City of Philadelphia



AN ORDINANCE

Authorizing the Procurement Commissioner and the Chief Executive Officer of Philadelphia International Airport on behalf of the City of Philadelphia, to enter into an amendment to a concession agreement for the management of the food, beverage, retail and passenger services program at Philadelphia International Airport, and an amendment to the ancillary Additional Services Agreement, all under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. The Procurement Commissioner and the Chief Executive Officer of Philadelphia International Airport are hereby authorized to enter into an amendment to the concession agreement with MarketPlace PHL, LLC for an optional additional renewal period of three (3) years and to modify the financial arrangement between the parties pursuant to which MarketPlace PHL, LLC will continue to manage the food, beverage, retail and passenger services concession program at the Philadelphia International Airport, and an amendment to the ancillary Additional Services Agreement with MarketPlace PHL, LLC providing for a complementary additional renewal period provision. The amendment to Master Lease and Concession Management Agreement will be substantially in the form attached hereto as Exhibit "A", and the amendment to the Additional Services Agreement will be substantially in the form attached hereto as Exhibit "B".

SECTION 2. The Procurement Commissioner, the Chief Executive Officer of Philadelphia International Airport and the City Solicitor are hereby authorized to take all actions and to review and approve all documents and agreements necessary to effectuate the Ordinance, and to impose such terms and condition as they may deem necessary and proper to protect the interests of the City of Philadelphia and to carry out the purpose of this Ordinance.

SECTION 3. Exhibit "A" and Exhibit "B" to this bill shall be kept on file with the Chief Clerk and made available for public inspections.

Exhibit A

SECOND AMENDMENT TO MASTER LEASE AND CONCESSION MANAGEMENT AGREEMENT

This Second Amendment to Master Lease and Concession Management Agreement (the "Second Amendment") is made and entered into this ______ day of ______, 2021 and effective as of January 1, 2021 (the "Effective Date"), by and between THE CITY OF PHILADELPHIA, a Pennsylvania municipal corporation acting by and through its PROCUREMENT DEPARTMENT and DEPARTMENT OF COMMERCE, DIVISION OF AVIATION (the "City"), and MARKETPLACE PHL, LLC, (the "Concession Manager") a Delaware joint venture, formed as a limited liability company, with its principal place of business at 75 Park Plaza, 3rd Floor, Boston, Massachusetts 02116.

RECITALS

- A. The City owns and operates Philadelphia International Airport (the "<u>Airport</u>") located in The City of Philadelphia and Delaware County, Commonwealth of Pennsylvania, and has the power to grant rights and privileges with respect thereto.
- B. The City determined that certain portions of Terminals A East, A West, B, C, D, E, and F at the Airport should be used for food, beverage, retail and passenger service concessions to serve the needs of the users of the Airport. After following all City procedures, the City and the Concession Manager entered into a Master Lease and Concession Management Agreement with an effective date of January 1, 2015, as amended by a First Amendment dated June 15, 2016 (collectively, the "Agreement").
- C. The parties now desire to amend the Agreement pursuant to the terms and conditions hereinafter set forth.

Capitalized terms not otherwise defined in this Agreement shall have the meaning ascribed to them in the Agreement.

NOW THEREFORE, for good and absolute consideration, the receipt of which is hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

- 1. <u>INCORPORATION</u>. The Recitals of this Second Amendment and the documents referred to therein are incorporated herein by this reference.
- 2. <u>EXERCISE OF RENEWALS.</u> The City hereby acknowledges that the Renewal Performance Criteria have been satisfied as of December 31, 2019 and the City hereby exercises both the first Renewal Term and the second Renewal Term described in Section 2.02(B). Concession Manager hereby accepts each such Renewal Term.
- 3. <u>AMENDMENTS</u>. Effective as of the Effective Date, and notwithstanding anything to the contrary contained in the Agreement, the Agreement is hereby amended as follows:

