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LMRK - Q1 2019 Landmark Infrastructure Partners LP Earnings Call

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the First Quarter 2019 Landmark Infrastructure Partners LP Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. Now it's my pleasure to turn the call to Marcelo Choi, Vice President of Investor Relations.

Marcelo Choi - *Landmark Infrastructure Partners LP - VP, IR*

Thank you and good morning. We like to welcome you to Landmark Infrastructure Partners' First Quarter Earnings Call. Today, we'll share operating and financial overview of the business, and we'll also take your questions following our presentation. Presenting on the call today are Tim Brazy, Chief Executive Officer; and George Doyle, Chief Financial Officer.

I would like to remind all participants that our comments today will include forward-looking statements, which are subject to certain risks and uncertainties. A number of factors and uncertainties could cause actual results in future periods to differ materially from our current expectations.

For a complete discussion of these risks, we encourage you to read the Partnership's earnings release and documents on file with the SEC.

Additionally, we may refer to non-GAAP measures such as FFO, AFFO, EBITDA, and adjusted EBITDA during the call. Please refer to the earnings release and our public filings for definitions and reconciliations of these non-GAAP measures to their most comparable GAAP measures. And with that, I'll turn the call over to Tim.

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Thank you, Marcelo. Today we're going to discuss our first quarter results, give you an update on our activities and review some of our recent developments and strategic initiatives, including our FlexGrid program.

As we've discussed on prior calls, we've shifted our strategy to take advantage of the tremendous growth and transition in our target markets. Although, industry fundamentals and the ground lease market remain very attractive, our focus will be primarily on our more accretive development initiatives with very limited, selective direct acquisitions.

Development projects provide for higher returns and allow us to deploy capital more accretively and more effectively. LMRK enjoys the benefit of a high-performing, growing, stable portfolio of real property assets that supports the higher growth more accretive development opportunities we've identified.

The core portfolio is an essential part of the foundation of the Partnership, which gives us greater latitude to execute on the more accretive development initiatives that take more time. We believe our strategic shift with a greater emphasis on development puts the Partnership in the best position to take full advantage of our market opportunities.

In terms of our first quarter, we delivered another solid quarter of operating and financial results. High occupancy rates and revenue growth from contractual rent escalators continue to drive strong asset performance, and we're seeing continued growth in rental revenue and cash flow from the portfolio. In fact, had we not closed the Landmark/Brookfield JV transaction last September, rental revenue for the quarter would have increased significantly year-over-year.

In terms of acquisitions, year-to-date through March 31, we've acquired 104 assets for total consideration of approximately $6 million. Those assets are expected to contribute approximately $700,000 in annual rents, and were comprised of outdoor advertising assets, many of which are potential candidates for additionally accretive development or conversion to digital format. While the acquisitions were light this quarter, as we expected, we're targeting higher cap rate, higher-return assets that will drive accretion for the Partnership.

In terms of the overall business and industry, we're beginning to see higher activity from our wireless carrier tenants as they focus on densifying their existing networks. 5G investment has accelerated but it's still in the early innings of the cycle. The strong demand that we're seeing for wireless infrastructure spending is fundamentally tied to the explosion in wireless data consumption, which is expected to grow by more than 7x between 2017 and 2022, according to a recent report by Cisco.

In addition, the administration and the Chairman of the SEC had made remarks regarding their desire to see the U.S. become the world's leading provider of 5G cellular communications networks, which includes the administration freeing up more spectrum for 5G deployment and streamlining and simplifying the permitting process with state and local governments for 5G infrastructure. Not surprisingly, U.S. wireless CapEx spending is expected to increase significantly in 2019 and 2020, after several years of essentially flat spending by the 4 major carriers.

According to Accenture, telecom operators are expected to invest approximately $275 billion over the next 7 years to build out 5G in the U.S. Clearly, the carriers are focusing their efforts on upgrading their networks in key strategic markets, concentrating primarily on dense urban locations. These locations are where most of our wireless communication ground lease assets are located and the types of locations where we've targeted our FlexGrid solution.

These strong wireless industry fundamentals are very favorable for our FlexGrid offering as mobile network operators and other connectivity solution providers look to roll out 5G, upgrade and densify their existing networks and offer solutions and services that leverage the benefits of the 5G standard. Given these demand drivers, we believe that FlexGrid is uniquely positioned to take advantage of the major connectivity transformation that's happening throughout the industry.

As we've discussed, FlexGrid is our shared infrastructure offering that's in the form of a concealed smart light bulb designed for macro, mini macro and small cell deployments that support IoT 5G and carrier colocation and densification among other functions.

