

## MEETING MINUTES

### Office of Economic Development Economic Development Advisory Board

Council Chambers (Lower Level)  
57 E. First Street, Mesa, AZ 85201

Date: January 7, 2020 Time: 7:30 A.M.

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#### **MEMBERS PRESENT**

Natascha Ovando-Karadsheh, Chair  
Jim Kasselmann, Vice Chair  
Rich Adams (By phone)  
Brian Campbell  
Deb Duvall  
Matt Likens  
Christopher Nickerson  
Dominic Perry  
Brad Wilson

#### **EX-OFFICIO**

Mayor John Giles  
Chris Brady, City Manager  
Sally Harrison  
Jeffrey Pitcher  
Jim Kalberer, *on behalf of Dan Olson*

#### **STAFF PRESENT**

William Jabjiniak  
Kim Gram  
Maribeth Smith

#### **GUESTS PRESENT**

Vice Mayor Mark Freeman  
Jen Duff, Councilmember  
Kevin Thompson, Councilmember

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

Chair Ovando-Karadsheh called the meeting of the Economic Development Advisory Board to order at 7:30 a.m. Mayor John Giles, Vice Mayor Mark Freeman and Councilmembers Jen Duff and Kevin Thompson joined the meeting.

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

#### **3. Approval of Minutes from the December Board Meeting**

Chair Ovando-Karadsheh thanked Board member Jim Kasselmann for hosting the December Board meeting and providing a fantastic tour of Dexcom. She called for a motion to approve the minutes from the December 3, 2019 EDAB meeting.

Brian Campbell moved to approve the December 3, 2019 minutes as presented; seconded by Deb Duvall. Upon tabulation of votes, it showed:

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

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

#### **4. Economic Development Vision for 2020**

Mayor John Giles thanked the Economic Development Advisory Board for their input and service. The Board plays a critical role in advising the Council on the decisions they make for the economic development of our community. This is an exciting time to be involved in economic development in Mesa, Arizona. He noted that Rich Adams was in Washington DC looking at a lot of redevelopment of office space. People want to locate there for a variety of reasons, one being the great urban environment. We are not talking about offices like the Union or those along the freeway corridors, but offices in urban cores that have transit, an urban character and density. Mesa has the ability to have both of those types of office space. The Union, Gallery Park and all of the inner loop corridor offer opportunities for the more traditional get in your car and drive to work types of employment. The Opus

Group recently submitted plans for 10 square acres in downtown mesa where the old Brown & Brown Chevrolet complex was located and there will be a groundbreaking this Friday on the ASU Mesa Complex. Downtown has the built-in urban character that will make it an attractive place for millennials and people looking for a more urban environment. Less and less people want to drive to a large parking lot and walk a quarter mile into their cubicle. More and more people want to use transit and have with their earbuds in and open their laptop, stop at the coffee shop or hang out in the park and interact with people and go to that type of an urban work environment. There is no better place for that to happen than in downtown Mesa.

Mayor Giles stated perception is reality. A lot of folks still have a perceived image of Mesa and he would like the Board to be cheerleaders for our community to help change hearts and minds so that people will view Mesa in a more updated way. The City Council needs the Board's frank opinions as to how the City is doing and what direction we need to be going. Mayor Giles appreciated the Board weighing in on the Hawes Crossing project and that input was very well-received by Council. The concerns expressed absolutely played a role in how that project is developing and the discussions that have taken place since that project went through the Planning and Zoning review. That project will be considered for approval by Council later this month. Some of the issues identified have to do with access to the utility corridor and concerns about potential noise complaints from subsequent purchasers of residential properties. That input from the Board was very insightful and useful for the Council as they continue to knock the rough edges off that project. It is not often that a community gets an opportunity to master plan 1,100 acres in a very strategic location. Typically, 1,100 acres would be annexed in and developed over the course of decades and in a fairly inconsistent way. The City is anxious to take advantage of this opportunity to do something right that will be very impactful, much like a Dobson Ranch or Eastmark. It is a very large-scale project that will have repercussions for generations in our community. This Board's input was valued and continues to play an important role in how that project is evolving.

