

**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 7, 2024 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/j.php?MTID=mf6caf75e80854cb4397014b5485ed5be>

- **Call-in to listen to the meeting**, dial 602-666-0783 and Enter Meeting ID 2630 539 1001 # 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 7, 2024. 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 4, 2024**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 3)

2. Rent Credits for Taxiway Construction for DVT Hangars LLC at DVT

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Ground Lease No. 154206 with DVT Hangars LLC (successor to Sky Harbour Deer Valley LLC) to establish rent credits in an amount of up to \$3.2 million for the construction of a portion of a taxiway at Phoenix Deer Valley Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Request to Issue Terminal 4 Lobby Retail and Extend Retail Lease with Paradies Lagardère

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to authorize the Aviation Department to issue a Revenue Contract Solicitation for a Terminal 4 lobby retail space at Phoenix Sky Harbor International Airport. In addition, Aviation requests to extend Lease No. 116300 with Paradies Lagardère until the new contract is awarded.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

INFORMATION AND DISCUSSION (ITEM 4)

4. Update on Vacant Food and Beverage Locations in Terminal 4

This report provides the Business Development Subcommittee with a status update on the vacant food and beverage spaces located in the Terminal 4 Lobby area at Phoenix Sky Harbor International Airport.

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 related to 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 4, 2024.



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

January 4, 2024

Meeting held via WebEx

Subcommittee Members Present

Stephanie Cherny - Chairperson
Valencia Fisker
Annette Musa

Subcommittee Members Absent

Andrew Cohn

Staff Present

Abbe Slade
Carolina Potts
Chad Makovsky
Cindy Lizarraga
Jay DeWitt
Jessica Hernandez
John Ojeda

Maria Wager
Marshall Kain
MaryHelen Martinez
Matt Becker
Matthew Heil
Moe Yacut

Michael Hughes
Ola Lukan
Pearl Meza
Richard Graham
Roxann Favors
Sarah Demory

Members of the Public Present

Karen Ratliff

Paul Hunt

Michael Carlisle

CALL TO ORDER

Ms. Fisker called the meeting to order at **2:32 p.m.**

MINUTES OF MEETING

- 1. For Approval or Correction, the Minutes of the Business and Development Subcommittee Meeting on December 7, 2023.**

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

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEMS 2-5)

2. Lease Amendments with Federal Express, United Parcel Service, and Worldwide Flight Services within East Tonto Lot at Phoenix Sky Harbor International Airport

Mr. Robert Hawes presented this item. He presented a map of the parcel of land and lease areas.

Mr. Hawes next provided an overview of the lease amendment terms for all three lessees that included an extended lease term, cumulative collected annual rent, and cumulative collected rent over the life of the leases.

Ms. Cherny asked if the space provided is sufficient for the lessee's needs.

Mr. Hawes replied that the space provided is the space available.

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

No public comments.
The motion carried.

3. New Ground Lease with Avis Budget Car Rental, LLC in East Tonto Lot at Phoenix Sky Harbor International Airport

Mr. Robert Hawes presented this item. He presented a map of the parcel of land and lease areas.

Mr. Hawes next provided an overview of the terms for Avis that included the lease term, annual rent, and cumulative rent over the life of the lease.

Ms. Fisker commented that she appreciates that the termination date from the last item and this current item coincide.

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

No public comments.
The motion carried.

4. Amend DBRT Goodyear FBO, LLC Lease for Additional Premises

Mr. Robert Hawes presented this item. He began with a map displaying all of Goodyear Airport and where DBRT Goodyear FBO (Lux Air) conducts business; he then displayed another map that showed where Lux Air proposes to store additional aircraft and locate a new fuel farm.

He continued with a display of the current automobile parking lot adjacent to Lux Air which they are asking to convert into additional aircraft storage space. Next, Mr. Hawes discussed Lux Air's request to use the fuel farm space once utilized by a flight school. This would require the installation of appropriate equipment at Lux Air's expense.

Mr. Hawes then discussed the amended contract terms for the addition of the current automobile lot. These amended terms include current lease expiration, rent costs, and cumulative collected rent over the remaining life of the lease.

He also discussed the additional premises of the fuel farm site to be added to the current lease, and the fuel surcharge to be paid.

