



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, May 10, 2018

4:00 P.M.

Kiva Conference Room, City Hall
3939 N. Drinkwater Blvd., Scottsdale, AZ 85251

- PRESENT:** Mayor W.J. "Jim" Lane
Councilman David Smith
- ABSENT:** Councilwoman Linda Milhaven
- STAFF:** Danielle Casey, Economic Development Director
Mark Paratore, Economic Development Manager
Rob Millar, Economic Development Manager
- GUESTS:** Brad Smidt, Senior Vice President, GPEC
Kevin Sullivan, Senior Vice President, Business Attraction, ACA
Glenn Williamson, Canada Arizona Business Council

Call to Order/Roll Call

Mayor Lane called the regular meeting of the Council Subcommittee on Economic Development to order at 4:04 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of March 8, 2018 Minutes

COUNCILMAN SMITH MOVED TO APPROVE THE MINUTES OF THE MARCH 8, 2018 MEETING OF THE COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT AS CORRECTED. MAYOR LANE SECONDED. THE MOTION CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILWOMAN MILHAVEN WAS ABSENT.

2. Greater Phoenix Economic Council Annual Update

Brad Smidt, Senior Vice President, Greater Phoenix Economic Council (GPEC) presented an update on business development activity in FY 2017/18. GPEC has over 150 private sector investors to go along with the public-sector funding. The agency provides market analysis to companies considering relocating to the metro Phoenix area. Staff is constantly working to improve the quality and quantity of information used to help companies make their decisions. This data includes operational cost analysis of the market in comparison to other regional competitor cities. GPEC also connects companies to key people and resources in the area and helps them navigate the permitting processes of different cities. GPEC works with the state legislature and city councils to help improve competitiveness in the region.

Mr. Smidt reported that GPEC is in the third year of a three-year strategic plan. Over 5,600 jobs with an average salary of \$61,000 were created in FY2018. So far this fiscal year, 220 prospects and 33 relocates have occurred. Every dollar that Scottsdale invests in GPEC returns \$71 in direct revenue to the City. Action items of focus in the next fiscal year include developing the analytical

tools and methodologies to drive marketing and business attraction approaches, and continuing to attract high wage, high growth businesses to the market. GPEC partners with Scottsdale and other communities to help them prepare for when companies come knocking, and to develop new strategic programs to attract high technology companies. The marketing team uses media ad placements, articles, and social media to improve the value proposition of the market. GPEC is active in Asia, London, and other international markets.

Mr. Smidt stated that the prospect activity this year has been vigorous. Almost 20% of prospects in the pipeline are international. The conversion rate has been improving and GPEC is closing more deals. If all the prospects came through, it would result in the absorption of 47 million square feet of office space. Mayor Lane said that number seems extraordinarily high. Mr. Smidt responded by noting that the majority of industrial prospects require over 100,000 square feet of space; some require more than a million. Office projects typically require less than 50,000 square feet. Mayor Lane inquired about vacancy rates in the local commercial office space market. Ms. Casey explained that the market is tightest in the downtown area, and few large floor plans are available.

Mr. Smidt noted that 23 of the industrial prospects are considering build to suit options, while 34 would consider existing facilities, but would probably prefer to build. The majority of office prospects look at existing spaces. Vacancy rates in central Scottsdale are under 9%, while the Airpark and northern Scottsdale are in the low teens. The West Valley has no product available. Ms. Casey reported that the overall office vacancy in Scottsdale was at about 12.3% at the end of the last quarter, while the metro area has a 14.6% vacancy rate.

Mr. Smidt offered a review of the types of projects in the pipeline, which include many light manufacturing and some heavy manufacturing projects, and many advanced office/administrative functions. Three headquarter projects are considering Phoenix. The region is not as competitive for entry level call center projects as it once was.

Councilman Smith inquired whether the data includes projects overall or just those that came through GPEC. Mr. Smidt responded that he is only reporting on companies that GPEC has been involved with. It would be difficult to track independent data and cross-reference it. He surmised that the majority of the larger projects have come into contact with GPEC or one of the partnering organizations. Companies with fewer than ten employees are generally not tracked, but hopefully benefit from GPEC's activities.

Ms. Casey noted that GPEC's efforts line up exactly with the efforts of Scottsdale Economic Development. Scottsdale's upcoming New York market visit will be done in conjunction with representatives from the Scottsdale Area Chamber of Commerce, GPEC, ACA, ASU SkySong, APS, and SRP. Mr. Smidt said Chicago, New York and California are expensive market for smaller tech companies to grow in; greater Phoenix is an attractive choice for new operations. GPEC looks forward to working with Scottsdale during the coming year and to continue the recent string of successes.

