

Metropolitan Airports Commission



Management and Operations Committee

Regular Monthly Meeting Agenda

Monday, February 06, 2012

1:00 pm

Metroairports.org

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SEE ATTACHED SECURITY CHECKPOINT INFORMATION

MANAGEMENT AND OPERATIONS COMMITTEE

Mike Landy, Chair
Rick King, Vice Chair
Daniel Boivin, Commission Chair
Timothy Geisler, F&A Chair
Mike Madigan
Don Monaco
Lisa Peilen, Commission Vice Chair
Paul Rehkamp

METROPOLITAN AIRPORTS COMMISSION NOTICE OF REGULAR MEETING MANAGEMENT & OPERATIONS COMMITTEE

**Monday, February 6, 2012 at 1:00 p.m.
Room 3048A, Terminal 1-Lindbergh
Minneapolis-St. Paul International Airport**

AGENDA

OPEN FORUM

The open forum is a portion of the Commission meeting where persons will be allowed to address the Commission on subjects which are not a part of the meeting agenda. Speakers are asked to limit their remarks to two minutes each. Persons wishing to speak must complete a sign-up card prior to the start of the meeting. The sign-up card should be given to any staff person. The Commission may take action or reply at the time of the statement of may give direction to staff at the end of the meeting regarding investigation of the concerns expressed.

CONSENT

1. RECOMMENDATION TO AWARD CONTRACT FOR ELEVATOR/ESCALATOR/MOVING WALK MAINTENANCE
Phil Burke, Assistant Director of MSP Operations/Facilities
2. PURCHASE OF ELECTRONIC KEY SYSTEM FOR SECURE ACCESS AREAS
Phil Burke, Assistant Director of MSP Operations/Facilities
3. REQUEST FOR APPROVAL TO RENEW THE MAINTENANCE AGREEMENT FOR THE MAC AUTOMATIC VEHICLE IDENTIFICATION SYSTEM (MAVIS)
Dave Ruch, Director, Information Systems
Arlie Johnson, Assistant Director of MSP Operations/Landside
4. REQUEST AUTHORITY TO ENTER INTO AN AGREEMENT WITH MINUTE SUITES FOR THE OPERATION OF A NAP/RELAX/WORK PRIVATE SUITE CONCESSION
Rebecca Zwart, Manager Concessions and Business Development
5. RECOMMENDATION TO ACCEPT MONEY FROM A FEDERAL HOMELAND SECURITY GRANT TO PURCHASE A WEB BASED EMERGENCY OPERATIONS CENTER SOFTWARE MANAGEMENT PLATFORM
Kristi Rollwagen, Manager Emergency Programs

DISCUSSION

6. REQUEST AUTHORITY TO TERMINATE THE LEASE AGREEMENT BETWEEN MAC AND STUDIO STERLING WORKS, LLC D/B/A NATURAL ELEMENT AND AWARD AN AGREEMENT TO NATURAL ELEMENT TO OPERATE A RETAIL MERCHANDIZING UNIT ON THE C CONCOURSE
Rebecca Zwart, Manager Concessions and Business Development
7. ANOKA COUNTY/BLAINE AIRPORT – PARCEL 64 RECOMMENDATION FOR A RIGHT OF FIRST REFUSAL AGREEMENT
Eric Johnson, Director Commercial Management & Airline Affairs
8. CONCESSION LEASE MODIFICATION POLICY
Eric Johnson, Director Commercial Management & Airline Affairs
9. VENDOR SELECTION RECOMMENDATION: SYSTEM SUPPORT SERVICES FOR MUFIDS, COMMON USE AND RELATED SYSTEMS
Dave Ruch - Director, Information Systems
10. PROPOSED REVISED RELIEVER AIRPORT LEASE POLICIES, RULES AND REGULATIONS AND LEASE FORMS
Kelly Gerads, Assistant Director Reliever Airports
Evan Wilson, Attorney

DISCUSSION – INFORMATION

11. UPDATE REGARDING ANE ATHLETIC FIELDS LEASE NEGOTIATIONS
Gary Schmidt, Director of Reliever Airports
12. UPDATE ON BICYCLES AT MSP
Steve Wareham, Director of MSP Operations

Materials for this meeting are available at the following website:
<http://www.metroairports.org/mac/meetings/default.aspx>

SECURITY CHECKPOINT INFORMATION

Stop by the information booth near the tram station on the Tram Level. At the information booth, you will be asked to complete a security checkpoint access form and show valid, government-issued photo identification, such as a driver's license. Take your completed access form with you up two floors, to the Ticketing Level security checkpoints. Show your approved access form to security checkpoint personnel. You will then be screened just as if you were traveling. Access forms are only valid for the purpose of attending a public MAC meeting at a particular date and time.

Commission Chambers are located on the Mezzanine Level overlooking the airport's central shopping area (above Chili's Restaurant), past the main security checkpoints.

Allow yourself at least 30 minutes to park, complete the access form and get through the security checkpoint prior to the meeting.

Parking in the following areas will be validated; please bring your parking ticket to the meeting.

Directions to the Tram Level Information Booth

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From general parking: If you park in the **Blue or Red** ramps, take the elevator down to the tram, which will transport you directly to the Terminal 1-Lindbergh Tram Level. When you exit the tram, the information booth is straight ahead, in the center of the room. If you park in the **Green or Gold** ramps, take the skyway to the Terminal 1-Lindbergh Mezzanine Level. From there, take an elevator or escalator to Tram Level. The information booth is straight ahead, in the center of the room.

MEMORANDUM

ITEM 1

TO: Management & Operations Committee

FROM: Phil Burke – Assistant Director of MSP Operations/Facilities (726-5525)

**SUBJECT: RECOMMENDATION TO AWARD CONTRACT FOR ELEVATOR/
ESCALATOR/MOVING WALK MAINTENANCE**

DATE: January 20, 2012

On October 24, 2011, the Commission authorized staff to issue a Request for Proposal (RFP) for elevator/escalator/moving walk maintenance on the MSP campus. On November 8, 2011, a pre-proposal conference was held for interested parties and six (6) companies attended. On December 19, 2011, proposals in response to the RFP were received from Schumacher Elevator Company, Schindler Elevator Corporation and ThyssenKrupp Elevator.

Summary of Recommendation

This public memo will address (a) the Minnesota Data Practices Act, (b) the RFP requirements, (c) the Review Team evaluation process, and (d) an award recommendation.

Minnesota Data Practices Act

Under state law, information submitted by proposers to MAC and information created or maintained by MAC as part of the evaluation process remains not public until MAC has completed negotiating the contract with the selected proposer(s). The names of the proposers, however, are public once the proposals are opened. Information contained in the proposals [and the Not Public Memorandum] is not public and should not be disclosed to anyone other than MAC Commissioners and staff. However, Commissioners may discuss the information contained in the proposal(s) [or the Not Public Memorandum] at the Committee and Commission meetings to the extent reasonably necessary to conduct the business at hand. The information contained in this memorandum is public data.

I. BACKGROUND

The Metropolitan Airports Commission (MAC) contracts with Schindler Elevator Company for all maintenance associated with MSP's elevators, escalators and moving walks. The current contract began in September 2006, was renewed by the Commission on May 1, 2009, and expires on April 30, 2012.

Schindler's contract is performance-based, providing an incentive for the contractor to correct the numerous safety and code violations the previous contract's maintenance parameters and staffing model couldn't address.

II. CURRENT SITUATION

The performance-based contract has virtually eliminated safety and code violations. In addition, repair callbacks were averaging more than 130 per month in 2006 and have since declined to an average of 65 (the contract includes penalties for exceeding the callback maximum and bonuses for callback reduction). Fewer callbacks means more equipment running more of the time which obviously improves the customer experience as people travel through MSP.

