



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, March 26, 2015

3:00 p.m.

Library Boardroom, Civic Center Library
3839 N. Drinkwater Blvd, Scottsdale, AZ 85251

-
- PRESENT:** Mayor W.J. "Jim" Lane
Councilmember Linda Milhaven
- ABSENT:** Councilmember David Smith
- STAFF:** Danielle Casey, Economic Development Director
William Hylan, Assistant City Attorney
Rachel Smetana, Chief of Staff – Mayor's Office
Robert Tunis, Economic Development Manager – Business Retention
Mark Paratore, Economic Development Specialist
- GUESTS:** Mark Snyder, Snyder Nationwide - Chaparral Suites
Jay Snyder, Snyder Nationwide – Chaparral Suites
Paul Alessio, UEB Builders – Chaparral Suites
Denise Yanez, Foreign Trade Zone Administrator – City of Phoenix
Roc Arnett, East Valley Partnership
Megan Doyle, Scottsdale Convention & Visitors Bureau

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 3:08 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of December 11, 2014 Minutes

COUNCIL MEMBER MILHAVEN MOVED TO APPROVE THE MINUTES OF THE DECEMBER 11, 2014 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS PRESENTED. MAYOR LANE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF TWO (2) TO ZERO (0).

2. Chaparral Suites Redevelopment Overview

Mark Snyder of Snyder Nationwide and owner of Chaparral Suites, said the Snyders have been in Arizona since territorial days. Today, the family business is to find underperforming hotels and add value to them that the community will find relevant. A recent family project in the Silicon Valley won an international design of the year award from Hospitality Design Magazine. The latest project is a local one. Scottsdale's Chaparral Suites sits on 15 acres at the corner of Scottsdale Road and Chaparral Road. It features 312 guest rooms, 50,000 square feet of meeting space, and 607 parking spaces. The family will spend about \$20 million on the renovation, transforming it into the Embassy Suites Scottsdale. Embassy Suites is the highest reparable producing brand in the Hilton family. Hilton approved a 20-year franchise agreement, which is unheard of.

Mr. Snyder said the product improvement plan is designed to make this a special property that typifies the Scottsdale experience. The renovation will touch upon every aspect of the property, and include complete room renovations, and new public spaces and meeting places. The design motif will be Southwestern with a Spanish European influence. It will neither be rustic nor modern, but timeless. The landscape and circulation plan will be redone, and the building will be reskinned. Parking will be moved away from Scottsdale Road, and that space will be used for a turnout.

Mr. Snyder explained that the project will employ local trades, contractors and design firms. He displayed various schematic designs of the proposed public spaces. The lobby will be expanded and greatly enhanced. The landscaping will be xeriscaped but lush, and the grounds will feature several fire pits. Guest room layouts will be opened up slightly, and security features overall will be enhanced. Furnishings and finishings will be of four-star quality. The design theme used in public spaces will be carried into the rooms, but softened to create a more tranquil environment. The renovation will almost triple the revenue currently generated on the property.

Mayor Lane inquired about ideas to modify the utilitarian look of the exterior walls. Mr. Snyder explained that the balconies would remain, but designed around. Paul Alessio of UEB added that the overall look will be updated with smooth stucco and higher contrast colors. The Scottsdale Road façade will be designed to create a sense of arrival. Mr. Snyder stated that short retaining walls will block the views of cars to create more of a resort feel than a motor lodge feel.

Mayor Lane said the project is an exciting one, it is good that Scottsdale can attract this kind of investment. The location is great and the renovation fits in well with what Scottsdale is doing downtown. The property will be majorly enhanced. He inquired about plans to keep the hotel open during the reconstruction. Mr. Snyder responded that the goal is to start working on the guest rooms by July 15. One hundred rooms at a time will be taken out of circulation for 30-day periods. Work on the public space will begin in either August or September and should take 60 days. Mr. Alessio added that the layout of the resort is in three sections, making it easy to close off one section at a time without impacting the others.

