



NATIONAL CELL TOWER CONSULTANTS

**PROCESS FOR EVALUATING
PROPOSALS TO EXTEND LEASES**



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Process for Evaluating Proposals to Extend Leases

The tower companies and the wireless carriers are contacting landowners and looking to extend their lease agreements. There are multiple reasons why tower companies and wireless carriers would be interested in tying up their leases more than 5 years before expiration. The primary reason is that they know that the closer they get to the lease expiration, the higher the lease rate will typically be. For more information on lease expirations, please see [Negotiating Expiring Leases](#). They also want to prevent you from selling the lease to a third party who would then use their market knowledge to negotiate a much more onerous lease agreement. For the tower companies, there are some additional reasons that they would want to extend the lease far in advance of expiration. The stock market rewards the tower companies for having longer term ground leases under their towers. There are also specialty companies that attempt to take over ownership of the tower at expiration that cannot do so if the lease has been extended. The representatives for the tower companies will bombard you with phone calls and letters; they are hopeful that eventually you will just wear down.

From our perspective as a trusted advisor to the landowner or building owner, we attempt to determine whether the extension proposal is good enough to warrant passing up on the opportunity to negotiate what may be a much more favorable agreement in the future. To do so, we follow this process:

- [1. Identification of the Purpose of the Tower or Cell Site](#)
- [2. Review of the Zoning Regulations Regarding Tower or Cell Site Relocation](#)
- [3. Review of the Cost of Construction of Replacement Site](#)
- [4. Determine the Effective Cost of Relocation](#)
- [5. Evaluate the Tower Cash Flow to the Tower Company](#)
- [6. Review Comparable Data for Lease Expirations](#)
- [7. Review Comparable Data for Lease Extensions on Similar Terms and Conditions](#)
- [8. Recommend Appropriate Counteroffer](#)



Here are the details of each step:

1. Identification of the Purpose of the Tower or Cell Site

- a. We first start by reviewing the cell site's purpose, whether for coverage or capacity or for both. Think of coverage as whether your phone shows 4 or 5 bars while capacity is when you have 4 or 5 bars but drop a call or simply can't make a call. A cellular network needs both capacity and coverage – and for landowners reviewing the value of their lease, they should understand what purpose the cell site serves for both capacity and coverage reasons. In more rural areas, the cell site is where it is because it provides coverage. In urban areas, there are almost always multiple sites that provide coverage, but the individual site is necessary to fill a specific coverage objective or to augment the capacity of the network.
- b. Once we know the cell site's purpose, we first determine the probability that the wireless carrier(s) that are using the site will possibly no longer need the site by the expiration of the lease. We don't believe that towers in general will be obsolete-but we do believe that the wireless industry is everchanging and that the carriers will have different needs in the future for sites than they did before. For instance, as a result of the Sprint/T-Mobile merger, over 35,000 cell sites are expected to be decommissioned.

2. Review of the Zoning Regulations Regarding Tower or Cell Site Relocation

- a. A crucial question that we feel must be answered before you can assess how much to charge is whether the subject site is replaceable. Could the tower company or wireless carrier find another site that would be authorized under the current zoning ordinance? To determine this, we review the local zoning ordinance to determine whether a replacement tower would be allowed and how difficult it would be to get approval for a new tower.
- b. In the case of rooftops or existing structures like water towers, we look to determine whether there are other existing structures in the area that will provide similar coverage. We look to see whether there is the possibility that the carrier could "split" the site to two other possibly inferior but cheaper sites. If we find that there aren't suitable structures available for placement of the cell site, we skip the next step.

"The number one factor that influences lease rates for expiring leases is the ease or difficulty of finding another site. If the tower can easily be moved, your negotiation power is limited."

Ken Schmidt



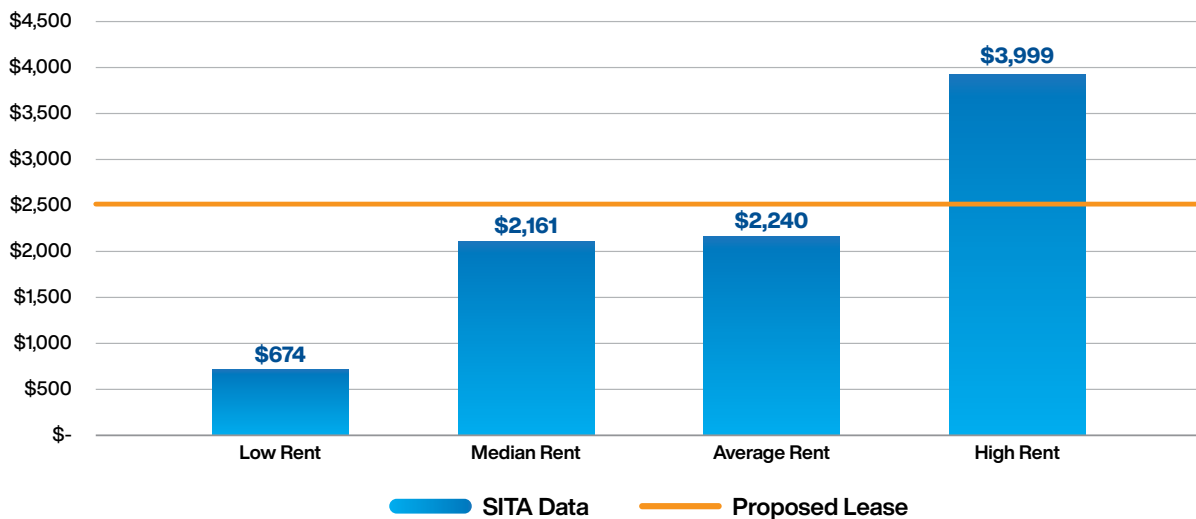
3. Review of the Cost of Construction of Replacement Site

