

## MEETING MINUTES

Office of Economic Development  
Economic Development Advisory Board  
57 E. 1<sup>st</sup> Street  
Lower Level Council Chambers  
Mesa, AZ 85201

Date: November 7, 2017 Time: 7:30 A.M.

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### MEMBERS PRESENT

Jeff Pitcher, Chairman  
Natascha Ovando-Karadsheh, Vice Chair  
James Christensen  
Deb Duvall  
Jim Kasselmann  
Matt Likens  
Dominic Perry  
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  
John Wesley  
J.D. Beatty  
Pat Block  
David Packard

### GUESTS PRESENT

Councilmember Kevin Thompson

#### **1. Chair's Call to Order**

Chair Pitcher called the Economic Development Advisory Board meeting to order at 7:33 a.m.

#### **2. Items from Citizens Present – None.**

#### **3. Approval of Minutes from the October 3, 2017 Board Meeting**

Deb Duvall noted a correction to the minutes on page 3, first paragraph, to change "Home" to "Holmes". No other changes were requested. There was a motion to approve the minutes of the October 3, 2017 meeting with the correction as stated.

**MOTION:** Chair Jeff Pitcher  
**SECOND:** James Christensen  
**DECISION:** Passed Unanimously

**4. Falcon Field Branding** – Jaye O'Donnell, Assistant Economic Development Director, stated that the Falcon Strategic Visioning Commission was established in 2013 by City Council, chaired by Rich Adams, and included representatives of Mesa businesses, developers, brokers, and residents. The objective of that Commission was to establish a formal strategic plan for future development efforts for the Falcon Field Airport and the surrounding non-residential areas in northeast Mesa. The Commission also developed a vision for the 35-square-mile Falcon Field economic activity area with the desire to be recognized as a center for major international players in aerospace, defense, technology, and advanced manufacturing. The plan goals are to build awareness, increase visibility, and aggressively promote the economic activity area as an attractive destination for businesses. To build awareness, a clear brand was needed to communicate and illustrate this strategic vision. City staff worked with community stakeholders, business representatives, and residents to develop this brand: Falcon District, Aerospace, Manufacturing, Technology. The Office of Economic Development added emphasis on the Falcon District in the marketing and in business development efforts. To create a sense of arrival into the Falcon District, a signage plan was created to be phased in over three years. The Transportation Department designed, produced, and installed new street signs at 13 intersections in April, 2017. This fiscal year, utility box wraps and traffic signal wraps will be added at key locations. Monument signs will be strategically located on Greenfield

and Higley Roads, south of the 202. These will be placed in the median and lighted for maximum visibility. There are plans to add 50 banners to the light poles on the west and northeast corners of Falcon Field Airport, with plans for additional banners in future years. The banners will promote aerospace, technology, and manufacturing, following the city's color palette. These items are expected to be installed in February 2018. The banners will be installed around the airport using the shorter streetlights. In the next fiscal year, funding is anticipated for additional wraps, banners, and one monument sign. There may be branding opportunities for the bridge going across McDowell from the airport. This may be incorporated into a redesign project along the sides of the street.

Ms. O'Donnell will return in the spring with an update on the Falcon District.

#### Board Discussion:

**Question:** Rich Adams asked if we can look to some of the existing aerospace and tech businesses in the district to sponsor signage or banners and share the cost.

**Response:** Jaye O'Donnell stated that is a great idea and it may be possible to raise some sponsorships for additional signage.

**Comment:** Bill Jabjiniak felt it was worth exploring sponsorship opportunities. He confirmed that the budget is about \$100,000 a year for three years.

**Comment:** Vice Chair Ovando-Karadsheh stated these types of investments are important for the City to define the economic corridors. She applauded Jaye O'Donnell for a fantastic job.

**Question:** Brian Campbell asked if there will be some coordination between the Falcon District and the Tech Center designs.

**Response:** Ms. O'Donnell stated staff has been working on an RFP for the Falcon Tech Center to select a master developer. The plan is to coordinate the branding efforts and to make sure that it is incorporated into the master developer's plan. The RFP should go out by the end of November 2018.

