

File No. 100420

Committee Item No. 4

Board Item No. 5

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Sub - Committee: Budget and Finance

Date: May 5, 2010

Board of Supervisors Meeting

Date: May 11, 2010

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Digest |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Legislative Analyst Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Contract/Agreement* |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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OTHER

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Completed by: Andrea S. Ausberry

Date Friday, April 30, 2010

Completed by: A. Ausberry

Date May 6, 2010

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Airport Concession Lease with JPMorgan Chase Bank, N.A.]

2
3 **Resolution approving the Domestic Terminals Automated Teller Machines Lease "B"**
4 **between JPMorgan Chase Bank, N.A., and the City and County of San Francisco, acting**
5 **by and through its Airport Commission.**

6
7 WHEREAS, The Airport Commission has requested for proposals for the Domestic
8 Terminals ATM Lease "B"; and

9 WHEREAS, JPMorgan Chase Bank, N.A. was the highest ranked responsive and
10 responsible bidder; and,

11 WHEREAS, The Airport Commission approved Resolution No. 09-0268, adopted
12 November 24, 2009, awarding the Domestic Terminals ATM Lease "B" to JPMorgan Chase
13 Bank, N.A.; now, therefore, be it

14 RESOLVED, That the Board of Supervisors hereby approves the Domestic Terminals
15 ATM Lease "B", copies of which are contained in Board of Supervisors' file number 100420 .

Items 3 and 4
Files 10-0419, 10-0420

Department(s):
San Francisco Airport (Airport)

EXECUTIVE SUMMARY

Legislative Objective

- File No. 10-0419: The proposed resolution would approve a new Domestic Terminals Automated Teller Machines (ATMs) Lease between the City and County of San Francisco, acting on behalf of the San Francisco Airport (Airport) and Wells Fargo Bank for a total of 11 ATMs in Terminals 1, 2 and 3 the Rental Car Center.
- File No. 10-0420: The proposed resolution would approve a new Domestic Terminals Automated Teller Machines (ATMs) Lease between the City and County of San Francisco, acting on behalf of the San Francisco Airport (Airport) and JP Morgan Chase Bank for a total of 11 ATMs in Terminals 1, 2 and 3 and the Rental Center.

Key Points

- Based on a competitive Request for Bids process, the Airport recommends the award of two leases, one to Wells Fargo Bank and one to JP Morgan Chase Bank to operate a total of 22 ATMs. Fifteen ATMs are estimated to begin operations on July 1, 2010 in existing domestic Terminals 1, 3 and the Rental Car Center and an additional seven ATMs are projected to be added on January 1, 2011 in the new domestic Terminal 2.
- Both proposed leases (Wells Fargo Bank and JP Morgan Chase Bank) are five-year leases, from July 1, 2010 through June 30, 2015, with one two-year option to extend, from July 1, 2015 through June 30, 2017.

Fiscal Impact

- Under the proposed two leases, the lessees would pay the Airport an annual rent of either the greater of (a) 70 percent of gross revenues, or (b) the Minimum Annual Guarantee (MAG). Initially with eight ATM machines in operation, the MAG for the lease with Wells Fargo Bank is set at \$480,000 per year. Initially with seven ATMS in operation, the MAG for the lease with JP Morgan Chase Bank is set at \$495,000 per year.
- The MAG will then increase by \$10,000 per year for each additional ATM. Once each lessee has begun to operate all 11 ATMs, the MAG for the lease with Wells Fargo Bank will be set at \$510,000 per year and the MAG for the lease with JP Morgan Chase Bank will be set at \$535,000 per year. The MAG is also subject to an annual Consumer Price Index (CPI) adjustment on the anniversary date of the proposed leases. If the CPI decreases, rent will not decrease to a value less than the prior year's rent under the proposed lease provisions.
- Based on the MAG, the estimated total minimum rent for FY 2010-2011 payable to the Airport under the proposed two leases would be \$1,009,998. Both Wells Fargo Bank and JP Morgan Chase Bank are expected to pay the MAG rent, and not the percentage of gross revenues, in the first year.
- Under the previous Union Bank and Wells Fargo Bank leases, the Airport collected a total of \$337,390 in CY 2009, or an average of \$21,087 for each of the 16 ATMs. Under the proposed two leases, the Airport will collect \$1,009,998 in MAG rent in FY 2010-2011, or an average of \$45,909 for each of the 22 ATMs. As compared to the previous Union Bank and Wells Fargo Bank leases, the Airport will realize increased annual minimum rent of \$672,608 from the new Wells Fargo Bank and JP Morgan Chase Bank leases in FY 2010-2011, or over 199 percent more revenues than the Airport received under the prior two leases.

