

# City of Hesperia

## STAFF REPORT



**DATE:** December 16, 2025

**TO:** Mayor and Council Members

**FROM:** Rachel Molina, City Manager

**BY:** Orlando Acevedo, Director of Development Services

**SUBJECT:** Wireless Communication Facility Lease Escalation Rate Requests

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### RECOMMENDED ACTION

It is recommended that the City Council approve requests from Phoenix Tower International (T-Mobile), operator of the wireless facility located at 11011 Santa Fe Avenue East, and New Cingular Wireless PCS, LLC (AT&T), operator of the wireless facility located at 12950 Sultana Street, to continue their current 3% annual rent escalation rather than adopting a 5% escalation required under the City's new Wireless Leasing Program.

### BACKGROUND

On April 15, 2025, the City Council adopted the Leasing Program for Wireless Communication Facilities on City-Owned Property (Program), which established standardized lease terms, base rents, and a fixed 5% annual escalation for all new or renewing wireless leases.

Several existing leases predate this program and currently operate under a 3% annual escalation, which reflected common industry practice when they were executed. As these leases approach renewal or require legal updates, they are required to conform to the City's newly enacted Leasing Program which includes the 5% escalation standard, unless the City Council approves an exception.

Phoenix Tower International and AT&T both operate wireless facilities on City-owned property under agreements that include 3% annual escalators. As part of ongoing negotiations, both companies have formally requested to retain their existing 3% escalation. This action ensures consistency with their original lease terms while maintaining compliance with the City's requirement that exceptions to the Leasing Program be approved by the City Council.

### ISSUES/ANALYSIS

As part of the lease update process, staff requested confirmation of escalation terms consistent with the City's Leasing Program, prompting both carriers to formally submit requests to retain the 3% escalation rate. Both Phoenix Tower International (T-Mobile) and AT&T explained that the 3% escalator is a long-standing corporate standard and is consistent with escalation rates used across numerous municipal wireless leases throughout California. According to both companies, 3% remains the industry norm for long-term telecommunications infrastructure agreements and is the only escalation rate their internal frameworks authorize.

Both entities further noted that they are unable to provide financial comparisons between the 3% and 5% escalation rates due to confidentiality and proprietary restrictions. PTI referenced limitations under their Subordination, Non-Disturbance, and Attornment (SNDA) agreements, while AT&T cited corporate confidentiality and the sensitivity of long-term revenue modeling. Nonetheless, both carriers referenced several regional municipal sites, including water tank facilities and other public properties, where 3% escalations continue to be the standard.

In addition, the carriers emphasized that their networks support essential public communications, including emergency services, and that maintaining a predictable 3% escalation aligns with long-term operational and financial planning for these critical systems. They indicated that higher or fluctuating escalation rates could create administrative and financial challenges that their corporate policies are not structured to accommodate.

Although the City's Leasing Program requires a 5% escalation for future leases, the two agreements under consideration are legacy contracts that have historically operated under 3%. Allowing them to remain at this rate preserves continuity, avoids disruption to long-established agreements, and reflects standard practice for comparable municipal wireless leases in California.

This requested exception applies only to existing agreements and does not modify or alter the future implementation of the City's Wireless Leasing Program.

#### **CITY GOAL SUPPORTED BY THIS ITEM**

This item supports the City's long-term development and infrastructure objectives by ensuring continuity of wireless service and supporting telecommunications facilities relied upon by residents, businesses, and public safety agencies.

#### **FISCAL IMPACT**

Approving the 3% escalation will not create a direct fiscal impact, as both leases already operate at this rate. The City will continue receiving the same escalation already built into the existing agreements.

#### **ALTERNATIVE(S)**

Provide alternative direction to staff.

#### **ATTACHMENT(S)**

1. Leasing Program with Standard Lease Agreement