

**NOTICE OF PUBLIC MEETING
PHOENIX CITY COUNCIL
DOWNTOWN, AVIATION AND REDEVELOPMENT SUBCOMMITTEE**

Pursuant to A.R.S. Section 38-431.02, notice is hereby given to the members of the **DOWNTOWN, AVIATION AND REDEVELOPMENT SUBCOMMITTEE** and to the general public, that the **DOWNTOWN, AVIATION AND REDEVELOPMENT SUBCOMMITTEE** will hold a meeting open to the public on **April 1, 2015, at 10:00 a.m. located in Phoenix City Hall, Assembly Rooms A, B, C, 200 W. Washington Street, Phoenix, Arizona.** One or more Subcommittee members may participate via teleconference. Agenda items may be taken out of order.

The agenda for the meeting is as follows:

1.	Call to Order	Chairman Valenzuela
2.	Call to the Public	Chairman Valenzuela
3.	Approval of March 4, 2015 Minutes	Subcommittee
Item 4 is for Information and Discussion.		
4.	<p>FAA CHANGES IN AIRCRAFT DEPARTURE PROCEDURES UPDATE</p> <p>The report provides an update to the Subcommittee regarding Federal Aviation Administration (FAA) aircraft flight paths at Phoenix Sky Harbor International Airport and an opportunity to hear feedback from the community.</p> <p>This item is for Information and Discussion.</p>	<p>Tamie Fisher, Acting Aviation Director</p> <p>Page 11</p>
Items 5-7 are for Discussion and Action.		
5.	<p>AIRPORT CONCESSION STREET PRICING POLICY</p> <p>This report requests the Subcommittee recommend City Council approval for modifications to the Airport Concession Street Pricing Policy.</p> <p>This item is for Discussion and Action.</p>	<p>Tamie Fisher, Acting Aviation Director</p> <p>Page 13</p>
6.	<p>TERMINAL 4 RETAIL REVENUE CONTRACT SOLICITATION</p> <p>This report requests the Subcommittee's recommendation for Council approval of the business requirements and evaluation criteria for the Terminal 4 Retail Revenue Contract Solicitation (RCS) at Phoenix Sky Harbor.</p> <p>This item is for Discussion and Action.</p>	<p>Tamie Fisher, Acting Aviation Director</p> <p>Page 15</p>

Phoenix City Council
Downtown, Aviation and Redevelopment Subcommittee
Summary Minutes
Wednesday, March 4, 2015

City Council Subcommittee Room
Phoenix City Hall, Assembly Rooms A, B, and C
200 West Washington Street
Phoenix, Arizona

Subcommittee Members Present

Councilman Daniel Valenzuela, Chair
Councilman Bill Gates
Councilwoman Thelda Williams
Councilwoman Gallego

Staff Present

Penny Parrella
Tamie Fisher
Paul Blue
Christine Mackay
Samantha Tavares

Staff Present

Sam Feldman
Cynthia Segovia
Tim McBride
Ray Dovalina
Sarah Curter

Staff Present

Heather Lissner
Roxann Favors
Irene Larkin

Public Present

Dale Taylor
Brent Kleinman
Ginger Mattox
Pat Murray
Stephen Douglas
Alison Beebe

1. Call to Order

Chairman Valenzuela called the meeting to order at 10:08 a.m. with Councilmembers Gallego and Williams present. Councilman Gates arrived at 10:12 a.m.

2. Call to the Public

None.

3. Approval of the Minutes from the February 4, 2015 Meeting

Councilwoman Williams moved to approve the minutes from the February 4, 2015 Downtown, Aviation and Redevelopment Subcommittee meeting. Councilwoman Gallego seconded the motion, which passed 3-0.

4. Federal Aviation Administration (FAA) Changes in Aircraft Departure Procedures Update

Acting Aviation Director Tamie Fisher stated the airport has received approximately 4,500 complaints from over 800 households regarding the new flight paths that were implemented in September 2014. Ms. Fisher stated the department continues to reach the goal of achieving relief for the community.

Ms. Fisher indicated that the next series of community meetings would take place in March 2015 and information would be posted on the airport's website. Ms. Fisher noted that the meetings would recap the first series of community meetings held in January and share information that had been obtained from the noise monitoring study. Ms. Fisher stressed that a full report from the community meetings would be posted on the website when available.