3. Arizona Commerce Authority Annual Update

Kevin Sullivan, Arizona Commerce Authority (ACA) Senior Vice President, Business Attraction, presented an update on activities from the past year. The 75 projects year to date equates to 19,000 jobs created at an average wage of \$57,000, and \$3.5 billion in capital expenditure. More good opportunities lie in the business attraction pipeline for the remainder of the year. Mayor Lane inquired whether the cited numbers overlapped with GPEC's numbers. Mr. Sullivan said

they absolutely did. Both groups work very closely together. A separate ACA team works exclusively with companies already in Arizona on expansion efforts.

Mayor Lane inquired about the kinds of industries that want to be in Scottsdale. Mr. Sullivan responded that clearly high tech and back office financial services are the leading industries. There are 50 opportunities in the pipeline from California. ACA has two offices in that state. Businesses like being in California, and they are flush with cash there, but they are running out of real estate in some places and that will cause problems. ACA will have a presence at the next Waste Management Open, since that has been a fruitful environment for new leads. Ms. Casey said the Governor's Tax Summit at Giants Stadium was also a successful event. Mr. Sullivan says Scottsdale has a good team on staff and they are easy to work with.

4. Canada Arizona Business Council Wings and Wheels Event Update

Glenn Williamson, Canada Arizona Business Council (CABC), said Scottsdale continues to do tremendous work in terms of economic development. He explained that the CABC is not an economic development agency. About 87% of international flights at Scottsdale Airport are Canadian, but many of the visitors travel straight to their destinations without engaging with the community. The idea came up to have a jet sale event at the airport split 50/50 between the U.S. and Canada that would pull in CEOs. The event cost almost \$500,000 to produce this year, and that was covered completely with sponsorship money. This year, the tarmac will be open for an entire day for jet tours. The plan is to build something significant over five to ten years. There are few events of this kind anywhere.

Scottsdale is unique in being able to attract a high touch point of decision makers. Much research has been done on plane ownership data, the companies involved and their associated boards, as well as learning why they are here. The list of jet owners invited to the event will increase to 425. The event will occur during Barrett-Jackson Auto Auction. It will create a small, very high-end environment in which to get to know the major decision makers who come to this region. Of the 400 Canadian companies operating in Arizona, 84% of them did not go through an economic development agency at all. They instead relied on their existing relationships and learned about the market using Scottsdale's raw data. Wings and Wheels will not be just a hangar party; it will take place in an exclusive environment. Over \$600 million worth of aircraft will be on display on the tarmac. The jet manufacturers are interested because they have nowhere else to show off their newest products. Scottsdale has a built-in clientele; this event is designed to lure them out of their houses. Ms. Casey stated that significant brand marketing and tourism promotion opportunities will be associated with this event.

Councilman Smith described the event as an extraordinary and unique outreach program. He inquired about the possibility of incorporating horses into future events. Mr. Williamson said he feels that Wings and Wheels should remain relatively small and focused on jet sales. The data that comes out of that effort will benefit the City and some of its other special events. Mayor Lane said Scottsdale Airport is the premiere location in the state to host an event like this. This idea is a great reflection on the airport and the city.

5. Economic Development Department Report

Danielle Casey, Economic Development Director, said the third quarter economic development report has been issued. As of March 31, since the adoption of the strategic plan in February, \$19.5 million in five-year direct fiscal impact to the City has been influenced, and 3,143 jobs have

been created or retained, and 277 business retention visits have been conducted to local firms. Staff has been helping an autonomous drone company from Israel make the local connections necessary to get up and running in a new environment. They are expected to bring 20 to 30 new jobs in the first year.

Ms. Casey noted that all of the costs associated with the upcoming New York visit, apart from the travel, have been paid for by sponsors APS and SRP. The team is working diligently to set up meetings with prospective businesses, and the trip will culminate with a networking reception in Manhattan.

The relocation guide has been updated, and businesses are appreciating it, requesting many copies. SRP has agreed to do another print run to last through the fiscal year. The choosescottsdale.com website has also been updated completely in house thanks to the City's media services team. The look and feel of it has been streamlined, it has been made more intuitive, and the navigation simplified. The website now features a job board, news and events, a cost of living calculator, quality of life data, and information on business retention visits among other features.

Ms. Casey said the Business Assistance Services Guide has been expanded to include volunteer opportunities in the community, which is information increasingly being requested by companies.

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

7. Future Agenda Items

Adjournment

With no further business before the Subcommittee, the meeting adjourned at 5:05 p.m.

Respectfully submitted,
eScribers.