



MUNICIPAL OFFICE COMPLEX
8401 W. MONROE STREET
PEORIA, AZ 85345

**CITY COUNCIL STUDY SESSION
NOTICE & AGENDA
Tuesday, January 31, 2012
5:00 PM
CITY COUNCIL CHAMBER**

CITY COUNCIL:

Mayor

Bob Barrett

Palo Verde District

Ron Aames, Vice Mayor

Acacia District

Tony Rivero

Ironwood District

Dave Pearson

Mesquite District

Cathy Carlat

Pine District

Carlo Leone

Willow District

Joan Evans

City Manager

Carl Swenson

CONVENE:

PLEDGE:

ROLL CALL:

**FINAL CALL TO SUBMIT SPEAKER REQUEST
FORMS:**

STUDY SESSION AGENDA

Subjects for Discussion Only:

1. Economic Development Prioritization and Funding Update

CALL TO THE PUBLIC: (NON-AGENDA ITEMS)

If you wish to address the City Council, please complete a Speaker Request Form and return it to the clerk before the call to order for this meeting. The City Council is not authorized by state law to discuss or take action on any issue raised by public comment until a later meeting.

ADJOURNMENT

NOTE: Documentation (if any) for items listed on the Agenda is available for public inspection, a minimum of 24 hours prior to the Council Meeting, at any time during regular business hours in the Office of the City Clerk, 8401 W. Monroe Street, Room 150, Peoria, AZ 85345.

City Council Study Session Agenda

Tuesday, January 31, 2012

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Accommodations for Individuals with Disabilities. *Alternative format materials, sign language interpretation, assistive listening devices or interpretation in languages other than English are available upon 72 hours advance notice through the Office of the City Clerk, 8401 West Monroe Street, Room 150, Peoria, Arizona 85345 (623)773-7340, TDD (623)773-7221, or FAX (623) 773-7304. To the extent possible, additional reasonable accommodations will be made available within the time constraints of the request.*

PUBLIC NOTICE:

In addition to the City Council members noted above, one or more members of the City of Peoria Boards and Commissions may be present to observe the City Council meeting as noticed on this agenda.

Date Prepared: January 11, 2012

Council Meeting Date: January 31, 2012

TO: Carl Swenson, City Manager

FROM: Scott Whyte, Economic Development Services Director

THROUGH: Susan J. Daluddung, Deputy City Manager

SUBJECT: Special Study Session on Economic Development

Purpose:

This is a request for the City Council to:

- Provide staff direction as to the allocation of funding for economic development projects contained in both Exhibits 2A and 2B; and
- Discuss a long-term economic development funding approach to implement the initiatives and projects outlined in the adopted Economic Development Implementation Strategy (EDIS).

Background/Summary:

On October 19, 2010, the City Council adopted the EDIS which identifies the city's economic development strengths, weaknesses, opportunities, and threats, as well as created a roadmap for economic development activity in the city through the establishment of eleven initiatives to guide economic development activities. Staff has used the Council adopted EDIS as a work plan in terms of pursuing specific proposals to move the city's economic development objectives forward (Exhibit 1 lists the final prioritized initiatives from the EDIS, as re-affirmed by the Council at the September 9, 2010 Economic Development Workshop).

Over the past 15 months, the Economic Development Services (EDS) Department has been very active with the following EDIS initiatives:

- University Recruitment
- Investment Zone Development: Entertainment District, Old Town Peoria, Vistancia Commercial Core Mega Site, and Rovey Industrial Park Mega Site
- Health Care Recruitment
- Business Assistance Program
- Strategic Land Assembly
- Marketing Plan
- Medical Device Incubator

- Economic Development Investment Policy

Previous Actions:

Below is a list of previous Council actions on economic development activity since summer 2010:

