

MEETING MINUTES

Office of Economic Development Economic Development Advisory Board

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

Date: August 13, 2019 Time: 7:30 A.M.

MEMBERS PRESENT

Natascha Ovando-Karadsheh, Chair
Jim Kasselmann, Vice Chair
Rich Adams (Via telephone)
Brian Campbell
Deb Duvall
Christopher Nickerson
Dominic Perry
Brad Wilson

MEMBERS ABSENT

Matt Likens

EX-OFFICIO

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

GUESTS PRESENT

Karla Moran, SRP
Justin Lee, SRP
Marco Lopez, Intermestic Partners

STAFF PRESENT

William Jabjiniak
Maribeth Smith
Nic Zito
Natalia Cuneo

1. Chair's Call to Order

Chair Ovando-Karadsheh called the Economic Development Advisory Board meeting to order at 7:35 a.m.

2. Items from Citizens Present – None.

3. Approval of Minutes from the June 4, 2019 Board Meeting

Christopher Nickerson moved to approve the June 4, 2019 minutes as presented; seconded by Brian Campbell. Upon tabulation of votes, it showed:

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

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

4. Introduction of New Board Member - Brad Wilson

Chair Ovando-Karadsheh welcomed new EDAB Board Member Brad Wilson.

Mr. Wilson has been a long-time Mesa resident. His mother, Marilyn Wilson, served on the Mesa School Board for many years and Marilyn Thiele Wilson Elementary was named after her. His father, Ralph Wilson, has been an orthopedic surgeon with OrthoArizona, formerly Mezona, for almost 50 years. Mr. Wilson has two sons, his youngest is a junior at Mountain View High School, and he has been in the orthopedic device business for 22 years.

5. SRP Investment in the Elliot Road Technology Corridor

Karla Moran, SRP, advised that a new substation was completed in May at the Elliot Road Tech Corridor. SRP has been in the Valley since 1903, when many land owners in the Salt River Valley

gave up their land as collateral to build Roosevelt Dam which provided power to the Valley. SRP is committed to evolving with the customers and communities it serves to work towards sustainable economic vitality. One of SRP's 2035 Sustainability Goals is to reduce their carbon footprint 50% by 2035 and 90% by 2050. SRP is exploring how it can work with communities and companies to electrify their fleets through a workplace charging program. SRP will introduce new programs for energy efficiency, water resiliency, waste reduction, and forest health.

Justin Lee, SRP Transmission Analysis Department, advised that bulk transmission lines, 100Kv or higher, take three to five years to build. SRP aims to anticipate the needs of its customers in order to proactively plan for future expansion. The Southeast Power Link area includes Mesa Gateway, the Elliot Road Tech Corridor, Phoenix-Mesa Gateway Airport and the surrounding areas. SRP has been actively involved in the stakeholder process led by the municipalities and Phoenix-Mesa Gateway Airport regarding future growth in this area. The City of Mesa is one of the fastest growing cities in the country, and Phoenix-Mesa Gateway Airport is one of the fastest growing airports, making this a prime area for potential growth. SRP's goal is to assist the communities and the Airport to develop that growth and market to those customers coming into the area.

The Receiving Stations serve to deliver bulk power to an area by bringing in high-voltage 230Kv power and transforming it down to a lower voltage to serve customers. A map was reviewed showing locations of existing and future stations. SRP is in the design process for the future Receiving Station with construction expected in the summer of 2021 with 230Kv lines extending to the south and east along the future SR24. Another future Receiving Station further to the southeast, not shown on the map, will eventually tie into the northeast Receiving Station completing a loop around the area. Mr. Lee reviewed the locations of existing and future 69Kv lines extending out from the Receiving Stations and substations to feed the surrounding area. SRP has already anticipated the need for two future stations due to residential growth in the area, regardless of any future tech growth. SRP is currently in negotiations for a location closer to the EdgeCore substation. The exact location for future 69Kv stations will depend on where large customers build. Large clients that need over 10 megawatts would require dedicated substations. Three of the existing substations are dedicated for Apple and EdgeCore.

