

**NOTICE OF PUBLIC MEETING
PHOENIX AVIATION ADVISORY BOARD
BUSINESS AND DEVELOPMENT SUBCOMMITTEE**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **PHOENIX AVIATION ADVISORY BOARD, BUSINESS AND DEVELOPMENT SUBCOMMITTEE** and to the general public, that the **BUSINESS AND DEVELOPMENT SUBCOMMITTEE** will hold a meeting open to the public on **Thursday, March 2, 2023 at 2:30 p.m. located at the City of Phoenix Aviation Department, 3 North Conference Room, 2485 E. Buckeye Road, Phoenix, Arizona 85034, or via WebEx teleconference.**

Meeting Attendance Options:

- **Watch the meeting virtually using the WebEx link provided below.**

<https://cityofphoenix.webex.com/cityofphoenix/onstage/g.php?MTID=ece5d036f8d5911479a240126e87cf895>

- **Call-in to listen to the meeting, dial 602-666-0783 and Enter Meeting ID 2458 498 6125# Press # again when prompted for attendee ID.**
- **Attend the meeting in-person at the Aviation Headquarters**

Public Comment: If you wish to provide a written comment or speak at the meeting virtually or by phone, please submit a request to pearl.meza@phoenix.gov no later than 10 a.m. on Thursday, March 2, 2023. The email should include your first and last name, email address, the item number(s) and whether you would like your comment read into the record or if you wish to speak. Those who wish to attend in person may submit a request to speak by completing a speaker card at the registration desk at the beginning of the meeting.

One or more board members may participate via teleconference. Agenda items may be taken out of order.

The agenda for the meeting is as follows:

CALL TO ORDER

MINUTES OF MEETING

1. **For Approval or Correction, the Minutes of the Business and Development Subcommittee Meeting on January 5, 2023**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 5)

2. Tal Wi Wi Ranch Water Distribution System Maintenance and Operation Services

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a contract with Blue World Construction, Inc. to provide water distribution system maintenance and operation services for the Tal Wi Wi Ranch site.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Mesa Airlines Hangar Ground Lease Extension

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Ground Lease Agreement No. 134356 with Mesa Airlines, Inc. at Phoenix Sky Harbor International Airport to extend the lease to Dec. 31, 2027, with three one-year options to extend the term.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

4. Civil Air Patrol Lease Extension Amendment

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to execute an amendment with the Civil Air Patrol at Phoenix Deer Valley Airport to extend the lease for five years with two, one-year options to extend the term.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

5. DV Parcel B Owner, LLC dba Mack Industries License for Road Construction

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a perpetual license agreement with DV Parcel B Owner, LLC (dba Mack Industries) at Phoenix Deer Valley Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

INFORMATION AND DISCUSSION (ITEM 6)

6. Quarterly Revenue, Enplanements, and Business Activity Update

This report provides an update of the Aviation Department's recent revenue, enplanements, and business activity to the Business and Development Subcommittee.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

CALL TO THE PUBLIC

This is the time for the public to comment. Members of the Board may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. Section 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later time.

ADJOURNMENT

For further information, please call Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. For further documentation on this meeting, please visit skyharbor.com.

Persons with a disability may request a reasonable accommodation, please contact Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. Or 7-1-1 friendly.

The next Business and Development Subcommittee meeting is scheduled to take place Thursday, April 6, 2023.



**PHOENIX AVIATION ADVISORY BOARD
BUSINESS & DEVELOPMENT SUBCOMMITTEE
SUMMARY MINUTES**

January 5, 2023

Meeting held via WebEx

Subcommittee Members Present

Sandra Ferniza - Chairperson
Stephanie Cherny

Subcommittee Members Absent

Andrew Cohn

Staff Present

Abbe Slade
Carolina Potts
Corrine Ulmer
Chad Makovsky
Jay DeWitt
Jennifer Maples
Jennifer Holland

Julie Rodriguez
Marshall Kain
Matt Becker
Matthew Heil
Michael Hughes
Moe Yacut
Monica Gonzalez

Pearl Meza
Prasan DeSilva
Roxann Favors
Richard Graham
Ryan Clarke
Sarah Demory
Shawna Larson

Members of the Public Present

Scott Sikel
Karen Ratliff

CALL TO ORDER

Chairperson Ferniza called the meeting to order at **2:34 p.m.**

MINUTES OF MEETING

- 1. For Approval or Correction, the Minutes of the Business and Development Subcommittee Meeting on November 3, 2022.**

A motion was made by Ms. Cherny, seconded by Chairperson Ferniza, that this item be approved.

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEM 2-5)

2. Cutter Aviation Phoenix, Inc. Ground Lease

Mr. Richard Graham presented this item. Mr. Graham displayed a map depicting the location of an unimproved one-acre vacant parcel which Cutter Aviation wishes to improve and lease for the purpose of additional parking.

