

**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, May 2, 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=me1ecb775b2271c31f85912841152afb6>

- **Call-in to listen to the meeting**, dial 602-666-0783 and Enter Meeting ID 2634 891 1941# 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, May 2, 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 March 7, 2024**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 3)

2. New Ground Lease with Cornerstone Aviation LLC at DVT

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a ground lease with Cornerstone Aviation LLC for approximately 3,049,200 square feet (approximately 70 acres) of vacant property at Phoenix Deer Valley Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Terminal 4 Lobby Food and Beverage Spaces – New Concession Lease

This report requests the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new concession lease with CASA Unlimited Enterprises, Inc. and Swire Coca-Cola to operate concession outlets in the vacant food and beverage spaces located in the Terminal 4 Lobby area at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

INFORMATION AND DISCUSSION (ITEMS 4 - 5)

4. Small Business Opportunity Terminal 3 Food and Beverage Kiosks

This report provides the Business and Development Subcommittee with an update on the upcoming food and beverage opportunity in the Terminal 3 Level 4 pre-security area at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

5. Proposed Sky Harbor Public Parking Rate Increase

This report provides the Business and Development Subcommittee an update on a proposed increase in hourly, daily, valet and premium public parking rates at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

CALL TO THE PUBLIC

This is the time for the public to comment. Members of the Board may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. Section 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later

time.

ADJOURNMENT

For further information, please call Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. For further documentation related to this meeting, please visit skyharbor.com.

Persons with a disability may request a reasonable accommodation, please contact Pearl Meza, Management Assistant II, Aviation Department at 602-273-3382. Or 7-1-1 friendly.

The next Business and Development Subcommittee meeting is scheduled to take place Thursday, August 1, 2024.



**PHOENIX AVIATION ADVISORY BOARD
BUSINESS & DEVELOPMENT SUBCOMMITTEE
SUMMARY MINUTES
March 7, 2024
*Meeting held via WebEx***

Subcommittee Members Present

Stephanie Cherny - Chairperson
Valencia Fisker
Annette Musa
Andrew Cohn

Subcommittee Members Absent

Staff Present

Abbe Slade
Adam Peterson
Andrew Durket
Chad Makovsky
Jay DeWitt
John Ojeda

Kristina Pylant
Maria Wager
Marshall Kain
Matt Becker
Matthew Heil
Moe Yacut

Pearl Meza
Prasan DeSilva
Richard Graham
Roxann Favors

Members of the Public Present

Scott Sikel

CALL TO ORDER

Ms. Cherny called the meeting to order at **2:30 p.m.**

MINUTES OF MEETING

- 1. For Approval or Correction, the Minutes of the Business and Development Subcommittee Meeting on January 4, 2024.**

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

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEMS 2-3)

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

Mr. Robert Hawes presented this item. He displayed a map of Deer Valley Airport, depicting where DVT Hangars LLC is constructing Phase 1 of a hangar development project.

Mr. Hawes next provided an overview of DVT Hangars' plan to shift an aircraft taxiway on their leasehold approximately 35 feet to the west in order to center the taxiway between Phase 1 and Phase 2. Shifting the taxiway will require a redesign and reconstruction of the intersection of existing Taxiway Charlie, which DVT Hangars will fund.

Mr. Hawes next presented the DVT Hangars request to complete an unconstructed portion of Taxiway Delta, which will allow a second path for tenants that will help improve circulation and reduce delays for aircraft operating on the airfield.

Mr. Hawes stated that DVT Hangars will fund the redesign and construction of the new Taxiways in return for approximately \$3.2 million in rent credits. Aviation staff supports this request as the improvements will benefit all tenants on the airfield.

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

No public comments.
The motion carried.

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

Ms. Corrine Harbaugh presented this item. She provided a background on the retail space including the history of the lessee, services to travelers, and square footage of the leasehold.

Ms. Harbaugh then provided the evaluation criteria for the solicitation. The proposed term will be for 10-years with an initial Minimum Annual Guarantee of \$250,000.

Ms. Fisker noted the Aviation Department had recently brought on a new consultant to assist with concessions, and asked if the new consultant would be involved in this solicitation process.

Ms. Harbaugh confirmed they would.

Ms. Cherny stated she is supportive of extending the lease but asked why it wasn't extended sooner.

Ms. Harbaugh stated due to the age of the contract they did not recommend extending it and instead believe a contract solicitation was appropriate.

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

No public comments.
The motion carried.

INFORMATION AND DISCUSSION (ITEM 4)

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

Ms. Harbaugh presented this item. She provided a high-level overview of the unoccupied space in the pre-security T4 lobby and stated that out of four of the companies that originally showed interest, two of them confirmed interest after hearing of the short-term lease.

Ms. Harbaugh explained the award recommendation is being made to the Coca-Cola Lounge and Travel Treats concept as they were able to use the entire proposed lease space.