Ms. Moran stated there was existing capacity in the lines due to SRP anticipating future needs, which drove some of the interest in the Elliot Road Tech Corridor area. SRP has invested roughly \$60 million for the future expansion of the Southeast Power Link. Each 69Kv station will cost approximately \$3-5 million. In November 2018, SRP received the Certificate of Environmental Compatibility (CEC) from the Arizona Corporation Commission. SRP is now in the process of acquiring the land and developing the technical design in order to be shovel ready to build the line as the area develops.

BOARD DISCUSSION:

Vice Chair Jim Kasselmann asked what concerns or threats might be anticipated over the next 10 years that could disrupt SRP's plan for the southeast corridor.

Mr. Lee stated a downturn in the economy would halt the load growth. The CEC is only in effect for 10 years, although it can be extended. A big change in the industry is the solar and battery technology coming onto the grid. To the east of the Southeast Power Link is a lot of open land which is great for developing large solar facilities for hundreds or thousands of megawatts. That could significantly impact SRP's transmission systems. Third-party easements that are required for the 69Kv lines for the dedicated substations can sometimes be a challenge.

City Manager Chris Brady advised that the City is working with property owners on the alignments along SR24 to make it easier for SRP to get the needed easements. We cannot have the lack of power load be the reason for not bringing development to Mesa. Having the infrastructure in place for power and water is what drives economic development. SRP's foresight and investment in the infrastructure is making the difference in why Mesa is landing some of the big companies.

Brian Campbell recognized SRP for being a fantastic long-time partner with the City. He asked about SRP's long-term workforce projection and how we can partner with SRP through some of our education partners to help with workforce development.

Ms. Moran stated their HR team is looking at future workforce development. SRP will have a lot of people retiring in the next 10 years.

Mr. Campbell noted the issue of the duck curve when excess solar-generated power comes into the grid that can't all be used. How can we work with large users to take that power during those peak generation times? Our pricing structure does not work well with that duck curve. What are some solutions to that challenge, especially with the potential for an influx of solar? At times, California had paid us to take some of that power.

Mr. Lee advised that many of the large customers have a constant power need and they are not looking to get power at different times of the day. They cannot adjust their intake of power. On the residential side, we can encourage folks to pre-cool their homes and use power at certain times of the day when that excess power is coming in. He is not involved in the pricing side so cannot speak in that regard.

Mr. Campbell noted that the pricing plans are great economic development tools. He suggested working with SRP to find those pricing structures that can help to gain the interest of large companies as well as help solve that duck curve issue.

Ms. Moran noted some of their larger users are looking to add batteries to extend the life of their solar, although right now that is cost prohibitive. SRP's Resource Planning Group will be adding about 1,000 megawatts of solar onto the system.

Jim Kasselmann asked if it was advantageous for a large user to be closer to the 230Kv trunk lines.

Ms. Moran stated large users over 20-30 megawatts are encouraged to be closer to the rReceiving Stations. Those using 10-20 megawatts are encouraged to be close to the existing 69Kv lines to mitigate some of the issues with easements. Due to the way SRP is structured, any additional infrastructure that a large client needs is born on their cost. That can be expensive if they locate in places that are not as close to those lines. Locating up against those lines would be advantageous for a large user, especially the lines along the Elliot Road Tech Corridor where there is an array of power with 500Kv, 230Kv and 69Kv lines. Mesa has an advantage since it has the sewer and water infrastructure already in place.

Chair Ovando-Karadsheh felt placing housing up against that line is not as advantageous as leaving it open for a large end user.

Bill Jabjiniak appreciated the proactive measures around the 230Kv lines. Acquiring the 69Kv easements for all of these different users has been a major step in the right direction. He has not found a 500Kv user and asked if they even existed.

Ms. Moran stated most of the requests are for over 69Kv. Those in the Midwest get served at 115Kv or higher and expect that higher voltage when they come here. Some of the high-tech users are requesting to be served off of the 230Kv side.

Chair Ovando-Karadsheh thanked Ms. Moran and Mr. Lee for the detailed presentation. It is helpful to this Board to understand how SRP is a big component to our economic development.

