



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, February 11, 2016

4:00 p.m.

Eureka Loft, Civic Center Library 2nd Floor
3839 N. Drinkwater Blvd, Scottsdale, AZ 85251

PRESENT: Mayor W.J. "Jim" Lane
Councilmember Linda Milhaven
Vice Mayor David Smith

STAFF: Danielle Casey, Economic Development Director
Rob Millar, Economic Development Manager for Business Attraction
Karen Churchard, Tourism Department Director
Christian Green, Economic Development Manager, Economic Development Department
Mark Paratore, Economic Development Specialist

GUESTS: Brad Smidt, Senior Vice President, Greater Phoenix Economic Council
Gary Drummond, Industrial Development Authority
David Gulino, Industrial Development Authority

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:06 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of December 10, 2015 Minutes

VICE MAYOR SMITH MOVED TO APPROVE THE MINUTES OF THE DECEMBER 15, 2015 MEETING AS PRESENTED. COUNCILMEMBER MILHAVEN SECONDED. THE MOTION CARRIED BY A VOTE OF THREE (3) TO ZERO (0).

2. Greater Phoenix Economic Council Annual Update

Brad Smidt, Senior Vice President, Greater Phoenix Economic Council (GPEC), provided the update. There has been a lot of interest in the market with approximately 280 prospects currently considering the Phoenix area, with the potential addition of 21,000 jobs. There have been 24 locates through the end of January with another 16 pending through the end of March, resulting in approximately 40 locates in the first three quarters of the fiscal year.

There has been a gradual change to more advanced business services, such as State Farm expansion and Farmers Insurance with a 1,000 job expansion at Pinnacle Peak and the I-17. Areas of expansion include office and insurance services, customer service, back office, IT and other processing. Carlisle has chosen the north Phoenix area for its headquarters relocation. The market is strong for warehouse, distribution, and fulfillment on food processing.

Mayor Lane asked which category the 21,000 potential jobs fall into. Mr. Smidt replied that the majority are back office and administrative. In the last five years, 54 percent of prospects have been in office sectors. Office prospect companies are seeking spaces under 25,000 square feet, while industrial prospects are seeking 200,000-plus square feet.

The pillars of the plan include:

- Solidify the region as a place where businesses want to locate and grow
- Create quality jobs
- Strengthen regional model by organizing around workforce development issues
- Lead policies and dialogue to drive consensus around competitiveness

Strategies include attracting scalable companies and technology operations at a lower cost than New York, Chicago, the Bay Area and Los Angeles, as well as attracting quality employers internationally.

Danielle Casey, Economic Development Director, interjected that a subcommittee of local economic developers as GPEC members is being formed to help GPEC develop a three-year Foreign Direct Investment strategy.

Mr. Smidt stated that the consultative model has been refined with research capabilities enhanced to gather, provide and effectively interpret data to provide the best consulting services to clients.

Mayor Lane asked whether Select USA is more engaged than its predecessor, Invest in America. Mr. Smidt replied that Select USA is working with the state and GPEC. He added that there is a longer term proposition with these groups to drive the message and brand of Arizona and Metro Phoenix. The council is engaging targeted audiences through digital platforms as well as partnering with cities to enhance location and regional infrastructure and community preparedness.

Mayor Lane referred to the objective of increasing the number of direct source prospects and leads and asked whether it involves a concerted effort to engage existing businesses as it relates to contacts with the overall planning process for major companies across the country. Mr. Smidt replied that it is a blend of increasing the web of contacts and reach-out to technology industries through conferences and other avenues. Competitiveness strategies involve developing a regional market intelligence system to identify growth opportunities and threats. Work continues with state and federal policy makers on new economic development and competitiveness programs.

Advocacy for workforce development initiatives continues with ASU, community colleges and other educational institutions to support advanced industry growth. This is accompanied by innovation and commercialization as well as through collaborations with peer organizations. Mayor Lane referenced the movement for a statewide unified transportation plan and suggested collaboration of involved entities to address economic development.

Mr. Smidt discussed projected outcomes from competitive actions. These include:

- Increase number of data driven actions
- Improve competitiveness
- Coordinate economic development policies aligned with long-term goals
- Expand labor pool to meet industry needs
- Establish innovative partnerships
- Build a nationally recognized economic development program

3. Industrial Development Authority of the City of Scottsdale Update

Tim Stratton was unable to attend the meeting and outside legal counsel, Gary Drummond gave the presentation. He introduced David Gulino, Secretary of the Industrial Development Authority (IDA) of the City of Scottsdale. The IDA was established in 1984. It is a separate, nonprofit corporation and designated as a political subdivision of the State of Arizona. Directors are appointed by Scottsdale City Council. The IDA has the power to issue bonds for projects as provided by State statute. Examples of projects for which the IDA may issue bonds include manufacturing facilities, healthcare institutions, educational institutions, museums, and facilities owned and operated by 501(c) 3 entities.