Ms. Fisher discussed the legal protest that has been posted on the website, as well as the City Council Policy Session presentation. Ms. Fisher added that her team is working on a tool to help the community monitor flight path deviations. Ms. Fisher commented the application is still in the testing phase and would be available in April.

Ms. Fisher summarized the recent work of the FAA Working Group, created with former Congressman Pastor and supported by Assistant Aviation Director Chad Makovsky and an Airspace consultant. Ms. Fisher stated the FAA agreed to look at the Grand Avenue corridor and Laveen area. The next meeting of the Working Group would take place the week of March 9.

Ms. Fisher commented that legislative work continues in Washington DC to develop alternatives for the FAA reauthorization bill, to include a provision to mandate the FAA to engage in public collaboration prior to implementing any flight path changes. Ms. Fisher noted that the State Historic Preservation Officer had been in Washington DC also to meet personally with the Advisory Council of Historic Preservation. Ms. Fisher highlighted that the City of Phoenix was handled differently than any other city involved in the Next Gen program.

Ms. Fisher listed the department's next steps: provide community meetings in March 2015; make available to the public the flight monitoring tool in April 2015; participate in the FAA Working Group; and continue legislative strategy.

Dale Taylor commented on flights flying over the Grand Avenue exit consistently in four hour intervals. Mr. Taylor asked what happened with the noise monitoring data. Ms. Fisher explained a consultant is now analyzing the data and will produce a report. She indicated the report would be posted on Sky Harbor's website.

Ginger Mattox expressed confusion regarding the public appropriation bill posted online. Ms. Mattox stated she had an idea for changes in the historic neighborhoods and she read a passage from a document, stating the FAA must find an alternative to the flight paths over historic neighborhoods.

Councilwoman Gallego talked about the FAA Working Group and the potential to review the impacts the flight path changes have had on sleep cycles. Councilwoman Gallego stated she would be attending a meeting with Councilwoman Pastor and Senator McCain the following week. Councilwoman Gallego asked what the FAA meant when they stated the changes were done for safety reasons.

Ms. Fisher discussed the coordination of arrivals and departures and described it as a freeway interchange with on-ramps and off-ramps. Ms. Fisher stated that the FAA commented that undoing the work would decrease safety and efficiency. Councilwoman Gallego requested a visual aid at the next meeting of the coordination of arrivals and departures.

Councilman Gates thanked Ms. Fisher for her hard work and those in the community following the issue closely. Councilman Gates asked if there were any reports on aircrafts revving their engines to reach a higher altitude. Ms. Fisher admitted she was not an airspace expert but stated that during the initial miles of takeoff, the aircraft required a thrust to gain altitude and those conditions may change. Ms. Fisher discussed the concerns of safety implications when climbing faster or flying at slower speeds.

Chairman Valenzuela suggested having the FAA update as a standing item for the Subcommittee as the conversation continues. He thanked former Congressman Pastor for accepting the new role and thanked Aviation staff for their hard work.

5. Airport Concession Street Pricing Policy

Ms. Fisher introduced Assistant Aviation Director Irene Larkin and Deputy Aviation Director Roxann Favors. Ms. Fisher stated changes have occurred in airport operations since the 1990s and new contracts have been implemented, such as the new food and beverage program and the preparation for the retail concession contract in Terminal 4. Ms. Fisher concluded that the presentation would focus on street pricing and the issues to consider if Council wished to visit the policy for the next contract coming forward.

Ms. Favors summarized the history of street pricing policies and stated that operators in the past would set pricing without a standard pricing structure and customers would be left feeling overcharged. Ms. Favors stated that a street pricing policy improved customer satisfaction, maintained consistency in quality of products, and allowed the customers to have a familiar shopping experience with brand expectations.

Ms. Favors indicated that the policy was completed under a collaborative business model. She stated that the department established program goals and developed business terms to create a competitive and positive result for operator, the airport, and the customer. Ms. Favors noted that the competition for customers is different at street locations versus at an airport.

Councilwoman Williams asked for rent values for street businesses compared to the airport. Ms. Favors explained that street locations did not include advertising and promotional views and could receive a tenant allowance to build out. She noted that rents were higher at the airport since the availability of traffic flow was almost guaranteed.

