



STAFF REPORT

AGENDA ITEM #: 17-142
COUNCIL MTG OF: October 17, 2017
FROM: Dave Caron, Town Administrator
OFFERED BY: Administration
PREPARED BY: Administration
SUBJECT: Possible Revisions to Ground Lease for Cell Tower Site at Derry Central Station

INTRODUCTION:

The Town has been in negotiations with the owners of the cell tower located at 131 East Broadway who are seeking to extend the lease term. After negotiations, staff recommends a 25 year lease extension in exchange for a \$50,000 signing bonus.

TOWN ADMINISTRATOR COMMENTS:

The Council is urged to adopt Resolution #2017-070.

BACKGROUND:

The cell tower is located behind Central Fire Station and its strategic location commands a fairly significant rent stream at \$3,803/month, increased by a very favorable 4% per year. Presently, there remains 15 years on the current lease, and American Tower seeks an additional 25 year extension (5, 5 year lease periods) under the current terms and conditions. American Town paid an additional \$21,991 in property taxes for improvements at this location in 2016.

DISCUSSION:

Originally, American Town sought a lease extension for an additional 40 years in exchange for a \$40,000 signing bonus, or alternately pay the Town, in lieu of the annual ground lease, a lump sum payment of \$775,000 or payments over 10 years with a gross value of \$923,880. We analyzed American Tower's lump sum buyout and calculated that the net present value of the proposed effective lease period of 55 years, until 2072 ranges to be between \$3.18 - \$6.79M, well below the buy-out offer. We then focused upon a lease extension, and recommend a 25 year extension for a \$50,000 signing bonus.

FISCAL IMPACT:

It is estimated that the Town will receive approximately \$4.74M in lease revenues and \$1.25M in property taxes from this site through the year 2057. (NPV @ \$2.23M - \$3.86M)

RECOMMENDED ACTION BY COUNCIL:

Adopt Resolution #2017-070

RECOMMENDED MOTION:

Please see Resolution #2017-70.