



## COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

### APPROVED SUMMARIZED MINUTES

Thursday, May 21, 2015

4:00 p.m.

Economic Development Conference Room, Civic Center Library  
3839 N. Drinkwater Blvd, Scottsdale, AZ 85251

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- PRESENT:** Mayor W.J. "Jim" Lane  
Councilmember Linda Milhaven  
Councilmember David Smith
- STAFF:** Danielle Casey, Economic Development Director  
Rachel Smetana, Mayor's Office – Chief of Staff
- GUESTS:** Rachel Pearson, Vice President of Community & Government Affairs  
- Scottsdale Convention & Visitors Bureau  
Chris Camacho, President & CEO - Greater Phoenix Economic Council

#### **Call to Order/Roll Call**

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:00 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

#### **1. Approval of March 26, 2015 Minutes**

**COUNCILMEMBER MILHAVEN MOVED TO APPROVE THE MINUTES OF THE MARCH 26, 2015 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS PRESENTED. MAYOR LANE SECONDED. THE MOTION CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILMEMBER SMITH WAS NOT PRESENT AT THE LAST MEETING.**

#### **2. Community Partnership Program**

Chris Camacho, President & CEO of the Greater Phoenix Economic Council (GPEC), said Scottsdale should be proud of its economic development team for the successes they have achieved. He reported that the GPEC Board adopted the FY2016 numbers this morning. Twenty-two cities across the region are members of the organization, and 187 private sector companies fuel about 65% of GPEC's operating revenue. Through the first 10 months, 27 locates have been tracked in 13 different cities. GPEC has generated 227 active projects this year, which is a strong trend, and just under 6,000 net new jobs have been created.

Mr. Camacho stated that GPEC is working on a new initiative to highlight the lifestyle attributes of the market so that key executives can grasp the livability opportunities that come from living here. GPEC is placing a renewed emphasis on engagement with member cities. Not all communities enjoy the same economic development assets that Scottsdale does, and they don't all gain projects at the same level. Staff is working to educate members on how the regional economy works and explain how one relocate can benefit multiple communities.

The Council on Competitiveness is meeting for the first time on June 16. The group will work to develop better connectivity to the base industries that are driving the regional economy. Corporate 100 is an initiative that began last year to target companies that are headquartered outside of Arizona, but have major operations in Arizona. GPEC is working with the Maricopa Association of Governments (MAG) on an effort to identify high impact districts throughout the region. There are 152 designated employment centers in this market, and this effort ensures that those corridors are well represented nationally. International visibility will be ramped up through various PR models this year as well.

Mr. Camacho said GPEC is conducting a market asset inventory to increase the connectivity of member companies. For example, the Healthcare Leadership Council is defining where the centers of excellence are in healthcare and biomedical industries. Clear messaging is being developed for each target industry. Market intelligence is an initiative to vertically research industries so as to identify the top companies in each sector, learn what is happening to them, and identify developing trends. GPEC goes on several roadshows each year. The next one is in southern California on June 5, where 70 companies have been invited to attend. The Velocity Initiative aims to understand how the market needs to compete with other regions.

Mr. Camacho explained that GPEC is a returns-driven organization. For every dollar invested, \$53 has been returned in terms of the benefit derived from companies that enter the community. Scottsdale has had 14 locates and 2,200 new jobs since 2011, and is continuing to trend positive. For the first time since the recession, the region dipped below 20% in office and industrial vacancy rates.

Councilwoman Milhaven inquired about the economic development impact of phasing out the personal income tax. Mr. Camacho responded that phased corporate income tax reduction was passed in 2010. Corporate income tax revenue was worth about \$500 million to the state. The state has a very competitive corporate income tax today, and he felt the commitment should be maintained. Once the rate hits 4.9% in 2018, the policy should be reviewed to study its impact on revenue. ASU studied the proposal to phase out personal income tax as well, and estimated it would have a \$3 billion impact on the budget. In the states that have phased out personal income tax, other taxes have increased accordingly. If it is eliminated in Arizona, the question is where the lost revenue comes from. He said the state's current budget position does not make that likely to happen today. Arizona is not losing jobs because of high personal income tax rate. On the other hand, Arizona is second only to Texas in its commercial property tax rate, and when companies want to invest in laboratories and heavy infrastructure, the state has a higher tax burden.