6. SkyBridge Update

Marco A. López, Jr., President and CEO of Interstemic Partners, provided an update on SkyBridge Arizona at Phoenix-Mesa Gateway Airport. There are a few items currently under RFP negotiations that he is prohibited from discussing today due to non-disclosure agreements. Two parcels that were exempt from meeting further FAA review and approval are in the process of being developed. Those are designated as numbers one and six on the SkyBridge map.

Skybridge Arizona was developed as a concept two and a half years ago considering that the US Customs and Border Protection Service had been authorized by Congress the ability to host Mexican Customs in a US facility in order to unify cargo shipments to and from Mexico. As part of that operation, Nogales, Arizona, began to process truck traffic to and from Mexico in a single inspection. For the last 200 years, Mexican and American Customs each conducted their own processing and those agencies did not necessarily talk to each other. Since different fees are charged depending on the commodity, companies would declare that they were exporting and importing different goods to each of the customs agencies. Mr. López previously served as the Chief of Staff at U.S. Customs and Border Protection and worked to curb that problem as well as to expedite shipments and make the process more transparent. That is where the concept of unified cargo processing began. Legislation allowed for this type of operation to be done inland, not only through a port facility along the US-Mexico border. At that time, about two years ago, Phoenix-Mesa Gateway Airport was going through the RFQ process and about ten companies submitted ideas for the development of 360 acres. Skybridge Arizona presented the idea to host a joint US-Mexico Customs facility with the potential to add other customs agencies in the future. Ninety percent of the Customs clearance process is done electronically and only 10% is triggered for inspection of cargo. The vision around SkyBridge would drive an entire industry of e-commerce logistics to the airport, as well as strengthen a new area of curricula at ASU Polytechnic. This is the anchor for 435 acres at Phoenix-Mesa Gateway Airport.

Today, if a product is ordered online to be shipped to Mexico, the customer will receive it in 15 days or so. Items ordered from a popular e-commerce website coming from Asia may take 60-90 days to reach Mexico. In Mesa, people order online and are frustrated if they do not receive it in two days. With the penetration of smart phones and better connectivity and banking in Mexico and Latin America, e-commerce purchases are increasing by 130% year over year. The demand for US products going into Mexico and Latin America will continue to grow with the expectation to get those products quicker. The exciting part is that this component will allow Mesa to be the hub for international commerce for American goods going into Latin America and beyond.

BOARD DISCUSSION:

Vice Chair Jim Kasselmann asked to what other airfields will Phoenix-Mesa Gateway be connected. What is the maximum number of cargo aircraft that this airfield can handle and is there an established ratio today between passenger flights and commercial cargo flights?

Mr. López did not have that information with him today, although between SkyBridge and the Airport Authority, it is available, and he would be happy to provide that to the Board.

Mr. Kasselmann, having worked at and lived around airfields, has witnessed the impacts an airfield can have. Cargo aircraft like the older 747s and DC10s are noisier and citizens complain of the noise which impinges upon the economic potential of an airfield.

Mr. López advised that in year one when the facility is fully operational for the processing of cargo, he would anticipate 100 extra flights a year with 747s. By year 18, that number would be up to 1,425 flights per year at full capacity. For the 767 aircraft, that year one number is below 100, and at year 18 it would be up to over 1,500 a year.

Mr. Kasselmann suggested, as a future topic, a discussion on how the cargo flights would ramp up, as well as what development this type of facility might bring.

Dominic Perry asked which portion of the buildings would house the import/export operations and what would the balance be. As busy as Sky Harbor Airport is with passenger traffic, would the entire cargo fleet end up at Phoenix-Mesa Gateway Airport?

Mr. López pointed out the building that would be processing the air cargo. The rest of the buildings could be aerospace manufacturing, aerospace retrofitting, parts manufacturing, etc. There is the

potential for the majority of cargo flights to end up at Phoenix-Mesa Gateway Airport, although that has not been targeted.

Mr. Campbell remembered the days when we were modeling the passenger and cargo components working with folks in Dubai and ASU. This is a fantastic project that brings that cargo component front and center. He asked how we can help facilitate this plan over the 20-year pathway, whether it is protection from land use encroachment or facilitating partnerships regarding workforce development. What are some of the strategic challenges that we can help with to bring this vision forward?

