

**PORT OF SEATTLE**  
**MEMORANDUM**

**COMMISSION AGENDA**

Item No. 5b  
Date of Meeting August 9, 2011

**DATE:** July 28, 2011

**TO:** Tay Yoshitani, Chief Executive Officer

**FROM:** James R. Schone, Director, Aviation Business Development *JRS*  
Deanna Zachrisson, Manager, Concessions Business *DZ*

**SUBJECT:** Lease and Concession Agreement with U.S. Bank Corporation for the Management and Operation of an On-site Banking Facility and Automated Teller Machine Concession.

**ACTION REQUESTED:**

Request for authorization for the Chief Executive Officer to execute a Lease and Concession Agreement (Exhibit A) with U.S. Bank Corporation for the Management and Operation of an On-site Banking Facility (Bank) and Automated Teller Machine (ATM) Concession at Seattle-Tacoma International Airport (Airport) for a term of seven (7) years with one one-year option at the Port's sole discretion. The total minimum annual revenue to the Port, including rent for the bank space, is \$673,350.

**SYNOPSIS:**

In April 2011, Airport Concessions staff issued a Request for Proposals (RFP) for a full-service bank, as well as approximately 22 ATMs throughout the Airport and at the new Rental Car Facility. This request yielded responses from three large commercial banks. One proposer was not interested in building or operating the Bank and, therefore, was deemed non-responsive. The remaining two proposals were evaluated based on pre-determined scoring criteria which placed weight on experience of banking operations in an airport or other high traffic environments, the financial offer to the Port, and customer service provided to both the tenant community and the traveling public. Based on this evaluation, staff recommends award to U.S. Bank Corporation under the terms proposed as part of the Request for Proposals process. U.S. Bank will hire approximately 10 employees to operate the bank and service the ATMs.

**BACKGROUND:**

The Airport is often characterized as similar to a small city, and as with any community, the easy availability of quality banking services is a basic necessity. Particularly for the tenant businesses, services such as coin and bill change and a merchant depository for tenant business deposits greatly enhance the ability to do business at the Airport. For many years, tenant

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business owners have shared their desire to have a bank branch on-site at the Airport, and the Concessions staff is now pleased to be able to make this service available. U.S. Bank Corporation will pay the Port a Minimum Annual Guarantee of \$639,000 for the duration of the contract plus rent for space, totaling a minimum of \$673,350.

The banking industry is comprised of very large companies in fierce competition with each other for market share. Therefore, Airport Concessions staff deemed a competitive RFP to be the tool most likely to generate the best financial terms and customer service offering for the Airport. Proposers were required to propose for operation of both the Bank and ATM service. The Airport received proposals from three large commercial banks. Several other banks and one large local credit union expressed interest in submitting a proposal but ultimately chose not to do so. This opportunity was not attractive to small business because of the up-front investment cost. Two proposals moved forward for final evaluation, while one was deemed non-responsive due to a lack of a proposal for the Bank. A panel consisting of Airport staff representing Aviation Business Development & Analysis, Concessions, and Operations reviewed and scored proposals. U.S. Bank Corporation's proposal was deemed to best suit the needs of the Airport and its customers.

The Airport currently has 20 ATM machines in every part of the Airport, and a merchant depository kiosk on the Mezzanine level in the Main Terminal. The current contract holder is also U.S. Bank, which was selected in a competitive process in 2004. The ATM business is currently in a state of incremental decline at airports around the country as well as at the Airport. The industry belief is that usage is in decline due to the increased use of debit cards instead of cash. Nonetheless, ATM operations remain a good business opportunity and an important part of the Airport concessions program.

This Agreement will add a full-service bank to the concessions program. The Bank will offer all of the services customers would expect in a typical bank, including a merchant depository. In addition, U.S. Bank has committed to providing non-customer services such as check cashing and change for nominal fees or free of charge. The Bank will vastly improve the level of banking service at the Airport for U.S. Bank customers and non-customers; however, it is not anticipated to be a particularly profitable operation for U.S. Bank. Therefore, rather than employing a percentage rent based on gross sales (which would be typical in our concession program), a square footage rent charge has been set at the rental rate for concessions support space of \$25 a square foot (\$34,350) annually for the bank space. The 1,374-square-foot bank location will be located in the very center of the pre-security main terminal between Checkpoint 3 and Starbucks Coffee (see Exhibit B). U.S. Bank is responsible for the tenant build-out of the space which is estimated to cost a minimum of \$350 per square foot or approximately \$500,000. The lease term of seven (7) years was determined to be necessary for the amortization of the initial build-out investment.

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U.S. Bank has agreed to pay the Port a minimum annual guarantee (MAG) for both operations totaling \$639,000. This MAG will be in effect for the duration of the contract. Additional revenue to the Port beyond the MAG may be generated by a fee to the Port of \$1.75 for every ATM transaction. The fee to the customer by U.S. Bank is \$2.50. A June 2011 survey of U.S. airports by the Airports Council International-North America (ACI-NA) confirmed that \$2.50 is the average fee at an Airport ATM.

### SCOPE OF AGREEMENT:

The draft Agreement accompanies this request for authorization. If approved, Airport staff will proceed to execute the Agreement.

### FINANCIAL IMPLICATIONS:

Under the current Agreement with U.S. Bank Corporation for the operation of the Airport ATM service, the Port receives a MAG of \$579,000. Despite declining usage of the ATM service, Airport staff believes that the requirements of this RFP were structured to generate greater competition between banks than in 2004. In fact, the previous RFP only attracted one proposer, U.S. Bank. As a result, the Port will command a higher MAG in this Agreement. Total minimum annual revenue to the Port (including square footage rent for the bank space) is \$673,350.

### ECONOMIC IMPACTS:

The addition of a bank at the Airport is anticipated to generate new employment opportunities for bank management and staff positions and make it easier for the Airport's tenants and passengers to conduct their banking business if they decide to use the new bank branch.

### STRATEGIC OBJECTIVES:

This proposal supports the strategy of "Ensuring Airport and Seaport Vitality" by ensuring viability for businesses at the Airport.

### ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

- **Alternative 1: Retain U.S. Bank ATM service under current month-to-month terms**  
The initial five-year lease term for the ATM operation ended on July 29, 2009. Since that time, the Agreement has been in month-to-month holdover per the terms of the Agreement. Continuing in holdover with their current MAG of \$579,000 yields \$48,250 a month for the ATMs and space rent of \$130 a month for the Merchant Depository Kiosk. This is not a recommended alternative.

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- **Alternative 2: Execute Lease and Concession Agreement under proposed terms**  
The proposed Agreement allows the Airport to add a long-desired on-site Bank to serve tenants and the traveling public. The proposed Agreement will also increase the MAG to \$639,000, or \$53,250 a month for the ATMs and space rent of \$2,862 for the Bank. **This is the recommended alternative.**

### **OTHER DOCUMENTS ASSOCIATED WITH THIS REQUEST:**

Exhibit A: Draft Lease and Concession Agreement for U.S. Bank Corporation.

Exhibit B: Map of Bank Branch Location in the Main Terminal (pre-security).

### **PREVIOUS COMMISSION ACTION:**

None.