Ms. Favors stated the revenue potential was greater at the airport and that there are unique factors in the airport, such as deliveries, operating hours, operator impacts, employee hiring, and parking.

Ms. Favors stated one of the industry associations, the Airport Council International North America, through its commercial management committee, conducted an annual benchmarking survey and asked airports to indicate their pricing methodology. Ms. Favors provided a chart that reflected the responses from the 100 airports. Ms. Favors indicated that there was a 50-50 split among airports on whether they have a street pricing policy or a street plus pricing policy.

Councilman Gates questioned the recent trend. Ms. Favors stated changes have continued to occur in its history. Ms. Fisher stated airports implement policy changes at a time when contracts are procured and the current data may not reflect recent trends of recent procurements.

Councilwoman Williams expressed concern about food and service vendors losing business. Ms. Fisher stated the airport has a high-quality food and beverage program and that the department has not had time yet to analyze recent trends.

Councilman Gates expressed concern regarding Terminal 4 and the availability of children's menus.

Ms. Favors presented a comparison of food programs at airports from 2013. Ms. Favors stated Sky Harbor compared fairly well. She spoke to the recent procurement of street pricing. Ms. Favors suggested conducting additional performance analysis to continue the conversation and determine how operating costs factors relate to the Terminal 4 retail operations. Ms. Favors stated staff would return next month with a recommendation of a street pricing policy.

Councilwoman Williams asked Pat Murray where SSP operated in other airports and which pricing model was used. Mr. Murray stated there are many changes in the business today and fewer airports have a street pricing policy. Mr. Murray listed factors that affect trends, such as labor and minimum wage changes.

Councilwoman Williams ask if children's menus were taken into consideration. Mr. Murray confirmed yes and that advertisement could be improved in that arena.

Councilwoman Williams asked Stephen Douglas how other airports operate in his company. Mr. Douglas stated a large majority of airports utilized a street plus pricing policy, such as Cincinnati and Indianapolis.

Chairman Valenzuela stated he appreciated the comments.

Chairman Valenzuela questioned if the policy would be completed before the Terminal 4 contract. Ms. Fisher confirmed yes.

Chairman Valenzuela stated action should be expedited.

Mr. Blue asked Aviation staff to provide a recommendation at the following meeting with the intention to solve the food and beverage pricing before moving on to the Terminal 4 retail contract.

6. Internal Economic Development and Export Readiness Initiative Updates

Mr. Blue introduced Community and Economic Development Director Christine Mackay and Community and Economic Development Executive Officer Hank Marshall.

Ms. Mackay stated the presentation would provide an update on the activities in the international arena and export readiness front. Ms. Mackay noted that following direction of the Council, the department allocated funds to drive the export program.

Mr. Marshall discussed the role of the City of Phoenix in international news and exports. Mr. Marshall summarized recent examples of international activities, such as opening a trade office in Mexico City and the launch of the Metro Phoenix Export Alliance. Mr. Marshall listed the four pivotal international markets: Mexico, Canada, Europe, and Asia.

Mr. Marshall stated the City needed to continue to market and connect with international markets. Mr. Marshall provided examples of foreign companies that have recently invested in the City, such as the Belgian Company, Reigners, and Refinery, a Montreal company.

Mr. Marshall discussed the Export Readiness Initiative with the goal of doubling the City's international exports by 2025. Mr. Marshall indicated that the initiative worked with the Global Chamber and other organizations to help companies graduate the program with an export plan.

Councilman Gates expressed appreciation for the department's work.

Councilwoman Williams asked how the initiative would be advertised to the community. Mr. Marshall addressed the outreach efforts and stated marketing would include web postings, articles in varying newspapers and journals, and other partnerships.

Councilwoman Williams asked if the Chambers of Commerce were involved. Ms. Mackay responded yes, that they were working with the greater Phoenix Chamber of Commerce, Black Chamber of Commerce, and Hispanic Chamber of Commerce to engage with all constituents.

Councilwoman Williams asked if information could be placed in Councilmembers' newsletters. Mr. Marshall confirmed yes.

Councilwoman Gallego expressed concern of reaching out to businesses about the initiative. Ms. Mackay stressed that the information would be sent out in advance.

