

MEETING MINUTES

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

Date: September 12, 2017 Time: 7:30 A.M.

MEMBERS PRESENT

Natascha Ovando-Karadsheh, Vice Chair
James Christensen
Deb Duvall
Jim Kasselmann
Dominic Perry
Laura Snow

EX-OFFICIO

Mayor John Giles (Excused)
Chris Brady (Excused)
Rich Adams (Excused)
Brian Campbell
Jeffrey Crockett (Excused)
Sally Harrison

STAFF PRESENT

Bill Jabjiniak
Michele Freed
Jaye O'Donnell

MEMBERS ABSENT

Jeff Pitcher, Chairman
Matt Likens

GUESTS PRESENT

Leah Palmer
Marc Garcia

1. Chair's Call to Order

Vice Chair Ovando-Karadsheh called the Economic Development Advisory Board meeting to order at 7:34 a.m. She welcomed Jim Kasselmann of Dexcom to the Board.

Jim Kasselmann and his wife are from Cincinnati. He grew up in the Midwest, served as a Lieutenant Colonel in the United States Marine Corps, and subsequently became involved in the biopharma/life sciences industry. Dexcom, headquartered in San Diego, is a continuous glucose monitoring technology company with a new production facility in Mesa.

2. Items from Citizens Present – None.

3. Approval of Minutes from the August 8, 2017 Board Meeting

As no changes or corrections were requested to the minutes of the August 8, 2017 meeting, Vice Chair Ovando-Karadsheh called for a motion to approve.

MOTION: James Christensen
SECOND: Deb Duvall
DECISION: Passed Unanimously

4. AzAMI Presentation – Leah Palmer

Leah Palmer has 30 years of service in Mesa in workforce development, most recently with AzAMI, the Arizona Advanced Manufacturing Institute. AzAMI is the recipient of a Department of Labor grant through a proposal from Mesa Community College. AzAMI started in 2014, with Leah Palmer as Executive Director of the organization as well as the grant. The \$2 million grant allowed AzAMI to develop curriculum that was stackable and industry certified utilizing new equipment and new developments in manufacturing. Programs include Aerospace Manufacturing Technology, Automation Mechatronics & Robotic Technology, Additive Manufacturing, Precision Machining, Electrical and Mechanical Drafting, Electronics Technology, and Welding Technology. AzAMI offers 23 different welding certifications.

Having this kind of Aerospace and Advanced Manufacturing component here in Mesa is key for attraction efforts.

Customized solutions for manufacturers include qualified internships and apprenticeships, which lead to employee retention. Career navigation carries students from enrollment all the way to employment with industry recognized credentials. Training at the worksite helps to upskill an employer's current workforce. Competency-based, stackable credentials offer students the quickest pathway to get National Industry Certifications, including NIMS.

Why is this important—Because the skills gap is widening. Between 2015 and 2025, there will be an unfilled skills gap of 2 million people. For every \$1 invested in manufacturing, another \$1.37 in additional value is created in other sectors. Every job in manufacturing creates another 2.5 new jobs in local goods and services.

2020 Labor Market Data shows a projected growth in the Manufacturing industry in the region of 10%. There is a "silver tsunami" of a highly-skilled aging workforce that is leaving the industry.

AzAMI hopes to reach out to new companies as well as existing manufacturers here in Mesa to help with employer recruitment efforts by growing pipeline opportunities while students are in training. The FBI and State Department job descriptions were matched with competencies in the classroom. Employers can visit Mesa Community College and watch students working in the lab and attend on-site recruitment opportunities. Over the last three years, AzAMI has hosted 136 tours, open houses, workshops, forums, and hiring events with over 3,000 visitors. TRW comes on-site for a competitive internship recruitment and AzAMI goes out to TRW for on-site automation coursework. Hiring events match students' skills to employers. Job competency mapping imbeds employability skills as well as employer expectations into the curriculum and boot camps. Apprenticeships are an underutilized resource.

Funding opportunities – In addition to the \$2.5 million grant, \$510,000 has been raised for AzAMI which paid for new equipment and technology as well as industry certification and tuition reimbursement.

Boot Camps (2 weeks) were created in collaboration with Boeing as they have 100 Electrical J-Standard (aerospace soldering) and wiring positions to fill. There are not enough bodies to fill these positions. As a result, AzAMI has stacked training through pre-assessments, testing, and validation. The J-Standard students must finish with a test rate of 85% or better (75% to meet Boeing requirements). AzAMI has produced 57 graduates with a 100% pass rate.

AzAMI also provides reverse engineering services and product prototypes. Current partners include GPEC, the Office of Economic Opportunity, ACA, local and municipal economic boards, and Arizona@Work.

It Takes a Village – The work Mesa is doing is important and a better understanding of AzAMI's assets and capabilities will help to attract manufacturers to the community.