Schindler's staffing has stayed consistent through the term of the contract with one (1) foreman and eight (8) mechanics plus one (1) part-time supervisor.

Through expansion at both terminals, the number of units to maintain has grown to 205 (95 elevators, 72 escalators and 38 moving walks), up from a total of 185 when the contract began in 2006.

Schindler's 2011/2012 fee to maintain 205 units is fixed at \$2,176,815.

III. MINIMUM REQUIREMENTS

In order to submit a proposal, proposers must have met the following Minimum Requirements, as set forth in the RFP:

- A. Proposer must have a minimum of five years experience providing service on conveyance systems similar to MSP's equipment.
- B. Proposer must have a service office within 50 miles of the Minneapolis/St. Paul International Airport.
- C. Proposer must have a 24-hour staff of service technicians trained to service the equipment within the specifications.
- D. Proposer must have a license as an Elevator Contractor on file with the State of Minnesota, Department of Labor and Industry.
- E. Proposer must stock routine repair items listed in the specifications.

III. KEY BUSINESS TERMS

- A. The term of the agreement is for three years, with one 3-year renewal option at the MAC's sole discretion.
- B. Proposers were required to provide a monthly lump sum to provide maintenance on all 205 elevators, escalators and moving walks at MSP. Maintenance coverage includes preventive, emergency call-back, testing, inspection and repair.
- C. The contract is performance-based with liquidated damages for not meeting specific service parameters (callback guarantees, reliability, reporting, testing, audits).
- D. The RFP does not include the G Concourse. Delta Airlines has a separate maintenance contract for that leasehold that is currently with Schindler.

IV. EVALUATION CRITERIA

The RFP evaluation process involved a focused review by Review Team members. The following information illustrates the major elements evaluated and scored by each Review Team member for each proposal submitted.

- A. Service Approach - Proposers were required to describe their service plan, list any subcontractors, demonstrate the ability to provide around-the-clock service, and to include any innovative methods or concepts that would be particularly beneficial to the MAC.
- B. Personnel – Proposers were required to describe the number, titles, tenure and qualifications of the personnel who would have direct contact with MAC. Proposers were also required to indicate minimum staffing levels per shift.
- C. Related Work Experience – Proposers were required to list clients whom they have provided services similar to those requested. In particular, references from other airports should have been noted.
- D. Fee Structure – Proposers were required to provide their fees at a fixed rate for year one. (Proposers will be entitled to a review of labor and material costs each year going forward with a four percent (4%) yearly cap.)

V. REVIEW TEAM

The Review Team consisted of:

Phil Burke - Assistant Director of MSP Operations/Facilities, Les Ellessen - Assistant Manager Facilities, Rick Valentino – T2 Operations, Denny Stocke – Elevator Consultant with VDA and Associates and Tom Grad - Elevator Consultant with VDA and Associates, Paul Mara – Delta Airlines, Glen Bedard – CBR Airport Retail. JoAnn Brown – Purchasing and Ed Podnieks – Finance, advised the group.

VI. PROPOSAL REVIEW PROCESS/RESULTS

Each Review Team member reviewed the proposals individually, and a meeting was held to discuss them collectively. Based on the analysis, the Review Team reached the conclusions presented in this memorandum.

It is the Review Team's unanimous recommendation that Schindler Elevator Company continue to provide elevator/escalator/moving walk maintenance at MSP for the next three years.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT & OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION AWARD OF THE ELEVATOR/ESCALATOR/MOVING WALK AGREEMENT TO SCHINDLER ELEVATOR COMPANY AND THAT THE EXECUTIVE DIRECTOR OR A DESIGNATED REPRESENTATIVE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 2

TO: Management & Operations Committee

FROM: Phil Burke – Assistant Director of MSP Operations/Facilities (612 726-5525)

SUBJECT: PURCHASE OF ELECTRONIC KEY SYSTEM FOR SECURE ACCESS AREAS

DATE: January 19, 2012

In December 2011, the Commission approved the 2012 capital equipment list which included converting a portion of MAC's standard lock and key system to MAC's electronic lock and key system.

The Transportation and Security Administration (TSA) conducts a yearly audit of MAC's entire key system and requires that any lock with access to the secure side of the airport be rekeyed (regardless of the number of keyholders) if less than 100% of all keys associated with that lock cannot be accounted for. The 2011 audit uncovered several locks that would require rekeying.

Instead of rekeying within the existing standard lock and key system, another more secure option available is to convert those locks to the electronic lock and key system that already exists in parts of the airport. Converting locks to MAC's electronic lock and key system eliminates the need for costly rekeying going forward because any electronic key that cannot be accounted for will simply be turned off, keeping accountability at 100%.

The approved amount in the 2012 capital equipment list is \$130,000 for the electronic lock and key system components that will be purchased from MAC's lock and key provider, E.L.Reinhardt Company, Incorporated, who was originally selected during a competitive process. MAC's locksmiths will provide the labor to convert to the new system.

COMMITTEE ACTION REQUESTED

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION APPROVAL TO PURCHASE ELECTRONIC KEY SYSTEM COMPONENTS FROM EL REINHARDT COMPANY, INCORPORATED IN THE AMOUNT OF \$130,000; AND THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 3

TO: Management & Operations Committee

FROM: Dave Ruch, Director Information Systems (612 726-8168)
Arlie Johnson, Assistant Director of MSP Operations/Landside (612 726-5568)

SUBJECT: REQUEST FOR APPROVAL TO RENEW THE MAINTENANCE AGREEMENT FOR THE MAC AUTOMATIC VEHICLE IDENTIFICATION SYSTEM (MAVIS)

DATE: January 25, 2012

The MAC Automatic Vehicle Identification System (MAVIS) currently manages access and revenue collection for 724 taxi vehicles, 1,061 taxi drivers, 2,223 commercial vehicles, 7,488 contract parkers, 2.0 million trips/parking visits annually, and \$7.8 million annual gross sales. MAVIS is also tightly integrated with the Public Parking Revenue Control System (RCS) that manages access and revenue control for public parking areas.

The existing system was custom developed by IBI Group. MAVIS has been maintained under a maintenance agreement with IBI that began June 2008 with one four year term, creating the need for a new maintenance agreement.

The new Maintenance Agreement will provide full preventive maintenance, repair and replacement services for the MAVIS software and MAVIS controlled hardware at Terminal 1, Terminal 2 and Post Road.

Included in this agreement is on-site repair and maintenance of the MAVIS software, automatic vehicle identification (AVI) readers, variable message signs, gate arm mechanisms, and loop detectors. Maintenance will include but not be limited to inspection, repair and replacement of components, assemblies, and sub-assemblies as well as equipment adjustment, cleaning, lubrication and any other work required to maintain the entire MAVIS system. The Maintenance Agreement guarantees on-call service will be available seven days per week, twenty-four hours per day, including holidays, with a maximum two hour response time.

Revenue control equipment covered by this agreement includes 83 AVI readers, five eTrip locations, 10 commercial vehicle/taxi entrance lanes, 11 commercial vehicle/taxi exit lanes, 27 parking entrance lanes, and 27 parking exit lanes. MAVIS software interfaces exist between MAVIS and the RCS, Heartland Payment Systems (credit card processing), Enterprise One, MAC Badging, and Wells Fargo (bank deposit reconciliation and lockbox payment processing).

