

**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, March 21, 2024 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:

Watch the meeting virtually using the WebEx link provided below.

<https://cityofphoenix.webex.com/cityofphoenix/j.php?MTID=me8d2341582e8a6cedc5520b6bf11bbfc>

Call-in to listen to the meeting, dial 602-666-0783 and Enter Meeting ID 2634 561 2562# Press # again when prompted for attendee ID.

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 21, 2024. The email should include your first and last name, email address, the item number(s) and whether you would like your comment entered 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.

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 Aviation Director**
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 February 15, 2024**

DISCUSSION AND POSSIBLE ACTION (ITEMS 4 & 5)

4. **Taxiway Construction Rent Credits for DVT Hangars LLC at DVT**

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council 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.

5. **Request to Issue Revenue Contract Solicitation for Terminal 4 Lobby Retail and Extend Retail Lease with Paradies Lagardère**

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

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

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.

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 on Thursday, April 18, 2024.



**PHOENIX AVIATION ADVISORY BOARD
SUMMARY MINUTES
February 15, 2024
*Meeting held via WebEx***

Board Members Present

Sandra Ferniza – Chairperson
Ruben Alonzo – Vice-Chairperson
Valencia Fisker
Annette Musa
Ron Price
Verma Pastor
Andrew Cohn
Tyler Gonzalez – Ex-Officio
Chad Makovsky – Ex-Officio

Board Members Absent

David Shilliday
Stephanie Cherny

Staff Present

Adam Peterson
Abbe Slade
Alexandria Van Haren
Andrew Durket
Brad Hagen
Carl Cephas
Chris Baranowski
Cindy Lizarraga
Clif Looper
Corrine Harbaugh

Daver Malik
Heather Shelbrack
Jason Gitkin
Jay DeWitt
John Mure
Marshall Kain
Matthew Becker
Matthew Heil
Michael O'Shaughnessy

Moe Yacut
Pearl Meza
Richard Graham
Roxann Favors
Sarah Demory
Sean Larkin
Shawna Larson
Thomas Sawyer
Timothy Spahr
Valerie Churchwell

Members of the Public Present

Karen Ratliff

Joel Ericson

James Gordon

CALL TO ORDER

Chairperson Ferniza 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. Chad Makovsky welcomed the board members virtually and provided an overview of topics from the North America Aviation CEO Forum.

Mr. Makovsky then reviewed Sky Harbor's passenger traffic for 2023. The numbers for the previous twelve months showed 2023 to be Sky Harbor's busiest year with an 10.1% increase over 2022, and an 5.6% increase over 2019. He also shared that international traffic grew 20% over 2022 and 2019.

He then reviewed recent air service developments; he discussed the new international nonstop flight to Paris, France; the addition of two new routes from Contour Airlines, and American Airlines' service to Tijuana and the tri-cities.

He then highlighted the Aviation Business Summit. For the first time since 2019, local businesses came together in-person to learn about the tools and resources available to do business not just with the airport, but also the City as a whole.

Mr. Makovsky also shared an update about the Chase Sapphire Lounge. Through a host of coordinated efforts, an Airstream trailer was carefully hoisted through a window, into the terminal. Crews then rolled it to security where it was screened before being placed at the new Chase Sapphire Lounge location in the new Southwest Airlines concourse.

He next shared a recent story about the coffee company, Dutch Bros which is planning to move parts of their corporate headquarters to Phoenix. Mr. Makovsky highlighted how Sky Harbor's extensive air service network was a key factor in their decision to relocate headquarters staff to the metropolitan area.

He continued by highlighting the recent AAAE sponsored Certified Member class that was taken by thirty aviation employees. He stated how proud he is of the 79% passing rate and the eagerness of aviation employees to educate themselves on the many different aspects of airport management.

Mr. Cohn expressed his gratitude to all Aviation staff and their work to make an exceptional report like this possible.

Ms. Ferniza, Ms. Pastor, and Mr. Price expressed similar sentiments.

Summary of Current Events by the Airline Station Manager

Mr. Tyler Gonzales did not have an official report.

MINUTES OF MEETING

2. For Approval or Correction, the Minutes of the Phoenix Aviation Advisory Board Meeting on January 18, 2024

A motion was made by Mr. Price seconded by Ms. Musa that this item be approved.

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEM 4)

3. Air Service Incentive Program

Ms. Roxann Favors introduced the item and thanked Ms. Van Haren for her part in the creation of the new plan.

Ms. Van Haren discussed the economic impact that international air service provides to the greater Phoenix area; she then provided more granular detail about the economic impact of the recently announced PHX – Paris route.

She then discussed the significant worldwide competition for international routes, the demand at PHX for various international destinations, and airline costs associated with initiating new long-haul air service from PHX.

Ms. Van Haren then provided an overview of the FAA guidelines that govern air service incentive programs. She explained that the FAA recently updated these guidelines which necessitated an update of the PHX plan.

