

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

Date: October 1, 2019 Time: 7:30 A.M.

MEMBERS PRESENT

Natascha Ovando-Karadsheh, Chair
Jim Kasselmann, Vice Chair
Rich Adams
Brian Campbell
Deb Duvall
Matt Likens
Christopher Nickerson
Dominic Perry

EX-OFFICIO

Mayor John Giles (Excused)
Chris Brady
Sally Harrison (Excused)
Jeffrey Pitcher
Jim Kalberer *on behalf*
of Dan Olson

STAFF PRESENT

William Jabjiniak
Jaye O'Donnell
Maribeth Smith
Kim Gram
David Packard

MEMBERS ABSENT

Brad Wilson (Excused)

1. Chair's Call to Order

Chair Ovando-Karadsheh called the meeting of the Economic Development Advisory Board to order at 7:32 a.m.

2. Items from Citizens Present – None.

3. Approval of Minutes from the September 3, 2019 Board Meeting

MOTION: Rich Adams moved to approve the September 3, 2019 minutes as presented; seconded by Jim Kasselmann.

AYES – Ovando-Karadsheh, Kasselmann, Adams, Campbell, Duvall, Likens, Nickerson, Perry

NAYS - None

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

4. It's All in the Numbers – A Comparison of East Valley Cities – Jaye O'Donnell

Jaye O'Donnell, Assistant Economic Development Director, presented statistics on Mesa's regional competitiveness and how Mesa compares to neighboring cities. This data is used by site selectors to make recommendations to companies in the site selection process. Areas of interest include income levels, home values, amenities, educational and demographic information. Potential employees also use this data when considering relocation. When comparing site locations, population is always a baseline. Currently, work force is the biggest issue facing employers today; not just the availability, but the quality and education levels. The cost of doing business such as labor costs, real estate, operation costs, taxes and infrastructure also impact decisions.

For comparison: Mesa's population - 511,334; Chandler's population - 278,303; Gilbert's population - 266,971; Tempe's population - 185,792. During the next five years, all these cities are projected to grow between seven and eleven percent. Median age is relatively similar: Mesa – 36.3; Chandler – 35.5; Gilbert 33.8; Tempe 29.6. The average household size is also similar with a range of 2.3 to 3. 2019 median home value: Mesa - \$237,000; Chandler - \$305,373; Gilbert - \$323,562; Tempe - \$268,609.

Chair Ovando-Karadsheh inquired if this is single family or all inclusive. Jaye O'Donnell stated they would confirm the single-family home numbers across the region.

Adults age 25 and older are considered the workforce and their educational attainment is a key factor that companies consider when searching for a location. Of Mesa's population over age 25, which is 341,000 people, less than one-third (27%) have college degrees. This category includes bachelors, masters and doctorates. Chandler and Gilbert are at 44% and Tempe is at 45%. Arizona as a state is at 45%.

Rich Adams inquired how these numbers have changed over the past five to ten years.

Jaye O'Donnell responded that Mesa's trend has remained relatively flat, improving one or two points over five years. However, there was a recent article in the AZ Republic that referenced how the state's education attainment has dramatically declined over the last 10-20 years. There is a real concern with the lack of population with bachelor's and higher degrees.

Chair Ovando-Karadsheh requested to look at Phoenix and Glendale numbers stating we do compete with Glendale and Phoenix often for projects. We are a larger community that also has a lot of diversity, lower housing numbers and we have a lot of Title I schools compared to Gilbert and Chandler. As we look at these numbers, it would be interesting to see if we can find a municipality that matches Mesa a bit more for comparison purposes.

Brian Campbell stated GPEC historically looked at the numbers by merging Chandler and Gilbert together into one unit which produces a population mass similar to Mesa's. This allows you to compare the quality that is generated in Chandler by the phenomenon of Intel, which Gilbert piggybacks upon. The numbers reflect the impact a large, quality employer has on educational attainment and it becomes the measuring stick I think you're looking for in terms of what we're trying to do to elevate equality in our community.

