

MEETING MINUTES

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

Date: November 6, 2018 Time: 7:30 A.M.

MEMBERS PRESENT

Natascha Ovando-Karadsheh, Chair
Rich Adams
Brian Campbell
James Christensen
Deb Duvall
Dominic Perry

EX-OFFICIO

Mayor John Giles (Excused)
Chris Brady, City Manager
Sally Harrison (Excused)
Jeffrey Pitcher

STAFF PRESENT

William Jabjiniak
Jaye O'Donnell
JD Beatty
Maribeth Smith
Kimberly Gram
Will Novak

MEMBERS ABSENT

Jim Kasselmann, Vice Chair
Matt Likens
Richard Warren

GUESTS PRESENT

J. Brian O'Neill, Phoenix-Mesa Gateway Airport

1. Chair's Call to Order

Chair Ovando-Karadsheh called the meeting to order at 7:32 a.m.

2. Items from Citizens Present – None.

3. Approval of Minutes from the October Board Meeting

Chair Ovando-Karadsheh called for a motion to approve the October meeting minutes. Brian Campbell moved to approve the October 2, 2018 meeting minutes as presented; seconded by Deb Duvall.

Upon tabulation of votes, it showed:

AYES: Ovando-Karadsheh, Adams, Campbell, Christensen, Duvall, Perry

NAYS: None

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

4. Phoenix-Mesa Gateway Airport

Brian O'Neill, Phoenix-Mesa Gateway Airport, stated his team considers the area a 3,000-acre economic development project that happens to have a thriving regional airport as one of the components. The Performance Metrics for FY18 are all in the positive, showing that the Airport is moving in the right direction compared to FY17. There are some exciting initiatives moving forward and the Airport is financially sustainable. Three new airlines will be on board this winter season. Swoop and WestJet from Canada will be coming back. The inaugural flight for Swoop was last week with 127 passengers coming in from Edmonton. Allegiant offers service to 45 nonstop destinations. Starting November 15, 2018, California Pacific will offer flights on their 50-passenger jet six days a week between Mesa and Carlsbad, California. Starting in December, Flair Air will offer four days a week from Mesa to Edmonton and two days a week from Mesa to Winnipeg. There are a lot of Canadians that are winter residents in the East Valley. Swoop is an ultra-low-cost carrier started by WestJet last year. They will offer flights to Edmonton twice a week. WestJet is in its third year in Mesa

offering service to Calgary for the winter season. There have been recent meetings with United and ongoing conversations with Delta. It is tough to get American focused on a secondary city in a hub city that they serve. Southwest is deeply invested in Sky Harbor, although they are in all five LA basin airports. Over the last 5 months, the Airport has experienced record-setting passenger activity as well as positive growth for the last 12 months. As the new airlines come on board, 2019 will be a great year as well.

Mr. O'Neill reviewed the future forecast for commercial activity. The 2008 Master Plan long-term forecast for 2027 was 2.2M enplanements, or 4.4M passengers. Commercial services had just started at the Airport in 2007, and there was not enough history to understand what the market would produce. The updated 2018 Master Plan had a long-term forecast of just over 1M passengers by 2028. That is a much more realistic number. By 2038, the long-term prediction shows over 1.2M enplanements or 2.4M total passengers. The Monte Carlo simulation shows a high growth of 1.45M and a low growth of 1.18M. The TAF (Terminal Area Forecast) is an aviation forecast developed by the FAA. The forecast should stay within 10-15% of the TAF in order to be approved in the Master Plan. The 2018 Master Plan forecast is in line with the TAF.

Chair Ovando-Karadsheh asked if the numbers were within the expectations for air cargo and military operations, compared to the 2008 forecast.

Mr. O'Neill advised that the 2008 aviation forecast was a little bit optimistic and a little bit aggressive. Now, we have 10 years of additional data under our belt and a much better idea of what the next 10- and 20-year planning horizons will look like.

