



# City of San Antonio

## Agenda Memorandum

**File Number:** 14-1304

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**Agenda Item Number:** 29.

**Agenda Date:** 6/19/2014

**In Control:** City Council A Session

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**DEPARTMENT:** Information Technology Services

**DEPARTMENT HEAD:** Hugh Miller

**COUNCIL DISTRICTS IMPACTED:** City Wide

**SUBJECT:**

San Antonio MTA, L.P., d/b/a Verizon Wireless, Tower Lease Amendments

**SUMMARY:**

An Ordinance approving amendments to two Standard Tower Lease Agreements between the City of San Antonio and San Antonio MTA, L.P., d/b/a Verizon Wireless, for wireless towers located at Fire Station 43 and O.P. Schnabel sites.

**BACKGROUND INFORMATION:**

In accordance with Chapter 37 of the City Code, San Antonio MTA, L.P., d/b/a Verizon Wireless (“Lessee”) submitted an application to undertake network upgrades to telecommunications facilities collocated on two wireless towers located on City owned property. The network upgrades triggered an opportunity to update the rental provisions of the tower leases in order to bring them into compliance with current market conditions. City Staff has reviewed the applications including engineering design drawings and technical specifications of the equipment to be collocated on the towers. Based on these drawings and specifications there is currently no regulatory or technical compliance issue with the Lessee’s proposed installations.

The City and Lessee have successfully negotiated lease amendments for the two sites. Under the lease amendments, Lessee will be free to make future network upgrades simply by providing notice of the proposed

upgrades and complying with city regulations for obtaining a work permit from the Development Services Department without reopening the lease agreement to renegotiation. City regulations require an application processing fee of \$3,500 to cover compliance review of the engineering and technical design documents. In exchange, Lessee has agreed to increase annual rent to \$40,000 and to an annual 3% escalation factor for each lease. The revised annual rent of \$40,000 for the Fire Station 43 tower lease reflects an annual increase of \$29,300 compared to the current annual rent of \$10,700; and for the OP Schnabel tower lease an annual increase of \$20,900 compared to the current annual rent of \$19,100, for a net revenue increase of \$50,200 for the first year for both tower leases. City staff recommends the City Council approve these lease amendments in order to allow the Lessee to proceed with important technology network upgrades at these sites and to allow the City to generate revenue on the terms provided for in the lease amendments.

## **ISSUE:**

Staff is requesting approval of the lease amendments to the Standard Tower Lease Agreements between the City of San Antonio and San Antonio MTA, L.P., d/b/a Verizon Wireless for the wireless towers located on City property at the Fire Station 43 and O.P. Schnabel sites.

## **ALTERNATIVES:**

City Council could refuse to approve the lease amendments for the two tower leases leading to a loss of revenue that would be generated under the revised lease terms. Lessee would also be denied the opportunity to make necessary network upgrades to its wireless system resulting in a potential violation of federal law.

## **FISCAL IMPACT:**

The existing Fire Station 43 tower lease has a twenty (20) year term and expiration date of June 25, 2017. The amendment will extend the lease term for an additional five (5) years through June 25, 2022, with three additional five year extensions which are automatic unless a six month cancellation notice is given by the Lessee. The additional revenue impact of this lease amendment through June 25, 2022 is estimated to be \$363,564.25, with a maximum potential revenue of \$1,334,258.81, if the three additional five year extensions are executed.

Likewise, the existing OP Schnabel tower lease has a twenty (20) year term and expiration date of August 20, 2017. The lease amendment will also extend the lease term by five (5) years through August 20, 2022, with three additional five year extensions which are automatic unless a six month cancellation notice is given by the Lessee. The revenue impact of this lease amendment for the first five years is estimated to be an additional \$329,964.25, with a maximum potential revenue of \$1,300,658.81 if the three additional five year extensions are executed.

## **RECOMMENDATION:**

Staff recommends approval of the lease amendments.