- a. In the case where it is at least feasible from a zoning standpoint for the tower company to move the tower, we estimate the cost of the relocation of the tower. This will include the construction of a new tower, relocation of the carrier's transmission equipment, and removal of the old tower per the terms of the lease agreement.
- b. In the case of rooftop and existing structure sites, we examine the cost of removing the equipment from the existing site and building a new site on another structure.

4. Determine the Effective Cost of Relocation

- a. We review our **comparable database** to find out what the average lease rate for new towers or new rooftop sites is in the area surrounding this tower. Because we have thousands of lease rate data points across the US, we can tell you with a good degree of accuracy what the tower company or carrier would have to pay to lease land on an adjacent property or on a neighboring rooftop or tower.
- b. Based upon the construction costs determined in step 3, we estimate how long it would take the tower company or wireless carrier to recoup the investment that they would have to make in order to relocate the site.

Average Lease Rate vs Proposed Lease Rate
(Based on 15 Leases within 25 Miles of Subject Site)



5. Evaluate the Tower Cash Flow to the Tower Company

- a. In the case of a tower owned by a tower company or a wireless carrier where the tower is being subleased, we examine how much money they are making from the operation of the tower. If the client doesn't know how many wireless tenants are on the tower, we ask them to take pictures of the tower for our review.
- b. We independently research the identity of these collocators to assess their identity. We evaluate the equipment and antennas on the tower and the ground to figure out how much revenue the tower company is making from the operation of the tower. (Tower Cash Flow)
- c. In the case of a rooftop lease, this step is irrelevant because there is no subleasing of rooftop space.



6. Review Comparable Data for Lease Expirations

- a. At this point, we create a hypothetical situation where we pretend that the current lease would be set to expire in a few months. In doing this, we attempt to ascertain what the tower company or wireless carrier would pay in order to stay on the property. This enables you as the landowner to compare what you would get at the expiration of the lease with what the tower company or wireless carrier is offering today.

7. Review Comparable Data for Lease Extensions on Similar Terms and Conditions

- a. We identify other situations where clients of ours have received offers to extend their leases from the tower companies or wireless carriers. Our goal is to find landowners who have finalized their agreements (or rejected proposed terms) in situations nearly identical to yours.
- b. We share what those landowners (without identifying the location or the landowner name) were offered or what they agree to in their situations. We are fortunate to have over 4000 clients and over 13,000 people who have contacted us with lease information over the last 18 years. Without this volume of information, we could not effectively provide truly comparable situations.



8. Recommend Appropriate Counteroffer

- a. Once we know what other landowners have received in nearly identical circumstances and we understand the specific nature of the subject tower, we make recommendations on the appropriate counteroffer for the client to make to a tower company or wireless carrier. This counteroffer is rarely what we think that the tower company or wireless carrier will agree to, but reflects an amount we believe they can't accept but that isn't too high to cause them to stop negotiations altogether.
- b. In some cases, we will suggest that the client not extend the lease at this time. Typically, this is because the current lease rate is too high and there is little incentive for the tower company to pay more at this point in time. In other situations, we will suggest that the landowner needs to take the current offer or the best counteroffer that they receive. Lastly, we find that the delta between the buyout offer and the lease extension offer (or what we expect they will offer) is too significant and that the best financial move would be to sell the lease.

Our objective is to make sure you get the best deal possible, whether that means pushing for higher rent immediately or just delaying negotiations. We work with you to discover your objectives and then create a strategy on that basis. Some of our clients have waited over 5 years to finalize a deal- but when they did, it was at much higher rent than the tenant originally proposed.
- c. We address other appropriate terms and conditions that the landowner should ask for as well. We determine whether revenue sharing is appropriate, or more importantly, desirable. We recommend the appropriate escalation and extension term. We will address the sufficiency, or lack thereof, of the signing bonus.
- d. We suggest to the client how and when to make a counteroffer to the tower company or wireless carrier. There are different times during the year when the tower companies or wireless carriers are more incentivized to do a deal. We know this because we track this data day in and day out.
- e. We will help you read through their arguments on why they can't accept your counteroffer and tell you whether they are telling the truth or just negotiating. We know these arguments because we have heard them over and over again from our clients and potential clients. Whether it takes days or years, we will be your trusted advisor through your negotiation.



Unless you have access to the lease data, radio frequency experts, and industry experience that we have, it is impossible for you to know whether you have left money on the table when you think you have their highest offer. The fortunate aspect of lease extension offers is that the landowner normally has little to lose except continuing the lease at its current rate until expiration. Our fees are reasonable, and they are far cheaper than passing up hundreds or thousands of dollars per month, month after month, because you negotiated an agreement for less money than you should have. And in a minority of cases, the difference between the offers our clients received prior to using our services and after are substantial, amounting to hundreds of thousands of dollars in net present value.

Please contact us at **1 (877) 428-6937** or submit your information on our contact form at <http://www.steelintheair.com/contact.htm>