

Office of Economic Development
Economic Development Advisory Board
MEETING MINUTES

Date: March 8, 2005: 7:02 a.m.

MEMBERS PRESENT

Gary Smith
Linda Flick
Raul Cardenas
Don Evans
Mike Garcia
Vern Mathern
Pat Schroeder

EX-OFFICIO

Mayor Keno Hawker (excused)
Mike Hutchinson
Charlie Deaton
Debra Duvall
Jack Sellers

STAFF PRESENT

Betsy Adams
Sue Cason
Harold Decker
Richard Mulligan
Tom Reyes
Scot Rigby
Wayne Balmer
Heather Gray
Jim Huling

GUESTS

Lois Yates

MEMBERS ABSENT

David Woods (excused)
James Zaharis (unexcused)

Chair Gary Smith called the March 8, 2005 meeting of the Economic Development Advisory Board to order at 7:02 A.M. in the Mesa City Plaza Building, Room 170.

Chair Smith called for a motion to approve the minutes from the meeting held February 1, 2005.

MOTION: Mike Garcia moved that minutes from February 1, 2005 be approved.

SECOND: Vernon Mathern.

DECISION: Passed unanimously.

Chair Smith commented that the EDAB Position Letter of Support – Impact Fee Update written by Chair Smith and Vice-Chair Flick has been sent out to the City Council.

1. Councilmember Interviews

Chair Smith referred to the Councilmembers interview responses that have been compiled and a copy of Councilmember Whalen's responses that had been received too late to be include in the packet. He commented that all the interviews to his knowledge had been completed.

Chair Smith commented that several issues seemed to be highlighted in all the interviews. The main issue is that the City needs to revise, streamline or improve the permitting process. He opened it for discussion.

Mr. Richard Mulligan commented that the permitting process has been improved within the last year, and is continuously being improved upon. There is a Development Advisory Forum that was held every month, but has since gone to a quarterly Forum meeting. He suggested having key people from Building Safety come and update EDAB periodically on the processes.

Vice-Chair Flick commented that the Development Forum was meant to have the public come and provide input. This was an opportunity for the public to be heard and voice an opinion, but the attendance was not strong. No other cities do this and this is a great opportunity to contribute to the City of Mesa.

Dr. Debra Duvall commented that a critical letter was received earlier and that the facts showed that things were not as bad as they seemed. It is all in perception. Dr. Duvall suggested that some research be done in how to deal with difficult issues and how they can be corrected. Also, she encouraged checking into how other cities deal with issues and use their ideas to correct things.

Mr. Charlie Deaton commented that the City not only has to deal with the problems, but with the perception that people have of the City's process. The Chamber conducted surveys with developers, builders, etc. after going through the building processes, but it was not well received. Parties didn't want to take the time to fill it out and send it back to the Chamber. The ones that were returned had nothing but praise for the process, customer service, time lines, etc. With the survey not well received, the Chamber will try another tool.

Vice-Chair Flick informed the Board that there are time lines, gates to go through, and reviews with some overlaps. Some people don't follow instructions and then there is a delay until that step, or steps are followed. The City does have a published guideline brochure available.

Chair Smith suggested that an independent benchmark study be done or have the staff conduct a benchmark study. When the study and a report have been completed, then this should go to the City Council with recommendations.

Ms. Patricia Schroeder commented that there are so many individual perceptions out there that make things difficult, not only with the public but also with the staff.

Mr. Don Evans commented that from the City Council interviews it appears that the City Council is frustrated that they are not in step working with Economic Development. The City Council is split or not even in step working with each other either.

Mr. Jack Sellers commented that he has some discomfort with incentives and that City Council is working hard to clarify this issue.

Chair Smith asked what is an incentive? It is not considered an incentive unless you are giving something away was his understanding. He said that in the Council interview responses, Councilmember Rawles said that there was no need of incentives to P.F. Chang's.

Vice-Chair Flick commented that there are other areas that could be more business friendly.

Ms. Schroeder stated that everyone is not thinking of the same definitions on things, which all goes back to perception.

Mr. Mulligan felt that bad news travels fast and that you never hear the good news.

