

Falcon Field Economic Activity Area Strategic Vision

(Draft)

Objective

The purpose of the Falcon Field Economic Activity Area (FFEAA) Strategic Visioning process is to establish a consistent long-term economic development direction of the Airport and surrounding non-residential area in order to guide future economic development efforts for the area. This strategy is critically needed in order to provide a course of action to support and retain existing on and off airport businesses, attract new businesses to the Falcon Field Economic Activity Area as well and protect it from residential pressure and encroachment.

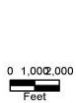
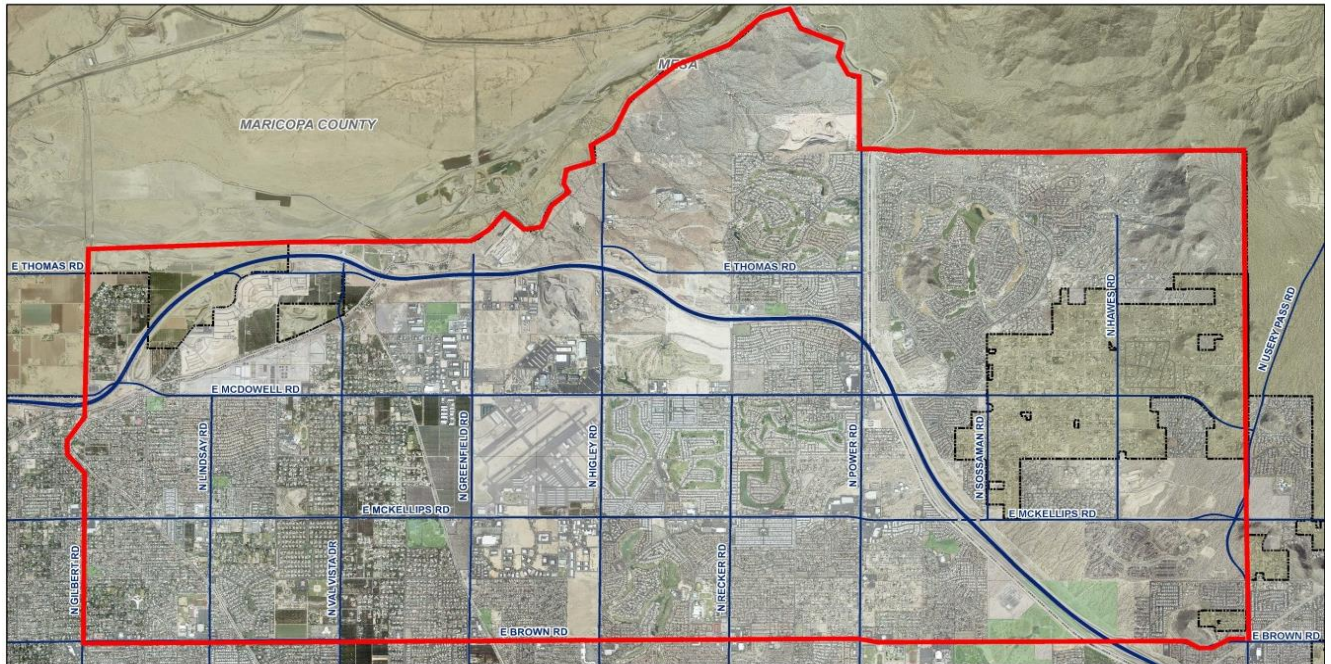
Strategic Vision

The FFEAA will be a recognized destination locally and nationally for employers looking for a highly attractive place in which to live, work, and recreate. It will provide industries with an economically efficient business climate and its workforce and residents with access to the global resources desired of a knowledge-based economy.

