

## **NOTICE OF PUBLIC MEETING PHOENIX AVIATION ADVISORY BOARD**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **PHOENIX AVIATION ADVISORY BOARD**, and to the general public, that the **PHOENIX AVIATION ADVISORY BOARD** will hold a meeting open to the public on **Thursday, November 17, 2022 at 3:00 p.m. located at the City of Phoenix Aviation Department, PAAB Conference Room, 2485 E. Buckeye Road, Phoenix, Arizona 85034, or via WebEx teleconference.**

### **OPTIONS TO ACCESS THIS MEETING:**

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

<https://cityofphoenix.webex.com/cityofphoenix/onstage/g.php?MTID=e369b189e2359eec75f3b5af7dca17d26>

- 2. Call-in to listen to the meeting, dial 602-666-0783 and Enter Meeting ID 2461 343 9553# Press # again when prompted for attendee ID.**

- 3. 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](mailto:pearl.meza@phoenix.gov) no later than 10 a.m. on Thursday, November 17, 2022. 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.

Pursuant to Arizona Revised Statutes, Section 38-431.02B, notice is given that the Phoenix Aviation Advisory Board may vote to go into Executive Session, or Sessions, for discussion or consultation, for legal advice with the attorney or attorneys of the public body for any agenda items listed below, as authorized by Arizona Revised Statutes, Section 38-431.03 (A)(3) or for discussion of records and/or information that is exempted by law from public disclosure, as authorized by Arizona Revised Statutes, Section 38-431.03(A)(2). If authorized by a majority vote of the Phoenix Aviation Advisory Board, the Executive Session will be held immediately after the vote and will not be open to the public. If a decision is requested, the Phoenix Aviation Advisory Board may decide the matter in the public meeting or defer the decision to a later date. The agenda items that may be subject to an Executive Session pursuant to Arizona Revised Statutes, Sections 38-431.03 (A) (2) and 38-431.03 (A) (3) are as follows:  
Items 4, 5, 6, 7, 8, 9, & 10

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**

**SUMMARY OF CURRENT EVENTS**

1. **Summary of Current Events by the Director of Aviation Services**
2. **Summary of Current Events by the Airline Station Manager**

**MINUTES OF MEETING**

3. **For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on September 15, 2022**

**INFORMATION ONLY (ITEM 4)**

4. **Ground Lease at 3801 E. Washington Street – Phoenix Rising FC, LLC**

This report provides an update to the Phoenix Aviation Advisory Board on the ground lease agreement with Phoenix Rising FC, LLC at 3801 E. Washington Street. The ground lease agreement is for 435,600 square feet (approximately 10 acres) of property owned by the Aviation Department.

**THIS ITEM IS FOR INFORMATION ONLY.**

**CONSENT ACTION (ITEMS 5-6)**

5. **Ground Lease with KOR Medical Arizona, LLC**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a ground lease with KOR Medical Arizona, LLC for 56,628 square feet (1.3 acres) of Aviation-owned vacant property at 120 S. and 130 S. 29th Street, Phoenix, Arizona.

**THIS ITEM IS FOR CONSENT ACTION.**

**6. Arizona Fueling Facilities Hydrant Fuel System Modification**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a sale and purchase agreement and to amend the Hydrant Fueling Agreement Lease No. 57871-ARL with the Arizona Fueling Facilities Corporation for the modification of the fuel storage and hydrant fuel line system at Phoenix Sky Harbor International Airport.

**THIS ITEM IS FOR CONSENT ACTION.**

**DISCUSSION AND POSSIBLE ACTION (ITEMS 7-8)**

**7. Ground Lease with Burrell Aviation Goodyear, LLC**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a ground lease with Burrell Aviation Goodyear, LLC for 1,219,680 square feet (approximately 28 acres) of vacant property at Phoenix Goodyear Airport.

**THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**

**8. Request to issue Terminal Advertising Revenue Contract Solicitation**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council authorize the Aviation Department to issue a Revenue Contract Solicitation for a terminal advertising company to install, maintain, and manage advertising at Phoenix Sky Harbor International Airport, Deer Valley Airport, Goodyear Airport, including but not limited to the Rental Car Center, and Phoenix Sky Train stations, collectively referred to as "Airports". Additionally, request authorization to extend the current contract on a month-to-month basis until performance begins under the contract resulting from this solicitation.

**THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**

**INFORMATION AND DISCUSSION (ITEMS 9-10)**

**9. Phoenix Deer Valley Airport Land Use Planning**

This report provides the Phoenix Aviation Advisory Board an update on recent land use planning efforts for the Phoenix Deer Valley Airport.

**THIS ITEM IS FOR INFORMATION AND DISCUSSION.**

**10. Monthly Concessions Update**

This report provides the Phoenix Aviation Advisory Board with an update on concession contract hours, enforcement, and compliance.

**THIS ITEM IS FOR INFORMATION AND DISCUSSION.**

## **ADVISORY BOARD 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](http://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 Phoenix Aviation Advisory Board meeting is scheduled to take place Thursday, December 15, 2022



**PHOENIX AVIATION ADVISORY BOARD  
SUMMARY MINUTES  
September 15, 2022  
*Meeting held via WebEx***

Board Members Present

Ron Price  
Ruben Alonzo  
Sandra Ferniza  
Seth Scott – Vice-Chairperson  
Stephanie Cherny  
Valencia Fisker - Chairperson

Board Members Absent

Andrew Cohn  
Brian Foster  
Camilo Henao – Ex-Officio  
Verma Pastor

Staff Present

Alexandria Pierce  
Alice Bimrose  
Annie Sleeper  
Chad Makovsky  
Cindy Lizarraga  
Jason Gitkin  
Jay DeWitt  
Jennifer Holland  
Jennifer Maples  
Jordan Feld  
Ken Boudreau

Lisa Madison  
Marshall Kain  
Matthew Becker  
Matthew Heil  
Michael O'Shaughnessy  
Moe Yacut  
Monica Gonzalez  
Nicole Donathan  
Pearl Meza  
Prasan DeSilva  
Richard Graham

Rosanna Benites  
Roxann Favors  
Sarah Demory  
Sarah Moratto  
Sonja Costello  
Tamra Ingersoll  
Tim Spahr  
Thomas Curran  
Tom Sawyer  
Valerie Churchwell

Members of the Public  
Present

Jim Lauer  
Scott Sikel  
Lilly Osborne

Joel Ericson  
Karen Ratliff

Teresa Dominguez  
David Sperling

## **CALL TO ORDER**

Chairperson Fisker called the meeting to order at **3:00 p.m.**

## **SUMMARY OF CURRENT EVENTS**

### **1. Summary of Current Events from the Director of Aviation Services**

Mr. Makovsky welcomed the in-person and virtual attendees and opened his presentation by reviewing relevant passenger, cargo, and aircraft operations statistics for Sky Harbor for the month of July.

Mr. Makovsky provided an update on new air service. Frontier Airlines announced the addition of twelve new destinations. Spirit Airlines announced two new destinations. Two of the new destinations are served by both Spirit and Frontier.

On Aug. 23 a media event was held to unveil the Super Bowl Countdown Clock inside the airport. Among the attendees were members of Phoenix City Council, the Mayor, Visit Phoenix, PAAB members, and other VIPs.

Mr. Makovsky also provided an update on the monthly job fair and how the event has helped employers at the airport recruit employees.

On Sept. 13 the Support Sky Harbor Coalition's annual Aviation Academy kicked off. Mr. Makovsky provided an overview of the Academy including who participates, how it benefits the airport and attendees, and how with this knowledge the participants can help promote the value of Sky Harbor in the community.

Ms. Cherny spoke of her own experience participating in the Aviation Academy and how it has helped during her time on the board. She encouraged other board members to participate in future Academies.

Mr. Makovsky noted the Department posted 29 new sustainability-themed posters throughout Sky Harbor addressing recycling and water conservation among other topics.

Over the past month Sky Harbor was recognized with several awards. The Engineering News-Record – Southwest's awarded Sky Harbor's new Terminal 4 S1 concourse Best Project of The Year in the transit category. The Financial Management Division (FMD) was awarded the Global Financial Officer's Association Certificate of Achievement for Excellence in Financial Reporting. This is the highest form of recognition in governmental accounting and financial reporting.

Mr. Makovsky closed by sharing the City is resuming in-person public attendance at board and commission meetings. He announced that in keeping with this policy, future PAAB meetings will move to a hybrid model and also be open to in-person public attendance.

