

MINUTES OF THE  
MARICOPA ASSOCIATION OF GOVERNMENTS  
ECONOMIC DEVELOPMENT COMMITTEE

December 21, 2010

MAG Offices, Cholla Room  
302 N. 1<sup>st</sup> Avenue, Phoenix, Arizona

MEMBERS ATTENDING

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| Councilwoman Peggy Neely, Phoenix, Chair               | Mary Peters, Mary Peters Consulting                  |
| Mayor Thomas L. Schoaf, Litchfield Park,<br>Vice Chair | Jim Rounds, Elliott D. Pollack & Company             |
| Steven Betts, GPEC                                     | Todd Sanders, Greater Phoenix Chamber of<br>Commerce |
| Dr. Joseph Cavinato, Thunderbird                       | Mayor Jay Schlum, Fountain Hills                     |
| Mark Dreher, East Valley Partnership                   | Jeffrey Simmons, Ryley Carlock &<br>Applewhite       |
| * Thomas Franz, Greater Phoenix Leadership             | Mayor Scott Smith, Mesa                              |
| Mayor Hugh Hallman, Tempe                              | * Sandra Watson, Arizona Commerce<br>Authority       |
| Jim Kenny, El Dorado Holdings, Inc.                    | Candace Wiest, WESTMARC                              |
| Mayor Jim Lane, Scottsdale                             | * Supervisor Mary Rose Wilcox, Maricopa<br>County    |
| Mayor Michael LeVault, Youngtown                       | Councilwoman Sharon Wolcott, Surprise                |
| Mayor John Lewis, Gilbert                              |  |
| Mayor Marie Lopez Rogers, Avondale                     |  |
| John McGee, ADOT                                       |  |
| Mayor Jackie Meck, Buckeye                             |  |

\* Not present

# Participated by video or telephone conference call

Others Present (from sign-in sheet):

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| Eric Anderson, MAG   | Clemenc Ligoeki, MCDOT            |
| Roc Arnett, East Valley Partnership                        | Brad Lundahl, Scottsdale          |
| Anubhav Bagley, MAG  | Dan Marum, Wilson & Company       |
| Fredda Bisman, Mariscal Weeks, McIntyre and<br>Freidlander | Jeff Mihelich, Surprise           |
| Scott Chesney, El Mirage                                   | Lauren Neu, Strand Associates     |
| Cheryl Covert, Buckeye                                     | Jennifer Pena, Litchfield Park    |
| Mike Crusa, Tempe  | Karen Peters, Phoenix             |
| Miranda Culver, Mesa                                       | Ryan Peters, Glendale             |
| Jenna Goad, Glendale                                       | Nathan Pryor, MAG                 |
| Michelle Gramley, Gilbert                                  | Tom Remes, Phoenix                |
| Shirley Gunther, Avondale                                  | Mike Sabatini, MCDOT              |
| Chad Heinrich, Tempe                                       | Woody Scoutten, Buckeye           |
| Beth Lewallen, Maricopa County                             | Kristen Sexton, Avondale          |
|  | Tim Strow, MAG                    |
|  | Jack Tomasik, CAAG                |
|  | Marisa Walker, CANAMEX Task Force |

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Neely at 12:00 p.m. Chair Neely stated that public comment cards were available for those members of the public who wish to comment. Transit tickets were available from Valley Metro for those using transit to come to the meeting. Parking validation was available from MAG staff for those who parked in the parking garage.

2. Call to the Audience

Chair Neely stated according to the MAG public comment process, members of the audience who wish to speak are requested to fill out the public comment cards. She stated that there is a three-minute time limit. Public comment is provided at the beginning of the meeting for items that are not on the agenda that are within the jurisdiction of MAG, or non-action agenda items that are on the agenda for discussion or information only. Chair Neely noted that no public comment cards had been received.

Chair Neely thanked everyone for attending. She noted that there were a few new members attending this month and asked the Committee members to provide brief introductions.

Chair Neely also thanked the audience members for attending and being part of this process. She noted the importance of the audience and their input in this effort.

