

**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, August 3, 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/weblink/register/ra567cbe7e67ef7297250429346dcc43a>

- **Call-in to listen to the meeting**, dial 602-666-0783 and Enter Meeting ID 2633 995 2958 # 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, August 3, 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 May 4, 2023**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 4)

2. Terminal 4 South 1 Food and Beverage Concessions Phase II Award Recommendation

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease with PHX S1 Restaurant Partners, LLC for the development, operation, and management of food and beverage concessions in the Terminal 4 South 1 Concourse at Phoenix Sky Harbor International Airport, for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Terminal 4 South 1 Retail Concessions Phase II Award Recommendation

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease with Paradies Lagardere @ PHX 2022 LLC dba Paradies Lagardere for the development, operation, and management of retail concessions in the Terminal 4 South 1 Concourse at Phoenix Sky Harbor International Airport, for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

4. Airport Financial Consulting Services

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a contract with LeighFisher, Inc. to provide airport financial consulting.

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 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, September 7, 2023.



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

May 4, 2023

Meeting held via WebEx

Subcommittee Members Present

Sandra Ferniza - Chairperson
Stephanie Cherny
Andrew Cohn

Staff Present

| | | |
|-----------------|--------------------|----------------|
| Andrew Durket | Julie Rodriguez | Roxann Favors |
| Bradley Hagen | Marshall Kain | Richard Graham |
| Carolina Potts | MaryHelen Martinez | Sarah Demory |
| Cindy Lizarraga | Matthew Heil | Shawna Larson |
| Jason Gitkin | Monica Gonzalez | Tom Sawyer |
| Jay DeWitt | Pearl Meza | |

Members of the Public Present

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 March 2, 2023.**

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

No public comments.
The motion carried

DISCUSSION AND POSSIBLE ACTION (ITEMS 2-4)

- 2. Arizona Aviation Partners, LLC Ground Lease at Phoenix Goodyear Airport**

Mr. Richard Graham provided an overview of the land around Goodyear Airport and the parcel which Arizona Aviation Partners would like to develop into an aircraft hangar complex. He reviewed the project timeline, including a 24-month construction period for approximately 330,000 square feet of hangar space in Phase 1, and an additional 48-month construction period for an additional 345,000 square feet of hangar space and a new access road to the common-use area in Phase 2.

He then described the contract terms for each phase, and the associated fees and revenues required during development and that once a Certificate of Occupancy is received for Phase 2 or the development phase ends, then full rent would be required.

Mr. Graham also noted that a rent credit would be requested as part of the subcommittee's recommendation, for relocation of a gas line which currently is buried under the Phase 2 parcel. Arizona Partners would be responsible for the gas line relocation, and with successful completion of the relocation project, Aviation would reimburse Arizona Partners in the form of rent credits equal to the approved costs for the relocation of the gas line.

Mr. Cohn asked if there is a cap on the rent credits allowed for the relocation of the gas line.

Mr. Graham replied that there would be a "Not to Exceed" clause in the agreement for the gas line relocation rent credits.

Ms. Potts requested Ms. Cherny assume the role of Chairperson as Chairperson Ferniza was experiencing technical difficulties.

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

No public comments.
The motion carried.

3. Derek Engineering, Inc. Ground Lease

Mr. Richard Graham provided background on Derek Engineering and an overview of the parcel being considered for lease. He noted that Derek Engineering currently has an agreement to lease four parcels for six months, which the company would like to continue using. Mr. Graham discussed the terms of the new ground lease and explained that the price per square foot is less than typical due to the current market value of the land.

Mr. Cohn asked if there was a holdover period if the parcels were needed after the initial term ended.

Mr. Graham replied that if an extension were needed, then City Council approval would need to be requested again.

Mr. Cohn replied that if a holdover period was in place then he would like to see a rent increase of 105%-120%.

Mr. Graham replied that if an unauthorized holdover occurred then rent would increase by up to 200%. If the holdover is permissive, then the terms would be consistent, City Council approval would be sought again, and a rent escalator would be part of a new amendment.

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

No public comments.
The motion carried.