Due to Ms. Favors being unable to attend the last PAAB meeting, Mr. Makovsky recognized her promotion and invited her to speak to the board. Ms. Favors expressed excitement about being back with the airport and having the opportunity to create a world-class experience for passengers.

## **2. Summary of Current Events by the Airline Station Manager**

Mr. Camilo Henao did not attend.

### **MINUTES OF MEETING**

#### **3. For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on August 18, 2022**

**A motion was made by Ms. Cherny, seconded by Mr. Price that this item be approved.**

No public comments.  
The motion carried.

### **CONSENT ACTION (ITEMS 4-6)**

#### **4. Request to award a ground lease with Fairmount Corp. at Phoenix Sky Harbor International Airport**

#### **5. Request to amend Lease 145025 with Westwind School of Aeronautics at Phoenix Goodyear Airport**

#### **6. Request to amend Executive Hangar Lease 152807 with Salt River Project at Phoenix Sky Harbor International Airport**

**A motion was made by Mr. Price, seconded by Ms. Cherny that this item be approved.**

No public comments.  
The motion carried.

### **DISCUSSION AND POSSIBLE ACTION (ITEMS 7-8)**

**7. Request to Issue Revenue Contract Solicitation for PHX Northwest Air Cargo Development at Phoenix Sky Harbor International Airport**

Mr. Richard Graham presented this item. Mr. Graham displayed a map signifying the parcel under consideration and described it currently as a general aviation redevelopment area.

He continued by outlining the history of why this parcel is being considered for redevelopment. An RFI was issued in October 2021 so aviation staff could better understand potential land uses. From the RFI responses and plans included in the recently updated Comprehensive Asset Management Plan, staff determined that a cargo facility would be the highest and best use of the land.

Mr. Graham explained the current state of cargo at the airport is at an all-time high, and that current cargo tenants are requesting additional space to conduct their business.

Mr. Graham explained the current buildings on the property are old and outdated, and it would be cost-prohibitive to update the current facilities. He continued by depicting which buildings have current tenants and shared that each tenant has been contacted and made aware of the plans for redevelopment.

Mr. Graham described the site size, the terms of the ground lease and rent generated.

He noted that the lease rent increase will be the greater of CPI or 3% every three years.

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

No public comments.  
The motion carried.

**8. Request to award a contract for Airport Bus Fleet Operations & Maintenance**

Mr. Boudreau presented this item and began with background on the reliability of the Sky Train and the capacity of the current 2-car train configuration vs the new 3-car configuration. He noted that even with the high reliability of the Sky Train, as with any mechanical system, there may be service interruptions for periods of time for a variety of reasons. To prepare for those instances, the Aviation Department will implement a bus operations contingency plan.



The contingency plan will incorporate a layered approach activating different elements based on situational needs. The first layer is to activate the airport bus fleet.

As part of the process, Mr. Boudreau discussed the Aviation Department's RFP for the procurement of an Operations and Maintenance strategy for the usage of a small quantity of airport buses. Due to the high costs of the RFP response, the department was approved to enter into direct negotiations with the incumbent.

Mr. Boudreau also shared the proposed budgets associated with the operation and maintenance of the airport's total bus fleet.

Ms. Cherny asked what defines a quick response time and how it gets measured. Mr. Boudreau explained that the term was still under negotiations in the contract and that the negotiating time frame is 15 minutes. Ms. Cherny ask about the consequences if the 15-minute window was not met. Mr. Boudreau said that the layered approach to the contingency plan encompassed a scenario in which the initial response time was not met.

Ms. Fisker asked why the incumbent vendor did not respond to the RFP but is willing to enter into a direct agreement currently. Mr. Boudreau answered that when the RFP was issued, the incumbent did respond, however they did not adequately respond. At that point the department determined direct negotiations was appropriate.

**A motion was made by Ms. Cherny, seconded by Mr. Alonzo that this item be approved.**

No public comments.  
The motion carried.

## **INFORMATION AND DISCUSSION (ITEMS 9-10)**

### **9. Air Service Development Update**

Ms. Alexandria Pierce presented this item. Ms. Pierce began by discussing the top aviation world markets, top served domestic markets, and top unserved domestic markets. She noted that air service strategizes on how to better serve underserved and unserved markets.

