

ONTARIO INTERNATIONAL AIRPORT AUTHORITY COMMERCIAL COMMITTEE MEETING AGENDA



JANUARY 20, 2022 AT 9:00 A.M.

MEETING WILL BE HELD VIA LIVE STREAM AND TELECONFERENCE

STANDING COMMITTEE MEMBERS

JULIA GOUW
Chair

JIM W. BOWMAN
Member

Pursuant to Assembly Bill No. 361, the Ontario International Airport Authority (OIAA) Committee Meeting is being conducted via Zoom and teleconference. Members of the public may utilize alternative measures established by OIAA to view the committee meetings and/or to address the Committee members. Please see participation instructions below.

Link to the January 20, 2022, Commercial Committee Meeting*: <https://us02web.zoom.us/j/87426192269>

To dial in, call either: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782

WEBINAR ID: 874 2619 2269

*Zoom may require you to enter a response for name and email. To remain anonymous, you may use Attendee and attendee@flyontario.com to bypass this Zoom feature.

ANY MEMBERS OF THE PUBLIC WISHING TO PROVIDE PUBLIC COMMENT MAY DO SO AS FOLLOWS:

LIVE VIA TELEPHONE: You may call (909) 403-1131 the day of the meeting between 8:50 a.m. and 9:00 a.m. to speak live during the public comment portion of the committee meeting. You will be asked to identify the Agenda item you wish to address and be placed on hold until the public comment portion of the meeting. Comments are limited to 3 minutes.

E-MAIL: You may submit public comments by e-mail to publiccomment@flyontario.com no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. All e-mail comments will be included in the committee meeting record.

VOICEMAIL: You may record public comments at (909) 544-5307 no later than 4:00 p.m. the day before the meeting. Please identify the Agenda item you wish to address in your comments. Recorded comments are limited to 3 minutes. All voicemail comments will be included in the committee meeting record.

MAIL: You may mail in public comments to the OIAA Clerk's Office at 1923 E. Avion St., Ontario, CA 91761. Comments by mail must be received no later than 12:00 p.m. the day before the committee meeting. Postmarks are not accepted.

Any members of the public who require special assistance or a reasonable accommodation to participate telephonically in the standing committee meeting may contact the Board Clerk at 909-544-5307 or clerk@flyontario.com. Sign language interpreters, communication access real-time transcription, assistive listening devices, or other auxiliary aids and/or services may be provided upon request. To ensure availability, you are advised to make your request at least 72 hours prior to the meeting you wish to attend. Due to difficulties in securing Sign Language Interpreters, five or more business days' notice is strongly recommended.

1. **CALL TO ORDER**

2. **ROLL CALL**

Gouw (Chair), Bowman (Member)

3. **PUBLIC COMMENTS**

The Public Comment portion of the Committee meeting is limited to a maximum of 3 minutes for each Public Comment. Under provisions of the Brown Act, the Committee is prohibited from taking action on oral requests.

4. **COMMITTEE AGENDA REVIEW/ANNOUNCEMENTS**

Staff will go over all updated materials and correspondence received after the Agenda was distributed to ensure Committee Members have received them.

5. **CONSENT CALENDAR**

A. APPROVAL OF MINUTES

Approve minutes of the Commercial Committee meeting on October 21, 2021.

6. **COMMITTEE DISCUSSION ITEMS**

A. MEMORANDUM OF AGREEMENT BETWEEN THE FEDERAL AVIATION ADMINISTRATION AND THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

Review and recommend to the Commission for approval.

B. PROFESSIONAL SERVICE AGREEMENT WITH AMADEUS AIRPORT IT AMERICAS, INC., TO PROVIDE AND IMPLEMENT AN AIRPORT LEASE MANAGEMENT SYSTEM

Review and recommend to the Commission for approval.

C. TEN-YEAR EXTENSION TO THE EXISTING CONCESSION AGREEMENT WITH HG ONT RETAILERS JV (HUDSON GROUP), FOR NEW HUDSON EVOLVE STORES REPLACING AUTHORS BOOK STORE IN TERMINAL 2 AND ENLARGING CALI MARKET IN TERMINAL 4 AT ONTARIO INTERNATIONAL AIRPORT

Review and recommend to the Commission for approval.

D. CONCESSION AGREEMENT WITH BREWERY X FOR A BREWERY X OUTLET INCORPORATING TWO TOP GOLF SIMULATORS IN TERMINAL 2 AT ONTARIO INTERNATIONAL AIRPORT

Review and recommend to the Commission for approval.

