



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, March 14, 2019

4:00 P.M.

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

- PRESENT:** Councilwoman Suzanne Klapp, Chair
Vice Mayor Linda Milhaven
Councilwoman Solange Whitehead
- STAFF:** Rob Millar, Acting Economic Development Director
Mark Paratore, Economic Development Manager
Josh Utterback, Economic Development Specialist
Bill Hysten, Assistant City Attorney
- GUESTS:** Leib Bolel, President & CEO – Arizona Israel Technology Alliance
Kevin J. Sullivan, Executive Vice President, Sales & Client Services –
Arizona Commerce Authority

Call to Order/Roll Call

Vice Mayor Milhaven called the regular meeting of the Council Subcommittee on Economic Development to order at 4:03 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of October 25, 2018 Minutes

POSTPONED TO NEXT MEETING AS ONLY VICE MAYOR MILHAVEN HAD BEEN PRESENT AT THAT MEETING.

2. Nomination and Election of Sub Committee Chairperson

COUNCILMEMBER KLAPP MOVED TO NOMINATE HERSELF FOR CHAIRPERSON OF THE SUBCOMMITTEE. VICE MAYOR MILHAVEN NOMINATED HERSELF FOR CHAIRPERSON OF THE SUBCOMMITTEE. THE MOTION FOR KLAPP FOR CHAIRPERSON CARRIED BY A VOTE OF TWO (2) TO ONE (1) WITH VICE MAYOR MILHAVEN DISSENTING.

Chair Klapp chaired the remainder of the meeting.

3. Arizona Commerce Authority Update

Kevin Sullivan, Arizona Commerce Authority (ACA), provided the following highlights:

- Mission at ACA is to create high-wage jobs in targeted industries that provide the state with revenues and opportunity to grow
- In the second year of the second five-year plan goals were:
 - 80,000 jobs have been created
 - Jobs are at an average salary of \$54,000
 - Capital investment is \$7 billion

- Would like to be a top five state for entrepreneurs and increase exports
- High export sectors are targeted
- Companies in Arizona, California, New Mexico, Europe and the USA are areas where Arizona businesses should have a lot of success in exporting
- ACA inception to date or through FY2018, 705 projects were worked, created 119 projects, and those projects resulted in almost 120,000 new jobs with a capital investment of about \$13.4 billion
- Indirect, direct and induced jobs number about 273,000 and made approximately \$164 billion economic impact to the state over the last seven years
- FY2019 – almost three-quarters of the way through and worked 16,500 new jobs and average wage is above target (had not been occurring in the past 6 years)
- \$1.7 billion capital investment
- Business plan goal was 16,000 jobs
- Capital investment goal was \$1.4 billion
- Manages two sales teams, tracking and expansion activities
- Capital expenditures budget runs high and average wage continues to run above target
- California continues to grow in the business pipeline (have team members in San Jose and Santa Monica) and has grown by 39% year over year
- IT, technology, innovation are five of the targeted areas for jobs
- Business expansion pipeline (misconception of trying to bring companies from outside of Arizona), but continually work within Arizona to bring jobs to Arizona
- Capital expenditure is pretty good relative to expansion opportunities
- Sectors that are mapping to the business plan sectors

Scottsdale area:

- Results for FY2018: 13 projects and 3,100 jobs
- Scottsdale and the economic development team, and Mayor's Office has been very helpful, and has a great reputation
- Projects presented that were brought to Scottsdale, such as McKesson and Nationwide Realty, Universal Electronics, and HQ Location (located near the airpark) from California
- Projections for Scottsdale/Phoenix Metro area:
 - 44 opportunities are specifically identifying Scottsdale as the preferred cities
 - Very healthy pipeline
 - Software and technology are high wage jobs

Scottsdale pipeline:

- Six companies have identified Scottsdale as a preferred destination
- Will exceed all goals at state level for FY2019
- In a position to over-achieve again in FY2020
- Arizona continues to get great recognition

Councilwoman Whitehead asked if the twelve companies that were targeting the area were listed on the website and Mr. Sullivan stated that they were and were also published in the ACA newsletter. Mr. Sullivan will add the subcommittee members to the newsletter email list.

Mr. Sullivan stated that Scottsdale has one of the most pro-business environments in the United States, and the Governor is focused on expansion. Telling people about what Arizona is doing is key to success.

