



City of Morgan Hill

Legislation Text

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CITY COUNCIL STAFF REPORT

MEETING DATE: FEBRUARY 15, 2017

PREPARED BY: Anthony Eulo, Program Administrator/Community Services
APPROVED BY: City Manager

AMENDMENT TO CROWN CASTLE PROPERTY USE AGREEMENT

RECOMMENDATION(S)

Authorize the City Manager to Execute the First Amendment to Crown Castle's Property Use Agreement.

COUNCIL PRIORITIES, GOALS & STRATEGIES:

Ongoing Priorities

Maintaining fiscal responsibility

REPORT NARRATIVE:

The City of Morgan Hill has allowed cellular facility installations at the Nob Hill Water Tank site since 1995. Currently, both Sprint and Verizon operate facilities on this site. Verizon's agreement with the City was assumed by Crown Castle International, a worldwide cellular property management company. Crown Castle's current agreement for that site expires June 30, 2020. The current annual revenue from Crown Castle is \$28,400 and is increased annually by 4%. The agreement also allows Crown Castle to locate up to three additional cellular carriers on the Nob Hill site, with the City receiving 50% of the revenue for each additional carrier. Any such installations would go through the current Conditional Use Permit process which would evaluate the visual impact of additional carriers on the site, as well as the extent to which the proposed installation meets City building requirements.

With the end of the agreement coming in three years, Crown Castle has approached the City to ask for an extension. After a series of negotiations during the past year, the following deal points are proposed:

- Renewal Term: 20 years with a new expiration date of June 30, 2040;
- Compensation: Immediate increase in annual site rent from \$28,400 to \$38,500;
- Termination: Clarification that the City can terminate the agreement, if needed, with adequate notice (four years) provided to allow for the cell facilities to be relocated;
- Bonus Payment: An incentive payment of \$10,000 due upon full execution of the Amendment.

In addition, with a potential additional life of 20 years, Crown Castle believes that they can realistically market the site to other carriers or services and bring in additional revenue to the City via the revenue sharing provision of the agreement. Given the costs of siting a facility, carriers are unwilling to invest in sites without some assurance that they can remain at the site for ten or more years. Staff recommends approval of the attached First Amendment to the Agreement.

COMMUNITY ENGAGEMENT: Not Applicable

No changes are proposed which would generate concern or interest from the community.

ALTERNATIVE ACTIONS:

The Council could decline to approve the Amendment and provide direction to staff on alternative negotiation parameters or direction on decommissioning the site as a cell tower location.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

The City's current agreement with Crown Castle was approved by the City Council on February 1, 2006.

FISCAL AND RESOURCE IMPACT:

Without this Amendment, the City's income from the agreement will be \$29,536 in Fiscal Year 2017/2018. With execution of the Amendment, the City's rental income for Fiscal Year 2017/2018 will be increased by \$10,504 to \$40,040. This is income that is credited to the Water Fund and used to fund low income customer discounts and other costs that cannot be paid by fee revenues. Revenue will increase by 4% annually and by the end of the proposed term of the agreement, annual revenue will exceed \$90,000.

The resources to negotiate cellular tower property use agreements are included in the work program of the Community Services Department.

CEQA (California Environmental Quality Act):

Not a Project

This Amendment is an administrative action that is not a project under the CEQA Guidelines. Any additional facilities located on the site will need to obtain Conditional Use Permits and will engage in the CEQA process at that time.

LINKS/ATTACHMENTS:

First Amendment to Crown Castle Property Use Agreement