

March 28, 2012

TO: Members of the MAG Economic Development Committee

FROM: Mayor Thomas Schoaf, City of Litchfield Park, Chair

SUBJECT: MEETING NOTIFICATION AND TRANSMITTAL OF TENTATIVE AGENDA FOR
THE MAG ECONOMIC DEVELOPMENT COMMITTEE

Tuesday, April 3, 2012-11:30 a.m.
MAG Office, Suite 200 - Saguaro Room
302 North 1st Avenue, Phoenix

A meeting of the MAG Economic Development Committee (EDC) has been scheduled for the time and place noted above. Members of the Committee may attend the meeting either in person or by telephone conference. A light lunch will be provided.

Please park in the garage under the building. Bring your ticket to the meeting. Parking will be validated. For those using transit, the Regional Public Transportation Authority will provide transit tickets for your trip. For those using bicycles, please lock your bicycle in the bike rack in the garage.

Pursuant to Title II of the Americans with Disabilities Act (ADA), MAG does not discriminate on the basis of disability in admissions to or participation in its public meetings. Persons with a disability may request a reasonable accommodation, such as a sign language interpreter, by contacting Denise McClafferty at the MAG office. Requests should be made as early as possible to allow time to arrange the accommodation.

If you have any questions regarding the EDC agenda items, please contact Dennis Smith, MAG Executive Director, or Denise McClafferty, Management Analyst, at (602) 254-6300.

MAG ECONOMIC DEVELOPMENT COMMITTEE
TENTATIVE AGENDA
APRIL 3, 2012

COMMITTEE ACTION REQUESTED

1. Call to Order

The meeting of the Economic Development Committee will be called to order.

2. Call to the Audience

An opportunity will be provided to members of the public to address the Economic Development Committee on items not scheduled on the agenda that fall under the jurisdiction of MAG, or on items on the agenda for discussion but not for action. Members of the public will be requested not to exceed a three-minute time period for their comments. A total of 15 minutes will be provided for the Call to the Audience agenda item, unless the Economic Development Committee requests an exception to this limit. Please note that those wishing to comment on action agenda items will be given an opportunity at the time the item is heard.

3. Approval of the March 6, 2012 Economic Development Committee Meeting Minutes

4. Update on the Arizona-Mexico Supply Chain Landscape Analysis

In November 2011, it was reported to the Economic Development Committee (EDC) that some of the EDC projects may require research assistance. As a result, MAG contracted with the Thunderbird School of Global Management Organizational Consulting Practicum program to provide a supply chain landscape analysis for Mexico. The Organizational Consulting Practicum program deploys teams of MBA students who deliver project-focused research and consulting services. The Arizona-Mexico supply chain analysis focuses on trading and nearshoring trends, and key companies or industries specific to these trends. The Thunderbird team will present their interim findings on the supply chain landscape analysis for Mexico, as well as some case studies, potential opportunities and recommendations. The final

2. Information and discussion.

3. Review and approval of the March 6, 2012 Economic Development Committee meeting minutes.

4. Information, discussion and input.

report is due April 30, 2012 and the Thunderbird team is requesting feedback into the final deliverables.

5. Update on the Arizona-Canada Supply Chain Landscape Analysis

In addition to the Arizona-Mexico project, a second Thunderbird team was contracted by MAG to provide a supply chain landscape analysis for Canada. The Arizona-Canada supply chain analysis focuses on trading trends and key companies or industries specific to these trends. The Thunderbird team will present their interim findings on the Arizona-Canada supply chain landscape analysis, as well as some case studies, potential opportunities and recommendations. The final report is due April 30, 2012 and the Thunderbird team is requesting feedback into the final deliverables.

5. Information, discussion and input.

6. Report on the Port of Guaymas

At the March 6, 2012 Economic Development Committee (EDC) meeting, it was suggested that officials from the Port of Guaymas be invited to provide a report on the activity at the port. A representative from the Guaymas Port Authority will provide an update on the activity at the port.

6. Information, discussion and input.

7. Request for Future Agenda Items

Topics or issues of interest that the Economic Development Committee would like to have considered for discussion at a future meeting will be requested.

7. Information and discussion.

8. Comments from the Committee

An opportunity will be provided for the Economic Development Committee (EDC) members to present a brief summary of current events. The EDC is not allowed to propose, discuss, deliberate or take action at the meeting on any matter in the summary, unless the specific matter is properly noticed for legal action.