Councilmember Whitehead asked about public education issues, and Mr. Sullivan stated that three or four of the top ten high schools were in Scottsdale, with the number one in the nation

being at 124th Street and Shea. He added that the Governor was focused on this area, also. Mr. Sullivan stated that only one other state held open zip code attendance for public school, and he did believe there was room for continued improvement.

Councilmember Klapp stated that workers' compensation rates are much higher in California than in Arizona.

Mr. Sullivan thanked the Commissioners for their time, and Councilmember Klapp thanked him for the presentation.

4. Arizona Israel Technology Alliance Overview

Mr. Millar, Acting Economic Development Director, introduced Mr. Leib Bolel, President and CEO of Arizona Israel Technology Alliance (AITA), who stated that he was originally from the UK, had lived in Israel and married there, then moved to Iowa, completed his MBA, and started a business there, then moved it to Arizona a couple of years ago. Mr. Bolel stated that once he was in Arizona, interesting opportunities were presented but were going by the wayside. He recommended "Start-Up Nation" as a useful book on the Israeli economic system. Mr. Bolel said that he had put on an event in northern Scottsdale, but there had been no support for it. He added that most large metropolitan areas have an Israel alliance. He added that he had incorporated as a 501(c)6 as a trade association and built that business as a resource, which now has five people in Arizona and a director based in Israel.

Mr. Bolel stated that his purpose today was to educate and demonstrate opportunities that had been observed by AITA. He provided the following highlights on the company's history, background and activity:

- Israel has very similar population to Arizona, but its size is most comparable to the state of New Jersey
- Not the friendliest geopolitical climate but nevertheless is a technological innovation power with accolades such as:
 - Second in the world for innovation index
 - More than 300 multinational corporations are in Israel (listed with North America at the top, and include IBM, Dell, HP Microsoft, Amazon and others)
 - First in venture capital investments globally for GDP
 - 600 net new start-ups each year (entities are investing) with over 1,000 started each year
 - First in R&D investment and ratio of global GDP
 - The Intel chip was developed in Israel
- Intel is the largest private sector employer in Israel
- Statistics show:
 - In venture capital, last year \$6.24 billion was raised (outscores the US about 6 to 1)
 - M&A was \$21.6 billion with the largest export from Israel being high tech
 - Largest acquisition to date is Mobileye, acquired by Intel for \$15.3 billion a couple of years ago (two US locations, one in New York and the second one in Chandler)
 - In 2017 there were 12 Israeli-owned companies in Arizona, and today there are 18, which, according to a study just conducted with Maricopa Association of Governments (MAG), include three aerospace companies
 - AITA's goals include not only business attraction, but investment into AZ/Israeli businesses

- Israeli firms have invested \$26 million of venture capital in the past two years in Arizona
- Trade has doubled since 2010
- When deciding on focus areas, technologies of Israel and Arizona were considered such as:
 - Arizona is second largest testing state
 - Biotech for southern AZ, and Simtech, Ag Tech are similar layouts in terms of topography and challenges (such as water and irrigation issues)
 - Aerospace and defense companies
 - Cyber security
- Focus on business-to-business areas, focusing primarily on companies that are raising early capital (about \$2 to \$4 million without a US presence yet, and Arizona will be their first point of contact with the U.S. market)
- Will host delegations in AZ (27 security companies participated last year)
- Should have a dozen or so smart cities this year
- Business attraction and investment (private, equity, capital)
- Business to business could be market validation and customer acquisition (specifically early stage companies and delegations)
- Business attractions include six value propositions for Israeli companies:
- Some companies recently coming into Arizona:
 - Imagery
 - Airobotics
 - Eviation (first to market electric airplane 0 emissions and 0 sound; debut at Paris air show next month)
 - Kent Air Advanced Manufacturing Plastics
 - Elbit Systems (Tucson)
 - IMNA Solutions
 - Clearvoice, local Arizona start-up
 - Other Scottsdale companies
- Focus is to be able to bring in and retain Israeli interest and partnerships, delegations (both sites)
- A lot of the program is education
- Taking Arizona to Israel and vice versa
- Investment collaboration
- Industry leaders and collaborations

Mr. Millar asked Mr. Bolel to expound on why Arizona was a fit for the alliance. Mr. Bolel stated that there is no or very little consumer market in Israel, but Arizona provides a wider consumer market in the way of California, New York, Washington and other areas. He added that Israel's targets for a consumer market are the four primary locations of the US, Europe, and China and Australia. This opens up possibilities in the United States such as California, New York, and Boston. He added that backers want the companies to be fiscally responsible. In Arizona there is a great appetite for innovation and economic growth. Mr. Bolel added that there would be a higher success factor in business when the business is embraced.

