

**FINANCE MEMORANDUM**  
**#10-34**

DATE: November 18, 2010

TO: Honorable Mayor Joyce Downing and City Council Members

FROM: Bill Simmons, City Manager *WAP*  
Shawn Cordsen, Finance Director *SC*

SUBJECT: T-Mobile Tower Lease Offer

**BACKGROUND:**

In 2004, the City of Northglenn entered into a lease agreement with VoiceStream PCS II. The lease includes approximately 300 square feet of property located within Wyco Park and allows VoiceStream PCS II the right to erect and maintain a cellular tower on the site. Major components of the lease agreement include:

- The initial term of the lease was established at five years.
- The tenant has the right to extend the lease for five additional five-year terms, which automatically renews unless terminated by the tenant at least sixty days prior to the expiration of the current term.
- Rent was originally established at \$1,000 per month and scheduled to increase by ten percent for each successive five-year term. As of June 1, 2009 the City entered the second five-year term of the agreement, at which point the rent increase to \$1,100 per month. As scheduled the 25-year anticipated revenue to the City would be as follows:

Years 1-5:	\$1,100/month or \$66,000 total (partially complete)
Years 6-10:	\$1,210/month or \$72,600 total
Years 11-15:	\$1,331/month or \$79,860 total
Years 16-20:	\$1,464/month or \$87,846 total
<u>Years 21-25:</u>	<u>\$1,610/month or \$96,600 total</u>
25-Year Total:	\$402,906

In July of 2009 and again in February of 2010, the City was contacted by MD7 on behalf of T-Mobile (VoiceStream PCS II) in an attempt to renegotiate the terms of the lease agreement. In both cases the Council determined that the proposals were not in the best interests of the City and selected to decline the offers as presented.

**UPDATE:**

The City has again been contacted by MD7 on behalf of T-Mobile (VoiceStream PCS II) in another attempt to renegotiate the terms of the lease agreement. MD7 has provided for three options as described below:

- The first option provides for a guaranteed payment over the next 60 months for a total of \$63,720. The current monthly rent payments would decrease to \$1,062 per month, and would increase five percent for each successive five-year term instead of the ten percent included in the current agreement. Assuming the site is still operational, a “rent holiday” would be provided for in years 21-25 (5 years).

Years 1-5:	\$1,062/month or \$63,720 (guaranteed)
Years 6-10:	\$1,115/month or \$66,906
Years 11-15:	\$1,171/month or \$70,252
Years 16-20:	\$1,229/month or \$73,764
<u>Years 21-25:</u>	<u>Rent Holiday (est. value \$77,452)</u>
25-Year Total:	\$274,642

- The second option also provides for a guaranteed payment over the next 60 months for a total of \$57,300. The current monthly rent payments would decrease to \$955 per month, and would increase five percent for each successive five-year term. Assuming the site is still operational, a “rent holiday” would be provided for in years 23-25 (3 years).

Years 1-5:	\$ 955/month or \$57,300 (guaranteed)
Years 6-10:	\$1,003/month or \$60,165
Years 11-15:	\$1,053/month or \$63,173
Years 16-20:	\$1,106/month or \$66,332
Years 21-22	\$1,161/month or \$27,859 (24 months)
<u>Years 23-25:</u>	<u>Rent Holiday (est. value \$41,789)</u>
25-Year Total:	\$274,829

- The third option provides for a guaranteed one-time, lump-sum payment of \$92,322.15.

Given average rates of inflation and investment earnings, the options above provide for a reduced overall economic benefit as compared to those established in the original agreement (assuming the lease remains intact for the full 25 years). Of the options provided, the third option provides the highest level of *guaranteed* economic benefit, while the first option provides the largest overall economic benefit.

The above item was discussed by the Finance Committee at the October 27<sup>th</sup> meeting, at which time the members recommended the rejection of all options and therefore the retention of the current agreement. The Committee felt compelled to reject the offer due in part to the recent sub-lease agreement (discussed as part of the approval of Resolution #CR-104) whereby T-Mobile provided tenant space on the Wyco Park tower to Clearwire for purposes of providing cellular service. It was concluded that the obligations of the sub-lease agreement may complicate the possible abandonment of the site by T-Mobile at this time. It was felt however that the entire Council should be included in any such decision. Staff is seeking discussion and direction.

**STAFF REFERENCE:**

If there are any comments or questions, you may contact Shawn Cordsen at scordsen@northglenn.org or at 303-450-8719.



October 4, 2010

Shawn Cordsen  
11701 Community Center Drive  
Northglenn, CO 80233

**RE: Northglenn Wyco Park  
Site ID: DN03480D**

Dear Mr. Cordsen,

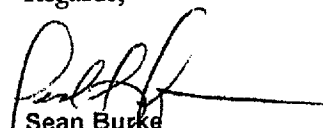
The enclosed information regarding T-Mobile's Lease Optimization Program has been sent to you as part of a national T-Mobile initiative. Allan Tantillo, Director of T-Mobile Towers, has provided Md7 with your lease information regarding the above-referenced cell site.