- November 15, 2011 – Study Session discussion on a civic engagement plan for electronic billboards; approval of management contract with BioAccel for the Peoria Incucelerator (motion passed 7-0); approval of lease agreement with Plaza Companies for the Peoria Incucelerator (motion passed 7-0); City Manager’s Report on the results of the October Job Fair
- October 18, 2011 – Study Session on the Rovey Industrial Park
- September 20, 2011 – Approval of a financial services contract for economic development consulting services (motion passed 7-0); approval of a lease agreement for Lighthouse Apostolic Ministries (motion passed 7-0); approval of the annual GPEC contract (motion passed 7-0); City Manager’s Report on upcoming Peoria Job Fair
- September 9, 2011 – Workshop on Economic Development Priorities and funding allocations
- August 23, 2011 – Study Session on the Entertainment District Redevelopment Project and Place-Making Program;
- July 5, 2011 – Approval of an Easement Agreement for the Wagoner Plaza I and II phase of the Commercial Rehabilitation Program (Motion passed 6-1);
- June 21, 2011 – Approval to support BioAccel’s grant application to the U.S. Economic Development Agency as part of supporting the city’s proposed Medical Device Incubator Project (Motion passed unanimously);
- June 7, 2011 – Exclusive Negotiating Agreement with Vanguard Health Systems to discuss building a hospital and health care campus in northern Peoria (Motion passed unanimously);
- May 31, 2011 – Executive Session on Project Neptune;
- May 31, 2011 – Second Study Session on the medical device incubator in Peoria;
- May 10, 2011 – Executive Session on Maxwell Technologies;
- May 3, 2011 – Executive Session on Old Town acquisition opportunity;
- May 3, 2011 – First Study Session on the medical device incubator in Peoria;
- April 5, 2011 – Executive Session on Peoria Place Update;
- March 22, 2011 – Exclusive Negotiating Agreement Award to Osage West, LLC for the Sports Complex Redevelopment Project (in response to a city-issued RFP) (Motion passed unanimously);
- February 1, 2011 – Exclusive Negotiating Agreement with Osage West, LLC to discuss building a business airpark along Lake Pleasant Parkway north of the Loop 303 (Motion passed unanimously);
- December 7, 2010 – Adoption of the Economic Development Incentive and Investment Policy (Motion passed unanimously);
- October 19, 2010 – Adoption of the EDIS (Motion passed unanimously);

- October 19, 2010 – Contract Award to Gensler for the Entertainment District Place-Making Project (Motion passed unanimously);
- October 19, 2010 – Adoption of the Commercial Rehabilitation Program (Motion passed unanimously);
- August 17, 2010 – Exclusive Negotiating Agreement with Ottawa University to discuss building a residential university at Peoria Place (Motion passed unanimously);
- July 6, 2010 – Approval of support for the International Bioscience Commercialization Consortium’s grant application through a public-private partnership with T-Gen (Motion passed unanimously);
- June 30, 2010 – Executive Session on Assa Abloy

Options:

The following options are available:

1. **Continue to move forward with EDIS implementation as the initiatives are currently prioritized, and fund all current projects.** This means that all current projects, as included in Exhibit 2A, would enter the next phase of development. Several economic development project budgets contain only best estimates on cost, and will not know the actual costs until bids are received, such as with the P83 place-making improvements in the Entertainment District. This would call for full funding of the economic development projects, based on bids received, through the annual CIP budget process, and as needed thereafter. There are several early-stage economic development proposals being pursued for which there is no current funding available (see Exhibit 2B).

It should be noted that a funding increase for an economic development project beyond that which is contained in Exhibit 2A would call for a corresponding decrease in funding for another city CIP project.

2. **Modify the initiatives in the EDIS and approve funding for economic development activities different from that which is presented.** This means that the current list of initiatives would be re-prioritized by the Council. As a result, the funding allocation for current projects would be modified to represent the Council’s revised economic development goals.
3. **Reject all options.** This means that staff would put all activities on hold in order to develop a new economic development implementation strategy.
4. **Cease any economic development pursuits beyond that contained in Exhibit 2A.** This means that the EDS Department’s work plan for 2012 and likely 2013 would only be to implement those projects contained in Exhibit 2A and not pursue any other economic development activity, such as those pursuits contained in Exhibit 2B, and any business attraction activities as no funding is available for such.