Mayor Giles stated economic development is one of the most important things that this community does and he thanked the Board for their assistance. Some of the City's priorities for the next few years include the continued industrial expansion that we are seeing along the 202 Corridor, particularly in the southeast part of Mesa. Projects like the Landing at PMG, the Landing 202, and the Metro East Valley Commerce Park along the 60 are critically important and we want to see more of them. We are excited about the ASU project and Dr. Crow will be here on Friday, January 10, 2020, for the groundbreaking. It is a great opportunity for us to explain to the community why they ought to be excited about this project and the role it will play in the downtown redevelopment as well as the educational impact on the community. This project will be the tipping point with regard to the willingness of people to invest in downtown Mesa. Higher education attainment is one of the Achilles heels of this community. Mesa is surrounded by more affluent communities and better educated communities that have a higher per capita income. Mesa needs to get better at higher education attainment. Mesa is a different environment—we are twice the size of some of our neighbors and in some ways twice as old. This Council's predecessors have been involved in attracting, inviting and subsidizing to bring more institutions of higher education to our downtown and to our City. Bringing ASU here is a continuation of that effort. Dr. Crow does not do anything that is not innovative or cutting edge. The program will be housed at the film school in the Herberger Institute of Design and is really more like an engineering program on augmented reality, virtual reality, artificial intelligence, experiential design and other elements that are incorporated into movie production. In a Marvel production, the credits include a long list of PhDs that were involved in its creation. That technology has tremendous application in every discipline, whether that is medicine, technology, manufacturing, entertainment or gaming. ASU Mesa City Center will be one of the very few universities in the country and the world to offer that type of education and that type of technology development. Boeing is very interested in what will be taught in this location. In flying an Apache helicopter, a lot of the technology being utilized is augmented reality. Artificial reality is used in learning to fly an airplane. That technology will be taught here in Mesa.

Mayor Giles has been working on the State of the City, which will be held February 4, 2020 at Centennial Hall. Many of the topics discussed here today will be part of the State of the City address. Another topic will be the organic success story that has occurred in the Asian corridor along Dobson Road. Mesa will be rebranding that corridor as the Mesa Asian Corridor to celebrate the unique character of that part of Mesa. There are over 80 Asian-themed businesses along that corridor. It is an attractive and culturally significant place where people can visit a different Asian restaurant every day for a few months and enjoy a high-quality fun experience. That is a great example of the unique, authentic character in our downtown that will attract white-collar office-type developments.

One of the challenges in Mesa is finding a better way to support and address the homeless community. We could look at southern California to predict what issues, good and bad, Mesa might have a few years down the road. In California, the issue of homelessness is ubiquitous. That is very troubling. We have seen a spike in Mesa as well. It is not a problem that is unique to Mesa, although it is one that we have plenty of notice and need to get out in front of as well as we can. Mayor Giles was proud of the efforts this city government has made over the last few years in the positive changes in how our public safety departments and court system interact with the homeless community. The way the non-profit organizations in Mesa coordinate with one another in a very collaborative way has been exemplary. He commended everyone who has been working very diligently on this situation for the last several years. We need to be prepared for the fact that this issue will continue to escalate in our community. In addition to coordinating services and making sure our public safety apparatus is geared towards that situation, we also need make some investments in emergency, transitional and affordable housing in order to get to the underlying solution to these problems. That is something we will need to rally the community around. Everyone agrees that needs to happen, although everyone feels it should happen not in my neighborhood. That is the challenge as a local government to help people to step up and realize that we all need to be part of the solution to this challenge. There are also economic development ties to the way we address that problem. Mesa is known as a community that handles that situation well.

Mayor Giles asked for input from the Economic Development Advisory Board.

#### BOARD DISCUSSION:

Chair Ovando-Karadsheh appreciated Mayor Giles and the Councilmembers attending the meeting and speaking with the Economic Development Advisory Board. This group takes what we do as volunteers very seriously and cares passionately about the city. She opened the discussion to the Board and ex-officio members.

Rich Adams thanked Mayor Giles for the comprehensive information on a lot of important issues. The Mayor raised a very important point regarding the idea of not in my backyard with regard to the homeless issue. That also applies to many other things we face in our community from time to time. He suggested developing some messaging that will encourage people to want to be part of the solution rather than avoiding the problem. He felt the Mayor described an aggressive agenda that covered many of the issues this Board has talked about. He appreciated the invitation for this Board to continue to be actively and vocally part of the mix. Many of us do feel very passionately about these issues as was demonstrated with the Hawes Crossing project.

