

# MEMORANDUM

**DATE:** October 12, 2018  
**TO:** Mayor White & City Council  
**VIA:** Mercy Rushing, City Administrator

**FROM:** Cindy Karch, Finance Director CK  
**SUBJECT:** Consider action on a Lease Easement Purchase for city cell tower  
**Council Meeting Agenda Item for October 15, 2018**

## Background Information:

The City of Mineola received an offer from Landmark Dividend to purchase our landlord interest in the lease of the cell tower located at 127 W. Front Street. The purchase price is \$50,000.00. Currently the city leases the tower to Grain for \$4,830 per year, with a 15% escalation every five years. This agreement does not sell the property, but rather our landlord interest in the property. No further payments would be made to the city after the \$50,000.

At the current lease, the city will earn \$50,207.85 from 2018 to 2026. This chart shows the cumulative amount earned by the lease if the city keeps it and opts not to sign this agreement:

Year	Lease Amt	Escalation	Grand Total
2018	\$ 4,830.00		\$ 4,830.00
2019	\$ 4,830.00		\$ 9,660.00
2020	\$ 5,554.50	15%	\$ 15,214.50
2021	\$ 5,554.50		\$ 20,769.00
2022	\$ 5,554.50		\$ 26,323.50
2023	\$ 5,554.50		\$ 31,878.00
2024	\$ 5,554.50		\$ 37,432.50
2025	\$ 6,387.68	15%	\$ 43,820.18
2026	\$ 6,387.68		\$ 50,207.85
2027	\$ 6,387.68		\$ 56,595.53
2028	\$ 6,387.68		\$ 62,983.20
2029	\$ 6,387.68		\$ 69,370.88
2030	\$ 7,345.83	15%	\$ 76,716.70

## Recommendation:

City staff has reviewed the Lease Easement Purchase and **does not** recommend moving forward with it. While a lump-sum payment of \$50,000 this year could go a long way in our budget, we would forfeit any future earnings on the lease, as shown in the chart above. However, city staff wanted to show the proposal to the council and ask for your recommendation.

## Final Disposition:



September 26, 2018

Mercy Rushing  
PO BOX 179  
Mineola, TX 75773-0179

**RE: Option Agreement – Lease Easement Purchase**

Landmark Dividend LLC ("Landmark") is pleased to offer you (the "Seller") the following proposal. Landmark has completed an initial analysis of the lease(s) and associated revenue for 1 lease(s) located on property owned by you (the "Premises") and identified in **Exhibit A** (the "Lease(s)"). Based on this preliminary analysis, upon your selection of one (1) of the following **Proposals** as set forth below, Landmark will provide the **Purchase Price** in exchange for an easement to the Premises (the "Easement"), and an assignment of your interest in the Lease(s) and associated rent revenue for the **Term** selected below by Seller.

See **Schedule 1** for any additional terms for each **Proposal**. Please indicate your acceptance of the preferred Proposal by placing your initials in the corresponding column.

Proposal	Purchase Price	Term Purchased	Initial One
A	\$50,000.00	Perpetual	

By signing below, you grant Landmark an option to complete the contemplated transaction and purchase from you the landlord interest in the Lease(s) (the "Option"). Landmark may exercise the Option granted herein at any time within 60 calendar days of the establishment of clear title and receipt of necessary due diligence items (the "Option Period"). Seller and Landmark agree that all scheduled rent as set forth in the Lease, whether paid on a monthly basis or annually, shall be prorated as of the closing date for the transaction contemplated herein. For illustrative purposes of calculating prorations, please refer to the example as set forth in Exhibit A.

You acknowledge that Landmark's commitment to expend time, effort and expense to evaluate this transaction are good, valuable and sufficient consideration for the Option granted herein. During the Option Period, you agree to cooperate fully with Landmark in connection with its evaluation of this transaction. Further, during the Option Period, you shall not, directly or indirectly, (a) offer the Lease(s) or the Premises for sale or assignment to any other person; (b) negotiate, solicit or entertain any offers to sell or assign any interest in the Lease(s) or Premises to any other person; or (c) modify, amend, supplement, extend, renew, terminate or cancel the Lease(s).

This letter is intended as and shall be a legally binding commitment. In the event of a breach of this letter agreement, Landmark shall, in addition to its other rights and remedies, be entitled to compensation for its time, effort and expense to evaluate this transaction and, in any action to enforce this letter agreement, to recovery of its reasonable attorneys' fees.

Your signature below will indicate your agreement to the foregoing and will provide authorization for Landmark to proceed with the evaluation of this transaction and completion of its due diligence including but not limited to verification with the tenants of the accuracy of the due diligence items. If this Option Agreement is not executed by you, by December 25, 2018, it shall be void and of no further cause or effect.

We look forward to working with you on this transaction. Should you have any questions, please feel free to contact me at any time.

AGREED TO AND ACCEPTED AS INDICATED BELOW AS OF THE \_\_\_\_\_ DAY OF \_\_\_\_\_, \_\_\_\_\_

**LANDMARK DIVIDEND LLC**

\_\_\_\_\_

\_\_\_\_\_

Mercy Rushing

## Schedule 1

### Option A -Additional Terms

There are no additional terms for this scenario.

## Exhibit A

Tenant/ Carrier	Current Rent	Rent Frequency	Escalation Rate	Escalation Frequency	Date of Next Escalation
Verizon	\$4,830.00	Annually	15.00 %	5 Years	September 01, 2020

For Illustrative Purposes Only:

Closing Proration of the Schedule Rent –

Landmark is entitled to receive all scheduled rents due on and after the closing date for the contemplated transaction. The scheduled rental revenue from the Leases shall be prorated between the Seller and Landmark based on a 365-day calendar year.

- Monthly Proration Scenario – If the monthly scheduled rent is \$1000/month and the contemplated transaction closes on the 15<sup>th</sup>, Landmark will be entitled to receive an amount equal to the rents owed for the time period from the 16<sup>th</sup> to the 31<sup>st</sup> or \$516.13 (equal to 16 days). This scenario was calculated based on a daily proration of the rent attributable for a full 31-day calendar month.
- Annual Proration Scenario – If the annual rent is \$12,000/year and due on April 1<sup>st</sup> of every year and the contemplated transaction closes on June 15<sup>th</sup>, Landmark will receive an amount equal to rents owed for the time period from June 16<sup>th</sup> to March 31<sup>st</sup> of the following year or \$9,501.37 (equal to 289 days).