MAVIS was developed for MAC by IBI Group. MAC currently has a perpetual license that allows us to operate our AVI hardware with MAVIS as long as we utilize IBI Group to provide annual maintenance. No one can modify or debug IBI Group's proprietary software except IBI Group. Therefore IBI Group is a sole source supplier of the needed maintenance service. Additionally, MAVIS is heavily customized to meet specific requirements of MAC such as taxicab and commercial vehicle ordinance requirements. According to the terms of our

agreement with IBI Group, MAVIS must perform with 99.97% reliability and transaction accuracy. Credit card data must be processed and stored in compliance with Payment Card Industry Standards. Transactions must be processed at high speed, and the system must generate custom reports to manage contract parking, taxi and commercial vehicle operations.

The term of this Maintenance Agreement will be three (3) years with the option to renew for three additional one (1) year extensions.

The current annual cost for service is \$203,400. The negotiated new costs are reflected below and represent additional features and equipment added over the years.

Year 1	\$257,808
Year 2	\$268,120
Year 3	\$278,846

Costs for years 4, 5, and 6 will be negotiated considering additional vendor cost not to exceed 4% per year. Evidence shall be provided to MAC staff justifying any request for an increase in the annual fee.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION

1. THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXTEND THE EXISTING AGREEMENT ON A MONTH TO MONTH BASIS, IF NECESSARY, UNTIL A NEW CONTRACT IS FULLY EXECUTED, AND
2. APPROVAL OF AN AGREEMENT WITH IBI GROUP FOR A THREE (3) YEAR AGREEMENT WITH AN OPTION TO RENEW THREE TIMES FOR ADDITIONAL ONE (1) YEAR TERMS AT THE DIRECTION OF THE EXECUTIVE DIRECTOR OR A DESIGNEE, AND
3. THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 4

TO: Management & Operations Committee

FROM: Rebecca A. Zwart (612-726-8197)
Manager, Concessions and Business Development

SUBJECT: **REQUEST AUTHORITY TO ENTER INTO AN AGREEMENT WITH MINUTE SUITES FOR THE OPERATION OF A NAP/RELAX/WORK PRIVATE SUITE CONCESSION – PUBLIC MEMO**

DATE: January 27, 2012

At the August 16, 2010 meeting, the Commission authorized staff to enter into negotiations with prospective tenants and to return to the Management and Operations Committee with a new proposed agreement for the former Airport MD Medical Clinic space that has been vacant for approximately three (3) years. Attached are two (2) previous M&O memos which outline the history regarding the Airport MD medical clinic space.

This public memo will address (a) the Minnesota Data Practices Act, (b) the proposal process, (c) MAC staff's evaluation process, and (d) recommendation of award to Minute Suites, LLC ("Minute Suites").

Minnesota Data Practices Act

Under state law, information submitted by Proposers to MAC and information created or maintained by MAC as part of the evaluation process remains not-public until MAC has completed negotiating the contract with the selected Proposer(s). The names of the Proposers, however, are public once the proposals are opened. Information contained in the proposals and the Not Public Memorandum is not public and should not be disclosed to anyone other than MAC Commissioners and staff. Notwithstanding the foregoing, Commissioners may discuss the information contained in the proposal(s) or the Not Public Memorandum at the Committee and Commission meetings to the extent reasonably necessary to conduct the business at hand. The information contained in this memorandum is public data.

I. BACKGROUND INFORMATION

Following the failure of Airport MD to pay for and complete the build-out of its concession space (as a subtenant to XpresSpa MSP, LLC), MAC, XpresSpa MSP, LLC, XpresSpa, Inc. and Morcon Construction, Inc. ("Morcon") entered into a letter agreement dated August 4, 2010 ("Letter Agreement") to govern the relationship of the parties with respect to the unpaid construction debt (then \$430,000) related to the former Airport MD space and the re-leasing of that space to a subsequent tenant. MAC staff negotiated with XpresSpa, Inc. to give Airport MD's \$32,000 security deposit to Morcon to help compensate Morcon for the unpaid construction debt. This reduced the construction debt to \$397,500. Under the Letter Agreement, MAC agreed to use its best efforts to find a tenant for the space that would pay Morcon for the Airport MD improvements, to allow Morcon to participate in any lease negotiations to that end, and granted Morcon a limited right of refusal. If no tenant was selected by November 1, 2011, MAC would only be

obligated to make a good faith effort to secure payment to Morcon by a new tenant for that portion of the improvements that would be utilized by the new tenant.

MAC staff worked with Morcon to find a replacement tenant for the medical clinic by directing them to work with Morcon to determine a buyout value for the improvements. There were several attempts by MAC staff to lease the space. However, Morcon and the prospective tenants could not reach agreement with respect to the buyout value of the improvements. While there has been substantial interest in the space, this lack of agreement put an end to each deal. Some of the companies showing interest were: the Mayo Clinic, The AeroClinic, and a partnership between Phoenix Physician Services and JMLM Restaurants, Inc. (owner/operator of T1's Subway and Taco Bell).

MAC staff has taken numerous steps to lease the space to a medical clinic provider since the space is near completion and set up for a medical clinic operation. However, due to the outstanding debt owed on the space and the unproven success of a medical clinic of this size (1,697 sq. ft.) in an airport, MAC staff has been unsuccessful. The primary medical clinic provider that MAC staff has worked with could not afford to buy out the leasehold improvements.

In November 2011, MAC staff made the decision to pursue other uses for the space. In December 2011, MAC staff solicited proposals from two (2) companies who operate similar concessions; a private place in the airport to relax, sleep and/or work.

MAC asked each prospective tenant to include within its proposal 1) key business terms, 2) an updated drawing of its plan for the space, and 3) the maximum amount of money that it was willing to pay to Morcon for the existing improvements within the space.

II. PROPOSAL REVIEW PROCESS

MAC staff received proposals from EDO Traveler Suites, Inc. and Minute Suites, LLC ("Minute Suites"). MAC staff (consisting of Eric Johnson – Director, Commercial Management and Airline Affairs; John Greer - Assistant Director, Concessions and Business Development; Becky Zwart - Manager, Concessions and Business Development; and Ed Podnieks – Manager, Financial Analysis and Business Planning) met to collectively discuss and evaluate the proposals. The terms of the proposals are contained in the Not Public Memorandum.

III. MAC STAFF'S RECOMMENDATION

It is MAC staff's unanimous recommendation that Minute Suites be awarded the concession for the former Airport MD Medical Clinic Space to operate and provide travelers a private retreat within the Terminal 1-Lindbergh to nap, relax, or work.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION:

1. AWARD OF THE CONCESSION AGREEMENT TO MINUTE SUITES;
2. AUTHORIZATION TO NEGOTIATE FINAL AGREEMENTS AND RELATED DOCUMENTS WITH MINUTE SUITES; AND
3. AUTHORIZATION FOR THE EXECUTIVE DIRECTOR OR A DESIGNEE TO EXECUTE THE NECESSARY DOCUMENTS.

ITEM 4 FIRST ATTACHMENT

TO: Management & Operations Committee

FROM: Eric Johnson, Director - Commercial Management & Airline Affairs
(612-725-8322)
Rebecca Zwart, Assistant Manager - Concessions & Business Services
(612-726-8197)

SUBJECT: **REQUEST AUTHORITY TO AMEND THE WELLNESS CENTER CONCESSION AGREEMENT**

DATE: May 24, 2010

Staff is requesting authority to terminate the current Wellness Center Concession Agreement ("Agreement") with XpresSpa MSP Airport, LLC ("XpresSpa") and create two separate agreements, which, combined, would provide all of the same services as those included in the original Agreement: 1) a full service spa/salon, and 2) a medical clinic with pharmacy. It is staff's intention to create an agreement with XpresSpa to operate the full service spa/salon only. The medical clinic with pharmacy has faced many obstacles and staff is working with Airport MD (XpresSpa's proposed subtenant) to operate the medical clinic with pharmacy in an attempt to work out the issues.