Councilwoman Milhaven inquired about the impact of the state drastically reducing education funding. Mr. Camacho said there were significant cuts to the post-secondary system and K-12. Arizona needs an educated work force, and education is a lynchpin to future success. It's too early to comment until the governor's new education reform model is revealed, but he has made it clear he would not support an education tax. Other markets have been through this transition and have emerged in favorable positions.

In response to an inquiry from Mayor Lane, Mr. Camacho explained that GPEC has not been able to brief the Governor's Office on the Velocity Initiative yet. The plan is to build small wins first to showcase what Velocity can do. There are no tax plans for fundraising. Money could come from the private sector.

Councilmember Smith inquired whether GPEC has a target for the average wage of both recruited jobs and residual jobs. Mr. Camacho responded that GPEC has a target average wage for direct jobs created of \$50,000. The induced indirect jobs generally come with an

average wage of between \$19,000 and \$25,000 on the service side. The supply chain of a manufacturer might not be tied into the service sector. Velocity's goal is to induce more base industry jobs that will lead service sector job growth, not just drive service sector job growth.

Ms. Casey added that the average wage for all jobs in Scottsdale is \$61,000, but there is a big difference between median and average.

Councilmember Smith questioned whether Scottsdale could preserve its average wage advantage in the region by targeting \$50,000 jobs. Mr. Camacho responded that Scottsdale has a much higher average than the region does at \$40,000, but a lot of the higher wage jobs are likely to come to the Scottsdale submarket. The induced workers may or may not decide to live in Scottsdale. Mayor Lane noted that creating more high-wage jobs means that more demand will be created for service jobs, which should increase their compensation as well.

Ms. Casey added that the situation gets complex considering that for each industry, the multiplier rate and the types of jobs they're generating vary dramatically. Councilwoman Milhaven said Scottsdale welcomes every new resort that opens in the community, even though each of them adds lower paying jobs that will skew the average down. Call centers no longer move to Scottsdale because the real estate is too expensive to make it viable. Scottsdale will naturally get its fair share of the higher paying jobs. Councilmember Smith clarified that he was suggesting that the information simply be tracked.

### **3. Economic Development Strategic Plan – Implementation Strategy**

Danielle Casey, Economic Development Director, said every team member creates a work plan for their area of responsibility. Anything in the work plan that does not connect back to the strategic plan is questioned as not serving the department's ultimate goals. Timelines are established for each of the goals, some stretching over multiple years. Many items will depend on the success of previous items. Two sets of metrics will be tracked: government metrics and economic development metrics. These metrics will help establish baseline data that will be compared to competitor markets or strong regions that Scottsdale wishes to emulate.

Ms. Casey stated that the first goal of the department is to retain and grow economic drivers and employers. Some of the initiatives include setting up meetings with high level companies, continuing the think tank events on industry sectors, and annual appreciation visits to businesses that have moved to Scottsdale.

Ms. Casey said the next high-level goal is to support efforts that will enable present and future employers to cultivate, retain and attract the talent they need. There is no entity that is explaining to companies where all the community's resources are. If someone looks at jobs in the Phoenix area, there is not one central source. Economic development would like to make Scottsdale the location of choice for top talent. Businesses United Supporting Schools wants the department to be part of an advisory group on enhancing K-20 education. The Work Scottsdale initiative will continue to be developed. The relocation guide will be updated and improved based on recent feedback.

Ms. Casey explained that the third goal is to focus efforts and investment in strengthening key employment centers. The centers are defined as the airpark, Cure Corridor, downtown, and the McDowell Road corridor. The text amendment that city council passed recently to encourage redevelopment in the airpark is going to attract more technology-driven industries. Many

developers are unaware of the measures council has approved that can help them redevelop those properties. Economic development has been working with tourism to implement the

Tourism Five-Year Marketing Plan. Staff is working to ensure that all city departments associated with downtown are communicating with each other and not reinventing the wheel.