Total operations refer to take offs and landings. The 2008 Master Plan showed a long-term 2027 forecast for total operations of 535,000. The 2018 Master Plan update showed a long-term forecast of 333,000 in total operations in 2028, and almost 370,000 by 2038. In 2017, there were 290,000 total operations. Of the 300,000 operations each year, 95% is GA flight training activity and 5% is corporate and commercial operations. Last year, Allegiant only represented about 5,000 of the total operations. As the Airport transitions to more large cargo planes and commercial passenger activity, the flight school activity will most likely stabilize and may eventually move to a less congested location. The mix of aircraft can be challenging for the flight schools.

Chair Ovando-Karadsheh asked if there could be a dedicated runway for GA. She noted that Sky Harbor had tons of training for many years.

Mr. O'Neill was not predicting that the training activity would go away. In 2008, many of the growth predictions were related to flight schools. The fleet mix will change, and it will still be a prominent flight training airport, although he does not believe it will grow as it was predicted back in 2008.

Several capacity enhancement and customer service improvement projects are either completed or currently underway. Phoenix-Mesa Gateway Airport is not a large congested hub and people love the convenience. The infrastructure, facilities, and capacity need to be in place to ensure that positive customer experience as the Airport grows. The TSA security screening checkpoint has added a fifth lane, has capacity for a sixth lane, and has doubled the queue size to reduce wait times. Phoenix-Mesa Gateway is the first airport in the southwest to have a fully automated security exit door system, which enhances the passenger flow process from the secure side of the Airport to the non-secure side. This also frees up a staff member that used to be posted at the exit. The South Sossaman Road/Hourly Parking Lot Project will be completed in the next two weeks. The project lengthened the left-hand turn lanes to avoid traffic backups on Sossaman. The entrance to the Hourly Parking Lot has been reconfigured to keep traffic away from the front of the terminal to reduce congestion on the curb. Upcoming projects include an expanded area in front of the baggage carousel, additional staging and divestiture areas outside the terminal, and an enhanced baggage belt. The concession opportunities will be doubled to accommodate the growing passenger activity as well as produce revenue. The

Taxiway Charlie project adjacent to Ellsworth Road will provide full frontage for the 700 acres on the east side and create new opportunities for aeronautical development. It is a \$10M project funded by \$3M of federal money and a \$7M discretionary grant. The FAA has been good to Phoenix-Mesa Gateway Airport in terms of providing discretionary funding to ensure that projects are completed in an expeditious manner. The Airport has three 10,000-foot runways and the maintenance is a challenge.

In the future, the Airport may look to develop a Federal Inspection Services (FIS) facility to accommodate secondary markets, whether in Canada or Mexico. Development will soon be underway for Hangar 37, a 50,000 SF hangar complex. At the north end, Hangar 18 will be a three-hangar complex of 70,000 SF, including two spec hangars to accommodate the growing interest in terms of corporate aircraft. The developer is Aviation Performance Solutions (APS), which is currently on airport sharing a hangar with the University of North Dakota. The University is growing and no longer has room, so APS will build a new hangar for themselves as well as the two spec hangars to help meet the pent-up demand in the market. Able Aerospace Services, a home-grown success story, will build a 40,000 SF addition beginning in December 2018. There may be three development projects under construction at the same time through private investment.

Bill Jabjiniak asked about availability in the Gateway Executive Park area.

Mr. O'Neill stated there are four lots across from Constant Aviation that just came off an option. There is still interest, although it will be marketed to others. Constant Aviation has growth plans for the Airport as well.

The 700-acre Northeast Development Area is in the preliminary stages looking at the land use and infrastructure planning. Between 45,000 and 50,000 cars a day travel up and down Ellsworth Road, and with the expanding SR 24 and Loop 202, there will be a lot of opportunity for both aeronautical and non-aeronautical development. Once the Master Plan for SkyBridge has been approved, the attention can be focused on developing this area.

Chair Ovando-Karadsheh asked if the Northeast Development Area was in an Opportunity Zone?

Mr. O'Neill replied that it is in an Opportunity Zone. It is also a Military Rezone and Foreign Trade Zone. There are a lot of good reasons to consider relocation or expanding at the Airport.