Chair Smith noted that more emphasis needed to be placed on expansion and retention. 78% of the growth comes from the businesses within and only 20% in new businesses coming to Mesa.

Mr. Evans suggested that a more aggressive stand needed to be taken on educating the people, and that the City Council needed to be made aware of the impact of being split and what that is doing to the City as a whole.

Ms. Schroeder and Dr. Duvall expressed possibly working with the media (more positive articles from the media) to get the word out and educate the people of Mesa on different issues and economic development.

Chair Smith commented that the Arizona Republic has been doing a decent job on helping to educate the people on economic development.

2. Legislative Update

Chair Smith welcomed and introduced Mr. Jim Huling, Assistant to the City Manager. Mr. Huling is the City's intergovernmental relations representative to the Legislature and is here to give a Legislative Update.

Mr. Huling referred to the material in the packet. He stated that the first thing is the budget along with concerns regarding income, federal support, etc. Not knowing what the budget will bring is always a concern to the City. The number one bill of

concern this year is related to State Shared Income Tax Revenue. Additionally, bills 1201,1287,1274 are Bills to be watched with #1201 being Incentives.

#1201 Municipal Tax Incentives; Prohibition Penalty discourages a municipality from offering tax incentives to businesses. The penalty for doing so would result in having an amount of the tax incentive deducted from the offending municipality's portion of state sharing revenue.

#1287 Municipal Business Incentives: Referendum prohibits development agreements or expenditures for economic development from being enacted as emergency measures.

#1274 Municipal Sales Tax Incentives: Restrictions requires municipalities to approve by two-thirds majority an independent third-party finding that; (1) the proposed incentive will raise more money than the amount of the incentive. (2) without the incentive the business would not locate in the City or town in the same time, place, or manner (3) the incentive cannot be enacted using an emergency measure, and (4) tax incentives must be approved by a two-thirds vote of the local governing body.

Mr. Huling commented that Bill #1274 is the most likely bill to pass and that the most detrimental bill to the City is # SCR 1034.

SCR 1034 Secondary Taxes: Supermajority Voter requires issues relating to general obligation bonds and special assessments be approved by at least two-thirds of the qualified electors voting.

SB 1043 & HB 2139 Corporate Income Tax; Sales Factor allows a multi-state corporation to elect an apportionment formula using the current double-weighted sales factor or a sales factor only formula for corporate income tax purposes.

Mr. Huling stated that these two bills would potentially allow Intel to locate a factory in Arizona.

SB 1253 Enhanced Municipal Service Improvement Districts permits the use of municipal improvement districts within areas other than redevelopment zones. This type of improvement district allows for upgraded infrastructure within approved areas and may be beneficial to areas such as the Fiesta Mall Super-Regional Retail District.

Mr. Huling said that when the bill was introduced, it was limited in scope and would have only benefited the City of Phoenix. Both Mesa and Tucson proposed changes to the bill's language to expand the impact to include other communities. It was decided to study the language in a summer working group.

3. Incentives

Chair Smith mentioned the Economic Development Impact Matrix. The matrix shows the Board a historical matrix of past incentives. He suggested that not only incentives that were given, but also incentives offered to projects that never went through be included in the matrix.

Mr. Mulligan pointed out again that most of the incentives that have been given were given by the state in terms of training and not a great deal by the City. He also commented that East Valley Partnership endorsed Mr. Tibshraney and he has recommended to the governor not to support the incentive bill.

Mr. Deaton responded that the Mesa Chamber of Commerce continues to stand behind the City's ability to make good decisions on their own without help from the state regardless of incentives or otherwise. I think we made a big mistake with letting the states get involved in economic development. It is clear that the State of Arizona has never shown any sort of interest in economic development compared to other states. He agreed with Mr. Mike Garcia on there being some sort of benchmark determining what effect all of these bills, whether it be tax bills or incentives, would or would not have. The only way you can do that is to up the stakes, and then ask if we compete in these areas? No single item is going to be the item that brings a project in or keeps a project out, but is a culmination of all of them. It is really hard for you to ever wrap your arms around one and say that this is the silver bullet.