4. AerSale, Inc. Lease Amendments

Mr. Richard Graham provided background on AerSale and their current operations at Phoenix Goodyear Airport, and the parcels AerSale is requesting for development.

He noted that staff is proposing to combine two existing leases for adjacent hangars into a new single lease agreement. Within this new lease rent credits are proposed to support reimbursement of the installation of an updated fire suppression system.

He also noted that AerSale is requesting a new ground lease to construct a hangar. The lease term for the new agreement would be for forty years and would also include rent credits to support the relocation of gas and power lines.

Additionally, Mr. Graham noted that AerSale is requesting that the aircraft storage component in the current lease be separated, and a third lease for this purpose be developed with a revised fee structure and term. He concluded by summarizing the anticipated revenue generated over the term of the leases, and total rent credits requested.

A motion was made by Ms. Cherny, seconded by Mr. Cohn, 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 **2:57 p.m.**

| BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT | |
|---|--|
| To: | Business and Development Subcommittee |
| From: | Chad R. Makovsky, C.M. Director of Aviation Services |
| Subject: | Terminal 4 South 1 Food and Beverage Concessions Phase II Award Recommendation |

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease with PHX S1 Restaurant Partners, LLC for the development, operation, and management of food and beverage concessions in the Terminal 4 South 1 (T4S1) Concourse at Phoenix Sky Harbor International Airport, for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

On March 17, 2021, Phoenix City Council authorized the issuance of a Revenue Contract Solicitation for food and beverage concessions in the new T4S1 concourse. This solicitation opportunity was divided into two contract award phases.

The goals of the solicitation were to optimize sales and revenue over the term of the lease, provide quality food and beverage offerings to passengers, emphasize local culture in the design of the facility, and select respondents with experience operating successful food and beverage concessions in the United States and/or abroad.

An evaluation committee was assembled to evaluate the proposals based on the following criteria:

- Proposed concepts and menu plans for each concession space (0-250 points)
- Design and quality of tenant improvements (0-225 points)
- Management, marketing, operations, and technology plans (0-175 points)
- Experience and qualifications of respondent (0-150 points)
- Proposed business plan (0-100 points)
- Financial return to the city (0-100 points)

Procurement Information

Phase 1 was issued on May 27, 2021. Contracts for two food and beverage operations were awarded to The Grove Inc. and Emerging Domestic Market Ventures LLC on December 2, 2021.

Aviation issued Phase 2 of the solicitation on September 21, 2022, with responses due December 9, 2022. Three responses were received, and all responses were deemed responsive and responsible. The evaluation committee met for the initial consensus meeting on February 14, 2023, and respondent interviews were held on March 20, 2023. The evaluation committee's award recommendation was posted on April 11, 2023.

The consensus score and ranking for each respondent is shown below:

| <u>Respondents</u> | <u>Points</u> |
|----------------------------------|---------------|
| PHX S1 Restaurant Partners, LLC. | 980 |
| SSP America, Inc. | 935 |
| High Flying Foods PHX, LLC. | 900 |

Contract Term

The term will be ten years with no options to extend.

Financial Impact

The estimated annual revenue to the city will be the established Minimum Annual Guarantee (MAG) or percentage of gross sales, whichever is greater. MAG for the first year will be set at \$344,625. The MAG will be adjusted annually thereafter at 85% of the prior year's annual rent owed by the lessee or 100 percent of MAG for the first lease year, whichever is greater.

Public Outreach

This solicitation process included all standard and required outreach efforts, including advertising in Aviation industry publications.

Location

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road

Recommendation

Request that the Business & Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a 10-year lease with PHX S1 Restaurant Partners, LLC. for the development, operation, and management of food and beverage concessions in the new T4S1 Concourse at Sky Harbor.

| BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT | |
|---|---|
| To: | Business and Development Subcommittee |
| From: | Chad R. Makovsky, C.M. Director of Aviation Services |
| Subject: | Terminal 4 South 1 Retail Concessions Phase II Award Recommendation |

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease with Paradies Lagardere @ PHX 2022 LLC dba Paradies Lagardere for the development, operation, and management of retail concessions in the new Terminal 4 South 1 (T4S1) Concourse at Phoenix Sky Harbor International Airport, for a contract term of ten years, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

On March 17, 2021, Phoenix City Council authorized the issuance of a Revenue Contract Solicitation for retail concessions in the new concourse. This solicitation was divided into two contract award phases.