3. Approval of the November 18, 2010 Economic Development Committee Meeting Minutes

Steve Betts moved to approve the November 18, 2010 Economic Development Committee meeting minutes. Mayor Lane seconded the motion and it was carried unanimously.

4. Interstate 11 and Inland Port Concepts

Chair Neely introduced Bob Hazlett, MAG Senior Engineer, to provide a report on Interstate 11 and Inland Port Concepts. Mr. Hazlett began with a map of the Interstate network as it was in 1956. He noted the goal was to try and tie together as many cities with the population of 50,000 or more. He noted a majority of interstate routes in the eastern part of the United States, and in the west the concern was getting people to California without much thought to Intermountain mobility. Mr. Hazlett stated that there were a number of additions that were made between 1957 and 1992, but more were in the eastern part of the United States. With the passage of ISTEA and TEA-21, there were a number of high priority corridors that were identified with most of those corridors in the east as well. Mr. Hazlett stated that the I-11 corridor provides the Intermountain mobility that is lacking in the west. He noted that pertaining to this region, I-11 would go from Phoenix to Las Vegas. He also stated that I-11 would extend up to Washington state to provide Intermountain mobility. Mr. Hazlett noted that California is excited about this Interstate route because they see it as a relief valve to Interstate 5, which is the only north south corridor between Salt Lake City and the west coast. He stated that this corridor also adds to the freight opportunities as well.

Mr. Hazlett discussed the freight and truck movement in Arizona. He noted that most of the freight movement in Arizona is through traffic. He noted that other states, such as California,

Colorado and Texas, have movement from within. This means that goods are produced and stay inside the state. He noted that pass through is coming from the ports throughout the world. Mr. Hazlett stated that most of the port activity is in the Far East with Los Angeles/Long Beach (LA/LB) being the busiest port in the United States. He noted the discussion of a port in Punta Colonet, Mexico is identified for one million TEUs (container units), which puts their activity above other ports in the United States. The projection of Punta Colonet in 2030 is identified at six million TEUs, outranking New York and New Jersey ports. Mr. Hazlett discussed the Trans-Pacific shipping routes and approximate travel times in days of travel. He noted that if goods would go through Punta Colonet, it is estimated that a day of travel would be saved. He then discussed the class-one railroads in the southwest that are directly related to the potential for inland ports and the movement of goods. He noted the potential public/private partnership (P3) opportunity with the Wellton Branch and connecting BNSF and Union Pacific railroads.

Mr. Hazlett identified some inland port characteristics and what makes the ports viable for operation. He noted that some of the more important characteristics are free trade zones and the full range of transportation services associated with inland ports. He then presented some examples of inland ports around the United States, including Alliance, Texas and Joliet, Illinois. Mr. Hazlett stated that in Alliance, Texas, 243 companies have already located in this area and 50 of those companies are Fortune 500 companies.

Mr. Hazlett stated that a few weeks ago, staff met with the Arizona Commerce Authority and there were a few short-term objectives that were identified by MAG staff. These objectives included the I-11 designation, the Environmental Impact Statement (EIS) and the right of way agreements. He noted that MAG is underway with a Freight Framework Study that will put some science behind what was reported today. He stated that two other objectives under the freight and inland port concept are to continue monitoring Punta Colonet developments and the potential of rehabilitation of the Wellton Branch rail line. Mr. Hazlett thanked the Committee for their time and noted that he would be happy to answer any questions.

Chair Neely asked if Punta Colonet would be a deep water port. Mr. Hazlett replied that it would be a deep water port. He also noted that it is proposed to handle the larger ships that LA/LB cannot currently handle. Chair Neely asked about the railroad situation in Mexico and the connectivity to the United States. Dennis Smith asked Marisa Walker from the CANAMEX Task Force to speak to that issue. Ms. Walker stated that Mexico has hired two consultant groups to work out the political feasibility and technical assessment of the project. She noted that some of the larger contenders on the U.S. side are BNSF and Union Pacific and a couple of railroads on the Mexican side. She stated that what Mexico is proposing is 210 miles of new rail line from the new port, Punta Colonet, up to the border. She stated that the belief is that Arizona has a strong game to play. Ms. Walker provided some history on this project and stated that several years ago, Hutchison Whampoa Limited (HWL) conducted a feasibility study. At that time, they determined that the most viable entry point into the United States would be the Yuma region. She noted that this was a controversial issue in Yuma. Ms. Walker stated that what is being looked at now, through an ADOT study and in partnership with Mexico, is to determine where the alignment might work. Ms. Walker stated that it is critical that we are able to champion a case for being able to get this rail connection. Chair Neely asked if there is unwillingness by the railroads here in the United States to deal with the railroads in Mexico. She also asked if there were people addressing

