



## CITY OF WASHINGTON, ILLINOIS

### Finance and Personnel Committee Agenda Communication

**Meeting Date:** August 16, 2021

**Prepared By:** Jon R. Oliphant, AICP, Planning & Development Director

**Agenda Item:** Blumenshine Property American Tower Rent Reduction Reconsideration

**Explanation:** Staff previously received a proposal from American Tower Corporation's lease consultant, MD7, to reduce the monthly rent for the Verizon cell tower located adjacent to the Blumenshine property on Business 24. The proposal is attached. This has been proposed as a result of "current market conditions."

The original agreement commenced on October 1, 2002. The initial term was for five years and it has subsequently been renewed three additional five-year terms. It is currently set to expire on September 30, 2022. The agreement does allow for automatic one-year renewals if the lease has not been terminated by either party at the end of the third five-year extension term with six months prior written notice to the other party. Verizon currently pays \$913 per month through the remainder of the term. Any additional annual terms would include a 15% rent increase starting with the term beginning on October 1, 2022. The agreement offers the Tenant the right to terminate the lease with 30 days written notice and payment of six months of rent.

ATC has proposed two options contained within the attached term sheet: 1) Reduce the rent to \$613 per month starting on October 1, 2021, with a 10% term escalation commencing on October 1, 2022; or 2) a one-time payment of \$142,428 in exchange for a perpetual real estate easement.

The City currently receives \$2,937.06 per month from T-Mobile with a 3% annual increase to house its equipment on Water Tower #1 as part of an agreement that runs through July 2022. A second agreement for Verizon on Water Tower #1 has not commenced because the equipment has not been installed. Verizon would pay \$2,000 per month for the first year upon installation with a 3% yearly increase.

At last month's Finance & Personnel Committee meeting, there was not interest in accepting either of these offers. After communicating that direction to MD7, the company asked if any consideration would be given to a lesser reduction as a result of the following factors:

"The rent reduction/pre-payment options are being proposed as a result of several recent changes in the industry:

- Whereas there were once four marketable carriers (Verizon, AT&T, Sprint, and T-Mobile), there are now just three since Sprint and T-Mobile have merged. That cuts the marketability by 25%. Additionally, T-Mobile and Sprint are in the process of grooming their new combined network and decommissioning excess sites.
- Small cells that are being built to support 5G data growth. Data is processed better and quicker lower to the ground/the source: cell phones, etc. Small cells augment the wireless network that was once only made up of the taller towers. They are quicker and cheaper to build as well.
- AT&T and Verizon have signed a national agreement with a new tower company, Tillman, which has come onto the scene offering them reduced rent to move onto Tillman towers.

- The Washington site currently has Verizon Wireless as the only carrier on the tower. We want to make it as appealing as possible for Verizon to stay here for the long term. If Verizon leaves and another carrier does not replace them, the site would not be sustainable for long; not revenue-bearing for the tenant or landlord.
- We would like to keep the site marketable for Verizon to stay and for additional carriers to come onto this site. This happens by keeping rent sustainable over the long term and adding longevity to the lease.
- ATC wants to keep the City as landlord and wants to keep this site in place long term.”

**Fiscal Impact:** TBD depending on the direction to accept either of these offers or to present a counter offer.

**Action Requested:** Direction on whether there is any change in the consideration of either of these options at the August 16 Finance and Personnel Committee meeting.



June 23, 2021

Joan Baxter  
City Hall, 301 Walnut Street  
Washington, IL, 61571

**RE: American Tower Site No. 411828 / East Washington II ("Tower Site")**

Dear Valued Landlord,

As the leading independent operator of wireless and broadcast communication sites, American Towers LLC (together with its affiliates and subsidiaries, "American Tower") understands the importance of maintaining productive long-term relationships with its landlords. American Tower has therefore engaged MD7 to reach out to its landlords to review ways to grow and develop those relationships.

Based upon current market conditions, we need to adjust the financial terms of this Tower Site's contract in order to ensure the long-term stability of the Tower Site and allow all parties to benefit. The proposal below outlines two options available for the tower on your property:

**Option 1: Rent Reduction**

- \$613.00 per month commencing October 1, 2021
- 10% term escalation will commence October 1, 2022
- Providing 6 terms of 5 years each; final expiration date will be September 30, 2072

**Option 2: Perpetual Easement**

- One-time payment of **\$142,428.00** in exchange for a perpetual real estate interest
- This can also be structured as a set number of monthly or annual installments payments personalized to fit your long-term financial needs.

I look forward to working with you to secure this mutually beneficial relationship for the years to come. After you review the options outlined above, please contact me to discuss further.

Respectfully,  
**Kim Kidder**  
kkidder@md7.com  
(858) 754-2155

**MD7 | Lease Consultant**  
*An authorized vendor of American Towers LLC and its subsidiaries and affiliates*

\*\*PLEASE NOTE: All proposals are good for a limited time and for discussion purposes only. The parties will not be bound in any respect and with regard to any proposal until and unless a written agreement is signed by all applicable parties. Further, all proposals are contingent upon: 1) American Tower's confirmation, review and approval, in its sole discretion, of a title report and if necessary, a land survey of the property; and 2) final approval and authorization by American Tower's Executive Team. Nothing contained herein shall be construed as, or deemed to create, an agency, joint venture, or partnership relationship between American Tower and MD7.