Office of Economic Development
Mesa Redevelopment Authority Executive Board
57 E. 1st Street
Lower Level Council Chambers
Mesa, AZ 85201

MEETING MINUTES

Date: January 28, 2014, 1:00 P.M.

MEMBERS PRESENT
Brian Campbell, Chair
William Jabjiniak
John Regni (via telephone)
Virgil Renzulli
Margaret Robertson (arrived at 1:06)

STAFF PRESENT
Shea Joachim
Gail Vangen

MEMBERS EXCUSED
Tony Ham, Vice-Chair

GUESTS
Dane Mullenix

1. Chair's Call To Order

Chair Brian Campbell called the meeting of the Mesa Redevelopment Authority Executive Board (MRA) for the Arizona Laboratories for Security and Defense Research (AZLabs) to order at 1:00 P.M.

2. Approval of Minutes from the October 22, 2013 Meeting

Chair Campbell called for a **motion** to approve the minutes from the meeting held October 22, 2013.

MOTION: Mr. Virgil Renzulli moved that the minutes from October 22, 2013 be approved as written.
SECOND: Mr. William Jabjiniak
DECISION: Pass unanimously

3. Items from Citizens Present

There were no citizens present at today's meeting, no further Board discussion.

4. Discuss and possibly take action on Arizona's unsuccessful effort to be designated as a National Test Range to Integrate Unmanned Aircraft Systems into the National Airspace System

General Regni discussed the six states that the FAA chose, two of those being in the southwest region of the United States – Nevada and Texas. The remaining states are Alaska, New York, North Dakota and Virginia who is partnered with New Jersey. General Regni's suggestion is to not take any further actions at present because on February 6, 2014 the ACA and he will be at the FAA Headquarters in Washington, DC at

which time they will get a debrief on why the FAA made their selections in the manner they did and the strengths and weaknesses of the Arizona proposal. He will report new information to the Board at that time.

General Regni also discussed the southeast region of Arizona has established the Four Pillars Test Range. Their initiative pulls elements of the Arizona proposal to the FAA including AZLabs. They are very interested in the virtual aspects of AZLabs. They are geared towards the smallest size, Classes 1 and 2, of unmanned systems and have some companies interested in doing business with them. They are also exploring the possibility of expanding into Benson and other airports in southeast Arizona. General Regni is confident that although Arizona was not chosen as one of the six states, it still has a viable part of the unmanned systems pieces. The southwest part of Arizona is also exploring options as well. General Regni feels that AZLabs should be marketing its potential and capabilities to the six states that the FAA selected and that AZLabs should remain in close contact with the southeast range and the Yuma officials.

Chair Campbell intends to continue to press forward to make AZLabs the forefront of these endeavors but maintain sensitivity to the other partners in this process. He asks General Regni to pass on to these partners that AZLabs will be moving forward quickly in some areas and will make efforts to maintain communications with these partners.

Mr. Jabjiniak inquired about a staff level contact at the Arizona Commerce Authority. General Regni relayed that the appointed contact is the Vice President for strategic planning, Marisa Walker.

Chair Campbell reiterated how greatly he appreciated all of the efforts of General Regni, Alion Science and Technology, Arizona State University and all of the partners in responding to the SIR, even though the outcome was not as successful as initially hoped. Chair Campbell recognizes that this was an experience to be learned from, that there will be SIRs in the future and that there is room for improvement. The possibility exists of a review of this effort being performed by other partner groups. The ACA and other partners in this will be encouraged to share information

5. **Discuss and possibly take action on alternatives or contingencies for the Economic Development Conveyance (EDC) agreement for the Arizona Laboratories for Security and Defense Research (AZLabs)**

Mr. Shea Joachim gave a brief update on the current status of the conveyance process. The City is pursuing the conveyance under the negotiated terms as discussed previously. At present, the congressional notification period of 35 days has not started. The transmittal of the conveyance package is currently with the Deputy Assistant Secretary for the Air Force. It is expected to be delivered to congressional members within a week. The appropriate parties have also been notified of this status.

