
Status of Broadband Access

Survey of MDU Housing Executives for the City of Seattle

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Executive Summary

The City of Seattle Cable Office commissioned a survey of the owners, managers and decision makers for Multiple Dwelling Unit Buildings (MDUs) in the city to understand high-speed broadband access, and issues that enhance or inhibit greater broadband access. Most respondents indicate there are multiple providers of 25 mbps broadband access in all their buildings, but only 18% of their buildings have multiple providers with 100 mbps or faster speeds. Respondents are frustrated in dealing with providers and believe the process of allowing access is overly complicated without good reason. Respondents believe the City of Seattle could help respondents offer even more broadband access, and ensure future access, by helping to streamline the dealings between respondents and providers.

Background

The City of Seattle is exploring all options that would increase the availability of competitive, affordable, and equal broadband internet access options that approach one gigabit of bandwidth across the city. To that end, the Seattle Office of Cable Communications is conducting a series of surveys to determine the current state of competition in providing internet service to MDUs. CCNG conducted this survey of MDU housing executives (the “respondents”) to identify actionable information for the City of Seattle policy makers. The key topics addressed in the survey included:

- The characteristics of the various housing options
- Clarity regarding existing providers and their offerings
- Legal, infrastructure, or other issues that impact the ability of respondents to offer wider options for residents
- Upcoming concerns of MDU housing respondents regarding broadband access

Methodology

Participants: 20 MDU housing executives were identified and were emailed directly. Over a 6-week period, 10 interviews were held face-to-face, and 3 more were conducted via phone, with 7 MDU housing executives not participating in the survey. Those identified executives were chosen based on the type of properties their organizations are known to manage/develop/own. Respondents were told why the survey was being conducted, and were informed that their individual details would not be shared but instead would be combined with all other respondents for a summary report. This allowed greater integrity during the interview process, and in fact prompted certain respondents to participate.

Condo Associations (and managers) and Apartment Housing in the following sizes were interviewed:

- Buildings with between 6 and 10 units
- Buildings with between 10 and 49 units
- Buildings with more than 50 units

Materials: The City of Seattle Cable Office and CCNG worked together to create a series of 20 questions that covered 5 categories: Self-identification of Portfolio, Existing Access of Providers and Infrastructure, Access Agreement Details, Belief of Future Needs, and How the City could support greater access. The results are summarized with the following data points:

- Gross number of units represented by each decision maker's company
- Self-Identified Property Statistics
- Overall summary of providers/services offered
- Understanding of legal/infrastructure/option issues
- General opinion of needs/access issues (costs to access)
- Recommendations

It was necessary to define the internet speeds for respondents. The definition used was from the FCC 2016 Broadband Access report, which considers minimum speeds of 25 mbps down, and 3 mbps up as the minimum standard for "Broadband" speeds. Respondents recognized this standard and were generally aware the slowest providers in their buildings offered speeds faster than 25 mbps. Clarification questions were added to compare offerings within respondents' buildings for speeds at a minimum 100 mbps. This speed is consistent with the City of Seattle's policy that residents of MDUs should have access to competitive high-speed broadband equal to that experienced by residents of single family homes.

Summaries

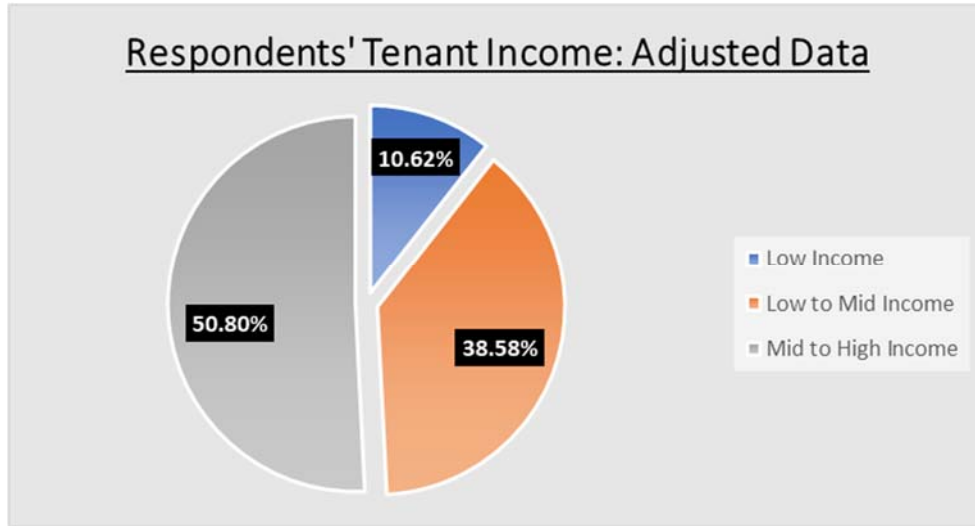
The survey talked with 13 respondents, for a total of 399 buildings and over 48,000 residential units. Every respondent managed multiple buildings that were over 50 units, and 44% managed buildings that had at least 10 units. Only 19% of respondents managed buildings that were in the "6 unit to 11 unit" category.

