

COBURG CITY COUNCIL ISSUE ITEM



TOPIC: Douglas Fast Net Ground Lease Agreement

Meeting Date: July 12, 2022
Staff Contact: Anne Heath, City Administrator
Contact: 541-682-7871, anne.heath@ci.coburg.or.us

REQUESTED COUNCIL ACTION

Approve ground lease agreement between Douglas Fast Net (DFN) and the City of Coburg

Suggested Motion: I move that the City Council approve the City Administrator to sign a ground lease agreement with DFN to place their fiber hut at the location of the Sarah Lane Water Booster Station.

BACKGROUND

Douglas Fast-Net (DFN) has leased broadband fiber optic lines from the Fiber Consortium to the City of Coburg. In order to begin providing service in Coburg they must construct a hut, which will provide a central location for the management of their systems.

The Staff worked with DFN to identify properties within the city limits to locate the hut. The Sarah Lane Water Booster station was the most secure and central location that the City could offer them.

The proposed hut will be approximately 10 x 12. See attached drawing for a similar hut.

The intent is to start construction in September and complete by November. Their intention is to be providing service to City Hall in November.

Service to the community will be provided to neighborhoods with overhead lines first. They will then move to other neighborhoods as is possible.

It is anticipated that the cost of service will be \$50 for 250 MB as an introductory pricing and then it will move to \$65 after 12 months. The price of one gig will be \$6.

LEASE OVERVIEW

The lease will grant DFN the ability to place a hut at the location of the Sarah Lane Water Tower Booster Station. In exchange for this ground lease, the City of Coburg will receive free broadband services to City Hall. DFN will provide all equipment needed to hook up to their service. DFN will hook up to the electricity of the Sarah Lane location, and will use approximately 1000 kilowatts of power per month, which will increase the cost of electricity at the booster station by about \$125. The hut will be placed inside the perimeter fence of the Water Booster Station, in addition to an additional fence to be constructed by DFN around their hut. This will provide a secure location for their operations.

The lease agreement with DFN will provide free service for the City in exchange for the ground lease and electricity to run the hut. The value of the exchange is approximately \$250.00 per month or \$3000 per year.

This agreement is similar to a lease the City holds with Hunter Communications which has a similar hut located at City Hall at this time. The city was paid a one-time nominal fee for the placement of the hut. The City currently pays up to \$300 per month to Hunter Communications for a similar service and covers the cost of the electricity.

The City will have no responsibility in maintaining the equipment or space in which the hut will be placed.

FRANCHISE FEES

In addition to free service, the City will also receive revenues to the General Fund as Franchise Fees. It is standard for utilities to pay franchise fees to municipalities for operating within their boundaries. Coburg has a requirement for these franchise fees. The City Council passed Ordinance A-253 on September 14, 2021 to grant DFN use of the right-of-way in Coburg to place Fiber Optic Telecommunication Systems in Coburg. DFN will pay the City of Coburg Five percent (5%) of the annual gross revenue that will be paid on a quarterly basis.

RECOMMENDATION AND ALTERNATIVES

Staff recommends that the Council approve the lease with DFN

The alternative would be to not approve. In that case, there would need to be a further search for a placement of the hut, which will delay services coming to the City of Coburg and its residents.

BUDGET / FINANCIAL IMPACT

This will reduce the cost of service to the City by up to \$3600 annually. It will have a minimal impact on the utility bills to support the hut.

PUBLIC INVOLVEMENT

N/A

Public may make comment at the City Council meeting under general comments

NEXT STEPS

- The City Administrator will execute the agreement with DFN
 - DFN will begin construction on their hut
 - City Hall will be hooked up in approximately November, 2022
 - Public Information campaign will be administered by DFN
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ATTACHMENTS

- Draft Ground Lease Agreement
 - Drawing of Hut with specifications
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REVIEWED

Anne Davies, City Attorney
Brian Harmon, Public Works Director

