



Legislation Text

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RESOLUTION NO. R17-05

A RESOLUTION OF THE COUNCIL OF THE CITY OF GLENDALE, MARICOPA COUNTY, ARIZONA, AUTHORIZING AND DIRECTING THE ENTERING INTO OF A JOB RETENTION AND ECONOMIC DEVELOPMENT ACTIVITIES AGREEMENT WITH BECHTEL CORPORATION.

Staff Contact: Brian Friedman, Director, Office of Economic Development

Purpose and Recommended Action

This is a request for City Council to waive reading beyond the title and adopt a resolution authorizing the City Manager to enter into a Job Retention and Economic Development Activities Agreement between the City of Glendale and Bechtel Corporation for the purpose of retaining high-quality jobs.

Background

The Bechtel Corporation is an international engineering, construction and project management company and Glendale's tenth largest private employer, paying some of the highest wages, plus benefits of any employer in the city. Glendale Economic Development recruited the Bechtel Corporation Business Services Division to Arizona in 2002 and the company located in Talavi Corporate Center at that time. Prior to the lease expiring at Talavi Corporate Center in April, 2012 Bechtel indicated it was evaluating options, including relocating its Glendale operation to Maryland, Tennessee or Texas. Options for remaining in Arizona included renewing the lease in Talavi Corporate Center or moving to the Glendale Corporate Center. Bechtel chose to remain in Glendale and relocated the facility to the Glendale Corporate Center, located at 5323 North 99th Avenue. The current lease will expire in April 2018. Bechtel is examining facility options and have engaged a site selection consultant to conduct a search for locations both inside and outside of Glendale.

This agreement will retain the Bechtel Corporation Business Services Division in Glendale at Glendale Corporate Center through 2028.

Analysis

An economic impact analysis of the project was conducted by Applied Economics. Based on the parameters provided by the Company it was estimated the project would result in \$2.19 million in new direct revenue to the city over the next ten years. In addition to the direct revenue, the project would generate \$781,000 in indirect revenue through the other local businesses and their employees that are supported by the company's investment. This results in a 4.5 to 1 return on investment to the city over ten years.

The development agreement will ensure the long term future of retaining Bechtel Corporation in Glendale. The company provides a number of high wage jobs for Glendale residents and is the type of base employer

the city seeks to attract as part of its economic development efforts.

Previous Related Council Action

On May 24, 2011 Council approved Development Agreement C-7693 with Bechtel Corporation when the company relocated to Glendale Corporate Center in Glendale.

On April 24, 2001 Council approved Development Agreement C-4269 with Bechtel Corporation when the company located to the Talavi Business Park in Glendale.

Community Benefit/Public Involvement

Bechtel Corporation is very involved in the local community. The company has sustained active membership with the Glendale Chamber of Commerce for more than 12 years. They support STEM (science, technology, engineering and math) programs including a corporate sponsorship of FIRST (For Inspiration and Recognition of Science and Technology) Robotics; Bechtel has provided local team sponsorship of the team from Cactus High School for the last five years. The company partners with Junior Achievement to provide financial literacy, entrepreneurship and work readiness programs to local Glendale schools, which impacted 550 students in 2016. Bechtel has supported Isaac A. Imes Elementary School through two book drives providing 6,000 books and \$4,500 in donations; employees and their families also participated in a work day event to improve areas of need within the school grounds. They are also a contributing sponsor to the Glendale Youth Sports league, the City of Glendale Police Department Annual Awards Dinner, and other local activities.

Bechtel's presence in the community also results in more than 500 visitors per year who attend meetings at the company's Glendale office and stay in Glendale hotels, eat at Glendale restaurants and shop at Tanger Outlet mall during their visit.

Bechtel hires off-duty police officers from the City of Glendale to assist with their office security program, averaging a little more than 30 hours per week. This agreement was initiated by Bechtel with Glendale PD in January 2016 and has found to be very well-received by their employees from both a safety and community relations perspective.

As a benefit to the City, the company has agreed to allow the use of its parking lot if the city is hosting a mega event or dual event. A mega event is a Super Bowl, a Fiesta Bowl, any other college bowl game, an NCAA Final Four game, a World Cup soccer game, or national political party convention or other similar event. A dual event is when there is both an event at University of Phoenix Stadium expected to draw over 40,000 and an event at Gila River Arena expected to draw over 5,000 on the same calendar day.

Budget and Financial Impacts

The total maximum cost for the business retention incentive is \$487,500, which includes job retention incentive and a waiver of permit fees. The waiver results in the city foregoing up to \$50,000 of development fees in return for the timely completion of the facility and is not a direct expense to the city.

If the Company demonstrates that it employs 250 or more full-time employees, with a minimum of twenty

percent (20%) residing in Glendale, at the Glendale Facility on the third, sixth, and ninth anniversaries of the Term (beginning on the Commencement Date), the Company shall earn the maximum Job Retention Incentive paid by the City (\$145,833.33 per anniversary). If the total number of full-time Eligible Retained Employees employed at the Glendale Facility on the third, sixth or ninth anniversary of the Term is less than 250, but greater than or equal to 200, the Company will receive a proportion of the Job Retention Incentive paid by the City according to the following formula: The number of Eligible Retained Employees multiplied by \$1,750 divided by 3. In the event the Company employs fewer than 200 full-time Eligible Retained Employees on the third, sixth, or ninth anniversaries of the Term, Glendale will not make a Job Retention Incentive payment or payment of any kind to the Company for that particular anniversary period.

If approved by Council, funding in the amount of \$437,500 will be budgeted from the General Fund in future years, with one third of the payment occurring in year three of the agreement (anticipated to be FY20-21), one third occurring in year six (FY23-24) and the final one third in year nine of the deal (FY26-27), providing the company has met the requirements for compensation.