Note: One respondent, a dedicated low-income operator, is responsible for 39% of the buildings, and over 61% of the total residential unit count represented in this survey. For that purpose, when appropriate, data will be displayed with and without that respondent to ensure clarity of the survey results. These occurrences will be identified as "Adjusted Data" (without respondent's numbers) and "Raw Data" (with respondent's numbers).

Gross number of units represented by each respondent's company: Over 48,000 residential units are represented in this survey. The respondents and/or their entities conduct a mixture of activities, such as developing and managing multi-family properties. Every respondent's organization was experienced in management of the MDUs, and many develop and buy/sell MDUs as part of their regular business operations.

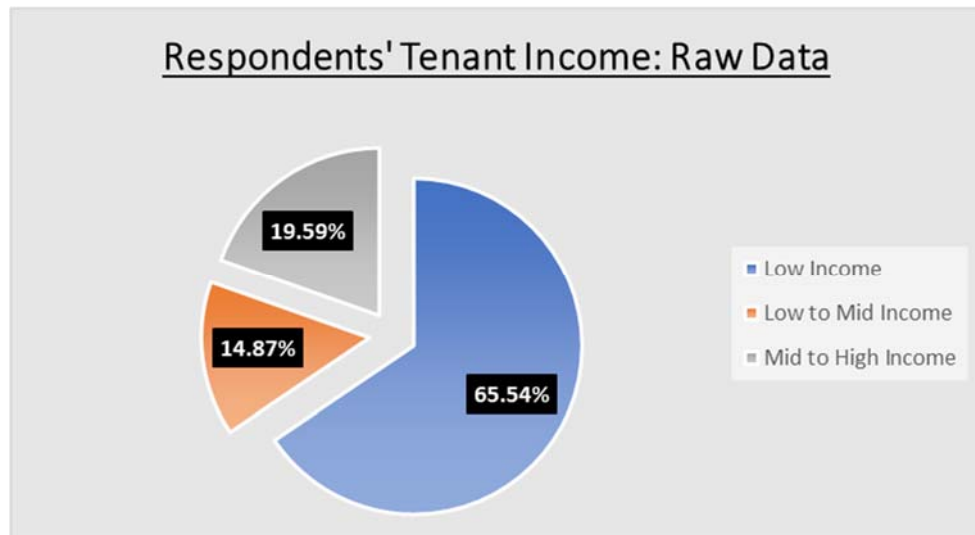
Self-Identified Property Statistics: Income of Residents: (Adjusted Data)

- 50% are identified as buildings with “mid to high income” occupants
- 38% are identified as buildings with “low to mid income” occupants
- 10% are identified as buildings with “low income” occupants