Mr. Graham outlined the terms of the proposed lease and how their current lease and the proposed new lease would be concurrent. Additionally, a condition of the lease was proposed to allow for rent credits for the first three years of the lease. The rent credits are meant to help Cutter offset the initial cost of lot improvements.

A motion was made by Ms. Cherny, seconded by Chairperson Ferniza, that this item be approved.

No public comments.
The motion carried.

3. Residential Lot Cleaning Services Contract Request for Proposal 23-015

Mr. Richard Graham presented this item. Mr. Graham displayed a map of the airport owned vacant properties which need to be maintained to city codes.

Mr. Graham explained that the Request for Proposal was issued on Sept. 14, 2022, and closed on Oct. 12, 2022, and that a total of four responses were received, however, only three were deemed responsive by evaluation standards.

Berry Realty is the incumbent and is the company recommended to award the new contract.

Mr. Graham outlined the terms, including the total cost of the proposal, he also expressed that due to recent determinations by the FAA there are certain lots which qualify for sale. Mr. Graham conveyed that while there is an estimated total cost for the proposal, he expects the final cost at the end of three years to be lower than the full contract value. This is due to properties being sold or leased, resulting in the selected vendor not needing to maintain them, thus reducing the actual total contract cost.

A motion was made by Ms. Cherny, seconded by Chairperson Ferniza, that this item be approved.

No public comments.
The motion carried.

4. Concessions Consulting Services Request to Issue Request for Proposal

Ms. Corrine Ulmer presented this item. Ms. Ulmer began by stating that airport concessions is a specialized field within the service industry and the consultants who work within the space also work with other large-hub airports. The knowledge and best practices that these consultants provide can help mitigate risks in relation to contracts while creating an outreach arm of the airport that otherwise would be considerably more difficult.

Ms. Ulmer continued by explaining that this Request for Proposal (RFP) is broken down into two individual packages. Package A would cover financial feasibility analysis, sales and revenue projections, leasable space planning, competitive solicitation development, and Package B includes concession master planning, concession program strategy, industry trends, terminal renovation, airport expansion, and tenant operations.

Ms. Ulmer gave an overview of the contract terms, and the minimum qualifications necessary for a potential contractor to be considered. Ms. Ulmer emphasized that depending on the respondent's proposal each respondent could be awarded either a single package or both contract packages.

Chairperson Ferniza commented that she was pleased to see the RFP identifies two packages. She acknowledged that each package included services which the airport needs and as passenger behavior changes the airport needs to pivot accordingly.

A motion was made by Ms. Cherny, seconded by Chairperson Ferniza, that this item be approved.

No public comments.
The motion carried.

INFORMATION AND POSSIBLE DISCUSSION (ITEM 5)

5. 2023 Super Bowl Concessions Update

Ms. Corrine Ulmer presented this item. Ms. Ulmer provided an outline for the week of the Super Bowl and gave details of concessionaire promotions, expanded operating hours, personnel coverage, and plans for departure Monday.

Ms. Ulmer continued by highlighting advertising campaigns throughout the terminal. Beginning on January 17, Super Bowl related décor will be placed throughout to welcome our passengers. Already, Pepsi has installed Super Bowl

related adds and as Super Bowl week approaches, more branding will be installed.

Both Food and Beverage Primes, SSP and Host, have extensive knowledge and experience preparing for the Super Bowl. Ms. Ulmer gave an overview of the Prime's plan for providing passengers the highest level of service. This includes increasing inventories, using Super Bowl signage, serving food and drinks inspired by each team, increasing staffing and operational hours.

Retail concessionaires are also preparing for increased traffic. Many retail outlets will be bringing staff from other airports to work at Sky Harbor, extending operational hours and sell sponsored beverages. Two retail outlets that will offer 24-hour service are Trip Advisor and Arizona Highways.

The retailer Stellar is reconcepting their store Mosaic to be a dedicated Super Bowl store. They plan on opening soon in the lobby of Terminal 4.

Another retail concessionaire, InMotion, is temporarily relocating a kiosk to Terminal 4 to be closer to the hold rooms. The move will offer greater convenience for passengers to access. In addition, they will be they will be adding beverage coolers for additional convenience at their kiosks.

Ms. Cherny asked if concessionaires will be offering a variety and expanded set of menus during the Super Bowl.

Ms. Ulmer responded that concessionaires have provided various food and beverage specials according to the teams playing.

Ms. Cherny asked if there is a continued push for concessionaires to offer a wide selection based on various dietary restrictions.

Ms. Ulmer responded that Aviation staff has requested dietary options and children's offerings.

Ms. Ferniza wanted to clarify that expanded menus should include dietary offerings.

