

Minutes of the Joint Meeting of the MNAA and MPC  
Operations, Engineering & Strategic Planning Committees



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Date: June 15, 2022                                      Place: TDOT Aeronautics Hangar Board Room  
Time: 9:00 a.m.  
Committee Members Present: Bobby Joslin, Chairman; Nancy Sullivan, Vice Chair; and Andrew Byrd  
Committee Members Absent: Glenda Glover  
Others Present: Bill Freeman; Jimmy Granbery; Joycelyn Stevenson; Doug Kreulen; Neale Bedrock; Lisa Lankford and Ginger Cork

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I. Call to Order

Chairman Joslin called the Joint Meeting of the MNAA and MPC Operations, Engineering & Strategic Planning (Operations) Committees to order at 9:00 a.m., pursuant to Public Notice dated June 10, 2022.

II. Approval of Minutes

Commissioner Byrd made a motion to approve the Minutes of the May 11, 2022 Operations Committee meeting and Vice Chair Sullivan seconded the motion. The motion carried by vote of 3 to 0.

III. Chairman's Report

Chairman Joslin expressed his gratefulness for having the Committee meetings at John C. Tune this month and feels it is important for the Commissioners to see how far this airport has come from the damage of the tornado 2 years ago. Commissioner Joslin added that he is very appreciative to everyone and their efforts in making this meeting happen today.

IV. Approval Items

A. Construction Contract for Reconstruct Taxiway Bravo South

Doug Kreulen, President and CEO, introduced Ms. Traci Holton, VP, Chief Engineer and Deputy COO, to brief the Operations Committee on the Construction Contract for Reconstruct Taxiway Bravo South from the Bravo/Kilo intersection to Runway 2L. An Invitation to Bid was advertised on April 4, 2022 and included six Bid Schedules. Three bids were received from Hi-Way Paving (\$18.75M); Superior (\$19.72M); Kiewit (only bid 1A & 1B @ \$28-\$31M). Staff recommends awarding the project to Hi-Way

Paving because their bid was the lowest responsive bid which came in at 22% lower than Engineer of Record. The DBE goal for the project is 16.48% and Hi-Way paving participation is at 16.53% DBE. Their DBE sub-contractors include Gibco, Archangel, Kimberly Inc., and Rutherford Contracting. The duration of this project is 185 calendar days with a total contract cost of \$18.75M.

Vice Chair Sullivan asked if staff plans to add back any items to the scope of the project since we were under budget. Ms. Holton stated the project and bid is for the full scope.

Ms. Holton requested that the Operations Committee recommend to the Board of Commissioners that it:

1. authorize the Chair and President and CEO to execute the construction contract with Hi-Way Paving for \$18,750,200

Commissioner Byrd made a motion to approve as presented and Vice Chair Sullivan seconded the motion. The motion passed with a vote of 3 to 0.

Following approval, Commissioner Granbery asked how aircraft will taxi to get to 2L. Ms. Holton stated they would go down Alpha during the construction.

#### V. Informational Items

##### A. BNA Vision Update

President Kreulen introduced Ms. Traci Holton, VP, Chief Engineer and Deputy COO, who updated the Committee on BNA Vision. Ms. Holton shared several recent construction photos with the Commissioners. Photos shared included the Terminal lobby, International Arrivals Facility and Canopy; and the West / East Garage Structure.

President Kreulen added that he met with Chartwell's CEO last Friday and he is meeting with our Legal team today at 2:00 PM to review responses to their requests. President Kreulen said he had a good meeting with Mr. Rob Schaedle from Chartwell, and he thinks we can accommodate their requests and thinks they are willing to compensate MNAA for any changes made. We anticipate finalizing our response to Chartwell this afternoon and we hope they agree to everything so we can move this to closing. We will come back to Board for approval of any amendments that are required.

Commissioner Byrd inquired about changes Chartwell is requesting. President Kreulen stated discussions are regarding the naming of the hotel, which we think we have a good license agreement with Hilton; the possibility of the BNA logo and name on the restaurant and roof bar; the construction schedules due to change of companies; and restrictions on selling the hotel within

the first 10 years. Commissioner Byrd asked what level of compensation we are looking for. President Kreulen said the proposal is 10% a year. President Kreulen added that in speaking with our hotel experts, they feel our proposal is good. The lease term is a 75-year lease.