5. **Seek voter authorization at the November 2012 general election to use city General Obligation Bonds for economic development activities identified in the adopted EDIS to generate revenues for economic development activities.** This likely would involve an increase to the city's secondary property tax rate with the amount depending on an analysis of the amount of funding needed for economic development projects and the current capacity of the property tax base.

Staff Recommendation:

Staff recommends that Council provide direction on the economic development projects to be pursued and the allocation of funding in order to enable the priority projects to move forward towards implementation.

Fiscal Analysis:

Please see attached Economic Development Project and Budget Matrix document (Exhibits 2A and 2B).

Narrative:

Please see attached Economic Development Project Update document.

Exhibit(s):

EDIS Initiatives (approved October 2010)
Economic Development Project and Budget Matrix
Other Economic Development Projects Pursued
Economic Development Project Update

Exhibit 1: The Final List of the 11 Initiatives (in order of priority)

University Recruitment

- Continue current efforts to recruit a university to the City emphasizing one with a strong, internationally recognized engineering program

Investment Zones

- Create targeted investment zones within the City offering business assistance and incentive programs aimed at attracting desirable business investment to those zones
 - Old Town, Entertainment District, Loop 303, Northern Avenue redevelopment corridor, Plaza del Rio

Healthcare Strategy Development and Recruitment

- Build on ongoing efforts to create and implement a targeting strategy for recruiting and servicing of a significant healthcare sector including facilities and services
- Create a bioscience incubator to encourage start-up companies to grow in Peoria

Business Assistance Program

- Adopt and aggressively promote programs, policies, and incentives that provide:
 - Necessary services and assistance to existing City businesses
 - Demonstrate Peoria is a serious competitor for economic development investment

Strategic Land Assembly

- Strategically seek to obtain or facilitate control of critical business development parcels to provide shovel-ready sites for development, in particular, in
 - Loop 303, Old Town redevelopment, key parcels with Loop 101 frontage
- “Plan to suit” program for targeted projects (for example, by acquiring land from ASLD for a long range development plan)
- Develop “virtual buildings”

Marketing Plan

- Create a comprehensive, multi-year marketing plan and budget for Peoria’s economic development efforts with specific attention to Old Town, the Entertainment District, Loop 303, university recruitment, and health care and bioscience recruitment.

Target Industry Advisory Groups

- Create advisory groups for each of Peoria’s target industries comprised of industry employers, educators, and other relevant groups
- Short-and long-term targets include Healthcare services, Biosciences/life sciences, Financial and insurance services, Professional/scientific/technical services, Administrative services

Economic Development Investment Policy and New Tools

- The emphasis for this policy should be on job creation and return on investment

Business Incubator

- Provide services that start-up businesses need, including financial support, equipment and supplies, administrative support, and space

Permit and Approval Process Task Force

- Create a City/Private-Sector Task Force to identify specific problems with or weaknesses in the City’s permit & approval process

Workforce Development

- Identify and implement programs designed to assure that Peoria can provide the workforce of the future that will be sought by targeted business sectors.

