



**Board Administrative Committee
November 5, 2020**

SUBJECT:

Approve and Authorize a Communications Facility Lease Agreement with Mediacom California, LLC, at the District's Sun City Regional Water Reclamation Facility

BACKGROUND:

The District strives to pursue alternative sources of income in order to generate revenue and offset operational expenses for the benefit of its customers. On November 15, 2000, the Board of Directors approved and authorized an agreement with Mediacom California, LLC, (Mediacom) for the lease of approximately one acre of property at the District's Sun City Regional Water Reclamation Facility (SCRWRF). The twenty-year term of this agreement is scheduled to expire on November 30, 2020.

Over the past several months District staff, along with its consultants and legal counsel, have evaluated lease rate market conditions and worked with Mediacom on the terms of a new agreement. Mediacom is the fifth largest cable television provider in the United States based on the number of video subscribers and is among the leading cable operators serving smaller cities. Mediacom has been an excellent tenant over the current twenty-year term.

Proposed New Lease

The proposed lease provides for the installation, maintenance and ongoing operation of facilities for the transmission and reception of communications signals. The property is located at 29285 Valley Boulevard Menifee, California, and is depicted on the attached map (Exhibit A).

On May 1, 2020, the District received a market-based appraisal (Exhibit B) prepared by Epic Land Solutions, Incorporated, (Epic), one of the District's as-needed appraisal services consultants. Epic based its rent estimate on the lease of properties with similar use and development potential and considered factors such as zoning and local rates of return. Epic determined that the monthly market rent for the property is \$3,900. Mediacom currently pays the District \$3,895 per month. In addition, Mediacom's electric power consumption is received through a common utility meter and separately invoiced on a monthly basis.

As the previous lease agreement was established more than twenty years ago, staff worked with specialized legal counsel in developing updated contractual terms and conditions (Exhibit C). These provisions are consistent with the Telecommunications Lease Policy, Resolution No. 5043, adopted by the Board of Directors on September 21, 2011. Key elements of the proposed agreement are summarized below:

- Mediacom shall be responsible for any property taxes assessed that are attributable to its use of the property
- Monthly lease payments shall increase by three percent on an annual basis
- Mediacom shall be responsible for all utilities
- Mediacom shall reimburse the District for all electricity used in its operations
- Mediacom shall have 24-hour access to the property

FINANCIAL IMPACT:

None

STRATEGIC PLANNING GOAL/OBJECTIVE:

Financial Stability: Enhance and maintain EMWD's strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.

ENVIRONMENTAL IMPACT:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

Approve and authorize the General Manager, or his designee, to execute the attached agreement (Exhibit C) with Mediacom California, LLC, subject to any non-substantive changes, for the lease of approximately one acre of property at the District's Sun City Regional Water Reclamation Facility.

SUBMITTED BY:



Paul D. Jones II, P.E., General Manager

10/29/2020



Laura Nomura, Deputy General Manager

10/27/2020

Attachment(s):

Exhibit A - Lease Area Map

Exhibit B - Appraisal Report

Exhibit C - 2020 Mediacom Lease Agreement

11/18/20 Board Meeting

Staff Contact: Dan Howell, Chris Teague