



STAFF REPORT

DATE: July 16, 2019

TO: Ronald L. Olson, City Manager

FROM: Kathy Davis, City Attorney

SUBJECT: Amendments to leases with T-Mobile for cell sites at Fire Stations 3, 5 and 7

BACKGROUND AND FINDINGS:

In 2005, the City Council approved leases with VoiceStream (now T-Mobile) for cell sites at fire stations 3 (Twin Creek), 5 (Jasper) and 7 (Watercrest). The initial term was for five (5) years with three (3) five-year options, totaling 20 years. Rent payments were initially \$700 per month per location with a 15% increase upon each five-year renewal. The city receives additional compensation for any colocation the provider is able to establish.

The station 5 lease has been amended twice, both times to increase the leased area and rent. The term of the lease has also been extended until 2040. The station 7 lease was amended once to increase the leased area and the rent.

The current monthly rents, without any colocation revenue, are:

Station 3:	\$926
Station 5:	\$1,962
Station 7:	\$1,501

T-Mobile is proposing amendments to each lease.

Station 3: T-Mobile proposes to extend the number of lease extensions to six, meaning the lease would expire in 2055. The city would receive a one-time 10% rent increase, increasing rent to \$1,019. The 15% renewal increase in 2020 would raise the rent to \$1,171.

Station 5: T-Mobile proposes to extend the term of the lease to 2055 to match the other two lease amendments. The amendment also allows T-Mobile an option to lease an additional 200 square feet at station 5 at a location to be agreed upon by both parties and with increased rent at the per square foot amount being paid by T-Mobile at the time the of the election.

Station 7: T-Mobile proposes to extend the number of lease extensions to six, meaning the lease would expire in 2055. The city would receive a one-time 10% rent increase, increasing rent to \$1,651. The 15% renewal increase in 2020 would raise the rent to \$1,899. The amendment also allows T-Mobile an option to lease an additional 700 square feet at station 7 at a location to be agreed upon by both parties and with increased rent at the per square foot amount being paid by T-Mobile at the time the of the election.

For each location, T-Mobile will pay a \$5,000 signing bonus within 60 days of execution of the lease amendments, for a total of \$15,000.

THE ALTERNATIVES CONSIDERED:

The city has the option of approving all three amendments, approving one or more of the amendments, attempting to negotiate the terms of the proposals, or disapproving all three amendments.

Which alternative is recommended? Why?

Staff recommends approving all three amendments. The rent amounts and increases are reasonable and provide the city with a steady revenue stream. The leased areas have not caused any issues at the fire stations in the past, and staff will ensure that the increased areas, if elected, will not cause any disruption of fire operations.

CONFORMITY TO CITY POLICY:

The leases confirm with all applicable city policies.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

There is no expenditure of city funds related to this item. The city will realize \$15,000 within 60 days of executing the lease amendments. Also, the city will see a combined increase in monthly rent of \$243 for stations 3 and 7 two months after execution with the one-time increase, and in 2020 increased monthly rent of \$937 with the renewal increases for all three stations.

Is this a one-time or recurring expenditure?

N/A.

Is this expenditure budgeted?

N/A.

If not, where will the money come from?

N/A.

Is there a sufficient amount in the budgeted line-item for this expenditure?

N/A.

RECOMMENDATION:

Staff recommends that the City Council approve amendments to cell site leases with T-Mobile and fire stations 3, 5 and 7 and authorize the City Manager to execute the necessary lease documents.

DEPARTMENTAL CLEARANCES:

Fire Department
Finance

ATTACHED SUPPORTING DOCUMENTS:

First Amendment Station 3
First Amendment Memorandum Station 3
Third Amendment Station 5
Third Amendment Memorandum Station 5
Second Amendment Station 7
Second Amendment Memorandum Station 7