Brian Campbell had the opportunity to spend some time over the holidays with some counterparts at think tanks at Stanford and Berkeley. One of the issues they were focusing on is the Western Area Power Grid, the power curves and the impacts that their solar mandates have had on their power and how it is forcing them to dump power into Arizona. That is turning Arizona into a very attractive place for data centers, in particular the Elliot Road Tech Corridor. It is not the water-cooled systems because of the limits on the amount of water that can be used, but the air-cooled systems. He had shared these comments with some friends at APS, and we can also partner with SRP, and they are very interested in looking at power package prices for the high users. We generate sales tax on every kilowatt hour purchased and 100% of those dollars are coming straight to our city. The think tanks expect to expand

out of Silicon Valley and are looking to relocate in areas like Arizona, like our Elliot Road Tech Corridor. That is another area where we need product that we can sell them. He has been told that the demand, because of the power structures, will really favor Arizona and the infrastructure we have in place.

Bill Jabjiniak stated the demand has been pretty consistent. There are two big brand-name data centers that use water. The other five or so that are active are all air-cooled. What is important now is that the demand will continue to build around the two big brand names. The air-cooled will continue to build, although we had a couple that bought land that were following Microsoft that have now changed those plans and have started to build in the West Valley. As we see the Googles and the Apples continue to expand, we will see more of that. We are seeing the activity around EdgeCore today filling the first of seven buildings. There are a variety of plans approved and it now depends on the tenants to step into those air-cooled situations. While he does expect that to continue, it has leveled out a little bit. There is a lot approved and ready to go, they are just waiting for that next tenant to come through.

Mr. Campbell stated, according to the information he received, the water-cooled co-load environment is no longer needed. It is an air-cooled environment because of the pricing structure of the power curve. An APS representative had commented that they are looking at changing their pricing structure because if this trend line continues, they will pay these people to open their doors and pump air-conditioning out into the environment during the solar demand curve issues because the pricing curve is so out of whack. A lot of smart people are working on this issue, but they are all telling us that our air-cooled power structure in Arizona is set to take advantage of the primary flaws that are built into the solar pricing structure in California. That is something we may want to spend some time looking at, although we need to focus on having the product available, whether it is Opportunity Zones or air-cooled data centers, so that we can compete in these emerging markets.

Jim Kasselmann stated the nation has been in a very positive economic growth position. Harkening back to his 20 years of military experience, he noted it is also important to consolidate and secure. What Mr. Campbell has put forth is an opportunity to consolidate around the need that is present and emerging fairly positively. As we look at the City's direction this year and next, what will the city staff be doing to consolidate and secure Mesa's position to weather the next downturn? We have unique opportunities we don't want to let slip through our fingers. How does the Elliott corridor and the Hawes project fit into consolidating and securing? As members of this advisory board coming from diverse backgrounds and experiences, we are more of a vanguard for the city to be pressing out ahead of what is a current trend as well as looking at future dangers and opportunities.

Mayor Giles stated Mesa has always had the well-deserved reputation of being a very fiscally conservative and frugal organization. At the beginning of every budget cycle, the Council talks about our reserves and we are subject to criticism because of the amount of reserves that we have. About 25% of our budget is in reserves. Some financial analysts have advised that 8% or 10% would be okay. We plan to intentionally draw down our reserves over the next couple of fiscal years. The problem is the economy has been doing so well that we have been unsuccessful in spending that down. That is not a bad problem to have. Mr. Brady and his staff do take a very conservative approach and as a result, we are not on anything close to thin ice financially. At the same time, we have been very aggressive particularly in terms of infrastructure investment. On the 2014 ballot, there was a half billion dollars in utility bonds. We have invested in this community with the water treatment plant, the Greenfield wastewater treatment plant and a lot of other utility infrastructure. The ASU project is another example of a long-term investment in the community that will pay dividends for the next several decades or generations.

City Manager Chris Brady has used the metaphor of Egypt in the time of plenty when the fat cows have come, and the corn has been raised. Joseph taught the Egyptians to not consume it all, but to take a portion to be set aside for the future. That is what we have been trying to do in building up our reserves in anticipation of an economic drop-off. Almost everyone in the state of Arizona has seen a lot of prosperity over the last five years, as has Mesa. We recognize that those cycles only last so long and

this has been an extended cycle. We have purposely taken dollars out of previous budgets and set them aside in a rainy-day fund specifically anticipating that a year from now the economy will slow down. The question is how much. The most important thing we can do as a city is to invest in ourselves. A downturn in the economy is the best time for cities to invest as it will not be competing for contractors in the private sector. With the extension of State Route 24, we saved tens of millions of dollars because it was constructed during the worst of the recession. The contractors and suppliers shaved off their profits because they needed to keep payroll. Our best economic development play is in our engineering, getting infrastructure in the ground and having streets available. No matter how great our marketing and strategic plans are, if we don't have the streets, the power, or the water to deliver, we can't succeed.