Next, Ms. Van Haren discussed the goals of the updated incentive plan and how those are coordinated with airlines, and she discussed various incentive plan elements that airports can and cannot offer per FAA guidelines.

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

No public comments.
The motion carried.

INFORMATION AND DISCUSSION (ITEM 5)

4. Quarterly Revenue, Enplanements, and Business Activity Update

Mr. Andrew Durket presented this item. Mr. Durket began with a summary of the recovery of Sky Harbor Airport from the pandemic; he noted how the airport recovered faster than the majority of large hub airports and returned quickly to 2019 levels, and how PHX has consistently outperformed many other large hub airports since 2020.

He then discussed other metrics used to gauge airport activity, including origination and destination (O&D) traffic. Mr. Durket shared that O&D passengers have increased from 60% of total passengers in 2016 to over 73% in 2023.

He also discussed the airport's publicly posted financial targets, and the airport's sources of revenue according to the 5-year CIP plan, including grants, airport revenue bonds, and airport cash. Additionally, he shared the airport's PFC leveraging, debt service coverage, days cash on hand, and cost-per-enplanement.

Mr. Durket continued by discussing one of the biggest non-aeronautical revenue sources – parking. At the beginning of 2020 parking revenue dropped significantly due to the pandemic but has gradually risen to record highs for the airport.

Next, Mr. Durket highlighted parking transactions as they compare to transportation network company (TNC) transactions. Similar to the drop in parking revenue and transactions in 2020, TNC's also experienced transaction day declines in 2020. With current demand, he noted that it is not uncommon for parking to fill up occasionally. When this happens, the TNC companies are key to helping alleviate pressure from that area.

Mr. Durket also gave details on monthly rental car operations. While most of the airport financial areas have rebounded post-pandemic, rental car transactions still lag behind 2019 levels. Continuing, he compared rental car transactions to that of the peer-to-peer (P2P) car sharing business, showing that P2P is still relatively new and contributes a minimal amount to the total number of transactions.

Next, Mr. Durket highlighted airport concessions. He showed a graph depicting concessions sales over a five-year period and how sales continue to increase.

Finally, he discussed operating expenses at PHX. Mr. Durket shared a graph which depicted fairly steady operating expenses from 2018 – 2021 however

beginning in 2022 expenses have consistently increased, which offsets increases in revenue. Increased expenses are primarily driven by increased cost of labor.

ADVISORY BOARD INFORMATION AND FOLLOW-UP REQUESTS

Mr. Cohn requested a more detailed explanation of operating expenses for future finance updates.

Chairperson Ferniza also requested that airport expenses be explained in more detail.

CALL TO THE PUBLIC

Mr. James Gordon provided public comment. He opened by introducing himself as a resident of Goodyear and that due to increased aircraft operations primarily from United Aviate Academy at Goodyear Airport (GYR), he and neighbors have regularly attended board meetings to express concern over aircraft noise levels in their community.

He then shared that he and members of his community have also attended City Council meetings in Goodyear and feel they are unresponsive to their concerns about noise and pollution.

Mr. Gordon also shared that an aircraft recently declared an emergency and landed in a community near GYR. This has raised additional community concerns about low-flying aircraft and safety.

Finally, he expressed his appreciation for PHX and how positive his experiences have been with PHX but stressed that he wants the board to help mitigate small-engine aircraft noise from his community near GYR.

ADJOURNMENT

The meeting was adjourned at **3:37 p.m.**

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Taxiway Construction Rent Credits for DVT Hangars LLC at DVT

Description

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council 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 received authorization to move the aircraft taxilane on the leasehold 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. However, Taxiway Charlie’s close proximity to the runway, combined with the expected size of corporate jets used by DVT Hangars tenants, will increase taxi and delay time and could increase safety risks. Improvements to Taxiway Delta will create multiple taxi routes to the leasehold, thereby increasing capacity and enhancing 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 10 to 20 years of the 40-year lease term.

Concurrence/Previous Board Action

This Business and Development Subcommittee recommended approval of this item on March 7, 2024, by a vote of 4-0.

Location

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

Recommendation

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

PHOENIX AVIATION ADVISORY BOARD REPORT	
To:	Phoenix Aviation Advisory Board
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Request to Issue Revenue Contract Solicitation for Terminal 4 Lobby Retail and Extend Retail Lease with Paradies Lagardère

Description

This report requests that the Phoenix Aviation Advisory Board recommend to the Phoenix City Council to authorize the Aviation Department to issue a Revenue Contract Solicitation (RCS) for Terminal 4 Lobby Retail Space at Phoenix Sky Harbor International Airport. In addition, Aviation requests to extend Lease No. 116300 with Paradies Lagardère until a 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 held by 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 by 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.

Concurrence/Previous Board Action

This Business and Development Subcommittee recommended approval of this item on March 7, 2024, by a vote of 4-0.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

Request the Phoenix Aviation Advisory Board recommend to the Phoenix City Council 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.