

**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, January 4, 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=md55c77036103475849ee8c56bcf0abb2>
- **Call-in to listen to the meeting**, dial 602-666-0783 and Enter Meeting ID 2633 419 1073 # 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, January 4, 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 December 7, 2023**

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

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Airport Land Lease No. 134887 with Federal Express Corporation, Unsubordinated Ground Lease No. 153576 with United Parcel Service, Inc., and Airport Lease Agreement No. 154728 with Worldwide Flight Services, Inc.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

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

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new Ground Lease with Avis Budget Car Rental, LLC for approximately three acres in the East Tonto Lot at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

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

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend the Fixed Based Operator Lease No. 138997 with DBRT Goodyear FBO, LLC (dba Lux Air).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

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

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a Ground Lease with Arizona Aviation Partners, 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.

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, February 1, 2024.



**PHOENIX AVIATION ADVISORY BOARD
BUSINESS & DEVELOPMENT SUBCOMMITTEE
SUMMARY MINUTES
December 7, 2023
*Meeting held via WebEx***

Subcommittee Members Present

Andrew Cohn
Valencia Fisker

Subcommittee Members Absent

Stephanie Cherny - Chairperson

Staff Present

Cadle Collins
Carolina Potts
Chad Makovsky
Gabe Nevarez
Heather Shelbrack
Janet Lee
Jay DeWitt
Jessica Hernandez
John Trierweiler

Kevin Eyster
Kim Brown
Kimberly Whetstone
Kristina Pylant
Maria Wager
Marshall Kain
MaryHelen Martinez
Matt Becker
Matthew Heil

Moe Yacut
Michael Hughes
Nicole Shrum
Ola Lukan
Pearl Meza
Roxann Favors
Sarah Demory
Tom Sawyer
Tim Spahr

Members of the Public Present

Karen Ratliff Mark Carlisle

CALL TO ORDER

Ms. Fisker called the meeting to order at **2:31 p.m.**

MINUTES OF MEETING

- 1. For Approval or Correction, the Minutes of the Business and Development Subcommittee Meeting on November 2, 2023.**

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

No public comments.
The motion carried

DISCUSSION AND POSSIBLE ACTION (ITEMS 2-4)

2. Award Recommendation for Concessions Consulting Services at Phoenix Sky Harbor International Airport

Mr. Richard Graham presented this item. He opened with an overview of the Sky Harbor concession program and how a concessions consultant assists with program strategy and development.

Mr. Graham provided an overview of the Request for Proposal process that outlined expected qualifications for proposers and related evaluation criteria.

He then discussed the two contract group opportunities: one contract group supports concessions program analytics and financial studies, while the second contract group supports strategic business programming and concession industry trends analysis.

Mr. Graham next provided a summary of the proposals received for each contract group and provided summary information on each selected proposal for award.

Mr. Cohn commented that he is in full support of this contract and sees the value that these consultants bring to Sky Harbor.

Ms. Fisker asked, in respect to the last several years, if these consultants provided insight into how other airports handled their concession programs.

Mr. Graham confirmed that the consultants were instrumental in determining the concession program direction.

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

No public comments.

The motion carried.

3. Award Recommendation for Automated Teller Machine Services at Phoenix Sky Harbor International Airport

Mr. Richard Graham presented this item. He began by providing an overview of the services that automated teller machines (ATM) provide Sky Harbor customers and discussed the terms of the current ATM services contract at Sky Harbor.

Mr. Graham next discussed the Revenue Contract Solicitation (RCS) process that outlined expected qualifications for proposers and related evaluation criteria, noting that an RCS was also issued for currency exchange services, but no proposals were received for this RCS.

Mr. Graham then discussed the recommended proposer, noting that it was the only responsive proposal received.

Ms. Fisker asked if the contract provided an “off-ramp” in the event of dramatic decline in usage?

Mr. Graham responded that there is not. Despite a definite drop-off in ATM usage over the past five years, it is not anticipated that ATMs will be completely obsolete.

Mr. Cohn commented that having ATMs is important as alternatives in case other technologies fail and people need currency.

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

No public comments.
The motion carried.

4. Award Recommendation for Airport Towing Service and Minor Auto Assistance at Phoenix Sky Harbor International Airport

Mr. Michael O’Shaughnessy presented this item. He began with a general overview of the services which would be provided through the contract.

