



Date: July 8, 2014
To: Thomas J. Bonfield, City Manager
Through: W. Bowman Ferguson, Deputy City Manager
From: Joel V. Reitzer, Director, General Services Department
Subject: Cell Tower Lease and License Agreement with Alltel Communications, LLC d/b/a Verizon Wireless

Executive Summary

Alltel Communications, LLC d/b/a Verizon Wireless (Verizon) proposes to enter into a new ten-year lease to attach cellular telephone antennas to the City-owned communication tower located at 1701 Cole Mill Road for the continued operation of its cellular service. Cellular providers are encouraged to co-locate and to locate antennas on existing structures and water tanks in order to reduce the number of freestanding cellular towers. Verizon's current lease expired on October 31, 2013. Staff successfully negotiated a new ten-year lease beginning November 1, 2013 and ending October 31, 2023 in which Verizon will pay an initial annual rate of \$36,000.00, which corresponds to the rental fee the City is receiving from its other cellular tower leases. The rental rate will increase 3% annually for the remainder of the term. (See Financial Impact). The City's rental terms are consistent with those of other municipalities relative to cell tower leases.

Subsequent to initial lease negotiations, Verizon requested that modifications to their existing equipment be incorporated into a new lease which delayed completion of a lease document with Verizon. Review of Verizon's planned modifications required that in-depth engineering research, including structural analysis of the tower, be performed prior to execution of the lease.

Recommendation

The General Services Department recommends that 1) City Council authorize the City Manager to execute a Cell Tower Lease and License Agreement for a ten year term with Alltel Communications, LLC d/b/a Verizon Wireless to attach antenna to the City-owned communication tower located at 1701 Cole Mill Road, Durham, NC 27705 (Parcel #174121) and 2) authorize the City Manager to execute a Memorandum of Lease and License Agreement.

Background

The General Services Department endeavors to generate the highest possible income for the City by leasing space on City-owned structures for cellular antennas and by executing land leases for the installation of cellular towers. Currently, there are cellular antennas at the City's East Pettigrew Street and Ellis Road water tanks, on towers at the South Durham Water Reclamation Facility and the former New Hope

Treatment Plant Sites, and on the City's communication towers at Huckleberry Reservoir (Cole Mill Road) and Camden Avenue. Cellular leases currently provide additional revenue to the City in the approximate amount of \$414,874.81.

Issues/Analysis

The City's zoning ordinance for cellular towers and placement of cellular antennas on existing structures requires that providers of cellular service make a diligent effort to locate their facilities on existing structures as a method of minimizing the aesthetic impact of related infrastructure while generating revenue for the City. The terms and conditions of the leases with the City require that the lessee meet or exceed the requirements of the zoning ordinance. Cellular leases generate income to the City.

Alternatives

City Council could decide not to approve the proposed lease and license agreement with Verizon. This alternative is not recommended because 1) if the City does not permit Verizon to locate at this location, the City will lose revenue of \$412,699.66 over a ten year period, and 2) since there is a high probability that Verizon would build a tower elsewhere on privately-owned property or attach to a non City-owned structure in the area, the aim of the Unified Development Ordinance (UDO) would not be met in that the UDO encourages the use of public lands and structures as locations for wireless telecommunications infrastructure.

Financial Impact

Revenue to the City from the proposed lease and license agreement with Verizon is as follows:

Year 1:	\$	36,000.00
Year 2:	\$	37,080.00
Year 3:	\$	38,192.40
Year 4:	\$	39,338.17
Year 5:	\$	40,518.32
Year 6:	\$	41,733.87
Year 7:	\$	42,985.88
Year 8:	\$	44,275.46
Year 9:	\$	45,603.72
Year 10:	\$	46,971.83
Total:	\$	412,699.66

Verizon is responsible for the costs of all improvements to the site and any and all personal property taxes relative to the improvements located on the site. All revenue will be deposited into the Account for Water and Sewer Operations, Air Lease Towers.

SDBE Summary

This item does not require review by the Equal Opportunity/Equity Assurance Department.

Attachments: Lease and License Agreement, Memorandum of Lease, Location Map.