that issue and what needs to happen. Ms. Walker replied that Union Pacific has a considerable share within Ferromex. She noted the problem is historical. In Union Pacific's effort to lay the ground work for a potential concession, they started to do some of the busy work to make that happen and it backfired. Ms. Walker stated that she believes that Union Pacific's position right now is to wait and see. She noted that Union Pacific may be concerned about getting caught up in the public relations regarding where the alignment might enter the United States. Ms. Walker believes that Mexico took advantage of the time delay, due to the economic downturn, to reflect on what is going to need to take place and put together a much better concession. She noted that one example of that being an understanding of how much volume needs to go through this port to make it viable, and the security paradigm that needs to be in place.

Mayor Lewis stated that last week at a Greater Phoenix Economic Council (GPEC) meeting they discussed a GPEC group being formed to go to Washington, D.C. and this would be a topic that could be covered if we organize our government resources.

Mary Peters commented that Interstate 11 is a glaring omission in terms of Interstate highway today. She noted that Phoenix and Las Vegas are two of the largest cities not connected by an interstate highway. Ms. Peters stated that there are two actions that need to happen in Washington. First is the designation of the Interstate 11 corridor. She noted that this is important because that has to happen through the U.S. Department of Transportation or through Congress. She noted that Secretary LaHood could make that designation on his own, but has chosen not to do that. She commented that perhaps a well-timed visit to him might make that happen. Ms. Peters noted that the second action would be a designation of a high priority corridor. She noted that this is something that can only happen by congressional action. She also noted that this is important because high priority corridors are eligible for a certain pot of funds.

Steve Betts updated the Committee on I-11 as Chair of the I-11 Coalition. He noted that the coalition is making a lot of progress and the Governor has given speeches endorsing the I-11 concept. Mr. Betts stated that behind the scenes, the coalition has been working on two things. One is the right-of-way dedication agreement that has been in negotiations with ADOT and two private land owners for approximately eight months. He stated this is very significant because it helps the public-private partnership. Secondly, the coalition has been working on a scope for the EIS. Mr. Betts noted that there is a little more than \$2 million set aside from previous funding to start the EIS, but that is not enough to get it done. He noted that we are more than \$1 million short. Mr. Betts noted the third thing that needs to happen is that we need some congressional help. He stated that there was a bill ready to go this past summer, but it lost its momentum as it got closer to the election. Mr. Betts stated that we will try again this winter. He noted that the emphasis should be on two major metropolitan areas not connected by an interstate and with major military facilities in both metropolitan areas.

Todd Sanders asked if Arizona could not get its delegation to act on this project, could the Arizona corridor be cut. Mr. Betts replied that Phoenix to Las Vegas is the most significant piece - connecting two major metropolitan areas. John McGee stated that the Arizona Commerce Authority was briefed on this issue a few weeks ago and he stated that he is very optimistic regarding this project. Mayor Jim Lane questioned whether Mexico might become our California. He asked how much Mexico might develop the northern border before it gets to the United States.