Falcon Field Economic Activity Area (FFEAA)

The FFEAA is in the Northeast corner of the City. The approximately 30 square mile area is bordered on the north side by SR 202 freeway, Salt River and State, Indian Community and Federal lands. The remaining borders mainly comprise middle to upper income style single family residences. The largest single ownership of the area is comprised on the former US and British fighter pilot training airfield named Falcon Field Airport. The City owned airport encompasses approximately 800 acres of airfield and airfield support property. As one of busiest general aviation airports in the United States, the airport serves both small (less than 10 employees) businesses and international aviation companies such as Boeing, MD and Timken that together employ more than 5,000. Off airport, employment consists largely of businesses that directly cater to the high income residents of the area. Specialty residential contractors, vendors, suppliers mingle with doctors, dentist and other small healthcare providers.

Falcon Field Economic Activity Area: Geographical Boundaries



Available Space for Development

The expanded FFEA comprises approximately 30 square miles of land. The vast majority is comprised of residential or open space. Non-residential developments are primarily located directly adjacent to FFEA or along the 202 Red Mountain Freeway.

Business Park Name	Total Acres	Occupied	Vacant Acres	% Vacant
Dover Industrial Park	68.0	20.0	48.00	70.6
Falcon Field Airport Sites	205.7	116.8	88.90	43.2
Falcon Industrial Park I & II	58.0	48.0	10.00	17.2
Longbow Business Park & Golf Club ²	330.0	0.0	330.00	100.0
Mesa Commerce Park	117.0	77.0	40.00	34.2
Mesa International Business Center	90.0	18.0	72.00	80.0
The Commons Industrial Park	107.0	98.0	9.00	8.4
City of Mesa Citrus	216.00	0.00	216.00	100%
Total	1191.	377.8	813.90	68%
<i>Total Excluding Longbow</i>	<i>861.7</i>	<i>377.8</i>	<i>483.90</i>	<i>56%</i>

FFEA Office, Industrial and Flex Space Rates

Vacancy Rates of Commercial Space, 4th Qtr- Mesa Wide

	2007	2008	2009	2010	2011	2012	2013	Source: CoStar
Office	0.148	0.2	0.209	0.203	0.192	0.19	0.182	
Retail	0.082	0.106	0.141	0.153	0.176	0.168	0.152	
Industrial/Flex	0.092	0.174	0.186	0.18	0.167	0.17	0.193	

Commercial Real Estate Inventory, 4th Qtr, in millions SF-Mesa Wide

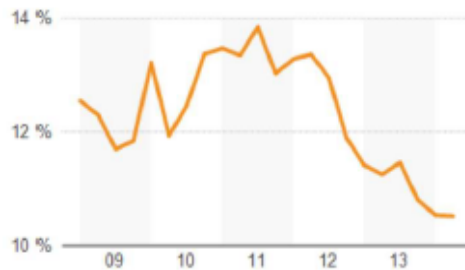
	2007	2008	2009	2010	2011	2012	2013	Source: CoStar
Office	10.5	10.9	10.9	10.9	11.1	11.2	11.2	
Retail	29.4	30.4	30.5	30.5	30.4	30.4	30.4	
Industrial/Flex	17.4	18.8	19.2	19.2	17.1	18.7	18.7	

Falcon Field Area - Office Space Summary

Availability	Survey	5-Year Avg	Inventory	Survey	5-Year Avg
Gross Rent Per SF	\$16.22	\$17.54	Existing Buildings	184	184
Vacancy Rate	10.5%	12.4%	Existing SF	1,725,421	1,721,837
Vacant SF	181,594	213,060	12 Mo. Const. Starts	0	3,186
Availability Rate	11.9%	13.8%	Under Construction	0	2,390
Available SF	205,560	237,175	12 Mo. Deliveries	0	3,823
Sublet SF	0	2,016			
Months on Market	17.5	14.3			

Demand	Survey	5-Year Avg	Sales	Past Year	5-Year Avg
12 Mo. Absorption SF	16,216	9,423	Sale Price Per SF	\$67	\$66
12 Mo. Leasing SF	39,548	42,358	Asking Price Per SF	\$113	\$105
			Sales Volume (Mil.)	\$3.7	\$3.7
			Cap Rate	-	10.6%

