

Memorandum

To: CHAIR AND MEMBERS
Airspace Advisory Committee

Date: April 5, 2002

File: AIRSPACE
Wireless Program

From: DEPARTMENT OF TRANSPORTATION
DIVISION OF RIGHT OF WAY
Mail Station 37

Subject: Wireless Program Renewal

HISTORY AND BACKGROUND:

In 1996, an Executive Order was issued to all Departments and Agencies in State Government to help facilitate and develop policies to improve telecommunications within California. As a result of that order, the Department of Transportation's Division of Right of Way, with guidance from the Airspace Advisory Committee (AAC), and approval from the California Transportation Commission (CTC), developed the Wireless Licensing Program as a part of the existing Airspace Program.

The Wireless Licensing Program's goals are to partner with telecommunications providers to improve its service to the traveling public by providing potential sites for those telecommunications providers. The essence of the goal is to provide assistance to the industry while at the same time insuring that any proposed telecommunications facility would not interfere with the operations of the freeway system or compromise the safety of the traveling public. Another goal, not specifically mentioned in official Department policy statements, was the generation of revenues for the State Highway Account.

The Wireless Licensing Program was officially implemented July 1, 1997. A Master License Agreement (MLA) was developed containing terms and conditions, and a Site License Agreement (SLA) is required for each selected site specifying the rate, term and use. Facility owners are required to provide co-locations for other providers when feasible and provide space for future Department needs.

The Program is structured such that each wireless carrier must execute the MLA prior to initiating a request to place a wireless facility within Department right of way. Right of way, for the purposes of this specific program is defined not only as freeway operating right of way, but also

Park and Ride Lots, Rest Stop Areas, Department Maintenance Stations, Department-owned buildings and other real estate assets. As far as highway right of way, the program only applies to freeway rights of way, expressways and other access-controlled highways. The Program does not license facilities within conventional highway rights of way. Wireless carriers who desire to construct cell towers in conventional highway rights of way must deal with the Department's Encroachment Permit Branch and are not subject to the terms and conditions of the MLA.

Each SLA issued has a term of ten years with three five-year options. The MLA, however, has a five-year term and is due to expire on June 30, 2002. If the program, for whatever reason, were not renewed, each SLA would be valid for the life of its term. At the time, the Program was initiated, it was decided a short-term MLA was preferable as the future of the industry and the technology was uncertain.

Pricing of individual cell sites is calculated using a simple formula based on: location (rural, urban, and prime urban), size of the facility or "footprint" and number of antenna. These pricing variables are placed within a pricing "matrix" to arrive at an easily calculated annual rent, which is attached for your reference. The simplicity of the matrix is a major benefit to the industry, since they are able to know the licensing fee prior to submitting any site proposal. The Department benefits as well, as there is no protracted appraisal or valuation process to hinder the processing of a siting proposal. Prices are automatically adjusted upward annually at approximately 3.5%.

THE PROGRAM TODAY

The Wireless Program is clearly a success story. The Department has met its goal of assisting the telecommunications industry and in helping meet the needs of the public. The Program has shown steady consistent growth. Since its implementation, approximately 110 sites have been constructed with total revenues through December 31, 2001 of over \$5.5 Million. Most of the sites have been constructed in the San Francisco Bay Area and to a lesser extent, the Los Angeles Area. Very few sites have been constructed on freeway rights of way outside of those urban areas.

Nearly five years after inception of Caltrans' program, the majority of other State Transportation Departments still do not have a process to place cell towers in their rights of way. Those that do, utilize a multitude of processes and pricing mechanisms. Some states individually negotiate the price for each site, other states charge a nominal fee, while others have agreements to allow sites in exchange for cell phone and related services.

Discussions with the wireless carriers have indicated they are generally pleased with the program. Our published Wireless Licensing Guidelines are available on the Internet and clearly outline the process a carrier must undertake to place a cell tower within Caltrans' property.

Internal processing of individual proposals can be time consuming as many functions within the Department must review and approve proposed site locations and construction details. This process accounts for many carriers preferring to locate their facilities on privately-owned property so only the local governmental agencies becomes involved in the siting process. By law, Caltrans' Airspace and Wireless leasing must acknowledge local zoning and regulations so a carrier will often choose to locate on private property and then deal with only the one local governmental agency.

Research and discussion with industry insiders indicate that our current pricing matrix is adequate for pricing cell facilities within Department rights of way and property. Pricing information and market data of sites on private property is very difficult, if not impossible to obtain. Such information is usually deemed proprietary and is generally not available for review. Pricing information that can be obtained is often found as a range of values that may or not be adjusted for location. There has been some mention that perhaps our prices for some prime urban locations may be too low while our prices in rural areas may be too high. This cannot be validated due to lack of market data. It seems logical to assume that there may be Department sites that may be of extremely high value while others may have very little value due to the proximity of siting alternatives. This might explain the virtual absence of cell sites placed on Department property in rural areas.