Chair Ovando-Karadsheh stated that elevating the equality has to be the goal, but we also have a huge swath of low-income housing and population in the city that Gilbert doesn't have, Glendale may have, and Chandler has it in sections but also a completely different housing picture. Jaye O'Donnell pointed out the category "some college" in this slide/infographic, represents individuals who have attended some college and not received a degree and also includes those who have attended college and received a certificate or associate degree. Those are combined for this infographic. If it were broken out, those that have completed a post-secondary associate degree would be 9% of the 36%. For discussion purposes, moving the 9% over to the 27% equals 36% of our adult population have some degree or above. By 2020, more than two-thirds of the occupations in the state of Arizona will require some post-secondary education with either a two-year training, associates or four-year degree. Mesa is sitting at 36% of its adult population having that currently. Just putting that in real numbers with our adult population of 341,000, 36% of that is 122,781 people. If we don't factor in population increases, we would need to have an additional 102,317 Mesa residents get associate degree or better to reach 66%.

Dominic Perry noted that Brian Campbell mentioned the Intel piece of this for Chandler. How many of those people in Chandler, Gilbert or Tempe are from out of state and bring that degree with them, they didn't achieve that degree in state or organically are brought up through our Arizona school systems to achieve that. We have been historically been a bedroom community. Whereas Chandler starts with an Intel and the surrounding communities have benefited from that and it brought other high-tech

industries with higher educated employees. As much as this is an education issue it's still very much a business development issue. If you want that number to go up, education is a big part of that. Another one is attracting high-tech industries that are going to bring those people.

A discussion took place regarding the importance and key factors of a good education system when potential employers and employees decided to relocate to a new location. Jim Kalberer stated that the education system was a key factor that he looked at when relocating his family to Arizona.

Jim Kasselmann shared that although the economy is hot, even that creates a challenge. Employees move around from one employer to another for competitive wages. His corporation is bringing more automation and they are looking at hiring employees with at least an associate degree.

Rich Adams inquired if the ASU recognition is benefiting this region, if not he inquired if there is anything that can be done to benefit from the recognition.

Deb Duvall commented that decisions over the past two to three decades made by the legislature and influenced by the business community have impacted significantly the quality, funding and numbers associated with everything we're looking at as it relates to education. It's not going to be solved one city or one community at a time. It is going to be solved by the legislature and the people we elect. The second comment is if you're going to be doing a comparison of cities, Glendale is not a bad idea; however, Glendale is only a high school district so you would also need to include Glendale Elementary School District that feeds into the Glendale Union. When she was in the position of superintendent, they would look at Peoria as our comparison district as it is a K-12 district. Also, there are areas in Mesa, when you group those elementary schools and the high school that they feed to, that would outrank practically any other segment in the state.

Bill Jabjiniak stated that in today's day and age initial site selection is done without contacting us. They look at the City as a whole and see the same data we do. Unfortunately, they don't break it down.

Fortunately, we do talk about the East Valley, which as you can see together as whole tells a good story. When they get into fine-tuning their decision making, Mesa competes with other East Valley cities. The point to this presentation is to see where we're today and discuss the issues that we hear in a competitive situation. This is why we occasionally lose higher value, higher wage jobs to other communities.

Jaye O'Donnell shared that Mesa Community College awarded 4,400 associates degrees and ASU awarded 25,000 degrees. Businesses and number of employee's categories tend to mirror the population trends, except for Tempe. Some of this is the natural density of Phoenix that spreads out to the East and West Valley. Tempe is attracting some larger employers and we will start to see more of that too in time. Tempe has 36% of Mesa's population and 72% of the number of Mesa businesses. Tempe has more businesses and the number of employees of those same companies is well above the East Valley cities.

Jobs to population ratio is another point looked at to determine the health of an economy. Comparing jobs to residents, Mesa has 160,000 employees, with a population of just over 500,000 the ratio is .3 jobs or 30% for every one resident. Tempe is actually importing employees from outside their community, 1.3 jobs for every one resident. Ideally you want to be a bit more balanced, striving for a one to one minimum. One job for each resident who is workforce age.

