

## STAFF REPORT

TO: Planning and Economic Development Comm. DATE: 10/20/2015

Via: Gary Jackson, City Manager

From: Sam Powers Prepared by: Nikki Reid  
Economic Development Director Real Estate Manager

SUBJECT: License Agreement with Bell Atlantic Mobile of Asheville, Inc. d/b/a/ Verizon Wireless

Summary Statement: Review of license agreement proposal from Bell Atlantic Mobile of Asheville, Inc. (d/b/a/ Verizon Wireless) for telecommunications equipment on city owned property located at 300 Merrimon Avenue and recommendation for Asheville City Council consideration.

Review and Analysis: The city property located at 300 Merrimon Avenue is improved with a historic fire station designed by Douglas Ellington and constructed in 1927. The property was operated as a fire response station until 1975. Thereafter, the building was used primarily as the headquarters for the Asheville-Buncombe Arson Task Force. In 2001, the Asheville City Council authorized Triton PCS Wireless to install a concealed telecommunications tower and a concrete equipment shelter at this property. This tower is designed as a flagpole and located on the rooftop of the fire training tower. For the past several years, Triton PCS and its subsequent designee, T-Mobile Suncom Wireless, has operated antennas and equipment at this site. This past year, the Arson Task Force vacated the building due to concerns with peeling lead paint and needed improvements to the structure.

At this time, Verizon Wireless has come forward with a request to co-locate 2 panel antennas and 2 hybrid-flex lines on the existing telecommunications tower and install a 136 sq. ft. concrete building at the rear of the property to house its ground equipment. To achieve this, Verizon must increase the height of the existing tower by 11 feet, thereby requiring an application for a Conditional Use Permit. This permit is in process and scheduled for review at City Council on November 10.

Verizon Wireless has offered to enter into a new license agreement based on the following terms: (1) Initial term of ten years, with three renewals of five years each, (2) Annual license fee at an initial rate of \$27,000 per year with 3% annual increases. All facilities are separately metered and the tenant will pay for the utility services.

The City's pricing structure for telecom assets was initially determined by gathering and comparing rates used by other municipalities across the state, including the Cary, Hickory, Greensboro, Charlotte and others. Formal findings were reviewed and endorsed by the Council's Planning and Economic Development Committee on August 20, 2008. Results indicated that base fees of \$23,000 per annum for concealed rooftop towers and \$30,000 per annum for vertical stand-alone towers represented fair market value. As an update to this research in 2015, staff reached out to contacts within the private telecommunications industry and spoke with contacts at other municipalities. Generally speaking, the rooftop pricing for telecommunications range from \$18,000 - \$25,000 across the state, with various factors

influencing price, such as population density, reach of signal, traffic counts, etc. At the 300 Merrimon location, the existing tenant, T-Mobile Suncom, pays approximately \$26,900. Based on this due diligence and evidence of fair market value, City staff and Verizon negotiated a price point of \$27,000 for the annual lease fee.

As part of this review, staff considered the impact of the license agreement to the future utility and function of the site. It is noted that Verizon's concrete shelter occupies space within a limited land area. However, the relative value of the income from the license agreement outweighs the loss associated with 136 sq feet of ground space. Moreover, the addition of a second telecom tenant greatly improves the overall value of the City's asset with limited impact to the existing structure. It is evident from our initial research that proceeding with recommending the approval of the license agreement will greatly improve the financial position of this asset.

Once the telecommunications item has been determined, staff will commence research and analysis of the highest and best use of the property, and provide this committee with the results and recommendations of that analysis. The timeframe for the committee's review is the 3<sup>rd</sup> quarter of the current fiscal year (Jan – March of 2016.)

This action complies with the City Council Strategic Operating Plan by contributing to fiscal responsibility. Strategic tower asset management, through the renewal and creation of new license agreements, presents the City with revenue enhancements to the General Fund.

Pros:

- Enhanced revenue through the license fee income

Cons:

- None

Fiscal Impact:

In the initial year of the lease, FY 2015-16, Asheville will receive \$27,000 in revenue in the General Fund if the lease is approved by City Council. Strategically, the income associated with a second tenant on the property improves the overall value of the City's asset and provides more options for Council's consideration of the future of the asset.

Recommendation: City staff recommends the PED Committee provide a favorable recommendation to approve at Asheville City Council.