



Approved December 14, 2022

City of Scottsdale
Council Subcommittee on Economic Development
Regular Meeting

APPROVED SUMMARIZED MINUTES

Thursday, September 8, 2022

4:00 p.m.

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

Council Subcommittee on Economic Development

Subcommittee Members: Councilwoman Linda Milhaven, Chair
Councilwoman Solange Whitehead
Councilwoman Betty Janik

Staff: Erin Perreault, Planning, Economic Development and Tourism
Executive Director
Rob Millar, Economic Development Director
Josh Utterback, Economic Development Program Manager
Scott Cooper, Economic Development Program Manager
Kirsten Hushagen, Economic Development Marketing Manager

Guests: Vic Narusis, Senior Vice President, Business Development, Arizona
Commerce Authority

Call to Order

Councilwoman Linda Milhaven called the Council Subcommittee on Economic Development to order at 4:13 p.m.

Roll Call

Present: Councilwoman Linda Milhaven, Councilwoman Betty Janik,
Councilwoman Solange Whitehead

One or more members of the public body may be attending the meeting by telephone, video, or internet conferencing, pursuant to A.R.S. §38-431(4).

Public Comment

Citizens may address the members of Council Subcommittee on Economic Development during Public Comment. This “Public Comment” time is reserved for citizen comments regarding non-agendized items. Arizona State law prohibits Council Subcommittee on Economic Development from discussing or taking action on an item that is not on the prepared agenda. Citizens may complete one Request to Speak “Public Comment” card per meeting and submit it to City Staff. **Public testimony is limited to three (3) minutes per speaker.**

Written comment cards are being accepted for both agendized and non-agendized items and may be submitted to City Staff at any time. Cards submitted after public testimony has begun will be provided to the Council Subcommittee on Economic Development at the conclusion of the testimony for that item.

1. Approval of April 14, 2022 Summarized Minutes of Regular Meeting

**Motion to approve as presented: Councilwoman Solange Whitehead
Second: Councilwoman Betty Janik**

2. Arizona Commerce Authority

Vic Narusis, Senior Vice President, Business Development, Arizona Commerce Authority (ACA) and potentially other ACA staff, will present an update on ACA’s business development activities.

Presenter: Vic Narusis, Senior Vice President, Business Development, Arizona Commerce Authority.

Staff Contact: Scott Cooper, Economic Development Program Manager –
480-312-7601

Action: Presentation and Discussion

Mr. Narusis provided an update on ACA’s activities over the last year. Mr. Narusis stated that COVID had changed a lot of things and has impacted the office sector. After the pandemic hit, the ACA diversified a lot of its outreach activities. In January of 2020, ACA started focusing their efforts on the manufacturing sector. Prior to COVID manufacturing was not the organization’s focus. This change in focus has allowed ACA to work with organizations throughout the state. TMC and LG Energy Systems are examples of some of the projects ACA has worked on and there are others all around the state.

There is an educational process when working with site selectors. For example, ACA is currently working with a company in Illinois who previously had just considered Chicago as the only option for its location. ACA is enlightening these types of organizations on the benefits of Arizona.

ACA has become industry sector focused and has realigned its emphasis on attracting the semiconductor and battery technology sector. The automotive sector like Lucid and Nikola, along with the biopharma industry are also a focus. Mr. Narusis stated that his department has become the subject matter expert for the semiconductor industry and it is working on becoming experts in the other targeted industry sectors.

Mr. Narusis is not only responsible for managing the team in Arizona, but now has the responsibility for the foreign office business development team. About a quarter of ACA's portfolio is international and there is an expectation that this will grow significantly. ACA has helped these international organizations with some of the hurdles they have had to overcome at local, state and federal levels.

Mr. Narusis reviewed ACA's goals including wages, capital investment, export metrics and geographic locations that Arizona is attracting businesses from. This includes a significant number from California. Mexico and Canada are also now some of Arizona's largest trading partners.

Site selection is the most time-consuming activity that ACA does. It has taken input from ACA's partners to really understand what companies are looking for in a new location. ACA is trying to make sure that its solution for any organization with an interest in Arizona is far better than any other states' proposals. Some companies still think of Arizona as where seniors go to retire and that the state is all desert. Mr. Narusis stated that Arizona's population, workforce, universities and lifestyle are usually unknown to site selectors and CEOs.

Mr. Narusis reviewed some of the testimonials and awards ACA has recently received.

All of ACA's assistance programs are performance-based and must be earned.