**Comment:** Bill Jabjiniak stated working with FAA has not been easy. The RFP is being reviewed by the airport.

**Question:** Brian Campbell asked if the Record of Decision has been issued on the environmental assessment required by the FAA for the Falcon Tech Center? The Record of Decision will be the green light for us to go forward.

**Comment:** Rich Adams advised that while the Falcon Visioning Commission provided the high-level thought process, it was Jaye O'Donnell on the staff side and her leadership and initiative which brought this together. He is pleased to see what has been accomplished so far and looks forward to the report in the spring.

Chair Pitcher welcomed Councilmember Thompson to the meeting.

**5. Prospect Pipeline Report** – Bill Jabjiniak called upon J.D. Beatty to review changes made to the report after feedback from Board members as well as City Council.

J.D. Beatty advised that moving forward, the report will be provided on a quarterly basis covering the previous 12-month period. The current report covers prospects generated from September 2016 to September 2017. The format shifted to two pages, with the back focused on the real estate side. The graphs for Development Type and Prospect Industry were made larger to show the breakdown by type of facility and industry. The back page provides a Real Estate Snapshot of the commercial, office, and industrial inventory in the City compared to the prospects received. During this period, there were 31 prospects looking for 100,000 square feet or more, with no existing inventory to fill those prospects. There were 20 prospects looking for existing sites, and 11 preferred build-to-suit or vacant land sites. The City has a decent number of smaller footprints of industrial space, although we are lacking in larger footprints. We have a lot of small Class A and B office space. In the 100,000 to 200,000 square foot range, there are

only two buildings—Waypoint Phase 4 and Mesa Financial Tower. There is not the right product mix to fit the needs of prospects. Mr. Beatty welcomed feedback from the Board.

#### Board Discussion:

**Question:** Dominic Perry felt the graph was easier to read. He asked about the closure rate on the GPEC prospects versus what is organically created by the department.

**Response:** J.D. Beatty did not know the hard percentage, but felt the closure rate or qualifying rate on GPEC prospects is much lower than what is organically created by staff. However, in the past several years, there have been more GPEC projects moving to the next stage with site visits, although that is still a much lower percentage compared to what staff generates.

**Question:** Dominic Perry asked how we are doing on closing prospects when we do have the inventory.

**Response:** Mr. Beatty advised that we do close on a decent amount of the smaller industrial prospects (10,000-50,000 square feet) as there is so much inventory, not just in Mesa, but across the Phoenix Metro area. For the large-scale employers such as Dexcom, it is hard to compete without the inventory.

**Question:** Vice Chair Ovando-Karadsheh asked how our price per square foot compares to other cities in the region. She asked if any properties under construction could be reflected in the chart.

**Response:** Mr. Beatty stated Mesa is less expensive by a few dollars per square foot in Class A and B Office. He noted that a few dollars would not matter to large groups coming in from other parts of the country. On the price for Industrial, we are a little more expensive as we have one of the lowest vacancy rates in the East Valley for industrial at 4%. What is being built is being absorbed. He can pull the numbers on the under-construction side to provide a narrative on the pipeline.

**Question:** Vice Chair Ovando-Karadsheh asked what our best sales pitch would be out to the brokers in the community for this type of project. Why build in Mesa?

**Comment:** Dominic Perry felt that was not a question to ask brokers, but developers, to find out what is keeping them from building a Class A tower or large industrial in Mesa.

**Response:** Bill Jabjiniak explained that over the last 10 years, we have battled a perception problem. With the lack of inventory and with Tempe building out, the demand for Class A office is certainly on the west side of the city. We are encouraging that type of development. From an industrial standpoint, where do you build newer, bigger spaces? There just isn't any on the west side, so the activity is in the Falcon and Gateway areas. People perceive those areas as being a long way out there. Through branding and marketing, we can prove that Falcon is easy to reach. From the 101 and 202, it is a 10-minute drive. That is the reason for the efforts to rebrand Falcon—it is not just aviation. Is the newer product being developed out there? That depends on the brokerage community. Until there is a Planning Board or Council approval, we hesitate to go too far. He mentioned Opus, a 150,000-square foot development across from Boeing.