8. Information.

Adjournment

MINUTES OF THE
MARICOPA ASSOCIATION OF GOVERNMENTS
ECONOMIC DEVELOPMENT COMMITTEE

March 6, 2012

MAG Offices, Saguaro Room
302 N. 1st Avenue, Phoenix, Arizona

MEMBERS ATTENDING

Mayor Thomas L. Schoaf, Litchfield Park,
Chair
*Mayor Hugh Hallman, Tempe, Vice Chair
*Steven Betts, GPEC
*Dr. Joseph Cavinato, Thunderbird
*Mark Dreher, East Valley Partnership
Thomas Franz, Greater Phoenix Leadership
Jim Kenny, El Dorado Holdings, Inc.
Mayor Jim Lane, Scottsdale
Mayor Michael LeVault, Youngtown
Mayor John Lewis, Gilbert
Mayor Marie Lopez-Rogers, Avondale
Mayor Jackie Meck, Buckeye
*Mary Peters, Mary Peters Consulting
Jim Rounds, Elliott D. Pollack & Company

Floyd Roehrich, Jr., ADOT
#Todd Sanders, Greater Phoenix Chamber
of Commerce
Mayor Jay Schlum, Fountain Hills
#Mayor Elaine Scruggs, Glendale
Councilmember, Jack Sellers, Chandler
Jeffrey Simmons, Ryley Carlock &
Applewhite
Mayor Scott Smith, Mesa
Mayor Greg Stanton, Phoenix
*Sandra Watson, Arizona Commerce
Authority
#Candace Wiest, WESTMARC
*Supervisor Mary Rose Wilcox, Maricopa
County
Mayor Sharon Wolcott, Surprise

* Not present

Participated by video or telephone conference call

OTHERS PRESENT (from sign-in sheet(s)):

Eric Anderson, MAG
Farhana Baki, MAG
Len Becker, Town of Buckeye
Phil Bradstock, CEDD Phoenix
Brent Cain, HDR Engineering
Michael Celaya, Surprise
Addy Chapa, ASU Student
Sarah Daily
Dan Davis, Avondale
Jonathan Donie, MAG
Bob Hazlett, MAG
Denise McClafferty, MAG

Greg Osborne, Thunderbird
Linda Priano, MAG
Nathan Pryor, MAG
Tom Remes, Phoenix
Amy St. Peter
Francisco Sanchez, Thunderbird
Kristen Sexton, Avondale
Dennis Smith, MAG
Tim Strow, MAG
Kelly Taft, MAG
Jack Tomasik, CAAG

1. Call to Order

The Economic Development Committee (EDC) meeting was called to order by Chair Schoaf at 11:38 a.m. Chair Schoaf noted that Mayor Scruggs, Candace Wiest, and Todd Sanders were participating by telephone conference. Chair Schoaf welcomed Mayor Sharon Wolcott to the EDC.

Chair Schoaf noted 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 for the MAG parking facilities for those who parked in the garage.

2. Call to the Audience

Chair Schoaf 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. He 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 Schoaf noted that no public comment cards had been received.

3. Approval of the February 7, 2012 Economic Development Committee Meeting Minutes

Chair Schoaf asked if the members had any questions regarding the February 7, 2012 meeting minutes. There were none.

Mayor LeVault moved to approve the February 7, 2012 Economic Development Committee meeting minutes. Mayor Lopez-Rogers seconded the motion and the motion carried unanimously.

4. Marana's Job Creation Incentive Program

Josh Wright, Town Manager of Wickenburg, who served as the Director of Strategic Initiatives for the Town of Marana for five years, provided a report on Marana's Job Creation Incentive Program. He noted the first critical step is to have a plan to provide direction and innovative economic development policies while also identifying target industries and economic activity centers. He stated another important step is to identify your customers needs and to look for common ground. He recommended conducting appropriate research to solidify a case and to evaluate the approach and revise as necessary.

Mr. Wright provided an example of working with Sargent Aerospace, which was a presenter at the February EDC meeting. He noted that Sargent wanted to expand their manufacturing facility and although they were interested in possibly expanding in Marana, they were also

looking throughout the U.S. and internationally. He noted Sargent desired something “extra” to let corporate leadership know why Marana was the right choice.

Mr. Wright stated Marana has no property tax, commercial impact fees, or other costs applicable to Sargent’s operations. He noted Marana identified construction sales tax as the best option and the tax revenue made available to company reimbursement for allowable expenses were an I-10 corridor beautification, a housing allowance, student internships and workforce training and development.