Mr. Smith stated a new development in this project is that Union Pacific is reentering discussions with Ferromex, which is a positive. He noted that there is considerable traffic on Google Alert regarding Punta Colonet. Mr. Smith stated that we were expecting a report from the SCT consultant about this time and asked Ms. Walker if she had any information on the status. Ms. Walker stated that there have been some contractual issues with the consultant that have delayed the progress. She noted that they do anticipate being up in Phoenix and touring the Arizona border after the beginning of the year. Ms. Walker addressed Mayor Lane's questions regarding security. She stated that she would consider it optimistic if Mexico would try to achieve the Container Security Initiative, which allows Asian traffic to come sealed at the port of origin. She noted the idea is to have as minimal handling in Mexico as possible. Therefore, any of the value add would have to happen at a location on the U.S. side. Ms. Walker stated that if Arizona is the gateway, it has a relatively strong bargaining chip. She noted that with any border crossing there is a Presidential permitting process that has to take place and the state has a very strong voice in this process. Mayor Lane summarized what he heard is that there is less of a concern regarding development, that Arizona is looking to have, on the south side of our border. Ms. Walker replied that it is always wise never to make that type of assumption. She stated that we need to get our thoughts and actions in order and be aggressive in what we want. Bob Hazlett added that in the search for a U.S. crossing, the idea was to have a location where two class-one rail roads come together. He noted that there are only three locations in the U.S. where two class-one railroads come together and that is Los Angeles, El Paso and Arizona. Mr. Hazlett noted the Arizona may be in the driver's seat because of its location.

Candace Wiest noted some of WESTMARC members' concerns about the funding sources and the potential impact that might have on projects already in the plan. She also noted that WESTMARC is waiting on MAG to take a position. Steve Betts stated that from the I-11 Coalition's point of view this has always been viewed as a project of federal significance and of western regional significance. He noted that this project should be funded federally and with public-private partnership funds and not with MAG funds. Ms. Wiest stated that the question is where does the pot of money come from and are the federal funds going to be impacted. Mr. Smith stated that MAG is totally committed to Proposition 400. He noted that what MAG is trying to do is position Arizona for potential freight money in the next reauthorization. He reiterated Mary Peters' comments on getting the designation of Interstate 11 and then the next step is a high priority freight route, we are positioning ourselves to receive that freight money and not be in competition with money already coming to Arizona. Chair Neely stated that this same concern came up before this committee was even finalized and it has been very clear that is not the intention. She noted that what she heard is that at the federal level, if a project is designated as high priority, then only those projects get that high priority funding.

Chair Neely requested MAG staff to prepare bullet points that would assist members in discussing the EDC's general purpose, as well as some points of discussion on the I-11 corridor and inland port concept. She also requested a report summary of what is happening in Mexico with Punta Colonet and the border crossing, including any potential deadlines. She noted that contacts to the railroads should be included in this summary. Chair Neely commented that it is important for this committee to understand the value that the federal government, Arizona and Nevada have spent on the Hoover Dam Bypass project, which does not have the connections, versus the estimated cost of Interstate 11 from I-10 to Wickenburg with the donated right-of-way that will

create that connection to Las Vegas and potentially Mexico to Canada. She stated that what she would like to show is that I-11 is a small amount compared to what has already been invested in this corridor.

Mayor Meck stated what has not been mentioned is the SR 85 from Buckeye to Gila Bend it already completed. He stated that Buckeye definitely supports this project. He noted that Casa Grande, Gila Bend, and Buckeye all have resolutions of support for this project.

Mayor Lopez Rogers stated that the rail tour in Denver was magnificent. She noted the connectivity throughout the state of Colorado. She emphasized the importance of having a plan that connects the state. Chair Neely agreed that this is not just a Maricopa County issue but a statewide issue.

Chair Neely then introduced Jim Rounds to provide the committee a presentation on the job recovery in Arizona.