Mr. Snyder said Hilton has high expectations of what is needed to create a successful property, but this renovation will exceed them. The residents and the city will be proud of the transformation. Jay Snyder stated that it will be important for the project to wow guests and bring them back to Scottsdale. Mayor Lane offered the subcommittee's assistance in facilitating the project. Councilmember Milhaven said this enhancement will ensure that the property remains a viable resort and will add to the energy that is building downtown.

3. Foreign Trade Zone Processes and Procedures

Denise Yanez, City of Phoenix Foreign Trade Zone Administrator, provided a general overview of the Foreign Trade Zone (FTZ) Program. A foreign trade zone is a restricted access site that is designated by the Foreign Trade Zone Board. It is considered outside of U.S. Customs territory, allowing special customs procedures to be used that can save businesses money. Companies cannot apply for foreign trade zone designation on their own; they must be sponsored by a grantee. The City of Phoenix is the grantee for Foreign Trade Zone 75, serving Maricopa County, and portions of Pinal and Yavapai counties. FTZs are designed to expedite, facilitate, and encourage U.S. participation in international trade, increase global competitiveness, and retain and create jobs.

Ms. Yanez explained that goods imported into FTZs are not subject to duties and tariffs until they enter customs territory for U.S. consumption. Benefits include duty reduction, deferral and elimination; logistical advantages; and cost savings. Arizona also offers property tax benefits related to activated FTZs. U.S. Customs provides daily oversight of the activities within an FTZ. Approval requires a single application for the designation of the FTZ campus, and then separate applications for each individual user.

Ms. Yanez explained that users report to both the grantee and U.S. Customs. They are required to submit annual reports on the type of activities they conduct in their zone. That information is compiled and used to demonstrate the program's value to Congress. Interested companies must obtain City Council support and secure concurrence letters from U.S. Customs, local taxing jurisdictions, and landlords. The board reviews applications. If awarded, the company works with Customs to activate and use the facility under special privileges and procedures. The board reviews operations to determine whether they are consistent with U.S. trade policy and whether they will have a positive impact on the U.S. economy.

Mayor Lane noted that submittals have to demonstrate that value is being added to products in the U.S. before they can be exported. Ms. Yanez explained that individual inputs might have separate duties applied, but products as a whole have a lower duty rate than the combined total of the parts. The initial process has become much easier for applicants. Manufacturing companies primarily benefit from savings on duties and tariffs, while distribution companies benefit from logistical and weekly entry advantages.

Ms. Yanez reported that grantees make legal agreements with all applicants, and must sign intergovernmental agreements with the communities that users are located in. Grantees are expected to provide administrative oversight for communities, particularly in regards to taxes. Grantees also enter into operating agreements with each of the users. Companies must evaluate whether the fees and costs associated with participating in the program make sense financially.

Ms. Yanez said Arizona users of FTZs primarily come from the consumer products, textile and footwear, and chemical industries. Nationally, most users come from the petroleum, vehicle parts and vehicles, and consumer electronics industries. Arizona has seven FTZs, some of which overlap. Some sites have multiple properties that are not contiguous.

Council Member Milhaven inquired whether the Airpark makes Scottsdale a more attractive place to set up an FTZ. Ms. Yanez responded that it could be, but the board has implemented a sunset provision to avoid creating zones where nothing happens. Because the application process is now so easy, it is better to wait until a client really needs an FTZ before starting the process. The board has also placed limits on the number of magnet sites that a grantee can have, in order to limit speculative designations. Danielle Casey stated that economic development has received inquiries about creating a FTZ in the past and this could potentially be a useful tool for Scottsdale in the future.

4. Economic Development Strategic Plan Implementation

Danielle Casey, Economic Development Director, reported on the mid-year metrics as of December 31, 2014. 411 new jobs have been created or retained that economic development has been materially involved in. The average wage for these jobs is \$61,000. Business retention visits are on target to exceed the annual goal of 100. The department is focusing on business retention program growth; as well as increasing participation in regional, local, and state outreach efforts. Staff is launching more internal lead generation activities, and trying to

get in front of more site selectors and brokers in an effort to attract 1,100 new jobs for the fiscal year.