**Comment:** Councilmember Thompson noted that land owners are seeing their land value go up from \$3 to \$5 a square foot. In some areas of District 6, owners are looking to unload their land quickly, which leads them to residential. We are pushing back on quite a bit of proposed development on Elliott Road strictly for that reason. There needs to be time to allow things to grow organically.

**Question:** Chair Pitcher asked what is being done to encourage this type of product.

**Response:** Bill Jabjiniak stated we leverage our assets and work with a developer who may have identified a site on how to get their product built. He and Mr. Beatty sat down with a developer and encouraged him to utilize a larger floorplate. There is a pending announcement at Waypoint, Riverview, that the 150,000-square foot spec building has a floor that has been taken down. There is some great activity on the other two floors, with 100,000 square feet total. Fiesta Mall has large spaces that can be repositioned to meet the large office demand. We also promote moving through the process quickly. Location and workforce are driving factors as well as what infrastructure may be necessary.

**Question:** Councilmember Thompson asked for clarification on what a qualified project means.

**Response:** Mr. Beatty explained that the term qualified for our sales process means we have turned prospects into projects, which is the next level with site visits and meetings with Planning & Zoning and Development Services.

**Question:** Councilmember Thompson suggested including in the report the number of prospects that have started a project or started construction.

**Response:** Mr. Beatty can pull those numbers to show the projects landed and the full pipeline.

**Comment:** Chair Pitcher suggested adding some success stories in the report.

## **6. Elliott Road Technology Corridor (continued) – “Where do we go from here?”**

Bill Jabjiniak introduced John Wesley, the City's Planning Director. Since last month, an article has been published on the housing proposal inside the 202 Loop. EdgeConneX recently closed in the Elliot Road Tech Corridor.

Based on data from the 2016 census and the MAG Employment Survey, Mesa has .28 of a job for every resident. This means there are 137,000 people employed compared to a 484,000 population. Tempe has .87, almost one job for each resident. Chandler is at .45 and Phoenix is at .42. Mesa is still lacking in jobs.

There are presubmittal documents by the developer for a substantial housing proposal inside the 202 Loop, north of Elliott Road to the power lines. There is concern on protecting the power lines. There is the airport to the south, which is increasing in traffic and expecting more growth. There is a lot of activity on Ray Road to the north side of the airport that should be addressed. The airport will adapt to the land uses. John Wesley and his team go through a planning process and make the land use decisions for the City. We have for many years protected the airport.

Councilmember Thompson noted that over the past 12-18 months, this area has taken off. We never thought we would be having this discussion on the inner Loop area until 20 to 30 years out. With the proposed 24 coming in, there is increased interest to the south. He has asked John Wesley to re-examine the Gateway Strategic Plan to look at compatible land uses for that area starting at the inner Loop. John Wesley confirmed that a Solicitation for Bid went out last week. The focus will be on the inner Loop first where the housing is being pushed. Councilmember Thompson provided information on one week's worth of flight take-offs and landings at Gateway Airport, showing a negative impact on flight operations over the inner Loop. We are pushing back for that reason and to ensure that businesses have access to the power line, fiber, and utilities that are in the easement. There will also be issues with the public schools as Desert Ridge and Highland High Schools are at capacity, and Highland Junior High does not have enough teachers and is almost at capacity. With the housing coming in, there needs to be discussion on education to ensure that there is enough school space. These are issues in the inner Loop area that developers and land owners have not thought through. With the development leapfrogging and the push for housing, we are now forced to look at the inner Loop piece. The thought is to extend the technology corridor all the way out to Power Road, as an entryway to the tech corridor. The recent neighborhood meeting was one-sided, focusing on the issues of odor and flies with the dairy cows as compared to a luxurious master planned community. Councilmember Thompson recently received emails from residents asking if he supports the housing, to which he replied that he does not. His focus continues to be on fighting for more employment for our residents. We need to stop bleeding our citizens off to other east valley cities and have the employment sectors here. He will continue to fight for that and could use help from this Board along the way.