Recommendation

- Approve the proposed resolutions.

BACKGROUND/MANDATE STATEMENT**Background**

Currently, 14 ATMs operated by Wells Fargo Bank and Bank of America are located in the Domestic Terminal and five ATMs operated by Bank of America are located in the International Terminal.¹ In July 2009, the Airport issued a Request for Bid (RFB) for two new Domestic Terminal Automatic Teller Machines (ATMs) Leases (Lease A and Lease B). The initial RFB stated that Lease A would include nine ATMs in Terminal 1, Terminal 3 and the Rental Car Center and that Lease B would include nine ATMs in Terminal 1 and Terminal 3. The Airport issued an Addendum to the RFB in September 2009 modifying the terms of the proposed Leases A and B to include an additional two ATMs in each lease and revise the ATM locations to include Terminal 2. Overall, Leases A and B will result in a total of 22 ATMs located in Terminals 1, 2 and 3 and the Rental Car Center.

The Airport advertised the RFB on the Airport's website, the Airport news publication, press releases, and local newspapers for the proposed two new ATM leases. On October 21, 2009, the Airport received one bid from Wells Fargo Bank for Lease A and two bids, one from JP Morgan Chase Bank and one from Bank of America for Lease B.

As shown below in Table 1, subsequent to the Airport's Request for Bid process, the Airport recommended the award of Lease A and Lease B to the banks that met the set minimum qualifications and provided the highest Minimum Annual Guarantee (MAG) bid, namely Lease A to Wells Fargo (File No. 10-0419) and Lease B to JP Morgan Chase Bank (File No. 10-0420).

Table 1. Bid Amounts for Domestic Terminal Automatic Teller Machines (ATMs)	
Bidders	MAG
LEASE A	
1. Wells Fargo Bank	\$480,000
LEASE B	
1. JP Morgan Chase Bank**	\$495,000
2. Bank of America	\$350,000
Source: Airport	
** Winning Bidder	

Mandate Statement

In accordance with Charter Section 9.118(c), any lease exceeding ten years and/or having anticipated revenues of \$1,000,000 or greater is subject to Board of Supervisors approval.

¹ In CY 2009, a total of 21 ATMs were located in the Domestic Terminal. Union Bank operated seven of these ATMs and decided not to renew their lease when it terminated in January 2010, resulting in the remaining 14 ATMs at the Airport. Wells Fargo Bank currently pays rent on a month-to-month basis because its lease terminated in February 2010. The proposed two leases are intended to replace the Wells Fargo Bank and Union Bank leases that expired earlier this year. In addition, Bank of America has a five-year lease with the Airport for ATMs in the Domestic Terminal, which extends until 2011, with one option to extend the lease for two years.

DETAILS OF PROPOSED LEGISLATION

The two proposed resolutions would authorize the Airport to enter into two separate five-year leases, each with one option to extend for two years with (a) Wells Fargo Bank (File 10-0419) for 11 ATMs and (b) JP Morgan Chase Bank (File 10-0420) for 11 ATMs, in order for the lessees to operate a total of 22 ATMs located in Airport Domestic Terminals 1, 2 and 3 and in the Airport's Rental Car Center.

Table 2. below lists the number of ATMs in each location under each Banks' lease and the scheduled commencement dates.

Table 2: Locations of New ATMs As Per Retail Leases A and B					
	Terminal 1 Number of ATMs as of July 2010	Terminal 3 Number of ATMs as of July 2010	Rental Car Center Number of ATMs as of July 2010	Terminal 2 Number of ATMs as of January 2011	TOTAL
LEASE A: Wells Fargo Bank	3	4	1	3	11
LEASE B: JP Morgan Chase Bank	3	4		4	11
TOTAL	6	8	1	7	22
Source: Airport					

Lease Term Period: Each of the proposed leases has a term of five years, plus one option to extend for two years, at the discretion of the Airport Commission. Both Wells Fargo Bank and JP Morgan Chase Bank are responsible for installing their own ATMs before the lease commences. Under Lease A, Wells Fargo Bank will commence operations and lease payments to the Airport for eight ATMs in July 2010, with an additional three ATMs added in January 2011, when the new Terminal 2 opens. Under Lease B, JP Morgan Chase Bank will commence operations and lease payments to the Airport for seven ATMs in July 2010, with an additional four ATMs added in January 2011, when the new Terminal 2 opens.²