BACKGROUND

On November 19, 2007, the Commission authorized staff to issue a Request for Proposals ("RFP") for Wellness Center Services located at the entrance to the D Concourse. The RFP was for two wellness center service concepts: (1) a spa with massage, hair and nail care and other services typically found at a day spa; and (2) an upscale medical clinic with pharmacy. Proposers were allowed to submit proposals for each package individually or for both opportunities together. Given the newness of these concepts in airports, the RFP was written with a broad exceptions clause to allow the industry to provide us with concepts and ideas based on their expertise. On January 31, 2008, MAC received proposals from five companies.

After careful analysis and evaluation of the proposals and interviews, the Review Team recommended that XpresSpa MSP Airport, LLC ("XpresSpa"), which was a limited liability company 90% owned by XpresSpa, LLC and 10% owned by Three Irishmen, Inc. be awarded Package #1 and #2 for the following reasons:

1. XpresSpa, LLC has experience in 14 major airport locations and partnered with the local airport salon operator who has the knowledge and experience of operating a salon at MSP.
2. XpresSpa had positive brand recognition both nationally and internationally.
3. XpresSpa was the only company to propose a complete spa operation that included all of the components (hair, nails, and massage) stated within the RFP.
4. AirportMD (a subtenant of XpresSpa) was, predominantly, a medical clinic and pharmacy, with medically related retail products.

5. The proposal provided services sought by the RFP that were not currently available in the airport as part of a comprehensive wellness center.

Following staff's recommendation, the Commission awarded the concession to XpresSpa on March 17, 2008. Following execution of the Agreement in October 2008, the process proceeded as normal and construction began. However, in December 2008, XpresSpa ceased all construction due to the following issues that it believed would negatively impact its operations at MSP: 1) the decline in the economy, 2) the number of passengers was beginning to decrease, 3) the breakdown of its DBE partnership with Three Irishmen, LLC, and 4) its subtenant, Airport MD's inability to secure financial backing for the medical clinic with pharmacy.

MAC and XpresSpa have been participating in good faith discussions to get construction completed and the wellness center open and operating. Both parties have been committed to making sure that the arrangement is a win-win scenario for all parties involved. To date, XpresSpa continues to face many challenges under its current lease Agreement. A few of these challenges include:

- In March 2010, Three Irishmen noticed its intention to withdraw from the business venture with XpresSpa, thus leaving XpresSpa without a DBE partner. However, XpresSpa has nearly completed a contract with two new DBE partners.
- Airport MD has two current locations in Miami and Las Vegas and while they have struggled with contract issues with the Miami airport, which has limited its ability to establish financial lines of credit, they have been showing signs of improvement by gaining contracts for employee health screening with both the TSA and Host at its Las Vegas airport location.
- The economic downturn and the reduction in enplanements continue to be at levels below where they were when XpresSpa proposed on the wellness center opportunity.

In an effort to reduce business risk, XpresSpa has requested that MAC separate the medical clinic and pharmacy from the Agreement due to the uncertainty of this concept and renegotiate the term and rent. Staff believes this action is necessary in order to get both companies up and running in 2010.

ISSUES

- **10% DBE requirement for this proposal:** With Three Irishmen's departure from the joint venture, XpresSpa's DBE participation would drop to zero. This would violate terms of the Agreement, as well as fail to meet the stated DBE goal in the original RFP. XpresSpa is in the process of finalizing a subtenant arrangement with two separate firms, one would operate as a business partner and the other would provide cleaning and maintenance services. Both are certified DBE operators and with the combined contract arrangements will meet or exceed the DBE requirement as stated in the original RFP. Additionally, Airport MD has a tentative agreement with a Minnesota based DBE company that would provide all of the medical staffing for its operation. If all three of these agreements are finalized, the overall DBE participation would more than exceed the original 10% requirement.
- **Outstanding \$430,000 of construction debt owed to Morcon Construction:** This has proven to be the biggest challenge in the attempt to separate the original

Agreement. Airport MD has a separate construction agreement with Morcon Construction, Inc. ("Morcon"), which they have been unable to resolve to date. Under the terms of the existing Agreement, XpresSpa is responsible to protect MAC in the case of any liens filed on improvements in the leased premises. MAC is proposing that all of the parties involved in this agreement contribute to resolve this issue. MAC has approached Morcon to ask if they would be willing to reduce their outstanding debt in an effort to resolve the situation. MAC has also approached Airport MD and XpresSpa and has asked for both companies to contribute funds toward this outstanding debt. Staff would like to take the contributions from all the parties involved and then use MAC general funds to make up any difference to pay Morcon and resolve the debt.

After considering several alternatives, staff recommends that the Commission direct staff to separate the Agreement into two direct agreements (full service spa/salon and medical clinic with pharmacy) on the following terms.

AIRPORT MD PROPOSAL

Key Business Terms:

- Term: Original term was to begin on July 1, 2009. The new term would begin at the opening of the store estimated to be on or near July 15, 2010. This will remain a nine (9) year agreement as originally proposed terminating on June 30, 2019.
- Minimum Annual Guarantee (MAG) will be set at \$40,000 for the first year of operations and increase to the original \$48,000 for years two through nine.
- Percent rent for Airport MD's services and prescription sales will remain at the original 6%. All other retail sales will remain at 15%.

Airport MD will offer new passenger services not currently available at MSP that will provide basic medical care, flu shots, prescription drugs, and employee screening services to the traveling public as well as other airport tenants.

XPRESSPA PROPOSAL

Key Business Terms:

- Term: Original term was to begin on July 1, 2009. The new term would begin at the opening of Phase 1 estimated to be on or near July 15, 2010. This will remain a nine (9) year agreement as originally proposed terminating on June 30, 2019.
- Suspend the MAG for the first twelve (12) months of operations for the full service spa/salon. MAG will be set at \$130,000 for the second year of the agreement and increase to \$153,000 for years three through nine.
- Percent rent for spa/salon services was originally set at 8% for revenue from \$0 to \$1.3M and 10% for revenue above \$1.3M. New percent rent will be set at 8% for revenue from \$0 to \$1M, 10% for revenue from \$1M to \$1.5M, and 12% for any revenue over \$1.5M. All retail sales will remain at 15%.
- Three Irishmen has been removed from the partnership as the salon operator and has been replaced with Regis. The introduction of the Regis brand will add a strong local company with national brand recognition and is viewed as a significant improvement to this concession offering.

XpresSpa is the global leader in airport spas, with 28 locations in 14 major airports on 2 continents and more on the way. Both MAC and XpresSpa have been committed to finding methods to make this arrangement work and be successful for both parties. Because XpresSpa is the global leader in airport spas, is an internationally recognized brand, and has made significant investment to date, MAC believes that it is in its best interest to make this partnership with XpresSpa work in order to achieve a first-class full service spa/salon at MSP.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION

1. AUTHORIZATION FOR STAFF TO TERMINATE THE WELLNESS AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC AND NEGOTIATE AND FINALIZE TWO SEPARATE AGREEMENTS:
 - A) FULL SERVICE SPA/SALON AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC, AND
 - B) MEDICAL CLINIC WITH PHARMACY AGREEMENT WITH AIRPORT MD IN ACCORDANCE WITH THE PROVISIONS DESCRIBED HEREIN;
2. NEGOTIATE A RESOLUTION OF THE MORCON CONSTRUCTION ISSUE, TO INCLUDE A MAC PAYMENT SUBJECT TO THE APPROVAL OF THE EXECUTIVE DIRECTOR AND
3. THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

ITEM 4 SECOND ATTACHMENT

TO: Management & Operations Committee

FROM: Eric Johnson, Director - Commercial Management & Airline Affairs
(612-725-8322)

SUBJECT: REQUEST AUTHORITY TO AMEND THE WELLNESS CENTER AGREEMENT

DATE: July 26, 2010

Staff is requesting authority to terminate the current concession Agreement ("Agreement") with XpresSpa MSP Airport, LLC ("XpresSpa") and create a new agreement, which removes the leased premises that had previously been planned for a medical clinic with pharmacy.