Economic Development Project and Funding Matrix

			One-time Funding				On-going Funding	Other	Notes	
Fund			EDIS (ED0007)	Land Assembly (ED0003)	Commercial Rehab (ED00006)	Vistancia Commercial Core	Entertainment District Improvements (ED00002)	Economic Development Support	CDBG	
Funding Source			County Trans. Sales Tax	Go Bonds	General Fund	Trans. Sales Tax/RTP	General Fund	1/2 cent Sales Tax	Section 108	
Amount			\$6,000,000	\$3,000,000	\$1,200,000	\$6,700,000	\$785,000	\$2,175,000/Yr	\$1,500,000	
EDIS Initiative(s)	Projects	Amount								
University Recruitment	Vistancia Locate	Land Donation								Negotiate a 50 acre land donation with Sunbelt Holdings as part of Vistancia DA Amendment
	Park West Locate	\$500,000	\$500,000							
	Peoria Place Locate	\$1,000,000	\$1,000,000							
Investment Zone - Old Town	Smitty Purchase	\$1,044,000		\$1,044,000						
	Commercial Rehab (Phase II)	\$886,000	\$886,000							No funding for future phases
	Commercial Rehab (Phase I)	\$1,200,000		\$1,200,000						
	Peoria Town Center	\$1,000,000	\$1,000,000							
Investment Zone - Entertainment District	Phase I Identity and Placemaking Imp. (Streets, sidewalks, plaza, utilities, etc.)	\$5,010,000	\$1,000,000				\$785,000	\$3,225,000		Actual costs pending receipt of bids. Half Cent Sales Tax at \$1,075,000/yr Years 1-3
	MURP On-site Parking Structure (1)	\$30,000,000						\$30,000,000		Actual costs based on bids received. Half Cent Sales Tax starting year 4-19 (\$2,175,000/yr for 15 years)
	Phase II Land Acquisition (4) near Harkins Plus Business Relo	\$1,956,000		\$1,956,000						Actual costs pending receipt of appraisals
Medical Device Incubator	Incucellator	\$4,914,000	\$1,614,000					\$3,300,000		Half-Cent=\$1.1M/yr for yr 1-3 + EDIS=\$538,000/yr for yr 1-3
Business Attraction	Maxwell Technologies	\$1,500,000							\$1,500,000	Need to verify CDBG eligibility
Investment Zone- 303	Vistancia Commercial Core	\$6,700,000				\$6,700,000				\$3.5M RTP and \$3.2M Tran. Sales Tax
TOTALS			\$6,000,000	\$3,000,000	\$1,200,000	\$6,700,000	\$785,000	\$36,525,000	\$1,500,000	

Exhibit 2B: Other Economic Development Projects Pursued

EDIS Initiative	Project	Stage of Pursuit	Funding Allocated
Investment Zone – Loop 303	Osage West Business Park	Pre-Development	\$0
	Project Icon	Site Selection Competition	\$0
	Lake Pleasant	Opportunity Identification	\$0
Business Attraction Incentives	TBD	Continuous	\$0
Health Care Recruitment	Hospital/Medical Campus (Vanguard)	Pre-Development	\$0
Other	Rovey Industrial Park	Pre-Development	\$0
	Park West/Saxa Property	DA Amendment Negotiation	\$0
	Old Town Commercial Rehab	Phase 3-4	\$0

Exhibit 3: ED Project Update

As of January 12, 2012

The Council adopted Economic Development Implementation Strategy (EDIS) identifies the economic development initiatives and objectives that have upon adoption become the work plan for the Economic Development Services (EDS) Department. EDS' core services include the following:

- Business Attraction
- Business Retention and Expansion
- Redevelopment
- Small Business
- Workforce Development

This update will present all current economic development projects and proposals in relation to the adopted EDIS initiatives.

Business Attraction

University Recruitment

The city has been very active in its university recruitment efforts. We have finalized a market study on higher education in the Valley, conducted a survey of over 700 colleges, and hired a university recruiter to help us bring prospects to the market. The following illustrates our successes to date:

- Market visits by 12 institutions of higher education; additional site visits are planned for February 2012 and March 2012.
 - One university entered into an ENA with the city
 - One university is working with a landowner on a site adjacent to the Loop 101
 - One university has set up a taskforce to explore the feasibility of establishing a new residential branch campus in northern Peoria (currently focusing on market acceptance, academic programming, and philanthropy opportunities)
 - One university is coordinating with its affiliated campuses to create a consortium campus opportunity in Old Town. A university visit to the site is planned for February 2012
 - We are working with Vanguard on the possible co-location of a medical school on the 70-acre hospital campus they envision in northern Peoria

