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# CITY OF POMONA

## COUNCIL REPORT

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May 6, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Rene Guerrero, Interim Public Works Director

**SUBJECT: APPROVAL OF A PRE-PAID LONG TERM EXTENSION OF EXISTING LEASE AGREEMENTS WITH CROWN CASTLE FOR CELL SITES**

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**RECOMMENDATION:** It is recommended that the City Council take the following actions:

- 1) Approve the proposal from Crown Castle to enter into 31-year lease amendments/extensions on five cell tower sites and a 31-year term top license (or easement) on the 1400 E. Mission Blvd. cell tower site. Approval will result in:
  - a. A one-time payment to the City of \$3,131,140 in prepaid rent (plus \$23,463 in future rent on the Mission Blvd. site);
  - b. An option for Crown Castle to add up to 500 square feet of land area at each of the six sites and will provide the City 50% of the revenue received from any new subtenant who installs cell site facilities within any added land area; and
- 2) Authorize the City Manager, or her designee, to execute lease amendments and top license agreement on behalf of the City, subject to review by the City Attorney.

**EXECUTIVE SUMMARY:** Approval of Crown Castle's 31-year lease amendments/extensions on five cell tower sites and a 31-year term top license (or easement) on the 1400 E. Mission Blvd. site will result in a one-time payment to the City of \$3,131,140 and \$23,463 in future rent on the Mission Blvd. site.

**FISCAL IMPACT:** The City will receive a one-time payment of \$3,331,000 as prepaid rent for leasing five sites for the next 31 years, less 6% for SteepSteel commissions costs, netting an amount of \$3,131,140 to the General Fund. By receiving the one-time lease payment, the City will no longer receive the estimated \$14,500 in monthly revenue (approximately \$175,000 annually) it currently receives for five of the sites. For the Mission Blvd. site, the City will enter into a prepaid top license (or easement) rather than a prepaid lease extension. As a result, the City will not receive an advance payment for the existing Mission Blvd. lease, but will continue to receive monthly lease payments of \$258 per month through the year 2025, which will total \$23,463 over the remaining term of the current lease. The one-time payment was included as a revised revenue estimate in the Fiscal Year 2018-19 General Fund Mid-Year Budget Review council report on March 18, 2019, in the amount of \$3,200,000.

**PREVIOUS ACTION:**

At the April 15, 2019, City Council meeting, this item was continued to May 6, 2019, in order for Council to have the opportunity to review the agreement attachments which were delayed in delivery and published with the staff report.

**DISCUSSION:** In an effort to maximize the value of existing cell tower leases, on November 6, 2018, the City entered into an agreement with SteepSteel to conduct a review, audit, and analysis of the active license agreements for wireless communication. SteepSteel also was retained to market, auction, and provide negotiation services on behalf of the City. SteepSteel posted listings for the sites on their own online auction website, and other websites including LoopNet, CoStar, and Inside Towers between November 2018 and February 2019. SteepSteel received several inquiries from interested parties, and received written offers.

Staff discussed the offers with both SteepSteel and the Interim City Attorney to determine the best option for the City. Crown Castle's proposal of a new 31-year lease agreement on five sites and a 31-year term top license (or easement) on the Mission Blvd. site is the recommended offer (Attachment No. 1). This offer will provide Crown Castle the option to add 500 square feet of land area at any of the six sites, and, if added, Crown Castle will pay the City 50% of the revenue received from any customer who installs within the added land area. On December 6, 2018, Public Works Staff walked the sites with Crown Castle to ensure the option of adding 500 square feet will not impact the use of the parks/facilities for the residents of Pomona. The site locations and the current land areas utilized for cell sites are listed below:

#	Site Locations	Current Land Area Utilized
1	Jaycee Park	1,452 square foot parcel
2	Philadelphia Park	216 square foot parcel
3	Ralph Welch Park	202 square foot parcel
4	Washington Park	200 square foot parcel
5	25 ½ Canyon Rim Road	280 square foot parcel
6	1400 E. Mission Blvd.	136.5 square foot parcel

Crown Castle's proposal will provide the City with a one-time payment of \$3,131,140. The City will receive an additional \$23,463 for rent on the Mission Blvd. site throughout the term of the current lease which expires in 2025 for a total of \$3,154,603. The terms of the proposed leases will expire in 2050 and the land areas utilized will revert to the City unless new agreements are negotiated.

Prepared by:

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Senior Management Analyst

**ATTACHMENT:**

Attachment No. 1 – Crown Castle Amendments and Top License (31-year term)