Mr. O’Shaughnessy continued by providing background details on the Invitation for Bids process, the terms of the contract, and the number of received bids.

He also shared that the incumbent, who participated in the IFB and was initially the selected awardee, informed the procurement officer of their intent to not enter into the awarded contract.

After an extensive search for alternative solutions, it was determined to award the proposal to the second lowest bidder. Mr. O’Shaughnessy then introduced the proposed awardee along with the terms of the contract.

Ms. Fisker asked why the initial contractor decided to decline accepting the award?

Mr. Michael Hughes responded that the initial awardee notified the procurement officer that they would be unable to meet the needs and requirements of the contract.

Ms. Fisker then asked to confirm that the second-place contractor was indeed double the price of the initial contractor.

Mr. O’Shaughnessy explained that the difference between first and second place was more than double the price.

Ms. Fisker asked if the contract was opened again for bidding if a company could be found that would bid somewhere between the first and second place bidders?

Mr. Cohn commented that this is not the first time he's seen a contract fall through like this. He also expressed the importance of this contract and would support the decision to go through the bid process again, however, he supports continuing with the second-place bidder.

Mr. Makovsky clarified that four bids were received and that the third and fourth place bids were in the range of the second-place bid. He feels it is not in the best interest of the City to go through the bid process again due to the bottom three bids all being of similar price.

Ms. Fisker commented that after discussion, she is comfortable moving ahead with approval.

A motion was made by Mr. Cohn, seconded by Ms. Fisker, 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 **3:02 p.m.**

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Lease Amendments with Federal Express, United Parcel Service, and Worldwide Flight Services within East Tonto Lot at Phoenix Sky Harbor International Airport

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Airport Land Lease No. 134887 with Federal Express Corporation, Unsubordinated Ground Lease No. 153576 with United Parcel Service, Inc., and Airport Lease Agreement No. 154728 with Worldwide Flight Services, Inc. to extend the Term for all three leases to April 5, 2027, and include two one-year options to extend at the sole discretion of the Aviation Director.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

FedEx, UPS and WFS utilize the East Tonto Lot (Lot) at Phoenix Sky Harbor International Airport (PHX) for tractor trailer and employee parking to support their air cargo operations at PHX. The Aviation Department has identified the Lot for future development for airport facilities. Tenants are requesting interim use of the Lot until the Airport is ready to redevelop. Staff is requesting to amend the following leases:

- In November 2012, FedEx entered into Lease No. 134887 for approximately 60,000 square feet within the Lot. This lease currently terminates on October 31, 2024.
- In January 2021, UPS entered into Lease No. 153576 for approximately 87,120 square feet within the Lot. This lease currently terminates on January 31, 2026.
- In April 2021, WFS enter into Lease No. 154728 for approximately 43,560 square feet within the Lot. This lease currently terminates on April 5, 2024.

To accommodate future redevelopment, staff is requesting to make all the leases coterminous on the same contract expiration date of April 5, 2027 and include two one-year options to extend at the sole discretion of the Aviation Director. All leases will also contain a 30-day cancellation provision for convenience should Aviation need the property sooner than expected.

Contract Term

The amendment will extend the term for all three leases to April 5, 2027 and include two one-year options to extend at the sole discretion of the Aviation Director.

Financial Impact

Current annual rent from the three tenants is approximately \$286,621. Rents will be adjusted annually per the Phoenix-Mesa-Scottsdale Consumer Price Index or three

percent, whichever is greater, each year. Total anticipated revenue over the adjusted terms, if all options are exercised, will be approximately \$1,164,363.

Location

East Tonto Lot, 610 S. 24th Street, Phoenix, Arizona.

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend Airport Land Lease No. 134887 with FedEx, Unsubordinated Ground Lease No. 153576 with UPS, and Airport Lease Agreement No. 154728 with Worldwide Flight Services to extend the Terms to April 5, 2027, and include two one-year options to extend at the sole discretion of the Aviation Director.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	New Ground Lease with Avis Budget Car Rental, LLC in East Tonto Lot at Phoenix Sky Harbor International Airport

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new Ground Lease with Avis Budget Car Rental, LLC (Avis Budget) for approximately three acres in the East Tonto Lot at Phoenix Sky Harbor International Airport. The Term will begin on April 6, 2024, and terminate on April 5, 2027, and include two one-year options to extend at the sole discretion of the Aviation Director.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Avis Budget is requesting to utilize approximately three acres of land in the East Tonto Lot (Lot) for storage of excess rental cars related to their business operations at the Rental Car Center. The Aviation Department has identified the Lot for future development for airport facilities. Avis Budget is requesting to use the Lot until the Airport is ready to redevelop. To accommodate future redevelopment, staff is requesting to make this lease coterminous on the same contract expiration date as other leases in the Lot of April 5, 2027 and include two one-year options to extend at the sole discretion of the Aviation Director.

