To: Finance Committee
From: Menka Sethi, Community Manager
Re: North End Cell Tower
Date: April 10, 2025

Recommendation

Staff recommends that The Sea Ranch Association (TSRA) develop and manage (via a third party manager) the north end cell tower. This is referred to as Scenario 1 below.

Overview of Scenarios

Consistent with prior year Board direction, a Request for Information (RFI) was issued in FY24-25 and three qualified and interested parties responded. Should the Board decide to move ahead with a north end cell tower project, TSRA anticipates it could break ground on this project in 2026. Revenue generation could begin in late 2026 or early 2027. Staff presents herein an evaluation of two scenarios that TSRA could pursue to build a cell tower at the north end of The Sea Ranch.

Table 1 shows potential North End Cell Tower scenarios along with projected cash flows, capital requirements, and pertinent assumptions. The two scenarios presented for evaluation are:

1) **Scenario 1 - TSRA Owner + Third Party Manager**: TSRA owns and develops the cell tower and hires a third party to manage it.

2) **Scenario 2 - Third Party Owner + Manager**: TSRA leases (via a ground lease) the land to a third party who develops, owns, and manages the cell tower.

Table 1. North End Cell Tower Ownership Structure Scenarios

Ownership Structure	Scenario 1. TSRA Owner, Third-Party Mgr	Scenario 2. Third Party Owner, Mgr
TSRA Out of Pocket (Yr 0)	$600,000	$50,000
NPV	$620,000 - $1,080,000	$460,750 - $700,000
Annual Net Revenue (Yr 2)	$65,500 - $93,600	$37,000 - $48,600
Capital Contrib. Back (Yr 2)	$250,000 - $300,000	$25,000
Revenue Escalation	3%	2-3%
Term	10 yrs + renewals (30 yrs)	5 yrs + renewals (50 yrs)
Ground Area	3600 sq. ft.	3600 sq. ft.
Tower Height (Ft.)	155	155
Design	Self-Support	TBD

Risks of Each Scenario & Mitigation

Risks	Scenario 1	Scenario 2	Mitigation
Access to Development Capital	**Low.** Access to capital for development phase given TSRA has not previously built a cell tower – banks may not lend.	**Low.** Only a $50,000 construction contribution would be required.	Use SRC overage funds instead of seeking debt.
Development Capital at Risk	**Medium.** $75,000 at risk from the entitlements phase (Design)	**Medium.** $50,000 contribution to construction costs would be required of ground lease.	Do not proceed with permits until first tenant is committed. RFI results demonstrate interest from Verizon. Location of T-Mobile and ATT&T on Moonraker tower suggest they may commit as well.
Development Cost Overrun.	**High.**	**None.** Cost of overruns would be borne by the ground lease tenant.	Cost of materials may be in flux given macro economic factors. Shift away from fake tree and monopole design options to reduce costs as much as possible.
Tenant Interest	**Low.**	**Low.**	
Operational	**Low.** Some TSRA staff time required. Main obligation is to give the tenant 24/7 access to the site and to maintain power. E.g. If a tree falls and blocks the access road, F&R would need to go and cut the tree down.	**Low.** Some (not much) staff time would be required of staff and counsel throughout ground lease term.	Generator back-up would be installed. Outsource tenant management and lease negotiations to third party.
Downside Protection	**Low**. If all fell apart, TSRA would still have a saleable, attractive digital infrastructure assets with Class A tenants.	**Low**. Saleable ground lease.	

Pros & Cons of Each Scenario

	Pro	Con
Scenario 1	Tower with Class A Tenants would be an asset that TSRA can borrow against	
	Depreciable asset	
	Flexible rents (e.g. we could discount rents for emergency responders)	
	Higher cash flow than Scenario 2. 3-4 Year payback timeframe	More upfront capital required
	Data center opportunity	
	Operational control (responding to member feedback that requires changes such as new fence)	Some time required of TSRA staff
Scenario 2	Less upfront capital required	Less cash flow than Scenario 1
	Less time required of TSRA staff	Less control of compound (e.g. responding to member feedback that requires a change to the perimeter). Can be mitigated in part by contractual clauses in the ground lease.
	Saleable asset	No tower reversion at end of ground lease term Ground lease is also saleable

Funding Plan

Use overage from SRC assessment and or profits to pay down existing 3.47% interest rate loans early. End cash balances in November 2028, after paying down SRC loans (and capital project expenses and revenues for North End Cell Tower) are shown in Table 2.

Table 2. November 2028 SRC Cash Balance

Use of SRC Funds	SRC Cash Balance (11/2028)	Change from Baseline Scenario	Comments
Baseline (Pay Loans on Schedule)	$1,093,631	--	--
Prepay Loans	$876,730	($216,901)	--
No. End Cell Tower + Prepay Loans	$705,524	($388,107)	Does not incorporate PV of future No. Cell Tower net income (in 11/2028) - conservatively estimated as $674,650

Assumptions that feed into the three scenario analyses shown in Table 2 are:

A. **SRC Cash Balance**: An existing fund balance of $486,408 at end of December 2024.

B. **Pre-Payment Penalty**: No pre-payment penalty as of February 2025 and until a point where Treasury yields dip below the existing interest rate of 3.47%.

C. **North End Cell Tower Financials & Structure**: See Table 3.

D. **$10 SRC Assessment**: The $10 SRC assessment continues until the SRC loans have been paid off, and is then reduced to $0.

Table 3. North End Cell Tower Assumptions

Ownership Structure	TSRA Owner, 3rd-Party Mgr
TSRA Out of Pocket (Yr 0)	$600,000
Annual Net Revenue (Yr 2)	$65,500
Capital Contrib. Back (Yr 2)	$250,000
Revenue Escalation	3%
Term	10 yrs + renewals (30 yrs)

Scenario 1: Development Schedule & Workplan

Entitlements

1. CEQA Exemption
2. NEPA
3. Coastal Development Permit. Site is zoned RRD CC B6 160/640 (Ac/DU)/Ac MIN. Minor commercial cell tower allowed as principal use.
4. Building & Site Work Permits
5. FCC Permit / Registration - FCC Form 854
6. FAA Notification / Permit - No Hazard Determination - FAA Form 7460-2

Timeline

	5/25	6/25	7/25	8/25	9/25	10/25	11/25	12/25	1/26	2/26	3/26	4/26	5/26	6/26	7/26	8/26
Design																
Environmental Assessments																
TSRA Design Review				Tenant Commit #1												
Coastal Development Permit										Zoning Hearing						
Building & Site Permits																
FAA																
FCC																
Construction																

Budget Detail

A. Consultants	**$75,000**
WRA - Enviro	$15,000
Telecom Counsel	$15,000
Land Use Counsel	$10,000
Survey	$2,000
A/E (Photosim, NEPA, FAA 1A Cert, Design)	$33,000
B. TSRA Design Review	**$0 Fee Waiver**
C. Permits	**$23,000**
Coastal Development Permit	$8,000
Building & Site Permits	$15,000
D. FCC	**$2,000**
E. Construction	**$500,000**
Site Prep	F&R Time
Foundation / Concrete	$50,000
Tower Construction	$450,000
F. Total	**$600,000**

Consultant Team

Mitchell J Architecture, Inc – Architecture, Engineering, FAA / FCC Permitting
WRA – Environmental Assessment
Pacific Land Survey -- Surveyor
Rosemark Law (Dan Rosemark) – Telecommunications Counsel
Briscoe Ivester & Bazel LLP (Peter Prows) – Land Use Counsel