Chair Ovando-Karadsheh noted the success of the Elliot Road Tech Corridor was because we had that infrastructure in place.

Mr. Brady stated none of that would have happened without the utility bonds and street bonds in place to complete Elliot Road.

Brian Campbell felt what hurts Mesa the most is our dependence on the residential construction dollars. That is where our jobs are and that is the industry that gets hit the hardest in a downturn. He is always amazed at the magic that Mr. Brady and his team put together from a financial standpoint in investing during those downturns. It is that investment that allows the city to pivot away from our dependence on housing. He looked back to the days when Keno Hawker was mayor and working with him. Mesa is the housing donor for low-income housing for the entire MAG region. We need to stop being dependent on the construction dollar and be more dependent on the Dexcom dollar, the industry dollar and the jobs that are generated when we take advantage of those great investments during a downturn.

Matt Likens thanked Mayor Giles and the Councilmembers for joining the meeting. He referred to a major article in Business Week a couple months ago about United Healthcare's project in Glendale, Arizona, where they put up low-cost housing. One of the issues with homelessness is that it uses an inordinate amount of healthcare dollars. Someone has to pay for that—sometimes it is insurance companies, sometimes it is the state, sometimes it is local communities. That project demonstrated that just having a roof over the heads of the homeless resulted in their use of healthcare going down to 10% of what it had been previously. That is an enormous cost savings. There may be an opportunity to partner with groups like United, Cigna, or others that are absorbing a lot of these costs on a cooperative effort to put housing up that can lower the overall costs and better serve those facing homelessness. Banner could be a part of those efforts as well. Regarding air-cooled data centers, he advised that there is a company in north Scottsdale called Forced Physics that has patented technology that cools these centers at a fraction of the cost and with very little to no water. They are just beginning their commercial operations and have gained interest from all the major data centers and the Amazons and the Googles. That may be a partnership opportunity for us to attract those types of players with the latest technology for cooling at a fraction of the cost.

Councilmember Thompson felt Jim Kasselmann brought up an important topic on diversifying our economy. He did not necessarily want to fill every square inch of dirt along Elliot Road with data centers. What he is chasing is the big-name data centers, although he is okay with the six or seven more that are coming along. He also wants to bring in the companies that supply the widgets to the data centers as that will create jobs. The story of Mr. Kasselmann and Dexcom is a huge success, although the widgets they manufacture here need to be sent out to San Diego for testing. We need to bring those types of testing facilities to Mesa. That is how we can diversify our economy. It is not necessarily getting all the big companies but getting the smaller companies that support them. What follows next are the restaurants and hotels and then there may be headquarters and so forth coming in. He agreed with Mr. Brady that we should always invest in infrastructure in a downturn. Right now, more than 54% of all economic development activity is happening in District 6. That would not happen if we did not have the infrastructure in place on Elliot or Ray Road. There are people knocking at the

door who are ready to jump over the 202 to build office and warehousing on Warner Road, but we have no infrastructure out there. If we want to continue to see our city grow in the right direction and we don't want it to be a rooftop community, we will have to invest in infrastructure. That will be a major topic for discussion in the upcoming strategic planning session.

Jim Kasselmann stated Dexcom absolutely needs to increase their core competencies as a company out here in the Mesa area. Some of the production for Q4 didn't come to Mesa, but went to San Diego because of some of the core competencies they don't have here yet. That is something they will need to work towards in the near future as a capability expansion, which would be very beneficial to patients as we would not have to deal with the logistics of shipping product back and forth to San Diego as well as that cost. We need to have places to do those things here in Mesa. As a company, they will be looking at what opportunities will be coming over the next 18 to 24 months.