She continued by showing the current international markets Phoenix serves and which markets were served pre-pandemic and those which have not resumed regular service.

As Canada is the largest International market Phoenix serves, Ms. Pierce shared the growth that Air Canada has experienced since the pandemic. From 2021 to 2022, the Air Canada is up 75% in terms of nonstop seats.

Since the pandemic, 77 new routes have been added to Sky Harbor's service list, and 4 new airlines have started service at Sky Harbor.

Ms. Pierce shared that Breeze Airlines is one of the new airlines to Phoenix. They will begin nonstop service to Provo and Charleston in the beginning of November. Ms. Pierce described that Breeze aims to serve typically underserved markets.

Frontier Airlines has increased service significantly over the past two years. By January 2023, they intend to serve 23 markets and have a crew base in Phoenix which expects to employ over 150 pilots and 275 flight attendants.

Spirit Airlines added 2 new markets, one being their largest focus market, Ft. Lauderdale.

Moving beyond airlines, Ms. Pierce shared the international Air Service Incentive Plan which was approved by the City Council through 2024. This plan assists staff with providing incentives to airlines to add new international markets that are unserved or underserved. Generally, when Sky Harbor wants to add a new market, the airport will work with the airline to reimburse marketing dollars for that destination, will waive landing fees for a period of time, and generally help with promoting the destination.

Ms. Cherny asked how the Aviation Department could determine the number of passengers traveling to various international destinations. Ms. Pierce explained the concept of leakage which is where passengers may book multiple tickets on different airlines to get to an international destination. This can make it difficult for staff to identify the true nature of passenger travel from Phoenix, however through tools such as analysis of available credit card data, some of the leakage for these types of flights can be accounted for.

Ms. Cherny praised the incentive plan and asked if the incentive plan would be reassessed post pandemic. Ms. Pierce noted that the incentive plan has worked well to expand the airport's international market and that staff will be reviewing the plan and recommending renewal before it expires in 2024.

Mr. Makovsky made a comment about the work Ms. Pierce has done in expanding Sky Harbor's markets. He noted several organizations that the airport is working with to help understand the needs of the community in terms of air service. He continued by explaining that even as new airlines are added to the airport, staff continues to emphasize the importance of supporting relationships

with existing airlines and work with them to provide a high-level service to help ensure their success.

No public comments.

## **10. Airport Concessions Update**

Mr. DeSilva presented this item. He began by referencing the board packet that which depicts current hours of operation for the concessionaires. Mr. DeSilva continued by highlighting the number of concessionaires currently open in Terminal 3 and 4. He said staff is observing an increase in the number of concessionaires that are open and will continue to focus on ensuring concessionaires open earlier and stay open later to support all airport customers.

Mr. DeSilva provided an update on the number of concessions-related complaints received since March 2022. He discussed the impact of staff shortages on the concessionaires. He shared the total number of staff positions concessionaires needed to be at full capacity within food and beverage, retail, and passenger services. He also shared that the airport is sponsoring monthly job fairs to help concessionaires fill vacancies. After each job fair a survey is conducted among the visiting vendors. The survey is meant to gain insight into the type of jobs the vendors are offering at the fair, the number of positions filled as a result of the fair, and the key positions they need filled the most.

Mr. DeSilva next talked about the application of liquidated damages on concessionaires who are not meeting their contractual agreement for operating hours. Due to the enforcement of these penalties, there are several concessionaires at both terminals that are on track to reopen very soon.

Turning his focus to Terminal 4 Concourse S1 (T4S1) concessionaires and their design submittals, Mr. DeSilva walked the board through the level of completion for design submittals the concessionaires have reported. Many of the primes who are working towards opening Terminal 4 concessions are all at or nearly at 100% design submittals. The next step in their process is for the primes to get building permits and hire contractors.

Phase 2 of the T4S1 concessions procurement will be issued later this year. He noted that the intent is to award a contract by October 2023.

Ms. Cherny thanked Mr. DeSilva for his updates. She noted that she was surprised to learn that the airport only received nine complaints related to concessions, and that she has received more than nine complaints from friends and colleagues about the current state concessionaires.

She proceeded by noting that only eight concessionaires attended the job fair and asked how many concessionaires there were in total.

