



**Minutes
Joint Dinner Meeting
Tempe Chamber of Commerce and
Tempe City Council
Thursday, August 28, 2008**

The Joint Dinner Meeting with the Tempe Chamber of Commerce and the Tempe City Council was held on Thursday, August 28, 2008, at Rositas Fine Mexican Food, 960 W. University Drive, Tempe, Arizona, with the Reception at 5:00 p.m. and Dinner at 6:00 p.m.

TEMPE CHAMBER OF COMMERCE:

Scott Asher
Eric Emmert
Robert "Mike" Gardner
Marcie Greenberg
Marilyn Joyce
John Miller
Maryann Miller
Jim Scussel
Kim Webb

TEMPE CITY COUNCIL:

Mayor Hugh Hallman
Vice Mayor Shana Ellis
Councilmember Ben Arredondo
Councilmember Joel Navarro
Councilmember Onnie Shekerjian
Councilmember Corey Woods

TEMPE CITY COUNCIL ABSENT:

Councilmember Mark Mitchell

TEMPE STAFF:

Andrew Ching, City Attorney
Jan Hort, City Clerk
Jeff Kulaga, Assistant City Manager
Charlie Meyer, City Manager
Amber Wakeman, Govt Relations Director
Chris Salomone, Community Development Manager
Shelley Hearn, Community Relations Manager

1. Welcome and Introductions

Marilyn Joyce, Chairman of the Tempe Chamber of Commerce Board, welcomed the attendees and introduced the Board members present.

Mayor Hallman introduced the Tempe City Councilmembers present. He commented that countywide, sales tax revenue is down 11.5%, and added that Tempe has an estimated \$4B of new development in the pipeline.

Dinner began at 6:15 p.m. and the meeting was called to order at 7:15 p.m.

2. Comments regarding Tempe Business Issues

Marilyn Joyce stated that the Chamber of Commerce Board is very active. They discuss every topic that comes forward, they are open, and they have lively debates.

Scott Asher thanked the City and added that it is nicer to do business in Tempe than in Scottsdale. The City has improved its processes and his business has been working very well. He has some parking issues with the Orbit on Eighth Street, but the City has been proactive in helping him with solutions.

Kim Webb thanked the City and felt the City Council does a great job. It is important work. She added that she is proud to be a member of the community. Communication with the City is excellent. She welcomed the new councilmembers and thanked staff for their efforts.

3. Challenges being faced and City suggestions for Chamber Involvement/Future Agenda Items

Councilmember Arredondo stated that he is concerned about the impact of our community in our neighborhoods. If we don't continue to work to improve our neighborhoods, we won't have the foundation that we have all come to know. The City is also faced with the understanding that the infrastructure is getting older. It is also important to recognize that small businesses do a lot for the city. He thanked the Chamber for their efforts, especially with signage.

Councilmember Shekerjian stated that all of the councilmembers agree on the importance of neighborhoods and public safety. Those two issues are the heartbeat of the community and this Council has been dedicated to pursuing those issues. The biggest challenge is never being fully satisfied with where we are. We should always celebrate the things we do well so we continue to repeat those things, but we should always be looking ahead to see how we can do things better. How can we make sure our alleys are cleaner? How can we make sure we are continuing to attract new businesses without ignoring the businesses that are here? The biggest challenge going forward is a larger, global picture of maintaining what we do well and celebrating it, and then always pushing the envelope to figure out different ways to get input from the community, address issues as they come up, and be proactive about making sure those issues don't resurface. The best thing the Chamber can do is communicate with the City. Let the Council know how the Chamber feels about issues. The lines of communication between the Chamber and the Council are very important.

Councilmember Navarro added that he feels this is a dynamic Council that feeds off each other to move forward. Communication is good. It's easy to talk to the Chamber.