Ms. Casey reported that the Industrial Development Authority approved funding support for the Scottsdale Gateway Alliance (SGA). The matching funding can hopefully be leveraged to raise more matching grants in the community. The SGA has a complex proposal for a branding initiative for the McDowell area. They want to create a recognizable brand to support the economy and the growth of the area, and will incorporate public input following an extensive outreach effort. The Cure Corridor event has been a success, and discussions are turning towards how to use that momentum to pursue an initiative.

Ms. Casey said the fourth goal focuses on national and international engagement. Economic development has been educating other city departments on its efforts, and helps them become partners and advocates. Staff is continuing to increase business appreciation visits every year, and will travel with GPEC to the Toronto roadshow in the fall.

Goal five is building a Scottsdale business location brand on top of Scottsdale's tourism brand. Resorts are being contacted to determine their interest in an in-house channel devoted to business. Messaging is being developed that will focus on unique business elements but in a way that will be complementary to Scottsdale Convention and Visitors Bureau (SCVB) and other tourism industry efforts. The messaging will address misconceptions about living and working in the desert, and emphasize how Arizona schools are different because of the choice that is provided and the flexible subject offerings.

Goal six is to grow and attract quality firms and jobs, both domestic and global. Each industry has a custom one-page information sheet listing the reasons they would want to move to Scottsdale. Scottsdale could be the site of promotional events for Phoenix Startup Week. Staff is looking for funds to enhance Eureka Loft with furniture and sound mitigation so that it can better hold meetings and create mentorship opportunities. ASU is helping the city with funding for the trademarking of the Eureka Loft name. Economic development contacted all developers of new multi-family housing in the south Scottsdale area to get a better idea of how the demographic trends in that area are going to shift in the next three years.

Ms. Casey explained that general government metrics are factors that economic development cannot directly affect, but will help build an understanding of how the economy is performing. These can include net new firms established, annual overall job growth rate, per capita income, Gallup and Harris polls on quality of life, citizen satisfaction ratings, in-migration as a share of population change, average earnings per job, unemployment rates, etc. The metrics from an economic development standpoint are metrics that the department already tracks, such as leads received, conversion rates, marketing and brand awareness, number of people recruited, average wage of all jobs created, etc. Councilwoman Milhaven and Mayor Lane commented that this information could be shared by e-mail with the full council, but that they had no suggestions for additions or deletions.

#### **4. Economic Development Department Report**

Danielle Casey, Economic Development Director, reported that Scottsdale was awarded the Economic Development Defined by Excellence - Large Community of the Year award from the Arizona Association for Economic Development. The criteria for the award include the activities

and accomplishments that were completed by the department, as well as considering how actively the practitioners gave back to the profession. Mayor Lane congratulated the team for

their accomplishment. Scottsdale received the award once before in 2006, making it only one of two cities to have received it twice.

Ms. Casey said economic development has launched its own YouTube channel to market Scottsdale and also to follow other business threads. The channel features many video testimonials. Booker Software listed a variety of reasons for choosing Scottsdale, which include the quality of life, the appeal of Arizona, the friendliness of the community, the ability to get traction in a smaller market, and the cost factors. They needed more convincing about the quality of the software labor force, but staff talked about the city labor improvement strategies and economic development philosophy. Booker is looking to hire 25 to 50 employees during the first year. Staff is working to convince them that they can bring in other business units that require a more highly educated and experienced workforce.

Ms. Casey stated that the quarterly report has been released. There are some items in the pipeline that should get the department close to achieving its job attraction and retention goals by the end of the year. About 150 new jobs have been announced in the past month. A few recent think tank events for the Cure Corridor and for tech companies have gone very well. Companies were introduced to each other and staff received feedback on their industries and learned how the city can help. The Work Scottsdale initiative has been successful. More than 12 companies have signed up as partners on the work portal page on the website and 2 employees met at South by Southwest have been hired by a Scottsdale company. Staff is working with the Capital Group, a Phoenix company that is closing down, to try to connect their employees with Scottsdale companies that are looking for workers. She reported that economic development has been engaged in site selector marketing campaigns.

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

There were no public comments.

**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.