

HEBER PUBLIC UTILITY DISTRICT

REPORT TO BOARD OF DIRECTORS

MEETING DATE: June 16, 2016

FROM: Laura Fischer, General Manager

SUBJECT: Authorize the General Manager to Negotiate with American Tower to extend the cell tower Lease Agreement

ISSUE:

Shall the Board of Directors authorize the General Manager to negotiate a cell tower lease extension with American Tower?

GENERAL MANAGER'S RECOMMENDATION:

It is recommended that the Board of Directors authorize the General Manager to negotiate a cell tower lease extension with American Tower.

FISCAL IMPACT:

Possible signing bonus of \$20,000, which could be used for any purpose.

BACKGROUND:

The HPUD currently leases a section of property located across from the wastewater treatment plant in the 19 acres of vacant land to American Tower Co. The lease is for five years and is renewable upon agreement by both parties. The proposed summary of changes to the lease agreement are as follows:

Terms:

Current: Agreement renewed every five years.

Proposed: Automatic renewal for 30 years (6 renewals of a 5 year contract).

Rent Escalator:

Current: Lease agreement has an escalating rent increase of 15% every five years. Our next rent increase will not go in effect until 2019.

Proposed: Lease agreement would have a 3% increase each year, which would allow for compound lease revenues. The annual rent increase would not start until 2019.

Signing Bonus:

American Tower is offering a \$20,000 signing bonus paid to HPUD within 30 of signing the lease extension and new Agreement.

DISCUSSION:

American Tower is requesting a lease extension to ensure stability with their cell tower leases. Having a long term lease on the tower allows cell companies the security they need to invest money for technology improvements. This helps cell customers with better service and coverage. Currently they are leasing the tower to Verizon and the lease is set to expire in 2019 and without the assurance that the cell tower will be

available for the long term, Verizon is hesitant to invest money in new technology at this tower.

CONCLUSION:

Once negotiations begin, American Tower will prepare a Modified Lease Agreement and forward to HPUD for review by staff and our attorney. I will contact American Tower to discuss terms and then once the Agreement has been reviewed and approved by our attorney, I will bring back for your review and consideration.

ALTERNATIVES:

- 1) Do not authorize negotiation to extend the cell tower agreement.
- 2) Provide alternate direction to staff regarding cell tower lease.

Respectfully Submitted,

Laura Fischer,
General Manager