Mr. López stated encroachment is always an issue around airport properties. Today, Phoenix-Mesa Gateway Airport services 1.6 million passengers a year. He was not sure at what point that would necessitate another terminal. The City of Mesa has been an extraordinary partner in the ability to compete for different projects that are looking for this type of infrastructure. Phoenix-Mesa Gateway Airport has infrastructure that is unmatched by any other airport in America that has three similar-sized runways that can operate simultaneously. What is unique about this project is the ability to work with other governments. As we are competing with other airports, the City's ability to partner with us and advocate why Mesa and this region are attractive will help to make us more competitive. Those looking to be around an airfield know the value of infrastructure and the Airport Authority sells that very well. As a community, our ability to articulate why our schools are strong, why our neighborhoods are strong, and why our public safety is strong is the best assistance SkyBridge can ask from this group. We need to be creative in our approach as to how we integrate higher education at the ASU campus to spark new industries and new types of businesses that can capture some of this e-commerce growth.

Customs agencies throughout the world are not designed around the e-commerce phenomenon. For the purposes of export and import of goods, they treat you as an individual no different than a company that sells goods for import and export. The same forms are used for the Foot Locker as an importer into Mexico and for Marco López who purchases Nike's online. We are working with Customs organizations to look at that differently. This concept makes sense in Mesa because they can slowly start on that path. This will provide a good area to test these new methods of operating. There has been a request to invite Canadian Customs to be located on-site as there are already flights to Canada. There are currently no flights to Mexico. In Detroit, there is an agreement between US and Canadian Customs and we are working to piggyback on that agreement to host Canadian Customs in Mesa, which would be the first location to have all three. Currently there is much more cargo going to Canada than to Mexico. In late 2019 or early 2020, we will be focusing on Brazil and Argentina with our partners in Mexico that have daily flights to those destinations. We did not think we would be this competitive two years ago. As we are starting from 363.5 acres of dirt, we can build with those new innovations in mind.

Bill Jabjiniak pointed out Building 1 on the SkyBridge map which is 60,000 SF along Velocity Way and Building 6 which is 82,500 SF. The existing L-shaped building to the east is the Fire and Police Station. He asked if Buildings 1 and 6 were currently in the planning process.

Mr. López stated that is correct as those are the only two that were exempt from the FAA approval process. They will be spec buildings. The rest has been master-planned and submitted to the FAA. Last week, we received word that there were no other environmental findings. The FAA process had been delayed due to the government shutdown and we hope to have that completed by September.

Rich Adams found both presentations today to be very informative and they have reinforced the opportunities in front of the City and our need to protect the employment sector wherever possible. He welcomed new Board Member, Brad Wilson, and has known his father for many years.

Rich Adams left the meeting (via telephone) at 8:35 a.m.

Chair Ovando-Karadsheh noted that cargo typically runs overnight so as not to impinge on domestic passenger flights. She noted Burbank and other regional airports that are surrounded by housing and have noise restrictions. Will this need to be a 24-hour airport in order to accommodate growth? What

do we need to be aware of to make sure we are not growing on two different tracts, one on residential and one with the Airport?

Mr. López felt the intent would be to capture everything during the day, process, load, and then reserve flights for later in the day. A flight would need to land in Mexico City before 9 p.m. in order to get that cargo processed and loaded for delivery the next morning. At least for the first 5 to 7 years, he did not foresee overnight processing operations, if ever.

Chair Ovando-Karadsheh asked how SkyBridge would be compensated if a large entity like Amazon decided to run cargo through this facility.

Mr. López stated there is a per ton fee that flights currently pay at any airport plus a processing fee per package. Most major carriers charge .50 per package plus the duty charged by the Customs Authority. Instead of paying \$7 when a package lands in Mexico City and then having it sit in a warehouse, we are working to cut the cost down to \$4.50 and have the cargo processed that day and loaded on a truck to be delivered to the purchaser instead of sitting in a warehouse. The aircraft pays \$1.20 a kilo which is paid by the year.

Mr. Kasselmann stated that building homes around an airport strangles its economic viability. As a city, we need to think about that airport 18, 20, 30 years down the road or it will never reach its potential. It would be a disservice to the City and the region if we build homes around this airport.