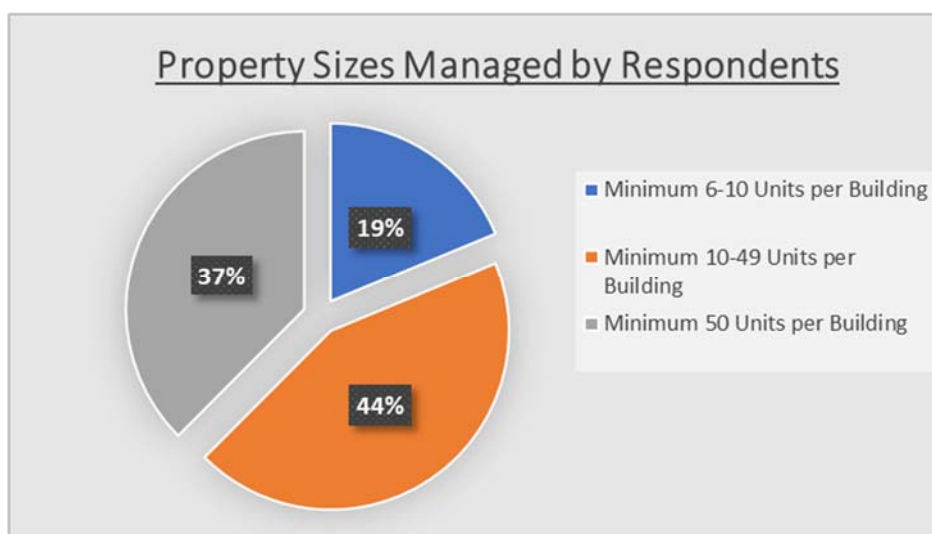
Income of Residents: (Raw Data)

- 19% are identified as buildings with “mid to high income” occupants
- 14% are identified as buildings with “low to mid income” occupants
- 65% are identified as buildings with dedicated “low income” occupants



Building Sizes managed by respondents:

- 37% are identified as managing properties that only have more than 50 Units
- 44% are identified as managing properties that only have more than 10 Units
- 19% are identified as managing properties that only have more than 6 Units



Condos versus Apartments:

- 38.5% of buildings managed or owned by respondents are condominiums
- 61.5% of buildings managed or owned by respondents are apartment buildings

Age of buildings:

- The average age of condominium buildings is 26 years old
- The average age of apartment buildings is 34 years old

Overall summary of providers/services offered:

- Television Service: Television service is available in most buildings, although some providers' television offerings have changed frequently – making it difficult to definitively state offerings to residents. The consensus is that streaming services over the internet has or will soon overcome any need for hard-wired television services.
- Internet Service: With the exception of one property, 100% of respondents indicated that at least 2 providers with minimum speeds of 25 mbps exist in their buildings. Most respondents who manage mid to high level income buildings indicated that the 25 mbps speed delivered was significantly slower than the speed deemed acceptable by their residents. This is the FCC minimum speed qualification.

- Speed of 100 mbps is consistent with the City of Seattle’s policy that residents of MDUs should have access to competitive high-speed broadband equal to that experienced by residents of single family homes. This minimum level of high-speed internet has been the priority for most respondents, as this is believed to be the future pipeline through which all Television, Internet and Phone services will be accessed. **Only 18% of buildings controlled by respondents indicated they had a minimum 2 providers who offer 100 mbps.**
- Phone Service: Every major provider offers phone, although respondents confidently reported that phone service located in a residential unit is obsolete. Over 60% of respondents specifically referred to Comcast’s phone service as only being purchased by residents to lower the rates for other services through bundling.
- Bulk Agreements: Less than 5% of the gross unit count is represented with “bulk” service agreements. Most MDUs with “bulk” agreements are condominium associations, and many of those indicate an intention of terminating the “bulk” aspect of their agreement when the contract permits. Most of the bulk service agreements reflect video service, whereas the market appears to demand more internet service options. All of the providers offer an internet “bulk” option, however many condominium associations are choosing to transfer those monthly costs to the residents directly instead of obligating the associations to that expense.

Providers’ technical and owner incentive standards:

- Infrastructure: Each provider has variations of their own “infrastructure”, and trying to merge one provider’s needs with other providers within one building can be very problematic. Some providers will only offer one technical infrastructure for small buildings and another infrastructure for larger buildings, which creates problems for owners, managers and developer alike. These variations require greater time for research, bids and negotiations for respondents.
- Owner Incentives: Some providers offer “owner incentives” for access to residents. Owner incentives can include opportunities such as:
 - Door Fees: Dollars given to the building owner, defined as a specific amount “per door”, or residential unit.
 - Revenue Share: A monthly or quarterly payment to the owner of the building, defined as a percentage of the revenue received by the provider for a specified period.
 - Complimentary Service: Providers may offer “free” video or internet service to onsite owners or onsite managers.
 - Upgraded or “Free” wiring: During new construction and/or rewiring, the provider may offer the raw materials or the labor to offer the services.