The goals of the solicitation were 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 select a respondent with experience operating successful retail concessions in the U.S. and/or abroad.

An evaluation committee was assembled to evaluate the proposals based on the following criteria:

- Proposed concepts and merchandise plans for each concession space (0-250 points)
- Design and quality of tenant improvements for each concession space (0-200 points)
- Management, marketing, operations, and technology plans (0-200 points)
- Experience and qualifications of respondent (0-150 points)
- Proposed business plan (0-100 points)
- Financial return to the city (0-100 points)

Procurement Information

Phase 1 was issued on May 27, 2021. Contracts for two retail operations were awarded to Marshall Retail Group LLC dba Uptown Phoenix and InMotion on December 2, 2021.

Aviation issued Phase 2 of this RCS on September 21, 2022, with responses due on December 9, 2022. Two responses were received and deemed responsive and responsible. The evaluation committee met for the initial consensus meeting on February 21, 2023, and respondent interviews were held on March 9, 2023. The evaluation committee's award recommendation was posted on April 11, 2023.

The consensus score and ranking for each respondent is shown below:

| <u>Respondents</u> | <u>Points</u> |
|--|---------------|
| Paradies Lagardere @ PHX 2022 LLC dba Paradies Lagardere | 925 Points |
| HG PHX Concessions JV dba Hudson | 835 Points |

Contract Term

The term will be ten years with no options to extend.

Financial Impact

The estimated annual revenue to the city will be the established Minimum Annual Guarantee (MAG) or percentage of gross sales, whichever is greater. MAG for the first year will be set at \$400,000. The MAG will be adjusted annually thereafter at 85% of the prior year's annual rent owed by the lessee or 100% of MAG for the first lease year, whichever is greater.

Public Outreach

This solicitation process included all standard and required outreach efforts, including advertising in Aviation industry publications.

Location

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a ten-year lease with Paradies Lagardere @ PHX 2022 LLC dba Paradies Lagardere for the development, operation, and management of retail concessions in the new T4S1 Concourse at Sky Harbor.

| BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT | |
|---|---|
| To: | Business and Development Subcommittee |
| From: | Chad R. Makovsky, C.M. Director of Aviation Services |
| Subject: | Airport Financial Consulting Services |

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a contract with LeighFisher, Inc. to provide airport financial consulting services.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The Aviation Department must conduct a variety of complex forecasting and financial tasks to ensure effective operation of the Phoenix airport system. These tasks include bond feasibility analyses, passenger forecasts and financial modeling. The department uses the expertise of consulting firms to develop these models and forecasts, and also to assist with passenger facility charge applications, and support the airline rates and charges program.

The technical expertise provided by consulting firms are crucial to the Aviation Department's ability to issue bonds, provide for the capital improvement program, and pursue its business objectives.

To obtain airport financial consulting services, the department issued a Request for Proposals on March 27, 2023. The solicitation process resulted in four responsive and responsible proposals. The evaluation committee met on June 13, 2023 to conduct a preliminary consensus scoring.

The consensus score and ranking for each respondent is shown below:

| <u>Respondents</u> | <u>Points</u> |
|----------------------------|---------------|
| LeighFisher, Inc. | 924.75 |
| Ricondo & Associates, Inc. | 849.00 |
| ICF Incorporated, LLC | 735.00 |
| Unison Consulting, Inc. | 729.50 |

Contract Term

The term will be five years with no options to extend.

Financial Impact

The total aggregate contract value will not exceed \$6 million for the five-year contract term. Funds for these services are available in the Aviation Department budget.

Location

Phoenix Sky Harbor International Airport - 2485 E. Buckeye Road

Recommendation

This report requests that the Business & Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a contract with LeighFisher Inc. for airport financial consulting services.