



City of Racine, Wisconsin
COMMON COUNCIL

AGENDA BRIEFING MEMORADUM (ABM)

COMMITTEE: Redevelopment Authority of the City of Racine **LEGISLATION ITEM #:** 0329-18

AGENDA DATE: June 7, 2018

DEPARTMENT:

Prepared By: James M. (Jim) Palenick, City Administrator

Reviewed By: Amy Connolly, RDA Executive Director

SUBJECT:

Communication from the City Administrator presenting a proposed Letter of Agreement to sell and convey a perpetual easement for a combined 2,496 square-foot parcel of real property at 1828 DeKoven /1811 Phillips Avenue in the City of Racine, to Global Signal Acquisitions IV LLC (representing Crown Castle and Verizon) for an existing telecommunications tower and ground equipment for the lump sum purchase price of four hundred fifty-eight-thousand dollars (\$458,000).

EXECUTIVE SUMMARY:

The RDA owns a small parcel of real property immediately adjacent to the parking area serving the south side industrial park, alternately referred to as 1828 DeKoven Avenue or 1811 Phillips Avenue, on which a cellular telecommunications tower and ground equipment is located. The tower and some of the ground cabinet infrastructure and equipment is owned and maintained by Crown Castle, while some additional ground equipment and hardware is owned and maintained by one of the tower carriers, Verizon Wireless. Crown Castle has a ground lease with the RDA for a 1,196-sq. ft. parcel, while Verizon's ground lease covers 800 sq. ft. Each of the Ground Leases are set to expire on January 8, 2026 and the Lease-holders have approached the RDA/City about negotiating and securing either a long-term (30-year) extension to the Lease (6, 5-year increments with rate escalations for each), or the one-time purchase of a perpetual easement. In addition, Crown castle has asked to add an additional 500 square feet to the land area controlled as part of the lease/easement.

As a result, the City Administrator has engaged representatives of Crown Castle, on behalf of both their own company and their hosted carrier, Verizon Wireless, in back-and-forth negotiations over the last several months in order to secure the best possible financial outcome for the RDA and to assure the telecommunications companies that their long-term future in Racine would be preserved. In doing so it was calculated that the long-term certainty associated with the likely continued reliance on tall-tower infrastructure, versus the rapid move to a 5G infrastructure and more reliance on street-light-height small cell antenna facilities, didn't bode well for entering into a long-term lease that could be terminated by the lessee at multiple steps along the way. The slow, incremental receipt of small monthly payments could end prematurely and never provide any real impact or payback to the RDA – certainly not in comparison to a lump-sum sale at the likely highest point in time for value. For this reason, we focused on a one-time, lump-sum sale of a perpetual easement to maximize the RDA's return. After significant negotiation, we arrived at a final best offer of a combined \$458,000 for the 1,696 square foot Crown Castle ground lease (1,196 sq. ft. plus an additional 500 sq. ft.) and the 800 square foot Verizon Wireless ground lease.

BACKGROUND & ANALYSIS:

During the existing, 30-year ground lease maintained by the RDA (1995 – 2025) the payments received from the Verizon lease has moved from \$700/month (\$8,400/year) to \$1,451.52/month (\$17,418.24/year); for the Crown Castle lease, it was slightly lower throughout – concluding at \$1.31.74/month (\$12,380.89/year). So, effective as late as 2025, these two ground leases would only produce \$29,799.13 combined per year.

In turn, the prospect of the RDA instead achieving an immediate infusion of \$458,000 for the sale of a perpetual easement, could offer the opportunity to take advantage of heightened value while it still exists and in advance of changes in technology which may, in turn, cause the lessee to terminate at any one of the five, five-year extension points following the initial 5-year extended lease.

BUDGETARY IMPACT:

This \$458,000 in sale proceeds, along with the expected \$250,000 in sale proceeds from the sale of the 8 acres in the south side industrial park, will provide the RDA a combined \$708,000 in funds to further leverage and support quality private-sector investment in economic development and redevelopment in the City of Racine.

OPTIONS/ALTERNATIVES:

- 1.) To approve the sale and conveyance of a perpetual easement for a combined 2,496 square-foot parcel of real property at 1828 DeKoven /1811 Phillips Avenue in the City of Racine, to Global Signal Acquisitions IV LLC (representing Crown Castle and Verizon) for an existing telecommunications tower and ground equipment for the lump sum purchase price of four hundred fifty-eight-thousand dollars (\$458,000), consistent with and subject to the terms of a

68 final "Grant of Easement and Assignment of Lease" to be negotiated and approved by the RDA
69 Executive Director and support staff, including legal Counsel representing the RDA.
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- 71 2.) To defer or reject the sale and conveyance of a perpetual easement for a combined 2,496
72 square-foot parcel of real property at 1828 DeKoven /1811 Phillips Avenue in the City of
73 Racine, to Global Signal Acquisitions IV LLC (representing Crown Castle and Verizon) for an
74 existing telecommunications tower and ground equipment for the lump sum purchase price of
75 four hundred fifty-eight-thousand dollars (\$458,000), consistent with and subject to the terms
76 of a final "Grant of Easement and Assignment of Lease" to be negotiated and approved by the
77 RDA Executive Director and support staff, including legal Counsel representing the RDA.

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79 **RECOMMENDED ACTION:**

- 80 3.) To approve the sale and conveyance of a perpetual easement for a combined 2,496 square-
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86 Executive Director and support staff, including legal Counsel representing the RDA.
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91 **ATTACHMENT(S):**

92 Proposed letter agreement for easement conveyance between RDA and Global Signal Acquisitions IV
93 LLC.