Commissioner Granbery inquired about the concrete subcontractor for Crain. President Kreulen explained it is Charter who is pouring all the existing concrete. Commissioner Granbery said the key point is that Charter is mobilized, the tower crane is probably Charter's, and they have all the fabrication equipment and forms in place since it's the same team.

Commissioner Stevenson inquired about the completion date for the hotel. President Kreulen stated that per our lease the Hotel it is December 31, 2023, and that our engineering team has always been flexible with our contractors – if it rains for 90 days and they can't build, we will work with them. As it stands with the hotel, we are ahead of schedule, and we will turn it over to them on time.

#### B. New Horizon

Ms. Holton briefed the Operations Committee on New Horizon, previously referred to as Beyond Vision. A press release was issued on June 10, 2022, and the solicitation for Concourse D extension is due on July 8, 2022 and Terminal Apron & Taxilane Expansion (TATE) Phase 2 is due July 14, 2022. We received a request for extension on the deadline for Concourse D extension and we may be able to accommodate the request. Ms. Holton added that staff is developing comprehensive financial and engineering contingency plans, based on current and future US economic outlook. President Kreulen stated this has been very helpful to him as to communicate with the Commissioners and anyone that would like to talk about it. He added that he has always talked with the Commissioners about off-ramps if the economy goes south or if we have bigger challenges on both the engineering and financial side of the house. We have at least two models that we look at to fund the projects. As a refresher, in 2019 Ms. Basrai sold \$920M at 3.5% for a 33-year fixed rate bond. The model when we came to you for permission to move forward for the full package on New Horizon was at 4.5%, and we are also running models for 5%. There is some flexibility that we are watching – if we don't build Concourse A, that saves us \$800M. We want to have options for the Board to look at and engineering will advise us on how we move forward. President Kreulen stated that he cannot emphasize enough how much is going on behind the scenes to make sure that we are not doing something that doesn't make good business sense for the Airport Authority.

Commissioner Granbery asked if we get to a point where we need to do an off ramp that we summarize for the Board what has already been approved / paid for and is in process. President Kreulen added that in December 2022 Ms. Basrai will be in New York to sell about \$600M bonds – that \$600M will pay off the \$300M short term credit facility and pays the remaining part of BNA Vision 1 and 2. Then we will start using the short term credit facility for this kind of purchase and we will go out for future bonds after that – we will basically be caught up with our mortgage by Christmas 2022 for the BNA Vision 1 and 2. The mortgage on New Horizon has not been taken out yet, further approvals will be coming in the future.

Commissioner Bryd stated that we are very smart to be doing this because there are a lot of cross currents out there right now creating a lot of uncertainty among bankers and others. From our corporate perspective, we are doing it and the fact that you all are doing it shows really good judgement. President Kreulen stated that Ms. Basrai is leading the effort and we will come to the Board with good recommendations.

#### C. JWN Development Update

President Kreulen introduced Mr. John Corbitt, AVP of Real Estate, who briefed the Operations Committee on the North Development Area at JWN. A Notice of Availability (NOA) was issued on April 5, 2022, for 10 parcels. Commercial Development has entered into direct negotiations with the 5 selected respondents for 8 parcels at \$2.21 per sf (average rent) which is 71% above \$1.29 per sf asking price. Respondents have 30 days to finalize Letters of Intent (LOI) and 6 months to finalize leases (December 31, 2022). MNAA will development the road, utilities, taxilane & connectors at an estimated cost of \$10.9M. Atkins is the design team on this project at \$495,427 and is scheduled to start in September of 2022 with a completion date of April 2023.

President Kreulen asked if any of the 8 parcels are signed. Mr. Corbitt stated that parcels 1 and 2 have signed; we have a redlined LOI from parcel 3 and expect a redlined LOI from parcels 7 and 8 today. President Kreulen added that just for Commissioners here – timing wise you can see that Ms. Holton will be in the area with our engineering team building everything inside the blue, starting in September and we should be able to coordinate as soon as we get an LOI, they should be able to jump in their property and start working and we will both be moving earth. It will be a busy 18 months with us doing our work and them building new hangars all the way to the tower.