Mr. Wright stated the reasons why this program works is because the program meets community goals already established in the economic roadmap and the incentive money is given to the company who generated it. He noted the minimum requirements, which is open to anyone who meets them, is to have a \$2 million capital investment, offer 25 new, permanent jobs paying at least \$40,000/year, and the company needs to have a non-retail enterprise.

Mr. Wright noted that Marana was selected over Tucson, AZ; Franklin/Indianapolis, IN; and Torrance/Los Angeles, CA. Sargent has made a \$8 million plus investment in construction with 250 jobs retained, and room for at least 250 more employees. He stated the new facility is a beautiful 71,000 square feet manufacturing building and most importantly, there is a rekindled partnership between Sargent and the Marana community.

Chair Schoaf thanked Mr. Wright for his presentation and asked if there were any questions or comments.

Mayor Stanton stated the housing incentive may not be the best for this region. He noted an employer and/or employee should have a choice as to where they decide to live and perhaps this subject could be added to a future agenda for discussion.

Mr. Wright agreed that the housing incentive worked for the town of Marana, however, it may not be appropriate for this region. Mayor Lane agreed with Mayor Stanton’s comments and noted the housing incentive seems distant in regards to value for value.

Mr. Smith noted Denver, Colorado has the Mile High Compact, which is a voluntary agreement among Denver metro area cities and counties to manage growth throughout the region by adhering to the principles they agreed on. He noted that perhaps this region should consider a general economic development agreement.

Chair Schoaf stated this is a good discussion to be having and commented that it would be beneficial to get a copy of the Mile High Compact and other similar agreements that could be brought to this committee for review and discussion.

Mr. Franz suggested making some of the regional agreements binding to increase the effectiveness.

Mr. Rounds added he does not think our cities should be competing against each other and instead we should focus on the regional benefits.

5. Discussion on Integration of FAA-Unmanned Aircraft Systems into the National Airspace System

Dr. Vicki Panhuse, Technical Advisor for Aerospace at the Arizona Commerce Authority stated The National Defense Authorization Act of 2012 and the Federal Aviation Administration (FAA) Modernization and Reform Act of 2012, contain specific direction to the Department of Transportation and the FAA to safely integrate unmanned and manned flights, including establishing six national test ranges. She stated currently unmanned aircrafts only fly in designated areas under strict Homeland Security rules.

Dr. Panhuse noted that all aircrafts are piloted, even unmanned aircrafts. She stated unmanned aircraft pilots are very skilled pilots. She stated Public Law 112081 states by March 30, 2012, the Secretary of Defense and the Administrator of the FAA are to report to Congress on progress integrating Unmanned Aircraft Systems (UAS) into the National Airspace System (NAS). On June 28, 2012 the Administrator of the FAA is to establish a program to integrate UAS into the NAS at six national test sites.

Dr. Panhuse stated the FAA must safely designate airspace from manned and unmanned operations; develop certification standards and air traffic requirement for UAS; coordinate/leverage the resources of the Department of Defense (DOD) and NASA; address both civil and public UAS; ensure the program is coordinated with the Next Generation Air Transportation System; and when selecting sites, take into account geographic and climatic diversity, location of ground infrastructure, and research needs. She stated the Arizona Commerce Authority (ACA) is coordinating an effort to formally present Arizona's case to meet the FAA requirements for Unmanned Aircraft Systems (UAS) national test ranges so that Arizona can be one of the six test ranges selected.

Dr. Panhuse stated a plan was established by the Arizona Aerospace and Defense Commission to set up a 140 member advisory committee to develop an implementation plan to position Arizona as one of the test ranges selected. She noted there are three primary range locations and eight secondary options that have been identified for FAA's consideration. She stated by May 2012, Arizona will formally present its case to meet the FAA requirements for UAS national test ranges.

Dr. Panhuse stated Arizona has an array of assets to meet the FAA-UAS National Test Range requirements and is already the leader in UAS testing. She stated Fort Huachuca is home to the world's largest UAS Training Center and 10,000 UAS operators have been

certified to operate UASs. She noted Arizona test ranges can accommodate large and small UAS operations and Arizona boasts over 350 days a year of perfect flying weather, ideal for continual testing. She also noted that Arizona airspace covers open desert, mountains, from sea level to high elevation.

Dr. Panhuse reported that Arizona hosts a broad range of aerospace and engineering research facilities, including the Arizona Laboratories for Security and Defense Research, and robust academic research at the University of Arizona, Arizona State University, Embry-Riddle Aeronautical University and Northern Arizona University. She stated Cochise College, Northrop Grumman Innovation Campus offers Associate Degrees in UAS Flight Operations and Systems Technicians. She stated Arizona hosts numerous large aerospace defense contractors developing, testing, and producing aerospace concepts and vehicles. She noted Arizona has 1,300 companies in the aerospace and defense contractor and supply chain, and the Phoenix Sky Harbor International Airport is the ninth busiest airport in the U.S. and in the top fifteen in the world.