We expect the FlexGrid assets will generate very attractive returns for LMRK, similar to the tower model with one tenant yielding a minimum current return comparable to our ground lease assets but with very high incremental margins because the cost to add additional tenants to an existing site is extremely low, in fact, almost 0. That allows us to potentially double or even triple initial returns on the original investment as lease-up on sites occurs.

In terms of our time line, we're in the initial phases on a number of projects, including the Dallas Area Rapid Transit system and our work in Canada. As of March 31, we've invested about $29 million in total on our FlexGrid solution, which includes about $2.5 million to date in 2019. This year, however, will be a transitional year for FlexGrid as various initiatives move into their deployment phase. We're on schedule for our current FlexGrid projects, and we expect initial revenues to commence in the second half of 2019 and a number of sites ramping up next year in 2020.

One thing to keep in mind though, our FlexGrid deployments are very large and complex and require a lot of time and effort. We're very encouraged by the progress we've made so far, and we're confident that as these projects reach scale, we'll see a meaningful impact from these deployments on our operating results.

In addition to our current FlexGrid projects, we're also in discussions with a number of other real estate owners and potential new tenants regarding various deployments. We expect to add a number of strategic partners, projects and locations to our FlexGrid business over time, and we'll share more details when we can.

In addition to the FlexGrid infrastructure projects, we also expect our existing ground lease portfolio to benefit significantly as the industry grows and the 5G upgrade cycle continues to pick up speed. More growth will drive more lease modifications and lease-up activity as wireless tenants look to swap out or add equipment to existing locations. Those requests give us not only an opportunity to bring certain leases up to market, but potentially lease additional space for more equipment and have discussions with tenants about extending their lease terms.

Looking forward to the rest of 2019, we're very optimistic given the positive demand drivers that we're seeing in the wireless industry and believe that we're in a great position to take advantage of these trends. We're focused on executing our current FlexGrid initiatives, getting to market with the projects in our pipeline, and delivering sustainable returns and growth for our unitholders.

And with that, I'll turn the call over to George, who will provide us with a more detailed financial review of the quarter. George?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Thank you, Tim. As Tim outlined in his remarks, we continue to see strong performance from our portfolio. For the first quarter, rental revenue was $14.4 million, which was 8% lower year-over-year and decline of 2% from the fourth quarter. As we have outlined on our prior calls, the JV established with Brookfield in the third quarter is accounted for as an equity method investment and the results of those properties are not consolidated into our revenue and operating expenses or rather we pick up our share of net income of the JV through equity income in the unconsolidated JV.

The assets that were contributed to the Landmark/Brookfield JV generated rental revenue of approximately $3.5 million in the quarter. Additionally, in early January, we completed the disposition of assets that were held for sale at the end of 2018.

Turning to FFO and AFFO. FFO per diluted unit was $0.12 this quarter compared to $0.36 in the first quarter of last year. FFO can fluctuate quarter to quarter depending on the change in the fair value of our interest rate hedges. During the first quarter of 2019, we reported an unrealized loss on our interest rate hedges of $2.8 million compared to an unrealized gain of $3.1 million in the first quarter of 2018. AFFO, which excludes these unrealized gains and losses on our interest rate hedges along with various other items, was $0.32 per diluted unit this quarter compared to $0.33 in the first quarter of last year. FFO and AFFO per diluted unit this quarter were impacted by a property tax reassessment that we expect to be repealed later in the year. The property tax reassessment negatively impacted Q1 by approximately $200,000, but it is not expected to impact the rest of 2019.

As we discussed on a number of occasions over the last year, we are focusing on positioning the company to be able to consider a conversion to an internally managed REIT structure. In line with that objective, we have changed the nature of some of our disclosures to align our metrics with our REIT peers and remove some of the metrics traditionally associated with an MLP structure.

As it relates to our distribution coverage ratio, for the first quarter of 2019, the distribution coverage ratio was 0.86x. Our coverage this quarter was negatively impacted by the property tax reassessment. As we outlined during the fourth quarter call, we expect our distribution coverage ratio to exceed 1x around the middle of the year. We are not changing our guidance on this front and expect distribution to be covered for the third quarter.

Now turning to our balance sheet. We finished the quarter with $165 million of outstanding borrowings under our revolving credit facility. And secured notes, we were at approximately $223 million at the end of the quarter.

We ended the quarter with 100% of our outstanding debt either being fixed-rate debt or borrowings that have been fixed through interest rates swaps. As of March 31, our consolidated debt-to-adjusted EBITDA ratio was at approximately 7x.