##### 5. The Job Recovery Package for the State of Arizona Summary

Jim Rounds commented on the I-11 discussion. He noted that from an economist's perspective, when we talk about improving the infrastructure and making it easier for people and goods to move from Mexico to Canada, it is important to focus on enhancing the state's ability to create value-added jobs, as well as expand the base industries. Mr. Rounds stated that down the road, we need to start talking more quantitatively. He started this presentation with a general question as to why we are here today in this room and on this committee. He stated that Arizona's personal per capita income has been declining for some time. Mr. Rounds noted that this decline has a lot to do with the deterioration of the base sector companies over time. He noted that Arizona has done a great job in attracting people, but a horrible job of expanding the base industries. In addition, he noted that we have not kept up with the rest of the whole in adding base industries. Mr. Rounds continued by identifying the basic problem being the lack of diversity that was exposed during the past recession. He noted that we will again grow rapidly in coming years, but he emphasized that we want to grow well. Mr. Rounds stated that Arizona needs a targeted approach. He explained that base sector companies drive the economy. He noted that goods or services are sold outside the local economy, money is then imported into the region and circulated, and finally you have some leakage that eventually occurs. He continued by identifying things that we can do, such as maintaining what we currently have, which is both a short and long-term issue. He noted that this is less expensive than bringing in new or developing from within. Mr. Rounds stated that we can also recruit from outside (short-term) and grow from within (long-term). He noted that we were able to recruit from the outside a couple of decades ago, but have been having a hard time lately because Arizona is not as competitive in a couple of tax categories. He stated the Arizona has had the weakest economic development programs in the entire country.

Mr. Rounds discussed what businesses value in a particular location. He noted that number one is typically transportation infrastructure. He noted that the next few are existing workforce skills, state and local tax scheme and utility infrastructures. Mr. Rounds also noted that the business type matters. He stated that with labor intensive companies most all of their expenses relate to payroll. However, capital intensive companies place a high value on transportation infrastructure, as well as corporate income taxes and personal and real property taxes. Mr. Rounds emphasized that

Arizona needs to improve the corporate income tax and personal property tax, and avoid not improving our statewide infrastructure at the rate that we should so it becomes a problem down the road. He noted that incentives are often low on the list because companies are looking for the basic economics first and then at the incentives, which often close the deal.

Mr. Rounds summarized the report's recommendations to restore the job training program and the quality jobs program. He also noted the recommendation to set up a deal closing fund, as well as a new property tax class and a corporate income tax rate cut to five percent. Mr. Rounds stated that what we need to focus on is cooperation between counties and cities. He noted that a new effort needs to be managed properly, be targeted in focus and be efficient given the limited resources available. He emphasized that participation by other entities will be the key. Mr. Rounds stated that what is unique and specific to this group is that there is no other group related to transportation and how it ties in with economic development.

Candace Wiest commented that she came from the Southern California, Inland Empire region, and could not help but compare the I-11 excitement to the initial excitement of the Inland Empire region with the convergence of the I-10, I-15 and I-60 up through Ontario and what it was going to do for the economy. She noted that unfortunately what they got were big box distribution centers with low paying jobs. She noted that Mr. Rounds comments are accurate in saying that it is not good enough to just say there will be an economic impact. Mr. Rounds stated that was an excellent example.

Chair Neely stated that Interstate 11 is one piece and the inland port is another piece. She noted that if the inland port happens, there will need to be some guidelines on how that will work. She stated that I-11 is a project that will give us connectivity to other states and metropolitan regions.

Mayor Hallman stated that the concept that brought this all together was there must be value-added jobs. He noted that it is not enough to just have transportation infrastructure. He noted from our last meeting, this committee agreed to start identifying the priorities that might help us reach our goal. He asked what are the priorities this committee should be looking at within the transportation umbrella, such as freeways, rail, airports and virtual infrastructure. Mayor Hallman noted the issues papers included with the agenda packet. He stated that this committee should not be drawing conclusions and presenting items for decision without first researching these topics and potential alternatives, if any. Mr. Smith stated that the issue papers in the packet were to start focusing people on some transportation related items. He also noted the most important question is where is the external collaboration. Mr. Smith noted that the Joint Planning Advisory Council (JPAC) will need to come back into these discussions at some point, and we need to connect with Mexico and Las Vegas. Mr. Smith stated that the issue papers were put together because Congress will start moving again in January and this provides a summary and background on these issues. Mayor Hallman stated that the question is about the means and how do we connect these issues to get connections between states and regions. Mr. Smith stated that staff tried to get APL here to speak today, but was unable. He noted that APL is one of the largest container shipping companies in the world and has recently relocated from California to Arizona. Chair Neely stated that maybe we should break the committee into subcommittees to deal with the various priorities - rail, inland port, interstate, and aviation.