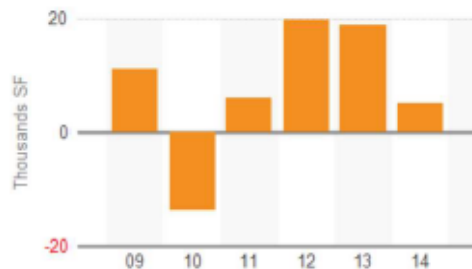
Vacancy Rate



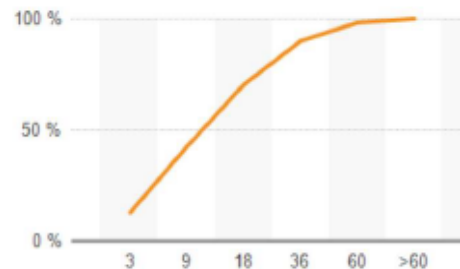
Gross Asking Rent Per SF



Net Absorption



Probability of Leasing in Months

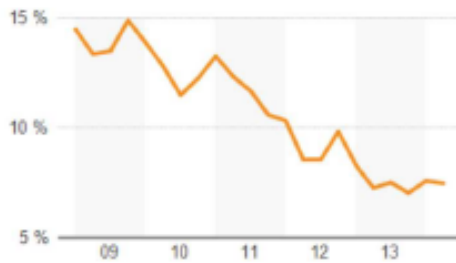


Falcon Field Area - Industrial/Flex Space Summary

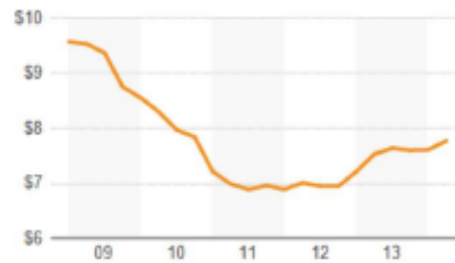
Availability	Survey	5-Year Avg	Inventory	Survey	5-Year Avg
Rent Per SF	\$7.77	\$7.85	Existing Buildings	205	200
Vacancy Rate	7.5%	10.8%	Existing SF	4,287,330	4,232,315
Vacant SF	320,750	458,097	12 Mo. Const. Starts	13,923	15,518
Availability Rate	9.3%	12.9%	Under Construction	0	9,151
Available SF	397,352	545,274	12 Mo. Deliveries	26,948	6,594
Sublet SF	5,440	40,799			
Months on Market	7.3	9.5			

Demand	Survey	5-Year Avg	Sales	Past Year	5-Year Avg
12 Mo. Absorption SF	62,007	61,251	Sale Price Per SF	\$73	\$69
12 Mo. Leasing SF	290,066	148,163	Asking Price Per SF	\$91	\$83
			Sales Volume (Mil.)	\$16	\$10
			Cap Rate	6.8%	6.8%