Mr. Shea Joachim also discussed a minor problem that arose during a title search involving rights-of-way. AZLabs property does not have access to a public right-of-way at present. There are slivers of property between AZLabs property and public right-of-way that are currently owned by the Arizona Board of Regents, one of which is on the western boundary. It is assumed that it is not the intent for the Board of Regents to own the property but rather a matter of an oversight of what land was left over in between the public right-of-way and the AZLabs property during the acquisition of the loop road

improvements around ASU Polytechnic. The Air Force and the City of Mesa Real Estate Department have been engaged regarding this matter, and ASU will soon be engaged in this as well to rectify this issue in an expedient fashion. The Air Force is to be contacted to determine precisely what land was deeded to ASU.

6. **Discuss and possibly take action on a report of Alion Science and Technology regarding business development activity at Arizona Laboratories for Security and Defense Research (AZLabs)**

7. **Discuss and possibly take action on a report of Alion Science and Technology regarding property management efforts at Arizona Laboratories for Security and Defense Research (AZLabs)**

Mr. Dane Mullenix shared a hardcopy only presentation with the Board that covered both business development as well as property management.

Slide #3: Site visits relating to active lease leads. Mr. Dane Mullenix discussed potential opportunities including but not limited to US Government, universities, small and large businesses. Of great interest are inquiries from two separate US government agencies.

Slide #4: Contract Transition. Mr. Dane Mullenix spoke previously about restructuring the program, which is essentially complete. Some outsourcing and cost-reduction measures have been taken so far with excellent results. Subcontracting, quality assurance and contract oversight was in-sourced to Alion.

Slides #5-6: Brief recap of the chiller situation. The situation arose last summer where there was a failure of both chiller units, leading to a recovery time of over 30 days each. The repaired units are under a warranted service agreement and appear to be operating very well. A third unit is planned for in the next year budget to prevent a future catastrophic failure of two units.

Slide #7: SIPRNet and ICD 705. It had been previously asked that Alion fund and procure secured communications. Due to having to work with the US Government in a different capacity than expected, Alion is now looking into alternatives. Mr. Dane Mullenix has been conversing with Luke Air Force Base about putting in a secure point-to-point trunk from AZLabs to the base to access the DoD secured communications network. This will avoid having to fund directly through DoD. Alion is also pursuing a second option for obtaining this point-to-point trunk for securing secure communications. A third option would be to have the first government user on-site. Mr. Dane Mullenix is encouraged by two agencies that are close to a commitment.

General Regni inquired as to whether or not Dr. Dahm and ASU's SDSI has SIPRNet capabilities. Mr. Dane Mullenix informed the Board that SDSI does not have SIPRNet and they are listed as a consumer with Alion.

Chair Campbell inquired about the timeframe for a resolution as he believes this will impact the marketability of AZLabs. Specifically, if the option is chosen for one of the trunk options how long is it going to take to physically have everything in place? Mr. Dane Mullenix reported that the infrastructure will be very quick but the authority to activate and accredit is something beyond his control and he cannot give a specific date when this will be resolved. Once all the pieces are obtained, it is estimated to be 30 to 90

days for a systems deployment depending on the accrediting agency. Mr. Dane Mullenix will get back to the Board if there is anything further they can do to expedite this process.

Mr. Dane Mullenix reported that ICD 705 is an upgraded standard for secure areas for communications for all of the systems associated with the highest level of accreditation. The Lab was originally told that when the clearances were done in the summer of 2011, there would never be a need to upgrade to ICD 705. However AZLab's FSO has been discreetly working to integrate small changes, from software to cameras to face recognition systems, in accordance with the ICD 705 standards. About a month ago, the FSO informed Mr. Dane Mullenix that they have achieved the 705 standard in terms of system. Approximately three days after that, a message was received from the accrediting agency informing them that they had six months to become compliant with the 705 standard. The package has been submitted and is awaiting approval and he believes this is only a matter of a few days away. Once this is official he will inform the Board of this.

Slide #8: Business Development Update. Mr. Dane Mullenix had previously discussed some upcoming opportunities for AZLabs and all of these appear to be on schedule for between now and September 30, 2014. They have also been doing some security consulting for small to midsize companies wanting to enter into the defense business or to step up their security accreditation. They are also now supporting the writing of six individual bid proposals by prospective AZLabs tenants.