In summary, our assets continue to perform well. Our balance sheet remains in good shape, and we are well positioned to execute on our 2019 development plans. We will now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question is from the line of Ric Prentiss with Raymond James.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Couple of questions. George, you mentioned that obviously you're reporting FFO and AFFO, looking towards the days of becoming an internally managed REIT. Do you expect to report the distribution coverage in the press releases? Or are you just going to give it anecdotally now?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

We're going to give it anecdotally. And after the point that it's covered, we'll probably stop focusing on it. Just until we reach that point, I think it's something that we'll address on the calls.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. Yes. Obviously, something important though, we want to make sure that you do cover and everything is fine.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Right. Right. And we agree. We absolutely are focused on getting there.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. Second item. I think Tim, you mentioned the $6 million year-to-date mostly outdoor. Is that year-to-date through April? Or was that through March? And on the FlexGrid spending, the $2.5 million in '19, same question, was that through March or was that through April?

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Through March, Ric.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. Both numbers. And do you have a view of how much acquisition CapEx outside FlexGrid you expect to spend this year? I know you said 1Q was light, but you expect more. Just trying to frame at least within a breadbasket size what we're thinking of?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes. Rick, I would say, for our traditional assets, unless we identify some opportunistic transactions, it's going to be on the more limited side of what we've done historically. We're generally not focused heavily on acquiring pools of assets domestically.

A lot of the assets that we did acquire in the first quarter are in our venture in Western Europe. So I wouldn't expect a lot of acquisition volume, but it's really going to depend on what type of opportunities we see over the course of the next 9 months.

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

Yes. And if they have development aspects to them as well where we see more accretive opportunities.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Got you. Got you. And as we think about how much money you might put to work, I think you mentioned $29 million cumulative, if I got it right, on the FlexGrid project. How much do you think the spending in '19 and '20 we'll kind of use on the balance sheet? Just trying to frame your capital resources.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. And that's where we've kind of backed away a little bit from some of the guidance we've provided in the past because it is -- these are developments, there's a lot of moving pieces, and it is little bit more challenging to forecast than just straight acquisition activity.

And we see a lot of opportunity, and we're moving forward on different aspects of the development projects that we're working on. But until we get a little bit further through the year, it's a little bit hard to quantify that at the moment.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. But I think you've said you don't expect to raise any equity or at least certainly not normal course equity.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

That's right. We don't plan to do a large public offering this year. If there was an opportunity to -- for us to do some small UEP transactions or other capital raise, potentially ATMs or something like that, we would consider it, but at this point, we don't have plans to do a large public offering.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. And last one for me. I know I'm taking a bunch, but they're quick. You mentioned, obviously, these FlexGrid systems are large and can be complex. How should we think about them? Should we think about asking how many nodes you're building or how many locations you're building? And like Crown Castle, when they do their small cells system, say, well, they can take 18 or 24 months. How long should we think these project kind of take? And how should we think about modeling once we get a little more clarity on kind of how large the systems are?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. These are -- a number of these are programs that will happen over similar what you mentioned with Crown Castle, I would say, 12 to 24 months. There's a number of sites involved, and the programs will change over time as leasing activity with the telecom tenants changes. So I would say, probably, the way to think about it the traditional -- what we're referring to is just the main FlexGrid component, which is the [still] multi-tenant tower infrastructure. That's probably more of a site count metric, and we'll provide some further guidance, I would say, on what we're doing there in the next quarter or 2.

When you look at a project like DART, that is, I would say, a project that involves not only the telecom and FlexGrid component but also involves kiosks. And we could see anywhere from 200 to, I would say, in the 300 or more range on kiosks, but it will take some time to work through all the planning efforts and the deployment of that before we get up to that upper end of the range.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Okay. It sounds like more clarity coming over the next couple of the quarters to help us get a view of what you guys are doing.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Absolutely.

Operator

And our next question is from Liam Burke with B. Riley FBR.

Liam Dalton Burke - *B. Riley FBR, Inc., Research Division - Analyst*

Tim, you've announced several projects, obviously, on FlexGrid. How does the pipeline look for newer client rollouts over and above what you've already announced on the project side?

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

I think it's a strong pipeline of different projects. They're -- as Rick mentioned, these are -- we reiterate it, these are complex and large projects and take a fair amount of time in some cases but as opposed to the acquisition business, these involve a number of different parties and so take a little bit longer to pull together.

