



# CITY OF MANITOWOC

WISCONSIN, USA

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January 25, 2023

TO: Finance Committee  
Mayor Justin Nickels

FROM: Eric Nycz, Assistant City Attorney

Re: Letter of Intent to Purchase Easement

## Issue Presented

On or about November 7, 2022, the City of Manitowoc (“City”) was approached by a third-party vendor (“Vendor”) interested in procuring an assignment of cell tower lease(s) and telecommunications easement for the City’s cell tower located at 736 Revere Dr. (“Tower”). The City currently leases space on the Tower to AT&T (\$28,800.00 annually) and Sprint (\$31,104.00 annually). The Sprint contract will terminate on March 31, 2023, as Sprint (now T-Mobile) provided the required notice to terminate the agreement. Therefore, the Vendor seeks to purchase an assignment of the AT&T contract and the rights to all future cell company leases on the Tower (this is the telecommunications easement). After three months of negotiations and standard due diligence, this Office recommends the City enter into an agreement with Wireless Propco, LLC (“Propco”) as outlined below and in the attached Letter of Intent (LOI).

## The Structure of the Deal

Propco will pay the City a one-time lump sum payment of \$518,400.00. Propco, and its affiliates, own approximately 4,000 telecommunication easements and it will market the Tower to its lessees. Every new lease on the Tower will result in a revenue share with an equal (50%) share to the City and Propco. For example, should Propco sign a lease with T-Mobile for \$3,000.00/month, the City would receive \$1,500.00/month. Finally, various City departments utilize the Tower for emergency services and will continue to do so at no new cost to the City.

AT&T signed a 30-year extension agreement for the Tower that commenced on March 19, 2021. The Agreement is divided into 5-year blocks, where the parties may, with proper notice, terminate the agreement without penalty every five years. Beginning March 19, 2021, the annual rent paid to the City will increase by two percent (2%) over the annual rent paid during the previous year. In essence, the City will receive the rent due from AT&T, should it not terminate the agreement, through the end of 2039, immediately:

2023	\$28,800.00
2024	\$28,800.00
2025	\$28,800.00
2026	\$29,376.00
2027	\$29,963.52
2028	\$30,562.79



2029	\$31,174.05
2030	\$31,797.53
2031	\$32,433.48
2032	\$33,082.15
2033	\$33,743.79
2034	\$34,418.67
2035	\$35,107.04
2036	\$35,809.18
2037	\$36,525.36
2038	\$37,255.87
2039	\$38,000.99
Total	\$517,649.43

### **Clarifications on Anticipated Questions**

- The LOI shows ownership transfer for three lease agreements. The first is the Sprint agreement that has been terminated effective March 31, 2023. The second agreement is the AT&T agreement, which is outlined, above. The third agreement was terminated shortly after it was signed (this Office could not determine the exact date it was terminated). As stated above, the only operative agreement is the AT&T agreement, and Propco is aware of this fact; all negotiations were completed with a common understanding of operative lease agreements.
- Propco will not want to wait 17 years to receive a return on its investment. We should anticipate additional lease agreements on the Tower within 2 years.
- The City does not currently have the expertise to manage and market this type of telecommunications tower. By utilizing a third party to manage and market the Tower, the City should see not only an increase in income, but a benefit to citizens who use cellular phones (additional providers on the Tower means more coverage for their customers).

### **Bottom Line**

This Office has discussed the proposal outlined in the LOI with Public Safety, Community Development, Engineering, and the Mayor's Office. This opportunity has been met with universal support. Therefore, this Office requests that the Committee recommend entering into the LOI to the Common Council, and providing authority to the City Attorney's Office to review and approve a final agreement with Propco, following Propco's completion of due diligence.