Health Care Recruitment

The city has been very active in recruiting health care projects of all types:

- It's All in the Game has successfully leased the former Chili Davis locations and will be establishing a player development facility that utilizes the Sports Complex, a physical therapy group, and several physician groups from St. Joseph's Hospital.
- The city entered into an ENA with Vanguard Health Systems for a hospital campus in northern Peoria (build-to-suit)
- Working to bring a community health care organization into Old Town Peoria (absorbing existing space)
- Several physician's offices are looking to expand in the city (both through space absorption and build-to-suit opportunities)

Investment Zones

In this category we would like to highlight 5 focus areas:

- **P83 - Entertainment District**
 - It's All in the Game reuse of the former Chili Davis facilities
 - Osage West Mixed Use Redevelopment Project - The project has entered the next phase of pre-development discussion with the completion of a Traffic Impact Analysis and a Parking Analysis. In light of the current ruling regarding electronic digital billboards, staff has identified another solution to fund the on-site parking garage and, thus, continue the forward momentum of this very important project. The developer is currently recruiting tenants and finalizing the site plan.
 - The P83 district identity and place-making improvements are being managed by Engineering and a solicitation for a Design Concept Review team will be posted in February 2012.
- **Old Town Peoria**
 - Commercial Rehabilitation Program began on the Wagoner Plaza 1 center. The program opened with a great deal of buzz as business and property owners have expressed interest in participating in future phases.
 - A solicitation for a development team for Peoria Town Center was posted in December 2011, creating a great deal of interest in that center.
 - A solicitation for a development team for the Washington Street Properties was posted in January 2012.
- **Rovey Industrial Park Mega Site**

- The Rovey family has agreed to enter into an Exclusive Negotiating Agreement (ENA) with the city to discuss the feasibility of the project in greater depth. A request to approve the ENA will go to City Council on February 7. This site has already been shortlisted by one GPEC prospect and staff has created a draft master plan for then first phase of the industrial park (128 acres already in the city).
- **Plaza del Rio**
 - Emphasis on the Plaza del Rio's health care strength to recruit an institution of higher education with medical/nursing/healthcare programs
 - Staff and BioAccel have been working diligently to implement the Incucelerator concept. The soft launch is tentatively scheduled for May 1, 2012.
- **Northern Peoria**
 - Vistancia Commercial Core Mega Site – recruitment of a university, hospital, and a corporate campus. Staff has been working with GPEC and Sunbelt Holdings to develop the “Mega Site” concept that GPEC is using to differentiate development opportunities in the Valley. The Vistancia site is one of five in the Valley and will be the location for one aspect of the GPEC Site Selection Tour on February 2, 2012.
 - Business airpark (ENA with Osage West, LLC) – recruitment of a corporate campus and/or substantial industrial users and subsequent site, infrastructure, utility planning and development program creation.
 - BASIS school – facilitated the development of the school through extraordinary service to the site development customer.

Marketing Plan

The city has engaged in three promotional activities to market and promote the City:

- Investment Conference – Approximately 75 people are expected to attend the Investment Conference held at the Arizona Broadway Theatre on January 19, 2012.
- Website redesign – current effort to improve the function and use of the city's ED website
- Public Relations campaign – campaign has been very successful in outreach effort to establish the city's image nationally and internationally as an emerging place to do business
 - This fiscal year we have been featured in two magazine articles (*Business Xpansion Journal, Commercial Executive*)
 - Several articles in *Arizona Republic, Phoenix Business Journal, Peoria Independent, and Peoria Times.*

- Outreach resulted in high attendance at events:
 - Job Fair (October 12, 2011) – 2,000+
 - Peoria Eighty Three public meeting (October 24, 2011) – 65
 - Electronic Billboard public meeting (November 16, 2011) – 16
 - Development Forum (January 18, 2012) – 22 registered
 - Investment Conference (January 19, 2012) – 75 registered

With EDS's new structure as a one-stop shop for site and building development in addition to economic development, the department is able to be more proactive in meeting the needs of new businesses. The most recent locate is Maxwell Technologies.