Councilwoman Whitehead asked what was the difference between the perspective of the CEO and the site selector and asked for examples. Mr. Narusis stated that site selectors have incentives and low taxes at the top of their lists, then workforce, physical site, education, logistics. CEO's place workforce and community at the top of the list. ACA tries to get to the company when it is working with a site selector. However, many times the companies are anonymous. ACA is aware of what most CEO's are looking for, therefore when it responds to the site selector ACA includes information on what interest CEO's the most. Councilwoman Whitehead asked if ACA is hearing about water. Mr. Narusis stated that a lot of site selectors are east of the Mississippi. These organizations are use to using a lot of water, sending it to wastewater treatment facilities and then the water is dumped. Arizona has a much more sustainable approach – we recharge water and there are increasingly great sustainability technologies and ACA is attempting to lead those technologies for companies. Arizona is the home to one of the global leaders in working with wastewater treatment at the company level. Water is very important, not every community has

the same amount of water. Sometimes companies come to ACA with a lot of water needs and a low level of employment and ACA responds that there must be a good mix of water needs and jobs. ACA takes to heart the value of water. UofA has a great technology program that ACA works closely with.

Councilwoman Milhaven asked about housing and how that is impacting ACA's conversations with site selectors. Mr. Narusis responded that there are two components: prices of the house and property taxes. For those of us who currently own a home, it is evident that we were the beneficiaries of great housing prices. Now housing prices have adjusted to where they should have gradually been brought up to along the way. When you look at Arizona housing prices and property taxes, Arizona is still highly competitive in the marketplace.

Mr. Narusis commented that communities that support manufacturing are struggling with cost of living and cost of infrastructure.

3. Arizona Legislature Housing Supply Study Committee

Erin Perreault, Planning, Economic Development and Tourism Executive Director, and Dale Wiebusch, Government Relations Director, will provide an overview of the Arizona Legislature's Housing Supply Study Committee.

Presenter: Erin Perreault, Planning, Economic Development and Tourism Executive Director

Staff Contact: Rob Millar, Economic Development Director – 480-312-2533

Action: Presentation and Discussion

Erin Perreault presented an overview and introduction to the new Arizona Legislative Housing Supply Committee that started in July 2022 and is anticipated to wrap up in December 2022.

Ms. Perreault presented the list of committee members, with a variety of members including those focused on affordable housing, market rate housing, homebuilders, multifamily housing, Arizona Association of Realtors and representatives from two cities – Tempe and Glendale.

The purpose of this committee is to review the supply deficiency issue for the state and what access to housing looks like in Arizona. The committee will compile where that shortage is and create ideas on how to address the issue and report back to the legislature. They are also soliciting ideas from industry experts that are on the committee and doing public outreach.

Discussions have happened in July and August, currently the committee is on a listening/discussion tour in areas outside of Phoenix Metro (Flagstaff, Tucson, Sedona, Sierra Vista) through the month of September.

The second meeting in July focused on the home building process. The League of Cities and Towns chose City of Phoenix and City of Goodyear to provide input, along with presentations from homebuilders on general plans and development review processes. In August there was an opportunity provided for people to talk about housing impacts in Arizona for specific populations including veterans, affordable housing and services, special needs, emergency shelters, aging in place and a human rights campaign talked about funding. Discussions were held on power, water and environmental impacts.

The committee is looking at doing a housing study and the Arizona Association of Realtors have already picked a vendor. The League of Cities and Towns has written a letter to the association suggesting this should be a more competitive process so that this does not look so heavy handed from one side of the industry. There has not been any type of meetings since the League of Cities and Towns sent the letter. The League is looking to do their own housing study on what the supply deficiency is statewide and what are the barriers.

In October the committee will be looking at land costs, infrastructure and impact fees, zoning and density.

Councilwoman Whitehead expressed concern and asked about the hierarchy of the organization. If this study is done, who has the power to implement? Ms. Perreault stated that this request came from the state legislature. Councilwoman Janik asked if there were substantial differences in how different cities in Arizona attack zoning and affordable housing in Arizona, is there a leader? Ms. Perreault responded that with the exception of the development review board, most of the regulations are dictated by state statute. In general, most have a pretty similar process.

Councilwoman Whitehead again expressed concern about the membership of this committee. There are developers leading this group, there are legitimate housing needs and there is no representation of citizen watchdog groups, no representation of environmental impacts of over development. Costs and housing prices are cyclical, and there are people involved in this committee that do not have long term interests in the community and they are deciding how many houses are needed.