Mr. López agreed and stated the intent is to bring in companies for a 15- or 20-year lease around an airport property. Companies want their operations to be at least that long on this type of footprint.

Dominic Perry asked about the infrastructure for ingress and egress with over 3 million square feet.

Bill Jabjiniak stated a lot of work has gone into their master plan to address many issues including how to tie in with the other 350 acres that ASU is looking to develop, how Sossaman will be impacted, as well as alternate routes to the major highways.

City Manager Chris Brady asked about the property outside of the airport on Pecos that was purchased.

Mr. López noted the original RFP was for 363.5 acres, although the total is now 435 acres. That increase is due to land that was purchased to add another connector point for ingress and egress to this complex directly onto Pecos, rather than relying on one entrance off of Sossaman Road. Through the master planning process, we are forced to think about all of the impacts. When ASU develops their 350 acres and when the Airport expands on the other side of the runway, there will be some definite impact that will need to be considered. Housing is another layer to that.

Chair Ovando-Karadsheh thanked Mr. López for his time and looked forward to an update in the future.

7. Director's Update

William Jabjiniak introduced two new staff members. Nic Zito is our new Project Manager coming from Naperville, Illinois. Natalia Cuneo is our new Project Specialist, formerly with MAG.

In June, there was a grand opening for Times Microwave Systems followed by the announcement of three tenants at The Landing at Phoenix-Mesa Gateway.

July was unique with the announcement of a \$1 billion investment by a Fortune 15 company to Mesa, with Apple ranking Fortune 3 just 3.5 miles away. Union at Riverview announced its first tenant WageWorks bringing 1,000 jobs, and a groundbreaking is tentatively scheduled for September 24 at 8 a.m. On July 25, we announced AT&T, Fortune 9, with 500 new jobs in an older area of the City at University and Alma School. They have spent over \$7 million on three buildings in this location. At the end of July, we announced CAVU Aerospace with 80,000 SF and 75 jobs at The Landing on Ray Road. The infrastructure that was put in eight years ago on Ray Road has paid off. Later this month there will

be a groundbreaking on 486,000 and 175,000 SF industrial spec buildings. Getting the right product in the marketplace is now giving us a competitive advantage.

Chair Ovando-Karadsheh noted that this Board has continually commented on not having the right product. Three years ago, there was a lot of demand but no spec industrial over 100,000 SF. It would be great to see an update on how much spec industrial is in the pipeline now. That is a testament to Bill Jabjiniak and his department as well as developers taking a risk and being willing to invest in Mesa.

Brian Campbell has been here a long time and noted when we brought the colleges in, it was said that it had never been done before and we would not be able to repeat that. Then we brought in Apple and it was said to be a once in a lifetime deal that would never be done again. What happened in July was truly breathtaking. Mr. Jabjiniak and the team he has assembled have done things that have never been done nationally in a city our size. We should take a look back and appreciate Bill and his team for these truly remarkable accomplishments.

Mr. Jabjiniak stated it has been a team effort and we have come a long way in the almost 12 years he has been here. It has been a battle to work towards a different vision. That is why protecting the Airport has always been important. This has always been a bedroom community and it has grown by 10,000 people last year, although our job ratio has not changed because the residential growth keeps on coming. We have to fight for our employment sector. People don't understand that investments by Fortune 15 and above companies in this community are huge. He hears comments that data centers don't create a lot of jobs. What people don't understand is the spin off effect that is created by these high-profile companies. We won't be on the radar screen nationally unless we have those types of investments. He credits the foresight of Councilmember Somers in creating a tech corridor. It will take time to fill in, although there is not a lot of land there that is unentitled. It is creating a vision, selling the vision, and sticking to the vision and not caving to special interests.

Chair Ovando-Karadsheh stated the Board is here to help support the Economic Development team.

8. Other Business

The next EDAB meeting will be held on September 3, 2019, 7:30 a.m. in the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201. Board members may suggest topics for discussion or request updates on certain items.

9. Adjournment

With no further business before the Board, Chair Ovando-Karadsheh adjourned the meeting at 8:54 a.m.

Submitted By:



William J. Jabjiniak
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)