

CITY OF WASHINGTON

PLANNING & DEVELOPMENT DEPARTMENT

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MEMORANDUM

TO: Finance and Personnel Committee
FROM: Jon R. Oliphant, AICP, Planning & Development Director
SUBJECT: Cell Tower Lease Buyout Consideration
DATE: September 14, 2018

Summary: Landmark Dividend LLC has presented a proposal to the City to buyout the two currently applied cell tower antenna agreements for \$530,000 for a 35-year period. Michael Henschel from Landmark attended Monday's Committee of the Whole meeting to present this and to take any questions. Additional discussion is planned for the Finance and Personnel Committee meeting on September 17.

Background: The City currently has three lease agreements, one of which is not active to date:

- Verizon – Blumenshine Property (approved in January 2001): The current term is effective through September 2022. Verizon pays the City \$913 in monthly payments through that term. The agreement allows for annual extensions with a 3% increase at the end of each anniversary of the commencement period as long as neither party has submitted a termination notice at least six months prior to the end of the current term. The City is guaranteed \$44,737 through the current term.
- T-Mobile – Water Tower #1 (approved in April 2007): The current term is effective through July 2022. T-Mobile pays the City \$2,687.33 in monthly payments with a 3% increase at the end of each anniversary of the commencement period. The agreement allows for two more five-year extensions with the same 3% increase at the end of each anniversary of the commencement date. The City is guaranteed \$134,612.13 through the current term. If the two five-year extensions were applied through July 2032, the City would be paid a total of \$547,306.74.
- Verizon – Water Tower #1 (approved in April 2017): The City has not begun receiving monthly lease payments because the equipment has not been installed on the tower. The initial term would be for ten years. Verizon would pay the City \$2,000 in monthly payments with a 3% increase applied at the end of each anniversary of the commencement date. The agreement allows for four five-year extensions with the same 3% increase at the end of each anniversary of the commencement date. The City would be paid \$275,133.10 through the initial 10-year term. If the four five-year extensions were applied through 2048 (assuming a commencement date of January 1, 2019), the City would be paid a total of \$1,141,809.98.

The City is guaranteed **\$179,349.13** through the current terms of the Verizon (Blumenshine) and T-Mobile agreements. Should the Verizon (Water Tower #1) equipment be installed and that agreement be extended through 30 years and the T-Mobile agreement be extended through July 2032, the City would receive \$1,689,116.72. Additionally, the City is guaranteed \$44,737 through the current term of the Verizon (Blumenshine) agreement, which would bring the total to **\$1,733,853.72**, plus any possible annual extensions of that particular agreement.

Landmark Dividend has offered the City **\$530,000** for an initial 35-year term for the two active agreements. At the end of that term, Landmark, at its sole discretion, would have the option to extend the term an additional 35 years at an anticipated price of \$1,471,993.01. Mr. Henschel has

indicated that the initial offer price would be increased to \$820,000 if the Verizon (Water Tower #1) equipment is installed and that lease becomes active.

If the Verizon (Water Tower #1) agreement does not become active, the City would not see a return of \$530,000 in future revenue until 2031 if the Verizon (Blumenshine) agreement is not extended annually after 2022. That assumes that the T-Mobile agreement is extended for two more successive five-year terms. If the Verizon (Water Tower #1) agreement does become active starting January 1, 2019, the City would not see a return of \$820,000 until 2030 if the Verizon (Blumenshine) agreement is not extended annually after 2022. Any annual extensions of this agreement would decrease the time that the City could anticipate receiving the revenue that Landmark is offering.

Landmark would only be assuming the current City leases and would not have the ability to enter into any lease agreements with other cell providers on these facilities or others in the future. With continual technology updates and the passage of the Small Wireless Facilities Deployment Act, it is unknown what the future may be for "large cell" service and how reasonable it may be for extensions of the City's existing agreements to occur.

General discussion is planned for the September 17 Finance and Personnel meeting.



LANDMARK DIVIDEND

2141 Rosecrans Ave, Ste. 2100 – El Segundo, CA 90245
(866) 392-4200 - (310) 294-8160

August 31, 2018

Gary Manier
City Of Washington
301 Walnut St
Washington, IL 61571-2649

RE: Option Agreement – Lease Specific Easement Purchase

Landmark Dividend LLC ("Landmark") is pleased to offer you (the "Seller") the following proposal. Landmark has completed an initial analysis of the lease(s) and associated revenue for 2 lease(s) located on property owned by you (the "Premises") and identified in **Exhibit A** (the "Lease(s)"). Based on this preliminary analysis, upon your selection of one (1) of the following **Proposals** as set forth below, Landmark will provide the **Purchase Price** in exchange for an easement to the Premises (the "Easement"), and an assignment of your interest in the Lease(s) and associated rent revenue for the **Term** selected below by Seller. Landmark further agrees that in the event the Premises is decommissioned by Tenant, and Landmark is unable to replace the Tenant within 3 Years (36 months) of such decommission, the Easement shall be deemed abandoned and automatically terminate.

