



COUNCIL SUBCOMMITTEE ON ECONOMIC DEVELOPMENT

APPROVED SUMMARIZED MINUTES

Thursday, June 11, 2020

3:30 P.M.

Meeting Held Electronically

Scottsdale, AZ 85251

PRESENT: Councilwoman Suzanne Klapp, Chair
Councilwoman Linda Milhaven – Attended telephonically
Vice Mayor Solange Whitehead

STAFF: Brent Stockwell, Assistant City Manager
Rob Millar, Economic Development Director
Josh Utterback, Economic Development Program Manager

GUESTS: Herb Sih, Managing Partner & Cofounder - Think Big Partners
Sarah Fustine, Partner - Think Big Partners
Kimber Lanning, Founder - Local First Arizona

Call to Order/Roll Call

Chair Klapp called the regular meeting of the Council Subcommittee on Economic Development to order at 3:30 p.m. A formal roll call confirmed members present as stated above, noting the presence of a quorum.

1. Approval of March 12, 2020 Minutes

VICE MAYOR WHITEHEAD MOVED TO APPROVE THE MINUTES OF MARCH 12, 2020 AS PRESENTED. COUNCILWOMAN MILHAVEN SECONDED THE MOTION, WHICH CARRIED 3-0 WITH CHAIR KLAPP, COUNCILWOMAN MILHAVEN AND VICE MAYOR WHITEHEAD VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

2. Smart Cities Roadmap

Josh Utterback, Economic Development Program Manager, introduced Herb Sih and Sarah Fustine from Think Big Partners. Mr. Sih presented a summary of recommendations. Typical elements of Smart Cities include traffic management, smart parking and smart streetlights. These are examples of impact areas often associated with hardware. However, it is important to acknowledge the accompanying software and data elements. Data is the lifeblood for decision making. The impact is different from a citizen's view in terms of mobility, security, healthcare, parking, smart transportation and traffic management. The most effective technology platforms operate seamlessly in the background, while enabling cities to save money, make better decisions and enhance quality of life. Areas with measurable impacts and metrics includes commute time. Scottsdale commute times average 20 minutes one way, which compares to 26.4 minutes for the Phoenix Metro area. Technology for typical applicants can usually improve commute times by 15 to 20 percent. For a community such as Scottsdale, the cost of time and money and resource allocation for investing in a Smart City directly translates to a \$1,207 savings per resident per

year. When reinvested into the economy, the impact is approximately \$316 million. Smart Cities are better equipped to address transformative events such as the current pandemic with technologies such as contact tracing and understanding public health concerns. It can also provide information regarding public safety impacts for recent events such as the death of George Floyd and its repercussions.

Ms. Fustine stated that during the engagement, feedback was gathered from stakeholders through the discovery phase. This included Subcommittee members, department heads, City leadership, business community, small businesses and public engagement events. The report is centered around a list of themes, including:

- Smart leadership
- Smart economy
- Governance and data
- Environment and sustainability
- Smart community
- Smart mobility
- Smart livability

A holistic Smart City plan is not linear, with some complexity due to the foundational, enabling and impacting layers. Mr. Sih stated that various recommendations have been clustered and may involve various hardware, software and data functions. The clusters represent opportunities to be able to support specific goals, based on the mission, vision and goals. They also include opportunities for public/private partnerships and create procurement strategies. Smart leadership centers around digital connectivity. FirstNet is a recommendation to digital connectivity, as a dedicated first responder network. Smart multi-sensor nodes offer temperature and optical sensors to gauge noise pollution and environmental sensing. The Smart economy element focuses on urban planning and economic development strategies. Smart governance and data allows a city to ingest data on a master data platform and to analyze the impacts of various potential decisions. The California Consumer Privacy Act will be enacted on July 1st. It allows the commercial use of data while providing limitations and guidelines.