Brian Campbell asked if there are ways to take advantage of Opportunity Zones in connection with the Northeast Development Area.

Jeff Pitcher stated there is still time to take advantage of that opportunity, although it will close pretty quickly. We are still looking for additional guidance on the timing.

Mr. Campbell suggested working on marketing opportunities directed towards the Opportunity Zone Funds to allow those funds to get into that window.

Mr. O'Neill advised that there is some federal legislation that may serve as a catalyst. There was a synthetic \$2M cap on the construction of contract air traffic control towers. He credited Mayor Giles and Scott Butler from the City of Mesa and Ryan Smith from Phoenix-Gateway Airport for their tremendous efforts to create awareness and educate members of the House and Senate as to why this synthetic \$2M cap on AIP, which does not exist anywhere else, is creating challenges for a unique situation like Phoenix-Mesa Gateway Airport. The FAA has a lot of control over how that money is spent. Phoenix-Mesa Gateway Airport is unique because it is the busiest contract air traffic control tower in the entire country and the 35th busiest overall in the country. In the new FAA Reauthorization Bill, the cap is gone. We are now able to work with the FAA to use the AIP entitlement money the way we want to and be eligible for the discretionary money and the \$1B infrastructure initiative that the Trump Administration put into the last budget. If we are able to get more federal participation in our air traffic control tower, that will free up money for horizontal infrastructure development on the east side

Mr. Campbell stated that was a huge victory for the City. He asked what the Board can do to help package and drive the vision Mr. O'Neill articulated as well as partner with some of our resources and Opportunity Zones to help the Airport.

Mr. O'Neill stated the Authority Board and the congressional delegation are working to ensure that this project gets a hard look from the FAA as a demonstration project for that \$1B initiative. Whether it is at the local, regional, or headquarters level, the FAA wants to do this project. We already have the application in as well as letters of support. We are now in full court press mode to make sure that the FAA knows that this is a great project and a great use of that money.

Dominic Perry asked how many other airports in the US have the overlay of Opportunity Zones and the taxes and incentives that we have. What other cities or states that we compete with have this amount of land in an Opportunity Zone setting that does not necessarily have an airport?

Mr. O'Neill stated there are not many airports across the country with that combination of the Opportunity Zone, the Military Reuse Zone, the Foreign Trade Zone, and the available land. In meeting with prospective developers, we have several other opportunities that we can unlock. If there is interest in this area and in working with the City of Mesa, we will try to make it happen.

Bill Jabjiniak stated there are only two Military Reuse Zones in the state—Mesa and Goodyear. He noted that a lot of airports were included in Opportunity Zones in the state of Arizona. Both Falcon and Gateway are in Opportunity Zones. More people are starting to think around the airports and the economic growth. The Foreign-Trade Zone is unique and he felt there was improvement to be made in telling that story. It was well received when Mr. O'Neill's staff was at the NBAA recently. He has seen an increased interest in investment in particular around Phoenix-Mesa Gateway, not just on airport. The idea is to attract investment from an Opportunity Zone standpoint.

Jeff Pitcher advised that Deer Valley is in an Opportunity Zone. The difference between Phoenix-Mesa Gateway and Deer Valley is that Phoenix-Mesa Gateway has a lot of room as well as an established airport with commercial and other flight opportunities that Deer Valley does not. We have 30 months to make capital improvements that are equivalent to the amount put in, minus the land.

Mr. Campbell felt this discussion underscored the importance of the action the Board took last month authorizing the Chair to take all steps necessary to promote and protect Opportunity Zones. He encouraged the Chair to work with the Airport staff to promote and drive this message. The window is open for 30 months, and we need to strike in that timeframe as to some of the marketing opportunities.

Chair Ovando-Karadsheh asked how we can protect the Airport from housing encroachment as we look at this opportunity over the next 20 years to make sure the growth of the Airport is not being limited, much like the basin airports in LA due to the noise issues.

