

## STAFF REPORT

To: Finance Committee

Date: February 23, 2016

From: Nikki Reid, Real Estate Manager  
Jeff Reble, IT Project Manager

Via: Gary Jackson, City Manager

Subject: Review and recommendation concerning the replacement of a city-owned telecommunications tower at 166 Reservoir Road

Summary Statement: The consideration of a recommendation to City Council concerning a Memorandum of Understanding between the City and T-Mobile South, LLC, Verizon Wireless, and New Cingular Wireless, LLC for the tower replacement project at 166 Reservoir Road.

Background: The City of Asheville owns approximately 7.42 acres of real property at 166 Reservoir Road. The City took title to the property in the 1920s for use as a water reservoir, known as White Fawn Reservoir. After some time, the reservoir was decommissioned and filled. Because of the property's elevation and location, the property has exceptional range for telecommunications with approximately 300° coverage from northeast to west to southeast. In the 1980s, the City developed two telecommunications towers on the property through partnerships with private cellular carriers. In the case of the upper tower, the City agreed that US Cellular would pay for and construct the tower in exchange for a 30 year term of occupancy. The City retained rights to use the tower for public safety radio equipment. The case was the same for the lower tower, where the City agreed AT&T would construct the tower in exchange for a favorable term.

After these initial agreements expired, the towers became property of the City and the City continued to manage the towers for public safety equipment and private cell carrier use. Currently, the City manages 3 license agreements for both towers. T-Mobile and AT&T are located on the Lower White Fawn Tower and US Cellular is the primary tenant of the Upper White Fawn Tower (which not the subject of this tower replacement). Revenue from the license agreements benefits the general fund and underwrites a portion of the public safety radio equipment program. In FY 2014-15, the gross revenue received from both towers was \$111,000 per year.

This property has also been considered for a future park area. The Beaucatcher Greenway was designed to terminate at this property to offer expansive views of Downtown Asheville. A community group, known as the Friends of Overlook Park, established an agreement with the City to begin the vision and master plan process for recreational use of the property. That planning process began last fall. A planning design workshop is scheduled for February 24, 2016. Existing conditions, including the presence of two telecommunications towers and an abandoned and filled reservoir are acknowledged as part of the site constraints.

Review: At this time, the lower tower has reached equipment capacity and due to changes in the building code that governs telecom towers, the tower is no longer serviceable in its present form. Equipment upgrades or changes are not possible without significant investment in the structure. That being the case, the costs associated with a total replacement of the tower is more financially feasible than trying to renovate the existing tower. In 2015, the City analyzed

the public safety communications system and determined that the City should maintain this tower as a redundant or back up source of communication. With this recommendation, staff researched options for replacing the tower.

There are two tenants (licensees) on the tower, T-Mobile South, LLC (T-Mobile) and New Cingular Wireless (AT&T). In addition, Verizon Wireless (Verizon) has approached the City requesting space on the tower as a new licensee. For the past several months, staff has pursued discussions with the existing and prospective licensee to provide funding for the replacement tower as a licensee/tenant expense. At this time, the following terms have been discussed and agreed upon in principle as a project concept:

- City will serve as project manager for the engineering, design, and construction of this project.
- City agrees to pay all expenses for engineering and permitting costs associated with the tower construction.
- Each carrier (Verizon, T-Mobile, AT&T) agrees to pay 1/3 of the construction costs of the new tower and demolition of the existing tower. The current estimate is \$275,000 and will be determined by final bids and true costs. Carrier contributions are due prior to the City's execution of a construction contract as lump sum payments.
- In consideration of this tenant contribution, the City would agree to offer each carrier a term of 15 years.
- Each carrier agrees to install or relocate their own equipment.
- AT&T and T-Mobile agree to continue to pay rent during the construction period and thereafter. No rent abatement is considered.
- Verizon's rent will commence once the tower construction is complete, at their own expense.
- The rental rates for all carriers on the new tower will be equal to the current rates being charged by the City, subject to annual increases. The City has verified that this rate is consistent with municipal tower rates across North Carolina and is considered fair market value.
- Construction completion is expected to occur before the end of the calendar year 2016.

Process: City staff intends to bring forward a Memorandum of Understanding (MOU) between all four parties for Council consideration in the coming weeks. The MOU outlines the terms listed above. If Council approves the MOU and project concept, then the next step would be for staff to draft the necessary license agreements with each carrier. Staff would also initiate the construction bid process for the tower replacement. Thereafter, staff would bring forward the license agreements for final approval from City Council, and a construction bid award for final approval from City Council.

This action complies with the FY 15-16 Strategic Operating Plan by supporting Focus Area 1: Economic Growth and Sustainability, Goal 2: Invest and leverage investment in community infrastructure. Leveraging tenant investments in City-owned infrastructure allows the City to preserve the Capital Improvement Program dollars for other municipal investments.

Pro:

- Tower construction costs fully funded by third party agreements.
- Long term commitment from the tenants will secure revenue stream for the City.
- Dedicates a portion of the site to long term public safety communications use.

Con:

- Expanding use of the property for recreational use will need to accommodate public safety telecommunication towers into the design.

Fiscal Impact: Replacing the existing tower benefits the general fund through continued or expanded tower lease revenues and supports upkeep of the City's public safety communications infrastructure with minimal capital expenditures from the City.

Recommendation: Staff recommends the Finance Committee endorse and move forward to City Council for consideration a Memorandum of Understanding between the City and T-Mobile South, LLC, Verizon Wireless, and New Cingular Wireless, LLC concerning the tower replacement project at 166 Reservoir Road.

Attachments:

- (1) Detailed Carrier Info
- (2) Maps
- (3) Tower Pictures

SUMMARY OF LICENSE AGREEMENT – Proposed Terms  
166 RESERVIOR ROAD, LOWER TOWER WHITE FAWN

1. Licensee: New Cingular Wireless PCS, LLC (AT&T)

Status: Existing Tenant

Current Term Expiration: December 31, 2019

Termination: City has right to terminate at 180 days notice.

Current License Fee: \$37,581.27 per year

Escalation: 4% annual

PROPOSED TERMS: One-time licensee assessment equal to 1/3 of the construction costs of the replacement tower, 15 year term at current rate and escalation to commence on completion of new tower.

2. Licensee: T-Mobile South, LLC (T-Mobile)

Status: Existing Tenant

Current Term Expiration: December 17, 2018

Termination: City has right to terminate at 180 days notice.

Current License Fee: \$37,959.57 per year

Escalation: 4% annual

PROPOSED TERMS: One-time licensee assessment equal to 1/3 of the construction costs of the replacement tower, 15 year term at current rate and escalation to commence on completion of new tower.

3. Licensee: Verizon Wireless (Verizon)

Status: Proposed Tenant

Current Term Expiration: NA

PROPOSED TERMS: One-time licensee assessment equal to 1/3 of the construction costs of the replacement tower, 15 year term, \$39,500 new rate, 4% annual escalation to commence on completion of new tower.