Liam Dalton Burke - *B. Riley FBR, Inc., Research Division - Analyst*

And when you're looking at incremental margins on multiple tenants of single infrastructure, how do you expect once you've established a project? I mean, how quickly do you think you can add multiple tenants to existing infrastructure?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes, we think it's a -- we think it's going to be fairly quick, and part of the reason for that is the nature of the infrastructure, the locations and the carriers deployment of 5G and their current need to densify the networks. These are not the traditional 150-foot tall macro towers that, for the most part, the country's covered pretty well. These are relative to the new wave of technology, the 5G technologies, and there is a huge amount of money that we expect to be spent by the carriers deploying their networks over the next, I would say, 5 years. And so I think once we have the initial site in place then I think it's a good fit for additional carriers. Carriers are IoT companies or other network providers, I think it will fit well with the rollout plan. So we're optimistic relative to lease-up on sites.

Liam Dalton Burke - *B. Riley FBR, Inc., Research Division - Analyst*

Have you had any inquiries on your existing projects of entities that want to be back on the existing projects?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes, we do. So a number of sites that we're working on, we have the initial tenant signed up for the site and we have interest by other tenants as well. So some sites could very well end up being 3-tenant sites, pretty much out of the gate, but it's part of what we're working through it. As Tim mentioned, these developments take a lot of time and a lot of engineering to get them pushed through to completion, and that's part of what we hope to provide a little bit more clarity on in the next couple of quarters as to how we're progressing through this and what we're achieving.

Operator

And our next question is from Bora Lee with RBC Capital Markets.

Bora Lee - *RBC Capital Markets, LLC, Research Division - Associate VP*

So I was wondering could you give us a sense post the JV what the contractual rent increases contributed to growth? I know historically, it's been about 2.5%. Just wanted to check on that.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes, generally it's running around the same rate right now. When you look at the portfolio overall, we're seeing very few decommissions. Generally, the, I would say, the consolidation you've seen in the past is mostly been worked through the portfolio. So the organic growth should be closer to where the contractual escalators are. And then now what we're starting to see is, as Tim mentioned, is we're starting to see a lot of amendment activity across the portfolio for new equipment, upgrading equipment for 5G, which hopefully can bring that growth rate up a little bit more. But yes, I would say, generally, right now, we're seeing about 2.5%, let's say, per quarter on a -- on an annual basis, it's about 2.5% but that's consistent quarter-over-quarter.

Bora Lee - *RBC Capital Markets, LLC, Research Division - Associate VP*

Got it. And that amendment activity pickup, can you give a sense of the numbers for that in terms of the contribution? What it was before versus now, say, a year ago?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes, I would say, a year ago the activity was very light, and especially the year or so before that. I don't have specific numbers that we're prepared to give out on this call as far as the actual revenue bumps that we're seeing. But generally, what we think is when we're in a stronger amendment period or potentially a lease-up period where we're able to obtain different or additional tenants on sites. Revenue on ground lease portfolio might go from about average 2.5% across the portfolio. It might tick up to 3% maybe 3.5% in a period where we're having strong amendments, that's kind of the way we think about it.

Bora Lee - *RBC Capital Markets, LLC, Research Division - Associate VP*

Got it. And in terms of your asset sales, just how are you thinking about it in terms of regular portfolio trimming or as the means of funding? I've noticed that you've had a couple of quarters of asset sales.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes. So I would say it's a combination of both. Some of the asset sales were opportunistic where we had a unsolicited bid on the asset, that was the asset we disposed of. But the portfolio of assets we disposed in January, it wasn't an actively marketed asset. We liked it for our portfolio, but we were made a very attractive offer and decided to dispose of that. We do have another small portfolio of assets right now that we are going to dispose of, it makes more sense to pursue this disposal, raise a little bit more capital for what we're pursuing. And then as we look out in the future, I don't think we're going to probably be disposing of too many assets going forward. This is probably getting close to the end of it, near term. But it is a good way for us to raise a little capital and potentially align the portfolio more in the direction we're heading. That's part of the thought behind the asset sales.

Bora Lee - *RBC Capital Markets, LLC, Research Division - Associate VP*

Got it. And just one last one for me. Just in terms of your ownership of ground interest, are you seeing any inbound inquiries about locating edge data centers? And do you view this as an opportunity?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

That's a good question. We've been talking about edge data centers for, I would say, the last 2 to 3 years. I know there is a certain amount of activity going on in the market. There's few different companies that are pursuing that strategy. We have yet to see edge data centers rolled out in a significant fashion yet. It's interesting. It certainly potentially makes sense when you look at the nature of our sites, they have power access, fiber access, you've got land, so you can certainly establish an edge data center.