- Modifications to Financial Considerations. A.
- i. Section 4.01(A) is hereby deleted in its entirety and substituted with the following:
- "(A) Rental Payment. The Concession Manager shall pay the City the Rental Payment as set forth herein below. The Rental Payment is defined as Total Gross Concession Revenues less the sum of (i) the Concession Management Fee, (ii) the Extra Charge Deficit Amount (as defined below), if any, and (iii) the Uncollected Amounts above the Allowance (the 'Rental Payment'). 'Extra Charge Deficit Amount' means the amount of Additional Rent, from time to time, shown as a budgeted deficit on a budget for such costs previously approved by the City, or shown as an unpaid receivable from Subtenants to Concession Manager, and shall include, and not be limited to, CAM charges under Section 3.09(A), Subleased Premises infrastructure maintenance under Section 3.09(B), Subtenant maintenance under Section 3.09(C), utility costs under Section 3.12(B), trash removal under Section 3.14, all taxes under Section 3.18, marketing and advertising costs, reserves, and any other amounts, other than MAG and Percentage Rent, that are due and owing from any Subtenant to Concession Manager. In the event there is budgeted deficit on a previously approved budget, Concession Manager and the City shall meet from time to time, but not less than quarterly, to review and to modify such budget as the parties may agree."
- Section 4.01(A)(2) is hereby deleted in its entirety and substituted with the ii. following:
- "(2) 'Concession Management Fee' means the greater of the Base Fee Amount (as defined below) and eleven percent (11%) of the Total Gross Concession Revenues. 'The Base Fee Amount' means \$3,300,000 for 2021 and such amount shall be increased each year thereafter on the anniversary of the Effective Date by a fraction whose numerator is the Price Index (as such term is defined below) for the second month immediately preceding such anniversary of the Effective Date and whose denominator is the Base Price Index (as such term is defined below). The Base Fee Amount as adjusted will not be reduced below \$3,300,000 pursuant to this Section. 'Price Index' means the United States Department of Labor, Bureau of Labor Statistics Revised Consumer Price Index for All Urban Consumers (1982-84 = 100) all items (CPI-U), or if such index shall cease to be published such reasonably comparable commercially-recognized, governmental or non-partisan alternative publication as Landlord shall select. 'Base Price Index' means the Price Index for the second month immediately preceding the Effective Date."
- iii. Section 4.02(C)(1) is hereby deleted in its entirety and substituted with the following:
- "(1) Concession Management Fee: The Concession Management Fee as set forth in Section 4.01(A)(2) and the Extra Charge Deficit Amount as defined in 4.01(A) above shall be retained by the Concession Manager from Total Gross Concession Revenues at the time the Rental Payments due to the City are made as set forth in Sections 4.01(C)(1)(a)."

- B. <u>Renewal</u>. The City and the Concession Manager acknowledge that both the first Renewal Term and the second Renewal Term (the "Second Renewal Term") described in Section 2.02(B) have been exercised as set forth in Section 2 above. The first four (4) sentences of Section 2.02 (B) are hereby deleted and replaced with the following (but all of the other provisions of Section 2.02(B) shall remain):
- "(B) <u>Renewal</u>. The City shall have the option (the 'Option') to renew this Agreement for one (1) renewal term (the 'Renewal Term'). The Renewal Term shall be for a period of three (3) years commencing the day after the expiration of the Second Renewal Term (as defined in this Second Amendment). The exercise by the City of the Option shall be in its absolute and sole discretion and the City's decision shall be final."
- C. Section 8.04 is hereby deleted in its entirety and substituted with the following:

"8.04 Philadelphia 21st Century Minimum Wage and Benefits Standard.

Chapter 17-1300 of the Philadelphia Code ("Code"): Philadelphia 21st Century Minimum Wage and Benefits Standard. Concession Manager acknowledges that Concession Manager is subject to Chapter 17-1300 of the Code. Concession Manager agrees that in any new Sublease to a Subtenant at the Airport, or any new amendment to any Existing Sublease, made on or after January 1, 2021, Concession Manager will include in such new Sublease or new amendment a provision requiring the Subtenant to abide by the minimum compensation standards as set forth in Chapter 17-1300 of the Code. Concession Manager shall provide its covered employees (persons who perform work for Concession Manager that arises directly out of this Agreement with the City) with the minimum wage standard and minimum benefits standard set forth in Section 17-1305 of the Code, which are summarized below and as further set forth in the remaining provisions of Chapter 17-1300 of the Code.