Ms. Ulmer reassured the subcommittee members that Aviation staff is focused on ensuring that the Primes offer expanded menus as discussed.

Ms. Ferniza asked that in light of the challenges the airport has experienced getting concessionaires back to contractual compliance, is there a viable plan for expanded hours based on departures and arrivals.

Ms. Ulmer responded that Aviation staff is meeting with the airlines to receive their flight schedules and then share those schedules with concessionaires so they can plan accordingly.

Mr. Makovsky added that with past Super Bowls, passengers typically go from the sports venue straight to the airport no matter when their flight is. Based on this behavior the airport wants to offer 24-hour eating options and create the best passenger experience possible.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

Request for briefing at the next board meeting regarding Aviation's response to the mass cancellations that Southwest Airlines experienced over the Christmas holiday.

CALL TO THE PUBLIC

None.

ADJOURNMENT

The meeting adjourned at **2:55 p.m.**

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Tal Wi Wi Ranch Water Distribution System Maintenance and Operation Services

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a contract with Blue World Construction, Inc. to provide water distribution system maintenance and operation services for the Tal Wi Wi Ranch site.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The Aviation Department acquired the former Tal Wi Wi Ranch in 2000 to protect Luke Air Force Base's airspace. The property is approximately 872 acres in size and is located north of Luke Air Force Base, outside Phoenix city limits. The Aviation Department installed equipment for a water distribution system, including a potable water tank and monitoring and pump equipment. The water distribution system provides water to fewer than 25 people at six residential and office locations at Tal Wi Wi. The Tal Wi Wi water distribution system does not meet the definition of a public water system under the Safe Drinking Water Act, 42 U.S.C. §§ 300f, et seq.

The contract awarded from the Request for Proposal (RFP) process requires a water distribution system operator, who is licensed by the Arizona Department of Environmental Quality, to perform operating and maintenance tasks associated with the Tal Wi Wi Ranch water system. The Tal Wi Wi Ranch site is currently being leased to G Farms for farming operations. The contractor will coordinate activities with the lessee's contracted water hauler to maintain reliable water supply and water quality at the Tal Wi Wi Ranch site. The tasks include maintenance of chlorination equipment and monitors, troubleshooting at sites, replacement of non-capital equipment, minor repair of capital equipment, and checking nitrates and chlorine levels for public safety.

Procurement Information

RFP 23-014 (Tal Wi Wi Ranch Water Distribution System Maintenance and Operation Services) was conducted in accordance with the City's Solicitation Transparency Policy per City Code, Chapter 43, Section 43-36. One responsive and responsible proposal was submitted on Jan. 5, 2023. The proposal was evaluated by a panel according to the following 1000-point evaluation criteria:

Firm Experience and Qualifications	0-350
Method of Approach	0-300
Staff Experience and Qualifications	0-200
Pricing	0-150
Total Available Points	1000 Points Maximum

The evaluation panel scored Blue World Construction, Inc. 865 points through a consensus scoring process

Contract Term

The term of the contract will be three years with two, one-year options to extend the term which may be exercised by the Director of Aviation Services.

Financial Impact

The total estimated cost for the contract term is approximately \$500,000, not to be exceeded over the life of the contract. Annual amounts may vary depending on the need to replace equipment.

Location

9801 N. Litchfield Road, El Mirage, Arizona.

Recommendation

Request BDSC recommend to PAAB to enter into a contract with Blue World Construction, Inc. to provide water distribution system maintenance and operation services for the Tal Wi Wi Ranch site.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Mesa Airlines Hangar Ground Lease Extension

Description

This report requests that the Business and Development Subcommittee (BDSC) recommend to the Phoenix Aviation Advisory Board (PAAB) to amend Ground Lease Agreement No. 134356 with Mesa Airlines, Inc. (Mesa) at Phoenix Sky Harbor International Airport (PHX) to extend the lease to Dec. 31, 2027, with three one-year options to extend the term.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Mesa has leased a corporate hangar and contiguous ramp space at Sky Harbor under the current ground lease since 2012. The ground lease is on its fourth and final extension and is scheduled to expire on Sept. 30, 2023. Mesa uses the hangar and ramp space for maintenance of their fleet of regional jets. Mesa currently flies regional jets through PHX on routes for American Airlines, but the air carriers are winding down their operations relationship within the next year. Mesa has entered into a new partnership contract with United Airlines to use its regional aircraft fleet and local pilot crew base to operate regional flight service on behalf of United Airlines. Mesa has asked to extend the lease to Dec. 31, 2027, with three, one-year options to extend.

Contract Term

The term will be extended four years, expiring Dec. 31, 2027, with three, one-year options to extend that may be exercised at the sole discretion of the Director of Aviation Services.