Mr. DeSilva responded with 153 stores but noted that he was referencing primes when speaking about the job fair.

Ms. Cherny asked how the airport could get more Primes to participate in the job fairs.

Mr. DeSilva responded with sharing that during the most recent job fair he became aware of a prime food and beverage concessionaire who conducted their own job fair in close proximity to the airport sponsored fair, on the same day, at the same time.

Ms. Cherny said that shouldn't have happened and that staff needs to work with the companies to ensure this doesn't happen in the future.

Ms. Cherny asked what the airport was doing with the income generated from liquidated damages and if it was directed anywhere specifically.

Mr. DeWitt responded that funds generated from liquidated damages go into the Aviation Department's general fund; Mr. DeWitt explained that the use of liquidated damages was the only mechanism the department has to incentivize concessionaires to resume contractual hours.

Ms. Cherny agreed that the fines were a great tool but wondered whether the airport could publicize to the concessionaires how the liquidated damages would be used. Ms. Cherny suggested using the funds to help advertise for airport jobs, or something to help the concessionaires hire employees. Mr. DeWitt gave several examples of programs the airport is offering to help incentivize people to work in the airport.

Mr. Alonzo reiterated Ms. Cherny's concern about complaints. He asked whether part of the contracts the concessionaires sign involves menu offerings required.

Mr. DeSilva responded by saying that the next step in the on-going evolution is for concessionaires to bring back full menus. He noted that a large reason that many concessionaires don't have a full menu is due to a lack of workforce.

Mr. Alonzo followed-up by suggesting that future contracts include offering menu items to meet certain dietary restrictions.

Ms. Ferniza noted she has received many complaints regarding the concessionaire offerings inside the Airport. She asked how the department receives complaints, what channels are in place to receive complaints?

Mr. Makovsky shared that the airport received passenger feedback in a number of ways including by phone, text, chat, email, and social media. The airport

actively solicits and encourages feedback and also has a contract that engages thousands of passengers throughout the terminals each month to obtain feedback on their experience. Availability and quality of concessions are among the questions asked.

Ms. Ferniza expressed interest in the specific ways the airport gets feedback and proposed that maybe passengers are too preoccupied with their travels and they don't provide feedback. She suggested the use of QR codes as a way for passengers to offer feedback once they have time to focus.

Mr. Makovsky replied that the airport does use QR codes and is very open to listening to ideas on how to make the process of giving feedback easier.

Given the majority of job openings are within food and beverage, Ms. Fisker asked if it would be feasible to host a job fair focused solely on food and beverage instead of an all-encompassing job fair.

Mr. DeSilva responded that there have been two jobs fairs solely dedicated to food and beverage. He also said that he would speak with Public Relations staff about another food and beverage specific job fair. Ms. Fisker restated Ms. Cherny's concern about coordinating job fairs so that there is no competition for attendance.

Mr. Scott referenced the liquidated damages slide and asked who, specifically the fines were assessed to.

Mr. DeSilva responded that the damages were assessed to the main primes.

Mr. Scott stated he would know specifically which primes were fined and the amount of the fines.

Mr. Scott asked if there was a single prime that is being assessed an outsized portion of fines as compared to the others?

Mr. Makovsky responded that the two largest primes are SSP and HMS Host. He continued by stating that SSP was the prime that by far has received the largest assessment of liquidated damages.

Mr. Scott requested a breakdown of the staff shortage by prime to understand which primes are in most need of help and which ones may not be offering the proper incentives to retain employees. He continued by stating he believes the reason the complaint numbers are down may be due to people simply being used to the current lower level of service. He expressed how unfortunate it was to be short 500 staff members, and how the shortage was contributing to the lack of experience the airport pledged when bringing in certain local concessionaires.

Mr. Scott asked for the hours when concessionaires are open.

Mr. DeSilva responded that the current hours are included within the PAAB packet that was sent to the members.

Mr. DeSilva offered to provide a list of which concessionaires are providing a full menu. Many are, but some of the larger concessionaires are not.

Ms. Cherny asked that a representative from the two largest concessionaires attend the next meeting so the board can speak directly to them. Ms. Fisker agreed and supported the request.