(A) Minimum Wage

Concession Manager, and any subcontractor at any tier, shall provide their covered Employees with an hourly wage, excluding benefits, equal to:

Between July 1, 2020, and June 30, 2021, \$13.75;

Between July 1, 2021, and June 30, 2022, \$14.25;

Between July 1, 2022, and June 30, 2023, \$15.00; and

Starting July 1, 2023, and thereafter, \$15.00 multiplied by the CPI Multiplier, provided that the minimum wage shall not be less than the previous year's minimum wage. The CPI Multiplier is calculated annually by the City's Director of Finance by dividing the most recently published Consumer Price Index for all Urban Consumers All Items Index for Philadelphia, Pennsylvania, by the most recently published Consumer Price Index for all Urban Consumers (CPI-U) of each Calendar Year. The then current minimum hourly wage applicable to City contractors and subcontractors will be posted on the City's website.

(B) Minimum Benefits

To the extent Concession Manager provides health benefits to any of its employees, provide each full-time, non-temporary, non-seasonal covered employee with health benefits at least as valuable as the least valuable health benefits that are provided to any other full-time employees of the Concession Manager; and

Provide to each full-time, non-temporary, non-seasonal covered employee at least the minimum number of earned sick leave days required by Code Section 17-1305(2).

Upon request by the City, Concession Manager shall promptly provide to the City all documents and information as the City may require verifying its compliance with the requirements of Chapter 17-1300. Concession Manager shall notify each affected employee which wages are required to be paid pursuant to Chapter 17-1300.

Concession Manager is subject to Chapter 17-1300 and Concession Manager shall comply with all its requirements as they exist on the date the Concession Manager entered into this Agreement with the City or when the Agreement is amended. Should Concession Manager fail to comply with Chapter 17-1300, after notice and hearing before the Director of Finance or such other officer or agency designated by the Mayor, Concession Manager may be suspended from receiving financial assistance from the City or from bidding on and/or participating in future City contracts for up to three (3) years. Furthermore, the Philadelphia City Council may, by resolution adopted after a public hearing, determine that there are reasonable grounds to believe that Concession Manager has failed to comply with Chapter 17-1300, and that if such failure is established, then debarment would be an appropriate remedy for such failure. A copy of any such adopted resolution shall be forwarded to the Director of Finance, or such

other officer or agency designated by the Mayor, who shall without undue delay provide appropriate notice and opportunity for hearing, and after such hearing, make a final determination as to whether there has been a violation of Chapter 17-1300 and whether debarment, as provided by Chapter 17-1300, should be imposed. Such debarment shall be in addition to any of the other sanctions or remedies set forth in Chapter 17-1300.

Notwithstanding anything to the contrary contained in this Agreement, (i) Concession Manager's covered employees shall be deemed third-party beneficiaries of Concession Manager's representation, warranty, and covenant to the City under this Section 8.04 only, and (ii) the covered employees of a Subtenant of Concession Manager, or any other Subcontractor to Concession Manager at any tier, providing services to a Subtenant or other Subcontractor shall be deemed third-party beneficiaries of their representation, employer's warranty and covenant Concession Manager under the section of the Subtenant's Sublease or the other Subcontractor's agreement providing for compliance with Chapter 17-1300; provided, however, that under no circumstances shall an employee of a Subtenant or other Subcontractor be deemed a third-party beneficiary of any representation, warranty or covenant of Concession Manager under this Section 8.04 and/or this Agreement, nor shall an employee of a Subtenant or other Subcontractor have any rights against Concession Manager on account of such Subtenant's or other Subcontractor's breach of any of its representations, warranties or covenants under its Sublease or other Subcontract.

The City's Office of Labor Standards may grant a partial or total waiver of Chapter 17-1300 based on specific stipulated reasons elaborated in Section 17-1304 of the Code.