Chair Ovando-Karadsheh stated we must have jobs that are high wage jobs to change the story and that cannot be dismissed.

Median household income for Mesa is well below Chandler and Gilbert and slightly above Tempe. The per capita income is lower in Mesa than our three comparison cities. The network category is lower than Chandler and Gilbert but higher than Tempe.

Over the last eight years, office, retail and industrial has changed dramatically. Office is increasing dramatically in the other cities while Mesa has been relatively low in percentage change. Gilbert's share has remained stable at 14.5 percent over the last eight years. Mesa has the highest rate of growth in industrial development and absorption compared to the entire East Valley and also compared to the Phoenix region as a whole, but Mesa also experienced lower rates of growth in the office and retail categories. A few short years ago Mesa was very deliberate in pursuing industrial development and promoting opportunities, we were lacking the product and saw the demand. Mesa has done well by capitalizing on that opportunity and now it is time to focus on growing class A office space.

Jaye O'Donnell proceeded to the slide describing the office, retail, industrial and total percentage share. Mesa owns the retail category, while Tempe owns the office category. Mesa's share of industrial has increased. In the overall total commercial category, Tempe is just ahead of us at 32%, Mesa is at 30%, Chandler is at 26% and Gilbert is at 12%.

Rich Adams inquired if the retail number included Fiesta Mall and Jaye responded that it does.

Chris Brady inquired about the data showing Mesa as highest in retail, because he has another statistic that shows on a per capita basis Mesa is the lowest in the collection of sales taxes of all the East Valley cities.

Chair Ovando-Karadsheh noted that there is still a lot of retail vacancy especially if you factor Fiesta Mall into this, which generates no sales tax. It would be interesting to track our vacancy rates across other municipalities to see where we compare. If Tempe has all this office and it is not leased it is not generating any income.

William Jabjiniak stated that this data is based on real estate. The numbers tell us there is a lot of retail space, but the entirety of that space isn't generating tax dollars and we aren't generating as much per square foot as some of the new retail establishments. We will do some additional research.

Jaye O'Donnell also compared other cities with similar size and situation, next to a large metropolitan area where they were not the anchor city. Dallas-Fort Worth or Long Beach were somewhat close in population, median age, and average household size. The median home value was a bit lower in Dallas-Fort Worth, but a lot higher in Long Beach, as expected. Jaye stated she was somewhat surprised at how similar these cities were with regard to educational attainment. Mesa is at 27% bachelor's and above, while Fort Worth is at 30%, and Long Beach is a bit higher at 32%. The median income level and per capita income is very similar; however, the median net worth in Mesa is higher.

Chair Ovando-Karadsheh added that homeownership tracking would be interesting and would tell a great story.

Jaye O'Donnell stated education was a big topic of discussion today. Our high school students are strongly encouraged to fill out the free application for federal student aid. Currently, 43% of our students complete the form with a goal of 55% next year. However, even if we reach that goal, we will be in the bottom five percent nationally. We must find ways to increase post high school enrollment. Based on the number of degrees we need in this community and the state, not only do we need to import talent, we need increase more access to college. We need to graduate more students from college and then we need to improve the K-12 system. What can we do as businesses to better support the K-12 education system? You can support a college-going culture making sure that you are encouraging students to not only complete high school but to complete post-secondary; offer training programs that offer a certification or something of value; hire apprentices; hire interns and fund college tuition for your employees to get them into college.

We need to tell the Mesa lifestyle story and effectively showcase all of the cultural amenities, dining and shopping options, recreation, sports, transportation and education options, as well as executive housing we have to offer.

We need to support quality development on the commercial and residential side. Mesa needs more Class A office space as well as more diverse housing which includes urban housing, more density and quality executive housing.

Rich Adams commented that he agrees with the conclusions and these challenges have not changed. Visit Mesa is working hard on the brand and focuses on telling the story.