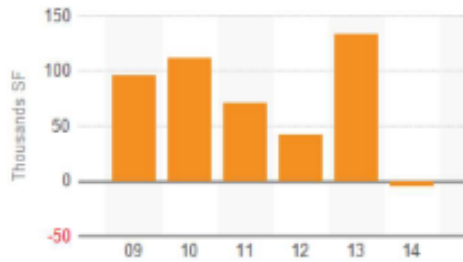
Vacancy Rate



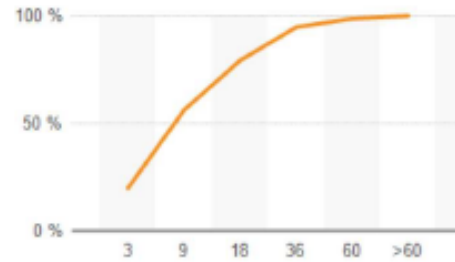
Asking Rent Per SF



Net Absorption



Probability of Leasing in Months



FFCAA Employment

2007

Number of employees – 11,683

Number of Companies – 293

2012

Number of employees – 11,359

Number of Companies – 235

Top 10 employers

Top 10 employers

Boeing Co.	3,961	Boeing Co.	4,800
Riggs Plumbing LLC	420	Veolia Transportation Mesa	494
Wal-Mart Stores, Inc.	370	Special Devices, Inc.	371
Special Devices, Inc.	356	Wal-Mart Stores, Inc.	351
Metric Roofing Inc.	350	Nammo Talley Inc.	273
Commercial Finance Services Inc.	300	Strongfield Trimco Inc.	250
MD Helicopters	297	Creative Human Resources Concepts Llc	237
Creative Human Resources Concepts LLC	237	Epic Plumbing	200
Talley Defense Systems, Inc.	211	MD Helicopters	190
Semflex Inc.	150	Alliant Techsystems	134
	6,652		7,300

Show % of decreases?

Strengths, Challenges, Opportunities, Potential Barriers & Potential Beneficial Relationships (SCOPP) Analysis:

An important part of any strategic planning exercise is that of assessing and understanding an area's strengths, challenges, opportunities, and barriers to growth. Strengths and challenges represent internal factors that exist within a community. Opportunities and Potential Barriers represent external elements that can impact on a community. The following represents the results of this type of competitive analysis for FFEAA:

1. Strengths
 - a. Available industrial, flex, and office zoned property
 - b. Large number of privately owned recreational aircraft
 - c. Boeing, MD Helicopters
 - d. Multiple freeway on/off ramps
 - e. Infrastructure (water, wastewater, gas & power)
 - f. Proven City of Mesa "can do" attitude and approach in City leadership to Economic Development (facilitate, not regulate)

2. Challenges
 - a. Very low knowledge and recognition of area by brokerage and development community
 - b. Department of Defense spending reductions
 - c. Close proximity to more business attractive airports (incentives, adjacent land values, rents, and protection for encroachment/neighbors)
 - d. Perceived lack of commitment to existing Falcon Field aviation and non-aviation businesses
 - e. Cost of land and leases not competitive for our market

3. Opportunities & Untapped Growth Sectors
 - a. High end service demand population
 - b. Gateway to recreation Areas (rivers, lakes, mountains)
 - c. Connections to trails / parks
 - d. Boeing, MD Helicopters
 - e. City controls zoning and regulatory reform authority

4. Potentially beneficial relationships to establish and grow
 - a. Existing FFEAA businesses
 - b. Industry leaders with the Area (Boeing, MD, Creative Human Resources, Timkin, Able Steel)
 - c. Land and building owners
 - d. Development and commercial brokerage community
 - e. Arizona Commerce Authority
 - f. Visit Mesa
 - g. GPEC

5. Potential Barriers to Success

- a. Limited freeway visibility
- b. Escalating cost of aircraft ownership (fuel, operation & maintenance)
- c. Limited freeway signage
- d. Residential encroachment and organized vocal opposition to aviation overflights
- e. Limited service delivery area (50% of border is State, Indian Community and Federal lands)
- f. Limited large sized parcels
- g. Defense aerospace retraction
- h. Office, industrial and flex land values & rents
- i. Close proximity to more business attractive and friendly airports (incentives, land values, rents, protection from encroachment)

Target Industries for Falcon

Over the past several years, the City of Mesa's overall Economic Development priorities have been guided by Mesa's industries of opportunity: Healthcare; Education; Aerospace; and Technology/Tourism (HEAT). These five distinct industry sectors were selected based on Mesa's assets of available land, workforce, utilities, airports and existing businesses. The City Council and staff will continue to prioritize these sectors throughout all of Mesa, including the Falcon Field Economic Activity Area. Under the direction and guidance of the Commission, staff, working with input and data from the Greater Phoenix Economic Council, Arizona Commerce Authority identified two of these specific industry sectors that present better than average opportunities to attract new investment. Second tier industry sectors include Tourism and those services such as high end suppliers, vendor, contractors that cater to the high than average demographic of the FFEAA.