The language to be included in new Subleases or amendments to existing Subleases made on or after January 1, 2021 is as follows:

"If Tenant employs more than five (5) people, Tenant shall provide its covered employees (persons who perform work for Tenant that arises directly out of Tenant's Sublease with Landlord) with the minimum wage standard and minimum benefits standard stated in Section 17-1305 of the Philadelphia Code ("Code"), which are summarized below and as further set forth in the remaining provisions of Chapter 17-1300 of the Code:

(1) Minimum Wage

Subtenant, and any subcontractor at any tier, shall provide their covered Employees with an hourly wage, excluding benefits, equal to:

- a) As of January 1, 2021provide its covered employees with an hourly wage, excluding benefits, that is no less than \$13.75/hour.
- b) Between July 1, 2021 and June 30, 2022and during each year thereafter, provide its covered employees with an hourly wage, excluding benefits, with an hourly wage, excluding benefits, that is no less than \$14.25/hour.
- c) Between July 1, 2022 and June 30, 2023 and during each year thereafter, provide its covered employees with an hourly wage, excluding benefits, with an hourly wage, excluding benefits, that is no less than \$15.00/hour.
- Starting July 1, 2023, and thereafter, \$15.00 multiplied by the CPI Multiplier, provided that the minimum wage shall not be less than the previous year's minimum wage. The CPI Multiplier is calculated annually by the City's Director of Finance by dividing the most recently published Consumer Price Index for all Urban Consumers All Items Index for Philadelphia, Pennsylvania, by the most recently published Consumer Price Index for all Urban Consumers (CPI-U) of each Calendar Year. The then current minimum hourly wage applicable to City contractors and subcontractors will be posted on the City's website.

(2) Minimum Benefits

a) To the extent Tenant provides health benefits to any of its employees, provide each full-time, non-temporary, non-seasonal covered employee with health benefits at least as valuable as the least valuable health benefits that are provided to any other full-time employees of Tenant; and

b) Provide to each full-time, non-temporary, non-seasonal covered employee at least the minimum number of earned sick leave days set forth in Code Section 17-1305(2).

Tenant shall promptly provide to the City of Philadelphia ("City") and Landlord all documents and information as the City and Landlord may require verifying its compliance with the minimum compensation (including benefits) standards set forth in Section 17-1305 of the Code. Tenant shall notify each affected employee which wages are required to be paid pursuant to this Sublease.

Tenant hereby agrees to be subject to Chapter 17-1300 and Tenant shall comply with all its requirements as they exist on the date the Tenant entered into the Sublease with Landlord or when the Sublease is amended. Should Tenant fail to comply with Chapter 17-1300, Tenant may, after notice and hearing before the Director of Finance or such other officer or agency designated by the Mayor, be suspended from receiving financial assistance from the City or from bidding on and/or participating in future City contracts for up to three (3) years. Furthermore, the Philadelphia City Council may, by resolution adopted after a public hearing, determine that there are reasonable grounds to believe that Tenant has failed to comply with Chapter 17-1300, and that if such failure is established, then debarment would be an appropriate remedy for such failure. A copy of any such adopted resolution shall be forwarded to the Director of Finance, or such other officer or agency designated by the Mayor, who shall without undue delay provide appropriate notice and opportunity for hearing, and after such hearing, make a final determination as to whether there has been a violation of Chapter 17-1300 and whether debarment, as provided by Chapter 17-1300, should be imposed. Such debarment shall be in addition to any of the other sanctions or remedies set forth in Chapter 17-1300.

Notwithstanding anything to the contrary contained in this Sublease, Tenant's covered employees shall be deemed third-party beneficiaries of Tenant's representation, warranty, and covenant to the Landlord under this Section 8.04 only; provided, however, that under no circumstances shall an employee of Tenant be deemed a third-party beneficiary of any representation, warranty or covenant of Landlord under this Section 8.04 and/or this Sublease nor shall an employee of Tenant have any rights against Landlord on account of Tenant's breach of any of its representations, warranties or covenants under this Section 8.04 and/or this Sublease.

The City's Office of Labor Standards may grant a partial or total waiver of Chapter 17-1300 based on specific stipulated reasons elaborated in Section 17-1304 of the Code."

With respect to any Subcontractor of Concession Manager under this Agreement at any tier that is an "Employer" defined in Code Section 17-1303 other than a Subtenant (i. e., certain service contractors), Concession Manager shall apply all the requirements of Chapter 17-1300 to all such Subcontractors on and after January 1, 2021, by including the provisions set forth above as to be included in Subtenants' Subleases (or amendments to Subleases), revised to change "Tenant," "Sublease" and "Landlord" to terms appropriate for each such Subcontract, in a written contract with each such Subcontractor.

