

MEETING MINUTES

Office of Economic Development Economic Development Advisory Board

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

Date: December 5, 2017 Time: 7:30 A.M.

MEMBERS PRESENT

Jeff Pitcher, Chairman
Deb Duvall
Jim Kasselman
Matt Likens
Dominic Perry
James Christensen
Laura Snow

EX-OFFICIO

Mayor John Giles (Excused)
Chris Brady (Excused)
Rich Adams
Brian Campbell
Jeffrey Crockett
Sally Harrison

STAFF PRESENT

William Jabjiniak
Jaye O'Donnell
Corinne Nystrom
JD Beatty

MEMBERS ABSENT

Natascha Ovando-Karadsheh, Vice Chair

GUEST SPEAKERS

Diane Warner
Michael Hughes
Kathy DiNolfi
Alan Beveridge
Mike Hutchinson

1. Chair's Call to Order

Chair Pitcher called the Economic Development Advisory Board meeting to order at 7:31 a.m.

2. Items from Citizens Present – None.

3. Approval of Minutes from the November 7, 2017 Board Meeting

Chair Pitcher called for a motion to approve the minutes from the November 7, 2017 meeting.

MOTION: Deb Duvall

SECOND: Dominic Perry

DECISION: Passed Unanimously

4. NEDCO Update

Michael Hughes, CEO of A New Leaf, advised that the Neighborhood Economic Development Corporation (NEDCO) had been struggling dramatically over the last several years, and A New Leaf was asked to step in, which resulted in tremendous progress. He introduced Kathy DiNolfi, Chief Program Officer, and Mike Hutchinson, Board Member for A New Leaf. Mike Hutchinson noted that NEDCO had been funded with Community Development Block Grant (CDBG) funds for a long time. The City approached A New Leaf two years ago to consider NEDCO as part of their services. A New Leaf is a \$25 million agency with 27 different programs.

Kathy DiNolfi explained that NEDCO provides lending through Community Development Financial Institution (CDFI) funds (to small businesses that have difficulty getting credit. NEDCO also offers technical assistance and training for business owners. Before A New Leaf, NEDCO was a one-man show. Today, the staff also includes Karen Brown - Director of Support Services, Alan Beveridge - Program Manager, Cenestra Lemons - Business Development Officer, and Arnette Alfaro - Administrative Assistant. The Board of Directors includes Diane Warner - Chair, Scott Powell - Vice Chair, David Dunlevy - Treasurer, and Board members Anthony Kamson, Guy Miotke, Frankie Jo Rios, and John Tolliver.

Diane Warner thanked the City of Mesa for all of the support and assistance in creating this affiliation with NEDCO. In November, 2016, the formal affiliation was created under an Administrative Services Agreement. In January 2017, the affiliation became official with a subsidiary relationship to maintain the board per federal guidelines, and in February, a strategic planning process was conducted. In the spring of 2017, three new board members were elected and staff was hired in the summer. In October, 2017, the NEDCO team was moved from the downtown site at West Main to the MesaCan site at Broadway and Olive.

Currently, NEDCO has five Mesa CDBG loans totaling \$46,684, and 10 other-sourced loans totaling \$367,383. Business technical assistance classes are offered in Mesa. NEDCO is also working with Senator Bob and Christi Worsley regarding their plans to develop downtown Mesa, as well as with the City of Tempe to replicate work along the light rail. The brochure and list of deliverables were reviewed.

Board Discussion:

Deb Duvall asked if NEDCO had defined boundaries. Ms. DiNolfi stated there are no defined boundaries, although their clients are small businesses. Mesa funding needs to go to Mesa businesses and Tempe funding needs to go to Tempe businesses, although Local Initiatives Support Corporation (LISC) and other funding sources are available as well.

Chair Pitcher asked how a small business would be defined. Ms. DiNolfi advised that their clients are folks that would have difficulty with traditional banking, and most are restaurants and small businesses in downtown Mesa. Alan Beveridge added that NEDCO currently services 12 loans, with one being recently paid off. While the clients are mostly restaurants, NEDCO is expanding to include manufacturing, technology, and other businesses that would create jobs for the community.

There was a question on the size of a typical loan. Mr. Beveridge advised that the focus is on micro-lending ranging from \$5,000 to \$50,000, and up to \$100,000, depending on the security. A small business would ideally be less than 15 employees, although larger operations with the ability to draw jobs are also considered.