Councilman Gates stated he was thrilled to see the emphasis on exports and thanked staff for their work.

Chairman Valenzuela thanked staff as well.

7. Super Bowl XLIX Results

Mr. Blue introduced Phoenix Convention Center Director John Chan and Marketing Partnership Program Manager Tammy Vo and stated the Super Bowl had great outcomes that began with Council commitment.

Mr. Chan stated the Super Bowl was the most watched television show in history and that the City of Phoenix set a record as well with over 1 million attendees in downtown over five days. He added that Valley Metro and Sky Harbor Airport set records as well. Mr. Chan contributed the success of the event to the departments and their collaboration with the Super Bowl Host Committee.

Mr. Chan listed the three key lessons learned: planning and execution, public safety contingency planning, and communication. He summarized the work involved which included 125 public and group stakeholder meetings. Mr. Chan indicated that local and national media had positive impressions of Phoenix.

Ms. Vo stated staff worked around the clock to deliver real-time information and emergency communication. Ms. Vo indicated that the pitching strategy was a three phase approach to the media and staff also worked with external partners.

Ms. Vo shared notable media stories from the event and stated social media was a large component in the communication strategy. She read an email from a visitor who had a positive experience that week.

Mr. Chan played a video produced by Phoenix 11 that recapped the event.

Mr. Blue congratulated the Convention Center staff and all departments for contributing to a successful event. Mr. Blue expressed his gratitude for their work commitment.

Mr. Blue discussed the division of the cost calculations. Mr. Blue indicated that departments who were directly involved in the operational aspects of service delivery in the community, not including the Convention Center and Sky Harbor Airport, divided costs into two categories: hard costs that included commodities and soft costs that included staff time. Mr. Blue stated that there was no current revenue

estimation and staff continued to work on soft costs. Mr. Blue noted that in terms of overtime and commodity costs, expenditures totaled approximately \$2 million.

Councilwoman Gallego stated the event was successful and suggested greater communication next time regarding street closures. Mr. Blue stated staff would work to improve communication.

Councilwoman Williams stated although she heard skepticism prior to the event, she heard nothing but positive reviews following the event.

Councilman Gates expressed appreciation for the Emergency Operations Center and requested that staff look how much revenue was driven by implementing an open container policy.

Chairman Valenzuela commended staff for their work.

8. Call to the Public

None.

9. Future Agenda Items

Chairman Valenzuela requested an informational item about PlanPHX and Complete Streets as they pertain to the development to downtown Phoenix.

Councilwoman Williams additionally requested that downtown organizations discuss the implementation of the plans and describe future efforts.

10. Adjournment

Chairman Valenzuela adjourned the meeting at 12: 09 p.m.

Respectfully submitted,

Samantha Tavares
Management Intern

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CITY COUNCIL REPORT

TO: Paul Blue
Deputy City Manager

FROM: Tamie Fisher
Acting Aviation Director

SUBJECT: FEDERAL AVIATION ADMINISTRATION (FAA) CHANGES IN AIRCRAFT
DEPARTURE PROCEDURES UPDATE

The purpose of this report is to provide an update to the Downtown, Aviation and Redevelopment (DAR) Subcommittee regarding FAA aircraft flight paths at Phoenix Sky Harbor International Airport (Sky Harbor) and provide an opportunity to receive feedback from the community.

THE ISSUE

On September 18, 2014 the FAA modified flight paths at Sky Harbor. These modifications implemented new departure paths as part of the FAA's NextGen program designed to enhance the safety and efficiency of air traffic across the United States. Arrivals into Sky Harbor were implemented in 2006.

Since September 18, 2014 Sky Harbor's Noise Information Office has received a significant number of questions and complaints from hundreds of households. The FAA controls the national airspace system and the associated flight paths, therefore, all concerns and complaints regarding aircraft noise are forwarded to the FAA. The Aviation Department has also posted FAA contact information to the Sky Harbor website for concerned citizens.

OTHER INFORMATION

Between March 1 – 4, Aviation staff attended a Noise Symposium in Palm Springs. FAA staff, industry professionals, and some local Phoenix residents also attended the Symposium.

Between March 2 – 5, Assistant Aviation Director, Chad Makovsky, traveled to Washington DC to attend an Airport Legislative Affairs conference, and meet with industry associations, as well as the offices of Senator Flake and Senator McCain to advocate for engagement and support to resolve community impacts caused by the RNAV departure procedures.

