

## MEETING MINUTES

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

Date: October 3, 2017      Time: 7:30 A.M.

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### MEMBERS PRESENT

Jeff Pitcher, Chairman  
James Christensen  
Deb Duvall  
Jim Kasselmann  
Dominic Perry  
Laura Snow

### EX-OFFICIO

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

### STAFF PRESENT

William Jabjiniak  
Pat Block  
David Packard  
Jaye O'Donnell

### MEMBERS ABSENT

Natascha Ovando-Karadsheh, Vice Chair  
Matt Likens  
Laura Snow

### GUESTS PRESENT

John Lewis, East Valley Partnership  
Mike Hutchinson, East Valley Partnership  
Councilmember Mark Freeman

### 1. Chair's Call to Order

Chair Jeff Pitcher called the Economic Development Advisory Board meeting to order at 7:33 a.m. Mayor Giles and Councilmember Freeman attended the meeting.

### 2. Items from Citizens Present – None.

### 3. Approval of Minutes from the September 12, 2017 Board Meeting

As no changes or corrections were requested, Chair Pitcher called for a motion to approve the minutes from the September 12, 2017 meeting.

**MOTION:** James Christensen  
**SECOND:** Dominic Perry  
**DECISION:** Passed unanimously

4. School Readiness Discussion – Mayor Giles expressed his appreciation for the Economic Development Advisory Board's service to the community. He noted that the City Council does review this Board's minutes as these are important issues. He acknowledged Board member and former School Superintendent Dr. Duvall. Mayor Giles described growing up in a family of educators as his father served as a Mesa Public School Principal for 32 years. Mesa kindergarten teachers report children are failing to register a score on assessments more often as the needed skills are just not there. What can we do as a community to remedy this situation? There is no funding for Pre-K unless a child test's into special education. Mesa does not have a primary property tax, wholesale tax, or grocery tax, and must always figure out how to pay for various items. Mesa Public Schools Superintendent Michael Cowan had advised Mayor Giles that the community could play a role in helping to get kids ready for kindergarten. City Manager Chris Brady previously served as the Deputy City Manager in San Antonio, Texas, where

a sales tax initiative was passed for a Pre-K program. He understands the connection between early childhood education and workforce development as well as economic development.

Two years ago, the City Council created an Early Childhood Education Task Force comprised of community leaders in education, health, and business to research and explore kindergarten readiness challenges and solutions over a six-month period. Their report was provided to Board members and is also available online. Mayor Giles summarized some key points from the report. Only one-third of Mesa's children are enrolled in a qualified preschool program, while the national average one-half. Mesa has been known as a great place to raise kids, due in part to the quality of its schools. We are slowly losing that legacy and need to reclaim the Mesa brand as a community that values education. There are many economic benefits to a good education system. There is a political will as well as a desire to remedy the situation, although there are no funds. People enjoy the low level of taxation in Mesa. We need to be innovative and figure out a way to accomplish this through philanthropy, the business community, and the existing city resources such as museums, libraries, and the parks and recreation system.

Utah has a universal Pre-k program modeled through the Waterford Institute with a high-quality online academic program to help prepare kids for kindergarten with a minimum of 15 minutes a day. Education experts and pediatricians advocate for less screen time, not more. The preferred way would be to have more brick and mortars and highly qualified teachers, although we can't afford it. The Utah model not only provides the devices and online classes, they also assign mentors to each of the children and their parents. This model is now being explored in Mesa and City Council has allocated funds as a seed project with matching funds from the Mesa Education Foundation. There are plans for a soft roll out after the first of the year, with the goal for next fall to have 1,000 kids enrolled. The critical number of 1,000 kids will bump Mesa up from one-third to one half for children enrolled in a Pre-k program. There are many community partners that recognize this issue as a serious problem, and this model provides a great opportunity for Mesa. Mayor Giles noted this is not a finished product and improvements will be made throughout the process. Some funders felt it was a great cause, but stated just because you build this does not mean they will come. He noted an interest from philanthropists and he is excited to begin fundraising efforts to support a two to three-year program. There are entities interested in providing the devices or other portions of the program, as well as existing resources which can be utilized to develop this as a Mesa Public Schools program.

Mayor Giles referred to a Brookings report on the success of innovation districts across the country. Innovation districts are anchored by research institutions and take advantage of new transit systems, parks, and new housing. In reviewing the map of an innovation district, he noted many similarities to Mesa. Brookings has been invited to come to Mesa to present on this topic in either October or November.

