

**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, February 6, 2025 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/rb8034c5122e89a0086ef6283256c921c>
- **Call-in to listen to the meeting,** dial 602-666-0783 and Enter Meeting ID 2630 879 1020 # 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, February 6, 2025. 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 January 2, 2025**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 4)

2. **Termination of RT Sky Harbor, LLC Lease No. 102545**

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to early terminate Ground

Lease No. 102545 with RT Sky Harbor, LLC. and to execute a negotiated buyout of the remaining unamortized capital improvements to RT, including reimbursement for the cost of demolition of the existing on-premises building structure.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Award Recommendation for Terminal 4 Lobby Retail at Phoenix Sky Harbor International Airport

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 for the development, operation, and management of a retail concession space in the Terminal 4 Lobby at Phoenix Sky Harbor International Airport, for a ten-year contract term, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

4. Information Technology Staffing Services Award Recommendation

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into separate professional services agreements with multiple firms to provide Information Technology staffing services for the Aviation Department.

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, March 6, 2025.



**PHOENIX AVIATION ADVISORY BOARD
BUSINESS & DEVELOPMENT SUBCOMMITTEE
SUMMARY MINUTES
January 2, 2025**

Meeting held in person and via WebEx

Subcommittee Members Present

Andrew Cohn
Valencia Fisker
Annette Musa- Chairperson

Subcommittee Members Absent

Stephanie Cherny

Staff Present

Andrew Durket
Chad Makovsky
Brad Hagen
Heather Shelbrack
Jay DeWitt

Latasha Crawford McLaughlin
Marshall Kain
Matthew Heil
Mike Pluff
Richard Graham

Robert Hawes
Roxann Favors
Ryan Hartnett
Sarah Demory
William Robinson

CALL TO ORDER

Ms. Musa 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 September 5, 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 (ITEM 2)

- 2. Request to Issue Revenue Contract Solicitations for Terminal 3 North 2 Concourse Concessions**

Mr. Richard Graham presented the details of the three concession lease categories and six contracting opportunities for the upcoming Terminal 3 North Concourse. Opportunities will consist of full service and quick serve food and beverage, news and gifts and specialty retail, and a full service lounge concept.

He shared that a mezzanine lounge located on the second floor will provide outdoor seating with views of Camelback Mountain and the Phoenix skyline, and will be managed by a qualified operator. Emphasis will be placed on including small business participation where feasible in all solicitations.

Proposals will be evaluated based on the menu, merchandise plan, design of tenant improvements, marketing, management, operational experience, proposers' qualifications, and business plan. Depending on level of capital investment, the contract duration for food and beverage locations is anticipated to range from 12 to 15 years, while retail concepts will span 10 to 12 years, with financial terms set as percentage rent between 8% and 18% based on product offering. The Lounge will operate under a minimum annual guarantee revenue model.

A business information meeting will be conducted prior to the solicitation, allowing proposers to provide input on the solicitation terms and percentage rents.

Mr. Cohn asked if all the agreements would be harmonized or if each would have its own percentage.

Mr. Graham stated that the percentages will be based on the type of product offered and will be consistent across all locations. He also stated they are looking to have individual contracts with individual entities for each location, and no proposer will have two contracts within the same concourse.

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

No public comments.
The motion carried.

INFORMATION AND DISCUSSION (ITEMS 3 - 4)

3. Parking Activity Update

Mr. Richard Graham provided an overview of current parking utilization and the peak activity experienced during October, Thanksgiving, and Christmas.

The Aviation Department is also undertaking a comprehensive parking study to explore additional parking solutions to ensure adequate parking availability to meet growing customer demand. Preliminary revenue projections from Aviation's parking management company indicate a slight increase over 2023, attributed to higher demand and revised rates. Furthermore, transaction trends indicate a shift

toward more short-term parking, particularly for passenger pick-up and drop-off. Occupancy rates for November and December remain slightly below those of 2023, consistent with projections.

A strategic opportunity became available in early 2024 when the parking garage previously leased by JP Morgan Chase assigned to RT Sky Harbor was vacated. Staff approached RT Sky Harbor to negotiate the use of the facility for seasonal parking during peak periods in October, Thanksgiving, and Christmas. The pilot during these months was successful with feedback from users being overwhelmingly positive.

This arrangement ensured adequate public parking availability during peak travel times, alleviating concerns about full garages. Financial details on the usage of the parking lot were provided, highlighting the success of the initiative. Overall, these costs were more than offset by the revenue generated, and the enhancement of passenger amenities contributed to an improved customer experience.

