

# Minutes of the Joint Meeting of MNA and MPC Finance/Administration/Properties Committees



---

Date:	April 8, 2020	Place:	Nashville International Airport Board Room Nashville, Tennessee
Time:	9:30 a.m.		
Committee Members Present:	Amanda Farnsworth, Chair; Bill Freeman, Vice Chair; Bobby Joslin; John Doerge; and Kevin Crumbo		
Committee Members Absent:	None		
Others Present:	Jimmy Granbery; Nancy Sullivan; Board Chair, A. Dexter Samuels; Christy Smith; Board Vice Chair Harwell; Doug Kreulen; Cindy Barnett; and Angela Edwards		

---

I. Call to Order

Chair Farnsworth called the meeting of the MNA and MPC Finance, Administration, and Properties (FAP) Committee to order at 9:45 a.m., pursuant to Public Notice dated April 3, 2020.

II. Roll Call and Open Meetings Act Announcement

Ms. Angela Edwards, Staff Secretary, called roll of the members of the Joint Meeting of the MNA and MPC Finance/Administration/Properties Committees. All members were present.

Ms. Edwards read the Open Meetings Act Announcement as follows:

The Joint Meeting of the MNA and MPC Finance/Administration/Properties Committees will be held in accordance with Executive Order No. 16 signed by Governor Bill Lee on March 20, 2020, allowing a governing body to hold meetings by electronic or other means of communication without a quorum being physically present if the governing body determines that meeting by electronic means is necessary to prevent the spread of COVID-19 or other related epidemics to protect the health, safety and welfare of the public and members of the governing body. All votes taken during this meeting will be by roll call vote.

III. Approval of Minutes

Chair Farnsworth called for a motion to approve the Minutes of the March 11, 2020 FAP Committee meeting. A motion was made by Commissioner Freeman and seconded by Commissioner Doerge. Ms. Edwards took a roll call vote and the motion carried by vote of 5 to 0.

IV. Chair's Report

Chair Farnsworth had no Chair's Report.

V. Items for Approval

A. Approval of Atlantic Aviation Lease (Terms and Extension)

Mr. John Corbitt, AVP, Real Estate Development, briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the Atlantic Aviation Lease (Terms & Extension).

Staff provided the FAP Committee a staff analysis for the Atlantic Aviation Lease (Terms and Extension) prior to the meeting.

Mr. Corbitt discussed the current premises, proposed premises, property layout, and key terms of the lease.

Capital improvements include:

- Demolition of TDOT Administration Office Building
- One new 30,000 SF hangar with a 5,000 SF office bay
- 96,236 SF of new and improved aircraft parking ramp area
- Demolition of existing Hangar 6
- One new 12,500 SF world class FBO Terminal
- Construction of a new underground bioretention area within leasehold
- Construction of additional new vehicle parking spaces as required by code

Key terms include:

- \$30 million minimum initial investment within 48 months
- 40-year lease term with one 5-year option to renew

- 115% escalation of base rent to commence on the 6th anniversary and adjusted every 5-year period thereafter thru Lease Term
- Every 10 years FMV reset based upon certified appraisal of all improvements vested with the Authority, to include improved and unimproved land
- Addition of Property Condition Assessment (PCA) and Pavement Condition Index (PCI) (every 5 years)
- Reset of improved and unimproved property designations

Mr. Corbitt presented two power point slides of the current premises and proposed improvements. He ended his presentation with an explanation of key terms and benefits of the updated proposed lease terms to the Authority.

Chair Farnsworth asked for comments on the revised terms from Commissioner Granbery and Commissioner Freeman. Commissioner Granbery stated he thought it was a substantial improvement and if he were on the Committee, he would recommend approval. Commissioner Freeman agreed.

A motion to approve the Atlantic Aviation Lease (Terms & Extension) was made by Commissioner Freeman and seconded by Commissioner Joslin. Ms. Edwards took a roll call vote and the motion carried by vote of 5 to 0.

B. Approval of Fraport 2<sup>nd</sup> Amendment (Application of Contract Penalties)

Ms. Margaret Martin, VP, Commercial Development Officer, briefed the Committee on this item. Staff requested that the FAP Committee recommend to the Board of Commissioners that it approve the Amendment to the Lease and Concession Agreement (Agreement) between MNAA and Fraport Tennessee, Inc., for the terminal concessions program.

Staff provided the FAP Committee a staff analysis for the Fraport 2<sup>nd</sup> Amendment (Application of Contract Penalties) prior to the meeting.