- The variety of options for these owner incentives has generated a feeling among respondents that the providers are more concerned with using buildings to competitively defeat other providers than offering excellent service to residents. Respondents report feeling used by providers instead of being treated like partners.
 - One respondent indicated he had spent 2 years negotiating an agreement with a provider, and that agreement was going to be the template for 5 more new buildings. When starting the second building, all owner incentives and infrastructure were changed, which required an entirely different planning, bid, and reporting process to work through new details. The respondent is convinced these changes were made simply because the provider’s employee wanted to make changes, not due to actual provider needs to change the agreement.

Respondents’ understanding of legal and infrastructure issues:

Legal Concerns:

- Few of the respondents surveyed felt qualified to negotiate the access agreements, and as such many respondents preferred to delay or avoid dealing with providers for these issues. When approached by providers to update existing access agreements, most respondents do not find a compelling reason to learn enough of the fine details to effectively renew access agreements despite possible “deal point” improvements.
- Less than 20% of the respondents were aware that the City of Seattle Franchise Agreements with the “Big 3 Providers”, (CenturyLink, Wave and Comcast) explicitly require these providers to have written access agreements with the building owner before service can be delivered to the building. These are generally found in sections 10 of each cable provider’s respective agreement with the City of Seattle. CenturyLink’s most recent franchise agreement has the same requirement found in section 9.8, subsection d (2). These agreements can be found at the following City of Seattle website: <http://www.seattle.gov/tech/services/cable-service>
- Many described feeling overpowered in discussions with providers. Respondents consistently reported that lack of information regarding what could be achieved with access agreements created a constant doubt about the best options for infrastructure and/or access decisions. This lack of understanding has created a deeper distrust of all telecom/cable providers than other utilities and vendors.

Infrastructure Concerns:

- Most did not feel competent to define the wiring components as defined by the FCC, as related to their individual buildings. Most respondents felt that wiring definitions used within the access agreements were written by the providers rather than the FCC. The resultant confusion regarding each provider’s wiring definitions has resulted in multiple reports of access problems after occupancy.

- The greatest concern, specifically from Condominium Association Managers, was the antiquated wiring in many condominiums – and the inability for those MDUs to utilize faster speeds and technologies without major rewire costs within the MDUs since each owner has a vote to approve such spending by the association. The average age of the condominiums in this survey is 26 years old, so original wiring is dated. This factor was identified as a critical roadblock in updating MDUs’ infrastructures to utilize current and future technologies.
- Respondents responsible for apartments also indicated much of the wiring is antiquated, with an average age of 34 years for apartments within this survey. However, these respondents were less concerned than condominium respondents. One respondent reflected that any infrastructure upgrades paid by an owner must have a corresponding payback. Unless there is a clear reason to spend additional dollars for infrastructure upgrade, this respondent was clear that his organization wouldn’t upgrade infrastructure due to cost.

General opinion of needs/access issues:

- Respondents generally felt there was sufficient broadband access for the income category of their tenants within their MDUs while also being concerned about having MDUs designed to accommodate future technology. Despite confidence of adequate providers, most respondents also lacked confidence that existing providers could provide high-level, quality service in future years. For this reason, most respondents were very interested in allowing new providers access to their MDUs, and have attempted to negotiate access agreements that would allow new providers to have access. Apparent uncertainty within the telecom and cable industries has led many respondents to plan for multiple providers, wiring and access points in case providers fail to offer services contemplated during the writing of the access agreements.
- Respondents are generally convinced that the only critical service required for new MDUs is high speed internet, as all other services will be delivered through high speed internet relatively soon. Respondents uniformly request standardized infrastructure between multiple providers and technology where multiple providers can (or are willing to) utilize one set of wires (coax or fiber) to deliver services to each resident. Providers appear to share telecom rooms and risers without conflict, but claim an inability to share conduit with other providers. Respondents indicate providers refuse to share wires and/or suggest they cannot combine one set of wires for multiple providers. One respondent reported a claim from a provider that the risk of providers’ frequencies being in conflict was an example of why that provider wouldn’t share conduit with any other providers. Respondents do not feel there is an adequate source of information to confirm or deny these claims from providers.
 - Note: Providers have used a mixture of systems to deliver services to the building, such as fiber, coax, or microWave. Despite the method of delivering services to the building, the providers must then connect to the building’s internal wiring systems. How the providers work together with a system built by the owner/developer is the specific concern.