Councilmember Woods echoed his agreement with the earlier comments. His job in the private sector deals with advocacy and government relations and one thing he typically sees at the legislature is dysfunction. Working with this Council is great. This Council is open and willing to discuss issues and that is a good indicator for being able to accomplish things in the next four years. He thanked the Chamber and added how important that organization is to the community. When he got the Chamber's endorsement, it clearly said that anyone who got that endorsement is "for real." He thanked the Chamber for helping him achieve his dream.

Vice Mayor Ellis stated that she enjoys her relationship with the Chamber and is committed to the group. She looks forward to working with the Chamber on her committee's goals. She would like to get the word out about recycling and the light rail component of transportation. The Chamber has always been supportive of public transportation and she is counting on the Chamber's input on the progress of light rail on a day-to-day basis.

Mayor Hallman outlined some of the challenges being faced. Tempe has a fairly robust transportation system at this stage from the neighborhood circulator to the bus transportation system to light rail. The huge challenge is not the intra-city transportation system, but the fact that in looking at the transportation planning for the state, we are just about to get gridlocked. The reduction of sales taxes at the state and city levels has also had a huge impact on the source of funding for the regional transportation system. The region's transportation system is based on the sales tax that comes to the county level and the amount of reduction of sales tax is going to take another significant blow to transportation planning and execution. Over the last four years as construction costs have gone up, the amount of dollars left over to complete the system have been absorbed in cost overruns in pieces of that system. Now with revenues plummeting as well, we will see a significant drop in money available to complete a regional transportation system. Tempe is in the middle of everything. As gridlock becomes more prevalent on the freeway system, we will see more cut-through traffic on arterial streets and into our neighborhoods. He doesn't see any solutions from the state level. The state will have to address the fact that it will see probably another \$1B in deficit and that money has already come out of infrastructure construction in the state. ADOT has already taken significant hits. The City of Tempe, being in the center, at least has the advantage that as transportation gridlock hits outside of the city and as the cost of commuting rises because of the cost of gasoline, we will see Tempe continue to benefit from being in the middle.

It is reported that property values are down 30% or 40%. That isn't quite true. In the outside ring of this valley, property values have declined in that way, but in the next ring, property values have declined in the 10% to 20% range, and in the center where Tempe is, the least reduction in property values has taken place. In contrast to what is going on in the outer rings of the valley, Tempe is in great shape and that also means an opportunity to have the advantage of continuing development. There are between \$2B and \$4B of projects coming forward. That's not where we need to be, however, because the reduction in retail sales has taken a significant hit to the bottom line, but we are making up for it. The construction sales tax last year made up about one-third of the City's budget. The retail sales tax is the other two-thirds of that sales tax model. The retail sales tax was down and the construction sales tax made up, almost entirely, for that loss in the other two-thirds.

Looking around Tempe, offices and hotels are still going up. The challenge is that there are still some bottom-feeders in the market who aren't very good at what they do. This downturn has given us a great opportunity to help sort out who is lucky and who is good. In looking at the developers that are continuing to survive, most of those are in Tempe. The developer of Centerpoint has \$135M in debt against their project financed by Mortgages Ltd. Mortgages Ltd. was supposed to supply about another \$55M to complete the project. It is the finance agency that is in bankruptcy, not the developer. Avenue Communities owes Mortgages Ltd. \$135M. They now have claims against Mortgages Ltd. that probably add up to between \$40M and \$50M for the damages of delay, sales they have lost because they couldn't deliver the product, and some damage due to the bad weather. As long as you get to offset your debt, you are actually in good shape. The sooner they can complete those towers and deliver a product, the sooner the market will start to see Tempe as an effective place to do business. The reality is that thanks to US Airways and their partner, Opus, there is an office tower being built to help fill in the gap between Mill Avenue and the Lake. Opus is already in position where the retail is fully occupied.

