



A HERITAGE OF GOOD LIVING

**Dr. Sheryl L. Mitchell Theriot**

**City Administrator**

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**COUNCIL COMMUNICATION:**

**TO:** Mayor Garrett and City Council Members

**FR:** Sheryl Mitchell Theriot, City Administrator

**DA:** October 4, 2021

**RE:** Tower Lease Agreement – American Tower – 19625 Sunnybrook

The City is in receipt of a communication from American Tower. With T-Mobile having completed their merger with Sprint. T-Mobile has announced 25,000 Sprint sites are to be terminated along with an additional 10,000 T-Mobile sites. This has caused major network evaluations and also resulted in new Master Leases being negotiated between the carriers and Tower companies.

We have not received notice of the Lathrup Village site being terminated. However, two options are being presented for our consideration.

**Current Lease Agreement:**

- Commenced Feb. 1998 for 5 years
- Option for 4 additional 5-year terms
- Rent increases by cumulative CPI for the prior 5 years
- 2 carrier customers on tower: ATT & T-Mobile (not Verizon)
- Current rent: \$1,763.29/month

**Option 1:** The escalator in the Lease is stated as CPI not to exceed 5% per year and paid as a term escalator which is why they have it listed as 25%. They are seeking getting the escalator to a fixed 10% per term. The carrier contracts are limited to a 10% per term escalation. American Tower is asking to match the escalator rate to the 10% of the carrier contracts. The next escalation period would go into effect February 2023. In 2019, Council authorized me to present a counter-proposal to their \$300,000 buyout offer of \$1.2 million. At that time, they also offered a 2% escalation with a \$5,000 signing bonus. The current offer is:

- Escalation reduction from 25% to 10%
- Reduce rent by \$200/month (negotiable to \$100/month)
- \$1,500 cooperation bonus
- Ex.

Rate	Increase %	Monthly Amt	New Monthly	Annual Amt	20 years	30 years
\$1,763.29	Current			\$21,159.48	\$423,190	\$634,784
\$1,763.29	25%	\$440	\$2,204.11	\$26,449.25	\$528,987	\$793,478
\$1,763.29	10%	\$176	\$1,939.61	\$23,275.42	\$465,508	\$698,263
\$1,563.29	10%	\$156	\$1,875.94	\$22,511.76	\$450,227	\$675,352

**Option 2:**

- Lease Buy-out \$825,000; comparable to:
  - \$41,250/yr for 20 years
  - \$27,500/yr for 30 years
- 60-year term easement
- No leases or carrier payments
- Minimizes risk

In regards to Electronic Vehicles (EV), it is understood that they are moving to the 5G network, which does not require the tall “macro” towers. Instead, are utilizing more “micro” installations which can do on light poles, etc. They have a contract with the postal service to install these on all of their facilities.

Would like some direction from Council as to which (if any) option they prefer to pursue.