Mr. Cohn asked if this was the first Travel Treat at the Coca-Cola Lounge concept.

Ms. Harbaugh stated while there are other Coca-Cola lounges in the U.S., this is the first of its kind both at Sky Harbor and as part of the Travel Treats company.

Ms. Musa asked what was meant by merchandise and tasting events.

Ms. Harbaugh replied that during high profile events, the lounge will feature different retail opportunities, promotional items, and event branding merchandise as well as tastings for the roll-out of new products for airport passengers to try.

Ms. Cherny asked if there will be an actual restaurant component of the lounge.

Ms. Harbaugh stated there will be seating but Travel Treats will be more grab-and-go, with the possibility of expanding to a full-service kitchen depending on future demand.

Ms. Cherny asked if this location is pre-security.

Ms. Harbaugh confirmed the location of the concept space is pre-security in the Terminal 4 Food Court.

Ms. Cherny stated that feedback from passengers was that there are not enough sit-down options in the pre-security lobby area, and asked if this would be the best use-of-space due to this feedback.

Ms. Harbaugh replied that the seating options were considered, and that Coca-Cola is planning for comfortable seating with televisions and charging stations.

Ms. Cherny stated she was glad we were filling up our unused spaces, and asked if there are other places that Garrett Popcorn can occupy.

Ms. Harbaugh stated they are continuing to search for a viable location for a concept like Garrett Popcorn.

Mr. Cohn commented that this is a marketing opportunity for Coca-Cola and he is excited to see how it will work out so that other opportunities may be sought out in the future for other marketing companies.

No public comments.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

None.

CALL TO THE PUBLIC

None.

ADJOURNMENT

The meeting adjourned at **2:47 p.m.**

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	New Ground Lease with Cornerstone Aviation LLC at DVT

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a ground lease with Cornerstone Aviation LLC (Cornerstone) for approximately 3,049,200 square feet (approximately 70 acres) of vacant property at Phoenix Deer Valley Airport (DVT).

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

Cornerstone is requesting to enter into a ground lease at DVT for the purpose of constructing aircraft storage hangars and other aeronautical facilities in three construction phases. Phase I is approximately 32 acres, Phase II is approximately 15 acres, and Phase III is approximately 22 acres. Hangars will range in size from medium sized T-hangars to large corporate hangars. Additional facilities will include aprons, maintenance, repair, and overhaul facilities, a fuel farm for Cornerstone's tenants, automobile parking, and other facilities as approved by Aviation that support allowed aeronautical uses. The total investment for all three phases is expected to exceed \$100 million.

Contract Term

The lease term will be 45 years and will commence on the effective date of the lease. Rent will commence when Phase I improvements are complete, or 24 months from the effective date of the lease, whichever occurs first.

Cornerstone will secure an option to develop the Phase II and Phase III sites by paying 15% of the then current net rent for up to four years from the lease effective date. Cornerstone will have up to 24 months to develop each of the Phase II and Phase III parcels at no rent. At the conclusion of the four-year option period full rent will commence on all the developed parcels; any of the parcels not developed or under construction at the conclusion of the option period will revert back to the City. Following completion of Phase III improvements, a provision for the addition of one option to extend the lease for five years will be added to the lease. Execution of the option will be at the sole discretion of the Aviation Director.

Financial Impact

Rent for the first year of the primary term of the lease for the Phase I parcel will be approximately \$766,656, or \$63,888 per month at the rate of \$0.55 per square foot. Option rent for Phase II and Phase III will be approximately \$132,967 per year for up to four years. Primary term rent for Phase II and Phase III will be charged at the same rate for the completed Phase I parcel at the time Phase II and Phase III improvements are completed.

Rent will be adjusted annually commencing on the first year after the rent commencement date based on the Phoenix-Mesa-Scottsdale Consumer Price Index.

Rent credits may be applied towards the construction of common-use facilities and infrastructure that benefit the Airport or other Airport users and are in compliance with Title 34. Once site design is complete, rent credits will be identified for improvements that meet the necessary criteria and staff will bring the rent credit back to the subcommittee for recommendation.

Total anticipated rent from this lease over the term of the lease, if the extension option is exercised, will be approximately \$82,655,100. Additionally, Cornerstone will be required to pay minimum standards fees for the various aeronautical services and activities offered as defined and required by Phoenix City Code 4-160.

Location

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

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a ground lease with Cornerstone Aviation LLC.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Director of Aviation Services
Subject:	Terminal 4 Lobby Food and Beverage Spaces – New Concession Lease

Description

This report requests the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new concession lease agreement with CASA Unlimited Enterprises, Inc. and Swire Coca-Cola to operate concession outlets in the vacant food and beverage spaces located in the Terminal 4 Lobby area at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

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

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

With the Terminal 4 food and beverage contract set to expire on August 31, 2026, Aviation conducted a solicitation process limited to existing concessionaires to select a new concessionaire to operate this location for the remaining contract term.