Board Discussion:

Comment: Deb Duvall had the opportunity to work with Leah Palmer for many years. Mesa Community College has done so much in the community, although it is often overlooked, and needs more publicity. She mentioned another entity with a similar array of course work for junior and senior high school students, as well as those who have left the public school system and are now floundering. Somehow, all of the entities need to work together and take advantage of these different pathways so people seeking employment can be aware of the options available.

Question: James Christensen thanked Ms. Palmer for the wonderful report and all of the work being done, which is right in line with what Economic Development is trying to accomplish. He asked about the ratio of women to men in these programs.

Response: Ms. Palmer advised that the grant allowed for data to be pulled and analyzed. At this time, there are about 10% women, most in welding.

Comment: William Jabjiniak advised that the number one question he gets is about workforce—where to get the workers and what skillsets do they have. It is proven that as a region we can provide that workforce and Automation is key. In some places across the country, economic development is very much operating in a silo. In this region, the state, GPEC, the community college district, plus employer placement and local economic development work well together.

Question: Jim Kasselmann asked what type of success are the companies having from a retention perspective? Is there data available on turnover?

Response: Ms. Palmer stated that Boeing has provided that data comparing employees from AzAMI to those from contract houses. AzAMI people have an 80% retention rate, while those from the contract houses are at 30%.

Vice Chair Ovando-Karadsheh thanked Ms. Palmer for her presentation.

5. Mesa Plays Presentation – Marc Garcia

Marc Garcia shared developments at Visit Mesa, formerly known as the Mesa Convention Visitors Bureau, the official travel resource for Mesa and the surrounding region. The Board was provided with the FY17 Visit Mesa annual report.

An 18-month survey through Longwoods International reported 1.1 million domestic visitors to Mesa annually, not including the Germans, Japanese, English, Canadians and Mexicans who also visit. Visitor statistics and market data were reviewed, with the average age of 48, and 71% using social media for travel.

The city's investment to Visit Mesa in FY 2017 was \$2.5 million with a return on investment of \$19.78 for every dollar invested. Over the past five years, sales have increased over 700% with nearly 80,000 booked hotel room nights in FY 2017. Mesa has led the Valley in occupancy this calendar year. In 2016, Mesa led the valley in Rev Par in 7 out of 12 months. Mesa is now becoming a destination. Smith Travel Resource reports that the demand is outpacing the supply in Mesa and Tempe. It is time for more hotel product in Mesa.

A video was shown on the Arizona Governors Conference grand pitch submission, which won the Arizona Office of Tourism award. The US Travel Association Destiny Award was received for the digital marketing platform.

A Multi-Purpose Youth and Amateur Sports Complex is being proposed. Although this item did not make the ballot for 2016, OA Strategic was brought on board to develop new communication strategies. Mesa Plays was established with Rich Adams chairing the steering committee, which includes Mike Hutchinson, Dennis Kavanaugh, Tom Rhodes, and Steve West. Association members include Barry Aarons, Brad Cesmat, David Hines, Dr. Steve Hogen, Otto Shill, and the list is growing.

The Multi-Purpose Sports Complex is proposed in northeast Mesa adjacent to Red Mountain High School, flanked by the 202, Power and Brown. The 24 multi-purpose fields (120 x 80) can accommodate all field sports. There will be a 110,000 square-foot field house for indoor sports such as basketball, volleyball, martial arts, cheer, and gymnastics. This complex can accommodate everything not on a diamond, track, or on the water, and will drive more visitors and incremental tax growth for the City of Mesa. The private sector would not take on such a project as it would not be the primary beneficiary, the city would. The plan calls for 2 stadium fields, 2,600 parking spaces, 10 artificial turf, and 14 natural grass fields.

Architectural drawings of the complex were reviewed, with a field house, press box, and flexible, movable seating to accommodate championships. Dr. Steve Hogen spends \$20,000 each year to take Mesa schools to Prescott for the state wrestling championships. The Multi-Purpose Complex could also accommodate trade shows with 650 exhibits, and banquets of up to 5,000 people. A theater style setup could hold 7,000 people, while a reception setting could hold 9,000 for graduations or proms.

Mesa has no primary property tax and the city is dependent on sales tax to provide essential public services through investing in projects that will provide return on investment. Follow the progress online at www.mesaplays.com as well as on Facebook and twitter @MesaPlaysAZ.

Board Discussion:

Question: Laura Snow noted that many municipalities are pursuing this type of venue and asked if the region will end up with a glut of these. What is the window of time?

Response: Marc Garcia stated the latest edition of Real Sports with Bryant Gumbel talks about the tremendous growth of youth and amateur sports, and the amount of money parents are spending for travel. As far as oversaturation of the market, a facility like this does not exist on the west coast, with a few facilities in Dallas, Denver, and Boise that do not have state of the art technology. This is the opportunity to be the leader in the western region of the US and to leverage the growing youth and amateur sports industry.