The fact that the Wireless Program exists and is a success is worthy of note. The primary mission of the Department of Transportation is to improve mobility across California. The income from the Wireless

Licensing Program is deposited into the State Highway Account, and once a year transferred into the Public Transportation Account for transportation projects statewide.

RECOMMENDATION:

Based on our successful experiences of the Program's first five years, we are proposing only minor changes to the existing Program. We are in the process of gathering comments from the wireless industry and Department staff to update the provisions of the MLA and our licensing guidelines. These updates would not amend any of the significant provisions of the Program, but clean up and clarify some of the provisions. We ask that the AAC recommend approval of the Program to the CTC for another five years with the following changes:

- Execution of the current MLA and participation in the program is only available to wireless communications licensed by the Federal Communications Commission to operate in the State of California as a Cellular or Personal Communications Service (PCS) provider. We propose opening the Program to any legal and viable entity who may wish to place a telecommunications facility within Department property subject to existing guidelines.
- Allow the Department to raise the annual license fee for Prime Urban locations up to 25%, over the fees in the existing pricing matrix, if market conditions support the increase.

SCOTT ATKINS, Chief
Office of Airspace and Outdoor Advertising
Division of Right of Way

Attachment

ANNUAL BASE LICENSE FEE, adjusted 3.5% beginning July 1, 1998

(rounded to the nearest whole dollar and divisible by 12)

July 1, 1997 - June 30, 2012

	July 1, 1997	July 1, 1998	July 1, 1999	July 1, 2000	July 1, 2001
MACROCELL					
Prime Urban (Cat 1)	\$21,000	\$21,732	\$22,500	\$23,280	\$24,096
Urban (Cat 2)	\$16,200	\$16,764	\$17,340	\$17,964	\$18,588
Rural (Cat 3)	\$12,000	\$12,420	\$12,840	\$13,308	\$13,776
MINICELL					
Prime Urban (Cat 1)	\$18,000	\$18,636	\$19,260	\$19,956	\$20,652
Urban (Cat 2)	\$15,000	\$15,528	\$16,080	\$16,632	\$17,208
Rural (Cat 3)	\$12,000	\$12,420	\$12,852	\$13,308	\$13,776
MICROCELL					
Prime Urban (Cat 1)	\$15,000	\$15,528	\$16,068	\$16,632	\$17,208
Urban (Cat 2)	\$12,000	\$12,420	\$12,852	\$13,308	\$13,776
Rural (Cat 3)	\$9,900	\$10,248	\$10,608	\$10,980	\$11,364
July 1, 2002					
MACROCELL					
Prime Urban (Cat 1)	\$24,936	\$25,812	\$26,712	\$27,648	\$28,620
Urban (Cat 2)	\$19,236	\$19,908	\$20,616	\$21,336	\$22,080
Rural (Cat 3)	\$14,256	\$14,748	\$15,264	\$15,804	\$16,356
MINICELL					
Prime Urban (Cat 1)	\$21,384	\$22,128	\$22,896	\$23,700	\$24,528
Urban (Cat 2)	\$17,808	\$18,444	\$19,080	\$19,752	\$20,448
Rural (Cat 3)	\$14,256	\$14,760	\$15,264	\$15,804	\$16,356
MICROCELL					
Prime Urban (Cat 1)	\$17,820	\$18,444	\$19,080	\$19,752	\$20,448
Urban (Cat 2)	\$14,256	\$14,760	\$15,264	\$15,804	\$16,356
Rural (Cat 3)	\$11,760	\$12,168	\$12,600	\$13,032	\$13,488
July 1, 2007					
MACROCELL					
Prime Urban (Cat 1)	\$29,628	\$30,660	\$31,728	\$32,844	\$33,996
Urban (Cat 2)	\$22,848	\$23,652	\$24,480	\$25,332	\$26,208
Rural (Cat 3)	\$16,932	\$17,520	\$18,132	\$18,768	\$19,428
MINICELL					
Prime Urban (Cat 1)	\$25,392	\$26,280	\$27,204	\$28,152	\$29,136
Urban (Cat 2)	\$21,156	\$21,900	\$22,668	\$23,460	\$24,276
Rural (Cat 3)	\$16,932	\$17,520	\$18,132	\$18,768	\$19,428
MICROCELL					
Prime Urban (Cat 1)	\$21,156	\$21,900	\$22,668	\$23,460	\$24,276
Urban (Cat 2)	\$16,932	\$17,520	\$18,132	\$18,768	\$19,428
Rural (Cat 3)	\$13,968	\$14,460	\$14,964	\$15,480	\$16,020