We haven't seen the opportunity yet for us as to how that's going to drive a lot of revenue growth in our portfolio, but it's something that we are actively monitoring and looking at. And at some point, as edge data centers take hold then that maybe an opportunity for us.

Operator

(Operator Instructions) And we have a follow up from the line of Ric Prentiss with Raymond James.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

To follow up on some of our earliest questions. On the January, or I think you said the asset sale was early January. How much revenue were on those assets on a quarterly or annual run-rate basis? And what kind of cash did you get from them?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. The revenue on the assets we sold in January is about $200,000.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

On an annual basis?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

On an annual basis -- I'm sorry, on a quarterly basis. No, I got that wrong, sorry.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

And cash received for it?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

It was approximately $13.5 million.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Right. I know you said you have a smaller portfolio that you might dispose of. Same question on that, what's kind of the annual run rate revenue? And then we can, I guess, figure out what we think you might get for it.

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. It's in the -- I would say, it's a little under $2 million as far as the revenue associated with those assets.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

On an annual basis $2 million. And so are they similar assets to -- let's see, you sold some in January that we're doing, I guess, then $800,000 a quarter -- I'm sorry, $800,000 a year, and you got $13 million for. Some of those (inaudible) outdoor versus wireless?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

It's a combination of wireless and renewables. So it's a little bit different mix. And we'll provide more commentary on it when we complete the disposition process. Little bit earlier we talked about exactly what we're selling the assets for. But as you know, the ground lease assets in current environment are very attractive and they're pretty easy to liquidate at, what I would call, very attractive prices for the company, especially relative to our overall cost of capital at the moment.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

We see definitely an influx of infrastructure REIT investors coming into the shared telecom infrastructure space, is that who's kind of showing some interest on these then?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Yes. There's a lot of interest, I would say, in the telecom whether it's -- this side of things, whether it's towers, fiber, ground leases. You can throw in data centers in there as well. There's definitely a lot of institutional interest in those asset classes at the moment.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

All right. And would you -- when you mentioned the property tax that came in, and you hope to appeal it later this year. Do you need to have the property tax appeal occurred to able to get coverage back to the 1 range?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

No. This is -- in the third quarter, no. This is a -- it's an interesting situation with this parcel. It's actually -- the charge was related to excess land on a solar project. It was, in our opinion, just a bad assessment. There's no value to this land. The property taxes before this reassessment were $100 a year. So to give you some perspective, it came out a bit nowhere on us. So we don't see a problem getting this repealed. Ultimately, we could just simply donate the land as well to get rid of it. I mean there's no real value associated with this land that had this property tax assessment. So when we look in -- at Q3 and Q4, even if we can't get the property taxes adjusted on this parcel, we're still tracking to having the distribution covered.

Richard Hamilton Prentiss - *Raymond James & Associates, Inc., Research Division - Head of Telecommunication Services Equity Research*

Got you. And last follow up for me. On the FlexGrid project, obviously, you've been making a lot of progress, talking to a lot of different partners on it. How should we think about the day-one initial yields or cap rates cash-on-cash you guys are thinking about this project, or these projects should be focusing on?

George P. Doyle - *Landmark Infrastructure Partners LP - CFO & Treasurer of Landmark Infrastructure Partners GP LLC*

Sure. We think of -- we think of these opportunities as a minimum current cash-on-cash yield comparable to what we've invested on the ground lease side of things over the last year or so, in that, call it, 7% cap rate range. We expect some of them are going to be significantly higher but our minimum target investment has to be in line with where we've invested historically. And as I mentioned to Liam, we have some sites where we have the second tenant discussions ongoing and discussions as well, preliminary discussions with a third tenant as well. So in situations like that, you're well beyond the initial cash-on-cash returns that we're targeting.

Operator

And I'm not showing any further questions in the queue. I would like to turn the call back to Tim Brazy for his final remarks.

Arthur P. Brazy - *Landmark Infrastructure Partners LP - CEO & Director of Landmark Infrastructure Partners GP LLC*

All right. Well, thank you all for joining us today. As we've discussed, we're very active and excited about the opportunities we have in front of us and we remain confident in our ability to deliver continued growth at the Partnership. We will share more details with you as we can over the next couple of quarters. Thanks again and look forward to speaking with you then. Have a good day.

Operator

And with that, ladies and gentlemen, we thank you for participating in today's conference. This concludes the program, and you may all disconnect. Have a wonderful day.