Chair Pitcher asked if there is a business income threshold. Mr. Beveridge stated the focus is primarily on low to moderate income businesses, although there is consideration for scenarios in which it makes sense to bring a business to the next level and create more opportunities for employment.

Matt Likens asked if there have been other loans paid off and if interest is charged. Mr. Beveridge stated there have been other loans paid off and those funds are then recycled through the community. As funds are repaid, there is typically a new destination already established. Interest is charged, although a very small margin is maintained to assist with expenses. He noted that a lot of the businesses they work with have become victim to lenders charging 20 to 30 percent.

Chair Pitcher asked what happens when someone does not pay. Mr. Beveridge stated, like many banks, they are not in the business of reselling assets. They prefer to work with the borrowers and keep the lines of communication open, rather than pursue any type of foreclosure action. This way, they can keep a very reduced default rate, while establishing relationships with the business owners. Cooperation, communication, and collaboration with business owners is key.

Bill Jabjiniak mentioned several active projects downtown aside from the Worsley projects, including Jose Villanueva's project at Country Club and Main as well as the Tony Wall project at Mesa Drive and Main Street, that may be opportunities for NEDCO programs. He heard Cider Corps had praised the NEDCO program and asked for more details.

Mr. Beveridge stated Cider Corps is a unique venture by a couple brothers who started a brewing company in their living room. NEDCO was able to identify a much better opportunity for them and funds were organized to enable Cider Corps to open the shop on Robson. They now have a contract with Fox Restaurants, and their products are out in establishments in the east valley as well as Scottsdale and Phoenix. This is an example of identifying a small business with great potential and providing the financing to achieve their goals, as well as providing a community asset for downtown Mesa.

Chair Pitcher asked if there are geographic limitations in terms of low-income areas. Mr. Beveridge stated it depends on the funding sources for those areas. The Mesa CDBG funds are focused on low to moderate income areas. Bill Jabjiniak added that the low-moderate income census tracts predominantly follow Main Street from one end to the other.

Jeffrey Crockett appreciated the work NEDCO is doing and asked how clients can find NEDCO. He asked about the demand for loans versus capital. Ms. DiNolfi stated the demand versus capital is about equal at this point. As loans are paid off, there is more money to lend. NEDCO is trying to raise more funding for their loan pool through investors and have had good responses from banks. Marketing materials, word of mouth and the classes offered help to get the word out. Mr. Beveridge stated NEDCO works with LaunchPoint and Tempe's BRIC (Business Resource and Innovation Center) to identify businesses that can benefit from these financial opportunities. They are active on social media sites, and conduct direct community outreach by visiting business owners to make sure they are aware of development projects and opportunities.

Laura Snow asked if volunteer mentors are partnered with new start-ups. Mr. Beveridge stated there is a collaboration with Mesa Community College to have instructors work with business owners. It was determined that a community college would be more in tune with the community needs as well as education for small business owners.

Rich Adams, having experience in commercial credit, appreciated the direct outreach in the community. He felt NEDCO was filling a unique and important niche, not only helping businesses financially, but offering the education on how to manage a business as well.

Michael Hughes stated the City of Mesa has been fantastic to A New Leaf in its 47 years and he is grateful to be able to give back and be a partner. NEDCO lacked the infrastructure and support, and A New Leaf was able to provide that.

Mike Hutchinson advised that \$250,000 is needed to run this operation, and A New Leaf is looking to raise private sector money. He noted that Cider Corps is an interesting and unique operation in downtown Mesa that directly benefited from the relationship with NEDCO.

Deb Duvall asked if the funds from Tempe Community Action Agency (TCAA), ASU, and Federal Home Loan Bank were grants, and if there are additional sources. Mr. Beveridge explained that the list of deliverables contains all of the active grants. The ASU grant is not active as it finished up recently. The ASU grant allowed NEDCO to partner with ASU to develop a series of workshops to educate local entrepreneurs. The workshops also helped to identify impediments to business owners and enabled NEDCO to provide professional mentorships. The TCAA grant looked at 100 people with low to moderate income status, and identified three to pursue a business endeavor. NEDCO worked with those three to create a business plan, file corporate entity documents, and create financial projections. NEDCO utilizes the strengths of each agency to provide a benefit for the community.

