



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Nichol Bussey, Business Solutions Manager

Title: **Resolution approving the First Amendment to the Amended and Restated Property Lease Agreement [1582 Reservoir Road]**

Executive Summary

Castle Rock Water (CRW) seeks Town Council approval of a Resolution for the First Amendment to the Amended and Restated Property Lease Agreement between the Town of Castle Rock and Cellco Partnership d/b/a Verizon Wireless, with American Tower acting as attorney-in-fact. This amendment modifies the Town's existing telecommunications lease originally established in 1998 and restated in 2022.

The First Amendment extends the lease term for an additional fifty (50) years and converts the rental structure into a long-term prepaid arrangement. In exchange, the Town will receive a one-time prepaid rental payment of \$1,125,000 at closing, subject to satisfaction of the conditions outlined in the amendment.

Approval of the resolution will authorize the Town Manager to execute the amendment on behalf of the Town and allow staff to proceed with finalizing all required closing documents. The prepaid lease structure provides immediate financial value to the Town while maintaining continued telecommunications operations at the site and reducing long-term renewal and administrative obligations.

History of Past Town Council, Boards & Commissions, or Other Discussions

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on February 25, 2026, and the Castle Rock Water Commission voted unanimously 5 to 0 to recommend Town Council approval of the Resolution as presented.

Discussion

American Tower, on behalf of Verizon Wireless, has proposed a long-term extension of the Town's existing cell tower lease site through a First Amendment to the Amended and Restated Property Lease Agreement. The amendment extends the lease term for fifty (50) years and converts the rental structure into a prepaid lease arrangement, providing the Town with a one-time payment of \$1,125,000 at closing.

The Town has maintained a telecommunications lease at this location since 1998. Historically, the lease has required periodic renewals and ongoing administration. The proposed amendment eliminates recurring renewal cycles and provides immediate realization of the site's long-term value while maintaining the continued telecommunications use of the property.

Over a 50-year horizon, telecommunications technology will continue to evolve rapidly. Advances in wireless infrastructure, distributed networks, satellite systems, or other emerging technologies may significantly change how cellular service is delivered. It is possible that traditional tower infrastructure may not be required in its current form for the entire duration of the extended term. Under a shorter-term or periodically renewing lease structure, this type of technological evolution could introduce future market uncertainty, renegotiation risk, or diminished lease value.

By entering into a prepaid 50-year agreement, the Town secures the full economic value of the site today, regardless of how telecommunications technology or infrastructure needs evolve over the coming decades. The amendment effectively transfers long-term market and technology risk to the tenant while preserving the Town's ability to receive immediate financial benefit. If the tower becomes less critical or obsolete during the term, the Town will have already realized the full negotiated value of the lease.

The amendment also maintains important operational protections, including continued site access requirements, title representations, and notice provisions, while allowing the telecommunications use to continue uninterrupted. Staff has reviewed the terms to ensure they align with Town standards, preserve necessary oversight, and appropriately allocate long-term risk.

Budget Impact

Upon closing, the Town will receive a one-time prepaid rental payment of \$1,125,000, replacing the prior structure of monthly lease payments (currently \$2,541.23 per month with a 3% annual escalation). This converts a long-term revenue stream into an immediately monetizable asset and provides the Town with financial certainty at the outset of the 50-year extended term.

Receiving the full lease value upfront allows the Town to deploy funds immediately toward strategic priorities, capital improvements, debt reduction, or reserve strengthening rather than collecting incremental payments over time. If invested conservatively at a modest rate of return (e.g., approximately 2.5%–3.0%), the prepaid amount could grow substantially over the 50-year lease term. At 2.54%—consistent with Castle Rock Water's current debt carrying costs—

the future value of \$1,125,000 over 50 years exceeds approximately \$3.9 million. Higher long-term municipal investment returns would increase that value further.

From a present value perspective, discounting the projected escalating rent stream over 50 years at a conservative municipal discount rate results in a value that is generally comparable to the prepaid amount being offered, while remaining dependent on long-term performance assumptions. The prepaid structure provides immediate liquidity and removes exposure to long-term forecasting variables such as escalation assumptions, tenant continuity, and renewal negotiations.

In addition to financial flexibility, the prepaid model reduces administrative oversight and eliminates revenue uncertainty. Under the prior lease structure, the Town would remain exposed to periodic renewal cycles, potential renegotiation risk, and evolving telecommunications market conditions over several decades. The amended agreement secures the full economic value at closing and shifts long-term operational and market risk away from the Town.

Staff Recommendation

Staff recommends that Town Council approve, by resolution, the attached First Amendment to the Amended and Restated Property Lease Agreement with Cellco Partnership d/b/a Verizon Wireless (through American Tower as attorney-in-fact), and authorize the Town Mayor to execute the amendment on behalf of the Town.

Approval of the resolution will allow the Town to finalize the transaction, extend the lease term for fifty (50) years, and receive the one-time prepaid rental payment of \$1,125,000 in accordance with the amended lease terms.

Proposed Motion

"I move to approve the Resolution as introduced by title."

Alternative Motions

"I move to approve the resolution as introduced by title, with the following conditions: (list conditions)."

"I move to continue this item to the Town Council meeting on _____ date to allow additional time to (list information needed)."

Attachments

Attachment A: Resolution
Exhibit 1: Agreement
Attachment B: Location Map