Chair Ovando-Karadsheh added we need to do a better job of bragging about our accomplishments, or businesses, our people and we need to engage the community in being proud to live and work here.

Jeffrey Pitcher commented we have grown by focusing on our strengths. We have been able to do this in the dark days of the recession because of our ability to focus. I think Bill and his team have done a great job especially from where we began, and I think that we can use that as a basis for growing.

5. Mesa Redevelopment Areas – David Packard

David Packard, Management Assistant II, presented Redevelopment Area (RDA) project updates to the Advisory Board.

The presentation began by reviewing some key redevelopment terms. The term “blight” is the term in state statute that is being determined when it comes to finding an area that needs to be redeveloped. There are nine different conditions/classifications of blight factors. Some of these are visual, such as unsanitary or unsafe conditions or deterioration of the site. Or it could be non-visual such as a diversity of ownership that can make it a challenge to redevelop, such as Fiesta Mall. When there are a number of conditions of blight in a concentrated area, that's when the City might look to create an RDA. There are two parts; first is a partial study evaluating the nine blight conditions and second is to create a plan for redevelopment of this area. There are a number of State statutes that govern RDA's contained within A.R.S. Title 36, Chapter 12, Article 3. Another definition is “Central Business District (CBD)” “which is a single and continuous area that exists entirely within an RDA. There can be multiple RDA's in the city, but there can only be one CBD. “Government Property Lease Excise Tax (GPLET)” is a method to introduce a tax abatement and incentives for developers. The project would need to take place within the RDA and the CBD to offer the maximum benefit of the GPLET.

The next slide was a map of West Mesa with four RDA's. The Town Center RDA, which constitutes generally the square mile in downtown on Broadway, University, Country Club and Mesa Drive, this was the first RDA in 1999. The three most recently RDA's are the Southwest RDA which includes Fiesta Mall, the West RDA which extends from Downtown to the Tempe canal boarder and the East RDA, which follows University Drive, Main Street and Broadway Road from Downtown Mesa to Gilbert Road. The Town Center RDA was designated in 1999 and over the past 20 years there have been numerous accomplishments. Some of these accomplishments include the light rail, which came in about 5 years ago, the Mesa Arts Center (a \$100-million-dollar facility) about 10 years ago, the i.d.e.a Museum, the adaptive reuse of Southside Hospital Mesa into Benedictine University and the courthouse which is now the Mesa Center for Higher Education. Currently the LDS Church's Mesa Temple is closed right now for renovations. City Creek, the development arm of the LDS Church, is developing 240 market-rate apartments, 12,000 square foot of institutional space and 450 underground parking spaces. Construction is to be completed in late 2020 to early 2021. In 2016, the Southwest RDA was initiated to try and redevelop the Fiesta Mall area. The plan was adopted in 2017 when the parcel study was conducted. There were 52% of parcels, or 62% of the area, that exhibited at least one blight factor. About a month ago there was a development agreement adopted by City Council on the Alma School and Southern southwest corner. The plan for this area is 220 market-rate apartments and retail. The development agreement states the buildings will be demolished by December 2020, and the apartments are to be completed by third quarter of 2022. On the southwest corner of Country Club and Southern is a strip center that is being redeveloped that includes 24/7 InTouch, a large employer in

Mesa with 1,200 jobs. They had an expansion in 2018 and have another planned expansion in 2020. In 2017, Economic Development undertook a project to simultaneously create a west and east RDA. In the West RDA, 2,141 of the 3,794 parcels, or 56.4% of the parcels, and 80.5% of the acreage had at least one blight factor. The number one recommendation in the redevelopment plan is the creation of an Asian multicultural district. Recently, there has been organic growth in the west Mesa Asian community. In a two mile stretch along Dobson Road, we counted more than 70 known Asian owned businesses.

Jim Kasselmann expressed this development is positive for enticing employees for a company such as Dexcom, which has a San Diego plant and opened another location in Mesa.