Mr. Graham also highlighted future parking service enhancements, notably a parking guidance system scheduled for implementation in Terminal 3, with construction beginning in early 2025. This system will facilitate easier navigation through the parking garage by using a color-coded light system to indicate available spots, thereby streamlining the parking process for customers.

Staff also engaged a consultant to conduct a comprehensive master plan study that will explore parking solutions for both current demand and the future expansion associated with the West terminal.

Mr. Cohn inquired whether the maintenance of the parking guidance system will be included in the parking agreement with ACE, and if there is a warranty associated with it for a specified period.

Mr. Graham stated the maintenance of the program will not be covered under the ACE contract, as it lacks relevant provisions. Therefore, management and maintenance responsibilities will rest with the airport, which may involve either internal staff or contracting a vendor for these services.

Mr. Cohn stated in the future, it may be beneficial to consider transferring parking expenses to the operator. This change aims to enhance parking efficiency and enable the operator to retain a larger revenue share.

Ms. Fisker asked how long it would be until the study is complete.

Mr. Graham stated that staff would like to have it done by the end of 2025.

No public comments.

4. Childcare Program Update

Mr. Matthew Heil provided an update on the airport childcare program, initiated under the American Rescue Plan Act, which allocated \$396 million to various city projects, including \$5 million for childcare initiatives at Phoenix Sky Harbor Airport.

The program is intended to address significant challenges in childcare accessibility and affordability, particularly in South Phoenix, where 63% of the area qualifies as a childcare desert. The median cost for infant care was reported at \$12,000 annually, presenting a substantial barrier for families wishing to reenter the workforce.

The Aviation Department partnered with First Things First to create a childcare scholarship program for all badged airport workers, facilitating access to quality childcare options throughout Maricopa County.

Mr. Heil shared information on program enrollment. The scholarship program currently has 48 slots utilized by various households, with an expenditure of approximately \$52,000 per month. He also noted that access was expanded to accommodate families earning up to 400% of the federal poverty level.

A video promoting the childcare scholarship program was shared.

The program, initially set to conclude last month, will be extended to December 2025, affirming its significance for participating families. Enrollment will be capped in early 2025 to ensure families can fully benefit from the program during the remaining available time.

Mr. Heil also updated the subcommittee on the status of the childcare facility construction and the solicitation for a childcare provider.

Mr. Cohn requested information about the number of scholarship applicants, and how many of those were granted or denied access to the program.

Mr. Heil stated he would be happy to get that information as a follow-up to the committee.

Ms. Musa requested more information about the \$3 million allocated to the childcare facility and its construction status.

Mr. Heil stated the program lacks a dedicated facility, which is planned to be constructed at the multi-modal 44th Street Sky Train station, offering convenient access for employees. An investment of \$3 million will fund tenant improvements, while the airport will contribute approximately \$3.5 million toward the construction of the shell.

No public comments.

SUBCOMMITTEE INFORMATION AND FOLLOW-UP REQUESTS

None.

CALL TO THE PUBLIC

None.

ADJOURNMENT

The meeting adjourned at **3:13 p.m.**

BUSINESS DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Termination of RT Sky Harbor, LLC Lease No. 102545

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to early terminate Ground Lease No. 102545 with RT Sky Harbor, LLC. and to execute a negotiated buyout of the remaining unamortized capital improvements to RT, including reimbursement for the cost of demolition of the existing on-premises building structure.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

RT leases approximately fifteen acres of land at 1820 E. Sky Harbor Circle South, in Sky Harbor Center under Ground Lease No. 102545 that RT assumed from JPMorgan Chase Bank, National Association on June 1, 2023. The property was improved by the construction of an office building structure, surface parking lot and a 1,300 space parking garage. These facilities have been vacant since February 2024.

RT and the Aviation Department negotiated a buyout of the lease, which expires on November 30, 2032 for a payment of \$10 million. In addition to the buyout, Aviation will reimburse RT for the cost of demolition approximately \$1.1 million dollars for the existing building structure only. The existing surface parking lot with approximately 746 spaces and parking garage with approximately 1,285 spaces on the property will remain. After the demolition of the office building, Aviation will incorporate that portion of the land into the existing surface parking lot on the property.

Aviation plans to utilize the remaining parking garage and an expanded surface parking lot as parking facilities. These additions will help address growing parking demand and offset the reduction in parking inventory caused by the Taxiway Uniform project and the relocation of the Airport Special Events parking lot. These new parking facilities will help maintain adequate airport parking capacity to meet growing public demand.

Contract Term

The lease is scheduled to expire on November 30, 2032. RT and Aviation agreed to early terminate Ground Lease No. 102545 effective on the date of final inspection by the Aviation Department of the demolition of the existing building structure and receipt of all documentation related to the demolition. The demolition is anticipated to be completed by late summer 2025.

