



City of Homer

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Port and Harbor

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Memorandum 15-091

TO: MAYOR BETH WYTHER & HOMER CITY COUNCIL

FROM: LEASE COMMITTEE

CC: PORT & HARBOR ADVISORY COMMISSION

DATE: MAY 29, 2015

SUBJECT: COMMUNICATION TOWER ON SPIT RFP REVIEW & RECOMMENDATIONS

Earlier this year, the City received a lease proposal for the construction of a communication tower on the Homer Spit. The Lease Committee concluded that such a significant project should go through the Request for Proposal process. The City of Homer Port and Harbor issued a RFP for Homer Spit Property Lease for an Owner-Operated/Subleased Wireless Communication Tower. Proposal deadline was May 14, 2015 and was later extended to May 21, 2015 per an addendum; two lease proposals were received. The Lease Committee met on May 28, 2015 for the purpose of discussing the two proposals, both of which were for a portion of Lot 11. The Lease Committee graded both proposals according to Chapter 6 of the City's Lease Management Policy and per the grading criteria outlined in the RFP.

Both proposals were found to be compliant per the RFP requirements and in accordance with the lease policies. To better compare the proposals, the following table breaks down the primary details with the differences in bold.

	Proposal #1: Dryden & LaRue, Inc. (GCI)	Proposal #2: Spit W Spots (SWS)
Site Location	Lot 11	Lot 11
Tower Height	120 feet	120 feet
Tower Type	Monopole	Self-standing; proposal includes reasons why this style of tower is ideal
Construction Timeline	Immediately, complete by fall 2015	Immediately, complete by fall 2015
Lease Term	20 Year with Two, 5-year options	20 Year with Two, 5-year options
Square Foot Size	2,800sf	8,910sf
Base Rent	\$1,000 for GCI's usable 1,200sf area; \$500 for GCI's unused 1,200sf area (setbacks); \$0 for City's occupied 1,600sf area. Total:\$1,500/month	\$3,100/month
# Co-Locations Available	2 Spaces	6 Spaces , including an area for non-profit organizations' small antennas
Customer's Subleasing Fee	Proposal does not specify	\$2,100/month for 10' space
City's % of Sublease Revenue	Proposal does not specify	25% of sublease fee paid to City
Tower & Building Space for City Use?	Yes, but GCI requests monthly reimbursement of \$581.47 to be credited towards monthly rent	Yes; proposal does not include reimbursement requests , if any

The Lease Committee reviewed the pro/cons of each proposal and determined the three most significant differences between GCI and SWS proposals is 1) the available number of co-locations and potential revenue source from subleasing, 2) the proposed square foot amount, and 3) the proposed monthly base rent and how requested reimbursements affect the final revenue to the City from this lease.

Co-Locations: It is the policy of the City to maximize the value of its assets and lease property for the highest and best use. Because of this goal, the Lease Committee favors SWS proposal as it offers more co-locations on their tower than GCI, which is a higher use of this asset; the potential for more subleasing means higher revenue for the City's Port & Harbor Enterprise as well. It also means fewer towers on the Homer Spit since multiple users can occupy one tower.

The City's intention for the tower was not to manage it ourselves; we wanted a company that is willing to construct the infrastructure and then work as the manager, overseeing the subleases, and the City collects a percentage of the revenues from the subleases. SWS offer that in their proposal. GCI touches on the subject as it was a requirement of the RFP, but they did not include information on what they would charge for subleasing or the percentage the City would receive.

Square Foot Area: GCI's proposed square foot area is efficiently consolidated into what areas are usable/not usable, with different rates according to use. SWS have requested more square footage, specifically with safety in mind, because they felt a wider footprint at the base of the tower (as well as larger setbacks) would reduce falling hazards to nearby buildings/equipment. While consolidation is ideal, the committee deems safety a priority as well. Plus a larger square foot area means a higher base rent.

Base Rent: SWS proposed \$3,100/month (\$37,200/year). GCI's proposed base rent is broken down depending on if the area is being utilized by them, is unused setback area, or occupied by the City. The total would be \$1,500, but once their proposed reimbursement for tower space is deducted, it estimates to about \$918/month, or \$11,016/year.

Other Issues: Another primary concern of the committee was the level of experience GCI has over SWS. GCI has constructed numerous towers throughout the state and are familiar with the necessary upkeep it takes to maintain such infrastructure. They also have set corporate policies regarding subleasing, yet some of which may be difficult for smaller organizations or businesses to co-locate from them. SWS have constructed one tower (completed in 2014), so they are familiar with the process, just not as much as GCI. SWS, though, included more information regarding co-location in their proposal and were much more willing to accommodate other businesses and the City's equipment on their tower.

Concerns that can be brought up during lease negotiations after the lease has been awarded include the following:

- Insurance requirements for tower climbers
- Third party hires for equipment installations
- Specific location of tower on Lot 11
- Removal of tower infrastructure at the end of the lease
- Use of the building for City equipment

Recommendation

The Lease Committee recommends City Council award a 20-year lease with two, five-year options to Spit-W-Spots of Homer, Alaska for a portion of Lot 11 on the Homer Spit, and instruct the City Manager to move forward with lease negotiations.

Attached: Dryden & LaRue, Inc. Lease Proposal
Spit W Spots Lease Proposal
RFP for Homer Spit Property Lease for an Owner-Operated/Subleased Wireless Communication Tower
RFP Addendum #1 & #2