Chairman Joslin asked about Hangar 1 and if it was going to MNPDP. President Kreulen stated that we have been working with the MNPDP Chief and he felt more comfortable being next to the tower and the

entrance way there and so we are saving a different one for them. President Kreulen added that Legal has done a really good job with Metro and we think at the first of July Council meeting, they will approve them to lease the box hangar that we will go to today for the ribbon cutting. As soon as they pay us for the 4 months that it was vacant, and the storage agreement is signed for the Metro storage area, we hope to get into a Letter of Agreement or Reimbursable Agreement to reimburse our design costs. President Kreulen also added that as soon as Mr. Corbitt gets these 8 LOI's signed and we have high confidence of the leases, we will put parcel 9 out and that becomes the minimum floor to get in here at that point. We will also rebid if any of the 8 LOI's don't sign.

Commissioner Granbery said when we did the old state hanger site at BNA that because of the investment, we were able to give them additional years on the lease and asked if that is something we will look at here and if there a minimum investment. President Kreulen said that probably one of the best decisions we ever made was when we locked in, and we agreed to use specific formulas using the Frist lease as a template. The Frist lease is being transferred over to these 8 parcels and we are treating everybody the same on the requirements.

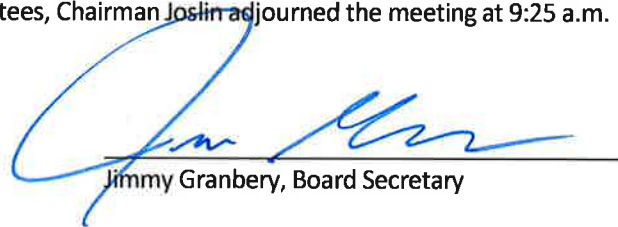
Mr. Corbitt then discussed the Key Lease Terms with the Board of Commissioners. The term is a 30-year base term with one 5-year renewal option and rent begins immediately upon lease execution with a 3% annual escalation, and a Fair Market Reappraisal Value (FMRV) every 10 lease years. There is a security deposit of 3 months' rent. Tenants are responsible for insurance, taxes and maintenance on their parcel. There will be property & pavement condition assessments every 5 lease years. MNAA receives a % of revenue in event of lease assignment by tenant unless it is to an affiliate or successor organization of tenant. There is a \$3M minimum investment per parcel with an 18-month development timeframe and the tenant is responsible for obtaining all permits, compliance with AIR process, and for providing as-built survey upon completion of improvements. The premises shall be used for operation of aircraft storage hangar and directly related activities and the premises shall not be used for any purpose other than aviation use.

Chairman Joslin asked about the \$3M investment per parcel – what if they can build it for \$2.6M. Mr. Corbitt stated however the lease is written will be what they are held to do – if they say on the front end that they can build it for \$2.6M, maybe we can talk about and put it in the lease but again whatever amount is in the lease is what they will be held to do. President Kreulen stated in general, they have to invest this amount of money to get that amount of lease term and the concern has been raised that this is aeronautical facility, and you can have a flight planning room a pilot's lounge and restrooms, but this is not an apartment to live in with beds - It will be built to support flight operations. Chairman Joslin

stated that our engineering team will approve everything in the design criteria in the Airport Improvement Request (AIR) process. Commissioner Granbery stated the 5-year renewal option in his lease is at market because we didn't have these new formulas of the reset, so the thought is that if you reset every 10 years and you add the 3%, when you get to year 31 you will probably be at market and asked what happens if you are not. President Kreulen stated that it would go to market at that time. Commissioner Freeman stated there is a wide range of rental rates on the parcels and asked if anything needs to be discussed on the difference of these. President Kreulen stated no, they basically bid for the location of their choice and now we know what the minimum market is, and we go from there.

VI. Adjourn

There being no further business before the Joint Committee of the MNAA and MPC Operations, Engineering and Strategic Planning Committees, Chairman Joslin adjourned the meeting at 9:25 a.m.



Jimmy Granbery, Board Secretary