5. Aerial Sphere Demo

JD Beatty, Economic Development, Project Manager, explained that Aerial Sphere is a tool that will create a more interactive visualization of the employment areas across the city. In developing this tool, Aerial Sphere utilized a helicopter for 360-degree aerial views of various areas of the City. The Aerial Sphere for the Falcon Field area shows the vacant/available parcels in and around the airport with interactive points to click on for more information. Another tab will show amenities in the area. Brokers used this type of tool in the Waypoint development.

Board Discussion:

Chair Pitcher asked how this tool will be deployed. Mr. Beatty stated this tool will be available on the website. The tool for the Falcon Field area is finished, and staff continues to work on the Aerial Spheres for the Gateway North-Elliot Road Tech Corridor, as well as Riverview, Fiesta District, and the Phoenix/Mesa Gateway Airport areas.

Jeffrey Crockett asked if this tool would need to be downloaded. Mr. Beatty stated the plans are for this to be a standalone tool on the website and it is expected to launch by the start of the new year.

Bill Jabjiniak asked who will maintain the Aerial Sphere tool. Mr. Beatty stated maintenance can be requested so that the tool can be updated with new developments. The aerials are more current than Google maps.

Rich Adams asked if the tool will be mobile device friendly. Mr. Beatty advised that it can be pulled up on a mobile device, although it is easier to see on a tablet than a small cell phone screen.

Deb Duvall asked if the acreage and zoning will be available on undeveloped parcels. Mr. Beatty stated clicking on an available parcel will show the zoning and the acreage. There are discussions on including owner and contact information, although the City can be contacted to facilitate meetings.

Deb Duvall asked about the City-owned acreage in the Longbow area. Mr. Beatty reviewed the City-owned parcels within the Aerial Sphere. Bill Jabjiniak advised that the large parcel on the north side of Thomas and Recker is designated as park space. There are parcels located south of Thomas and Recker that are available, although the land to the south of the 202 is privately owned.

Mr. Beatty showed the Aerial Sphere still in progress for Gateway North and the Elliot Road Tech Corridor with information on major employers, police and fire stations, and streetscape improvements. Staff is working on adding this tool for more areas of the City.

Bill Jabjiniak stated only projects that have been announced are shown. As projects become formal they will be added. The marketplace is demanding access to current information, and this tool can be used across the country to see what Mesa has to offer.

Mr. Beatty noted the Aerial Sphere tool is being developed in partnership with SRP, which provided funding. The SRP logo will be included in later iterations.

6. Falcon Technology Center RFP

Jaye O'Donnell, Assistant Economic Development Director, introduced Corinne Nystrom, Falcon Field Airport Director. Ms. O'Donnell reviewed the process for the environmental assessment. The Federal Aviation Administration (FAA) has reviewed and approved the draft environmental assessment. It was then sent out for public comment for a 30-day period which ended November 14, 2017. Four comments were received by email expressing concern about the building height and increased air traffic, as well as support of the project. The FAA requires that each comment be responded to by the City of Mesa in writing. Those responses are now being developed and will undergo an internal review by the legal department before being sent to the FAA for review. The FAA is expected to issue a Finding of No Significant Impact (FONSI) by late January, 2018.

In the interim, the City is undertaking the process of selecting a master developer. An RFQ (Request for Qualification) is expected to be released in early January, 2018, and possibly before the end of the year. The RFQ will ask for information on the firm and its partners, the method for collaborating with the City, as well as experience in Arizona and evidence of work on similar projects. Those RFQ submissions will be due by late January 2018, and two to three firms will be selected to move forward to the RFP process.

The RFP (Request for Proposal) will be released in early to mid-February 2018, to those few selected firms with responses due mid-March. Presentations will be made to an evaluation committee in April, with the selection of a development team in May. An agreement should be finalized by June, 2018. The City will continue to partner with the airport as it is airport-owned land.

Bill Jabjiniak noted that the FONSI is required before the RFP can go out. We will start the RFQ process so that we will be ready to move forward with the RFP at the appropriate time.

Board Discussion:

Deb Duvall asked if the FONSI only looks at the community concerns received or if other reviews are involved. Corinne Nystrom advised that there has been a substantial amount of public outreach to keep citizens in the vicinity of the airport involved in the process. The four comments were received as a result of the draft environmental report being published. Prior to that, citizens have had other opportunities to offer comments, which were made part of the public record.