A motion was made by Ms. Fisker, seconded by Ms. Musa, that this item be approved.

No public comments.
The motion carried.

5. New Ground Lease with Arizona Aviation Partners at Phoenix Goodyear Airport

Mr. Robert Hawes presented this item. He began with a map displaying all of Goodyear Airport, and where AZ Partners is requesting land.

He then provided the terms of the lease which include the space requested, the length of the lease, and the prospective annual and total rents collected.

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

No public comments.
The motion carried.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

None.

CALL TO THE PUBLIC

None.

ADJOURNMENT

The meeting adjourned at **2:43 p.m.**

BUSINESS DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Rent Credits for Taxiway Construction for DVT Hangars LLC at DVT

Description

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Ground Lease No. 154206 with DVT Hangars LLC (successor to Sky Harbour Deer Valley LLC) to establish rent credits in an amount of up to \$3.2 million for the construction of a portion of a taxiway at Phoenix Deer Valley Airport (DVT).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

DVT Hangars is requesting rent credits to pay for the construction of a portion of Taxiway Delta at DVT. DVT Hangars is currently constructing Phase 1 of their project to build corporate hangars. Access to the runways will be provided through an existing taxilane from their leased premises that intersects with Taxiway Charlie.

DVT Hangars previously requested, and DVT has approval for DVT Hangars to move the taxilane approximately 35 feet to the west in order to center the taxilane between their Phase 1 premises and their planned Phase 2 premises. Movement of the taxilane will require redesign and reconstruction of the existing intersection of the taxilane and Taxiway Charlie, which DVT Hangars will pay for.

DVT Hangars also requests authorization to complete an unfinished portion of Taxiway Delta that has been designed, but not constructed, in order to improve runway access for their tenants. The existing Taxiway Charlie is able to provide access to DVT Hangars tenants, but Taxiway Charlie's close proximity to the runway, combined with the size of corporate jets that DVT Hangars tenants will likely use, could impact the Runway Safety Area. The current single point of airfield access utilizing only Taxiway Charlie will likely increase taxi and delay time associated with the increased use from corporate jets on this portion of the airfield. Improvements to Taxiway Delta will improve capacity and safety.

DVT Hangars has proposed to pay for the redesign of the intersection between its taxilane and Taxiway Delta in exchange for rent credits in the amount of approximately \$3.2 million to pay for the construction of the portion of Taxiway Delta that will provide an additional point of runway access for tenants of DVT Hangars and other Airport users.

Contract Term

This amendment will have no impact on the lease Term.

Financial Impact

The rent credits will be applied to the DVT Hangars account at the rate of 75% of the monthly base rent for their Phase 1 development and the planned Phase 2 development when the construction term ends. The rent credits are expected to be exhausted in ten (10) to twenty (20) years of the forty (40) year lease Term.

Location

Phoenix Deer Valley Airport, 702 West Deer Valley Road, Phoenix, Arizona

Recommendation

Request that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Ground Lease No. 154206 to authorize rent credits to make improvements to Taxiway Delta.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Request to Issue Terminal 4 Lobby Retail and Extend Retail Lease with Paradies Lagardère

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to authorize the Aviation Department to issue a Revenue Contract Solicitation (RCS) for the Terminal 4 Lobby Retail Space at Phoenix Sky Harbor International Airport. In addition, Aviation requests to extend Lease No. 116300 with Paradies Lagardère until the new contract is awarded.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The goal of the RCS is to optimize sales and revenue over the term of the lease, provide quality and unique retail merchandise to passengers, emphasize local culture in the design of the facility and merchandise offering, and select a respondent with experience operating successful retail concessions in the U.S. and/or abroad.

This 1,715 square foot pre-security location will provide essential merchandise as a convenience, news and gifts store including reading materials, sundries, pre-packaged snacks, bottled/canned beverages, high tech accessories, souvenirs, gifts, and other miscellaneous merchandise.

The retail contract for this store location is currently with Paradies Lagardère and will expire before the completion of the new solicitation process. Extending the contract with Paradies Lagardère on month-to-month basis will ensure that retail merchandise is available for passengers as well as continue to provide revenue to Aviation.

