

# **CELL TOWERS LEASES**

**BY**

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The information discussed below is current as of 2010 and reports general information about cell tower leases and buyout prices of ground leases. Not much information about cell tower leases is known to the public and this was my motivation for making some limited information available. The first part of the discussion deals with lease terms, antenna arrays, collocation, risk, and trouble clauses.

I have listed some rental rates for antenna arrays and ground leases for towers with arrays. You will also find a listing of sales prices to buy out tower and ground leases. The last document is an order form for a sample tower lease. I have not seen this document, but there may be some information of value to you should you be interested in entering into a lease with a cell company.

## **Lease Terms**

The average lease is a long term lease including several option periods. This is because it is expensive for companies to change their networks and coverage areas. The usual lease is 25-30 years, including options. This could be for one five year term with 4, five year, option periods or for a longer initial term with fewer option periods.

## **Corral Or Antenna Array**

The corral is often a triangular shaped structure mounted horizontally on a tower which holds several, individual, rectangular **antennas**.

## **Collocation**

When more than one company's antennas are located on a tower it is referred to as collocation. Collocation is becoming more prevalent as it is harder to permit new towers and companies are requiring more bandwidth to operate.

When owners receive additional rent due to collocating companies, the initial rental rate is often slightly lower than if they only received a base rent. Be sure to collect a percentage of the fair market value of the rental of all corrals not

just of the rent received. Sometimes a company will trade tower space with another company and even though they are not technically receiving rent from that corral, they may be receiving other forms of value from the traded space. So it is important to receive your fair share of the fair market value of the space being used by any company; leased, traded or sub assigned.

### **Risk Mitigation**

Owners should also take every precaution to mitigate any risk they may be held liable for from the operation of a tower. A lease should demand that the lessee have insurance coverage for a broad range of possible liabilities. The lease should be as detailed as possible when referring to what should be covered and a cap on deductibles is often good to have as well as a mandate for a high quality, AAA rated, insurance company.

Compliance with all safety standards for radio frequency (RF) emissions and the ability to get quick action in case of a bankruptcy are also good clauses to have.

A strong survival clause is also important. This should be designed to protect the owner from anything caused by the previous lessee(s) which may happen or come to light after their lease is over.

### **Trouble Clauses**

The owner should also be aware of many new clauses that lessees are adding to leases.

Some companies ask to automatically renew leases for long terms based on previous lease rates if the owner does not give “timely” notice to the lessee. This could leave an owner open to having a lease renewed at well below the market rate. Some try to allow the lessee to terminate a lease each year on the lease’s anniversary with no penalty. There should always be a penalty for a lessee terminating a lease early. Some lessees ask for compensation for interference created by offsite activities which the owner has no control over. The owner should not have to compensate a lessee for interference from activities that are out of their control.

The owner should also be aware of companies who want to let “affiliate” companies on the tower by stating that they already have a lease in place and that their “affiliate” companies can operate under the existing lease. A lease should be with a specific company and all other companies, “affiliates” or otherwise, should be required to sign a separate lease to operate on the tower.

The owner should also stipulate in the lease which uses are allowed on the tower. Once space is rented to a company they could use it for any activity if it is not specified in the lease what the tower space is to be used for.

### Typical Rental Rates

Rents		
1.	\$40,000 per Year <b>(1 Corral-Urban Location-High Demand)</b>	\$3,333 per Month
2.	\$23,592 per Year <b>(Per Corral-Urban location)</b>	\$1,966 per Month
3.	\$16,800 per Year <b>(Tower-Urban Location)</b>	\$1,400 per Month
4.	\$9,600-\$14,400 per Year <b>(Rural Tower)</b>	\$800-\$1,200 per Month
5.	\$9,522 per Year <b>(Rural Tower)</b>	\$794 per Month
6.	\$9125.25 per Year <b>(Rural Tower)</b>	\$760 per Month

Some cell antennas are located inside church steeples, on top of water tanks, on existing radio towers or existing cell towers (co-located). The rural locations generally command a lower rental rate than the ones in urban areas.

The chart below provides you with some information about buyout prices of ground leases.

**Actual buyout prices of existing ground leases**

	Price	Indicated Rent
7.	\$515,000	\$4,292 per Month
8.	\$275,000	\$2,292 per Month
9.	\$238,500	\$1,988 per Month
10.	\$212,000	\$1,767 per Month
11.	\$175,000	\$1,458 per Month
12.	\$ 85,000	\$ 708 per Month
13.	\$ 71,500	\$ 596 per Month



Communications Practice: VarnumLLP is one of Michigan's largest and oldest law firms. In addition to a corporate practice, it has a communications law practice in which, among other things, it represents municipalities nationwide on Federal aspects of cable and telecommunications matters. It has represented over 200 municipalities on such matters. The firm is also municipal attorney for several cities and municipalities.

John Pestle of Varnum prepared the model lease. He is Chair of the firm's Cable and Telecommunications Practice Group and for over 25 years has worked on communications, utility and energy law matters. Cell tower and WiMAX tower leases are part of his practice, where he represents landowners (municipalities, schools, private parties) on leases, and municipalities on zoning issues and litigation. He is a former Chair of the Municipal Lawyers Section of the State Bar of Michigan and is a graduate of Harvard College, Yale Graduate School and University of Michigan Law School. He can be contacted at [jwpestle@varnumlaw.com](mailto:jwpestle@varnumlaw.com) or 616-336-6725.

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**\*\*Model Cell Tower, WiMAX Tower Lease Order Form\*\***

Please send me the model form of lease for:

Leases are licensed for one use by one user only.

- A new cellular or WiMAX tower, @ \$275
- Antennas on an existing building or structure, @ \$275
- Both leases for \$475

- Email documents
- Send by overnight delivery (add \$28 to total)
- Mail documents

- Our check is enclosed for \$ \_\_\_\_\_ -or-  Please invoice us for the total of \$ \_\_\_\_\_

Specify format:

- MS Word 97-2003(.doc)     MS Word 2007(.docx)     Other (if available) \_\_\_\_\_
- Please add me to your email and mailing list

Orders will be shipped within 2-3 working days after receipt or order; call Barb Allen if needed sooner.

Company/Municipality/Law Firm: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

E-mail: \_\_\_\_\_

Please email, mail, or fax this form to the attention of Barb Allen at:

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