Mr. O'Neill felt there were two simple answers. One is zoning. The communities need to think long and hard about the long-term impact of zoning decisions today. The second answer is through disclosure. He did not think that residential encroachment by itself could ever shut down an airport or impact flight operations. It is the response and long-term reaction that is the concern. We are very protective of AOA (Aircraft Overflight Area) 1 and 2. Across the country, as far as development of residential in AOA 2, the FAA does not have a position. They do protect the AOA 1, which is the 65-dB noise contour. He felt the communities around the Airport were doing a good job of protecting it. Residential encroachment represents something different to everyone. We don't ever want one of the member communities to try to institute a voluntary curfew, as that will greatly impact the Airport.

Rich Adams, through his experience on the Planning & Zoning Board, felt one of the quickest ways to kill an airport opportunity is to build houses too close to it. He understood there may have been some recent changes to the footprint of the noise contours that allowed residential encroachment to get closer to the airport. He asked what caused those changes.

Mr. O'Neill advised that has been happening at every airport across the country. As aircraft technology gets better and the fleet mix of the aircraft changes, those noise contours will continue to contract. It happened at an airport he worked at for 20 years. With each master plan, the noise contours contracted due to the technological advancements in aircraft engines and the changing fleet mix.

Chair Ovando-Karadsheh noted that the fleet mix of cargo planes is different than the fleet mix of commercial passenger planes. She asked how the noise contour map will change as we increase the cargo traffic for SkyBridge. As we look forward at housing proposals within this range, how do we accommodate for the fact that the fleet mix today without SkyBridge is not indicative of the fleet mix 10 years from now with 2,000 additional cargo flights.

Mr. O'Neill stated that those cargo flights have been considered in the new noise contours. The Airport has always considered that their role in the region would be to develop cargo activity.

Deb Duvall noted that at one time when residential development was going to be near this proposed airport, the developers were required to show the noise contour paths and to have homeowners sign off acknowledging that they were made aware of the potential noise associated with their new home. She asked if that was still being done. She acknowledged that it is also like a parent signing a field trip permission form. The document ultimately means nothing.

Mr. O'Neill noted there was not much development going on in AOA 1. In AOA 3, whether it is Mesa, Gilbert, or Queen Creek, we have worked closely with the communities, the governing bodies, and developers, and there are certain requirements that each development project will need to undertake. In the City of Mesa, aviation easements are a declaration of an active overflight area and there are disclosure forms. The sales offices for the different developments have a map showing that the development is in an AOA 3 overflight area. It is tough to get away from overflight activity in the Valley as there is so much with Sky Harbor, Falcon Field, Chandler, and Gateway. Those types of disclosures are great for the first homeowner, although they may not translate to the second or third owner. They are working with the HOAs and realtors to make sure they are doing that type of disclosure.

Chair Ovando-Karadsheh noted there are about 134 calls a year regarding noise. We will keep track of those numbers.

Mr. O'Neill advised that the Airport's communications and community relations people work closely with those callers.

5. SkyBridge Arizona

Brian O'Neill stated SkyBridge is a very exciting 360-acre master development project working with a consortium of Mexican and US companies on a 49-year lease on the 360 acres. They are committed to investing \$40M to build out the horizontal infrastructure on the 360 acres, including the taxiway extension, the two entrance roadways, water, sewer, and IT infrastructure. They are in the process now of completing their site master plan which will go to the Airport Board for approval. They are also concurrently working with the FAA on environmental clearances. Two large parcels have been cleared through a categorical exclusion, and there will be an environmental assessment process on the remainder of the 360 acres. He acknowledged that the last time he addressed the Board, he used numbers from a SkyBridge proposal that could not be justified because the building mix in the master plan was unknown. He was comfortable saying that it will be millions of square feet of development and thousands of good jobs for the East Valley. Consumer Price Index increases, and fair-market value increases are integrated over the 49-year arrangement. There are minimum performance requirements that need to be met at years 15, 25, and 35. If those are not met, there will be an opportunity to pull back some of the 360 acres and offer it to another developer. They are anxious to get started and hopefully the Board will approve the master plan, the environmental process will be completed, and we will start to see some horizontal infrastructure being developed.