Dr. Panhuse requested a commitment from MAG on the value of an Arizona UAS test range, and the support of the EDC to adopt a resolution to support Arizona being selected by the FAA as one of six national test ranges to integrate UAS into National Airspace.

Chair Schoaf asked if there were any questions or comments.

Mayor Lane asked how much interference would it cause for general aviation if these test areas were selected. Dr. Panhuse stated the FAA has not yet released the requirements so until she knows what will be implemented in Arizona this cannot be answered.

Mayor Stanton noted with the pentagon cuts coming, this region needs to support this effort to be successful.

Mayor Lane recommended adopting a resolution to support Arizona being selected by the Federal Aviation Administration as one of six national test ranges to integrate Unmanned Aircraft Systems (UAS) into the National Airspace System. Mayor Stanton seconded the motion and the motion carried out unanimously.

6. Arizona's State Trade and Export Promotion (STEP) Program

Kevin O'Shea, from the Arizona District Export Council, provided information on the Arizona State Trade and Export Promotion (STEP) program. He noted through a grant from the U.S. Small Business Administration (SBA), the Arizona Commerce Authority (ACA) was able to launch this state-wide program.

Mr. O'Shea stated this program can help small businesses enter the export market for the first time and/or expand into new markets. He noted the eligibility requirements to participate

in the STEP program are: must be a small business in Arizona that has been in business for at least one year and have 500 or less employees. He stated the STEP program can also provide technical and financial assistance to small and medium-sized Arizona businesses, along with practical training workshops and seminars, marketing and business development assistance, trade missions, etc.

Mr. O'Shea stated there are numerous advantages to exporting and that only five percent of customers in the world are in the United States and the remaining ninety-five percent are in other countries. He noted an employee working for an exporting company has wages approximately fifteen percent higher on average, so not only does this benefit the business, it also benefits employees.

Mr. O'Shea stated some of the places the STEP program has assisted Arizona businesses include exporting to Mexico, Canada, Colombia, Chile, Austria, Portugal, Turkey, Israel, and Australia. He stated companies wishing to participate in the Arizona STEP Program should complete the Export Readiness Questionnaire at <http://export.gov/begin/assessment.asp> and companies should also complete the application for STEP Grant Funding and the SBA Eligible Small Business form at <http://www.azcommerce/az-step-grant.aspx>.

Chair Schoaf asked if there were any questions or comments.

Mayor Schlum asked what will success look like for the Arizona Commerce Authority and Mr. O'Shea stated that every business is required to report to the Arizona Commerce Authority to prove this program is contributing to growth, sales, and job creation.

Mayor Smith noted he recently attended the U.S. Conference of Mayors Leadership meeting on exports and a study was released showing that the Phoenix Metropolitan area has the 15th largest economy in the country, but was only rated the 28th largest in exports. He stated this is the widest gap between size of economy and ranking of exports. He noted it is clear this region is underperforming in exports. He reported that forty percent of projected growth in the U.S. will come from exports.

Mr. O'Shea stated one of the reasons this region currently ranks 28th is because only one percent of companies export and we are overly dependant on one customer and need to start diversifying.

7. HB 2469 Revenue Allocation Districts

John Schell, Government Relations Director for the City of Peoria, stated House Bill 2469 Revenue Allocation Districts has been introduced. This bill provides the creation of a revenue allocation district to fund economic development related projects within the boundaries of the municipality in which it reside from incremental increase in property and transaction privilege taxes over fixed base amounts. He noted the difference in HB2469 is

that it provides access to capital that comes from the private sector and primarily uses revenue bonds.

Mr. Schell noted this program will enhance economic development by enabling Arizona's communities to increase their ability to compete for quality economic projects by having infrastructure in place conducive to a desired company's needs, facilitate development to specific economic development strategies created by the public, rather than being left to the discretion of developers, and actively pursue economic opportunities in accordance with a citizen-approved plan.

Mr. Schell stated municipalities may designate a district for a specific economic development purpose and appoint a separate governing body to help design and implement the plan for the area. The district plan to be approved includes a fixed base amount of property tax and/or sales tax revenue and any tax revenue collected above the base amount within the district, which would have gone to the municipality, will be used to finance development within the district plan.