Question: Laura Snow asked if there were similar facilities currently in development.

Response: Marc Garcia noted that Tucson is in talks on getting a similar item on the ballot.

Question: Dominic Perry asked about the soccer facility going in north of the 202 in Tempe.

Response: Mr. Garcia stated that facility is for a professional soccer franchise, Phoenix Rising FC, with a stadium seating 7,000, eventually growing to 22,000 seats. In December, US Soccer will announce two more teams to be added to Major League Soccer, with Phoenix Rising as a hopeful. That facility would not hold Phoenix Rising's youth academy, and there are conversations on the potential for the Mesa Plays complex to be a home for their youth development academy.

Question: Deb Duvall asked whether the property in question is currently held by multiple sources or the City or is it federal land.

Response: Mr. Garcia advised that it is land deeded to the City by the Bureau of Land Management and does have some restrictions. The site cannot be monetized with a hotel or retail, and can only be used for recreation purposes.

Comment: Brian Campbell is anticipating a change in economic development opportunities to focus on livability of space, talent acquisition, and world-class communities. He encourages targeting the millennials, although he would like to see efforts to attract people to our region, not only as visitors, but permanent residents as well as workforce. That will be the new driver for economic development.

Question: Jim Kasselmann asked about targeting regional and national venues, and how that will compete with the existing venues. He mentioned Junior Olympics Volleyball and the Soccer Surf Cup from California. He asked how these different sports activities will fit into the calendar and how can the City absorb all of those people coming in so they can have a good experience holistically.

Response: William Jabiniak stated from an infrastructure standpoint, we are in great shape with the roads in place to move people. The challenge from an economic development perspective is where to put those people as you cannot put a hotel on that property. The demand for housing is eating up potential sites for hotels and restaurants. It is important for the leadership to understand the vision and defend it. The question is are we ready to get this on the ballot, and that will be up to the elected officials. Our charge as a Board is to have meaningful conversations and advise the elected officials.

Question: Deb Duvall asked what this project should be called when in discussions.

Response: A Multipurpose Youth and Amateur Sports Complex, not a professional franchise. Marc Garcia stated the proper homework has been done with a market feasibility study and surveys, and a calendar of events has been developed. Elliott Pollack was retained to flush out the numbers further from the original study.

Comment: Deb Duvall noted the discussion over many years about southeast Mesa and the BLM land. This has been a dream of Steve Hogen's for two decades.

William Jabjiniak reminded the board that the elected officials need to look at all of the demands. He felt this year there will be more focus on Parks and Recreation programming. He noted Rich Adams is chairing the steering committee. He advised that the price tag is roughly \$60 million.

Question: Laura Snow asked, with the big hotel chains coming, will there be an opportunity for public-private partnerships with the hotels?

Response: Marc Garcia felt the hotels would not be partnering on this, other than through booking and with the marketing process. The chains have their offices back in DC or Chicago. He noted discussions with AIA (Arizona Interscholastic Association) about this potentially becoming a home for them, and talks with Phoenix Rising Youth Academy as a potential tenant.

Vice Chair Ovando-Karadsheh thanked Mr. Garcia for the presentation and appreciates all that Visit Mesa is doing.

6. Director's Update

William Jabjiniak confirmed that all Board members have taken their loyalty oaths. There will be a ground-breaking event for Residence Inn on Crismon and Hampton off US60 on September 25th at 1130 a.m. The Southwest Redevelopment Area Plan was approved by the majority of City Council last night. The next steps will look at the programs, funding, and marketing.

William Jabjiniak provided the Board with the Business Development Prospect Report for their review and feedback before it goes to City Council. The GPEC regional Prospect Overview was also provided, which will be updated with figures through June 30 to match up with the Mesa report. This data will be provided to City Council and the Board on a quarterly basis. The GPEC data for June shows 39 prospects in the regional market today looking for 100,000 to 200,000 square feet of industrial space. An additional 39 are seeking in excess of 200,000 square feet. Today, Mesa has announced one over the last 30 days with Opus for 150,000 square feet. Currently, 80% of leads are looking for existing industrial space. For Class A Office, there is one at Riverview with 150,000 square feet, which will be broken up into three 50,000 square-foot tenants. There is other Class A Office space at Stapley Corporate Plaza broken up into smaller pieces. The demand today is for larger spaces with bigger floorplates in both industrial and office. He asked for Board feedback on the document.