4. Business Retention Program

Josh Utterback, Economic Development Program Manager will provide an overview of the business retention and expansion program strategy for fiscal year 22/23 along with a recap of highlights from fiscal year 21/22.

Presenter: Josh Utterback, Economic Development Program Manager –
480-312-7057

Staff Contact: Josh Utterback, Economic Development Program Manager –
480-312-7057

Action: Presentation and Discussion

Josh Utterback presented an overview of the Economic Development Business Retention Program focusing on last year's program and strategy for the current fiscal year.

A lot of headlines in the news is business attraction issues, but statistics show that 70% to 80% of new jobs are from existing businesses. Mr. Utterback stated that part of the business retention program in Scottsdale is to monitor the pulse of the business community and this allows staff to recognize trends and potential of businesses relocating to other communities. All businesses visited by Scottsdale's economic development staff are asked the same basic questions. Each of these meetings typically take an hour or less. There were 100 different business retention visits last fiscal year, 85% of those businesses had less than 100 employees and 38% of those had less than 10 employees. Some of the takeaways: 69% said they were planning on increasing the number of employees, none were planning on decreasing employees. Most of the employers have had challenges over the last year recruiting employees. 34% stated they had been negatively impacted by supply chain and international issues. 29% of the visits with minority owned businesses, only 12% of businesses owned their facilities.

Goals for FY 2022/23 include 108 visits to Scottsdale businesses. Mr. Utterback stated that he will take the lead on over 90% of these visits, with Rob Millar and Scott Cooper also doing contributing. The economic development marketing manager and the economic development specialist participated in visits within the last few weeks.

One of the six goals in the department's five-year strategic plan was to make inclusion and diversity a priority. Therefore, the department is focusing 20% of the outreach visits on women and/or minority owned businesses.

The department also maintains contact with the city's top 30 employers each year, with sit down meetings at least once every two years. Another focus of the program is meeting with businesses that have recently located to Scottsdale.

The department currently has an RFP out for a third-party diversity, equity and inclusion training program vendor. Many Scottsdale businesses have an interest in learning and having access to programs/training in this area.

Mr. Utterback presented a brief overview of some of the questions that all businesses are asked. All answers/discussions are considered confidential.

Emails are sent six months after the outreach visit to see how the organization has been doing.

Councilwoman Janik asked if these visits are cold calls. Mr. Utterback responded that it is a mixture of existing relationships and sometimes it is an article in newspapers or other media that prompts the visits. The department receives emails and phone calls from local businesses on our direct lines. Councilwoman Janik asked if a business has just located, do we have to figure out ourselves what the business does or is there other resources? Mr. Utterback stated that sometimes we do have to do our own research, but there is also the new business license list that is fed into our CRM system. There is an automatic email that is generated from the system. If the business wants to follow up with the department they can respond to that email. Mr. Utterback invited the councilmembers to accompany him on his future visits. Councilwoman Whitehead stated she would love to come on business retention visits and also asked what is the overall response to advantages of being in Scottsdale. Mr. Utterback responded that it is location for their employees. Especially for the department-focused primary industries. Quality of life is a huge benefit. Also, retail vacancy rates are the lowest in the area even though retail rental rates are high. Councilwoman Whitehead asked about disadvantages. Mr. Utterback stated that can be location costs. Especially on the industrial side. Also, sometimes it is neighboring business disputes. However, there is more positive feedback rather than disadvantages.

5. Economic Development Update

Economic Development Director, Rob Millar and potentially other city staff will provide an update on economic development trends, events and projects.

Presenter: Rob Millar, Economic Development Director – 480-312-2533

Staff Contact: Rob Millar, Economic Development Director – 480-312-2533

Action: Presentation and Discussion

Mr. Millar presented an update on the department's metrics, highlights, occupancy and leasing trends.

Mr. Millar commented that as Mr. Narusis from ACA presented earlier, we are still in pretty unstable times. We are still seeing the effect of the pandemic, international issues and inflation. All of this continues to influence what companies are doing.

Economic development uses commercial leasing rates as an indicator of things that are happening. There are no major anomalies, other than McDowell office district vacancy rates which is due to Entrada coming online. Entrada is about 300,000 square feet and has increased inventory. Vacancy rates for industrial is extremely low even though the square footage price is higher than other parts of

the valley. Overall office vacancy rates are still pretty healthy. Retail is almost half of the vacancy rate in comparison to Phoenix, even though leasing rates are higher than the rest of the valley.