Chair Campbell asks regarding making sure the education partners are in a position to partner with Alion. Mr. Dane Mullenix reports that things are moving well and as fast as the accrediting bureaucracies will allow.

Slide #9: Mr. Dane Mullenix discussed his communication with Dr. Mary O'Reilly and also General Tom Browning, (Ret.) and Science Foundation Arizona about the formation of a UAS Research Consortium which consists of AZLabs along with several universities in the state. This Friday, AZLabs will have a conference call with the Four Pillars group to discuss the specific ways AZLabs can be integrated into that effort. Next Tuesday afternoon Admiral Scott Sanders, (Ret.) will be here representing the State of Maryland who has specifically asked to discuss AZLabs virtual range capabilities.

Slide #10: Cyber efforts. Mr. Dane Mullenix discussed UAS and cyber opportunities. He had attended a UAS TAAC conference in New Mexico, as he had done the prior year as well. He feels that AZLabs can capitalize on the growing cyber security industry.

Slide #11: Marketing. Mr. Dane Mullenix discussed some cyber marketing events that are on this year's calendar. There is a new organization called the National Cyber Warfare Conference and they have brought in a mix of government and industry cyber experts. They do regional conferences and one national conference and the plan is to attend these.

Slide #12: Commercial Broker Initiative. Mr. Dane Mullenix reported that AZLabs now has reached out to a list of brokerage firms provided by the city. AZlabs has received a very comprehensive proposal from one of those organizations. The goal is to close with at least one organization to help in the ability to accelerate the lab's occupancy.

Slide #13: Conference list. No Board discussion.

Slide #14: Mr. Dane Mullenix reported on Sequestration and Federal budget continuing resolutions. During a CR, contracts to new organizations are not permitted; they can operate business as they did previously but they cannot enter into new agreements, new initiatives, assignor can the US Government make any new commitments during that period of time. All of 2011 and 2012 were covered by CR. Sequestration came about in 2013, bringing about a new set of terms and rules. It prevented the commitment of new contracts by the US government as well as cutting budgets of many organizations and it also told those organizations that they had no internal budget authority even in authorized programs. Large organizations are able to proceed forward; small to midsized companies with one to five year contracts are hurt by these circumstances. These small to medium sized companies are the premise of AZLabs's business model. Because of the two year budget deal, the sequestration restrictions have been lifted, leading to government agencies being able to move their own funds around as well as make new commitments. Contract awards are now expected to be on time to these small and medium size efforts for the first time in nearly three years.

Slide #15: SIPRNet issue. Chair Campbell reiterated to Mr. Dane Mullenix if any assistance is needed to let the Board know.

General Regni inquired about how many new leases have been finalized since the last update in October 2013, as well as the square footage of any new leases. Mr. Dane Mullenix reported that there has been one new lease which is a second lease for an existing occupant of about three offices total.

General Regni also inquired about the set square footage rates and whether or not this is in a range acceptable to the Board. Mr. Dane Mullenix reported that the rates that are quoted are directly from a document that was produced with City approval about two years ago and also that the City sees the draft leases and is the signatory to the lease and can choose to adjust the rate before it is a commitment to a new prospective tenant.

Mr. Jabjiniak pointed out that although there is much interest, there has only been one new, small square footage lease and this is just not sufficient. General Regni discussed the possibility of raising rates with this increased interest and once SIPRNet is in place and can be offered. Mr. Dane Mullenix informed the Board that to date, although some leases have been lost due to other reasons, there have not been any lost due to cost.

8. Other business

Next Meeting: Tuesday, February 25, 2014, 1:00 P.M. at 57 E. 1st Street, Lower Level Council Chamber, Mesa, AZ 85201. Chair Campbell stressed the importance of progress being made on the SIPRNet issue prior to February 25th as this will be the main focus of this meeting.

9. Adjournment

Chair Campbell adjourned the meeting at 2:06 P.M.

Submitted By:

William J. Jabjiniak
Economic Development Department Director
(Prepared by Lori Baysek)