SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-G**

FROM: Ed Fortner, General Manager

Meeting Date: September 3, 2020

SUBJECT: DISCUSSION/ACTION RE OFFER BY TOWERPOINT FOR CROWN CASTLE/AT&T MT. JACKSON CELL TOWER LEASE

RECOMMENDED ACTION: Hear a presentation by staff on a possible offer from TowerPoint for the Crown Castle/AT&T Mt Jackson Cell Tower Lease and provide direction to staff.

FISCAL IMPACT: Cash payment in lieu of annual lease amounts

DISCUSSION:

Over the past weeks, I had discussions with personnel associated with TowerPoint, a company that buys cell tower leases, for the purchase of the Crown Castle/AT&T Mt Jackson cell tower lease. The Crown Castle/AT&T lease provides the District with approximately $96,000 per year in lease payments. TowerPoint would pay the District a cash amount for the current lease and pay the District 50% of whatever additional lease payments they develop by adding new tenants. In my discussions with TowerPoint, a proposed tentative offer of $1,440,000 for the purchase of this lease was made.

TowerPoint generates revenue by acquiring attractive cell tower sites and adding tenants. Cell tower leases are generally distinguished by being long term leases for the cell phone providers with relatively short (90 days or less) termination provisions. Thus, a cell tower lease may provide attractive revenue for a landowner, but as cell phone providers merge and technology changes, the need for cell tower leases change, and leases can be terminated. As an example, Steve Mack was in negotiations with T-Mobile for an additional lease at the Mt. Jackson site in 2011. AT&T took over T-Mobile. If that lease had been executed, because of the T-Mobile acquisition, AT&T would likely have terminated one of the leases – most likely the more expensive one which would have been the current AT&T lease. As technology in the cell phone business changes, the Mt. Jackson site may not be as attractive as it currently is – AT&T could terminate their lease at any time, and the District would have no income stream from the site. The TowerPoint approach is a hedge against that. Also, because TowerPoint actively seeks out new tenants (and we don't), a new income stream could be developed at the site.

On the negative side, I have no knowledge of TowerPoint other than through these discussions and a casual inspection of their website. Also, the offer has a permanent easement for the site, which is problematic. The tentative offer is based on revenue generated over 15 years. However, the District has a newly negotiated 34-year lease with Crown Castle, who bought AT&Ts lease from AT&T (and all their leases nationally), with a 3% annual increase that generates steady monthly revenue. This revenue would generate over $5,500,000 over the term of the lease.

After discussions with our attorney, I feel this offer is far too low, given the potential revenue over the term. I believe TowerPoint is looking for financially disadvantaged Agencies that have suffered financially due to the Pandemic.