Financial Impact

Aviation negotiated a \$10 million buyout amount to account for unamortized improvements and a reimbursement of the demolition costs of \$1.1 million. The current lease provision utilizes a straight-line depreciation calculation to determine lease buyout

value. Based on straight-line depreciation, the lease value would be approximately \$12 million. To build new parking infrastructure with a similarly sized garage and surface parking lot, the construction cost is estimated at \$20 million. In comparison with the straight-line appreciation value and construction costs, the negotiated buyout amount of \$10 million with demolition cost of \$1.1 million provides the best value for Aviation. RT will conduct demolition in compliance with Title 34.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Road, Phoenix, Arizona

Recommendation

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to early terminate Ground Lease No. 102545 with RT Sky Harbor, LLC. and for the negotiated buyout amount for the remaining lease value to RT including a reimbursement for the cost of demolition of the existing building structure.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Award Recommendation for Terminal 4 Lobby Retail 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 lease with Paradies Lagardere @ PHX 2022, LLC for the development, operation, and management of a retail concession space in the Terminal 4 Lobby at Phoenix Sky Harbor International Airport, for a ten-year contract term, with no option to extend.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

On May 1, 2024, the Phoenix City Council authorized the issuance of a Revenue Contract Solicitation (RCS) for a retail concession location in the Terminal 4 Lobby area.

The goal of the RCS was 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 panel reviewed the responses based on the following criteria established in the RCS:

- Proposed concepts and merchandise plans for the concession space
- Design and quality of tenant improvements for the concession space
- Management, marketing, operations, and technology plans
- Experience and qualifications of respondent
- Proposed business plan
- Financial return to the City

Procurement Information

The Aviation Department issued the RCS on July 15, 2024, with responses due on September 23, 2024. Two responses were received and deemed responsive and responsible. The evaluation panel met for the initial consensus meeting on November 4, 2024, and respondent interviews were held on November 19, 2024. The panel’s award recommendation was posted to the City’s public award website on January 9, 2025.

Award Recommendation

The panel recommendation was reached by consensus in consideration of the above criteria and the recommended award to Paradies Lagardere @ PHX 2022, LLC.

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 \$250,000. The MAG will be adjusted annually thereafter at 85% of the prior year's annual rent owed 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 Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a concession lease with Paradies Lagardere@ PHX 2022, LLC to develop, operate, and manage a retail concession space in the Terminal 4 Lobby 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:	Information Technology Staffing Services Award Recommendation

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into separate professional services agreements with multiple firms to provide Information Technology staffing services for the Aviation Department.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The Technology Division of the Aviation Department currently utilizes 32 contracted IT staff from six different vendors to provide IT staff to support technology systems at Phoenix Sky Harbor International Airport. The contracted IT staff augment the 50 full-time City of Phoenix IT employees.

The Technology Division utilizes the special expertise of these staffing resources to support numerous critical systems at PHX, including the Access Control and Alarm Monitoring System, the badging and credentialing services for badging, the Video Surveillance System, the Parking Revenue Control System, and the common use systems for the airlines (paging, checkpoint wait times, flight information displays, common use kiosks, and automated passport control kiosks), and others.

All of these systems are critical to airport operations and passenger and employee safety, and they must be managed and supported 24/7/365. Technology staffing augmentation ensures these systems are managed and supported for the ongoing operation of the airport.

Procurement Information

Aviation issued Request for Proposals 24-0181 on April 30, 2024. There were 95 proposals, and 40 of those were deemed responsive. The proposals were evaluated and scored by an evaluation panel through consensus scoring on the following criteria:

- Qualifications and Experience of Firm (0-400 points)
- Method of Approach (0-350 points)
- Fee Schedule (0-250 points)

The panel reached consensus on recommending contract awards to the following firms as the highest scoring proposers that scored above the competitive range set by the panel.

Offerors	Total Points
1) 22 nd Century Technologies, Inc. **	842
2) Solu Technology Partners, LLC **	815
3) InfoPeople Corporation	781
4) Intratek Computer, Inc. **	776
5) Tryfacta, Inc.	753
6) PROLIM Global Corporation	712
7) California Creative Solutions, Inc. dba CCS Global Tech	693
8) Softworld, LLC	684
9) Acro Service Corporation **	677
10) Cogent Infotech Corporation	668

**Denotes an incumbent contractor.

Contract Term

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

Financial Impact

The Aviation Department’s contract value will not exceed \$26,000,000 over the aggregate 5-year term, with an estimated annual expenditure of \$5,200,000. Funds are available in the Aviation Department operating budget.

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 separate professional services agreements with the offerors above, to provide Information Technology Staffing Services for the Aviation Department, for five years.