Chair Klapp thanked Mr. Bolel for his presentation.

5. Economic Development Update

Mr. Millar introduced Josh Utterback, Economic Development Specialist and Mark Paratore, Economic Development Manager, and mentioned the other members of the team: Jennifer

Rogers, Marketing Manager, and Paula Guidry, Administrative Assistant. Mr. Utterback introduced himself and provided his educational and work background.

Mr. Paratore introduced himself, noting he had been with the City of Scottsdale Economic Development Office for five years, after spending the prior five years at the City of Glendale. He is primarily focused on small business and entrepreneurship for the Scottsdale Economic Development Office, and recently more focused on business attraction efforts for technology and other sectors. Mr. Paratore stated that he is also involved in business retention/expansion, and new markets.

Mr. Millar stated that when fully staffed, the Economic Development Office is a team of six, and though small, is doing some good things. He provided the following highlights, explaining that future reports will be less detailed but he wanted to give a good overview starting off.

- City of Scottsdale Economic Development Strategic Plan (EDSP) was approved by the City Council in February 2015
- EDSP has six focus areas
- A consultant is to be engaged in the fall of 2020 to assist in updating the EDSP should funding be approved in the 2019/20 FY budget
- Mission statement includes improving tax base and improving quality of life
- This year's budget and sources for revenue
- Attract new business and assist existing businesses to enhance tax base and quality of life
- Attraction is the most visible and interactive aspect of economic development activities
- Target markets
- Marketing – Scottsdale is well-known and has a good brand
- Targeted industries are bio life sciences, advanced business services such as insurance services, headquarters, tech and innovation, hospitality, and higher education
- Chicago and greater New York City, and the San Francisco Bay Area and Los Angeles in California are specific target areas (proactively go into these areas and meet with companies at least a few times a year)
- Open to any state or city interested in expanding to Scottsdale
- Retention and expansion:
 - Between 70 to 80% of new jobs come from new or expanded companies
 - Economic development staff attempt to meet with 100 to 115 companies per year in Scottsdale
 - In the past, the Economic Development Subcommittee Members were invited to attend any of the business meetings (107 companies were met with last year)
 - Provide companies with research and data
 - The Scottsdale Job Board assists companies with finding talent. Talent is one of the top items companies consider when thinking about opening or moving to Arizona
 - Making good progress on driving more young talent into Scottsdale (not enough young talent was identified as an area of weakness in the strategic plan)
 - Economic development office provides meeting and interviewing space to businesses
 - Relocation materials provided to companies
- Scottsdale was named the number one city in the country for getting a job
- Scottsdale ranked as happiest city in Arizona and 9th in the country (30 key performance indicators were used)
- Prospect activity, similar to Arizona Commerce Authority's methodology:

- Break buckets into different areas
- Leads are opportunities (130 leads now aggressively pursuing)
- 42 projects in the works right now and if all are realized it could mean 6,700 jobs, \$238 million in capital investment, and 1.8 million square feet
- Every company that locates to Scottsdale provides the economic development office with number of jobs, average wage, cap expenditure, lease rates, and cost (if not proprietary), and a detailed report is developed from this information that provides direct and indirect economic impact
- When quarterly reports are made, the information is done by third party software
- Reports are public
- Q2 numbers are at 12.6% for Classes A, B, and C (\$27/sq. ft.) – comparison to other cities will be provided
- Retail is usually below 6%
- Industrial is typically in the 3 to 4% range
- Airpark, Downtown and McDowell vacancy rate determined, then compared to prior year, and will investigate any findings of concern
- Comparison to Metro Phoenix area is also made regarding office retail, and Scottsdale is trending very well, with this quarter being the first time that Scottsdale's office vacancy rate higher than Phoenix metro area

Mr. Utterback noted that part of the reason for the Scottsdale vacancy rate being higher than Phoenix's is the way that the figures are calculated (with shadow vacancies included – vacant but not on the market).