There was a drop of approximately 61% from last fiscal year year in new business licenses. The top categories are professional care, full service restaurants and beauty salons. The department will continue to monitor this issue. Mr. Millar does believe office space will do very well, although there might be a period of adjustment for most companies due to hybrid versus remote work.

The department has 16 performance measures. Mr. Millar did a comparison between FY 2021/22 and FY 2018/19. These dates were utilized because the 2018/19 fiscal year was the best since the great recession. The total of businesses retained or recruited this year was 9 compared to 14, new or retained jobs were about half of what was done in 2018/19, wages went up slightly. ChooseScottsdale.com sessions have more than doubled.

The department added new performance measures this year to focus more on outcome and output. The department may not be able to affect many of these new measures but will continue to monitor to see if we have any impact. Additional performance measures include: new business licenses with a goal of 600, new business leads with a goal of 200 with a 10% conversion rate from lead to project, Greater Phoenix Economic Council response rate goal is 25%, although 70% to 80% received are industrial request. In marketing efforts, the click rate goal is at 2% for the year.

Additional highlights include the launching of the department's new logo, creation of a video on what economic development is and how it impacts the community, the department partnered for the first time with the Scottsdale Area Chamber of Commerce on an economic development bus tour and are working on another for this fall on tourism. The department received the Deal of the Year Award from Arizona Association of Economic Development for the retention of Axon.

Recent state land activity includes the posting of the auction date for the site at 101 & Hayden. The auction will be November 16th with the opening bid starting at \$56.9 million, just under \$1.2 million per acre.

Economic development is partnering with Thinkzilla on the Business Diversity Summit next week, this is the second year Thinkzilla has held this event. This is a full day of interaction with discussions on how diversity, equity and inclusion (DEI) can be increased in Scottsdale. DEI is in the department's strategic plan that was approved by council. Prior to that the expectation was that private sector would lead this initiative. However, when developing the strategic plan, we found there was a need for leadership in this area. Not necessarily to advise, but to provide resources to the business community. There is currently an RFP posted and hopefully within the next few months there will be someone under contract

that will help us develop DEI initiatives and programs for companies located within the city.

The department is currently working on a Super Bowl program. Experience Scottsdale will fund an economic development component. The team is bringing in consultants during the week of the Waste Management Phoenix Open and the Super Bowl. Mr. Millar will provide more detail on the program to the subcommittee in December.

Councilwoman Janik asked about business licenses for FY 2021/22. One measurement showed the weakest was the Office of Physician, Except Mental Health Specialists. Councilwoman Janik had two questions: is it because offices are being bought out by corporations, is it because we don't have availability of space to develop new businesses in the medical profession, is it because it is saturated? Mr. Millar replied that it is not because of available space, but he believes it is because companies are being bought out and are co-locating, but it is not an availability or zoning issue. Councilwoman Janik asked why mental health was excluded, but it seems that Scottsdale has had growth in facilities that treat mental health issues, which is certainly needed. Why was this excluded since it is a developing area? Mr. Millar stated that the registration for Office of Physician excludes the Mental Health Specialists, which have their own category. Councilwoman Janik asked if we could get any numbers on mental health facilities. Mr. Millar stated that yes, we could but we are seeing a trend where many are going online. For example, Scottsdale-based LifeStance does most of their patient interviews online, which changes the office piece too. They don't need the traditional office space to meet patients. However, they still need to have a business license.

Councilwoman Whitehead asked if we keep a list of Scottsdale companies. Mr. Millar responded that yes, the department does have a CRM system and now receives the business registration data, minus personal information.

Each subcommittee member received a copy of the department's annual report titled "Still Scottsdale" along with copies of the most recent e-newsletter.

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

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7. Future Agenda Items

Councilwoman Janik asked that the Regional Analytics Director of Maricopa Association of Governments (MAG), Dr. Anubhav Bagley be invited to present at a future subcommittee meeting.

Councilwoman Whitehead recently met a local representative from the electrical union and requested that he be invited to speak to the subcommittee on their apprenticeship program. Councilwoman Whitehead will provide Rob Millar with the contact information.

8. Adjournment 5:28 p.m.



Persons with a disability may request a reasonable accommodation by contacting [name of designated contact person] at [telephone number and TDD telephone number (if any)]. Requests should be made 24 hours in advance, or as early as possible, to allow time to arrange the accommodation. For TTY users, the Arizona Relay Service (1-800-367-8939) may contact [name of designated contact person] at [telephone number].