Financial Impact

Annual rent for the first year of the extension for the hangar and apron will be approximately \$414,879 and will be adjusted per the Phoenix-Mesa-Scottsdale CPI at the beginning of the calendar year for each year of the extension. Anticipated rent over the four-year extension period will be \$1,659,517.

Location

Phoenix Sky Harbor International Airport – 2845 E. Buckeye Road

Recommendation

Request BDSC recommend to PAAB to amend Ground Lease Agreement No 134356 with Mesa at Sky Harbor to extend the lease to Dec. 31, 2027, with three, one-year options to extend the term.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Civil Air Patrol Lease Extension Amendment

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to execute an amendment with the Civil Air Patrol at Phoenix Deer Valley Airport to extend the lease for five years with two, one-year options to extend the term.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The Civil Air Patrol leases a corporate hangar at Deer Valley of approximately 6,000 square feet under terms of Corporate Hangar Lease Agreement No. 136822. CAP is a non-profit United States Air Force Auxiliary which provides aviation-related education and flight training to local youth and adults to assist federal and local state authorities in event of local and national emergencies. CAP uses the hangar facility for its non-profit and non-commercial activities of support aerial search and rescue missions, humanitarian aid services, and a cadet program which introduces cadets to aviation.

CAP has been a tenant at DVT since 1989 and leases the hangar facility for one dollar per year according to FAA guidelines, in recognition of CAP as not-for-profit aviation organization and the benefits of CAP unit to Deer Valley and to the aviation community.

CAP has requested to extend the lease for five years with two, one-year options to extend the term.

Contract Term

The term will be for five years, with two one-year options to extend. The amendment will include a provision to extend the term for an additional five years if CAP invests a minimum of \$1 million to expand the hangar.

Financial Impact

Rent for the lease will remain at one dollar (\$1.00) per year, which is consistent with the rent CAP pays at the not-for-profit organization's other airport locations in Arizona. Total rent under the maximum term of the lease will be twelve dollars (\$12.00).

Location

Phoenix Deer Valley Airport – 702 W. Deer Valley Road, Phoenix, Arizona.

Recommendation

Request BDSC recommend to PAAB to amend Corporate Hangar Lease with Civil Air Patrol to extend the lease for five years with two, one-year options to renew.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	DV Parcel B Owner, LLC (dba Mack Industries) License for Road Construction at Phoenix Deer Valley Airport

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a perpetual license agreement with DV Parcel B Owner, LLC (dba Mack Industries) at Phoenix Deer Valley Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Mack Industries and its affiliates purchased former state trust land north of Deer Valley Airport where they are constructing an industrial warehouse complex. Mack Industries' property is bisected by a corridor of airport-owned land that is intended for the construction of a road to connect Airport Drive, which is maintained by Deer Valley, with Pinnacle Peak Road to the north.

Mack Industries has requested to construct and maintain a road on the airport corridor at its expense to provide access to its industrial tenants. The road will be designed to conform to City of Phoenix Street Transportation standards, and will include curb, gutter, sidewalks, and drainage. In exchange for constructing the improvements, the city will provide the land for the road at no charge under a perpetual license agreement. The road will not be exclusive and will be available for public use to include DVT tenants.

Contract Term

The term will include no expiration date, but the license can be cancelled by either party with notice.

Financial Impact

There is no rent associated with this license agreement.

Location

Phoenix Deer Valley Airport, 702 W. Deer Valley Road, Phoenix, Arizona.

Recommendation

Request BDSC recommend to PAAB to enter into a perpetual license agreement with DV Parcel B Owner, LLC (dba Mack Industries).

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Quarterly Revenue, Enplanements, and Business Activity Update

Description

This report provides an update of the Aviation Department's recent revenue, enplanements, and business activity to the Business and Development Subcommittee.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Report Summary

The City of Phoenix has owned and operated the city's airport system as a self-supporting enterprise since 1967. Through the Aviation Department, the city manages several lines of airport business, associated revenues, expenses, and maintains credit to support financing the capital investments of a large-hub commercial airport.

Although the impacts of the COVID-19 pandemic on Sky Harbor and the larger aviation industry were significant, Sky Harbor has experienced strong resiliency in demand from passengers and strong financial results. In fact, throughout the pandemic, Sky Harbor has been one of the best-performing airports in the country and, starting in the latter half of 2022, has been consistently trending above 2019 enplanement levels which was a record year for the airport.

As passenger enplanements have increased, so too have other revenues that are affected by that demand such as parking, concessions, and rental car sales. Parking revenue, concessions and rental car sales all experienced large jumps in growth and demand during 2022.

The overall trends in growth for enplanements and revenues have led to strong financial performance at Sky Harbor.

Staff will present an overview of Sky Harbor's recent enplanement results, business activity, and an update on the Aviation Department's financial position.

Location

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road.

Recommendation

This item is for information and discussion.