Proceedings under which bonds are issued require City Council approval. Over the past 32 years, the IDA has issued bonds worth over \$1.25 billion. These include a series of bond issue for Scottsdale Healthcare, Westminster Village, Notre Dame Preparatory High School and the Foundation for Senior Living. The applicant pays the Authority an annual fee, which is typically a percentage of the amount of the bond issued. Fees are used for funding the expenses of the Authority as well as promotion of economic, social and cultural functions of the City. Grants include funds contributed to ASU technology, the Arizona Technology Incubator, Scottsdale Healthcare's RADAR Program, the Cure Corridor, the Senior Meal Delivery Program, and the Scottsdale Gateway Alliance branding initiative.

In response to a question from Vice Mayor Smith, Mr. Drummond stated that the authority's website includes information on the application process. There is a designated period of time during the year to review and assess applications. The authority works with the Economic Development Department for guidance on the types of projects for which bonds can be issued.

Mayor Lane referred to the change to Honor Health and the debt that Scottsdale Healthcare (now renamed Honor Health) had with the city for many years and asked about resultant strain on available financial resources. Mr. Drummond replied that a merger of boards has resulted in more divergent opinions with a couple of bond issues recently refunded through the Arizona Health Facilities Authority. It has not dramatically affected fees received, as there are still a number of bond issues with the hospital that cannot be refunded. The IDA believes that it is clear that the authority's marketing activities need to expand.

Mr. Drummond addressed challenges facing the authority, including the existence of over 50 county and municipal IDAs in the State. There is overlap in bonding authority between industrial development authorities and other authorities, including the Arizona Health Facility Authority. Districts can issue bonds and municipal property corporations can finance projects. For example, the Scottsdale Municipal Property Corporation funded the Museum of the West. In addition, there is legislation to create a state Industrial Development Authority, promoted by the Governor. It does not replace county or city IDAs, but will be another player in the arena.

Mr. Gulino addressed efforts to meet these challenges, including planned events with bonding professionals to attract business. The IDA for Scottsdale is a tremendous resource, however it would be beneficial to have a business plan that is in concert with the City Council. The IDA consists of the monetary program, including contributions to the Scottsdale Gateway Alliance and Meals on Wheels. The other element is attracting groups to apply for bonding.

Mayor Lane commented that IDA bonding places the city at no risk or liability and as such, it is a risk-free tool that generates funds for economic development. At some point in time, this may even take some of the burden off the general fund. He questioned which goal is more important – investing in the community and collecting the associated fees or pursuing business that will help to get the program going. He added that he looks to the board to provide guidance.

Mr. Drummond shared an example of one project. The Governor recently made known that he would like to see prisons privatized to save the state money. The IDA has been approached about providing financing for a facility in Pinal County. The present owner would sell the project to a 501(c)(3). The state then would issue a contract to an entity to manage the project. The State has agreed to provide funds for 90 percent of the beds. In order to sell the assets to a 501(c)(3) entity, bonds will need to be issued.

Mr. Gulino suggested the board move forward with a draft business plan to determine a direction. It is also important to retain the distinction between the city and the IDA as separate entities. Vice Mayor Smith agreed that the development of a vision statement should be a step in the path forward and that appointed members should be provided with clear direction of their purpose and objectives. He expressed concern about the city's liability exposure.

As a member of IDA for many years, Councilmember Milhaven stated that the mission should be to promote the economic development efforts of the City of Scottsdale. However, simply issuing more bonds does not necessarily equate to meeting this mission. However, a policy of utilizing revenue from bond issuances for the benefit of local economic development may. The mission should identify specifically what should be accomplished.

Mayor Lane inquired as to the financial position of the authority. Mr. Drummond replied that the authority is on solid footing. The authority has no staff and does not rent an office or have significant annual expenses. The economic development provided by the IDA is not only the direct bond issuance for projects in Scottsdale but also the fees generated and in turn granted to projects or efforts benefitting Scottsdale.

Mayor Lane stated that there are some upcoming projects that he would like to see privately financed via IDA bonding. He stated that it would be helpful for the IDA to develop a plan of action for its interaction with the city.

Vice Mayor Smith left the meeting.

4. Cure Corridor Event Update

Christian Green, Economic Development Manager, Economic Development Department stated that when the kick-off to the first Cure Corridor event took place around three years ago, Phoenix had been promoting bio-life science for about nine years. The Cure Corridor existed long before it was given a name. The focus is now on promoting the cluster of businesses within the Cure Corridor. This is accomplished by generating meetings with national and international companies and partners as well as educating the public about potential investment opportunities.

At the last Bio International Trade Show, visitors to the Arizona booth were specifically interested in talking about the Cure Corridor. The goal of the recent Third Annual Cure Corridor event was to celebrate the emerging talent and companies which are changing the current landscape. Mr. Green provided a map that identified the Cure Corridor, noting that it was recently expanded to include SkySong. Over the past two years, there has been significant focus on working with partners. Over the past year, there was investment in smaller companies.

