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City Council Report

Date: October 20, 2025

To: Mayor and City Council

Through: Scott Butler, City Manager

From: Jaye O'Donnell, Economic Development Director

Frank Adams, Economic Development Project Manager

Subject: Development Agreement between City of Mesa and Hadrian Automation, Inc (Council District #6)

Purpose and Recommendation

The purpose of this report is to present to Council a proposed Development Agreement (DA) between the City of Mesa and Hadrian Automation, Inc. In discussions with Hadrian, the company anticipates its new advanced manufacturing facility located in Mesa could generate up to 350 net new jobs and the company may invest upward of $200 million in the location.

To encourage investment in a long-term project and for Hadrian to employ individuals who reside in Mesa in those newly created, high-paying jobs, the DA establishes a Mesa Resident Job Creation Program.

The DA details the structure of the program and provides Hadrian with a reimbursement in the amount of $750 per Mesa resident employed, not to exceed $75,000. Reimbursement will only occur after the Mesa resident is hired and employed by Hadrian as a full-time employee for one full year and Hadrian has provided the Mesa resident employee with at least five hours of professional development training. Such reimbursement will only be available if Hadrian invests at least $131 million at the project within two years and creates at least 300 new jobs at an average salary of $71,000 within five years.

Staff recommends that the City Council approval of the proposed Development Agreement between the City of Mesa and Hadrian Automation, Inc.

Background

Hadrian is a privately held advanced manufacturing company specializing in vertically integrated Computer Numerical Control (CNC) machining. They primarily support the aerospace and defense industry but are not limited to just that. Their technology allows them to be versatile in supplying any industry with precision machined parts.

They were founded in 2020 in Torrance, CA. Their factory in Mesa will be their first major factory outside of their headquarters.

The City of Mesa, working with the Greater Phoenix Economic Council (GPEC) and Arizona Commerce Authority (ACA), assisted Hadrian in their evaluation of multiple sites in Mesa. After careful evaluation, Hadrian leased a speculative shell building in Southeast Mesa at The Cubes at Mesa Gateway. The building was constructed on the site formerly occupied by Motorola.

Discussion

Hadrian plans to construct, operate and maintain a CNC machining advanced manufacturing facility at 10101 E Pecos Rd in the Cubes at Mesa Gateway development. Hadrian’s facility, anticipated to be completed in several rolling phases, will infuse a minimum of $131 million in capital investment and a minimum of 300 net new jobs.

Hadrian’s major advanced manufacturing operations will generate additional momentum Mesa by:

- Creating a minimum of 300 net new jobs over 5 years with an average annual salary of $71,000 not including the value of health insurance and other benefits paid by Hadrian
- Building out 270,000 SF of manufacturing space at the site
- Investing $131 million of capital over five years

Hadrian will be operating under rolling phases of buildout. This means that they plan to have some administrators and one line of operations in the building and operating by 1/1/2026, and continued buildout of the rest of the facility, including the other manufacturing lines, R&D space, storage and distribution and office space will be brought online as it completes. The factory will be in production the whole time allowing Hadrian to be generating revenues and hiring employees continually.

The DA encourages Hadrian to employ City of Mesa residents in their newly located advanced manufacturing facility through a reimbursement in the amount of $750 per Mesa resident employed after one-year of employment, not to exceed $75,000. To receive the reimbursement, Hadrian must employ the Mesa resident for one full year at an annual salary of no less than $71,000 and provide the Mesa resident employee with at least 5 hours of professional development training. Therefore, the reimbursement will take place after the company has hired a Mesa resident for a full-time position and the resident has been continuously employed for 12 consecutive months. The program reimbursements will be made over a period of five years.

Should Hadrian hire 100 Mesa residents at an annual wage of $71,000, those jobs are expected to generate about $9.7 million <u>more</u> in direct wages, over the five years of the program, for Mesa residents than if the same jobs were paid at the median wage of $48,630—a direct public benefit, the value of which exceeds the maximum $75,000 reimbursement available to Hadrian under this agreement.

The DA also requires Hadrian to complete at least $6,000,000 in tenant improvements at the Property, invest at least $125,000,000 in equipment to be used on the Project, and employ no fewer than 300 full-time employees (regardless of residence) with an average annual wage of $71,000. If Hadrian does not meet these conditions, it will not be entitled to any reimbursement and is required to refund any reimbursement payments already made by the City.

Alternatives

<u>Direct Staff to Modify the Agreement:</u> Council may direct staff to modify the Agreement. The impact is unknown except for the likely project delay to any additional expansion phases to the project while parties return to negotiate.

<u>Take No Action:</u> The Council could choose to take no action or table the item until a future date. The impact of any delay, specifically the DA, may result in Hadrian choosing to delay or halt any additional phases of their project in Mesa.

<u>Not Approve Development Agreement:</u> The Council may choose to not approve the Development Agreement, which may hinder progress for the continued growth as proposed and Hadrian could potentially consider options outside of Mesa or to hire employees who do not reside in Mesa.

Fiscal Impact

The fiscal impact of the DA as drafted and recommended is, at a maximum, $75,000 in reimbursements. However, based on the required $71,000 minimum salary for reimbursement versus the county median wage of $48,630, the 100 Mesa employees are expected to generate about $9.7 million <u>more</u> in direct wages for Mesa residents over the five years of the program, according to a third-party economic impact analysis.

Coordinated With

The Office of Economic Development has worked closely with the City Attorney's Office.