Brian Campbell felt this was another great victory for Mr. O'Neill's staff as well as City staff and the Mayor in bringing this to fruition. It appeared that the keystone component was the customs and logistics piece. That has to happen first before the aerospace innovation, the warehousing, and R&D. He asked about the components in the master plan to accelerate and drive that customs piece.

Mr. O'Neill stated the Unified Cargo Processing Program is, in essence, a bilateral trade agreement that allows Mexican customs officials to be housed full-time at Phoenix-Mesa Gateway Airport. That will allow for cargo bound for Mexico to be cleared here, and in the future for some Latin American cities as well. The cargo will leave Mesa and go into Mexico as a domestic product. For manufacturing and e-commerce, that will be a game changer. Currently, cargo takes two weeks to clear customs in Mexico City before going onto its final destination. The ability to clear customs at Phoenix-Mesa Gateway will allow companies like Amazon, Walmart, or Target to offer next-day or two-day delivery on those high-value e-commerce goods. There is interest in the opportunity to develop the Unified Cargo Processing Program as well as to develop some of the remaining acres for aeronautical and non-aeronautical components.

Mr. Campbell felt the challenge will be in breaking into the Amazon and FedEx systems. The logistics is the critical component. He asked about the ability to break into those systems to be able to offer that product.

Mr. O'Neill noted there is a spirit of cooperation between the US and Mexico in forming this strong bilateral trade agreement and he was confident they can get it all done.

The draft master plan is currently in its second iteration and is ahead of schedule. Concurrently with this project, they are also developing an Airport Master Plan Update. Once the environmental assessment on the 360 acres is done, it can then be incorporated into the Master Plan Update.

Chair Ovando-Karadsheh asked what the biggest obstacle was and how the Board could support the Airport.

Mr. O'Neill stated everything is going well and there were no obstacles right now. The FAA reauthorization was a huge lift and the City of Mesa was instrumental in that. He does a lot of work with Bill Jabjiniak and his team. As people become interested in coming to the Airport, he may need some people to meet with the companies to emphasize the value of relocating to Mesa. It is an exciting time to be at Phoenix-Mesa Gateway Airport.

Mr. Campbell expressed his appreciation to Mr. O'Neill and his team as well as the City's team in hosting the political event last month. It was an incredible challenge on very short notice. He has received great feedback and it was a huge grand slam for the image of the City.

Mr. O'Neill reported that the Mesa Police and Mesa Fire Departments were incredible, and their hard work and prior planning paid off.

6. Elliot Road Technology Corridor

JD Beatty reviewed the Overlay Zone, which the City put in place back in November 2014 to place a Light Industrial Planned Area Development Overlay on the Elliot Road Technology Corridor. This allowed property owners to opt-in to a new zoning that allowed for administrative review, additional height, and restricted some land uses. This resulted in a higher speed to market, taking the previous six-month rezoning timeframe down to six weeks. This has benefited large property owners in the area with agricultural or other zoning designations that would not attract the large tech companies.

Another selling point for the area is power. SRP has a huge receiving station at Elliot and Signal Butte. Along the entire north boundary of the Corridor there are 500 kV, 230 kV, and 69 kV lines. Most high-power users and data centers use 69 kV lines, although some do request 230 kV lines. A lot of other

utilities have up to 112 kV, whereas SRP goes up to 230 kV. SRP has their own dark fiber network. Cox, CenturyLink, and Zayo all have a large presence in the area. Zayo recently did a large expansion into the Tech Corridor and into other parts of Gateway, as well as Falcon Field and East Mesa, using our E-Streets conduit system which was started in 2001. The E-Streets conduit allows the telecom companies or end users to lease City-owned conduit to expand into areas more efficiently. That conduit runs along Elliot Road, Ellsworth Road, and Sossaman Road. CenturyLink is looking at an expansion using the E-Streets program as well. There is abundant and redundant infrastructure that has really helped to sell this area.