Staff also participated in a City of Glendale community outreach meeting on March 4, and are attending community and homeowners association meetings to provide information and answer questions as requested by the community.

A second round of community noise outreach meetings were scheduled for March 23, 26, 28, and April 1. Community members are being presented with a summary of the January outreach meetings; the results of the temporary noise monitoring conducted in February; and information about actions the city has taken on behalf of the impacted communities.

NEXT STEPS

Staff along with former Congressman Ed Pastor continue to actively participate in the FAA Performance Based Navigation working group and will ensure the FAA continues to review this issue as a high priority.

Staff will continue to work with members of Congress and industry organizations to advocate for a resolution of this issue and ensure that future flight path changes include appropriate public notification and outreach.

RECOMMENDATION

This item is for information and discussion only.

CITY COUNCIL REPORT

TO: Paul Blue
Deputy City Manager

FROM: Tamie Fisher
Acting Aviation Director

SUBJECT: AIRPORT CONCESSION STREET PRICING POLICY

This report requests the Downtown, Aviation and Redevelopment Subcommittee recommend City Council approval for modifications to the Airport Concession Street Pricing Policy.

THE ISSUE

The City implemented a Street Pricing Policy for Phoenix Sky Harbor Airport (Airport) with the 1996 Terminal 3 Concessions Request For Proposal (RFP). Subsequent concessions RFPs for Terminal 2 and Terminal 4 included the Policy. Currently, the Street Pricing Policy is in effect for all terminal concession contracts. The goal of the Policy is to maintain consistency in the quality, portion and pricing for products offered at the Airport with comparable products offered at off-Airport locations.

Terminal 4 Food and Beverage operators have reported an increased cost in labor and cost of ingredients and goods sold. The operators attribute these cost increases to the quality of the local brands in the program and the culinary skills needed to execute the menu offerings. The operators provided financial information indicating actual expenses in these areas exceeded forecasted expenses submitted at the time of their proposal and their information shows their Financial Pro Forma goals have not been met.

The Downtown, Aviation and Redevelopment Subcommittee directed staff to review the street pricing policy and provide a recommendation on modification to the policy to address the increasing expenses. Staff looked at industry best practices to provide financial relief including:

- Abating Minimum Annual Guarantee (MAG);
- Modifying the percentage rent requirements;
- Re-concepting the food units; and
- Modifying the Street Pricing Policy.

Staff determined that neither abating MAG nor modifying percent rent requirements address the factors driving the operators' increased expenses and re-concepting would diminish the Airport's goal to maintain the high quality local brands in the Terminal 4

food program. Modifying the Airport Street Pricing policy is the remaining alternative that provides financial relief to the operators.

Staff recommends modifying to a “Street Plus 10%” Pricing Policy. This would result in prices that are no more than 10% higher than prices at comparable off-Airport store locations.

The majority of the top 20 Airports that have a Street Plus pricing policy use the same Street Plus pricing for both food and retail concessions. Staff recommends implementing the Street plus 10% pricing in the upcoming Terminal 4 Retail Concession Solicitation as well.

In surveying the Top 20 Airports with Street Plus 10% pricing policy, staff learned that the majority of airports also implemented an Airport Concession Marketing Fund to inform travelers of the dining and retail options available, to promote sales, and to conduct annual passenger surveys to monitor customer satisfaction and preferences. Staff recommends utilizing a portion of the additional sales revenue the airport receives to establish an Airport Concessions Marketing Fund for Terminal 4 effective July 1, 2015.

In order to implement this proposed change, the following next steps are proposed:

- Food Operators would submit revised pricing menus to Airport staff by June 1, 2015.
- New food pricing menus would be effective July 1, 2015.

OTHER INFORMATION

Staff also met with the Terminal 4 Food & Beverage operators to request copies of kid-friendly menus from each of their food units. Staff will review the menus and work with food operators on menu enhancements to ensure family-friendly food options are offered. Staff will also work with food operators to market and promote locations of family-friendly menu options for both the pre-security and post-security areas of Terminal 4.