Councilmember Jen Duff stated she always enjoys reading the minutes of the Economic Development Advisory Board and felt they were very applicable to the matters of City Council. She was personally pushing for the Broadway Corridor to be developed into an industrial corridor. Tempe has already created their corridor along Broadway and if Mesa can expand on that and be a regional place for industrial investment, that will create jobs. Workforce development will increase the median income and provide that upscaling that we need, especially along Broadway. That also feeds into our higher education initiative. We will encourage businesses to be part of the upscaling of their employees by providing some assistance or paid education in order to provide the skills so they can expand right here in Mesa. She also pointed out that as a city, we lack identity. One of the reasons for that is because we are all things. We have so many villages or corridors or sections, Falcon Field, Gateway, downtown, the Union, although putting all those great assets and areas together, we are quite diverse. She emphasized identifying those cores within our city and within our marketing and economic development in order to attract those businesses. There are a lot of opportunities and things going on that no one really knows about. Whatever we can do to share that story would be beneficial. The Downtown Mesa area is a new urbanism. It is an intersection where businesses can collaborate and develop new ideas, whether that is on the street or at the coffee shop. With ASU, the newer technologies, the start-up breweries, downtown businesses, retail, offices, and education, we can intersect all those things for our innovation district. That is her shout out for a direction of identity for the downtown. Homelessness is an unfortunate thing, but we see some successful models out there. United Healthcare refabbed an old building and helped people transition. That is a remarkable success story. Mobile Loaves & Fishes and the Community First Village out of Austin, Texas provide transitional housing with entrepreneurship built in. The success stories will really help people say I want that in my back yard, I want that to help the people who are struggling. There has been a shortage of housing, an increased cost of housing, and no wage increase to help with that over the last decade. We don't see relief in sight in our economy and it will only get worse. We need to provide models to help people get a new start on their lives. The difference between someone who is homeless and someone who is not is usually a support system like family. There are so many people who are working and living out of their cars. There are a lot of homeless people that we don't even see.

Mayor Giles stated as a city government organization, we do not have the ability to adequately respond to the challenges like homelessness and the strides we need to make in education. We can play a very critical role in facilitating, inviting, putting some skin in the game, and providing some leadership. To be successful as a community responding to those particular challenges, we need to have a strong support system from the entire community, particularly the business community. Another topic in the State of the City will be the effort to be a meaningful partner in the Achieve60AZ goal for higher education attainment. As a city, we also need to partner with the business community in that effort. A city board will be created that will include the business community along with the education community to help us respond to that challenge by helping more kids get a two-year degree from Mesa Community College. We are blessed in Mesa to have some of the top tier corporations in the world—the AT&Ts, Apples and Googles are here and we need their presence to be felt in ways other than just logos on

buildings. There will be a very critical role for this group to play in helping to engage the community to partner with us on the education and homelessness issues. We need their investment in our community.

Chair Ovando-Karadsheh stated it is easy to take that low-hanging fruit as we are in a great economy right now. She asked what trees are we planting for the ten-year vision? What will we see, as Dr. Crow says, said about Mesa 10 years from now? In order to get to that vision, we need to have a concrete idea of where we are going. We see a lot of that manifested through strategic visioning for the Elliot Road Corridor, Falcon Field, Fiesta, downtown and other districts. What will we be offering our citizens ten years down the road; what are we doing to create those community elements for them? We need to have concrete ideas as to what we want our income numbers to be compared to Gilbert, what percentages do we want to increase, how many jobs do we want to have here, how do we want to get to that ten-year goal? Many will be gone from the Board by then, but we are all still citizens and members of the community. In our companies, we all vision out where we want to be in 12, 24, 36, 48 months in growth and value to our employees. It would benefit the Board to see more of a 2030 vision for Mesa as far as income and attracting companies and industries. She did not want to discount all of our successes. It is exciting to think about what we can accomplish and how to get there.

Jim Kasselmann stated an important question for all of us either tied to organizations that we represent privately or for the Mayor and Councilmembers representing the city is what is our center of gravity? It is that point from which all strength, balance, and power is derived from. An athlete needs to know their center of gravity in order to apply strength, power and energy in a directed manner. Another important question is what is Mesa's critical vulnerability? It is a place or a position that if it were negatively exploited by an outside influence, the city would be hurt. The center of gravity is where all power is derived from; while we must not allow the critical vulnerability to be exploited. Those are two important points to consider as we look into this and future years, and staff needs to be aligned with that as well.

Mr. Brady stated the City of Mesa is here to provide services to our customers, our citizens. Our core center of gravity is to make sure the quality of life for our citizens is met, regardless of anything else we do. No matter which department or what position, providing a high level of customer service to our citizens is what we do every day. At the end of the day, if we don't have the trust and confidence of our citizens, nothing else matters. Our vulnerabilities are the resources that we have to provide for that level of service and quality of life. In Arizona, the makeup of our resources is the sales tax. There are threats internally, threats from the legislature, and we talked about the construction sales tax. ATRA is now for the fifth consecutive year trying to take away the construction sales tax. That represents over \$10 million for the City of Mesa. That is what we thrive on, that is the vulnerability in the economy and that is why we build up our reserves to be able to absorb changes in the economy. Consumer change in behavior affects us dramatically. That also relates to public safety as our ability to staff police and fire is dependent on the outcome of our sales tax.