The Signal Butte Water Treatment Plant is another selling point for the Tech Corridor. It was just completed this summer and a grand opening will be held next week. Data center companies have a large dependence on water, although we are seeing a switch to air-cooled solutions. Niagara Bottling as well as semi-conductor companies have large water demands. The Signal Butte Plant provides 24 MGD (million gallons per day), and at full build-out is expected to go to 48 MGD. The Greenfield Reclamation Plant is located in Gilbert, although the City of Mesa is the main stakeholder. The City has plans for a 14 MGD expansion to be completed by the summer of 2020 at a cost of \$200M. This project will also support the flows from the Corridor as well as all of Gateway. Currently underway are the Elliot Road Streetscape Improvements to widen the road to six level lanes. There will be a unique and interesting monumentation at Ellsworth and Elliot to serve as the entrance to the Tech Corridor and make it more of a destination. That project is on schedule for completion in February 2019.

Over the last 18 months, some very large companies came to the area, including Apple's Global Command Center. Since April, about 475 acres have been sold to end users and developers in the Corridor. The Overlay Zone is approximately 1,000 acres between Elliot and the power lines. Eastmark has another 1,500 acres, 600 of which sit on Elliot Road frontage or Signal Butte, slated for large commercial users and mission critical development. Additional companies that have come into the Corridor include Niagara Bottling with 27 acres and a 450,000 SF facility; Dupont Fabros, which was acquired by Digital Realty, with a 57-acre campus; EdgeConneX with 170 acres on Hawes and Elliot; EdgeCore with 50 acres under construction; and CyrusOne with 68 acres. Apple has purchased an additional 7 acres and Dignity Health bought another 4 acres for medical office. Sunbelt Investments bought 68 acres on Elliot and Ellsworth for additional expansion from their Mesa Elliot Tech Park with spec industrial now underway.

In the last two years, a third or more of the Tech Corridor was sold. There are still millions of square feet planned for mission critical development in the Tech Corridor. Phoenix is now a top 5 market in the country for data center development. This has shifted over the last five years from the top 12 or 13 and Mesa has had a huge impact. The EdgeCore building will be done and powered by May of 2019. That will be a \$2B campus with 7 buildings of 1.25M SF, and they are already talking about additional phases. There has been a lot of coordination with SRP, utility partners, and telecom groups. SRP has planned a future 230 kV route expansion in the area. That will further enhance the reliability in this area and allow for groups who need 230 kV lines to pull directly into dedicated substations.

Bill Jabjiniak noted that some of the co-locate groups are asking for 69 kV and what kinds of easements are available. This is what the clients are facing with SRP. There are four different entities waiting for substation design at SRP today: Digital, CyrusOne, EdgeCore, and EdgeConneX. In addition, there are two other live entities in negotiations on two spots.

Brian Campbell felt this was a testament to the vision of the City in laying the ground work and moving forward. A few choke points have been identified. He asked how we could approach SRP or find a creative way to partner with them to alleviate some of those design choke points. It is almost a regulatory issue that will delay getting them into the ground.

Mr. Jabjiniak stated the Mayor and City Manager, Chris Brady, are already engaged and his team is working through the process. At the same time, there are design issues as well as issues with getting power to the site and having it be redundant. Originally, the thought was that everything would be fed along the existing line. We are now looking for alternatives. Power lines will not be run up and down Elliot Road with all of the investment that was made. There is concern about crossing Elliot to the south side. SRP is bringing the 230 kV line expansion, and now there is the 69 kV issue. We are also seeing other types of development with Dignity's recent ribbon cutting on the hospital. There are discussions on the medical office building, as well as El Dorado.

Mr. Campbell asked what the Board can do to help push through the power infrastructure.

Chris Brady, City Manager, stated that SRP has to recognize their role. Providing power is the longest lead time in the development process right now.

Mr. Campbell felt there could be a way to elevate the importance on SRP's to do list in this area and move it to the top.

Rich Adams mentioned the two pieces of state land that were part of the original right of way for the Loop 202. He asked about the chances that would come into play at some point in time.