Chair Klapp asked if there was a reason that the McDowell office vacancy was elevated. Mr. Parator stated that could be because space under construction appears on the quarterly report even though it is not ready for occupancy.

Mr. Millar stated that a direct economic impact was any revenue that would come into the city, while indirect economic impacts are secondary jobs. So far in this fiscal year, \$8.5 million in direct impact was seen, while a five-year report shows that 1,200 net new jobs have been created. The office has held 37 business outreaches this year.

Chair Klapp asked how the business outreach list was developed, and Mr. Millar stated it was done by considering sectors. He noted that some companies were not willing to meet, and communications were sent via email. Mr. Utterback stated that he targets at least 100 companies, making sure that each of the five target industries is represented. He added that at least every two years, the top 50 Scottsdale employers are approached to ensure a good mix of large and small industries are considered. Mr. Utterback asked the Subcommittee members to let him know any suggestions for outreach.

Councilwoman Whitehead asked if the salary amounts were tracked, and Mr. Millar stated that sometimes that was left up to the companies to provide as an average wage for the company. Councilwoman Whitehead asked if there were issues from the companies in terms of location areas, and Mr. Millar stated that some companies had decided not to move to Scottsdale because many prefer the downtown area, which has less space available than other areas. He added that northern Scottsdale, even considering State Land areas, still has a lot of availability for build to suit. He added that Scottsdale is not always the cheapest place for business real estate in the Valley but quality of life and product are key.

Chair Klapp asked about SkySong, and Mr. Millar said that the economic development office was very interested, and there was also an area at 64th Street and McDowell. Vice Mayor

Milhaven asked if SkySong might be looking for more space as their offices grew, and Mr. Millar stated that staff worked very closely with their brokerage house in order to find space for SkySong in Scottsdale.

Mr. Millar stated there has been a direct impact of \$32.5 million since the 2015 strategic plan was adopted, with 4,400 jobs in the first 12 months, and 415 business alliances. He added that sometimes being an event producer would align well with the brokerage and business communities, so the economic development office holds an annual commercial development mixer where brokers were invited from around the Valley, to have discussion with and ensure the relationship. Mr. Millar noted that the economic development office also just participated in an annual business appreciation event in a suite at the Giants Stadium with 30 companies invited. Similar activities are held throughout the year to keep in touch with the business community.

Mr. Millar stated that the economic development office was in the midst of a free ten-week business training event held at SkySong. Mr. Utterback stated that seven to 25 attendees is considered good, and all events have been well attended.

Mr. Millar provided samples of recent company announcements made in the last six to eight months. He added that print is not completely dead, so the economic development office would provide some printed materials regarding Scottsdale numbers (at least annually, but sometimes every six months), to be given to employers, as well as business guides.

Chair Klapp asked about the roles of the economic development office employees not present at this meeting, and Mr. Millar stated that Jennifer Rogers is in marketing and PR. Paula Guidry is the administrative person, while Karen Gomez works in a part-time capacity and her skills are shared with Tourism.

Councilmember Whitehead asked for a definition of industrial. Mr. Millar stated that the office pursues high-end smaller scale manufacturing. Larger scale industry is not of interest to Scottsdale, since it requires a large land mass and wage scales are not high. Smaller industrial businesses are considered on a case-by-case basis. Mr. Paratore added that the majority of Scottsdale's industrial businesses are light industrial located at the Scottsdale Airpark.

6. Future Agenda Items

Future items identified were:

1. Opportunity Zones to provide more understanding of what they are and the boundaries in Scottsdale
2. International business attraction updates was also previously mentioned
3. Quarterly report to be provided by the economic development office

7. Public Comment

There were no public comments.

8. Adjournment

COUNCILMEMBER WHITEHEAD MOVED TO ADJOURN. VICE MAYOR MILHAVEN SECONDED. THE MOTION CARRIED BY A VOTE OF THREE (3) TO ZERO (0). CHAIR KLAPP, VICE MAYOR MILHAVEN AND COUNCILMEMBER WHITEHEAD VOTED IN THE AFFIRMATIVE, WITH NO DISSENTING VOTES.

The meeting adjourned at 5:17 p.m.

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