Aerospace, Aviation and Defense Industry: Aerospace and Defense has been an important industry within Mesa for many years. As the largest industry in Mesa, Aerospace will continue to remain the largest employer in the City. A concerted focus should be kept on the FFEA existing manufacturers such as Boeing, MD Helicopter, Nammo Talley, ATK and Timken to ensure that the business environment stays supportive to their needs and industry. The City of Mesa should work closely with these businesses to identify companies in their supply chain who would be advantageous to attract to the City and compliment our exiting employer base. Effort should also be made to reach out and build relationship with other small aviation related business within the Area. As the fourth busiest general airport in the nation, these smaller companies can provide great insight and introductions to other potential companies. The City also needs to work with the aviation and the educational community to build a consistent

pipeline of professional and skilled workforce. Additionally, the City may need to explore creating specific programs and or incentives for aviation related businesses who invest within or adjacent to Falcon Field Airport to help improve the competitiveness of the Area.

Advanced Business Services: Advanced Business Services are classified as those that support business in the Financial Services. Advanced Business Service firms support existing businesses by filling specific needs such as temporary staffing needs, payroll, collections and other back office services. Consulting, engineering, insurance firms also fall within the ABS sector. For smaller businesses, this industry may provide gap funding and other investment services. As ABS businesses tend to have higher wages, fill open and or unused office space, and generally locate in areas of excellent schools, the FFEAA has many of the ingredients that could be used to attract new investments from the Advanced Business Service industry. The City will need to work closely with GPEC to target appropriate sized ABS companies and specifically with property owners and developers to potentially develop some spec space that could prime interest in the FFEAA for ABS related businesses.

Tourism: The FFEAA is both a home and a gateway to many outdoor activities such as hiking, mountain biking, climbing in the City parks as well as the adjacent mountain areas. Tens of thousands people fish, kayak, tube and paddle board the Salt River as well as boat, ski, and wake board at the nearby lakes. Greater coordinated efforts should be made by the City, Chamber, Visit Mesa and other organizations to capture a greater percentage of these travelers as they Mesa's utilize unique amenities in the desert. With year round access to these lakes, rivers, and parks, efforts could be made to also attract outfitters and sporting equipment manufacturers.

In addition to activities using the natural amenities of the area, the City should work to promote Sport Tourism, utilizing existing Quail Run, Gene Autry and Red Mountain Park as well as future park sites and other open space areas such as the City's extensive orange groves. These sporting complexes can attract events, tournaments which will drive hotel stays and shopping activity. This will increase Mesa as a regional and national sports recreation destination and infuse the area with new dollars from outside the region. Examples of destination facilities include Disney's Wide World of Sport Complex in Tampa, a 100 acre campus that offers multiple indoor and outdoor sporting opportunities, Foley Sports Complex (under construction), North Myrtle Beach offering local and regional sporting events.

GOALS AND STRATEGIES

To execute the Commission's mission, the Commission has set goals that recommend to the City Council to establish the City's strategic direction for economic development within the FFEAA.

Goal 1. Improve Falcon Field's competitiveness, and increase the amount and conversion of leads to locates

Objective 1.

To increase Falcon Field's success rate for business attraction.

Strategies:

- Work with partners to facilitate increased dialogue on strategies for winning solutions, sharing information and assistance in preparing responses to Arizona Commerce Authority, GPEC e-tracks, PIFs, brokerage inquiries, etc., by creating opportunities like regular conference calls, monthly meetings, or other forums, that encourage such dialogue.
- Work with existing land and building owners to cooperatively market, brand and price accordingly their land and facilities
- Implement an Action Plan to address Falcon Field's challenges and promote FFEAA's strengths as determined by the analysis.

Objective 2.

To provide exceptional service to our clients and develop Mesa Economic Development staff expertise in industry focus areas and corporate and governmental finance practices.

Strategies:

- Brand the FFEAA and communicate the Department's professional economic development services and value to the media, residents, businesses, economic development partners, and decision-makers.
- Provide timely and useful information to clients and stakeholders on Mesa's economy, labor market, sites, and business practices.
- Provide technical assistance and expertise to address the needs and concerns of prospects and existing businesses.
- Develop a City of Mesa Economic Development "Road Show" promoting city services, business resources (P&Z) and signature projects and make presentations at various conferences held locally, regionally, and nationally to reach the target audiences including brokers, site selectors, real estate consultants, company decision-makers, and other related professionals.

