CITY OF TONKA BAY
ITEM NO. 9D

Memo

To: Honorable Mayor and City Council

From: Joe Kohlmann, City Administrator

Date: March 13th, 2012

Re: Antenna Leases

Overview:
Staff was directed to find out how third party antenna companies could assist the City in expanding or monetizing our current antenna site located on the water tower.

History of Antenna Leases:

1) Nextel and U.S. West installed Antennas in 1997
   -Nextel has option for five 5-year renewals (through 2026)

2) Sprint and Cellnet installed Antennas in 1997/1998
   Sprint has option for four 5-year renewals (through 2021)
   Cellnet had option for two 5-year renewals (through 2013)
   - Staff has contacted Schlumberger about renegotiating the lease but has not received a response back.

3) Verizon Wireless bought U.S. West and removed their antenna in 2007.

4) Cellent was bought by Schlumberger in 2000. Schlumberger is a utility company that used and now owns Cellnet's infrastructure to read heat, water and electricity usage. *See attached article from New York Times.*

5) Discussions for Sprint and Sprint/Nextel to consolidate their antennas at our site date back to 2006. Sprint has identified this site for review to decommission in 2012 *(See Attachment).* Staff contacted Sprint and they had no record or note for this site to be consolidated. However, the representative stated the City would probably be informed before their database is updated.

6) If Nextel gets out of their Lease. They must tear down the Antenna Tower and rebuild a new one that is equivalent to the existing Tower for the City.

7) Leases are written favorably for carries to terminate the lease.

8) Revenue collected from these three leases:
   1997 – 2012: **$574,482.66** (16 years)

9) Anticipated Revenue through current contracts (note Cellnet needs to be renegotiated- revenue not included in calculation):
   2013 – 2026: **$631,280.29** (13 years)

*** Sprint, Nextel and Cellnet could renew or renegotiate their leases, this number does not include any potential revenue for future leases.**

Proposals to Purchase Leases:

*A.P. Wireless:	**$289,730 for 30 year rights to lease** (6 semi annual payments of $47,100 + $6,230 at closing) +City will receive 75% of new leases added to sites.
Lyle Co.:	**$860,000 for 40 year rights to lease** (120 monthly payments of $6,958.33 + $25,000 paid at closing).

- Staff believes A.P. Wireless develops a land portfolio to sell off to a company like Lyle Co. and it is difficult to determine their true interest in expanding the number of Site Leases. As you can see, they could theoretically take our Leases and sell them to Lyle Co. for a substantial profit. *(see Tower Lease Industry Attachment).*

Attachments in order:
New York Times Article on Cellnet and Schlumberger
Sprint site location for decommissioning
Tower Lease Industry chart
A.P. Wireless Proposal
Lyle Co. Proposal

Requested Action:

Staff seeks to discuss and receive guidance on future actions regarding the City's Antenna Leases.

The New York Times

Business Day

COMPANY NEWS; SCHLUMBERGER BUYS THE ASSETS OF CELLNET DATA SYSTEMS

Published: May 17, 2000

Schlumberger Ltd., an oil-service company that is expanding into meter-reading and electronic-commerce technologies, said yesterday that it had bought the assets of the wireless-network provider CellNet Data Systems Inc. for about $117 million in cash. The company will also assume $118 million in debt. Schlumberger, whose meters measure heat, water and electricity use, will use CellNet's network to read information from those meters. It already uses CellNet, which filed for federal bankruptcy protection in February, as a contractor for that purpose. Schlumberger, which is based in New York, also makes "smart" cards that improve the security of banking and e-commerce transactions.

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Nextel network modifications in Minneapolis, MN

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What this means for you:

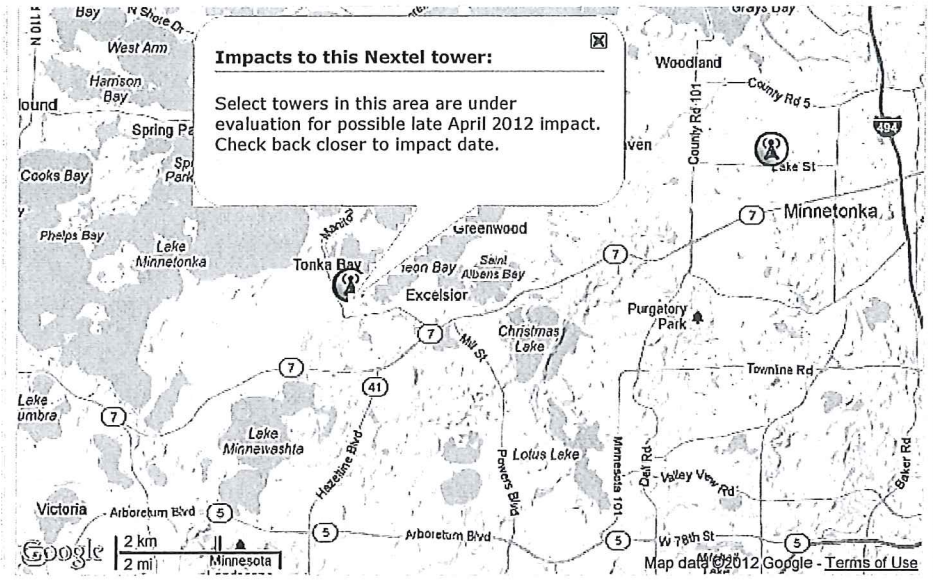
Selected Nextel towers are expected to be taken off-air and surrounding towers* will be optimized at the same time to maximize coverage continuity in an impacted area.

Nextel coverage on the street/in a car should not be impacted. Nextel users may experience changes to their call coverage when inside a building. *Sprint CDMA coverage will not change due to these actions.*

For real-time coverage information, always check sprint.com/coverage.

If you have questions, please contact Sprint to discuss.

* Towers can be defined as any cell site location for example on rooftops, traditional cell towers, water towers, billboards, etc.



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Next generation push-to-talk

Introducing Sprint® Direct Connect®, push-to-talk backed by an enhanced, advanced network. Be more productive in more places with the push of a button.

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Tower Lease Industry

	Public Tower Companies	Private Tower Owners	Wireless Carrier Tower Owners	Investment Firm Lease Aggregators	Industry Consultants
Who	Crown Castle - CCI American Tower - AMT SBA Communications - SBAC	Global Tower Partners Tower Co. Mobilitie	AT&T, Verizon, T-Mobile, Sprint, US Cellular	* Unison Site Management * Tristar Investors * Wireless Capital Partners * AP WIRELESS	Steel in the Air Airwave Management Cell Tower Attorney
Core Business or Intention (How do they make $)	Providing tower space to tenants Long-term ownership of tower assets	Developing tower assets to sell to Public Tower Companies Develop a tower portfolio to sell	Providing wireless services to their customers Use tower assets to provide service Ownership not essential	Earning a substantial rate of return on the capital they invest Develop a land portfolio to sell	Consultation for Fee Referral to Investment Firm Lease Aggregators Leverage others Lease Acquisition activity
Where do their assets go?	Buy and Hold	Public Tower Companies	Public Tower Companies	Public Tower Companies	No Assets
Land Owner Relationship	Valued Long-Term	Valued Short-Term	Required "Expense"	Minimal	Transactional
Visibility	Quarterly reporting	NONE	Immaterial	NONE	NONE
Ownership	Publicly traded Mutual Funds	Private Equity Investment Banks	Publicly Traded Mutual Funds	Private Equity Investment Banks	Mom & Pop