**Comment:** Rich Adams appreciated the information on the flight path. It is proof that a bad idea never goes away. Prior to the economic downturn, during his time in Planning & Zoning, there were many applications for that same type of proposal. Each and every time Planning turned housing down. We have one opportunity to protect the airport and the jobs that can be created around it. Unfortunately, what is being sold is not in the best interests of employment, the City, or the airport. It is up to us as leaders in the

community to say no and to protect this employment land, the jobs, and the airport. He fully agreed with Councilmember Thompson.

Bill Jabjiniak asked the Board for their thoughts on whether to strategically try to push westward with the Elliott Road Corridor. The Board agreed.

**Comment:** Deb Duvall previously served as chair of Planning & Zoning before Rich Adams and went through the same area north of Gateway in the late 90s. She was very disappointed when Eastmark came up. This has been going on for decades. It is up to those in leadership positions to be able to talk to the developers and land owners and just say no.

**Comment:** Bill Jabjiniak pointed out that we need to advise our elected officials as well.

**Comment:** Vice Chair Ovando-Karadsheh hoped that we could do the same branding efforts in the Elliott Road Tech Corridor that are being done at Falcon Field to define the space and show that this is an important employment district.

**Response:** Brian Campbell advised that GPEC is looking at the Elliot Road Tech Corridor as Price Road Gen 2. He expressed his support for Councilmember Thompson.

**Comment:** Dominic Perry noted that hotel and retail costs in the Price Corridor are very close to Scottsdale numbers.

**Comment:** Councilmember Thompson noted that Elliot Road is the only area in the state that has power, fiber, and dark fiber in place. It is imperative that we protect that.

**Comment:** Laura Snow is fully supportive of protecting this area.

John Wesley reviewed the process for the proposal at the inner Loop. The proposal has been refined over the last few months and they have been working to gather political and neighborhood support. He expects a formal submittal by the end of November 2017. The standard process would place this on the February Planning & Zoning Board agenda, then going to Council in late March or early April 2018. Given the size and scope of the project, it may take longer for the evaluation and feedback process. The proposal is out for a consultant to conduct an evaluation. He expects to have a contract by January with final products back to us in early April 2018. He hopes to be able to push the application off so that the Planning & Zoning and Council processes could occur at the same time. As far as expanding the Elliot Road Tech Corridor, it is a zoning process.

**Question:** Dominic Perry asked if there is still County land in that area and, if so, would that be annexed by the City.

**Response:** John Wesley stated the City is interested in annexation, although he has not heard of any interest from land owners. Typically, we wait for property owners to request annexation.

**Comment:** Vice Chair Ovando-Karadsheh noted that police and fire will be needed to support that population.

**Comment:** Laura Snow stated that previously, when a land use application came forward, this Board has submitted a formal statement about land uses. Is there a similar opportunity in this case and at what point would that occur in the process?

**Response:** Bill Jabjiniak stated there will be an opportunity. Once there is a formal submission, then there will be an opportunity for input from departments and that is when we can weigh in.

**Comment:** Deb Duvall advised that while this is part of Mesa's planning area, it is not part of the Mesa School District. It is in the Gilbert School District.

**Response:** Bill Jabjiniak noted that Queen Creek schools are in the area as well and they are building a new school in the Eastmark area.

**Comment:** Dominic Perry noted that the Higley School District is right on the other side of Power.

John Wesley reported on some news regarding the Elliott Road Tech Corridor. He received an email this morning from Jeff Miller with Burr Computer Environments, Inc (BCEI) regarding the development at Hawes and Elliott. Mr. Miller thanked Mr. Wesley and the Mesa team for their assistance. BCEI does work across the country as well as globally, and the Mesa team and staff have been a pleasure to work with. Mr. Miller stated his group can be challenging, and the City of Mesa has been willing to work with us every step of the way.

Bill Jabjiniak reported that the area along State Highway 24 will be another area that will need a lot of master planning. There is a proposal for a large residential area with a small mixed-use commercial development.

John Wesley advised that they are working with an additional property owner to add more residential to their request.