#### Board Discussion:

Comment: Brian Campbell felt the mentor model in Utah is exciting. He is intrigued by the possibility of marrying the mentor/Pre-K system into ideas from Mesa Counts on College and College Readiness. On the workforce side, we keep moving back earlier in the school system and find that the parents, especially in an underserved population, have difficulty engaging in the system and understanding the process. The mentor component is a great start, although he recommended extending it as a student goes through the Mesa school system and into the existing programs.

Response: Mayor Giles agreed the mentor aspect is key and takes it to another level which would enable our certified teachers to strengthen the relationships between family and school.

Comment: Deb Duvall advised there is a way to support this at the state level. A number of years ago, Mesa started an Early K program for children whose 5th birthday fell between September 1st and December 31. At that time, the state statute indicated a child had to be 5 by December to enter kindergarten, although there was an exception in the statute allowing the school district to make the

decision on an individual basis for those kids whose birthday fell in a gap period. Those children could be enrolled in half day Early K, and the following year in half day kindergarten. Later, full day kindergarten was made available in certain schools. A study was done at the 4th and 5th grade level and it was discovered those kids who had half day Early K as well as half day kindergarten were doing as well or better than those that had the full day kindergarten. Also, there were a number of schools in the Mesa district that used the Waterford K-3rd grade program. There are many other good preschool programs and there should be a way to find enough funding to support some type of program. It was also suggested to look at block grants and federal government grants. There have been other school readiness programs operated and supported by some people in the Metro Phoenix area. Holmes school had a 5-year preschool program funded entirely by one individual. There are local models out there to show the skeptics that if you build it, they will come.

Comment: Rich Adams noted the concern on screen time, which he felt is inevitable. It is the future. The variable is what is on the screen and is it valuable to education. Most kids today have some type of device and know how to use it. He felt this is an intriguing idea and one worth pursuing.

Comment: James Christensen agreed the mentor component is key. He noted some of the kids at Red Mountain High School are working to help pay for rent and food. How will a mentor support the household if they are barely getting by? There are people in the community willing to donate time to be a mentor.

Response: Mayor Giles felt volunteers are a great model, although there is some concern with volunteers having a vested interest. In this type of program, we want highly qualified school teachers who can be held accountable.

Comment: Jeff Crocket stated this group spends a lot of time discussing education and the importance of workforce and recruiting and retaining the kinds of jobs we want in our community. This underscores the importance of the work we do here. There is no substitute for income in terms of increasing educational attainment. As a group, we focus on bringing good quality high paying jobs into Mesa that can provide the kind of income to allow parents to not be so not focused on just getting by day to day, so they are able to spend more time with their kids.

Question: Chair Pitcher asked if there are teaching interns who may be available for this type of mentorship.

Response: Deb Duvall stated that would depend on the particular requirements of a certification program. If we had a structured program to offer to universities or colleges, we may be able to work something out with their placement personnel.

Mayor Giles felt the idea was worth exploring. He mentioned partnering with the ASU Mary Lou Fulton Teachers College to host an early education program.

Question: William Jabjiniak asked Mayor Giles to share some data with the Board on the need as well as the Waterford program.

Response: Staff confirmed the Early Childhood Education Taskforce report contained a lot of data and graphics.

Mayor Giles stated this initiative is data driven with measurable goals. The first goal would be to bring Mesa up to the National average with one-half of the kids enrolled in quality preschool, and then to measure the impact in the community. There are challenges with testing 4-year-olds, although we can measure how many are in the program. The Waterford research shows evidence that kids who went through the Pre-K program are outperforming in middle school.

Comment: Deb Duvall advised the Pre-k assessments are about much more than a test with a pencil and paper. The ability to hop, know right from left, recognize and understand a stop sign, and many other factors are considered as developmentally appropriate for 3- to 5-year-olds.

Mayor Giles thanked the Board for their time and will keep them updated on the Brookings presentation. Mike Hutchinson of East Valley Partnership was in attendance for the next agenda item on the Angel Investment Initiative, and also served on the Early Childhood Education Taskforce. He noted Mayor Giles has been working hard and making progress on raising money for this Pre-K project.

**5. Angel Investment Initiative** – John Lewis summarized some key points in the handout provided on the Angel Investor Initiative, also available online at [www.investphxev.org](http://www.investphxev.org). This is a regional partnership between East Valley Partnership, Arizona Tech Investors and the Phoenix and East Valley communities to raise awareness of the importance of this type of investing and to enhance access to early-stage funding for tech startups. Free workshops are being offered from October to March to help identify, educate, and activate Angel Investors. The first workshop will be held October 4, 2017 in Chandler with 38 people signed up. Future workshops are being considered in Mesa. This presentation has been shared with Chandler City Council and is available to this Board to share as well.