BACKGROUND

At last months Commission meeting staff presented a revised lease proposal for the Wellness Center Lease Agreement. Staff discussed the outstanding construction debt that was owed by Airport MD (subtenant to XpresSpa) to Morcon Construction and presented a payment plan to solve the issue and move the construction forward. Since the date of the Commission meeting none of the promised payments have been received by either MAC or Morcon Construction. Staff has been in discussion with all three parties and in an effort to move the process forward Morcon Construction has agreed to provide MAC and XpresSpa with a lien waiver for the Airport MD build-out space. This would allow MAC to terminate the old Wellness Lease Agreement, execute a new agreement with XpresSpa to operate a full service spa/salon without the medical/pharmacy operation and without the threat of a lien being filed on MAC property.

In conjunction with this action staff is asking for authority to directly negotiate with interested parties for the space previously assigned to Airport MD to allow staff to utilize it as soon as possible to generate revenue for MAC, while at the same time trying to capture as much as possible if not all of the construction debt owed to Morcon Construction. Once staff finds a suitable operator we will return to this Committee to review the proposal and ask for authorization to execute a lease agreement.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION:

1. AUTHORIZATION FOR STAFF TO TERMINATE THE WELLNESS AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC AND NEGOTIATE AND FINALIZE A SEPARATE AGREEMENT WITH XPRESSPA MSP AIRPORT, LLC;
2. AUTHORIZATION FOR STAFF TO ENTER INTO NEGOTIATIONS WITH ANY PROSPECTIVE TENANT AND TO RETURN TO THE MANAGEMENT & OPERATIONS COMMITTEE WITH A NEW PROPOSED LEASE FOR THE VACANT SPACE; AND
3. THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 5

TO: Management & Operations Committee

FROM: Kristi Rollwagen, Manager of Emergency Programs (725-6148)

SUBJECT: **RECOMMENDATION TO ACCEPT MONEY FROM A FEDERAL HOMELAND SECURITY GRANT TO PURCHASE A WEB BASED EMERGENCY OPERATIONS CENTER SOFTWARE MANAGEMENT PLATFORM**

DATE: January 20, 2012

On December 7, 2011, the Metropolitan Region Homeland Security Joint Powers group voted to authorize the Metropolitan Airports Commission (MAC) to use up to \$100,000 of the 2009 Homeland Security Grant Program awarded to the Metro Region to purchase a web based emergency operations center software management platform. This 2009 federal grant has been used by the metro region emergency management directors to purchase a product called Knowledge Center as their software management platform. The remaining grant dollars in the 2009 grant have been allocated to the MAC to purchase the same Knowledge Center system.

This system will allow MAC to participate in a common operating picture environment with the regional emergency management partners, to achieve an enhanced level of interoperability with emergency operations centers in the communities surrounding the MAC, and improve the ease in which the MAC emergency operations center will be able to “plug and play” into an incident management software program that the rest of the metro area is currently using.

This purchase has been reviewed by the Information Systems Director, Dave Ruch, and meets MAC IS standards. Future maintenance and support costs have been pre-determined to be worked into the current 2012 budget as well as future budgets via the MSP Director of Operation's Office and the Information Services Department. This purchase is being made via a grant off an existing contract with another local municipality, Ramsey County (which completed an RFP to select this particular vendor).

The Minnesota Division of Homeland Security and Emergency Management (HSEM) requires that any 2009 Homeland Security grant purchases be made, invoiced and proof of payment submitted for reimbursement by March 31, 2012. The MAC will need to meet this deadline in order to utilize the grant funds for this purchase.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND THAT THE FULL COMMISSION: 1) APPROVE THE PURCHASE OF THE KNOWLEDGE CENTER PRODUCT AND UTILIZE THE 2009 HOMELAND SECURITY GRANT FUNDS AND 2) AUTHORIZE THE EXECUTIVE DIRECTOR OR HIS DESIGNEE TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 6

TO: Management & Operations Committee

FROM: Rebecca A. Zwart (612-726-8197)
Manager, Concessions and Business Development

SUBJECT: **REQUEST AUTHORITY TO TERMINATE THE LEASE AGREEMENT BETWEEN MAC AND STUDIO STERLING WORKS, LLC D/B/A NATURAL ELEMENT AND AWARD AN AGREEMENT TO NATURAL ELEMENT TO OPERATE A RETAIL MERCHANDIZING UNIT ON THE C CONCOURSE**

DATE: January 27, 2012

Staff is requesting authority to terminate the September 8, 2010 lease agreement with Studio Sterling Works, LLC d/b/a Natural Element, a specialty retail store located in the main mall of Terminal 1-Lindbergh effective March 1, 2012. Staff also requests authority to award an opportunity to Natural Element to operate a retail merchandizing unit ("RMU" a/k/a cart) on the C Concourse, and finally to negotiate with a current concession tenant to temporarily occupy the Natural Element space on a short-term basis while staff determines the best use of the space

BACKGROUND

In March 2010, staff issued a Request for Proposals ("RFP") for a specialty retail operator at Terminal 1-Lindbergh providing a unique concept at the airport. On May 27, 2010, five (5) proposals were received in response to the RFP. In June 2010, Studio Sterling Works, LLC ("Sterling Works") was awarded a five (5) year Agreement to operate Natural Element, an eco-boutique specializing in jewelry from reclaimed metals and natural materials and women's fashion accessories and footwear produced from 100% natural organic, renewable and recycled materials. The Minimum Monthly Guarantee Rent ("MMG") for this concession location was established at \$7,500/month (\$90,000 annually) and a percent rent of eighteen percent (18%) was bid as part of the RFP process. Studio Sterling Works, LLC is a Chicago-based Airport Concessionaire Disadvantaged Business Enterprise (ACDBE) owned and operated by Sally Briggs. Natural Element was the first store of its kind in an airport.

Since the opening of Natural Element on January 7, 2011, sales have been significantly below projections. Natural Element's projected sales in their proposal were \$885,000 during the first year of operations. Actual sales during 2011 were approximately \$180,000, resulting in rent payments to MAC of the MMG of \$7,500/month. This amount was equivalent to fifty percent (50%) rent. Natural Element's eighteen percent (18%) rent would only be met if sales exceeded \$41,600 per month, which never happened. Because of these low sales levels, Natural Element has been unable to pay rent on a consistent basis.

On December 7, 2011, MAC's Legal Department sent a Final Notice of Default to Natural Element. They were given until January 13, 2012 to cure their outstanding rent payments in the amount of \$15,364.92 and to provide a Security Deposit in the amount of \$45,000 per the Agreement. Natural Element was unable to meet these obligations. In January 2012, they asked staff to work with them on an exit strategy. They explained that they cannot continue to operate with negative cash flow any longer as the company is having difficulty paying its rent to

MAC, its employee payroll, and its debt owed to suppliers, etc. Staff requested financial and cash flow statements from Natural Element in support of its request to terminate the Agreement and temporarily reduce its rent. Staff was provided with a basic revenue and expense statement which shows a significant loss after operating costs, but before depreciation, during their past year of operations.

Natural Element has requested the following from MAC during its transition out of the space:

- Termination of the Natural Element Agreement effective March 1, 2012.
- Adjustment of the rent to twelve percent (12%) and set the MMG to \$1,000 from January 1, 2012 through February 29, 2012.