Concession Manager shall monitor the compliance of its Subtenants and its Subcontractors at any tier with the provisions set forth above, and report to the City thereon, as set forth in Section 4.07(A)(1)(f) above and as otherwise directed from time to time by the City."

<u>D. Prevailing Wage</u>. The parties acknowledge that Bill No. 210421 regarding extending prevailing wage requirements to certain covered airport service employees was introduced into Council for the City of Philadelphia on May 6, 2021. In the event that Bill No.210421, as it may hereinafter be amended (the "Bill"), is enacted, the Concession Manager agrees to be bound by the provisions of the Bill. The Concession Manager further agrees that it shall require all new sublessees and any sublessee whose existing sublease is amended after the effective date of the Bill to be bound by the provisions of the Bill.

<u>E. B/C Renovation Project.</u> Concession Manager and the City have discussed, from time to time, the feasibility of renovating and redeveloping the B/C Connector retail area (the "B/C Connector Project"). At such time when both the total enplanements at the Airport and enplanements at Terminal B and Terminal C exceed seventy percent (70%) of the level of enplanements for calendar year 2019 for six (6) consecutive months, then either the Concession Manager or the City may institute the commencement of negotiations regarding the B/C Connector Project. Once commenced, the parties shall have twelve (12) months to reach agreement on mutually acceptable terms for the development and financing of the B/C Connector Project. Neither party shall have any liability for failing to reach a final mutually acceptable agreement.

F. Subleases.

- i. The following provision is hereby added as a new Section 3.02(L):
- (1) "(L) Concession Manager shall use its commercially reasonable efforts to add provisions to the proposed form of Sublease that require the Subtenants to participate in certain programs promulgated by the City or the Division of Aviation including, but not limited to, recycling and economic sustainability initiatives, the Philabundance Food Rescue Program, the OrderAtPHL.com program and the Airport ISP."

4. OTHER PROVISIONS.

- A. Except to the extent specifically amended in this Second Amendment, all of the terms and provisions of the Agreement remain unmodified and in full force and effect.
- B. This Second Amendment may be executed in one or more identical counterparts, each of which shall be deemed an original and all of which, together, shall comprise a single agreement.

[This space intentionally left blank]

IN WITNESS WHEREOF, the City and Concession Manager have caused these presents to be executed by their respective duly authorized officers as of the day and year first written above:

Approved as to Form: Diana Cortes City Solicitor	THE CITY OF PHILADELPHIA acting through its Procurement Department By: Monique Nesmith-Joyner Procurement Commissioner		
By: Senior Attorney			
Approved as to Form: Diana Cortes City Solicitor	THE CITY OF PHILADELPHIA acting through its Department of Commerce, Division of Aviation		
By: Senior Attorney	By:		
	CONCESSION MANAGER:		
	MARKETPLACE PHL, LLC		
ATTEST/CORPORATE SEAL	MarketPlace Philadelphia, Limited Partnership, its Managing Member		
By:	By: MarketPlace Philadelphia Inc. its General Partner		
Attest:	ByPaul O. McGinn, President		
Its: Secretary or Treasurer			
(Corporate Seal)	LeJeune and Associates, LLC, Member By:		
	Clarence LeJeune, Managing Member		

Exhibit B

FOURTH AMENDMENT TO AMENDED AND RESTATED ADDITIONAL SERVICES AGREEMENT

This FOURTH A l	MENDMENT TO AM	ENDED AND RE	ESTATED AD	DITIONAL
SERVICES AGREEME	NT (the "Fourth Ame	endment") is mad	e this day	of,
2021, effective as of	, 2021 (" Effectiv	ve Date") by and	between THE	CITY OF
PHILADELPHIA, a P	ennsylvania municipal	corporation act	ing by and	through its
DEPARTMENT OF C	COMMERCE, DIVIS	ION OF AVIA	ΓΙΟΝ (the "	City") and
MARKETPLACE PHL,	LLC (the "Concession	Manager"), a Del	laware joint vei	nture formed
as a limited liability com-	pany with its principal	place of business	at 75 Park Pl	aza, Boston,
Massachusetts 02116.		•		