Total budget for the event was \$35,000 and was produced by the Scottsdale Business Development Forum. After all sponsorships and revenues and expenses, the event was in the black by a total of \$444. As far as accomplishments, the Cure Corridor video on YouTube has 1,178 views. The Scottsdale Economic Development team published a promotion featuring

quality of life in Scottsdale on Facebook featuring Tom Sadvary of Scottsdale Healthcare which has received 6,200 impressions. Total social network impressions for the Cure Corridor for the year were 95,547.

Ms. Casey commented that the city's only investment of funds was for advertising with AZ Bio to promote the event. Everything else was provided by sponsors and ticket revenue. The social networking impressions were gained with zero marketing dollars. In 2015, the reach was doubled from the previous year.

Mr. Green stated that branding initiatives will continue. There are still 20 to 30 video clips and interviews that have not yet been published. Ms. Casey said that Bio International will be in San Francisco in June and that the team will be attending the trade show.

5. City of Scottsdale Tourism Update

Ms. Karen Churchard, Tourism Department Director stated that the majority of the department's time has been spent on the Special Events Ordinance, which will be presented to City Council next Tuesday at their work study session. There have been a number of meetings and public comments on the issue. As part of the process, the department plans on creating an in depth user guide for special events. The goal is to provide a more welcoming environment with clear detail on the steps that applicants must take when applying for special event permits. For one of the first times, City staff participated in the notification process, sending out 6,000 notifications for the Parada del Sol event last week. The notification included maps and information on street closures and other details.

In the Downtown, staff worked on a program in the Old Town area, where 75 Arizona State flags were hung. Requests also came from the Fifth Avenue area to have the flags. The program could not be expanded as yet, but decorative balloons will be provided during the Parada del Sol this weekend.

A main focus at this time is activation for Downtown. Towards these efforts, staff is working on reconvening the working group on Downtown special events through the Tourism Advisory Task Force.

Councilmember Milhaven asked whether the group will have an opportunity to opine on the suggested changes for the Special Events Ordinance before it comes to the Council Subcommittee on Economic Development. Ms. Churchard replied that the Task Force has provided comments, having spent a good portion of its last meeting reviewing the ordinance. She added that all the information was posted to the website and the report is over 300 pages.

Ms. Churchard said that the Tourism Advisory Task Force is working on its five-year strategic plan. The Tourism Department is working in partnership with the Economic Development staff. The Planning Department, Transportation Department and Tourism Department will be performing a tourism related economic feasibility study of the Downtown area with a recommendation on a consultant team planned for City Council in May.

6. Economic Development Department Report

Danielle Casey, Economic Development Director, stated that as part of the feasibility study the Department will be putting information together to educate stakeholders and partners, those in the Downtown, and others to be engaged by the consultant team. This will be coupled with

extensive communication with businesses in downtown related to parking short and long term solutions.

Ms. Casey discussed a recent market visit to San Francisco. Nearly 80 attendees represented various commercial brokerage firms in San Francisco whose clients who are looking to expand, resulting in three to four strong company leads. A presentation was given which including the following information:

- Excellent walkability score in Downtown Scottsdale
- Forty-eight direct flights daily to Scottsdale
- Fifty-six percent of Downtown residents have an Associate's Degree or higher
- Twenty-five percent of the DC investments were in companies in Scottsdale
- A one bedroom apartment costs up to 50 percent less
- Casual and welcoming environment
- Biking trails

Ms. Casey displayed a promotional t-shirt given out at the event. The only expense paid for by the department was travel expenses. The remainder of expenses were paid by partners and the event was produced by the Scottsdale Area Chamber of Commerce. Staff is currently following up on the leads generated from the trip. In addition to the event, staff held seven individual meetings with groups ranging from banks to start-up companies. They also toured the vision center at McKesson's corporate headquarters.

A joint marketing piece between the department and the airport is a brochure designed to look like a mini passport. These are currently being distributed to passengers landing at Scottsdale Airport. One thousand were printed and 400 have been handed out thus far.

A press release was recently sent out, which discusses expanded efforts for small business support focused on Downtown. Weebly is hosting a website event for small businesses. Invitations have been out for less than a week with 26 businesses signed up thus far.

There are events and training programs through Eureka Loft focused on small business. Private funds from donors, APS and SRP have been raised, as there are no budgetary funds for improvements in the space. Improvements include the addition of noise absorbing materials for sound mitigation.

The Department has launched quarterly e-newsletters to communicate with the small business community to help support the library and the Loft efforts. The library has started a five-week course called Jump Start Your Business, which is led by library team members and volunteers. The Department is working with the facility group to put on a Connect the Tech speaker series, which will launch in April.

On March 13th and 14th, the department will be at the South by Southwest job expo in Austin. Vanguard and Quicken Loans will also be attending as partners with the Department in the City booth. The Department has also worked out virtual partnerships with companies who cannot be present.

The economic development department's second quarter report is available and can be emailed or accessed on the website.

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

There were no public comments.

8. Future Agenda Items

None.

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:30 p.m.

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