Vice Chair Ovando-Karadsheh suggested another bar for available inventory side by side under Prospects. She noted that the story in the last bullet point gets lost. The order of presentation was discussed and it was suggested to present Mesa information first and then GPEC. Vice Chair Ovando-Karadsheh felt the graphics were important when talking to potential investors. Laura Snow suggested consolidating the smaller industries on the pie chart, focusing on those of interest, as it looks busy with all of the labels. Brian Campbell noted that the right margin headers take up a lot of space on the page. Vice Chair Ovando-Karadsheh felt the message of the lack of inventory should be more prominent and at the top above the pie charts. Dominic Perry suggested coordinating the pie charts with the bar graphs by type, and placing the busier pie chart in the corner.

William Jabjiniak thanked the Board for the suggestions and will have the report finalized for City Council.

The accreditation process went off very well. The formal report contains some good recommendations, such as a full-time business retention expansion staff member. There was some great feedback on the involvement and enthusiasm of the Board.

Brian Campbell reviewed the magazine from GPEC, which reports on the shift in economic development attitudes. Tax policy incentives are not the driver. Texas is coming to our region on head-to-head competitions. The focus is on city-centric issues—livability, work force development, technological infrastructure, and attracting the millennial. The GPEC magazine is designed with that broader approach, focusing on areas of the modern economy driven by internet connectivity. With Mesa's existing military infrastructure, it is positioned to take care of cyber security development. The focus is on technologies that transfer across industries, including driverless vehicles and drones, and wearable technologies. Mesa needs to create a world-class environment to win the economic battles moving forward. On September 28, 2017, GPEC will present its modern city-centric economic plan. There is a push for the Phoenix Metro region to be the first Smart region in the US. The technological infrastructure will be a major advantage and driver as Mesa competes for workforce and livability. This needs to be our focus. He noted that the top HR directors are now at every C-Suite meeting, which was never seen before.

William Jabjiniak stated GPEC is out in front and Mesa is aligning with GPEC. He received an interesting call regarding driverless vehicles.

Deb Duvall felt it would be nice to see more of Mesa in the magazine. Brian Campbell noted that Mesa does not have a large budget. William Jabjiniak noted some Mesa features on page 7 including the Apache helicopter.

The Opus ground-breaking on August 16 had positive responses. There is concern with drainage on that site.

A video has been launched on Facebook regarding Prenda. Last week, Urbix visited Boeing. Training classes are being held at LaunchPoint. Mesa will participate in the Angel Investor training sessions for certified investors. That is a product of East Valley Partnership, and Chandler had taken the lead.

Yesterday, staff was approved to work with a cyber security conference in downtown Mesa, expecting about 250 attendees. Cyber security is a new direction to push for.

Mesa will be responding to the Amazon RFP along with every other large city in the country. There is dialogue between the state and GPEC, and we will work with both groups to put Mesa's best sites forward. Fiesta Mall is a great location, great workforce, although there are four owners of the mall. Sites are being explored downtown that will accommodate 50,000 people, although there is a transportation concern. We are also looking at Riverview and Falcon, and will submit more than one site. Amazon is looking for 100 acres, 50,000 jobs, and billions in investments. The deadline is October 4, 2017, although we need the sites early in the process so GPEC and ACA can do some background on the sites. There is interest being at the front of the line, and we will make sure to have good quality responses for each site.

Dominic Perry asked about the employment number and square feet per employee. William Jabjiniak stated 50,000 employees, although he did not know the breakdown of square feet per employee. Dominic Perry noted it would be about 120 to 150 square feet per person, or 7.5 million square feet of office space.

It was noted that the RFP calls for 8 million square feet of office space at full build-out over 20 to 30 years. The initial ask is for 500,000 to 1 million square feet on one campus.

Dominic Perry stated that Amazon takes up 19% of the downtown office space in Seattle, and they have entire buildings waiting.

Brian Campbell asked about the different process for Amazon. William Jabjiniak stated it is a very different process as it is out across the country, not just the Phoenix area. It is a long shot for this time

frame, and we need to play hard. There is good data on the market, which is affordable compared to some, and we need to be able to demonstrate that it will not overwhelm the system.

Brian Campbell congratulated the team on all of the good news as well as the MD Helicopter Army contract.

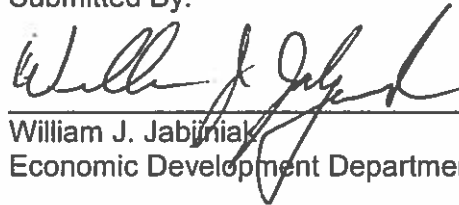
7. Other Business

Vice Chair Ovando-Karadsheh announced that member Scott Rudy has resigned from the Board as he is retiring. The next EDAB meeting will be held on October 3, 2017.

8. Adjournment

With no further business before the Board, Vice Chair Ovando-Karadsheh adjourned the meeting at 9:00 a.m.

Submitted By:

A handwritten signature in black ink, appearing to read 'William J. Jabiniak', is written over a horizontal line.

William J. Jabiniak
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)