### **ADVISORY BOARD INFORMATION AND FOLLOW-UP REQUESTS**

Ms. Cherny asked for a follow-up of the companies participating in the job fair, their feedback from the job fair, why they are conducting their own, and what we can do to better cater to their needs.

Mr. Scott requested to know specifically which primes are fined, and the amount of the fines.

Mr. Scott requested a breakdown of the staff shortage by prime and what incentives the primes were offering to retain employees.

Mr. Scott requested information on which concessionaires offer full menu options.

Ms. Cherny asked that a representative from the two largest concessionaires attend the next meeting so the board can speak directly to them.

No public comments.

### **CALL TO THE PUBLIC**

No public comments.

### **ADJOURNMENT**

Meeting adjourned at **4:10 p.m.**

<b>PHOENIX AVIAITON ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Ground Lease at 3801 E. Washington Street – Phoenix Rising FC, LLC.

### **Description**

This report provides an update to the Phoenix Aviation Advisory Board on the ground lease agreement with Phoenix Rising FC, LLC (Phoenix Rising) at 3801 E. Washington Street. The ground lease agreement is for 435,600 square feet (approximately 10 acres) of property owned by the Aviation Department.

THIS ITEM IS FOR INFORMATION ONLY.

### **Report Summary**

The Aviation Department has been working with Community & Economic Development Department for several months to finalize a proposed ground lease with the Phoenix Rising soccer team for a new, temporary stadium on Aviation-owned land. Due to time constraints of their upcoming season, the item was taken directly to the Phoenix City Council for action. This report provides a summary of the proposed agreement.

The agreement is for the purpose of constructing a temporary soccer stadium and associated facilities on the premises located at 3801 E. Washington Street. The associated facilities may include, concession stands, a portable sports book, and a practice facility.

### **Contract Term**

The lease term is five years with five, one-year renewal options to be exercised at the sole discretion of the Director of Aviation Services.

### **Financial Impact**

Rent for the first year of the lease will be approximately \$300,564 or \$25,047 per month at the rate of \$0.69 per square foot. Rent will be adjusted annually based on the Phoenix-Mesa-Scottsdale Consumer Price Index. Total anticipated rent from this lease over the five-year term will be approximately \$1,502,820.

### **Concurrence/Previous Board Action**

This item was presented to the Business Development Subcommittee for information and discussion on November 3, 2022.

### **Location**

3801 E. Washington Street, Phoenix, Arizona

### **Recommendation**

For information only.

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Ground Lease with KOR Medical Arizona, LLC

### **Description**

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to enter into a ground lease with KOR Medical Arizona, LLC (KOR Medical) for 56,628 square feet (1.3 acres) of Phoenix Sky Harbor International Airport-owned vacant property at 120 S. and 130 S. 29th Street, Phoenix, Arizona.

THIS ITEM IS FOR CONSENT ACTION.

### **Report Summary**

The Aviation Department acquired 120 S. 29th Street in October 2001 and 130 S. 29th Street in January 2000. Since acquisition, both properties have been vacant. KOR Medical owns the building at 175 S. 29th Street, a property across the street from Aviation-owned property. KOR Medical is requesting to enter into a ground lease for Aviation-owned properties for the purpose of constructing a paved employee parking lot related to KOR Medical's business. KOR Medical will have one year to construct a paved parking lot on the premises in compliance with the Phoenix City Code. KOR Medical's paved parking lot improvements are subject to the Aviation Department's tenant improvement process.

### **Contract Term**

Lease term shall be two years, with five one-year options to renew, to be exercised at the sole discretion of the Director of Aviation Services. The term and rent shall commence upon the tenant's receipt of a Certificate of Completion for the development of a paved parking lot.

### **Financial Impact**

Rent for the first year of the lease will be approximately \$59,459.40 per year (\$1.05 per square foot). Rent will be adjusted annually commencing one year after the rent commencement date based on the Consumer Price Index (CPI) for Phoenix-Mesa-Scottsdale, not to exceed three percent during any given year. Total anticipated rent from this lease over the term, if all options are exercised, will be approximately \$416,215.80, not including CPI.

### **Concurrence/Previous Board Action**

This item was recommended for approval by the Business and Development Subcommittee on November 3, 2022, by a vote of 3-0.