RECOMMENDATION

This report requests the Downtown, Aviation and Redevelopment Subcommittee recommend City Council approval of modifications to the Airport Concession Street Pricing Policy to include a “Street Plus 10%” Policy and implementation of an Airport Concession Marketing Fund.

CITY COUNCIL REPORT

TO: Paul Blue
Deputy City Manager

FROM: Tamie Fisher
Acting Aviation Director

SUBJECT: TERMINAL 4 RETAIL REVENUE CONTRACT SOLICITATION (RCS)

The Aviation Department (Aviation) requests the Downtown, Aviation and Redevelopment Subcommittee's recommendation to the Phoenix City Council to approve the business requirements and evaluation criteria associated with the Terminal 4 Retail Revenue Contract Solicitation (RCS) at Phoenix Sky Harbor International Airport.

THE ISSUE

In 2004, 21 Terminal 4 retail concession contracts were competitively procured and implemented in three phases. Each contract term was for five years with one-year renewal options. On September 18, 2013, Phoenix City Council authorized an extension of the existing Terminal 4 retail contracts through September 30, 2016 with a provision for a 90-day notice of closure at the City's sole discretion to accommodate phased construction as new contracts are awarded through the upcoming Terminal 4 Retail RCS process.

The RCS is expected to be released following City Council approval of the business terms, requirements and evaluation criteria. Staff recommends a single RCS with two contracting phases. Each phase would include multiple contract packages designed to achieve a diverse and balanced retail program. Phased award and construction of the contract packages will minimize disruption to customer service and enhance competition.

Goals of the retail program include:

- Attracting national, regional and local brands and concepts that reflect current retail trends
- Achieving optimal sales and airport revenue
- Increasing opportunities for local and small business participation
- Increasing the number of national brand name stores
- Improved quality and uniqueness of souvenir merchandise
- Phased implementation to maintain good customer service

Aviation recommends the following RCS components, evaluation criteria and related business requirements.

Business Requirements:

- Seven-year contract term commencing when all units are completed and open for business; with one three-year renewal option.
- Two contracting phases with 15 contract packages ranging in size from one to four units.
- Successful proposers can only win one news and gift package in each contracting phase.
- Minimum Annual Guarantee (MAG) will be set by the City dependent on retail category using Sky Harbor historical and market data.
- Percentage of gross sales will range from 6 percent to 16 percent dependent on the retail category; a 2 percent of gross sales will be applied to medical clinics or the prescription drugs category if proposed.
- Minimum capital investment of \$350 per square foot.
- The proposed Airport Street Pricing Policy (street pricing plus 10%) will be in effect throughout the duration of the agreement.

Evaluation criteria:

Retail Concept and Merchandise Plan	(0 – 30 points)
Qualifications and Experience of Proposer and Partners	(0 – 20 points)
Proposed Business Plan	(0 – 15 points)
Design and Quality of Tenant Improvements	(0 – 15 points)
Management, Operations and Marketing Plans	(0 – 10 points)
Employee Incentives	(0 – 10 points)

OTHER INFORMATION

The Aviation Department has conducted Business Information meetings and workshops to attract national, regional, local and small business participation:

Business Information Session 1	June 17, 2014
Concessions 101	July 15, 2014
Business Information Session 2	July 22, 2014
Certification 101	August 5, 2014
RFP 101	August 20, 2014
Business Information Session 3	September 16, 2014
Concessions 102	September 24, 2014
“PHX Fast Pitch” – Business to Business Meetings	October 14, 2014
Business Information Session 4	November 12, 2014

In January 2015, over 25 individual meetings were also held with potential operators over three days to allow for additional feedback.

An Employee Retention Policy will be implemented requiring successful proposers to hire current Terminal 4 retail concession employees and retain those employees for at least 90 days in a similar job classification. The successful proposers may only interview outside of this group of employees when there are no longer any current employees in the group that are available to hire. Aviation will secure an outside firm to ensure this process is successful.

The RCS for all phases will be issued following City Council approval of the business requirements and evaluation criteria. The first phase of contracts are scheduled for award in early 2016. After the first phase of contracts are awarded, a schedule will be confirmed for proposals to be submitted for the second phase. Contracts in the second phase are expected to be awarded in early 2017.

The City's Transparency Policy will be in effect from the time the RCS is released until all contracts are awarded.