BACKGROUND

- A. The Concession Manager and the City are parties to an Amended and Restated Additional Services Agreement made March 10, 2016, effective January 1, 2015 (the "Original ASA"), which is ancillary to a Master Lease and Concession Management Agreement also made effective January 1, 2015 by and between the same parties (the "Master Lease"), pursuant to which the Concession Manager agreed to arrange with the City to provide certain services to benefit the Leased Premises (as defined in the Master Lease) and/or the retail concession program of Philadelphia International Airport (the "Airport"), and the City agreed to pay the Concession Manager therefor.
- B. The Original ASA has been amended by a First Amendment to Amended and Restated Additional Services Agreement made August 3, 2017, effective July 1, 2017 (the "First Amendment"), a Second Amendment to Amended and Restated Additional Services Agreement made August 24, 2018, effective as of January 1, 2018 (the "Second Amendment"), and a Third Amendment to Amended and Restated Additional Services Agreement made June 19, 2020, effective as of July 1, 2020 (the "Third Amendment"; together with the First Amendment, the Second Amendment and the Original ASA, hereinafter referred to as the "ASA").
- C. The Concession Manager and the City desire to amend the ASA as provided in this Fourth Amendment.
- **NOW, THEREFORE,** for and in consideration of the mutual covenants and promises contained herein and intending to be legally bound hereby, the City and the Concession Manager agree as follows:

1. **Background**:

The Background above is hereby incorporated into this Fourth Amendment.

2. **Amendments to the ASA**:

a. <u>First, Second and Third Renewal Terms Effected.</u> Section 2.01 of the ASA is hereby deleted in its entirety and replaced by the following:

"Section 2.01 Term. The initial term of this ASA will be four (4) years, beginning January 1, 2015, and ending December 31, 2018, unless sooner terminated pursuant to this ASA ("Initial Term"). The City shall have the option (the "Option") to renew the ASA for up to four (4) renewal terms (each a "Renewal Term") upon written notice to the Concession Manager delivered not less than twelve (12) months prior to the expiration of the existing Term. The first Renewal Term shall be for a period of three (3) years, the second Renewal Term shall be for a period of three (3) years thereafter, the third Renewal Term shall be for a period of two (2) years thereafter, and the fourth Renewal Term shall be for a period of three (3) years thereafter. Each of the Renewal Terms will be co-terminus with the term of the Master Lease. The exercise by the City of any of its four renewal Options shall be in its absolute and sole discretion and the City's decision shall be final. The parties hereby agree that the City has exercised, and the Concession Manager has accepted, its Option to renew the ASA for a first Renewal Term, the second Renewal Term and the Third Renewal Term, such that the date of expiration of the ASA, as of the Effective Date of this Fourth Amendment, is December 31, 2026. Any Renewal Term will be subject to the termination provisions of this ASA."

3. **Other Provisions**:

a. ASA, as amended, in Full Force:

Except to the extent specifically amended in this Fourth Amendment, all of the terms and provisions of the ASA are hereby confirmed by the parties as in full force and effect.

b. <u>Counterparts</u>:

This Fourth Amendment may be executed in one or more identical counterparts, each of which will be deemed an original, and all of which, together, will comprise a single agreement.

IN WITNESS WHEREOF, the parties have caused this Fourth Amendment to be executed by their respective authorized officers as of the day and year first above written.

THE CITY OF PHILADELPHIA acting through its Department of Commerce, Division of Aviation
By: Rochelle L. Cameron, CPA Chief Executive Officer, Philadelphia International Airport
MARKETPLACE PHL, LLC MarketPlace Philadelphia, Limited Partnership, its Managing Member
By: MarketPlace Philadelphia Inc., its General Partner
By: Paul O. McGinn, President
By: Clarence LeJeune Managing Member

City of Philadelphia

BILL NO. 210505 continued	Certified Copy

City of Philadelphia

BILL NO. 210505 continued

Certified Copy

CERTIFICATION: This is a true and correct copy of the original Bill, Passed by the City Council on June 24, 2021. The Bill was Signed by the Mayor on July 1, 2021.

Michael A. Decker

Michael a Decker

Chief Clerk of the City Council