Ms. Fustine stated that for Smart environment and sustainability, Smart Streetlights is the recommended cluster technology. There is an opportunity for the City to upgrade its 6,000 City-owned streetlight poles. Coordination is suggested with APS and SRP. This digital infrastructure is a great way to implement technology throughout the City and use it to expand to other light components in the future. This includes gunshot detection, a technology typically applied to Smart Streetlights and which assists in the capture of potential criminals. For Smart Water Technologies, the recommendation is to continue the automated metering system upgrades and continuing to implement the City's program. In terms of the Smart Community, the key to success for most of the program is involvement with citizens. There should be an ongoing mechanism for citizen voices to be heard and included. It is notable that vehicle ownership is dropping. Smart Mobility covers a number of areas and provides the ability to move with ease safely and via multiple modes of transit. It includes data for rerouting, signal optimization, good planning and intelligent traffic signals. Smart Parking systems provide the ability to find the right spot, by knowing which spots are vacant and which will fit a specific vehicle. It also provides e-payment options in a safe, secure manner.

Ms. Fustine stated that Scottsdale has a national high quality of life rating. To maintain this standard, it is recommended to continue the digital transformation process by moving towards digital citizen services and expanding the mobile engagement platform. Currently, the website is optimized for web and mobile use. Exploration of a statewide app is suggested. The goal is two-

way communication between the City and its residents. Features would address tourism, wayfinding, mobile payments and parking.

Mr. Sih summarized that the role of data is more important than ever. Data-driven insights provide the ability to make good, effective decisions. The ability to understand the needs of citizens and tourists provides a co-creation mentality. Connectivity, in a digital and technology sense, is vital for the City's economy and the quality of life of its residents. Next steps include key stakeholder collaboration, determining who will be involved, identifying a timeline and policies, procurement methods and financing.

Mr. Utterback stated that this project could not have been possible without the grant from Scottsdale IDA as well as private donations, whom he acknowledged. Chair Klapp thanked the presenters and noted that City staff will be looking at identifying the stakeholder group. Brent Stockwell, Assistant City Manager, stated that they will also be doing a presentation to the Industrial Development Authority. The draft report will be provided to everyone who participated in the process, follow by a full release in the fall. It will then be brought forward as a consent item on a future Council agenda.

3. Local First Arizona

Kimber Lanning, Local First Arizona, discussed the work done with microentrepreneurs throughout the State in response to the pandemic. When the first round of PPP became available through the federal government, it was evident that a large number of Arizona businesses would be left behind for various reasons. The EIDL was originally operating a month behind and provided only \$1,000 for small entrepreneurs. Local First Arizona took steps to raise funds to fill some of the financial gaps, including one-on-one coaching. The original goal was to raise \$250,000 and they have subsequently reached \$1.3 million. The pool of funds continues to grow for distribution to these small businesses. Many small businesses were impacted because their main clients were shut down. For a snapshot of assistance grants, 314 businesses applied on March 30th, representing 555 jobs.

The process included online application forms, which were subsequently provided to three committees, who reviewed applicants on a scale of 1 to 5. Those who rated 1 were disqualified, primarily because they were either earning too much or their business was too large. The focus was on three employees or less and those with gross sales of less than \$250,000 annually. Those rated a 5 were determined to have the most need, indicating they had no other source of revenue and had children at home. The goal was to fully fund all applicants rating a 4 or 5, with the 5's being funded in the first wave of fundraising and the 4's intended for the second wave. To date, they have distributed \$900,000. A total of 2,236 applicants came through the portal with 472 (21 percent) grants issued. They have distributed \$58,000 in the City of Scottsdale over 31 (12 percent) businesses out of a total of 264 applicants. The City of Scottsdale was second only to the City of Phoenix in terms of the number of business applications. There are 233 unfunded businesses in Scottsdale. The average statewide loan was \$1,780. It is acknowledged that a needs gap remains in Scottsdale. There are ways that the City can become involved. They may choose to manage their own program or partner with the Arizona Community Foundation. Local First could then simply provide the name of the business and the contact information to the other entity to perform follow-ups.

Local First Arizona is offering a wide variety of one-on-one technical assistance regarding its framework, Triage Recovery Resiliency. The goal is to work with businesses who are in crisis mode, by helping them triage their businesses, drop unsuccessful strategies and marginally successful work, so that they may focus all of their energy on more successful work. They are

also being assisted to negotiate with landlords and mortgage holders as well as developing new skills. This includes a restaurant bootcamp. The recovery phase helps businesses rebuild their companies with a focus on long-term resiliency.