Councilmember Thompson has always thought that one of our biggest vulnerabilities is our reliance on residential. In any other city like Queen Creek or Phoenix or Apache Junction or Chandler where they have primary property tax, it is a totally different story. The more residential that we build into our community, the less beneficial it is to the city as it does tax our services, it does strain our water, wastewater, our ability to utilize the landfill, and it does strain our public safety services. It is a bigger detriment than it is to provide jobs. Because Mesa is sales tax driven, he would love for not another rooftop to go up in his district. He would rather have nothing but jobs. He would love the day that people from Phoenix and Glendale and Gilbert and Chandler come into Mesa to work and buy gas and lunch and coffee, and at the end of the day go back to their houses so they are not a strain on the City of Mesa. To Mr. Brady's point, our job on a daily basis is to provide cutting edge service to our community and to our citizens. What keeps him awake at night is the fact that we are okay with putting more and more rooftops and being the net exporter of labor of our citizens to other cities to work. He would rather Mesa be a net importer of labor from other cities.

Chair Ovando-Karadsheh felt that is part of the strategic visioning. Is Mesa a bedroom community or a job center going forward 10 to 15 years? Mesa is a city of half a million people; we are big time in the country in terms of our size and our scope of what we have here. She felt it was worth taking a look at what Mesa wants to be. That affects how business wants to invest in the community. She hears from clients who question whether it is worth the investment. That is a question any investor will ask no matter where they go.

Councilmember Duff felt a balance of living and working in the same place and not commuting is desirable for all people. A balance of attractive livable housing and employment within a small vicinity and creating those hubs is not only sustainable, but better on the quality of life and the cost of life.

Chair Ovando-Karadsheh noted the newer national movement of “hipsturbia”, or bringing a more urban feel to the suburbs, that started with Brooklyn and it is happening all across the country. Gilbert has done that quite well. She talked with Dexcom’s executive team and not one of them lived in Mesa except Jim Kasselmann. They have chosen to work in Mesa and to live outside of Mesa. We have to change that story. Everyone is working hard to do that, if we can only do it fast enough. It is a great irony that downtown Mesa is being revitalized by breweries. She never imagined that would be possible. There is a lot happening and this Board wants to continue to push and ask the hard questions. There is always going to be an interest from developers, from land use attorneys, and zoning attorneys. They are the large voice and the opposing voice is very small. We are not fully funded; we are just citizens. We have tried to be that other voice, as have the Councilmembers.

Chair Ovando-Karadsheh thanked Mayor Giles, Vice Mayor Freeman, and Councilmembers Duff and Thompson for attending the EDAB meeting. The Board appreciates the discussion.

Mayor Giles appreciated the Board’s input and looked forward to more of the same in 2020. This Board continues to play a critical role as a liaison between the City and the business community. He appreciates the Board stepping up and being part of creating the public-private partnerships that we need to be successful and to address homelessness, education and other issues. In Mesa, we love to celebrate our successes, but we also want to have clear eyes and realize that part of being successful is working on our weaknesses as well.

#### Upcoming Events:

- Friday, January 10, 2020, 10:30 AM, Groundbreaking for ASU @ Mesa City Center.
- Friday, February 4, 2020, 7 AM, State of the City.

#### **5. Business Prospect Report (This item was taken out of order)**

Kim Gram, Economic Development Specialist, reviewed the Prospect Report for Fiscal Year 2019-20, Quarter 1. She noted a lot more green on the page compared to last quarter. The department has focused on being diligent in obtaining the data from businesses that come into Mesa. The number of prospects generated in Q1 increased by 12% from 125 to 140 prospects. New job potential increased significantly by 59%, an increase from 14,000 in the previous quarter to nearly 23,000. One of the large-scale users considering Mesa is Project Mountain, which is an office user that is looking to move their robotics and technology headquarters from the Bay area to Mesa. They employ 3,800 employees. Project Cosmo is another office user looking to relocate their life insurance and employee benefits company and employs 785 employees. Project Starfish is a large-scale industrial user looking to move their headquarters and R&D facility and employs 946 employees. Annual payroll potentials also saw a large increase of 64%, which was over \$1 billion. Some of the key players include Project Mountain (Office) at \$378 million, Project Cosmo (office) at \$67 million and Project Starfish (industrial) with \$53 million in potential payroll. This speaks to not only the volume of jobs but also of the quality of jobs. Square footage potential was up 10%. Capital Investment potential was up 13%. In our pipeline over the past 12 months, there were 62 open or active projects, 34% (48) of those were qualified into a



project, down a little from 41% in Q4. Of those, 11 located or expanded into Mesa for a 23% success rate, down a few points from Q4. The majority of our prospects are coming from GPEC and ACA, followed by those coming directly from the company, site selectors/brokers, other City departments or our website.