In addition, Natural Element has submitted an application to transition the in-line store concept to a retail RMU operation. Natural Element's RMU concession agreement term would begin on March 1, 2012. The term of the agreement would be twelve (12) months and cancelable upon 30 (thirty) days written notice by either party. The MMG would be one thousand dollars (\$1,000) and the Percent Rent would be fifteen percent (15%). Natural Element would provide to MAC a security deposit in the amount of two thousand dollars (\$2000) - \$1000 initially and five hundred dollars (\$500) the first of each month for the first two months of operation.

Reducing the MMG and percent rent to RMU levels for the final two (2) months of the in-line agreement will assist Natural Element with the transition out of their space and into a new RMU agreement on the C Concourse in March 2012. The rent reduction will alleviate some of Natural Element's overhead and expense while increasing its ability to get current on rent payments to MAC (Natural Element currently owes \$23,093). Reducing the MMG will also reduce the current outstanding rent owed to MAC since the current outstanding amount includes January 2012 MMG rent.

Natural Element has asked MAC staff to work with them on a payment plan for the outstanding debt owed to MAC, and staff has established a twelve (12) month payment plan whereby Natural Element agrees to pay MAC \$2,000 per month over and above any new payment obligations. In addition to the payment plan, Natural Element will be required to sign a confession of judgment, which is an agreement by a party to a lease or promissory note that, in the event of a default, the other party, usually a landlord or lender, may proceed to the county courthouse, declare a default and enter judgment immediately in an agreed amount. If Natural Element fails to make its scheduled monthly payments to MAC, MAC will file the confession of judgment with the court to collect monies owed to MAC.

Staff believes that Natural Element will have a better chance for success, given their sales performance in 2011, operating its eco-friendly concept from an RMU, where rent is less and the term is month to month. By leasing the RMU, Natural Element will have zero capital expense, less operating cost, less staff time, the ability to narrow its inventory and focus on its best selling items, and it will allow them the opportunity to pay MAC back. Natural Element has been successful with its Sterling Works RMU on the C Concourse since 2009. If the business model doesn't work at the RMU on the C Concourse, Natural Element or MAC can terminate the agreement on thirty (30) days notice.

OPTIONS CONSIDERED

1. Take no action; however Natural Element will not be able survive the continuing losses and will close its doors.
2. Terminate the Agreement effective March 1, 2012, reduce the MMG rent from \$7,500 to \$1,000 and reduce the percent rent from eighteen percent (18%) to

twelve percent (12%) from January 1, 2012 through February 29, 2012, create a payment plan that works for both parties, and to award an agreement to Natural Element to operate an RMU on the C Concourse.

RECOMMENDATION:

After considering the options, staff recommends that the Commission terminate the Agreement with Natural Element effective March 1, 2012, modify rent to twelve percent (12%) rent and \$1,000 MMG from January 1, 2012 through February 29, 2012, and to award an opportunity to Natural Element to operate an RMU on the C Concourse on the terms outlined herein.

In addition, staff requests the authority to negotiate with a current concession tenant to temporarily occupy the Natural Element space on a short-term basis while staff determines the best use of the space.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION:

1. AUTHORIZATION TO TERMINATE THE GENERAL TERMS AND CONDITIONS LEASE AGREEMENT AND NATURAL ELEMENT SUPPLEMENTAL LEASE AGREEMENT BETWEEN MAC AND STERLING WORKS EFFECTIVE MARCH 1, 2012;
2. AUTHORIZATION TO SET PERCENT RENT AT TWELVE PERCENT (12%) AND SET THE MMG AT \$1,000 FROM JANUARY 1, 2012 THROUGH FEBRUARY 29, 2012;
3. AUTHORIZATION TO AWARD AN AGREEMENT TO NATURAL ELEMENT TO OPERATE AN RMU ON THE C CONCOURSE;
4. AUTHORIZATION TO NEGOTIATE WITH A CURRENT CONCESSION TENANT TO TEMPORARILY OCCUPY THE NATURAL ELEMENT SPACE ON A SHORT-TERM BASIS WHILE MAC STAFF DETERMINES THE BEST USE OF THE SPACE; AND
5. AUTHORIZATION FOR THE EXECUTIVE DIRECTOR OR A DESIGNEE BE TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 7

TO: Management & Operations Committee

FROM: Eric L. Johnson, Director Commercial Management & Airline Affairs
(612-725-8322)

SUBJECT: **ANOKA COUNTY/BLAINE AIRPORT – PARCEL 64
RECOMMENDATION FOR A RIGHT OF FIRST REFUSAL AGREEMENT**

DATE: January 30, 2012

HISTORY

As staff indicated at the January Commission meeting, Parcel 64 at the Anoka County Blaine Airport is one of the targeted sites staff is working on in an effort to generate some additional non-aeronautical revenue for the Reliever Airports. Staff has been working with Mr. Craig Schiller and his company, Flight Line Enterprise, LTD (“Flight Line”), over the past few years to develop his proposed project Flight Line Café, a bar/restaurant/event center.

In May 2008, the Commission approved a Request for Proposals (“RFP”) process for Parcel 64. Parcel 64 is located within the perimeter fence of the airport, but away from the aircraft operations area. The RFP invited proposals for both aviation and airport-related service land development with the goal to develop a high quality facility that would meet the needs of the airport’s tenants, other users, and MAC, while at the same time providing increased revenue for the airport. Mr. Schiller was the only proposer for this offering, so staff recommended the award to Flight Line. Parcel 64 is a complicated site due to a number of issues including elevation change related to the adjacent public road, access to the site by the public; and endangered plant life and wetland restriction. What Mr. Schiller was proposing to develop and, specifically, where he wanted the building to be located, required additional review from the Department of Natural Resources (“DNR”) was required. This caused nearly a year delay to be able to evaluate the site following a spring growing season in order to record the number of endangered plants on the site. Following that review, staff entered into a twelve month development agreement starting in November 2009 and running through October 2010.

During the term of the development agreement Mr. Schiller worked on a number of issues related to the site. While working with the Minnesota Department of Transportation he was able to define a public access into the site without utilizing the existing airport tenant access road, which helped to alleviate concerns the Federal Aviation Administration (“FAA”) had related to the potential of patrons accidentally driving on to the active airfield. Mr. Schiller was also trying to work through the issues associated with the endangered plant life and wetland issues when his development agreement expired. Through most of last year Mr. Schiller continued to work on this project by hiring his own environmental consultant to review issues related to the site and to find an alternative way to

address the plant life issue by finding a mitigation site off airport property. Staff believes that Mr. Schiller has earned the opportunity to make this attempt to see his development concept through to completion. However, instead of tying up the property to only one possible development option via another Development Agreement, staff has come to an agreement with Mr. Schiller to offer a Right of First Refusal for Parcel 64.

BUSINESS TERMS

Under the Right of First Refusal, Mr. Schiller would have up to two years to finalize the steps necessary to get an approved Lease for this property. The reason this requires up to two years is that his proposed plant mitigation site needs to go through two growing seasons to prove to the DNR that the endangered plant life will continue to grow back in the future. Mr. Schiller will pay MAC \$500 per year to cover administrative fees associated with this agreement. If MAC were to receive a development proposal from another interested party Mr. Schiller would have thirty (30) days to provide a counter proposal that would meet or beat the financial offer made to MAC by the other developer. However, any future proposal, including one from a third party or Mr. Schiller would still be subject to review and approval by staff and the Commission. During this two year period Mr. Schiller has several requirements that will need to be accomplished prior to a potential Lease Agreement, most of them having to do with obtaining DNR approval for the endangered plant life. Additionally, he would have to purchase either the mitigation site or an easement on the property, and secure the necessary financing to complete the project. If any of these steps are not completed by Mr. Schiller both parties have agreed to walk away and the Right of First Refusal would terminate.