### **Location**

120 S. & 130 S. 29<sup>th</sup> Street, Phoenix, Arizona



**Recommendation**

Request the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a ground lease with KOR Medical Arizona, LLC for airport-owned vacant property at 120 S. and 130 S. 29th Street, Phoenix, Arizona.

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Arizona Fueling Facilities Hydrant Fuel System Modification

### **Description**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a sale and purchase agreement and to amend the Hydrant Fueling Agreement Lease No. 57871-ARL with the Arizona Fueling Facilities Corporation (AFFC) for the modification of the fuel storage and hydrant fuel line system at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR CONSENT ACTION.

### **Report Summary**

The AFFC is a consortium of airlines that operates under a ground lease for its piping system which allows the airlines to fuel their aircraft at the gates from hydrants tied to the system. The hydrant fueling system at Terminal 3 was modified and extended during the terminal modernization and inner ramp reconstruction projects to provide fueling service to six additional gates on the South Concourse and reconfigure the existing system on the North Concourse to accommodate a greater fleet mix.

### **Procurement Information**

To facilitate the accelerated schedule for the projects, the Aviation Department included the design and construction of the hydrant fuel line into its building construction contract. Having completed both projects, the Aviation Department wishes to recover the cost of the improvements from AFFC through the sale of the installed assets.

### **Financial Impact**

Following receipt of the final payment, the Aviation Department will transfer pipeline ownership through a bill of sale. The Hydrant Fueling Lease Agreement will then be amended to reflect the addition to the system. The total cost for design and construction is approximately \$4.9 million.

### **Concurrence/Previous Board Action**

The Business Development Subcommittee recommended approval of the item on November 3, 2022 by a vote of 3-0.

### **Location**

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

**Recommendation**

Request that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a sale and purchase agreement and to amend the Hydrant Fueling Agreement Lease No. 57871-ARL with the Arizona Fueling Facilities Corporation for the modification of the fuel storage and hydrant fuel line system at Phoenix Sky Harbor International Airport.

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Ground Lease with Burrell Aviation Goodyear, LLC

### **Description**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a ground lease with Burrell Aviation Goodyear, LLC (Burrell) for 1,219,680 square feet (approximately 28 acres) of vacant property at Phoenix Goodyear Airport (GYR).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

### **Report Summary**

Burrell is requesting to enter into a ground lease at GYR for the purpose of constructing a cargo facility on the premises that may include cold storage, dry storage, maintenance and repair facilities, or other approved aeronautical uses with an investment of approximately \$40 million.

### **Contract Term**

Lease term shall be thirty-five years with one ten-year renewal option to be exercised at the sole discretion of the Director of Aviation Services. The lease term will be preceded by a development term of up to three years for Burrell to construct its improvements at a reduced rate calculated to be approximately 15% of the rental rate for the lease term.

### **Financial Impact**

Rent for the first year of the lease will be approximately \$414,691 or \$34,558 per month at the rate of \$0.34 per square foot. Rent will be adjusted annually commencing one year after the rent commencement date based on the Phoenix-Mesa-Scottsdale Consumer Price Index. To pay for infrastructure necessary to make the premises functional, the city agrees to allow rent credits of up to \$4 million to be applied during the lease term. Total anticipated rent from this lease over the term, if the extension option is exercised, will be approximately \$18,661,095.

### **Concurrence/Previous Board Action**

This item was recommended for approval by the Business and Development Subcommittee on November 3, 2022, by a vote of 3-0.

### **Location**

Phoenix Goodyear Airport, 1658 South Litchfield Road, Goodyear, Arizona.

### **Recommendation**

Request the Phoenix Aviation Advisory Board recommend the Phoenix City Council enter into a ground lease with Burrell Aviation Goodyear, LLC.

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Terminal Advertising Revenue Contract Solicitation Request to Issue

### **Description**

This report requests that the Phoenix Aviation Advisory Board recommend the Phoenix City Council authorize the Aviation Department to issue a Revenue Contract Solicitation (RCS) for a terminal advertising company to install, maintain, and manage advertising at Phoenix Sky Harbor International Airport (PHX), Deer Valley Airport (DVT), Goodyear Airport (GYR), including but not limited to the Rental Car Center, Phoenix Sky Train stations, collectively referred to as "Airports". Additionally, request authorization to extend the current contract on a month-to-month basis until performance begins under the contract resulting from this Solicitation.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

### **Report Summary**

The Aviation Department currently contracts with Lamar Alliance Airport Advertising Company for the terminal advertising concession. The current advertising concession contract expires in May 2023.