William Jabjiniak explained there has been increased emphasis by the Mesa City Council to become more active in the entrepreneurship side. A piece that has been missing is the financing.

John Lewis noted this region has a good tech ecosystem, although what is missing is access to early stage funding. Angel Investing can help to bring small startup companies to the next level.

Brian Campbell noted as a region, we do not have a lot of Venture Capital funding as we don't have the Angel seed innovation pipeline. If we can fill the pipeline, we will be able to attract the Venture Capital money from Silicon Valley and other places. This initiative will get us into that pipeline.

John Lewis reviewed Angel Investors versus Venture Capitalists. Angel investing money is typically in the range of \$25k to \$2M, whereas Venture Capital's are \$5M and up. Many Angel Investors are successful entrepreneurs and retirees with an interest in giving back to the community. To be accredited with the Securities and Exchange Commission to be an Angel Investor requires a net worth of \$1M, an annual personal income of \$200k, or a family income of \$300k. There are benefits to investing as a group rather than solo. The percentage of success is 50%, as in any investment. Angels can expect to invest for a longer period than Venture Capital's, although startups benefit from a higher percentage of success. Arizona has great percentages in new ideas and innovation compared to the rest of country, although Venture Capital money is low compared to other states. One of the goals for this regional initiative is to identify and activate 250 Angel Investors. At some point, the regional Angel Investors may wish to pool funds in a Sidecar fund.

#### Board Discussion:

Comment: Brian Campbell had participated in an Angel Fund through ASU in the Las Sendas area. This would pair well with what we are doing at LaunchPoint, as deals are vetted out in the process before being presented to the Angel Investor fund. He felt this is a great opportunity many would be able to qualify for under the criteria.

Question: Chair Pitcher asked if this would be creating a fund, rather than pairing individual investors to start-ups.

Response: John Lewis stated the plan is to educate potential investors on where to go to invest in our region. As a non-profit entity, this will open the door and provide the information for people to determine if they want to make such an investment. The Sidecar Fund has not been created, although it is a possibility through the ATI group.

Question: Deb Duvall asked about any limitations for the East Valley specifically with regard to recipients or benefactors.

Response: Mr. Lewis advised this is an initiative which will help the whole region, although our network of people is primarily in the East Valley area and potential investors will be directed towards companies in this region.

Comment: James Christensen noted there were no banks mentioned in the presentation, although banks are also an exit for Angel Investments. He was somewhat surprised at the annual income criteria of \$200k to qualify, as that would not typically lead to \$1M net worth. This information could be presented to banks to push out to their clients. His bank has taken out several groups of Angel Investors.

Response: John Lewis felt bankers would definitely be interested as once the company grows it would come back to the bank. Mike Hutchinson noted the \$1M net worth would exclude the personal residence.

Mike Hutchinson invited the Board members to the workshop tomorrow night, even if only to listen in.

**6. Elliott Road Technology Corridor – “Where do we go from here”** – William Jabjiniak reviewed the Elliott Road Tech Corridor boundary map, with Apple anchored on the southeast corner of the red outlined area. This corridor has streamlined entitlements, a lot of infrastructure and power, a water treatment plant to be completed in May, as well as freeway and airport access. The infrastructure is at 90% design for roadway improvements. This idea was born about 5 years ago in conversations with DMV in Scottsdale to take Elliot Road with all of its resources as it relates to the Price Road corridor. The Price Corridor (a \$4.6 billion investment to date) contains a variety of entities that have created a demand for hotels and restaurants. That vision started with a data center concept similar to where we are at today.

The Elliott Road Tech Corridor completed projects include Apple, DuPont Fabros which is now Digital Realty, and Niagara with a 450,000-square foot building. Dignity Health has run into some financial issues with their partner, Adeptus Health. At last week's Chamber board meeting, a comment was made that Dignity is looking at buying all of the Arizona assets outright. This facility will activate in early 2018 with additional land which was purchased for medical office. EdgeConnex on the west side of the 202 has completed the purchase for a data center.

Active prospects for the Elliott Road Tech Corridor – The rest of the Nelson Stewart property is under agreement. That is on the west side of the 202, with that area in demand because of the power substation there. We are now lacking in inventory with the demand for industrial. There are six different industrial projects underway in Mesa. Not long ago, we had to protect against residential encroachment coming up from the south with Eastmark.

Infrastructure improvements – We are at 90% design due to start next year with roadway improvements, including branding, three lanes in each direction, streetscapes, and the Crismon alignment. There is more activity and interest in the area of Elliot Road west of the Nelson Stewart property to Power Road. Access to power will be important, and the water lines have been extended to Sossaman.

