



City of Santa Barbara
Airport Department

DATE: July 20, 2016
TO: Airport Commission
FROM: Hazel Johns, Airport Director
SUBJECT: Airport Advertising Agreement with Clear Channel Airports

RECOMMENDATION:

That Airport Commission recommend approval to City Council and authorize the Airport Director to execute a five (5) year with one 5-year option agreement with Interspace Services, Inc. dba Clear Channel Airports to sell specific advertising space in the Airport terminal, for the greater of a minimum annual guarantee of \$7,500 or 20% of gross sales with anticipated start in Q4 2016.

DISCUSSION:

An airport passenger terminal is an attractive environment for advertisers. This is due to the perceived "captive" audience and the relative stability in the number of travelers and visitors every year. Sales of advertising space on walls, baggage devices, digital monitors and other areas near dwelling travelers has become a typical means of deriving non-aeronautical revenue for airports. In nearly all instances, airports contract the concession rights to a third-party advertising sales force specializing in airports. After years of industry consolidation, there are currently only a few such firms competing for the majority of airport business. The Airport staff issued an RFP for a third-party advertiser in 2015. Two firms responded, however, one of the firms withdrew before the contract could be awarded. The Airport commenced negotiations with the remaining proposer, Clear Channel Airports.

Revenue

SBA is unique in the context of advertising sales due to the City's traditionally protective stance regarding visual clutter in public spaces. For example, the City is one of few metropolitan areas that does not allow outdoor billboards. Consistent with this philosophy, the Airport has proposed only a limited number of locations in the terminal as appropriate for sales of commercial advertising. The opportunity at SBA for a third-party advertising sales force is relatively limited. Consequently, the anticipated revenue to the Airport for advertising sales is modest. However, over time, the Airport may find it appropriate to

add additional advertising locations without jeopardizing the overall aesthetic in the terminal.

In the proposed lease agreement, Clear Channel Airports will pay the Airport the greater of a minimum annual guarantee ("MAG") or 20% of gross sales generated from advertising. The MAG will be paid in advance in quarterly installments of \$1,875.00. Revenues due the Airport over and above the MAG will be paid at the conclusion of each quarter. The minimum revenue generated annually will be \$7,500.

Signage Types and Locations

The signage fabrication types planned for the terminal are digital (monitor displays) vinyl wall wraps and tension fabric displays. The latter type is advertising content printed on a thin, breathable fabric housed in a sturdy frame casing, and then wall-mounted.

In the passenger boarding area, advertising will be displayed mostly on digital monitors, two in the southern portion of the gate areas, and two in the northern portion. These digital displays already exist today, however, do not contain advertising content. There also will be two wall wrap or tension fabric locations near the restaurant area. In the pre-security area, advertising is limited to one overhead digital monitor near the descending escalator, tension fabric locations over the baggage retrieval area and a digital monitor near the Visitor's Information area.

Content Restrictions

As is typical for U.S. airports, the governing entities (usually cities, counties or port authorities) maintain control and oversight of the advertising messages displayed in passenger terminals. Likewise, SBA also will require advance submittal of advertising content to the Airport for approval. A proposed administrative policy for content guidelines is currently under review with the City Attorney, and will be presented to the Lease Review subcommittee of the Airport Commission before the start of the advertising program. In addition to content guidelines, the Airport Director will reserve the right to deny commercial advertising and/or promotional messages deemed inappropriate for the Airport environment.

Duration

The concession contract with Clear Channel will be five (5) years in duration from execution. The agreement also contains an additional 5-year option with mutual consent. Absent exercise of the option, the contract would end in 2021.

PREPARED BY: Business Development Manager