Maxwell Technologies

Peoria won its first ever GPEC locate in October 2011 with the announcement that clean technology company Maxwell Technologies will be locating an ultracapacitor manufacturing plant in Peoria and creating 150 jobs. An incentive package was approved for Maxwell, and staff is currently exploring the option of financing the package through a Community Development Block Grant (CDBG) Section 108 loan. Awards will be made in early spring if the application is successful.

Business Retention and Expansion

The goal of Peoria's Business Retention Program is to retain and expand existing businesses by learning about issues business owners are facing and addressing those issues in a timely manner.

Visits to existing companies in 2011 totaled 140. The following programs and developments are, in part, in response to the needs of the existing business community:

- "Meet Your Next Employer" Job Fair
- Commercial Rehabilitation Program
- P83 Entertainment District Identity Program
- Sewer project in the Entertainment District

As a one-stop shop, EDS is also able to be more proactive in meeting the needs of existing businesses because of improved communication to our stakeholders through development forums and personal outreach. EDS has informed the business community on various items from Grand Avenue roadway improvements to changes to impact fees and building code adoption to evaluating the impact that a new school has on area traffic for nearby businesses.

Redevelopment

Infill and redevelopment tools enable communities to stimulate new development and investment into existing urban and suburban areas that already provide services. This is accomplished by developing, redeveloping, and re-using existing sites and buildings in

neighborhoods, commercial corridors and centers. Infill and redevelopment programs also help revitalize downtowns, conserve energy through more compact development patterns, as well as enable greater use of transit and alternative modes of transportation. The following projects have been the focus of EDS' redevelopment efforts (details are provided in the Business Attraction section):

- Mixed Use Redevelopment Project in the Entertainment District
- Rovey Industrial Park
- Old Town Peoria

This is another area where the combined services that EDS offers have been very beneficial to overall economic development opportunity analysis and creative problem solving.

Small Business Development

The city has had a small business program for seven years, but it became more robust in January 2010. Peoria's small business program is designed for businesses with fewer than 50 employees and also appeals to all existing businesses as a retention tool. The target audience for the small business program falls into one of these categories:

- Entrepreneurs or start-ups
- Mom and pop business looking to expand or relocate
- Home-based businesses

The goal is to specifically address small business concerns and grow the small business community in Peoria. In 2011, the following activities were pursued:

- Hosted 20 small business seminars on a variety of topics from marketing and finance/accounting to human resource issues and sales tax and licensing
 - Total of 332 attendees
 - Average attendance was 17 per event
- Worked with 13 prospects for business start-up/relocation
- Small Business Outreach :
 - Give presentations to organizations that want to learn about Peoria's Small Business Program:
 - Vistancia networking group, Peoria Rotary Club, Peoria Chamber
 - Share small business program information at regional tradeshow, expos, organizations:
 - YOY Fair, Conexiones Expo, ASBA Tradeshow, Biz 2 Biz Expo, Diamond Club Grand Slam Networking event
 - Delivered/mailed information regarding Peoria's Small Business Program to 134 new and existing businesses

- Assisted 49 businesses owners and/or aspiring small business owners

Workforce Development

This program is the newest in the city, officially beginning in July of this year. The city has partnered with Maricopa Community Colleges, Maricopa Workforce Connections, and West-MEC to build a workforce development program focused on our business retention and business attraction efforts. Current activities include the following:

- Assessment of workforce needs based on interviews and surveys of existing Peoria businesses
- Job Fair (in collaboration with West Valley cities, several colleges including ASU and Glendale Community College, Maricopa Workforce Connections, ASBA, Greater Phoenix SCORE, SBA, Goodwill etc.) to be held at the Peoria Sports Complex on Oct. 12th
- Participate in WESTMARC and West-MEC meetings regarding workforce development and economic development topics