Mayor Smith stated that he was concerned that we are focusing on a specific project and trying to attach jobs to that project. He stated that Interstate 11 is not a freeway project, but it creates a north/south corridor. He noted that if you look at the midwestern and southern cities, you can drive, fly or take a train out in many directions. Mayor Smith stated that Phoenix is hindered because we do not have the whole package. He stated that maybe we need to step back and ask why an inland port is important to the state. He noted that he is still unclear as to what we are trying to accomplish.

Chair Neely stated that this is a process. She suggested that staff identify the benefits, why it is important, to each of the issue papers. She suggested having a third party come in to identify and discuss these benefits. Mr. Smith stated that MAG has a planning contract with task orders that can be issued. He suggested bringing some experts into the next meeting to discuss the value added that can come from these projects.

Mr. Rounds stated that the biggest area that has not been studied enough is do we have deficiencies, like the north/south connectivity, that is restricting our ability to get on that top 20 list to get that business to even consider Arizona. What are our current weaknesses?

Chair Neely stated that we have to look at the whole package - aviation, rail and interstates. Mayor Lane agreed with Mr. Rounds that transportation is an important element of economic development.

Mayor Hallman summarized the request for staff to return to this committee with identifiers of the state's current transportation infrastructure and its status; and materials that help to identify the deficiencies in those resources that are hurdles to economic development attractiveness. Mayor Hallman stated that he realizes that the federal and state legislatures will be gearing up soon, but stated that he believes this is a much longer process. Mary Peters stated that there is little to no federal dollars available for infrastructure. She asked how we can target investments strategically because we cannot do everything. Mayor Hallman added identify deficiencies and targeted opportunities. Jim Kenny suggested speaking with places like Alliance, Texas to see what worked and what did not. He also noted the importance of engaging new legislators. Todd Sanders stated that made a lot of sense to engage the new leaders.

Mayor Hallman moved that the staff undertakes research and report to the Economic Development Committee regarding the status of the state's infrastructure - aviation, maritime, rail, automobile and virtual infrastructure; gather information regarding deficiencies in those infrastructure areas; gather information regarding targeted opportunities with respect to those infrastructure areas; propose subcommittees to begin addressing some of those infrastructure areas; bring in experts in each area to determine if there is a real benefit or those who were not successful; and to begin coordinating with staff members from other agencies, such as Industrial Development Authorities (IDA) and GPEC staff. Dr. Cavinato seconded the motion and it was carried unanimously.

Chair Neely asked Mr. Smith for a brief summary on the Census numbers that were released this morning. Anubhav Bagley, MAG Information Services Manager, stated that the state Census numbers for population were received from April 1, 2010. He stated that Arizona's population is 6,392,000, which means that Arizona grew by 1.261 million this decade. Mr. Bagley stated that Arizona is the 16th largest state in the country, and has the second highest growth rate at 25

percent. He noted that this adds one additional Congressional seat. Mary Peters stated that Texas picked up four congressional seats. She stated once again, maybe there is something we can learn from them.

6. Outreach to the Greater Business Community

Chair Neely suggested tabling this agenda item for the next meeting. Mayor Hallman suggested directing staff to consider the other agencies involved in Economic Development so that we do not duplicate work, as well as making things consistent. He suggested that staff identify a representative from those groups (IDAs and GPEC staff members) and invite them to future EDC meetings. Mr. Sanders suggested having a sponsor from the jobs bill come and speak to the committee.

7. Request for Future Agenda Items

Chair Neely asked if there were any requests for future agenda items. There were no requests.

8. Comments from the Committee

Chair Neely asked if there were any comments for the committee members. There were no comments.

Chair Neely asked if the Committee would like to cancel the January 4, 2011 meeting since it is only two weeks away. The Committee agreed. The next meeting will be Tuesday, February 1, 2011.

Adjournment

There being no further business, the Economic Development Committee meeting was adjourned at 2:05 p.m.

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Chair

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Secretary