Procurement Information

The Aviation Department will conduct a Revenue Contract Solicitation to select a vendor for this contract.

Responsive and Responsible Respondents will be evaluated according to the following evaluation criteria:

- Proposed Concepts & Merchandise Plans
- Design & Quality of Tenant Improvements
- Management, Marketing, Operations, and Technology Plans
- Experience & Qualification of Respondent and Partners (if any)
- Proposed Business Plan
- Financial Return to the City

The highest ranked Respondent will be recommended for concession lease award. Aviation intends to issue this solicitation on or about May 2024, with an estimated contract award in January 2025. The City's Transparency Policy will be in effect with the release of the RFP and throughout the process.

Contract Term

The term will be 10 years with no renewal options.

Financial Impact

Rent will be the Minimum Annual Guarantee (MAG) or percentage of annual gross sales, whichever is greater. After the first year, MAG will be established at 85% of the prior year's annual rent or 100% of the MAG for the first year, whichever is greater. Rent shall not be less than the first year's MAG.

Public Outreach

This process will include all standard and required outreach efforts and conduct targeted outreach efforts to attract interest.

Location

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

Recommendation

Request the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to authorize the Aviation Department to issue an RCS for Terminal 4 Lobby Retail Concession at Phoenix Sky Harbor International Airport and extend the current retail contract with Paradies Lagardère on month-to-month basis until a vendor is selected and awarded a new retail contract from the City's solicitation process.

BUSINESS DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Director of Aviation Services
Subject:	Update on Vacant Food and Beverage locations in Terminal 4

Description

This report provides the Business Development Subcommittee with a status update of the vacant food and beverage spaces located in the Terminal 4 Lobby area at Phoenix Sky Harbor International Airport (Airport).

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Report Summary

Through its Terminal 4 Concession Contract No. 133475, SSP America Inc. (SSP) was awarded three food and beverage locations, Joe's Real BBQ, Yogurtology, and LoLo's Chicken and Waffles. These locations were within the Terminal 4 lobby, pre-security and the units were co-located with a shared back of house area.

In April 2022, SSP requested to permanently close these stores. Upon agreement with the Aviation Department, SSP vacated the three spaces of approximately 2,685 square feet, in September 2023.

With the Terminal 4 food and beverage contract set to expire on August 31, 2026, Aviation used an internal solicitation process to select a new concessionaire to operate at this location for the remaining contract term. This internal solicitation process entails outreach to current Airport concessionaires in good standing and informs them of the opportunity to submit a proposal.

The internal solicitation method to Airport concessionaires in good standing has historically been used by the Airport to replace a vacated concession store when time is of the essence to ensure continued concession offerings to Airport passengers and revenue to the Airport, and when there are a few years remaining on the original concession contract term.

Procurement Information

On October 13, 2023, Aviation notified all current Airport concessionaires in good standing of the opportunity to submit a proposal for these vacant spaces. Four concession operators expressed interest in the vacant spaces. Subsequently, two concession operators withdrew their interest due to the build-out costs and the term limitations of contract.

Two airport concessionaires that submitted proposals for consideration are:

- *Travel Treat & the Coca-Cola Lounge* by CASA Unlimited Enterprises, Inc., and Swire Coca-Cola
- *Garrett Popcorn Shop* by TMG Services LLC.

The following criteria was utilized to evaluate these proposals:

- Proposed Concept & how concept fits in Terminal 4 lobby overall concessions
- Proposed Merchandise Plan
- Design and Quality of Tenant Improvements
- Operations and Technology Plans

Rent will be based on percentage of gross sales as follows:

- Food, non-alcoholic beverages sales at 13%; and
- Concept-related merchandise sales at 16% including souvenirs, gifts, and all other merchandise.

Based on the evaluation process, the contract award recommendation is *Travel Treats & the Coca-Cola Lounge*. This concept maximizes the use of all three vacant spaces and features a lounge setting with 24-hour component, pre-packed meals to go with vegan, gluten-free, kid-friendly foods, and Coca-Cola & Go coolers with over 30 varieties of soft drink beverages.

Contract Term

The lease term expires August 31, 2026, with no options to extend.

Financial Impact

The estimated annual revenue to the City based on a percentage of gross sales is \$400,000.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

This item is for information and discussion.