On Ray Road, there are seven different active projects. One is on the north side of Ray Road along the 202 ramp for a retail establishment of 30k square feet. Adjacent is a 100k square foot retail user. This gives up industrial land for retail uses due to the visibility from the highway. EuroContempo Cabinetry is underway and there are several industrial spec buildings. The state-owned property along Power and Ray has been approached by a retail developer for 63 acres. It will go to auction in November and money has been advanced.

Gateway Aerospace Park is in final negotiations with a developer. It will have an international flair with customs access, and Skybridge Partners is working with the airport with an announcement anticipated later this month.

Pecos Road – The focus will be on advanced manufacturing with the potential for mega sites. Most of the area is in a foreign trade zone. Staff is actively promoting, and we can now get through the entitlement

process in 6 weeks instead of 6 months. There is infrastructure in place for large users with access to the highway and airport.

State Highway 24 is currently under design heading east from Ellsworth Road to Ironwood Drive, with construction to be completed in 2021. How do we develop around this strategically? There is over a mile of proposed residential and a small area of mixed use commercial development to the north of State Route 24. Is this what we want? There needs to be some residential, and we can protect around the intersections. Bill Jabjiniak asked for comments from the Board.

#### Board Discussion:

Question: Jeffrey Crocket asked how many property owners are in the subject property?

Response: There are just a few owners.

Question: Chair Pitcher asked what size spec industrial buildings are we looking for?

Response: The larger the better, as much as we can.

Comment: Dominic Perry stated we need large industrial as well as office. Near State Highway 24, there is a need for residential, although it is a long way from Phoenix. Ideally, there would be job centers so these people don't have so far to go to work. That means industrial, office space, and expanding the tech corridor to Power. There is no sense wasting all of that power in someone's backyard.

Comment: Brian Campbell referred to the Pecos Manufacturing Zone and the State Highway 24 expansion, which are long term visions. He is more interested in expanding the tech corridor in that area. He works with the Gateway Airport area on developments and there are significant residential threats to this critical area. He suggested keeping this item on the agenda. These are critical parcels we have been waiting to invest on for a long time.

Response: Bill Jabjiniak referred to the wide-open piece close to Power Rd near the canal, which Howard Morrison owns. This is zoned light industrial with an overlay, but is not in the corridor and would be subject to the normal zoning process. It is across from the rest of Morrison Ranch in Gilbert. This piece sits directly below the power line down Elliot Road and is already annexed into the City. There is proposed mixed use with heavy residential in that area as well, which will stop the Elliot Road Tech Corridor in its tracks. The power line has a good size buffer and there is interest in running additional power.

Comment: Rich Adams, during his experience with planning and zoning, dealt with the issue of residential encroachment into areas where the City could better benefit from employment areas. This is something we need to be continually vigilant about, as the folks who own land want to make money, and it is not always in the best interests of the City. He would like to see a noise contour overlay on the map of residential and mixed use.

Response: Noise is not an issue out to the east near the 24. The flight path off the runway was reviewed going north of the 202 and then east. Allegiant is changing out the loud MD-80s for air busses. Noise contours have been adopted by the airport.

#### **7. Director's Update**

William Jabjiniak stated there have been discussions with the State Land Department and that is why we are encouraging the retail development. The piece on Ellsworth and 202 was not on the radar. Now the developer has stepped up and included the state land. That is one of the six Amazon sites. The sites being submitted today include the quarry at Alma School and 202, Fiesta Mall, downtown along the light rail corridor, 202 and 60, Eastmark, and the state land on the southwest corner of Elliott and Ellsworth.

The quarry is a county island with more than 100 acres on both sides of the highway, and our site is focused south of the highway.

In the interest of time, Bill Jabjiniak will provide the remaining updates via email.

Comment: Rich Adams advised that at some point it may be appropriate for this Board to make a statement to City Council regarding the importance of protecting these employment and industrial sites against residential encroachment as well as other threats.

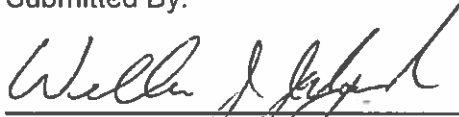
#### **8. Other Business**

The next meeting is scheduled for November 7, 2017 at 7:30 A.M.

#### **9. Adjournment**

With no further business before the Board, Chair Pitcher adjourned the meeting at 9:08 a.m.

Submitted By:



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William J. Jabjiniak  
Economic Development Department Director

(Prepared by Dana Desing, TEL: 14082507)