Vice Mayor Whitehead asked for an estimate of the number of businesses falling through the cracks in terms of assistance. Ms. Lanning said she was unable to provide the overall percentage, however the City of Phoenix estimated that 30 percent of businesses fell into this category and that this total only includes businesses with three or fewer employees. Many are unqualified to collect unemployment.

Vice Mayor Whitehead inquired whether gig employees are included in the program. Ms. Lanning stated that those individuals fall into a completely separate category. Gig-employed individuals did not apply and were not encouraged to do so.

Vice Mayor Whitehead asked for details on the work with the cities of Flagstaff and Mesa. Ms. Lanning stated that the City of Mesa has invested in Local First Arizona's technical assistance programs. They will be taking 60 Mesa restaurants through the restaurant bootcamp. In addition, they hired Local First Arizona for one-on-one technical assistance and a series of webinars to assist entrepreneurs. Flagstaff is investing in Local First Arizona's small business relief grants. Flagstaff assisted in forming the committee for that area to oversee applications and determine how funds are distributed.

Vice Mayor Whitehead asked whether other cities have grant programs in addition to low cost loan programs. Ms. Lanning confirmed that the Cities of Phoenix and Mesa are both offering grants. The City of Phoenix has a fund for small businesses as well as microbusinesses.

Vice Mayor Whitehead inquired as to the comparison between the grant size for a small business versus a microbusiness. Ms. Lanning stated that in the City of Phoenix, small business grants are up to \$10,000, while the microbusiness grants are up to \$5,000.

Vice Mayor Whitehead asked about business loans and related challenges. Ms. Lanning stated that the City of Tempe had a partnership with Desert Financial Credit Union. There was feedback concerning businesses owners who did not want to provide a personal guarantee, which was part of the requirement. Vice Mayor Whitehead asked whether the City of Phoenix has a loan program administered through the City. Ms. Lanning said she is unaware of such a program by Phoenix, however this may exist in conjunction with the Phoenix IDA.

Chair Klapp asked if Mr. Millar is working with Local First Arizona and potentially including the Arizona Community Foundation. Mr. Millar stated that during the upcoming Council work study session, the City Manager will provide a briefing on potential allocations of funding of CARES Act funds. One such allocation includes business grants and loan concepts. Staff will be looking for Council direction on the allocation of those funds. Various concepts are being enacted in surrounding cities. Tempe worked with a credit union for the loan processing and monitoring. Phoenix allocated its funds to their IDA. Mesa has had challenges in administering a grant program, due to the sheer volume. The Scottsdale IDA did do a program, as administered completely by the IDA with the community stakeholder group, which the City is a part of. They had to bring on additional staff to manage the funds. Vice Mayor Whitehead said that the Scottsdale IDA had a grant program as well. She suspects that a large number qualified, however a small number received grants. She asked whether Scottsdale's proposal will incorporate the guidelines used by other organizations. Mr. Millar stated that the IDA allocated \$200,000 for the program (\$5,000 each), with 40 applications funded. There were 120 applications with 25 percent not qualifying. Criteria included being a high risk business impacted by COVID, such as

restaurants, hospitality and health services. Other factors included number of employees, community involvement and number of years in service.

4. Economic Development Update

Mr. Millar discussed key initiatives over the past few months. The first COVID-19 case was identified in Arizona on January 26th. The Governor declared a public health emergency on March 12th and the stay at home order was issued on March 19th. The restrictions were eased on May 15th. The focus of the update is on what the City has done in terms of economic development. Economic development typically involves business support, expansion and attraction. In the past 58 days, the focus has been on business support as the critical community need. The first step was identifying the needs of small businesses that were able to remain open during this time. The City partnered with the Scottsdale area Chamber of Commerce in developing a Scottsdale Good to Go campaign, which was meant to be a very high profile, immediate visibility for open businesses. Historically speaking, Scottsdale has had restrictions on banners, however the business community expressed an immediate need to ensure that people could see they were open for business. The City was able to fund 150 banners for businesses free of cost. There was an accompanying online app, which provided additional visibility via phone, tablet and computer. Businesses were free to immediately enter their information. Today, 300 businesses are listed. The City also waived the \$30 banner fee for businesses.