Chair Smith asked for any threads or general approaches that can be identified such as, for business but not for retail, for closing a deal, but not an initial offering, for when it's necessary for the survival of a project, meaning the viability of a project or if there is not a cash outlay, but merely a modification of what we would get coming in.

Mr. Vern Mathern commented that he has some thoughts about development going on, like Riverview or the Falcon Field area. He would like to see Mesa get some up scale hotels. It doesn't seem that up scale hotels will happen until some high-end businesses take hold and start to really develop. Is there anything in the incentives arena that hotels have a special category or are treated differently? How can these hotels happen faster?

Mr. Mulligan responded that hotels come only if they have room nights that they can sell or have some corporation guarantee they will get used. Hotel financing is really difficult. If there is not a huge corporate base, with types like Boeing that can guarantee room nights, then it is unlikely that a hotel will be able to get financed. Another thing that chips away at the up scale hotel is the limited hotel service market that under cuts room demand. Some cities have limited the ability for limited service hotels to be created, because they want to create the demand for a four-star hotel. In Mesa, that is not going to happen. A four-star hotel wants cash from a City to come in.

4. Future Focus

Financing the Future Citizens Committee Update

Chair Smith deferred to Ms. Schroeder for an update.

Ms. Schroeder commented that the first public meeting went well. There was a good turn out of the public and a high percentage of the people that spoke were supportive of a property tax. The second meeting, which was two weeks after the first public meeting, was a virtual waste of time. The meeting was all over the place.

Mr. Mike Hutchinson commented that this is a very difficult issue. Most of us like to sit on committees where there are quick answers, and then people can walk out of the meeting feeling good. This is not like that and I sense that the Committee will struggle a bit over the next couple of weeks as they try to talk among themselves. I'm sure there will be more requests to cut Park Rangers and those are all interesting things that we will look at, but that is not the big picture. I think in the next month or so, the group will come together and start looking at the issues. The big problems are the street issues that there needs to be an answer to. The Public Safety area is also hurting. Over the next few months or so, the committee will start formalizing some recommendations. A lot can be done in the community, but until the financial structure is fixed, the City is fighting an uphill battle. We need a big fix. We have a great Committee that understands the needs and now the question is how to formulate recommendations that the City Council will feel comfortable with to put on the ballots.

Ms. Schroeder stated that what frustrates her the most, is that if Mesa can't be the lowest in everything and still attract high paying jobs. In jobs per capita we are the lowest in the county. Only Glendale and Scottsdale have a lower per capita ratio than Mesa. Housing values are lower than average. We are third from the bottom, with Glendale and Phoenix behind us. In resale, we are lower than average, second from the bottom, with only Phoenix behind us. Assessment valuation per capita, we have the lowest on this side of the valley and are lower than the county average. We have the lowest homeowners cost, lowest sales tax and if in 2006 we drop the .25% quality sales tax, we will be the lowest in the state. These are real serious problems.

Mr. Hutchinson said that at a City Council meeting there was talk about utility rates. There was a lot of talk about our utility rates being too high. He reminded them that, in Phoenix they had just adopted somewhere between a 7 and 9% rate increases in the water and sewer utilities for the next five years. One of the issues that they are looking at is their aging infrastructure. Our City Council is worried about a 2 to 3% increase while Phoenix is going for 7 to 9% annual increases. We are going to have to do the same thing just to keep up with the aging infrastructure. A property tax is going to be inevitable and how you get from here to there in a rational manner is going to be a challenge. He senses a package of increased sales tax and some property tax. The voters will have to vote on them.

5. Policy Updates

Chair Smith commented that many of the Councilmembers would like us to be more vocal. This group is not shy. We have been writing letters and trying to get articles in the newspapers. Some of the EDAB members have asked what we do with the policy letters, etc. once they are done. Chair Smith answered that they are reviewed periodically and updated. In reference to the Councilmembers interviews, we have business friendly issues with regard to streamlining processes, a comment that the City Council is distant in focus and that this impacts negatively on the City, they generally don't like incentives, especially with regard to retail, and that business expansion and retention is an area that needs to receive more focus. Any Policy statement, trends that we can support? It might be interesting to incorporate Councilmember Whalen's comments with all the others, then distribute them to all the Councilmembers and say this is the outcome, and here are some trends that we see. All Councilmembers have the perception that the City needs to be more business friendly, but it may be just a perception. This would be one way of communicating and providing feedback to the Council.