### **Procurement Information**

Aviation will conduct an RCS to select a terminal advertising company.

The successful respondent will be responsible for:

- All costs associated with the installation including improvements and maintenance;
- Maintaining a high standard for digital and graphic displays and materials used;
- All contractual obligations, including monthly reporting requirements;
- Optimizing advertising effectiveness and revenue generation.

Responsive and responsible respondents will be evaluated according to the following evaluation criteria:

- Proposed minimum annual guarantee;
- Advertising display program;
- Business, marketing, and operations plan;
- Qualifications and experience of proposer.

The highest ranked respondent will be recommended for the terminal advertising lease award.

Aviation intends to issue this solicitation on or about February 2023, with an estimated contract award in November 2023.

**Contract Term**

The term will be 7 years with one, 3-year option to renew at the sole discretion of the Director of Aviation Services.

**Financial Impact**

Rent will be the minimum annual guarantee (MAG), as set based on respondent's proposals, or 65% of static advertising and 60% of digital advertising of annual gross sales, whichever is greater in the first year. After the first year, MAG shall 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 first year's MAG.

**Concurrence/Previous Board Action**

The Business Development Subcommittee recommended approval of the item on November 3, 2022 by a vote of 3-0.

**Public Outreach**

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

**Location**

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road

**Recommendation**

Request that the Phoenix Aviation Advisory Board recommend the Phoenix City Council authorize the Aviation Department to issue a RCS for an advertising company to install/upgrade, maintain, and manage advertising for the Aviation Department. Additionally, request authorization to extend the current contract on a month-to-month basis until performance begins under the contract resulting from this solicitation.

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Phoenix Deer Valley Airport Land Use Planning

### **Description**

This report provides the Phoenix Aviation Advisory Board with an update on recent land use planning efforts for Phoenix Deer Valley Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

### **Report Summary**

Phoenix Deer Valley Airport (DVT) has approximately 190 acres of vacant land available for aeronautical development. The 2015 DVT Master Plan anticipated a mix of uses in these areas including continued development of small aircraft hangars as well as aviation business park development.

More recently, Westwind Aviation flight training moved from DVT to Goodyear Airport and plans for industrial, technology, office and logistics sites have been developed in close proximity to DVT (including Taiwan Semiconductor Manufacturing Company). These conditions require staff to update the near- and long-term land use goals for DVT. Staff recently started a land use plan update for DVT and will provide an overview of the planning process, goals, stakeholder engagement and anticipated outcomes.

### **Public Outreach**

Staff has met with numerous stakeholders to date, with additional meetings planned; the staff presentation will review stakeholder involvement in detail.

### **Location**

Phoenix Deer Valley Airport - 702 W. Deer Valley Road

### **Recommendation**

This item is for information and discussion

<b>PHOENIX AVIATION ADVISORY BOARD REPORT</b>	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, C.M. Director of Aviation Services
Subject:	Monthly Concessions Update

### **Description**

This report provides the Phoenix Aviation Advisory Board with an update on Concession contract hours, enforcement, and compliance.

THIS ITEM IS FOR INFORMATION ONLY.

### **Report Summary**

As of October 2022, Terminal food and beverage and retail concession units are 90 percent open. With increased airline operations during late night hours, food and beverage concessionaires have added 24-hour grab-n-go options. Operational hours continue to improve as all concessionaires focus on reaching full staffing levels. Concessionaires continue to participate in airport-hosted job fairs to hire for unfilled positions. Key staff positions such as baristas and cooks continue to be difficult positions to fill and retain even with hiring incentives.

While passenger traffic has returned to 2019 activity levels, operational hours by all concessions have not fully been restored to pre-pandemic contractual requirements. To meet passenger expectations, concessionaires not meeting the store operating hours within their contractual obligations are being assessed liquidated damages. Liquidated damages have been assessed and billed for the months of June, July, August, and September 2022.

At the request of the Phoenix Aviation Advisory Board, representatives from the prime food and beverages concessionaires, SSP America and HMS Host, will be in attendance to share updates on their operations and to respond to feedback from the Board.

### **Location**

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road