He noted once the governing body has developed the district plan, it must hold a public meeting and go through a formation process that gives owners of property in the district an opportunity for input or objection to the district and its plan. It also requires an election within the proposed district to approve the project plan, the district formation and any financing mechanisms.

Mr. Schell noted once the plan is approved, development called for with the district plan may also be financed through the sale of bonds, project related user fees or charges established and collected by the district, as well as and any other source permitted by the statute. Mr Schell thanked everyone who supports this bill.

Steve Camp, City Attorney of Peoria and author of this legislation, stated Arizona has very limited economic development tools, which can be very cumbersome to use. He noted this bill was created to fill the need for services in an area that might be limited for various reason, including size, location or financial limitations. He stated the formation of a special taxing district establishes a dedicated funding stream to pay for necessary services by placing responsibility on those benefitting from the services.

Mr. Camp provided an example, such as a corporate office park where a company is looking for public assistance, but the company does not want interior streets or infrastructure owned by a governmental entity. Mr Camp stated this bill would allow a public-private partnership. Mr. Camp noted he would be happy to provide updates on this bill as it moves forward.

Chair Schoaf asked if there were any questions or comments. There were none.

8. Resolution of Support for Arizona's Ports of Entry with Mexico

Dennis Smith stated in December 2011, elected officials, business leaders and staff from Maricopa, Pinal and Pima counties visited the Arizona ports of entry in Nogales and San Luis. As a result of these trips, a resolution of support for Arizona borders was developed and reviewed by each organization, including SouthEastern Arizona Governments Organization (SEAGO) and Yuma Metropolitan Planning Organization (YMPO). This resolution was also discussed at the Joint Planning Advisory Organization (JPAC) in February 2012 and comments from this meeting were incorporated into the resolution. Mr. Smith noted the resolution will include another signature page with economic development organizations and non-profit organizations who wish to support this effort.

Chair Schoaf asked if there were other questions or comments. There were none.

Mayor LeVault recommended adopting a Resolution of Support for Arizona's Ports of Entry with Mexico. Mayor Lopez Rogers seconded the motion and the motion carried out unanimously.

9. Update on the Arizona Aerospace and Defense Website project

Dennis Smith stated the Arizona Commerce Authority (ACA), the Arizona Department of Transportation (ADOT), MAG and the Pima Association of Governments (PAG), have been working on enhancing the supply chain and mapping portion of the ACA Aerospace and Defense website.

Mr. Smith noted the website will include a portal where companies will be able to update their own profiles and will include a built-in function that notifies companies when their profiles need updating. He stated the enhancement project will improve Arizona's aerospace supply chain, foster economic development and optimize the flow of freight supporting the Aerospace and Defense industry throughout Arizona.

Mr. Smith stated the contract for this project is not to exceed \$60,000, with ACA contributing one-third (\$20,000), ADOT contributing one-third (\$20,000), and MAG and PAG sharing one-third according to population percentages (MAG \$16,000 and PAG \$4,000).

Chair Schoaf asked if there were other questions or comments. There were none.

Mayor Schlum recommended approving providing the Arizona Commerce Authority up to \$16,000 for MAG's share to the Aerospace and Defense website enhancement project to improve the aerospace supply chain, to foster economic development, and optimize the flow of freight supporting the A&D industry throughout Arizona. Mayor LeVault seconded the seconded the motion and the motion carried out unanimously.

10. Request for Future Agenda Items

Mayor LeVault stated officials in his town are building a “financial firewall” that allows him to review every invoice and check that leaves city hall. A committee of citizens will unveil tax recommendations later this month.

Mayor Smith stated he recently had the opportunity to tour the Port of Guaymas, which is the Sister City of Mesa, and was impressed with the handling of bulk shipments coming out of Arizona to the Port of Guaymas. He wanted the members to be aware of the activity that is going on at that port and suggested inviting Guaymas officials to speak at a future EDC meeting.

Mr. Smith stated at the next EDC meeting two teams from Thunderbird will be presenting their findings on the Canada and Mexico.

Chair Schoaf noted that this committee had a two-year sunset clause, which expires in October 2012. He suggested that prior to October, a discussion on the past activities and the future of the EDC be discussed. He also noted that a recommendation will need to be provided to Regional Council.

11. Comments from the Committee

Chair Schoaf stated the next meeting is scheduled for Tuesday, April 3, 2012.

Adjournment

Mayor Lane moved to adjourn the meeting. Mayor Smith seconded the motion and the motion carried unanimously. There being no further business, the Economic Development Committee meeting was adjourned at 1:03 p.m.

Chair

Secretary