Ms. Casey said staff visited with 86 companies last year as part of the business retention effort. A healthcare and Cure Corridor business focus group was recently held. Feedback from participating companies was tremendous. An area of potential focus is building connections between local firms for clinical trials. Economic development is pursuing grants to help profitable companies understand their growth opportunities. The next fiscal year will see Eureka Loft taken in a new growth direction in response to changes in the way ASU is deploying their Rapid Start School and representation in the Alexandria Network. They want to streamline the program to serve all libraries in the same fashion. Economic development is using this opportunity to creatively expand Eureka Loft in ways that were not possible under the original arrangement.

Ms. Casey said economic development has become much more proactive in strategic marketing. A number of new initiatives have been created, including an interactive flight map, documents specific to each employment corridor, market studies and reports, and the expansion of social media presence. Mayor Lane inquired about traffic on the updated website. Ms. Casey reported that the traffic has increased by 75 percent in the first few months following re-launch.

Ms. Casey said the implementation phase of the strategic plan is to determine the resources available, identify priorities, and define responsibilities. Everything the department is doing is designed to help drive wealth generation to ultimately enhance the quality of life in the community. Unified messaging spreads the word about Scottsdale's hallmarks of success, including the quality of life, the environment, the engaged citizenry, a quality built environment, and the richness of amenities. Community partnerships are emphasized throughout the plan. The department's vision is to have everyone on the team certified. The vision for the business environment is to create a well-known and sought after business brand, that Scottsdale's employment centers are sought after locations for young firms, and that the city and employers work closely together.

Bob Tunis, Manager Business Retention reported on the results of the department's talent recruitment program and its recent participation at the South by Southwest Job Market in Austin, Texas. A recent survey undertaken by the Greater Phoenix Economic Development Council (GPEC) reported that ninety-eight per cent of technology companies in the valley are currently hiring and about two thirds have large openings for talent. The new talent recruitment effort includes a new website, launched in only four days to highlight tech jobs in Scottsdale, and the recruitment drive at the South by Southwest festival in Austin. Sixty-five applicants agreed to have their information shopped out to area employers. Three of the companies have already requested specific information on applicants. The show presented an opportunity to build awareness of all the companies that are operating in Scottsdale. The results of the trip greatly exceeded expectations. Ms. Casey stated that the message being sent to the workforce is that Scottsdale is a place where the best talent should want to be. Councilmember Milhaven said she spoke to a local business owner at the mayor and council breakfast who expressed confidence that it has become easier to attract tech workers to Scottsdale in recent years.

Ms. Casey said economic development is working on new initiatives to spur growth in downtown. Vacant storefronts will serve as platforms to promote Scottsdale tourism and activities. A Toronto road show is planned with GPEC for either June or July. A 30-second video has been produced to highlight Scottsdale as a place to do business. The spot will run on video streams at up to ten area resorts. A national campaign is being planned for the next fiscal year. A greater emphasis will be placed on leveraging existing firms as lead opportunities.

5. Economic Development Department Report

Danielle Casey, reported that the jobs portal is a work in progress. Recruiting.com agreed to create a widget that plugs into the website and it features only Scottsdale area jobs. Phoenix Startup Week was a big success. There were two locations in Scottsdale, and over 2,300 people showed up to events over the course of the week, which is a new record.

The economic development second quarter report is now available online. A comprehensive relocation guide has been created to help attract corporate executives to the area. The information in the guide became the basis for the work portal. A video will be produced to dispel some of the misconceptions that exist about living in the desert Southwest.

Mark Paratore explained how Eureka Loft is now being used for weekly tech recruiting and hiring events. Through eight weeks, 150 candidates have been interviewed, and 95 people have been hired by the company Zenefits. Mayor Lane said it is another great use for the Eureka Loft.

5. Open Call to the Public (A.R.S. §38-431.02)

Roc Arnett said the East Valley Think Tank is assembling a meeting of local school districts to address local employer needs and discuss ways to improve workforce development efforts, and that these discussions were a direct result of comments made by members of the Scottsdale economic development team (Bob Tunis).

6. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:02 p.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.