Annual Rent: The proposed two leases for 22 ATMs would result in annual rent payments to the Airport of either the greater of (a) 70 percent of gross revenues, or (b) the MAG. According to Ms. Sharon Perez, Principal Property Manager of the Airport, the Banks' gross revenues would be based solely on the \$1.50 transaction surcharge paid by ATM users. With eight ATMs in

² Ms. Perez stated that in order to maintain consistency with Retail and Food and Beverage Leases in Terminal 2, the MAG rent for the proposed leases will increase to reflect additional payments for ATMs in Terminal 2 on January 1, 2011. The Airport anticipates, however, that Terminal 2 will open in Spring 2011. Ms. Perez advised that MAG rent for both ATM leases will be pro-rated based on the actual opening day of Terminal 2.

operation, the MAG in 2010 for the lease with Wells Fargo Bank is set at \$40,000 per month or \$240,000 for the initial six months. Initially with seven ATMs in operation, the MAG in 2010 for the lease with JP Morgan Chase Bank is set at \$41,250 per month or \$247,500 for the initial six months.

The MAG will then increase by \$10,000 per year for each additional ATM. As noted above, the opening of Terminal 2 currently projected for January 2011, will add three ATMs to the Wells Fargo Bank lease and four ATMs to the JP Morgan Chase Bank lease, for a total of seven additional ATMs in 2011. Each Bank will then operate 11 ATMs or a total of 22 ATMs beginning in 2011.

In addition, the MAG is subject to an annual Consumer Price Index (CPI)³ adjustment on the anniversary date of the proposed leases. If the CPI decreases, the rent will not decrease to a value less than the previous year's rent under the provisions in the proposed leases.

According to Ms. Perez, the competitive bid item was the MAG. Ms. Perez stated that the Airport set the projected gross revenues to be received by the Airport at 70 percent, which is consistent with the rent terms in the Airport's International Terminal ATM lease.

Permitted Use: The two proposed leases require that each Bank install, operate and maintain the ATMs in conformity with the requirements listed in the lease at no cost to the Airport.

FISCAL ANALYSIS

Projected Revenue of the Annual Domestic Terminal Automatic Teller Machines (ATMs) Leases

The Airport is projected to receive a total of \$1,009,998 in rent revenues or an estimated \$495,000 from the Wells Fargo Bank lease and \$514,988 from the JP Morgan Chase Bank lease based on the MAG during the first Lease Year, or approximately July 1, 2010 through June 30, 2011, as shown in Table 3 below. The annual rent calculation includes MAG rent for 15 machines from July through December 2010 (six months) and MAG rent for 22 machines from January through June 2011 (six months).⁴

³ The CPI represents changes in prices of all goods and services for All Urban Consumers in the San Francisco-Oakland-San Jose area and is published by the Bureau of Labor Statistics under the United States Department of Labor.

⁴ The 2010 rent calculation is based on the MAG rent in each of the proposed leases divided by 12 months to determine monthly rents of \$40,000 for the Wells Fargo Bank lease and \$41,250 for the JP Morgan Chase Bank lease. The 2011 rent calculation is based on the MAG rent in the proposed leases plus an additional annual \$10,000 to be collected for each new ATM scheduled to begin operation in January 2011. The total 2011 MAG rent was divided by 12 months to determine monthly rental rates of \$42,500 for the Wells Fargo Bank lease and \$44,583 for the JP Morgan Chase Bank lease.

Table 3: Projected Annual Rent Payments to the Airport			
	2010 MAG	2011 MAG	Total Annual Rent Payments to the Airport
LEASE A			
Wells Fargo Bank	6 months @ \$40,000/mo= \$240,000	6 months @ \$42,500/mo= \$255,000	\$495,000
LEASE B			
JP Morgan Chase Bank	6 months @ \$41,250/mo= \$247,500	6 months @ \$44,583/mo= \$267,498	514,998
		Total	\$1,009,998
Source: Airport			

Annual Rent Comparison of Previous Leases to Proposed Leases

The proposed two new Leases are intended to replace the Wells Fargo Bank and Union Bank leases that expired earlier this year. The Airport's lease with Union Bank expired on January 29, 2010. Union Bank has removed their ATMs from the Airport. The Airport's lease with Wells Fargo Bank expired on February 15, 2010. The Airport has continued the previous Wells Fargo Bank lease on a month-to-month basis.

Under the two proposed new leases, the Airport is projected to realize a total of \$1,009,998 in MAG rent in FY 2010-2011, which is \$672,608, or over 199 percent more than the \$337,390 paid to the Airport by the two prior lessees..