See **Schedule 1** for any additional terms for each **Proposal**. Please indicate your acceptance of the preferred Proposal by placing your initials in the corresponding column.

Proposal	Purchase Price	Term Purchased	Initial One
A	\$530,000.00	420 Months	

By signing below, you grant Landmark an option to complete the contemplated transaction and purchase from you the landlord interest in the Lease(s) (the "Option"). Landmark may exercise the Option granted herein at any time within 60 calendar days of the date of full execution of this letter and receipt of necessary due diligence items (the "Option Period"). Seller and Landmark agree that all scheduled rent as set forth in the Lease, whether paid on a monthly basis or annually, shall be prorated as of the closing date for the transaction contemplated herein. For illustrative purposes of calculating prorations, please refer to the example as set forth in Exhibit A. Landmark's right to exercise the Option granted herein shall be conditioned on the parties negotiating a mutually acceptable purchase and sale agreement.

You acknowledge that Landmark's commitment to expend time, effort and expense to evaluate this transaction are good, valuable and sufficient consideration for the Option granted herein. During the Option Period, you agree to cooperate fully with Landmark in connection with its evaluation of this transaction. Further, during the Option Period, you shall not, directly or indirectly, (a) offer the Lease(s) or the Premises for sale or assignment to any other person; (b) negotiate, solicit or entertain any offers to sell or assign any interest in the Lease(s) or Premises to any other person; or (c) modify, amend, supplement, extend, renew, terminate or cancel the Lease(s).

This letter is intended as and shall be a legally binding commitment. In the event of a breach of this letter agreement, Landmark shall, in addition to its other rights and remedies, be entitled to compensation for its time, effort and expense to evaluate this transaction and, in any action to enforce this letter agreement, to recovery of its reasonable attorneys' fees.

Your signature below will indicate your agreement to the foregoing and will provide authorization for Landmark to proceed with the evaluation of this transaction and completion of its due diligence including but not limited to verification with the tenants of the accuracy of the due diligence items. If this Option Agreement is not executed by you, by November 29, 2018, it shall be void and of no further cause or effect.

We look forward to working with you on this transaction. Should you have any questions, please feel free to contact me at any time.

AGREED TO AND ACCEPTED AS INDICATED BELOW AS OF THE _____ DAY OF _____, _____

LANDMARK DIVIDEND LLC

City Of Washington

Gary Manier

Schedule 1

Option A -Additional Terms

Short Term Additional Terms

Based on this preliminary analysis, Landmark will provide \$530,000.00 (the Purchase Price) for a 420 Months assignment of your interest in and to the Lease(s) and associated rent revenue (the "Initial Term"). The parties further agree that at the end of the Initial Term, Landmark, in its sole and absolute discretion, shall have the right and option to extend the term for an additional 420 months at an anticipated price of \$1,471,993.01 (the Renewal Price).

Exhibit A

Tenant/ Carrier	Current Rent	Rent Frequency	Escalation Rate	Escalation Frequency	Date of Next Escalation
American Tower	\$913.00	Monthly	15.00 %	Per Term	October 01, 2022
Crown Castle	\$2,687.83	Monthly	3.00 %	Annually	December 01, 2018

For Illustrative Purposes Only:

Closing Proration of the Schedule Rent –

Landmark is entitled to receive all scheduled rents due on and after the closing date for the contemplated transaction. The scheduled rental revenue from the Leases shall be prorated between the Seller and Landmark based on a 365-day calendar year.

- **Monthly Proration Scenario** – If the monthly scheduled rent is \$1000/month and the contemplated transaction closes on the 15th, Landmark will be entitled to receive an amount equal to the rents owed for the time period from the 16th to the 31st or \$516.13 (equal to 16 days). This scenario was calculated based on a daily proration of the rent attributable for a full 31-day calendar month.
- **Annual Proration Scenario** – If the annual rent is \$12,000/year and due on April 1st of every year and the contemplated transaction closes on June 15th, Landmark will receive an amount equal to rents owed for the time period from June 16th to March 31st of the following year or \$9,501.37 (equal to 289 days).

Cell Tower Leases As of 8/2018

[illegible]