The internal solicitation method has historically been used by the Airport to replace a vacant concession when time is of the essence to ensure continued offerings to Airport passengers and revenue for the Airport, and when there is insufficient term remaining for a new concessionaire to amortize the investment of a new concept.

Procurement Information

On October 13, 2023, Aviation notified all current Terminal 4 Airport concessionaires in good standing of the opportunity to submit a proposal for these vacant spaces. Four concession operators expressed interest in the vacant spaces. Subsequently, two concession operators withdrew their interest due to necessary build-out costs and the term limitations of the proposed contract.

The two airport concessionaires that submitted proposals for consideration are:

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

The following criteria was used to evaluate these proposals:

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

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

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

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

Contract Term

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

Financial Impact

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

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

Request that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a new concession lease agreement with CASA Unlimited Enterprises, Inc. and Swire Coca-Cola to operate a food and beverage concession for the remaining lease term at Phoenix Sky Harbor International Airport.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Small Business Opportunity Terminal 3 Food and Beverage Kiosks

Description

This report provides the Business and Development Subcommittee with an update on the upcoming food and beverage opportunity in the Terminal 3 Level 4 pre-security areas at Phoenix Sky Harbor International Airport (Airport).

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Report Summary

In January 2024, the Aviation Department purchased two stand-alone mobile food and beverage kiosks and associated operating equipment and seating. The purchase of this equipment will provide food services to passengers, the general public, and to airport employees visiting the relocated Airport Security Badging Office in the pre-security area of Terminal 3.

The Aviation Department will conduct a Revenue Contract Solicitation (RCS) to provide small businesses with an opportunity to operate the food and beverage kiosk concessions. This opportunity is developed specifically for small and diverse firms to gain experience with operating within an airport environment. The small business concessionaire will be subject to minimal upfront capital investment costs given the provision of the kiosks and associated equipment by Aviation.

Procurement Information

The Aviation Department will conduct an RCS to select a small business concessionaire for this contract.

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

- Proposed Concepts and Merchandise Plans
- Experience & Qualifications of Respondent and Partners (if any)
- Management, Marketing, and Operations Plans
- Proposed Business Plan

The highest ranked respondent will be recommended for concession lease award.

Aviation intends to release the RCS on or about September 2024, with an estimated contract award in February 2025.

Contract Term

The term will be three years with two, one-year renewal options.

Financial Impact

Rent for the first year will be the percentage of annual gross sales. The percentage of rent will be determined during the solicitation development process.

Public Outreach

This process will include all standard and required outreach efforts to attract small business interest.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road

Recommendation

This item is for information and discussion.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Proposed Sky Harbor Public Parking Rate Increase

Description

This report provides the Business and Development Subcommittee an update on a proposed increase in hourly, daily, valet and premium public parking rates at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR INFORMATION AND DISCUSSION.

Report Summary

The Aviation Department routinely evaluates public parking rates and capacity and adjusts rates to manage current demand, and meet operating and capital costs, and revenue requirements to ensure the airport continues to be self-sustaining. Aviation is planning to adjust hourly, daily, valet and premium public parking rates effective October 1, 2024. Airport public parking rates were last adjusted in February 2022.

Sky Harbor has seen an unprecedented demand for parking over the past two years with parking occupancy levels exceeding 90 percent and frequent parking lot closures due to occupancy during the airport’s peak travel months. High parking occupancy levels and decreased parking availability are impacting the customer experience. Likewise, peer airports have also experienced this record demand in parking. As a result, 81% of the top 20 airports have increased their public parking rates during the last two years. Increasing the public parking rates will assist in managing demand, increasing the availability of the existing parking spaces and providing a higher level of service to the traveling public.

Current and Proposed Maximum Daily Parking Rates:

Parking Facility	Current Rate	Proposed Rate
24th Street Economy	\$14.00	\$16.00
East Economy Uncovered	\$14.00	\$16.00
East Economy Garage	\$16.00	\$19.00
West Economy Garage	\$16.00	\$19.00
Terminal 3 Garage	\$30.00	\$33.00
Terminal 4 Garage	\$30.00	\$33.00
Valet (T3 & T4)	\$39.00	\$43.00
Premium (T3 & T4)	\$33.00	\$37.00
West Park & Walk	\$ 9.00	\$10.00
Hourly Rate	\$ 4.00	\$ 6.00

The proposed rate increase will be subject with a minimum 60-day public notification as required by Arizona Revised Statutes. Additionally, Aviation has developed a comprehensive communication plan to inform the public of the upcoming rate change

including notices on the airport website, advertising in community newsletters, via social media channels, email notifications to existing frequent parkers, and signage at the entry and exit of each parking facility.

Financial Impact

The rate adjustment is anticipated to increase airport revenues by approximately \$16 million per year.

Location

Phoenix Sky Harbor International Airport - 2485 East Buckeye Road

Recommendation

This item is for information and discussion.