RECOMMENDATION

Aviation requests the Downtown, Aviation and Redevelopment Subcommittee's recommendation to the Phoenix City Council to approve the business terms, requirements and evaluation criteria associated with the Terminal 4 Retail Revenue Contract Solicitation (RCS) at Phoenix Sky Harbor International Airport. This item was unanimously recommended for approval by the Phoenix Aviation Advisory Board on September 18, 2014.

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CITY COUNCIL REPORT

TO: Paul Blue
Deputy City Manager

FROM: Tamie Fisher
Acting Aviation Director

SUBJECT: AIR SERVICE DEVELOPMENT MARKETING PROGRAM PHOENIX SKY
HARBOR INTERNATIONAL AIRPORT

This report requests the Downtown, Aviation and Redevelopment Subcommittee's recommendation to the Phoenix City Council to offer a new international air service development marketing program to encourage new air service between Phoenix Sky Harbor International Airport (PHX) and qualifying international markets.

THE ISSUE

The Aviation Department has offered an air service development marketing program to encourage new air service between Phoenix Sky Harbor International Airport (PHX) and qualified markets for many years. The current federally guided program expires on June 30, 2015.

The Aviation Department recommends offering a new marketing program which would begin July 1, 2015 and end June 30, 2017. Any nonstop international market not being served would be considered qualified as long as:

- The airline proposing the route and any corporate affiliate of the airline has not served the route for the past 12 months;
- The un-served airport is more than 45 miles from an airport with service to PHX; and,
- The flights are operated for a minimum of six consecutive months.

If the carrier ceases service before the agreed upon time, it would be required to reimburse the Aviation Department for all marketing funds already disbursed.

OTHER INFORMATION

New International Destinations

The following shows the proposed funding that would be made available for marketing under various conditions based on the type of international service (intercontinental, Central and South American routes, or North American routes) and the number of weekly round-trip (RT) flights.

	Qualifying Intercontinental Routes	Qualifying Central & South American Routes	Qualifying North American Routes (Canada & Mexico)
1 weekly RT	Months 1-6: \$200K	Months 1-6: \$150K	Months 1-6: \$100K
2 weekly RT	Months 1-6: \$300K	Months 1-6: \$250K	Months 1-6: \$150K
3 weekly RT	Months 1-12: \$500K Months 12-24: \$300K	Months 1-12: \$400K	Months 1-12--\$200K
4 weekly RT	Months 1-12: \$600K Months 12-24: \$400K	Months 1-12: \$500K	Months 1-12--\$300K
5 weekly RT	Months 1-12: \$800K Months 12-24: \$500K	Months 1-12: \$600K	Months 1-12--\$400K
6+ weekly RT	Months 1-12: \$1 Mil Months 12-24: \$500K	Months 1-12: \$700K	Months 1-12--\$500K

Landing fee waivers for qualifying routes would also be granted for up to 12 months.

Domestic Destinations or Increased Service to Existing International Markets

Airlines which launch new domestic nonstop service to qualified domestic cities or increase frequencies for nonstop flights to the domestic and international cities listed below to Sky Harbor would be eligible for marketing reimbursements to promote the route(s) of up to \$200,000. The program would be open to all airlines only as follows:

New Domestic Routes Where No Service Exists:

Hartford, Providence, Jacksonville, Manchester, Richmond

Increased Frequencies to Existing Markets:

Domestic: Raleigh/Durham, New Orleans, Des Moines, Boston, and Cleveland

International: Mexico City, Toronto and Vancouver

	Domestic New Routes	Added Frequencies Domestic/International
3-4 weekly RT	Months 1-6 \$50K Months 6-12 \$50K	Months 1-12: \$100K
5-6 weekly RT	Months 1-6 \$75K Months 6-12 \$75K	Months 1-12: \$150K
7+ weekly RT	Months 1-6 \$100K Months 6-12 \$100K	Months 1-12: \$200K

There are no landing fee waivers associated with this program.

RECOMMENDATION

Staff requests the Downtown, Aviation and Redevelopment Subcommittee’s recommendation to the Phoenix City Council to offer a new air service development marketing program to encourage new air service between Phoenix Sky Harbor International Airport (PHX) and qualifying markets. The program would begin July 1, 2015 and expire June 20, 2017 with two, one-year renewal options.