7. **COMMITTEE STAFF UPDATES**

A. Introduction of new staff.

8. **COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS**

Julia Gouw, Chair

Jim W. Bowman, Member

9. **ADJOURNMENT**

7. COMMITTEE DISCUSSION ITEMS

A. NEW LEASE WITH U.S. GENERAL SERVICES ADMINISTRATION FOR LEASED SPACE IN TERMINALS 2 AND 4 AT ONTARIO INTERNATIONAL AIRPORT

Review and recommend to the Commission for approval.

Chief Commercial Officer Cappell provided information on this item. Committee members asked questions regarding the item.

The Committee recommended this item to the full Commission for approval.

B. UPDATE TO LICENSE FEES CHARGED THROUGH THE NON-EXCLUSIVE LICENSE AGREEMENT

Review and recommend to the Commission for approval.

Chief Commercial Officer Cappell provided information on this item. Committee members asked questions regarding the item.

The Committee recommended this item to the full Commission for approval.

C. CONCESSION LEASE AGREEMENT WITH BATTER BOYS, INC., FOR A DUNKIN DONUTS KIOSK IN TERMINAL 2 AT ONTARIO INTERNATIONAL AIRPORT

Review and recommend to the Commission for approval.

Chief Commercial Officer Cappell provided information on this item. Committee members asked questions regarding the item.

The Committee recommended this item to the full Commission for approval.

D. CONCESSION AGREEMENT WITH 3SIXTY DUTY FREE AND MORE FOR A DUTY FREE OUTLET IN TERMINAL 2 AT ONTARIO INTERNATIONAL AIRPORT

Review and recommend to the Commission for approval.

Chief Commercial Officer Cappell provided information on this item. Committee members asked questions regarding the item.

The Committee recommended this item to the full Commission for approval.

8. COMMITTEE STAFF UPDATES

There were no staff updates.

9. COMMITTEE MEMBER COMMENTS AND REQUESTS FOR FUTURE AGENDA ITEMS

Chair Gouw and Member Bowman expressed gratitude to staff.

OIAA staff present at the meeting was introduced to the Committee members.

10. ADJOURNMENT

Chair Gouw adjourned the Commercial Committee meeting at 9:48 a.m.

RESPECTFULLY SUBMITTED:

NATALIE GONZAGA, BOARD CLERK

APPROVED:

JULIA GOUW, CHAIR



DATE: JANUARY 20, 2022

TO: COMMERCIAL COMMITTEE

SUBJECT: MEMORANDUM OF AGREEMENT BETWEEN THE FEDERAL AVIATION ADMINISTRATION AND THE ONTARIO INTERNATIONAL AIRPORT AUTHORITY

RELEVANT STRATEGIC OBJECTIVE: Master the Basics.

RECOMMENDED ACTION(S): Review and recommend to the Commission for approval of a Memorandum of Agreement (MOA) between the Federal Aviation Administration (FAA) and the OIAA.

FISCAL IMPACT SUMMARY: N/A

BACKGROUND: On October 3, 2003, the Ontario International Airport (ONT), a division of the City of Los Angeles' Department of Airports entered into a Master Lease Agreement with the FAA (DTFA08-03-L-22136) to define all properties leased by the Government. On April 7, 2010, a supplemental lease agreement was executed to amend lease DTFA08-03-L-22136 to add additional FAA systems and equipment not included in the original Master Lease. The term of DTFA08-03-L-22136 ended on September 30, 2020.

In September 2021, the FAA provided the OIAA with a Memorandum of Agreement (MOA) to replace DTFA08-03-L-22136. Additionally, to finalize the MOA the OIAA's Commercial Real Estate Team in collaboration with the FAA's Real Estate and Utilities Team confirmed all existing FAA facilities at ONT. The use of the MOA is to describe all premises/facilities that are related to the FAA's activities in support of the National Airspace System (NAS).

The MOA term will commence on October 1, 2020, and continue through September 30, 2040. During the term, the MOA provides for the construction, operation, and maintenance of FAA owned navigation, communication and weather aids for the support of Air Traffic Operations in the primary interest of safety and direct support of the ongoing operation of the Ontario International Airport.

