

**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 1, 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/weblink/register/ra322d28e24967982b93a0b7001fa8090>

- **Call-in to listen to the meeting**, dial 602-666-0783 and Enter Meeting ID 2632 427 5143# 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 1, 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 May 2, 2024**

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 4)

2. Facility Lease Agreement with American Airlines Federal Credit Union

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board that a new Airport Facility Lease with American Airlines Federal Credit Union be executed at Phoenix Sky Harbor International Airport to operate an employee credit union.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

3. Award Recommendation for Cash to Card Kiosk Services 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 lease agreement with Ready Credit Corporation for Cash to Card Kiosk Services at Phoenix Sky Harbor International Airport for a three-year contract term with two one-year renewal options.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

4. Request to Issue a Revenue Contract Solicitation for Terminal 3 Food & Beverage Micro-Restaurant and Kiosk Small Business Concession Opportunities

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board that the Aviation Department issue a Revenue Contract Solicitation for Terminal 3 food and beverage micro-restaurant and kiosk small business concession opportunities at Phoenix Sky Harbor International 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, September 5, 2024.



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

May 2, 2024

Meeting held via WebEx

Subcommittee Members Present

Stephanie Cherny - Chairperson
Valencia Fisker
Annette Musa

Subcommittee Members Absent

Andrew Cohn

Staff Present

Carolina Potts
Chris Baranowski
Cindy Lizarraga
Corrine Harbaugh
Daver Malik
Heather Shelbrack
Janet Lee
Kimberly Whetstone

Kristina Pylant
Maria Wager
Marshall Kain
MaryHelen Martinez
Matt Becker
Moe Yacut
Pearl Meza

Prasan DeSilva
Richard Graham
Robert Hawes
Roxann Favors
Ryan Hartnett
William Robinson
Thomas Sawyer

Members of the Public Present

Bhavesh Patel
Chris Phillips

Karen Ratliff
Lilly Osborne

Scott Sikel
Shane Henning

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 March 7, 2024.**

A motion was made by Ms. Fisker, seconded by Ms. Musa, to approve this item.

No public comments.
The motion carried.

DISCUSSION AND POSSIBLE ACTION (ITEMS 2 - 3)

2. New Ground Lease with Cornerstone Aviation LLC at DVT

Mr. Robert Hawes presented this item. He displayed a map depicting the location at Deer Valley Airport where Cornerstone proposes to develop approximately 69 acres of Parcel 2.

Mr. Hawes provided an overview of the three phases of Cornerstone's development plan. Phase I consists of constructing hangars of various sizes, Phase II consists of constructing fuel farms and aircraft maintenance facilities, and Phase III will include an apron, larger corporate hangars, maintenance facilities, and access to 7th Street. He stated that the total project investment is estimated to exceed \$100 million.

Mr. Hawes then provided an overview of the four types of hangar sizes and the common aircraft appropriate for each hangar. He noted that Cornerstone selected the sizes and number of hangars based on current and projected demand for each type of hangar at Deer Valley and the Phoenix market.

He then reviewed the lease term, which is 45 years including a 24-month development term to complete Phase I. Phase II and III would be secured for up to four years by paying 15% of the rate per square foot for Phase I. The developer would also be permitted another 24-month development term to complete Phases II and III upon beneficial occupancy of Phase I.

Mr. Hawes next discussed the financial impact of the agreement. The tenant will be responsible for \$0.55 per square foot rent for the first year, estimated to be \$766,656, and paying 15% of Phase I rent to hold Phases II and III, or about \$132,967. Cornerstone will also be required to obtain a Specialized Aviation Service Operator permit for leasing hangar storage, which requires payment of 2% of gross sales. He stated that all ground rents are subject to annual CPI adjustments and that rent credits may be applied for the construction of facilities deemed beneficial to broader airport interests. The total anticipated revenue for the agreement is \$82,655,100.

Ms. Cherny stated that this is a great example of staff working with the business to devise a mutually beneficial use for the undeveloped land at the airport.

Ms. Fisker requested clarification that rent would not be charged for the first 24 months of Phase I's development term.

Mr. Hawes confirmed that this is correct, but only for the Phase I parcel.

Ms. Fisker inquired if the 45-year lease term includes the 24-month development term for Phase I.

Mr. Hawes confirmed it is included.

The proposed developer, Mr. Phillips, stated they are very excited about the project and have had a great experience working with the Aviation Department. He noted that the project has generated a significant amount of support.

A motion was made by Ms. Fisker, seconded by Ms. Musa, to approve this item.

No public comments.
The motion carried.