Mr. Brady advised that there is a proposal being submitting to the City for annexation and for zoning that includes the whole inner Loop. The state land has joined with those property owners to include the land on the east and west side of Loop 202. Obviously, they feel there is the opportunity for developing that land and want the entitlements in place.

Dominic Perry noted that typically, commercial is a long-term land lease and with residential the land is sold. That has changed over the last few years and they are selling commercial land.

Mr. Brady did not believe there was any residential in the language on both of these areas, although he would need to go back and review the proposals.

It was noted that the area west of Ellsworth falls in an Opportunity Zone.

Mr. Beatty noted that Opportunity Zones don't help end users such as EdgeCore and CyrusOne as they are not selling their properties.

Due to the activity in the Tech Corridor today, we are looking at how to preserve the area next to the power lines, which is the number one selling point for the Tech Corridor. There are some competing proposals inside the Loop. The Morrison Ranch Business Center is a large 186-acre property zoned Light Industrial and Planned Employment Park. The Farm Sites Opportunities account for 320 acres, 68 of which is already actively listed. We have been actively engaged in bringing some of these property owners together to look at assembling larger parcels for both data center and industrial development. That could be the key to expanding the Corridor to the west.

Bill Jabjiniak stated the housing proposal for inside the Loop has been formally submitted for the area west of Hawes to approximately 80th Street running from the power line through Elliot down to Warner touching upon the 202. That sits at the corner of the Farm Sites Opportunity area. There is current discussion with a major user on the Morrison Ranch property. With regard to the housing proposal, we have tried to protect anything along the 202 to leave it as employment and not housing. There are a couple choke points at Hawes and Warner and the 202. There is residential along the Highway and Planning staff has some concerns. There is a lot of housing with lower to medium density along the power line as well. The study done by the City does not fight that development north of Elliot. That study will be presented to Council in early December. The Morrison Ranch Site and the EdgeConneX site could have both industrial and data center activity. 80th Street is approximately the midpoint between Sossaman and Hawes. Anything west of that mid-point is still zoned employment. They are asking for this minor General Plan amendment to allow housing.

Chair Ovando-Karadsheh asked why housing would be done along the power line when it is the only line running through the southeast Valley and the City is invested in the infrastructure to build and bring industrial growth and economic expansion.

Mr. Beatty did not feel there was a good answer as to why residential would be put in this area, especially with the success of the Corridor and the development that has been occurring. Residential can sell anywhere, but it should not be here. We have created a unique opportunity in Mesa and the mission critical community is highly invested and interested in this area. We would certainly like to keep out the residential.

Rich Adams noted that in his eight years on the Planning & Zoning Board, case after case that came forward with residential in this area always had the same bad argument. Someone was looking to make a fast dollar at the expense of the City's future economic development opportunities. Historically, these residential cases have consistently been denied for good reason—to preserve employment opportunities. In his opinion, this residential proposal should be denied. We also need to take a hard look at the noise contours, as 10 dB really makes a difference and people will complain.

Deb Duval served on Planning & Zoning prior to Mr. Adams and she dealt with the same issues.

Chair Ovando-Karadsheh was extremely impressed with what has occurred in the Elliott Road Tech Corridor. This Board would like to see that Corridor protected to the west for economic development and employment.

MOTION: Brian Campbell moved that the Board Chair be authorized to promote and protect the Elliot Road Tech Corridor by all measures necessary; seconded by Rich Adams.

Upon tabulation of votes, it showed:

AYES: Ovando-Karadsheh, Adams, Campbell, Christensen, Duvall, Perry

NAYS: None

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

7. Business Prospect Report

JD Beatty noted that the red downward arrows in the report are due to the 11 very large Etracks that the department responded to in the first quarter of 2017. The report covers a 12-month rolling window. Those 11 mega projects accounted for nearly 12,000 jobs, \$700M in payroll, 10.5M SF, and \$13.9B in CapEx. We have put a lot of time and effort into many of the projects that come through GPEC, and some we don't hear from again. In this case, the projects that we responded to were large RFIs and many were looking across the country.