The chart on Operation Type has been updated to reflect GPEC's operation type chart in their Prospect Overview Report. The Board had expressed interest in seeing a comparison. The "Other" category was created to capture categories that GPEC does not track, including construction and real estate, retail, tourism, and education-type operations. Under Prospect Industries, 41% of prospects received have been in manufacturing, up a few points from Q4, 8% in technology and 5% in healthcare. All industry types remained fairly constant from Q4 to Q1, although manufacturing and hospitality did increase by 3% and professional and business services decreased by 3%.

The Real Estate Snapshot for industrial space identifies the number of prospects to which our department has responded versus the number of available quality industrial space in Mesa classified as less than 20 years old. As of Q1, we still have a substantial demand for larger space, specifically 100,000 SF or larger. Of the 32 spaces available in Q4 that were less than 25,000 SF, 15 spaces were actually leased up in Q1 showing an increased demand for smaller industrial space. For office space, we are still seeing more prospects come through the pipeline needing 50,000 SF or more than we have in existing inventory. The only space available is Union and technically that is not available immediately. There are nine more spaces available in the 10,000-25,000 SF range compared to last quarter. There is an oversupply of available space under 10,000 SF with only 10 prospects requiring that amount of space over the past 12 months.

Ms. Gram provided a map showing the available office space in Mesa by square footage as well as decade built. The Dobson Ranch, Fiesta District and Downtown Mesa areas have some of the oldest and largest amounts of available space right now. Along Baseline, there is some newer office space although it is smaller. Our newer and larger office spaces are located in northwest Mesa, mostly due to the Union. Mesa saw a lot of positive momentum in Q1 with large-scale industrial and office users. We will continue to work with our team to attract these prospects to Mesa.

#### BOARD DISCUSSION:

Chair Ovando-Karadsheh asked if enough was being done to rehabilitate some of the older spaces in order to meet some of the new demand. She noted the inventory was only tracking what is newer. How can we balance the demand with some of our aging properties that are available?

Bill Jabjiniak stated in the market today GPEC has no new leads over 200,000 SF, which is unusual. That is down by about five from this time last year. The number of office prospects in total are down. If we are looking at a redevelopment plan, he recommended rehabilitation of some of the older product. There is still a demand for A and B+ space. Some of the lower B and C space is not in as much demand today. There has been a shift from the demand for high square footage to 25,000 SF and below. In terms of industry space, the number of active leads in the marketplace this fiscal year over 200,000 SF from GPEC was over 22. A few years ago, we engaged with a whole strategic effort for bigger product, bigger floorplates and higher ceilings. We are getting that product and we are starting to see those being filled. We need to focus on a strategic effort for office space and we need to figure out the redevelopment areas.

Chair Ovando-Karadsheh noted the importance of visioning for those areas, like we have done in some other parts of the City, to make sure to find a pathway to redevelopment.

Mayor Giles appreciated the question on redevelopment of office space. He was curious to hear more about the Wells Fargo building right in front of where the GRID being developed. Caliber acquired it for about \$4 million and the plan is to spend another \$4 million to rehab the building. The building is dated and has none of the things people are looking for in Class A office space. It is a great location and a great opportunity for us to activate a very strategic office building in our downtown.

Bill Jabjiniak stated Caliber has the right idea in acquiring property to renovate. We are starting to see leads that are very definitive to a downtown urban core that want direct access to light rail. When we were pitching to Union, it was a mile and a half to the light rail station at Dobson. The brokers aren't always thinking about downtown Mesa from an office perspective. We need to change the perceptions with brokers and engage the retail brokers and make them aware of what is available. We don't particularly chase the retail side and Mr. Jabjiniak believes that will follow. Once we can demonstrate the activity in downtown, the market for office will continue to be there. We just need to find the right niche. They will not always be the big brand name. Sometimes we will get a smaller name or a start-up looking to make the next step to 15,000 SF that will be available in a GRID scenario.