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

Ms. Corrine Harbaugh presented this item. She began by stating they had previously brought this item to the subcommittee as an information item, and it needed to be brought back for approval to enter into a lease agreement.

Ms. Harbaugh then provided a background on the food and beverage space. An internal solicitation was conducted given the limited term remaining in the lease. Four airport concessionaires expressed interest in the vacant spaces, but two withdrew due to build-out costs and the shorter lease term.

She then discussed the recommended concept “Travel Treats & Coca-Cola Lounge” by CASA Unlimited Enterprises, Inc. and Swire Coca-Cola to occupy the space. The concepts include pre-packaged meals to go, and Coca-Cola Go coolers as well as a lounge area providing more seating and rest options for customers.

Pending approval, construction is expected to start in late August and open to the public in early November.

Ms. Musa asked if SSP America’s contract was through August 31, 2026, and if yes was there any repercussions for them terminating the contract early.

Ms. Harbaugh stated that SSP America continued to pay MAG on the spaces until the spaces were permanently surrendered and then the department amended the spaces out of their contract.

Ms. Favors added that SSP America has a general contract under which they operate multiple businesses, and therefore only needed to have the one contract amended after the surrender of the two lease spaces.

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

No public comments.
The motion carried.

INFORMATION AND DISCUSSION (ITEMS 4 - 5)

4. Small Business Opportunity Terminal 3 Food and Beverage Kiosks

Ms. Janet Lee presented this item. She opened with the history of the food and beverage kiosks, including the decommissioning and purchase of kiosks by the department.

Ms. Lee then reviewed the need for additional concession areas in Terminal 3 pre-security areas. She stated that the department will conduct a revenue contract solicitation to seek out an ACDBE or small business to operate the Kiosks within Terminal 3.

Ms. Lee next described the terms for the potential businesses, which are a three-year contract term, with two one-year renewal options, a percentage rent, experience operating a food and beverage concept for at least three out of the last six years, and a solicitation timeline of summer or fall of 2024.

No public comments.

5. Airport Public Parking Rate Increase

Mr. William Robinson presented this item. He provided an overview of current parking demand at Sky Harbor and the frequency at which facilities reach peak occupancy, resulting in challenges for customers and staff.

Mr. Robinson mentioned that the Aviation Director was authorized to periodically set and adjust parking rates, and that Sky Harbor is planning an increase in daily and hourly rates to address peak occupancy levels. The increases range from \$1-4 per day and \$2 per hour. The rate increase is projected to reduce parking demand by 2%.

Next, Mr. Robinson shared that the department benchmarked our proposed rate increases with other airports throughout the country. He noted that 80% of Sky Harbor's peer airports have increased their rates since Phoenix last increased rates in 2022. He discussed the current rates, where the new rates would put Sky Harbor in comparison to peer airports.

He then described the ways increased revenue from parking will be used to improve the customer experience, noting that access and revenue systems are set to receive upgrades. The airport will be installing additional EV charging stations and solar-covered parking for customers, and valet and vehicle detailing will provide additional benefits.

Mr. Robinson concluded with an overview of the myriad ways that Sky Harbor will communicate parking changes to the community and customers through traditional and social media channels and postings.

Ms. Musa asked if there is a better way to promote the reservation system and if the system takes into consideration reserved spots before closing the parking for non-reserved tenants.

Mr. Robinson confirmed the system does take into account the pre-reserved spots and will close the lot when the number of parked cars reaches a certain threshold, still allowing space for the reserved tickets.

Ms. Cherny asked how staff chose the airports used for comparison.

Mr. Robinson stated that staff evaluated 20 airports and the five displayed on the slide were the closest in comparison to Sky Harbor's new proposed rates, with two being lower than the proposed rates, and three higher than the proposed rates.

Ms. Cherny then asked how the Terminal 3 garage was the first chosen for the parking location status system.

Mr. Robinson replied that it was due to the size and cost of the capital improvement project, and the quantity of spaces.

Ms. Favors added there is less of a risk to implement the technology in Terminal 3, and more of a chance to test it out before moving into other parking structures.

Ms. Cherny asked if other garages would receive similar updates while the Terminal 3 garage updates are implemented.

Ms. Favors replied that the physical digital signs leading into the airport will be updated, as will the addition of tap-and-pay options and installation of additional EV charging stations.

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 AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Facility Lease Agreement with American Airlines Federal Credit Union

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to execute a new Airport Facility Lease with American Airlines Federal Credit Union at Phoenix Sky Harbor International Airport to operate an employee credit union.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

American Airlines Federal Credit Union currently leases approximately 900 square feet in Terminal 4, on the baggage claim level, to operate an employee credit union. The current lease (FLA No. 141788) was executed in June 2015 and is set to expire on October 25, 2024. The tenant wishes to enter into a new Facility Lease Agreement effective October 26, 2024.