An important component of the efforts was stakeholder engagement in terms of sharing information. Daily and regular communication was critical in these collaborative efforts. Out of conversations with Experience Scottsdale and the Scottsdale Chamber came the idea of a Support Scottsdale initiative. SupportScottsdale.com was created to be an immediate, short and long term way to support the community. It provides opportunities for small business resources, charitable contributions and direct link to City services.

It was quickly determined that small businesses were facing challenges in getting information on the PPP program and disaster loans. The City created a virtual Small Business Assistance Center, led by Mr. Utterback and utilizing redeployed staff. The Scottsdale IDA department also provided a full-time staff member funded by the IDA who had experience working on small business loans. This small team of seven dedicated 800 hours to helping over 300 businesses in the initial stages of the center. This included being physically on the phone in order to walk business owners through the PPP application process. The goal is to maintain proportionate service delivery for the business community moving forward.

Messaging was a critical component in terms of communicating and marketing various platforms. The website was being used to encourage businesses to sign up and receive COVID-related information. Social media was a tremendous resource, with significant increases in visits to LinkedIn, Facebook, Instagram and Twitter. Scottsdale now has more followers than any city in the state with the exception of Phoenix. The engagement rate of 5.74 percent is second only to Peoria. An economic report was developed to specifically address conditions in the City of Scottsdale. The first edition was published on April 17th and the last one on May 27th. It is notable that 70 percent of GDP consists of consumer spending and very little spending was able to take place during social distancing. As businesses started to reopen, the goal was to spread the message that shopping in Scottsdale matters. As such, they launched the Shop Scottsdale program on May 8th. A symbolic grand reopening for City businesses was planned, however, due to riots and other events downtown, the date was pushed back. The intent is to celebrate the business community. They are also developing Shop Scottsdale videos, which feature Scottsdale residents talking about why they shop Scottsdale and what they are doing to support the community.

The City's current Economic Development Plan was adopted by City Council in February of 2015 and serves as the City's economic growth and competitive plan. Developing the plan included extensive community stakeholder engagement and identified six strategic overarching goals. These are monitored via defined matrix. Staff have identified a need to update the plan and the process was started in February, 2020. When the pandemic hit, they realized the need for a significant pivot. Not only was it important to update the plan, but it needed to be a recovery plan. Fortunately, there was already a competitive process in place to bring in consulting services to assist with the development of the plan. The City engaged with a third party consultant to assist in defining the landscape for the next two to three years. The new strategic plan will not be five years in length. Stakeholder engagement will be critical. The first steering committee will commence within the next two weeks. The process will culminate with a draft plan in mid-November.

While the City has been supporting its businesses over the past couple of months, they have also kept an eye on future growth and business attraction opportunities. Initially, approximately 90 percent of the companies the City was working with paused their plans, however activity has begun to pick up. There are currently 35 leads, with businesses considering a Scottsdale location at this time, 24 of which are in final negotiation stages. State Land has approximately 700 acres of available land at the 101 between Hayden and Scottsdale Road and the 94th Street and Bell area. Two applications are currently on file.

Vice Mayor Whitehead stated that she loved the banners. She asked about the intent to focus attention and resources toward the triage recovery resiliency of existing businesses. Mr. Millar acknowledged that the needs of the business community have changed dramatically, going from a focus on profits to simply staying viable. The small business training program will come back in the fall with a focus on marketing plans and social media. He thanked the Scottsdale IDA for its \$200,000 grant program, which has helped the business community. The City participates on the review committee.

Vice Mayor Whitehead stated that a needed skill currently expressed by businesses is the renegotiation of leases. She inquired as to whether there is an intent to provide technical assistance. Mr. Millar said that Small Business Center staff is reaching out to every company or business that has reached out to the City. Staff is then creating a very specific database of current needs.

Vice Mayor Whitehead asked about estimates on how many businesses or restaurants have permanently closed. Mr. Millar said they do not have an estimate at this time. They will be looking to get a better breakdown and will compile the data.

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

There were no public comments.

6. Future Agenda Items

There were no items discussed.

7. Adjournment

Being duly moved and seconded, with no further business to discuss, the meeting adjourned at 5:00 p.m.

Respectfully submitted,
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