Objective 3.

To increase or enhance the number of economic development programs in Mesa.

Strategies:

- Develop financial and non-traditional resources that add to Mesa's economic development tool box with a special emphasis on the FFEAA
- Work with Economic Development Advisory Board, Planning and Zoning Board and the City Council to create new economic development tools and identify areas of collaboration from a regional perspective with emphasis on focus industry sectors.
- Leverage City of Mesa-owned real estate and utilities to add value to city site proposals and packages.

Goal 2. Create and Retain Quality Jobs

To attract, grow and retain FFEAA jobs, increase capital investment, expand the tax base, and grow industries the FFEAA.

Objective 1.

Generate quality leads of businesses exploring relocation or expansion opportunities.

Strategies:

- Develop and implement a consistent and cohesive marketing strategy, aimed at local, national and international target audiences (including site selectors and company executives), that establishes Falcon Field a desired location for investment by targeted, high skill industries.
- Develop and implement a program to call on and or visit major commercial brokerage institutions in the Phoenix-Mesa area to educate them about the opportunity and or available buildings/properties within the FFEAA.
- Collaborate with state, regional and local business development organizations such as Arizona Commerce Authority, GPEC, Arizona Tech. Council, local arts and culture community, and others, to improve Mesa's profile as a top tier destination to live, work and build a business.
- Market new and or existing business assistance programs including Foreign Trade Zone, expedited or Self Certified plan review and permitting and customized solutions (build-to-suit/lease), etc., to decision-makers in key industries.
- Work with and respond strategically to leads from the Greater Phoenix Economic Council (GPEC), Arizona Commerce Authority (ACA), as well as leads from other partners.
- Build relationships with key site selection professionals and commercial real estate brokers in an effort to increase direct lead generation.
- Identify synergies between tourism and economic development agencies to maximize resources and increase awareness of FFEAA as a business and travel destination.
- Work with Chamber of Commerce, Visit Mesa and East Valley Partnership and other community partners to promote the FFEAA.

Objective 2.

Provide assistance to existing FFEAA companies of to ensure their continued health and aid in their ability to grow and thrive in the community.

Strategies:

- Aggressively implement Mesa's Business Retention & Expansion (BRE) program with partners including the Chamber of Commerce to identify and meet with companies, utilizing the data to assist in retaining and expanded businesses.
- Identify Mesa's Office of Economic Development as the prime point of contact for businesses
- Market business assistance programs directly to FFEAA existing companies to educate them about opportunities to help them grow and expand
- Provide technical assistance and information to FFEAA companies on subjects including, but not limited to, site selection, permitting guidance, financing options, etc.
- Direct City staff to investigate and or propose methods, programs or incentives to spur development within the Area
 - Ideas could include Self Certification, reduction and or elimination of certain fees for development on Airport or City owned properties, reduction of utility connection fees for projects that meet specific criteria

Objective 3.

Increase the number of quality jobs created in FFEAA by YYY percent over the next three fiscal years.

Strategies:

- Proactively identify and meet with companies in Mesa's industries of opportunity which are considering expanding and/or relocating.
- Inventory relevant buildings/land for business attraction efforts in the industries of opportunity within the FFEAA.
- Work with partners to shape the FFEAA as an attractive opportunity for development – participating in Falcon Filed Area improvement projects, marketing land and buildings, existing business mix, workforce, infrastructure improvements, etc.
- Identify Office of Economic Development as the lead both on and off airport for business development.
 - Office of Economic Development to assign a specific person or persons to focus specifically on the FFEAA.
- Participate regularly in membership networking opportunities such as CoreNet Global, NAIOP, AAED, broker associations, and other related activities.
- Develop a marketing strategy to capitalize on key national events hosted locally like MRO and CoreNet Global held in Arizona and to engage out-of-state company representatives to learn about the FFEAA as a business destination.