Mr. Jabjiniak stated Boeing is currently traveling out from the airport south of this route with an agreement to follow that course. There is a proposal on the table to move this route to follow SR 24 and avoid flying over residential properties. There is a lot going on and we want to focus our efforts inside the Loop as well as on the growth of the tech corridor. He thanked John Wesley for his creativity. This will be an ongoing discussion item.

## **7. Director's Update**

Bill Jabjiniak announced that the Sears store at Fiesta Mall will be closing by early 2018. The real estate is owned by a separate entity and it is not clear how the real estate disposal will happen. There was an article in the newspaper on Skybridge working with a Mexican developer on how to clear customs at Gateway Airport. That agreement will go to the Airport board on November 21, 2017.

On November 8, 2017 at 2:30 p.m. there was a Constant Aviation event by Gateway Airport celebrating their 150 job creation. Constant is in the old Hawker Beechcraft facility.

**Question:** Brian Campbell noted there is a downward trend nationally in the brick and mortar retail. Given Mesa's historic reliance on sales tax revenue, it is both a challenge and an opportunity from a strategic standpoint that we reposition those assets and try to fix the Class A issue as well as the sales tax revenue issues. He asked if there was a study or initiative the City can look at on this issue.

**Response:** Bill Jabjiniak stated the Fiesta Mall area has declined substantially in sales tax revenues over the years and it is not a big generator of dollars anymore for the City. We are engaged with a redevelopment area. For the mall specifically and property on the northwest corner, it is about encouraging the private sector developers to work with us to create the right vision. The City has invested heavily and continues to promote the area. He sees a move from a retail destination to more of an office destination. Workforce numbers are huge, drawing from Tempe, Chandler, Gilbert, Mesa, Scottsdale, and Phoenix.

**Comment:** Brian Campbell was looking to elevate the discussion to more of a policy standpoint to learn from Fiesta Mall and get ahead of the curve with other large retail space that may go vacant.

**Response:** Bill Jabjiniak acknowledged that the City has lost a lot of big boxes, although there is adaptive reuse along Southern Avenue where Santander took over. The developer is interested in the same type of reuse, although could not get control of a large shopping center to do that. We will encourage the adaptive reuse of those big vacant retail centers into more of an office destination, although location is a driving factor.

**Question:** Jim Kasselmann asked, with this gap identified, do we need to look 10 years out how to influence the current owner environment over an extended period to be able to capture or create some larger tracts of real estate where more of the in-demand office buildings could be erected.

**Response:** Bill Jabjiniak can look out five years and see what was done on Southern Avenue with the old vacant Circuit City. The adjacent property owners would not cooperate with the developer, who ended up

with housing as it pays a higher price. Encouraging that type of development is why we do redevelopment areas, and offer expedited permitting and infrastructure to the doorstep. The western side of the City is in pretty good shape, but things are aging. Out to the east and southeast, we have areas that do not have infrastructure. How does the City fund that? He met with Michael Pollock last month regarding Main and Power. He would encourage all forms of development there, including residential, because the average age there compared to the City is 14 years older. In order to reposition, we need jobs out there. The hospital in that area would like market-rate housing that is not age restricted. Their employees are going further out to find housing. There is single-family residential encroachment of employment areas in southeast Mesa. The big boxes have plenty of parking. There is a spot in Fiesta Mall that has been empty for 10 years. They are trying to promote that property as a great place for office, although it only offers 2.3 parking spaces per thousand. The demand calls for more than double that amount.

**Comment:** Chair Pitcher has attended seminars that have shown nationwide there have been 9,000 stores that have closed. We need to focus on this type of prospect, as the jobs will not be in retail.

**Comment:** Councilmember Thompson advised that a typical mall will have a 25-year life span. Superstition Springs is at 26 or 27 years now. Quarterly meetings are held with Macerich on Superstition Springs Mall to walk through the numbers. Superstition is pretty healthy. One of the large sporting goods stores moved out and they are looking to fill vacancies with an adaptive reuse such as Amazing Jakes.

**Comment:** Bill Jabjiniak stated Steve Wood, a former board member, often asked can you raise the average age by 10 years. That is the problem. Macerich spends their money in Scottsdale and San Tan, not necessarily in Superstition Springs. The housing plays into the economic activity.