Contract Term

The Lease Term will be three years and will commence on April 6, 2024 and terminate on April 5, 2027. The Lease will include two one-year options to extend at the sole discretion of the Aviation Director.

Financial Impact

Annual rent will be \$1.05 per square foot per year. Rent for the first year will be approximately \$137,214. Rent will be adjusted annually per the Phoenix-Mesa-Scottsdale Consumer Price Index or three percent, whichever is greater, each year. The total anticipated revenue, if all options are exercised, will be approximately \$686,070.

Location

East Tonto Lot, 610 South. 24th Street, Phoenix, Arizona.

Recommendation

Request the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new ground lease with Avis Budget for approximately three acres in the Lot begin on April 6, 2024, and terminate on April 5, 2027, and include two one-year options to extend at the sole discretion of the Aviation Director.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Amend DBRT Goodyear FBO, LLC Lease for Additional Premises

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend the Fixed Based Operator (FBO) Lease No. 138997 with DBRT Goodyear FBO, LLC (dba Lux Air) to add additional premises for aircraft storage and a fuel farm expansion on vacant property at Phoenix Goodyear Airport (GYR).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Lux Air currently operates an FBO at GYR. Lux Air has requested to lease approximately 60,000 square feet of land that is currently an underutilized automobile parking lot, to convert it into parking for small aircraft. Additionally, Lux Air requests to expand their fueling capacity by adding approximately 25,400 square feet for use as a fuel farm to their lease.

Contract Term

The additional premises will be added to the current terms of FBO lease No. 138997, which concludes in 2053.

Financial Impact

Rent for the aircraft parking premises will be at the rate of \$0.38 per square foot, or approximately \$22,800 per year. After the first year of the addition, rent will be adjusted annually based on the Phoenix-Mesa-Scottsdale Consumer Price Index. Anticipated revenue from the aircraft storage premises over the term of the lease will be approximately \$684,000.

In lieu of a ground rental rate for the additional land to expand the fuel farm capacity, GYR will receive fuel flowage fee from all fuel pumped from the expanded facility. Revenue for fuel flowage fee is consistent with current revenue approach for the existing fuel farm. The current fuel flowage fee is \$0.14 per gallon.

Location

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

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to amend FBO Lease No. 138997 with DBRT Goodyear FBO, LLC to add additional premises.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	New Ground Lease with Arizona Aviation Partners at Phoenix Goodyear Airport

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a Ground Lease with Arizona Aviation Partners, LLC (AZ Partners) 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

AZ Partners is requesting to enter into a Ground Lease at GYR for the purpose of constructing a cargo facility on the premises. The cargo facility may include cold storage and/or dry storage facilities, maintenance and repair facilities, or other approved aeronautical uses with an investment of approximately \$40 million dollars.

Contract Term

The Lease Primary Term will be thirty-five (35) years, with one ten-year renewal option to be exercised at the sole discretion of the Aviation Director. The Lease term will be preceded by a Development period of up to twenty-four (24) months for AZ Partners to construct its improvements before ground rent commences. The Primary term will commence after 24-month Development period or when a Certificate of Occupancy is issued for the building, whichever occurs first.

Financial Impact

Rent for the first year of the Primary term 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 on the first year after the Rent Commencement date based on the Phoenix-Mesa-Scottsdale Consumer Price Index.

Additionally, rent credits up to approximately \$4 million will be applied to rent during the Lease term at the rate of 75% of monthly rent to compensate AZ Partners for improvements to the Airport property outside their leased premises area that benefit GYR. These improvements are required to make the development of the leased area possible and will support other airport uses. Such improvements are expected to include: taxiway connectors, vehicle access roads, and utility connections.

Total anticipated rent from this lease over the Term, if the extension option is exercised, will be approximately \$18,661,095.

Location

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

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a Ground Lease with Arizona Aviation Partners, LLC.