CONCLUSION

Staff supports the proposed Right of First Refusal Agreement with Flight Line. Staff believes it provides the best alternative for Mr. Schiller to develop his proposal while at the same time providing MAC with the flexibility should someone else come forward with a development proposal that would be beneficial to MAC.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION THAT MAC STAFF BE AUTHORIZED TO NEGOTIATE AND EXECUTE A RIGHT OF FIRST REFUSAL AGREEMENT BETWEEN MAC AND FLIGHT LINE ENTERPRISE, LTD. AS DESCRIBED GENERALLY ABOVE, AND THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 8

TO: Management & Operations Committee

FROM: Eric L. Johnson, Director Commercial Management & Airline Affairs
(612-725-8322)

SUBJECT: CONCESSION LEASE MODIFICATION POLICY

DATE: January 30, 2012

During the Open Forum at the December 2011 Management & Operations Committee meeting, CBS Outdoor Advertising (“CBS”) discussed its request to modify its current Outdoor Advertising Lease Agreement with the Metropolitan Airports Commission (“MAC”), which will expire in June 2013. While the Committee took no action regarding the CBS request, Commissioners did request that staff provide an update regarding the process used by staff to determine if a modification to an existing lease agreement should be brought to the Commission and whether or not there is a need for a set policy to make such changes.

BACKGROUND

Over the past few years, there have been a number of instances where staff has come before the Commission to review a business situation and request a modification to an existing lease agreement. These requests may come for any number of reasons such as; significant changes in the economy; airline modifying their use of the terminal buildings; or major changes in passenger activity. Some of the more recent requests have included 1) concession agreement term extension and reinvestment with HMSHost; 2) Now Boarding (pet care facility on-airport) rent adjustment proposal; 3) Caribou Coffee at Terminal 2 rent adjustment; and 4) Houlihan’s restaurant at Terminal 1 minimum annual guarantee (“MAG”) adjustment.

In each of these cases, staff was approached by the tenant with a request to make an adjustment to their current lease agreement. Staff reviews each situation by:

- examining the business terms of the agreement;
- what if any circumstances have changed to justify the modification;
- what will be the impacts to MAC as well as the traveling public both from a financial position as well as a service perspective;
- and if the tenant is a small or Disadvantage Business Enterprise that requires additional consideration to support their business.

All of these issues are weighed and reviewed by staff before making a determination as to whether to support, modify, or reject the request and then when required bring an action before the Commission. In each situation, staff may respond in a number of ways to the tenants request such as:

- Agree with the proposal and present it to the Commission;

- Agree that something needs to be done, but offer a counter proposal to be considered by the tenant;
- Agree that there is a concern, however more time is needed to see if modifications to the business operation or marketing efforts are needed to improve the business' performance; or
- Not agree with the tenant's proposal and not support bringing an action to the Commission.

In the cases where staff can not come to an agreement with the tenant, the tenant is advised that while staff could not support their request, they always have the option to present their case directly to the Commission at the public meeting.

Some examples where staff did not agree with a tenant request would include the recent request from SSP America related to the reconcepting of the Houlihan's space even after staff came to an Agreement with them regarding a reduction in the minimum annual guarantee ("MAG") which the Commission approved they again requested the removal of the MAG and to only pay percentage rent. Staff rejected their proposal stating that this had already been addressed and that no further changes would be made to the existing Agreement. In another example following the events of 9/11 all of the rental auto companies wanted MAC to eliminate the MAG requirements and pay only percent rent. Staff rejected that offer and advised the industry that MAC would not be making any changes to its concession agreements until it had time to gauge all of the impacts to its financial situation.

In the case of CBS Outdoor Advertising's request, staff worked with CBS several times over the past two of years to try to come to a workable solution. (CBS most recently requested a six (6) year term extension, ten percent reduction in percentage rent from sixty percent (60%) to fifty percent (50%), and a three hundred and nine thousand dollar (\$309,000) reduction (from \$1,030,000 to \$721,000) in its current minimum annual guaranteed rent to MAC.) However, in reviewing this business case, CBS made an aggressive bid in 2003 to obtain this advertising contract and there were several downturns in the economy during the lease term, which had an impact on the amount of money companies were willing to spend on advertising. Neither of these circumstances were a result of any action taken by MAC. Staff also did not feel that there would be any negative impact to airport operations or the traveling public's experience if the tenant's request was rejected. Staff's rejection of the CBS proposal is no reflection on the business relationship that has existed over the years. CBS has always been a good business partner.

CONCLUSION

Staff believes the process currently in place where each request is evaluated on its own merits provides the most flexibility for MAC to be able to make the best business determinations without being locked into a rigid policy. No policy could anticipate all of the potential business situations that might occur at the airport. Because the tenant has the option to be heard by the Commission in the cases where an agreement cannot be reached with staff, we believe the current decision process is sound.

COMMITTEE ACTION REQUESTED:

THIS IS AN INFORMATIONAL ITEM ONLY NO COMMITTEE ACTION IS BEING REQUESTED AT THIS TIME.

MEMORANDUM

ITEM 9

TO: Management & Operations Committee

FROM: Dave Ruch – Director, Information Services (612 726-8168)
Dan Foster – Assistant Director, MSP Operations (612 726-5309)

SUBJECT: VENDOR SELECTION RECOMMENDATION: SYSTEM SUPPORT SERVICES FOR MUFIDS, COMMON USE AND RELATED SYSTEMS

DATE: January 26, 2012

Minnesota Data Practices Act

Under state law, information submitted by proposers to MAC and information created or maintained by MAC as part of the evaluation process remains not public until MAC has completed negotiating the contract with the selected proposer(s). The names of the proposers, however, are public once the proposals are opened. Information contained in the proposals [and the Not Public Memorandum] is not public and should not be disclosed to anyone other than MAC Commissioners and staff. However, Commissioners may discuss the information contained in the proposal(s) [or the Not Public Memorandum] at the Committee and Commission meetings to the extent reasonably necessary to conduct the business at hand. The information contained in this memorandum is public data.

Systems Background

The MAC provides information displays, Multi-User Flight Information Display Systems (MUFIDS) and Baggage Information Display Systems (BIDS), in both T1 and T2. MAC also provides Common Use Passenger Processing Systems (CUPPS) in T2. The MUFIDS displays show flight arrival and departure information to passengers based upon data feeds from the MSP airlines. They also provide visual paging, weather information and general MAC information to the public. The BIDS displays show which bag claim carousels have been assigned to which flights for arriving passengers.

MAC-operated MUFIDS and BIDS were installed in T1 in 2009, replacing display systems operated by each airline individually. In order to accomplish this, MAC entered into a Memorandum of Understanding with Delta airlines that defines required onsite presence and service levels for those systems.

The CUPPS systems in place at T2 provide the computer equipment for check-in and boarding that can be shared by all airlines at T2. This equipment is located at the ticket counters and gates and is linked to the appropriate airline back office systems. Additionally a Resource Management System is included in the CUPPS product to plan for and assign shared resources like gates and ticket counters in T2.

All products described are provided by Ultra Electronics Inc. as a result of a competitive process culminating in a Commission award in 2006.

These systems are critical for operations and must function from 4:00 AM to 10:00 PM seven days a week, 365 days a year to match the scheduled operations by air carriers at T1 and T2. If there is a system failure, immediate response is required to keep the critical information available.

Selection Process

Technical, onsite support for these systems has been provided by a contractor selected by the Commission in 2006. That agreement has expired, and a Request for Proposals was issued on September 27, 2011 to evaluate contractors and recommend an award to the Commission. Two proposals were received on October 28; one from ServiceTec International, and one from ARINC Managed Services.