**Question:** Vice Chair Ovando-Karadshah has heard that some smaller spaces such as old Fresh & Easy locations are being taken up by Amazon for regional distribution centers. She asked about the capacity for those smaller spaces being utilized, possibly by online retailers.

**Response:** Dominic Perry has not seen Amazon do that, although there are smaller online-only companies taking over mall spaces. He did not see distribution centers going there. He asked about the ownership of Superstition Springs Mall and how much is owned by Macerich.

**Response:** Bill Jabjiniak stated Macerich owns one of the big boxes, the common area, and parking. It is a similar model to Fiesta Mall.

**Question:** Dominic Perry asked if Fiesta Mall will be changing their CC&Rs.

**Response:** Bill Jabjiniak stated there are five or six years left on the current CC&Rs, and any change would require agreement by all parties. Right now, two of the five owners are not in agreement.

Bill Jabjiniak continued his update, reporting on the Residence Inn groundbreaking on October 17, 2017. Falcon Field Business Center expects to break ground soon on Greenfield for 96,000 square feet of industrial. There will be an announcement on the Broadway and Dobson area. The digital aerospace campaign is going on. CoreNet Global, corporate real estate executives and site selectors, had a piece on their web page which received great feedback and hit 44,000 people, plus attendees. We promoted the Elliot Road Tech Corridor. Video vignettes were recently launched for Avagate at Launchpoint. So far videos have been run for Urbix, Ambercycle, Clean Router, R2 Advanced Technologies, and Prenda. Ambercycle has been successful with a round of funding and is headed for Los Angeles.

GT Medical Technologies is a new tenant with Matt Likens as CEO. Matt Likens recognized Kelley Keffer for all of her support. Mr. Likens is working with a group of clinicians from Barrow Neurological Institute to improve the lives of patients with brain tumors. The current standard to treat brain tumors is to surgically excise the tumor, wait several weeks for healing, followed by external electron beam radiation for residual cancer cells. Often during the weeks between surgery and radiation, there is recurrence of these fast-replicating tumors. This group of radiation oncologists and a neurosurgeon at Barrow came up with GammaTile technology, in which radioactive isotope seeds are implanted in a collagen carrier. Once the tumor is removed, the cavity wall is tiled with this new carrier technology, providing radiation to residual

cancer cells immediately. This eliminates the need for weeks of external radiation. This technology is within 6 months of FDA clearance and will improve the lives of many patients around the world.

Bill Jabjiniak reported that two LaunchPoint companies are semi-finalists for the 2017 Arizona Innovation Challenge Grant—GT Medical Technologies and Urbix Resources.

The Mesa Convention Center has been selected for the 2018 location of an international cybersecurity conference by Big Brain Security to be held February 26 through March 1, 2018.

Laura Snow reported on the Economic Development Strategic Plan Update for 2019-2021. She is working with Jaye O'Donnell, David Packard, Janet Woolum, Performance Administrator with the Office of Management and Budget, as well as Brian Campbell and Dominic Perry. The team will initially focus on creating the framework for assessing the key strategic assets in the City—business environment, available real estate, workforce, education, and infrastructure. Once finished, the framework can be applied to each of the key industries to improve the City's ability to attract and grow businesses. A scoring system is being developed to assess our positioning across the categories, and engage the Economic Development Department's ability to move the needle in certain areas. The team will do some primary research and interviews with companies and site selectors who chose not to relocate to Mesa to identify any barriers. Interviews will also be conducted of internal City departments that significantly influence the ability to bring new companies to Mesa. She thanked Jaye O'Donnell and David Packard for their leadership in this process.

**Comment:** Brian Campbell expressed his appreciation for City staff. They have been given a substantial to-do list and they have been meeting the challenge above and beyond the call.

#### **8. Other Business**

The next EDAB meeting will be held on December 5, 2017, 7:30 a.m.

#### **9. Adjournment**

With no further business before the Board, Chair Pitcher adjourned the meeting at 8:59 a.m.

Submitted By:



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William J. Jabjiniak  
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)