PROCUREMENT: N/A

CEQA COMPLIANCE AND LAND USE APPROVALS: The Issuance or approval of leases, agreements, renewals, amendments, or extension thereof, granting use of an existing facility at a public airport, involving negligible or no expansion of use is exempt from the requirements of the California Environmental Quality Act (CEQA). In addition, to the extent any alteration of facilities occurs, CEQA Guidelines section 15301 provides an exemption for minor alterations to existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

ATTACHMENTS:

Attachment A – Memorandum of Agreement by and between the OIAA and the FAA;

Attachment B – Exhibit of FAA Equipment

Attachment C – Ontario International Airport – Airport Layout Plan

The Agenda Report references the terms and conditions of the recommended actions and request for approval. Any document(s) referred to herein and that are not attached or posted online may be reviewed prior to or following scheduled Commission meetings in the Office of the Clerk of the Commission. Office hours are 8:30 a.m. to 5:00 p.m., Monday through Friday, although these hours and review procedures may be modified due to COVID-19 precautions. In that case, the documents may be requested by email at clerk@flyontario.com.

This Agenda Report has been reviewed by OIAA General Counsel.



DATE: JANUARY 20, 2022

TO: COMMERCIAL COMMITTEE

SUBJECT: PROFESSIONAL SERVICE AGREEMENT WITH AMADEUS AIRPORT IT AMERICAS, INC., TO PROVIDE AND IMPLEMENT AN AIRPORT LEASE MANAGEMENT SYSTEM

RELEVANT STRATEGIC OBJECTIVE: Plan for the Future; Master the Basics.

RECOMMENDED ACTION(S): Review and recommend to the Commission for approval of a professional service agreement between Amadeus Airport IT Americas, Inc., (Amadeus) and the OIAA for a lease management system.

FISCAL IMPACT SUMMARY: Funding for this contract is approved in the Fiscal Year 2021-22 operating budget. The total amount to be paid by the agreement shall not exceed \$392,258, over an initial five-year contract.

BACKGROUND: On September 6, 2016, the Ontario International Airport Authority approved a contract with ProDIGIQ for various software modules including lease management. The ProDIGIQ contract ended in October 2021 and was not renewed.

Amadeus' PROPworks product will provide the following systems:

- Customer Management
 - Organization of contact information detail
- Contract Management
 - Organization of lease/contracts/permits details
- Revenue Management
 - Integration with Workday
- Activity Management
 - Concession and Sales Reporting Activity
- Space Management
 - Connection to GIS System for space allocation
 - Utility Billing
- Tenant Reporting

If approved, Amadeus' PROPworks Lease Management System will assist multiple departments throughout the OIAA (including the Commercial and Finance Teams) more efficiently manage leases, provide financial benchmarking and statistics, and communicate with our business partners.

PROCUREMENT: OIAA Procurement issued an RFP in July 2021. Four responsive bids were received, leading to interview with the two highest scoring bidder that came out of the first selection round. After a thorough procurement process, staff recommended that the OIAA move forward with Amadeus Airport IT Americas, Inc., and their PROPworks software product.

CEQA COMPLIANCE AND LAND USE APPROVALS: The Issuance or approval of leases, agreements, renewals, amendments, or extension thereof, granting use of an existing facility at a public airport, involving negligible or no expansion of use is exempt from the requirements of the California Environmental Quality Act (CEQA). In addition, to the extent any alteration of facilities occurs, CEQA Guidelines section 15301 provides an exemption for minor alterations to existing structures or facilities involving negligible or no expansion of use beyond that existing at the time of the lead agency's determination.

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: N/A

SCHEDULE: N/A

ATTACHMENTS: None.

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This Agenda Report has been reviewed by OIAA General Counsel.



DATE: JANUARY 20, 2022

TO: COMMERCIAL COMMITTEE

SUBJECT: TEN-YEAR EXTENSION TO THE EXISTING CONCESSION AGREEMENT WITH HG ONT RETAILERS JV (HUDSON GROUP), FOR NEW HUDSON EVOLVE STORES REPLACING AUTHORS BOOK STORE IN TERMINAL 2 AND ENLARGING CALI MARKET IN TERMINAL 4 AT ONTARIO INTERNATIONAL AIRPORT

RELEVANT STRATEGIC OBJECTIVE: Invest in ONT; Plan for the Future, Master the Basics.

RECOMMENDED ACTION(S): Review and recommend to the Commission for approval a ten-year extension to the concession agreement with one five-year option to extend the term at the discretion of the CEO, with HG ONT Retailers JV (Hudson Group) to manage and operate a multi brand concession in Terminal 2 and Terminal 4 at Ontario International Airport (ONT).