A Review Committee was convened November 28, 2011 to evaluate the proposals received on October 28, 2011. Members included: Andrea Bolstad, MAC Purchasing; Harry Bosma, Delta Airlines; Phil Burke, MAC Facilities; Dan Foster, MAC Operations; DonnaLee Hjelm, Sun Country Airlines; and Dave Ruch, MAC IS. Mr. Bosma submitted his scores via email since he was unavailable for the meeting.

The proposal from ServiceTec met or exceeded the detailed requirements and evaluation criteria established by the RFP.

Staff presented a recommendation to this Committee in January, but was asked to return to the next meeting to explain the differences between proposals. The Not Public Memorandum provides additional information on the proposals.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND TO THE FULL COMMISSION THAT STAFF BE AUTHORIZED TO NEGOTIATE A CONTRACT WITH SERVICETEC AND THAT THE EXECUTIVE DIRECTOR OR A DESIGNEE BE AUTHORIZED TO EXECUTE THE NECESSARY DOCUMENTS.

MEMORANDUM

ITEM 10

TO: Management & Operations Committee

FROM: Kelly Gerads, Assistant Director of Reliever Airports (612-726-8142)
Evan L. Wilson, Attorney (612-794-4465)

SUBJECT: PROPOSED REVISED RELIEVER LEASE POLICIES AND LEASE FORMS

DATE: January 30, 2012

I. INTRODUCTION

The Reliever Airports Lease Policies, Rules and Regulations (“Policies”) serve as an information tool to prospective and current tenants and provide guidance and authority to Commission staff and the Reliever Airports Staff Lease Committee regarding the leasing of Commission land at its six (6) Reliever Airports. Policy concepts are applied in the Lease Forms (“Forms”), and provide the basis for the contractual relationship between the tenant and the Commission. The Reliever Airports Staff Reliever Lease Committee (“Lease Committee”) considers requests for lease transactions and is the liaison between the tenants and Commission on lease related issues.

II. BACKGROUND

As you may know, one of the functions of the Reliever Airports Department is to issue and administer ground leases. Generally, two kinds of leases are issued: storage leases and commercial leases. Storage leases are issued to tenants for the purpose of storing aircraft in tenant-constructed hangars in exchange for ground rent paid to MAC. Commercial leases are issued to tenants authorizing the conduct of aviation-related commercial activities, such as the provision of fueling or maintenance of general aviation aircraft at tenant-constructed facilities. Commercial tenants pay MAC ground rent plus a percentage of gross sales.

The Policies were originally adopted in 1977. From time to time it is necessary to update these Policies and the Forms to recognize changes in business practices and to incorporate Commission adopted policies and ordinances. In 1985 and again in 2000 the Commission approved revisions to the Policies.

There are 803 leases at the Reliever Airports. Approximately 600 of those leases will come to the end of their initial lease term, beginning in May of 2012. The current Forms provide that, at the end of the initial lease term, MAC will offer the tenant a new lease for a ten-year term, under standard lease terms and conditions in effect at the time of the offer.

In response to changing conditions within the aviation industry, Commission direction and ordinances, and staff experience with the current Policies and Forms, staff has developed revised Policies and Forms to be implemented in the mass lease renewal process that will begin in May, 2012.

III. PROCESS

After considerable internal discussion and development of the revised Policies and Forms, MAC began working hand-in-hand with the Reliever Airport Advisory Council ("RAAC") to continue the development of the revised Policies and Forms. RAAC is an organization of appointed aircraft storage tenants who represent tenant interests to the MAC staff.

All Reliever Airport tenants were mailed notice of this process and provided web-links to drafts of the proposed Policies and Forms on December 23, 2010; August 19, 2011; and December 27, 2011. Each of these mailings provided tenants the opportunity to review the documents as they were evolving and to provide comments. RAAC collected tenant comments and relayed those comments to MAC staff after each new draft. RAAC met with MAC staff numerous times to discuss the comments and issues. RAAC and tenants provided comments on a wide range of issues, including lease term and renewal, compensation for takings and non-renewal, lease termination, acceptable use of leased property, subleasing and insurance. In response to RAAC and tenant comments received, MAC staff has made changes to the draft Policies and Forms throughout the process.

In addition to the process described above, two tenant informational meetings were held on January 9, 2012. At these meetings staff outlined the process underway, presented the major changes to the Policies and Forms, and allowed tenants an opportunity to ask questions and offer additional comments. Following the January 9 meeting, staff made further changes to the documents based on tenant comments.

IV. OVERVIEW

The Policies and Forms are now in a final draft form and ready for Commission consideration for adoption. The attached Report contains a general summary of the significant proposed changes to the Policies and Forms.

As indicated above, a significant number of tenant leases will expire, beginning in May, 2012. Those leases provide that the tenant will receive a new lease, under standard lease terms and conditions. After the revised Policies and Forms are adopted by the Commission, staff will immediately begin issuing leases to tenants, using the new Forms. The new Forms will provide an initial term of ten (10) years for a storage tenant and fifteen (15) years for a commercial tenant, with a renewal term and right of first refusal thereafter.

The Policies authorize the staff Reliever Airports Lease Committee to execute a renewal lease with the same tenant according to the terms set forth in the Policies and Forms. Separate Commission approval is not required for such renewals. However, any new lease or renewal lease that does not meet the criteria described in this paragraph will be brought to the Commission for approval; and any substantive changes to the Forms in the future will also be brought to the Commission for approval

Please find attached:

1. A Report on the proposed changes to the Policies and Forms;
2. The proposed Reliever Airports Lease Policies, Rules and Regulations;
3. The proposed Reliever Airports Commercial Lease; and
4. The proposed Reliever Airports Aircraft Storage Lease.

COMMITTEE ACTION REQUESTED:

THAT THE MANAGEMENT AND OPERATIONS COMMITTEE RECOMMEND THAT THE FULL COMMISSION (1) ADOPT THE PROPOSED RELIEVER AIRPORTS LEASE POLICIES, RULES AND REGULATIONS; (2) ADOPT THE RELIEVER AIRPORTS COMMERCIAL AND AIRCRAFT STORAGE LEASE FORMS; AND (3) DIRECT STAFF TO BEGIN UTILIZING THESE FORMS FOR FUTURE LEASES TRANSACTIONS.

MEMORANDUM

ITEM 11

TO: Management & Operations Committee

FROM: Gary Schmidt, Director of Reliever Airports (612 726-8135)

SUBJECT: UPDATE REGARDING ANE ATHLETIC FIELDS LEASE NEGOTIATIONS

DATE: January 31, 2012

Mr. Gary Schmidt will provide an update regarding status of the Anoka County Blaine Athletic Fields lease negotiations.

COMMITTEE ACTION REQUESTED:

THIS IS AN INFORMATION ITEM ONLY; NO COMMITTEE ACTION IS REQUIRED.

MEMORANDUM

ITEM 12

TO: Management & Operations Committee

FROM: Dennis Probst, Deputy Executive Director, Planning/Envir. (612-726-8187)
Steve Wareham, Director of MSP Operations (612-726-5519)

SUBJECT: UPDATE ON BICYCLES AT MSP

DATE: January 23, 2012

For a number of years bicycle racks have been provided for customers at both T-1 Lindbergh and T-2 Humphrey. T-2 is accessible by bicyclists that use public roadways, but T-1 has only been accessible for travelers who use either the LRT or Met Transit buses as a means to bring their bicycles to the terminal. MAC staff in the Development and Operations Departments as well as Public Safety have been working to bring enhancements to bicycle access at T-1 and have made progress in a number of areas working with the City of Minneapolis, The Bicycle Advisory Committee and Met Transit. This item will be presented to the Committee as an update and to allow discussion.

COMMITTEE ACTION REQUESTED:

THIS IS AN INFORMATION ITEM ONLY; NO COMMITTEE ACTION IS REQUIRED.