Deb Duvall asked if there are other issues that the FAA will take into consideration that may need resolution. Brian Campbell stated this process arises out of the National Environmental Policy Act (NEPA) which has different stages of review. The FAA review of the draft environmental assessment included a preliminary finding of the FONSI. Then the draft was issued for public input. At that point, the FONSI was largely completed, although many times public comments come in that may set up legal challenges with the federal government. The whole process is driven by NEPA. In this case, the environmental assessment is on a smaller level.

Rich Adams asked if there is any reason to be concerned that something may arise in the FONSI. Ms. Nystrom stated as of now, the FAA has not indicated that there are any major red flags. Their legal counsel will review the matter in case questions may arise down the road.

7. Director's Update

Bill Jabjiniak advised that the Constant Aviation event was well attended on November 8th, with articles in Aviation International News, Aviation Week, and several other publications. There was a press announcement on SkyBridge on November 22nd. The Airport Authority Board approved an agreement with a company from Mexico to develop 350 acres on the south side of the airport. The first phase will be a cargo processing center with the ability to clear customs going to and from Mexico.

Jeffrey Crockett asked how many of these customs centers exist in the US. Mr. Jabjiniak has not researched that exact number but believed there were only a handful, and this project will significantly increase cargo traffic through Gateway. Other development is planned in future phases.

Mr. Jabjiniak stated there was a groundbreaking for the Falcon Field Business Center on November 28th with great press as well. That center will add about 96,000 square feet of inventory. There have been recent media interviews on the Falcon Tech Center. Also, there was an announcement on November 29th for Eclipse Automation's new facility in Mesa. They are an international robotics company out of Canada. There will be a forthcoming announcement on Cognizant, an international company that has occupied 50,000 square feet at Waypoint. Cognizant will provide 250 to 300 jobs and the new development will provide 500-600 new jobs. There is a letter of intent on an additional development for the remaining 100,000 square feet of Class A office space.

Jaye O'Donnell has been involved in the Kindergarten Readiness Program, which is important to the workforce pipeline. In November, the City generated 16 articles, creating 2.7 million impressions, and social media continues to do well. There are three staff members visiting New Orleans, San Jose, and Scottsdale, focused on the biomed and aerospace industries.

GPEC has asked for an increase in their per capita fee of 2.5 cents this year and the same for next year. It is now at 44 cents per capita with a growing population. This year we were at \$206,000 which will jump dramatically with the increase. Chris Camacho of GPEC will be coming in to speak with the City Manager, Chris Brady, and Mr. Jabjiniak on the modern economy plan and the increase in services. There will be a report to this Board in the near future.

Rich Adams asked if there are other residential development proposals, aside from the inner loop, that the Board needs to be cognizant of that may be a threat to employment or other commercial use parcels. Mr. Jabjiniak advised that along the proposed State Route 24, there is over a mile of housing proposed on the north side from Meridian past Signal Butte. There is also a major housing proposal on the south side of Thomas at Recker, north of the 202. There will be an upcoming announcement for a development next to Sprouts, which may provide an opportunity for entertainment, which is lacking in that area.

Brian Campbell attended a conference three weeks ago with Senator McCain and ASU regarding the Salt River redevelopment project. He noted that most of the projects coming on line in other cities have more of a commercial component. There may be more expansion and inventory of Class A office space in the 10-year timeframe. Mesa needs to identify and develop Class A space immediately as we will be facing stiff competition in the next cycle.

Mr. Jabjiniak noted that Tempe has just approved a 9-story office building at the Grand in the \$40 per square foot range. He expects in the first quarter of next year there will be more discussion on Class A opportunities.

8. Other Business

Chair Pitcher recommended moving the next Board meeting from January 2 to January 9, 2018. The Board agreed. Chair Pitcher wished everyone Happy Holidays.

- The next EDAB meeting will be scheduled for Tuesday, January 9, 2018 at 7:30 a.m.

9. Adjournment

With no further business before the Board, Chair Pitcher adjourned the meeting at 8:41 a.m.

Submitted By:



William J. Jabiniak
Economic Development Director

(Prepared by Dana Desing, TEI: 14082507)