RECOMMENDATION

Approve the proposed resolutions.

FORM SFEC-126:
NOTIFICATION OF CONTRACT APPROVAL
(S.F. Campaign and Governmental Conduct Code § 1.126)

City Elective Officer Information (Please print clearly.)	
Name of City elective officer(s):	City elective office(s) held:
	, SF Board of Supervisors
Contractor Information (Please print clearly.)	
Name of contractor:	
JPMorgan Chase Bank, N.A.	
Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.	
See attachments	
Contractor address:	
Date that contract was approved:	Amount of contract:
November 24, 2009	\$495,000 for the first lease year with annual CPI adjustments
Describe the nature of the contract that was approved:	
Lease was awarded through a Request for Proposal process	
Comments:	

This contract was approved by (check applicable):

the City elective officer(s) identified on this form (Mayor, Gavin Newsom)

a board on which the City elective officer(s) serves San Francisco Board of Supervisors

Print Name of Board

the board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on this form sits

Print Name of Board

Filer Information (Please print clearly.)	
Name of filer:	Contact telephone number:
Angela Calvillo, Clerk of the Board of Supervisors	(415) 554-5184
Address:	E-mail:
1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102-4689	Board.of.Supervisors@sfgov.org

Signature of City Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if submitted by Board Secretary or Clerk)

Date Signed

Contractor Information:

1. Board of Directors

Crandall C. Bowles
James S. Crown
William H. Gray, III
Lee R. Raymond
James Dimon
Laban P. Jackson, Jr.
William C. Weldon
David M. Cote
Ellen V. Futter
David C. Novak

2. Executive Officers and Operating Committee Members

James Dimon
Chairman and Chief Executive Officer

Frank J. Bisignano
Chief Administrative Officer

Steven D. Black
Investment Bank

Michael J. Cavanagh
Finance

Stephen M. Cutler
Legal & Compliance

William M. Daley
Corporate Responsibility

John L. Donnelly
Human Resources

Ina R. Drew
Chief Investment Officer

Mary E. Erdoes
Asset Management

Samuel Todd Maclin
Commercial Banking

Jay Mandelbaum
Strategy

Heidi Miller
Treasury & Securities Services

Charles W. Scharf
Retail Financial Services

Gordon A. Smith
Card Services

James E. Staley
Investment Bank

Barry L. Zubrow
Chief Risk Officer

3) and 4) None
5) See Attachment 2

LEASE AGREEMENT
FOR
DOMESTIC TERMINALS AUTOMATED TELLER MACHINES LEASE
“B”
AT SAN FRANCISCO INTERNATIONAL AIRPORT

by and between

JP Morgan Chase Bank, N.A.,
as tenant

and

CITY AND COUNTY OF SAN FRANCISCO
ACTING BY AND THROUGH ITS AIRPORT COMMISSION,
as landlord

Gavin Newsom, Mayor

AIRPORT COMMISSION

Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

John L. Martin
Airport Director

November 24, 2009

Lease No. 09-0268

* To view full document
Request file # 100420

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RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO

San Francisco International Airport

2010 MAR 30 PM 1:59

March 22, 2010

BY lpl

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

Ms. Angela Calvillo
Clerk of the Board
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102-4689

Subject: Approval of the Domestic Terminals ATM Lease "B" No. 09-0268,
between JP Morgan Chase Bank, N.A. and the City and County of
San Francisco, acting by and through its Airport Commission

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

Dear Ms. Calvillo:

GAVIN NEWSOM
MAYOR

Pursuant to Section 9.118 of the City Charter, I am forwarding, for the Board of Supervisors' approval, the Domestic Terminals ATM Lease "B" No. 09-0268, between JP Morgan Chase Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission. The Airport Commission approved the award of the Domestic Terminals ATM Lease "B" to JPMorgan Chase Bank, N.A. on November 24, 2009.

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

The following is a list of accompanying documents (five sets):

ELEANOR JOHNS

- Board of Supervisors Resolution;
- SFEC Form 126;
- Approved Airport Commission Resolution No. 09-0268;
- Copy of Domestic ATM Lease "B" No. 09-0268.

RICHARD J. GUGGENHIME

JOHN L. MARTIN

AIRPORT DIRECTOR

You may contact Cheryl Nashir of Airport Revenue Development and Management at (650) 821-4500 regarding this matter.

Very truly yours,

Jean Caramatti
Commission Secretary

Enclosures

cc: Cathy Widener
Cheryl Nashir