The Chamber could be very helpful in telling the story told here today to everyone who is doing business in Tempe. Tell them they may not get incentives from the City of Tempe, but the time saved in getting their permits through, the signage, and the way this staff works will more than make up for the fact that the City won't pay them to play. The money spent on debt financing for waiting to get a business open or waiting to get a building open is so large that the City can't make up for it with incentives. City staff has fixed that problem and Tempe now has the reputation for being the best place to do business. The Chamber needs to help tell that story. We have opportunity, but it is the appearance of momentum that is continuing to attract people here. We need the Chamber's help to make people understand that the economy is not monolithic. Tempe's way of doing business makes it a great place to do business and make money.

Robert "Mike" Gardner shared the perspective of the "high tech" folks. He noted the book, *Your World is Flat*, and the follow-up book, *Who's Your City*. *Who's Your City* tells us that *Your World is Flat* is not true. The world is very mountainous. *Your World is Flat* lets us know that we can do business across the globe and *Who's Your City* tells us why the world is becoming a more inequitable place. Centers of innovation and business are rising that are leaving vast parts of the globe behind. Even though he can do business with his designers in India or Russia, the bottom line is that a lot of those places are in the backwaters of where the future is. The Phoenix and Tucson areas are #39 of the top 40 that bring the lion's share of innovation and economic development and drive the gross product of the world. As far as world-class patents and scientists and engineers go, we are rated #10 and #14. There are certain centers where people are gravitating, such as London, Tokyo, Los Angeles, etc. We are currently #39, but we also have to be aware that the big companies that we relied on in the past are going away and are being replaced by small high-tech businesses. Ninety percent of the people are employed by small businesses. That's why we must be sensitive to the high-tech, small business.

Why would a person want to come here to one of these small businesses? First, it's the quality of life including safety and healthcare. They also need networking. They need to somehow be part of a wider community because they are just the little guys. One option might be a positive attitude working with ASU which is really attempting to foster that positive attitude. Facilities are also important. Easy permitting process for small businesses is important. We need to get businesses up and running fast. "Co-opitition" means working together because each city has different aspects in supporting the high-tech community. Work with other cities on research and development and manufacturing. The challenge with quality of life,

however, is education. Schools are a negative. We are competing worldwide and we are two to three years behind everyone else. We need to challenge our educators. Preparation for engineering is lacking. We need to make this a priority. Lastly, when it comes to many of these issues, the issue of illegal immigration weighs down the infrastructure. The positive aspect is that we need to have some way to able to foster the positive aspects of foreign national workers. If there's any way we can be solutions-oriented, we need to do that. It's a quality of life issue. The type of high-tech people that we would like to recruit is expecting a good quality lifestyle.

Maryann Miller added that she has heard other communities say that they have been against the transportation tax because they are not getting it in their community. We are shipping our goods outside of the community and we pull our construction goods from outside the community, so it is important that we have that infrastructure not just in Tempe, but statewide. Think in terms of what helps us all in the macro, as opposed to just what we are getting.

City Manager Charlie Meyer added that when he worked in Minnesota, there was a regional chamber of commerce and it was very frustrating because they couldn't have this kind of contact, this kind of relationship. That chamber had to have a much bigger regional focus so he values this kind of relationship. He and his staff recently spent two days together in training to understand that we aren't separate parts of the City's government. What the Police Department does has a direct impact on economic development. What the City Attorney does has a direct impact on the business environment in the City. We have the opportunity to pull ourselves together better and understand how all the functions of the City support everything and that there isn't any issue that is just the responsibility of one or two departments. Every issue is the responsibility of all departments. We are starting to build that. As a City, we will be better able to serve the business community if we can do this. Between the Chamber of Commerce and the business community and the City, we can have some great times.

Marilyn Joyce summarized that this group mimics what other business people and residents in Tempe feel when they are thinking about Tempe. This City is on track. Everyone here has an extraordinarily strong commitment to this community, whether they live here or just do business in this community.

4. Adjournment

The meeting was adjourned at 8:05 p.m.

Prepared by Connie Krosschell

Jan Hort
City Clerk