Mr. Raul Cardenas suggested that a written Executive Summary would be the best way to communicate the feedback to the City Council. Scenarios have been identified and could be put into a summary. One of the needs mentioned is education and the importance of an educated workforce. This reference needs to be included.

Chair Smith concurred with Mr. Cardenas and suggested that an Executive Summary be assembled and communicated what EDAB has done. This would be beneficial.

Mr. Hutchinson recommended that EDAB wait for the Ad Hoc Financing the Future Committee to make their recommendations. The Committee has spent a great deal of time, done great work and they understand the issues. Comments on broad or general recommendations regarding the financial issues would be acceptable.

Chair Smith added that EDAB's comments or suggestions should go to the AD Hoc Committee prior to their recommendations to the City Council.

Ms. Schroeder responded that they are accepting comments from the public, and that there would be one more public meeting held to gather feedback.

Mr. Evans suggested that members of EDAB who have some understanding of the various issues make a draft to bring back to the Board for discussion. He suggested 3 or 4 strong areas based on our interviews with City Council and own internal review that we go through monthly, should be the areas to be pursued.

Vice-Chair Flick suggested that the written statements be unanimous. A statement needs to be drafted and brought back to the Board to give those that were absent from the meeting today a chance for input.

Chair Smith asked for topics that should be addressed.

Mr. Evans suggested property tax, incentives, workforce development and a business friendly environment. It needs to be really focused.

Chair Smith suggested that he, Vice-Chair Flick, Patricia Schroeder and Mike Garcia draft a statement and bring back for next months meeting. He also appreciates their diverse backgrounds and they have a good understanding of where EDAB needs to go, also what EDAB needs to do.

6. Staff Reports

Chair Smith encouraged the Board members to read the materials provided in the packet, along with a handout of the AZ Tech Magazine.

- “Analysis of the Film & Video Industry”
- 2nd Quarter Report – Fiscal 2004-2005
- Economic Development Director’s Report

Mr. Mulligan said that we have been working on finalizing a development agreement and a purchase agreement with the Longbow Business Park and Golf Club. It was scheduled to be on the Council agenda this past week and then at the 11th hour the developer asked for a little more time to take a look at the documents. March 21st is the target date to go to Council. This has been a two to three year journey and we are excited about it, as it will be the largest master-planned business park in the City’s history. We also are spending a great deal of time on a hard-hitting, action-packed presentation on the first year implementation of the Falcon Field Study. That presentation will take place at the March 24th City Council meeting.

7. Other Business: Public and Board Comments

Chair Smith advised the Board next month’s meeting would be April 5. He also updated them on the Annual Breakfast. The first draft received from Dr. Olivas of ASU, still needs some extensive work done and will not be ready in time for our scheduled Annual Breakfast. The breakfast has been postponed and will be rescheduled for sometime in the fall.

Mr. Hutchinson talked about the next two years of City Budgets. Along with the Future Financing Committee and Finance Department, we are trying to balance next year’s budget. The City is in a difficult time along with the City of Phoenix, Tempe and some other cities. Some presentations will be made to the City Council in the next couple weeks relating to budgetary issues. We have tried to keep in tack the Economic Development Office funding, the current level of staff and that recommendation that GPEC contract be maintained. There probably will be some other cuts within the organization that you will see. Some will be controversial and some won’t be. He wanted EDAB to know that they are trying to keep economic

development activities not only in the Economic Development Office, but in our redevelopment area and around the Williams Gateway Area as well.

8. Adjournment

It was noted that the next EDAB meeting would be held April 5, 2005.

There being no further business, Chair Smith adjourned the meeting at 9:04 A.M.

Submitted By:

Richard K. Mulligan, CEcD
Economic Development Director