Ms. Martin stated the Fraport Lease and Concession Agreement currently requires payment of contract penalties for certain contract compliance issues, most notably contract penalties for delayed openings. These penalties could adversely impact the overall program implementation by impacting the resources of Fraport and financial capabilities of their concession business partners.

Staff is recommending that the Agreement be amended to add additional language to provide MNAA the authority to approve written exceptions, on a case-by-case basis, to the application of contract penalties upon request by Fraport. This does not obligate MNAA to approve such requests. However,

it would give MNAA the flexibility to negotiate speeding up construction in lieu of financial penalties that Fraport could extend to the tenants.

Chair Farnsworth stated she thought this was a great compromise and would benefit the airport and the concessionaires.

A motion was made to approve the Amendment to the Lease and Concession Agreement between MNAA and Fraport Tennessee, Inc., for the terminal concessions program by Commissioner Doerge and seconded by Commissioner Freeman. Ms. Edwards took a roll call vote. Commissioner Joslin abstained and the motion carried by vote of 4 to 0.

VI. Information Items

A. Fraport Transition Update

Ms. Martin briefed the Committee on this item. Ms. Macey stated the CoVID-19 virus made a big impact to the concessions program. Fraport is currently receiving requests from tenants to either close its location or to cut back on operational hours. MNAA staff has been reviewing each request. The requests must show documentation that sales have been impacted enough to justify closure or reduced operational hours.

Currently, 63% of the locations are closed, 25% remain open with modified hours and 12% are under construction. The focus is to keep a few locations open throughout the airport in each concourse to ensure there is something available to passengers.

Ms. Martin then discussed financial status. MNAA staff are evaluating Article 5 of the Agreement for adjustments to the application of the Minimum Annual Guarantee (MAG). The Agreement states the MAG can be reduced if there is a greater than 10% decline in enplanements during the lease year. At the request of Fraport, staff is also evaluating potential release of restricted cash. There is an \$11M letter of credit from Fraport as well as a \$13M deposit account. The deposit account was created for capital improvements required to be completed by Fraport. The airport is also evaluating whether it should release a portion of that \$13M so that Fraport can meet some its operational costs. MNAA is not entertaining the release of the \$11M letter of credit. The \$11M does cover the annual MAG. Fraport had only brought in 1.6% of projections in March 2020.

Concepts under construction but substantially finished will be prepared to open when traffic returns. Those locations are Tootsies, Tennessee Trading Post, Tennessee Brew Works, Music Row Supply, and Barista Parlor.

Ms. Martin gave an update on Fraport transition of Concourse D. MNAA is still working with Fraport to open locations in Concourse D by the July 16, 2020 deadline. 8<sup>th</sup> and Roast is on track to meet the deadline. Stellar, who manages both Stellar News and Patricia Nash, has put a nationwide hold on all construction expenditures at this time. Minutes Suites is moving forward and hopes to meet the deadline date of July 16 as does Party Fowl and Burger King. Puckett's has met the 30% design but will probably not meet the deadline. The Southern Steak and Oyster is actively engaged and working on its 30% design but is not on track to meet the July 16 deadline. Blue Stripes concept belongs to Red Pebbles Hospitality Group and they are evaluating the status of their projects at this time.

President Kreulen stated the grand opening of Concourse D scheduled for July 16, 2020 is still on Governor Lee's calendar as well as the CEO of Southwest Airlines calendar. President Kreulen has relayed the concerns that all locations will not be open. President Kreulen recommended that MNAA cancel the Concourse D grand opening and celebration since all the locations will not be open and to save money. Southwest Airlines still wants Concourse D and to fly out of it. President Kreulen stated he would like to address this topic again at the Board meeting on April 15, 2020 in his President's Report.

Commissioner Joslin stated he thought it would be foolish to celebrate and have a party at this time. He commended the staff on their efforts to cut costs. Commissioner Freeman agreed.

President Kreulen stated he would have detailed financial update at the Board meeting on April 15.

Commissioner Farnsworth asked that President Kreulen send out his President's Report to all Commissioner's before the Board meeting next week in order for the Commissioner's to have time to look over the financial spreadsheets.

This item was presented for information purposes only with no action required.

VI. Adjourn

There being no further business brought before the FAP Committee, Chair Farnsworth adjourned the meeting at 10:12 a.m.



\_\_\_\_\_  
Amanda C. Farnsworth, Board Secretary