Contract Term

The term will be five years, with two one-year renewal options, to be exercised at the sole discretion of the Aviation Director.

Financial Impact

The rent shall be based on the Airport's Rates & Charges program, as provided in § 4-1738 of the Phoenix City Code. Rent for the first year will be approximately \$168,372. The total anticipated rent over the term of the lease, if all options are exercised, will be approximately \$1,178,604.

Location

Phoenix Sky Harbor International Airport, 2485 E. Buckeye Rd.

Recommendation

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to execute a new Airport Facility Lease with American Airlines Federal Credit Union at Phoenix Sky Harbor International Airport for a five-year initial term, with two one-year options to extend.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Award Recommendation for Cash to Card Kiosk Services at Phoenix Sky Harbor International Airport

Description

This report requests that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease agreement with Ready Credit Corporation for cash to card kiosk services at Phoenix Sky Harbor International Airport, for a three-year contract term with two one-year renewal options.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

To support airport businesses that do not accept cash payment, the Aviation Department sought a qualified cash to card kiosk operator with experience providing equipment and services to convert cash to a debit-style card. The card can then be used anywhere major credit cards are accepted.

Procurement Information

The Aviation Department issued Revenue Contract Solicitation (RCS) 24-007 on Monday, May 6, 2024, with responses due on Thursday, May 30, 2024. One response was received from Ready Credit Corporation, and the respondent was deemed responsive and responsible.

The response opening was held on Thursday, May 30, 2024, and it was determined that Ready Credit Corporation submitted the response for Cash to Card Kiosk Services with the highest proposed Minimum Annual Guarantee (MAG) providing the most financial benefit to the City. The response was evaluated based on the highest proposed MAG, which meets or exceeds the minimum required MAG of \$10,000. As such, there was no evaluation panel convened for this RCS.

Contract Term

The contract term is three years with two, one-year options to extend the term at the sole discretion of the Aviation Director.

Financial Impact

The estimated annual revenue to the City will be the established MAG or percentage of gross sales, whichever is greater. For the first year, MAG will be \$10,000, or 10% of gross sales, whichever is greater. MAG will be adjusted annually thereafter at 85% of the prior year's annual rent or 100% of MAG for the first lease year, whichever is greater. The estimated revenue is \$50,000 over the five-year aggregate contract term.

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 Rd.

Recommendation

Request that the Business Development Subcommittee recommend to the Phoenix Aviation Advisory Board to enter into a lease agreement with Ready Credit Corporation, for a three-year contract term with two one-year extension options.

BUSINESS AND DEVELOPMENT SUBCOMMITTEE REPORT	
To:	Business and Development Subcommittee
From:	Chad R. Makovsky, A.A.E. Aviation Director
Subject:	Request to Issue a Revenue Contract Solicitation for Terminal 3 Food & Beverage Micro-Restaurant and Kiosk Small Business Concession Opportunities

Description

This report requests that the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to authorize the Aviation Department to issue a Revenue Contract Solicitation (RCS) for Terminal 3 food and beverage micro-restaurant and kiosk small business concession opportunities at Phoenix Sky Harbor International Airport.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Report Summary

The goal of the RCS is to select a small business operator who can gain experience operating in an airport environment, optimize sales and revenue over the term of the lease, and provide quality food and beverage offerings to passengers and other customers. Aviation will be providing the micro-restaurant, the kiosk, and associated equipment for use by the operator, which significantly reduces capital costs, startup time, and other traditional barriers to entry for the successful respondent.

The new micro-restaurant will serve employees, passengers, and the general public, including customers of the Airport Security Badging Office, which will soon be relocated to Terminal 3. The kiosk will be situated in Terminal 3's baggage claim area, offering passengers the convenience of purchasing food and beverages while waiting for their luggage.

Procurement Information

The Aviation Department will conduct a Revenue Contract Solicitation to select a small business operator for this contract.

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

- Proposed Concepts and Menu 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 issue this solicitation on or about November 2024, with an estimated contract award in Q1 or Q2 of 2025. The City's Transparency Policy will be in effect with the release of the RCS and throughout the process.

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 Rd.

Recommendation

Request the Business and Development Subcommittee recommend to the Phoenix Aviation Advisory Board to authorize the Aviation Department to issue an RCS for Terminal 3 food and beverage micro-restaurant and kiosk small business concession opportunities at Phoenix Sky Harbor International Airport.