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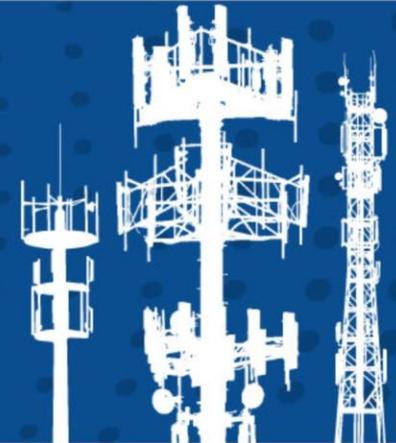
SBA Communications Corporation

**Cell Tower Leasing 101 – Ground and
Site Leasing**

May 29, 2014



**Landlord/Tenant Committee
South Seas Island Resort,
Captiva, Florida**



Objective of Cellular Tower Owner

- Get the best financial terms from the fee title owner of the real estate.
- Build a communications tower (vertical real estate) that can support the needs of multiple communications carriers.
- Sublease space on the communications tower and the real estate to as many communications carriers as possible.
- Sell the communications tower to a tower consolidator (SBA Communications, American Tower, Crown Castle, etc.).

Ground Lease

- A form of industry standard ground lease has been provided with this presentation.
- Tower owners have been historically more likely to lease real estate rather than own real estate when developing a tower site.
- Usually starts with an option to lease while zoning and carrier interest are determined.
- Ground lessors can range from unsophisticated individuals and entities to very sophisticated negotiators (Publix, Home Depot, Government Entity, etc.).

Ground Lease cont'd.

- Terms can be all over the board
 - Set rental rate per month with annual or term escalators
 - Fixed rental rate with revenue sharing provisions
 - Other forms of consideration (free cable TV, tires, etc.).
- Best arrangement probably won't be known until years after the tower is fully constructed (and depending on which party you are representing (fee owner or tower owner)).

Ground Lease Term Length

- Extremely important from tower owner's perspective. The longer the better. Usually 5 year terms with many renewal options on the part of the tower owner.
- Communications carriers require very long terms on their subleases – 20 years or more. The possibility that a Ground Lease will expire shortly after communications equipment install will affect the value of a Tower.
- Ground lease buyout firms will try to obtain an interest in the real estate that the tower is constructed on.
- Consequences of ground leases expiring are tremendous. The cost to move a tower can exceed \$500,000 or more.

Rent

- Rent provisions are all over the board. I have seen rental rates from \$300 per year to 50% of revenue. SBA owns a tower in Long Island, New York that generates in excess of \$700,000 per year in annual revenue.
- Rent usually escalates at a fixed annual rate. It can also be tied to CPI or some other metric.
- Communications towers are sold as a multiple of cash flow, so keeping the ground rent down is an important objective of a tower owner.
- One time balloon payments have also worked their way into the market. This allows a tower company to maximize tower cash flow (TCF) in exchange for increased up from capital expenditure.



Use Provisions

- The right to construct a communications tower (guyed, self support, monopole, stealth tower) and sublease space out to as many communications carriers without interference from the ground lessor is extremely important.
- Rights of a ground lessor to consent to subleasing, or share in revenue being paid by the communications carrier, will substantially affect the value of the tower in a sale.
- Subleasing rights should include the right to allow the communications carrier to install equipment pads and shelters on the real estate around the tower.
- Generator use and fiber rights also come into consideration.
- Use should restrict the parent tract from being used for any other communications towers, although ground lessor use of the leased area (e.g. farming) is usually allowed.



Access and Utilities

- Communications carriers require 24/7 access to the communications tower, so any restrictions on access will be frowned upon and could affect the tower owner's ability to lease space on the site.
- Ground owners at times try to restrict access (concern over animals getting out, sensitive facilities located on site (power stations, etc.).
- Utilities need to be brought to the site and metered. Fiber for backhaul as well. Sites with only generators or batteries are very difficult to maintain, and microwave backhaul is expensive and creates heavy loading on towers.

Right of First Refusal

- As a result of the ground lease buyout firms getting more aggressive, most tower owners require a right of first refusal to hamper the ground lessors ability to transfer any interest in the real estate separate and apart from the transfer of fee title.

Communications Carrier Tenant Lease Terms

- A typical tenant lease has been provided with these materials.
- If done properly by the tower owner, the tower owner will have the right to sublease space directly to communications carriers without interference or consent of the ground lessor.
- Tenant lease gives carrier the right to place its communications transmitting equipment on a specific location on the communications tower and on the real estate surrounding the tower.
- The objective of the Tower owner is to lease space out to as many carriers as possible, being limited only by remaining capacity of the tower.

Communications Carrier Tenant Lease Terms cont'd.

- Communications towers can have as few as one carrier (very typical), or as many as 50 (very atypical). Average is somewhere between 2 and 3 carriers.
- A tower with only one tenant is usually a losing proposition for the tower owner, whereas 2 or 3 tenants make a tower very valuable upon sale.

Tenant Term

- The cost of a tenant's communications equipment on a tower is very expensive, so a carrier will require that it has the right to keep its equipment on a tower for an extended period of time.
- 20 to 30 year terms are typical, in 5 year increments usually.

Tenant Use

- A typical lease will allow a tenant to put specific equipment on the tower at a specific height.
- Because of changes in technology, carriers will fight for the right to change equipment out without having to pay additional rent, or even attempt to not have a limit on the amount of equipment it is allowed to place on a tower in the first place. Because towers have limited capacity and such rights affect value of a tower, a tower owner should not agree to such rights.
- The Tenant Lease will also give the tenant the right to place an equipment shelter or cabinet at the base of the tower to house electronics.

Interference

- Early in the industry, there was a large concern relating to interference among multiple tenants on a tower.
- In reality, very few issues actually occur.
- Tenant lease usually provides that first in time will win in an interference issue, but very few actually arise.