FISCAL IMPACT SUMMARY: The concessionaire is responsible for all capital investment and will pay the OIAA concession fees ranging from 15% to 19% of gross sales based on financial tiers identified within the agreement and minimum annual guarantee of 80% of the previous year's Percentage Rent. Hudson will invest \$2.49m in the initial phase for the construction of the two new outlets and have included \$50 per square feet for a mid-term refurbishment for total investment of \$2.85m.

BACKGROUND: ONT is a medium hub airport and the OIAA wishes to provide passengers traveling with a friendly environment that helps reduce the stress of travel, while providing them with a superior travel experience and world class amenities. The OIAA is confident that the introduction of Hudson's Evolve concept concessions in T2 and in T4 is an important step to provide such highly-sought-after amenities for the continued growth and productivity of the OIAA concession business.

The incumbent operator Hudson have developed several new concepts over the past 18 months to meet the ever changing needs of the industry and consumer choices. The current Authors Book Store in Terminal 2 is reminiscent of a 1970's retail design and is in urgent need of refurbishment. The Hudson group approached the OIAA with a proposal to replace the Authors Bookstore and also replace and increase the size of Cali Market in Terminal 4 with one of their new multiband stores "Evolve by Hudson" multi brand outlets in return for a 7-year contract extension and no change in the terms and conditions. The OIAA negotiated extending the term to ten years and eliminating the different concession fees by outlet by terminal, replacing them with a standard concession fee across all outlets/terminals standardizing the base concession fee at 15% increasing based on turnover with increased tiers of 17% and 19%. The new concession fees will be introduced with immediate effect inclusive of all existing outlets. This places OIAA in the higher percentile of concession fees in North America excluding duty free, for retail concessions. In addition, Hudson agreed to the removal of the contractual commitment to open a duty-free kiosk and a duty-free store to allow 360 Duty Free to open and operate the Board approved duty-free store for 360 Duty Free and More Inc.

PROCUREMENT: N/A

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: There is no impact on operations.

SCHEDULE: To open no later than July 31, 2022.

ATTACHMENTS: None.

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This Agenda Report has been reviewed by OIAA General Counsel.



DATE: JANUARY 20, 2022

TO: COMMERCIAL COMMITTEE

SUBJECT: CONCESSION AGREEMENT WITH BREWERY X FOR A BREWERY X OUTLET
INCORPORATING TWO TOP GOLF SIMULATORS IN TERMINAL 2 AT ONTARIO
INTERNATIONAL AIRPORT

RELEVANT STRATEGIC OBJECTIVE: Invest in ONT; Plan for the Future, Master the Basics.

RECOMMENDED ACTION(S): Review and recommend to the Commission for approval a ten-year term concession agreement with Brewery X Inc., with one five-year extension option at the discretion of the CEO, to manage and operate a Brewery X concession, inclusive of two top golf simulators in Terminal 2 at Ontario International Airport (ONT) on a sole source basis.

FISCAL IMPACT SUMMARY: The impact of COVID has had a negative impact on concessionaire's appetite for new contracts with significant capital expenditure based on the traditional MAG and concession fee business model. The industry is moving to more equal share of risk and reward-based contracts. The Brewery X proposal is based on terms and conditions that are typically shared within a joint venture business model. Brewery X and the OIAA will be responsible for a 50/50 share of all capital investment inclusive of design, construction and fit out, all operational costs inclusive of marketing and promotional activations and an equal share of net profits.

BACKGROUND: ONT is a medium hub airport and the OIAA wishes to provide passengers traveling with a friendly environment that helps reduce the stress of travel, while providing them with a superior travel experience and world class amenities. The partnership with the fastest growing local brewery company and establishing the world's first top golf simulators within an airport (world first exclusive) will reflect the attractiveness of OIAA in the industry for new and innovative concepts and business models, while making another important step in providing such highly-sought-after amenities for the continued growth and productivity of the OIAA concession business.

The OIAA issued RFPs for F&B and Retail outlets in 4Q2018. No responses were forthcoming for either category. The start of COVID in March 2020 significantly impacted concessionaire's "appetite" for new contracts with significant capital expenditure, that remain today. The OIAA then entered discussions directly with brands that have been highly successful with the addition of Dunkin Donuts, Subway and Chick-Fil-A. Brewery X is another direct discussion, that has been enhanced by incorporating a new business model that shares the risk and reward in a true partnership contract.

PROCUREMENT: N/A

CEQA COMPLIANCE AND LAND USE APPROVALS: N/A

STAFFING IMPACT (# OF POSITIONS): N/A

IMPACT ON OPERATIONS: There is no impact on operations.

SCHEDULE: To open no later than July 31, 2022.

ATTACHMENTS: None.

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