Pursuant to our conversation, attached is the Long-Term Portfolio documentation for T-Mobile Site DN03480D

- T-Mobile Notice (Phase I consultant)
- T-Mobile Term Sheet
- T-Mobile long-term budget analysis
- A copy of your current T-Mobile lease agreement.

I will follow up with you shortly to finalize your site lease optimization. In the interim, should you have any questions or require additional information, please feel free to call or email me at your convenience.

Regards,

  
**Sean Burke**  
Md7

3721 Valley Centre Drive, Ste 300  
San Diego, CA 92130  
(858) 964-7452 direct  
858-799-7850 main  
(858) 408-3079 fax  
sean.burke@md7.com

Md7 is an authorized partner with

**T-Mobile**



C/O MD7, 3721 VALLEY CENTRE DR, SUITE 300, SAN DIEGO, CA 92121



April 6, 2009

Jeff Parker  
City of Northglenn  
P.O. Box 330061  
Northglenn, CO 80233

Reference ID: DN03480D

Dear Landlord:

We are in the process of reassessing our cell site portfolio in order to stay in line with the current environment and aligned with best practices in the wireless industry.

At this time, we request that you contact Md7 to discuss changes to the lease agreement for the cellular antenna equipment on your property at 11501 Wyco Drive, Northglenn, CO 80233. We have selected Md7 as our partner because of their professionalism and industry expertise and have authorized them to facilitate these changes in order to reinforce our relationship.

Please use the reference ID and toll-free number below when you speak with an Md7 representative.

**CALL FOR MORE INFORMATION**

**REFERENCE ID: DN03480D**  
**Account Rep: Timothy Groves**  
**PHONE: 888-517-1212, ext. 7846**

Thank you for your immediate attention and consideration.

Sincerely,

Allan Tantillo  
Director, T-Mobile Towers  
T-Mobile USA



## Conversion Term Sheet

T-Mobile Site: DN03480D

For your convenience, below is a summary of your current T-Mobile lease:

### Current Lease Structure

- Rent: \$1,100.00 Monthly, 10% increase every Term - 5 years
- Current Renewal Rights: Section 5 and 8 of the current lease
- Current Term Expiration Date: June 1, 2014

T-Mobile and Md7 will guarantee your cell site lease income under one of the following conversion terms:

### Conversion Term 1

- 5 Year Rent Guarantee: \$63,720.00
- Rent: \$1,062.00 Monthly, 5% increase every Term - 5 years commencing 1/1/2016
- Commitment Duration: 25 year agreement, with 3 additional 5 year renewals
- 25 Year Rental Income Potential: \$275,000.00
- This option requires a rent holiday from January 1, 2031 – December 9, 2035 (if site is still operational)

### Conversion Term 2

- 5 Year Rent Guarantee: \$57,300.00
- Rent: \$955.00 Monthly, 5% increase every Term - 5 years commencing 1/1/2016
- Commitment Duration: 25 year agreement, with 3 additional 5 year renewals
- 25 Year Rental Income Potential: \$275,000.00
- This option requires a rent holiday from January 1, 2033 – December 9, 2035 (if site is still operational)

### Conversion Term 3

- Upfront Payment: \$92,322.15
- Commitment Duration: 25 year agreement, with 3 additional 5 year renewals
- Resumed Rent: \$1,771.56 Monthly, 10% increase every Term - 5 years

Please contact me to discuss the next steps to secure your relationship with T-Mobile for the long run.

Sincerely,

Sean Burke  
Md7  
(858) 964-7452 direct  
(858) 799-7850 main  
(858) 408-3079 fax  
sean.burke@md7.com

October 4, 2010



Conversion Terms: Financial Overview (Annualized Rent):

**DN03480D**

Year	Conversion Terms	
	Option 1	Option 2
1	\$12,744.00	\$11,460.00
2	\$12,744.00	\$11,460.00
3	\$12,744.00	\$11,460.00
4	\$12,744.00	\$11,460.00
5	\$12,744.00	\$11,460.00
6	\$13,381.20	\$12,033.00
7	\$13,381.20	\$12,033.00
8	\$13,381.20	\$12,033.00
9	\$13,381.20	\$12,033.00
10	\$13,381.20	\$12,033.00
11	\$14,050.32	\$12,634.68
12	\$14,050.32	\$12,634.68
13	\$14,050.32	\$12,634.68
14	\$14,050.32	\$12,634.68
15	\$14,050.32	\$12,634.68
16	\$14,752.80	\$13,266.36
17	\$14,752.80	\$13,266.36
18	\$14,752.80	\$13,266.36
19	\$14,752.80	\$13,266.36
20	\$14,752.80	\$13,266.36
21	\$0.00	\$13,929.72
22	\$0.00	\$13,929.72
23	\$0.00	\$0.00
24	\$0.00	\$0.00
25	\$0.00	\$0.00
<b>Total</b>	<b>\$275,000.00</b>	<b>\$275,000.00</b>

Guaranteed Rent Total	Conversion Terms	
	Option 1	Option 2
	<b>\$63,720.00</b>	<b>\$57,300.00</b>