Bill Jabjiniak noted they will tighten the focal point from Main Street down Dobson Road, south of Broadway. The surveys and input from the community will be important to make an impact in a short window. This will continue to grow in time but right now we are looking at what does the community want and what can we do to help identify, brand and celebrate the area.

David Packard mentioned that the City launched a survey last week to gather community input for the area. Currently, there have been more than 300 responses. There has also been positive reception and coverage on KTAR, and AZ Central did a piece a couple of days ago. Once the research is finished that will develop into some marketing concepts. Another project in the West RDA recently, the AT&T corporate campus at 1355 West University Drive has developed a new state-of-the-art customer call center which is a 97,000 square foot facility within that corporate campus, with 500 jobs created.

The East RDA was designated in 2017 at the same time as the West RDA and the plan was adopted in 2018. The main corridors are University Drive, Main Street and Broadway Road extending out to Gilbert Road. In the West RDA, 57% of parcels and 51.5% of acres exhibited at least one blight factor. Back in May 2019, the 1.9-mile light rail extension was opened from Mesa Drive to Gilbert Road with two additional stations at Stapley Drive and Gilbert Road, including a park and ride.

David Packard also noted that there have been legislative changes recently to the RDA statutes. A.R.S. 42-6209, Section F states that before October 1, 2020, all cities must review all blighted areas designed before September 30, 2018. The East and West RDAs were most recently designated areas in September 2017, but all four of Mesa's RDAs will need to be reviewed. After the review, the City shall either renew, modify or terminate the CBD. If that CBD is renewed, then the CBD will be subject to reviews on a 10-year cycle. If not renewed, the blight designation or RDA would automatically terminate on September 30, 2025. A consultant will be hired in October to help with the parcel reviews. In the end of 2019 and the beginning of 2020, we will do a quick review of the Southwest, West and East RDA's. A more thorough review of the Town Center RDA will be completed as it has been a little while since that area was designated. Tentatively we are planning to present these CBD findings to Council in the Spring and potentially renew the CBD designation by City Council adoption and ordinance. Depending on the blight findings, we may create another Town Center Redevelopment plan in the Spring or Summer timeline of 2020.

Bill Jabjiniak restated that the RDAs will need to be recertified within a year. Although it's important that we appreciate the positive changes that have taken place, we intend to be proactive and take a hard look at the analysis property by property.

Rich Adams commented that he thinks the Asian District is great. At a travel conference a gentleman that arranges tours from China spoke to Rich about the new district in our City. We have an asset that we can really play up.

6. Director's Report

- Introduction of Lori Collins, Deputy Director of Strategic Initiatives. Lori was with the City of Phoenix and began her career here in the City of Mesa.
- Attended the Able Aerospace dedication at Phoenix-Mesa Gateway Airport September 5th.
- Attended the Abrazo Mesa Hospital ribbon-cutting ceremony September 19th.
- Press items:
 - Media release on Opportunity Zones, the Asian District.
 - Skybridge Development - An interview with a reporter from an El Paso, Texas TV station who also writes The Border Report. The interview also ran on TV in Los Angeles and Oklahoma, Mexican News Daily and Yucatan Times. The first of two SkyBridge buildings will breaking ground on October 28th.
 - Union Groundbreaking – October 22nd
 - Home2 Suites groundbreaking – October 2nd
 - The Mesa Chamber of Commerce is holding its first What's Happening Tour on October 30th. A three-and-a-half-hour bus tour of southeast Mesa including a continental breakfast at Dignity Health, on-airport tour of PMGA and lunch at Eastmark. Bill will narrate the tour.

7. Other Business

None

- Other Business / Next Meeting

The next EDAB meeting will be held on November 5, 2019, 7:30 a.m. in the City Council Chambers, Lower Level, 57 E. 1st Street, Mesa, AZ 85201.

8. Adjournment

Chair Ovando-Karadsheh adjourned the meeting at 8:57 a.m.

Submitted By:



William J. Jabjiniak
Economic Development Department Director

(Prepared by Beth Ann Schuster-Moore, TEI: 12032601)