Bill Jabjiniak reminded the Board that not long ago we talked about the lack of available space in Mesa and how we couldn't compete in both office and industrial. We are starting to see some progress. It is important for us to continue to play to our strengths—aerospace and industrial. The difference between logistics and industrial manufacturing is huge, and we need to continue encouraging properties for manufacturing use and not just logistics.

Mr. Beatty reviewed the existing inventory for Industrial compared to the prospects we received. There have been a couple of big spec projects that have come on-line, and we are starting to move the needle compared to last quarter in terms of meeting demand. The report was changed to include under construction, as requested at the last meeting. Those figures reflect The Landing at PMG which was recently announced as well as Phase II of the Metro East Valley Commerce Center. Last quarter, we did not have any industrial over 200,000 SF. One of the Metro East Valley Commerce buildings in Phase II is over 200,000 SF.

Brian Campbell stated that it seems like GPEC's pipeline is flattening and the square footage numbers are going to smaller projects. That is indicative of a softening in their pipeline, which means more work for us. We need to be able to aggressively pursue those prospects. GPEC's numbers are down for large projects and up on smaller projects. He asked why that is happening.

Mr. Jabjiniak noted that the GPEC report reflects three months' worth of activity. For industrial prospects over 100,000 SF, there were 23 leads. Prospects over 200,000 SF were down from 13 to 11. There is still a lot of good activity and we are starting to see a mix. The Landing at PMG site plan has three smaller buildings, one large, and two medium size buildings.

Mr. Campbell noted that the large projects were trending downward and the smaller projects were trending upward. That is why the whole square-foot aggregate number is softening and maybe drifting down a little bit. He asked if that was due to fluctuation in the market or something more systemic.

Dominic Perry noted that once the big projects are in, the smaller ones will come in behind to fill in the spaces.

Mr. Jabjiniak noted that GPEC had 46 industrial prospects in FY19, up from 44. He felt overall, it was pretty consistent. Eleven of those GPEC industrial prospects are over 200,000 SF, down from 13 in a 3-month window. We are seeing a mix and we will finally be able to compete at the large scale. We have had three LaunchPoint graduates and have retained none. One is looking at southwest Phoenix at \$4.40/SF compared to Longbow at \$7-8/SF. New start-ups are cost conscious. We continue to see a lot of interest in East Mesa, north and south. The interest in the Metro Commerce Center buildings is huge. It is a similar discussion on the office side. We are starting to get some inventory.

James Christensen noted in Arizona, 10 of the 15 banks made a lot less money in Q3 than in Q2. It was down \$20M. Out of all of the banks that opened in the last 15 years in Arizona, all but one shrunk in total assets in Q3. Housing starts are down, and the banks are making less money. If you look at the individual bank base, some had over 100% drop and quite a few were in the 20-50% range profit-wise in one quarter. He noted the rates keep going up on the deposit side, but on the loan side they are not. We are seeing the banks make less money and they are shrinking. The last time he saw this was in 2007-2008.

8. Director's Update

William Jabjiniak reported that SkyBridge has applied to the City to activate in a Foreign Trade Zone, which is a major step forward.

Two new staff members were introduced. Kimberly Gram is the department's new economic development specialist, previously with the Wolff Company. Will Novak is a new project manager, formerly of GPEC and the City of Phoenix.

On Ray Road, The Landing at PMG broke ground and the whole area seems to be under construction. There are 10 industrial buildings that will be under construction by the end of the year. There is a major development on 60 acres already submitted and going through the process including annexation into the City. We are excited about what is happening from Power to Hawes. Ray Road is only 8 or 9 years old and we are now seeing what the infrastructure investment has produced.

9. Other Business

The next EDAB meeting will be held on December 4, 2018, 7:30 a.m., in the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201.

10. Adjournment

Chair Ovando-Karadsheh adjourned the meeting at 9:07 a.m.

Submitted By:

A handwritten signature in black ink, appearing to read "William J. Jabjiniak", written over a horizontal line.

William J. Jabjiniak
Economic Development Department Director

(Prepared by Dana Desing, TEI: 14082507)