Rich Adams had phoned in to the meeting from Washington, DC and noted that there was a lot of great rehab all over DC, although it is a newer market. He felt rehab seems to be the emerging trend. In DC, they have turned what was probably condemnable into retail, restaurant, and/or Class A office.

Brian Campbell asked if we were seeing an impact of the Opportunity Zone tax credits? He has some anecdotal experiences and felt we can work on some marketing angles. We have available opportunities to this redevelopment idea and it was his impression that there are available funds, especially back East, that are targeting those zones. Have we had some success with that?

Mr. Jabjiniak stated Caliber's 10 properties in the downtown urban core are all Opportunity Zone funds that are active. They have bought a lot of property. Now we would like to see the next step take place downtown. There are a couple other active projects. Industrial out in the Gateway area is hit and miss. Sometimes they don't want to wait with all of the rules for Opportunity Zones. Some up in Falcon Field are using Opportunity Zones, but it's not consistent. It has not been as much of an impact as we originally anticipated. Going forward now that things are finalized, he was hopeful that it will pick up.

Mr. Campbell noted there are available funds and they are looking for product to purchase and develop. He would recommend at least exploring some sort of marketing funds or marketing drive to get in front of these funds and encourage investing these dollars in Mesa in these types of projects. Bill Jabjiniak has done a great job of preparing the City to take advantage of those opportunities. Let the Board members know how they can help.

Councilmember Thompson noted there were 11 office prospects looking for 50,000 to over 200,000 SF, although we only landed one because we don't have the availability of office space. To Mr. Campbell's point on Opportunity Zones, perhaps we should put the foot on the throttle and start pushing for more of that office space, especially along the 202 on the northwest side of town as well as along the 202 Red Mountain and Santan. He envisioned duplicating what Gilbert and Chandler have done along the 202 as they are running out of space along the 202 frontage. The only logical place now for that high visibility frontage is in Mesa along the 202 North in Vice Mayor Freeman's area (District 1), Councilmember Luna's area (District 5) or in District 6. We really need to be strategic and amp up the Opportunity Zones. He had a constituent with a tech company specifically looking for office space in the Elliot Road Tech Corridor, although the closest available is Ray Road.

Chair Ovando-Karadsheh stated that is something this Board has talked about for years and that is one of the reasons we have the real estate snapshot in the prospect report. The major frustration is to have leads coming in and not have anything to sell them. We have been trying to talk about this story not only in office but in industrial of how to be able to land these companies and provide something for them to come to. For Jim Kasselmann and Dexcom, there was a space here to begin with. As they seek to grow, what is next? This Board has been concerned about the 202 Loop all the way around. We have had many opportunities to place housing along those primary corridors. We placed assisted living on Parcel 51 right at the crux of a corridor. What choices are we making in the future in order to ensure that we have the space to attract industry and business to provide jobs for our citizens in the community? That is something this Board has looked at all the way around the city. The traffic on the 202 now shows the demand coming up from the south and provides opportunities for businesses to grow along that space.

Mr. Jabjiniak noted that product wins projects. The existing industrial today does not have the availability and companies are willing to wait for build to suit. The office side is not. As we have built the office, we are starting to see people look and activity will pick up as the Union comes up. The market seems to be shifting. We need to get confidence levels up. The Gallery Park development is ready to go and there are several others. The key now is to get it in the ground and get it moving. There is activity up at the Union, but no one is quite willing to commit until they see it a little further along. The same developer is doing the Grand, although we are at a different price point. People could pay \$40 plus there or \$30 plus over here. That is a big difference from an office perspective. The number one issue is still access to a qualified workforce. There are 900 employees at Dexcom and access to them is key. Office will also raise the average wage and provide better quality jobs.

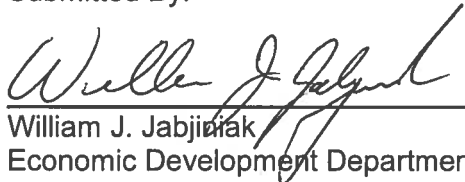
## **6. Other Business**

The next EDAB meeting will be held on February 11, 2020, 7:30 a.m. in the City Council Chambers, Lower Level, 57 E. First Street, Mesa, AZ 85201.

## **7. Adjournment**

Chair Ovando-Karadsheh adjourned the meeting at 8:55 a.m.

Submitted By:

  
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William J. Jabjiniak  
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)