loop project in order to provide a recommendation to the Planning & Zoning Board and City Council; seconded by Deb Duvall. Upon tabulation of votes, it showed:

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

NAYS – None

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

Chair Ovando-Karadsheh noted that the Board's interest comes from a love for the City that all the members share. The Board is very appreciative to everyone who came to the meeting this morning. We are very excited about this project and want to make sure our recommendation is indeed well thought out.

Rich Adams left the meeting telephonically at 8:52 a.m.

7. Business Prospect Report

JD Beatty welcomed new Board member Mr. Nickerson and explained that the Business Prospect Report is a summary of the number of prospects and leads that the department is working on. Those prospects come through a variety of channels including GPEC and ACA. The Quarter 3 report covers the rolling 12 months from April 2018 to March 2019. The number of prospects at 115 was down a little from 130 last quarter and it is normal to have a fluctuation of about 10%. Job potential and payroll were down slightly, but square footage and capex were up quite a bit with a couple of large square footage capex-type projects. Development Type and Prospect Industry were fairly consistent with last quarter with the bulk of interest still in manufacturing space.

The inventory discussion continues as we are low on large spaces. We do have new inventory coming online with properties under construction. Longbow Gateway One is now completed, and the industrial space inventory refers to those built in 1999 or newer. Most of the larger quality tenants are looking for newer spaces. We saw a decrease in the amount of available buildings and are seeing some leasing activity still in the smaller to medium size buildings. Clearly the demand is outstripping the supply. He may consider reshuffling the square foot ranges within the report to be able to differentiate up to a million square feet.

Office inventory is down with no large footprints. There is one building in the 75-100K SF range, which is the Mesa Tower, although that square footage is probably not contiguous. The general office prospect activity has decreased slightly in this quarter compared to previous quarters. This report only covers what comes through the City's channels and not everything across the board. He was excited about the Union project which is still in the works. The Class A office at Riverview would potentially add up to 1.3 million square feet of office space. The MOU went to Council back in May of 2018.

BOARD DISCUSSION:

Chair Ovando-Karadsheh stated the Board had previously asked that the pie chart colors match in terms of the categories to easily see the differences. It is hard to compare quarters side by side. She noted that realistically we look at 52% of the prospects and asked for a heat chart as to what percentage is viable. What are our success metrics?

Mr. Beatty stated that we define a prospect qualifying into a project as one that has conducted a site visit. These are projects that we land and count as successes in our department metrics.

Jaye O'Donnell, Economic Development Assistant Director, advised that nationally in economic development you are referring to conversion rates. The typical conversion rate from pipeline lead to

project is around 20% nationally. Organizationally, it depends on the industry and whether or not we have the inventory. At the project stage, we look at a conversion rate between 10-20%. Mesa has been able to exceed that rate in most quarters.

Mr. Beatty will look to add that factor into the quarterly reports. We are getting 42% of prospects to visit Mesa, which is strong. Out of that 42% that become a project, we probably count 20% of those as a success.

Chair Ovando-Karadsheh understood that the department was short staffed and asked how the Board could support those efforts.

Matt Likens believed the department was looking for more visibility in the sales pipeline. He suggested defining three or four steps of the process and listing how many prospects are in each of those stages in the quarterly report.

Mr. Beatty stated it has been a struggle to define the various levels in the sales process and where each prospect is within the process because every project is so nuanced. It is hard to narrow down. Once something qualifies as a project, staff are speaking with Development Services about off-site improvements, zoning, building permits, infrastructure, and impact fees.

Chair Ovando-Karadsheh suggested some way to indicate that a prospect is moving forward so that the Board can support the department. A historical report going back five years may help.

Ms. O'Donnell stated staff could have an internal discussion on how to best demonstrate that process. There has been discussion about adding different fields in the prospect category for the percentage of certainty. We want to make sure we are portraying our pipeline as accurately as possible.

Mr. Beatty suggested a deeper dive into the real estate piece that goes beyond the rolling 12-month period. Staff works on some prospects for two years prior to a site visit. The lifecycle of a sale is often well over a year.

Mr. Campbell stated the intent is to identify factors of why we lose deals. Obviously, not having the inventory at hand is one factor that we have focused on for a while. Workforce is another factor, although we have never been able to come up with a way to visually represent a workforce component. He mentioned one deal in particular that we lost that drove these numbers. There are other components that we need to be able to measure. We have to honor confidentiality agreements, but we need to in a carefully presented way demonstrate those key factors of why we did not land a project.

Chair Ovando-Karadsheh suggested categorizing the reasons why a lead did not turn, whether it be physical space, power, workforce, etc. That would be helpful in determining where we are deficient.

Aric Bopp, Economic Development Deputy Director, noted that when there are 100 leads, 10 to 20 will qualify as projects, and out of those if you have a 10-20% close rate you are doing pretty well whether it is here in Mesa or Anytown, USA. One of the challenges that our department faces is that we are a big city with a limited staff. There are projects that come in on a daily regular basis and our recording is not 100%. There are projects that we are responding to that sometimes get left out of the metrics. He reinforced what Mr. Beatty mentioned that it is hard to calibrate statistically the timing of these projects. There are projects in our pipeline that he is convinced will become a reality in Mesa that have been in the pipeline a year or two. The issue is how to evaluate those projects. There is a long sales cycle on a lot of these projects, whether it is EdgeConneX that already owns land in Mesa or KT Fabrication which is trying to figure out a manufacturing transition plan. Some of these projects just take a long time and being able to demonstrate those numbers is tricky and difficult statistically when looking at reporting on a monthly or quarterly basis.

Mr. Beatty felt all of the Board ideas were great and some can be addressed in the quarterly report with numbers from our CRM. Some are outside the scope of what this report is intended for and perhaps those could be separate reports or presentations.

Mr. Bopp stated getting candid feedback after we have been eliminated is a timing issue as well because companies will not provide that input until they are set on a location and the building is constructed. He noted certain large projects, have provided some very valuable candid feedback, although those opportunities are few and far between. He had the opportunity last Friday to speak on a panel with Dan Henderson and the City of Phoenix. Mr. Henderson was quick to point out that he has a \$5 million deal closing fund to help him land projects in Gilbert. He was not aware of any such fund in Mesa.

8. Director's Update

Jaye O'Donnell wished the Board a Happy Economic Development Week. She provided packets to the Board with materials to promote International Economic Development Week on social media channels. She asked that Board members let her know about their posts so that the department can like and share those as well.

Announcements and press releases include Fujifilm, ER2, Aerocircular, SkyBridge and Myndshft. The Waymo announcement generated 142 million impressions nationally. The department has promoted a new Active Development website and our advertising campaigns now include Multiview Digital and a focus on Aerospace. New campaigns will roll out in the near future for Medical Device, Pecos Advanced Manufacturing Zone as well as Elliot Road Tech Corridor. Social media has been tremendously active.

Upcoming Announcements and Media Events:

- May 10 - Potato Barn Grand Opening
- May 21 - Residence Inn Grand Opening
- May 21 - Grande Vida Groundbreaking
- May 23 - CMC Steel expansion Ribbon Cutting

The IMPACT Advanced Manufacturing Summit is coming up in late May. They set up 20 appointments between companies and economic developers and Mesa is one of the few that will be attending.

9. Other Business

The next EDAB meeting will be held on June 4, 2019, 7:30 a.m. in the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201. There will be no Board meeting in July.

10. Adjournment

Chair Ovando-Karadsheh adjourned the meeting at 9:17 a.m.

Submitted By:



William J. Jabjirnak
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)