Specific Respondent Recommendations:

1. Training and/or resources for MDU owners and managers. 53% of the respondents request a City or FCC based resource to help owners and managers to understand or reference:
 - Wiring requirements and why providers demand certain wiring
 - Technology to enhance the construction of future-proofed MDUs
 - The ramifications of “Exclusive Use of Wiring” or “Exclusive Marketing”
 - What providers are available within their geographic area, and what offerings those providers can supply to residents
 - What details of the various providers’ “Access Agreements” may be used against them in unforeseen events and what “Owner Incentives” may be available
2. Financially subsidize MDU rewires for condo associations to encourage updated telecommunications wiring – or assistance in obtaining subsidies from providers to offset these costs.
3. Encourage providers to create a standard infrastructure that can be implemented for all future construction, where all providers agree on the technical infrastructure needed to serve MDUs with all available providers. If the City of Seattle invites all providers to cooperate, this standard infrastructure could then be adopted by the City as the “Preferred” technology standard.
4. Increase pressure on providers to offer discounted internet programs to all lower income residents, not only those with children or elderly
5. Create an Ombudsman position to assist in minimizing the conflicts between providers and MDU owners/managers, with the express intention of maximizing broadband access

Addendum A: Key Respondent Quotes

“It will cost us \$40,000 to rewire 60 units. I expect it will take us 6 months before the association votes to approve it.”

“I always let the cable companies come and do whatever they need. I have never stopped them, so they don't need an agreement to tell them they can come into my properties.”

“I don't understand why the providers can't use the same wiring. Nobody has been able to explain that to me.”

“One provider wanted to charge us \$120,000 to enter our building, which we refused. Another provider came in for free. If they want access to my residents, I'm not paying for them to move their system.”

“On a personal level, I am sick of the high prices I am being charged. I'll drop my current provider the moment IPTV is easy to use, and I'll switch all our buildings to the new technology.”

“One provider took so long with their paperwork that they missed the open trench. It was going to cost so much to re-open and give them access that we simply decided that provider wouldn't be in the building. The other providers made it just fine and we still have options for the residents.”

“The old telecom/cable business models of contracts, hidden fees, are not going to last. The new providers offer better service and penetrations. The old providers are not evolving, and we don't want to be caught by their old infrastructures.”

“We couldn't get a conduit in the ground with the permit costs and process of SDOT. SDOT's complications directly resulted in only 2 providers instead of 3 in one of our buildings.”

“When new residents ask for a new provider, we tell them sorry. The providers we currently have are your only choice, unless the resident wants to pay for the new provider to come in.”

“If someone wants service, someone has to pay for it. I pass it all on to the tenants. If the dollar cost doesn't work, it won't happen.”

“Yes, we have a few revenue share marketing agreements, but the income is so small that it isn't worth the effort.”

“We try to have a corporate broadband choice and a local broadband choice.”

“I need tools to help navigate the corporate boilerplate documents.”

Addendum B: Respondent Opinions of Key Service Providers

1. Comcast Cable Company

Pros: Great video offerings, reliable internet (although expensive) and phone offerings.

Well known nationally for residents moving in from other states. Fiber is available in most locations, although Comcast frequently chooses to not utilize fiber if buildings are too small – as defined by Comcast.

Cons: Most expensive provider, poor customer service, overly complicated.

Regarding offering access to their buildings, respondents indicated Comcast's process was very difficult and feels complicated for no reason. Comcast is the only company that demands an easement – the reason for which is unclear to the respondents. Comcast's demands for exclusive marketing/wire rights in exchange for selling their product feels like an overwhelming use of power against the respondents.

Most respondents indicated they personally have Comcast service, but also indicated they were (1) unhappy with high service price and (2) constantly looking for other options with a desire to change personal service as soon as new and viable options were available. The feeling of being overcharged along with poor customer service dominated most of the respondents' opinions and appears to overshadow their business relationships with Comcast.

2. Wave (including companies purchased, aka Condo Internet, Really Fast, and Cascade Link)

Pros: Reliable fast internet at reasonable prices. Wave employees tend to be easy to deal with regarding Access Agreements.

Cons: Video services have changed often, and all services are not always available in all buildings. Doesn't have as much money to give to compensate developers/owners and their infrastructure seems to be tailored more to each building instead of being standard for all their buildings. Customer service for residents has mixed reports.

3. CenturyLink:

Pros: At least 50 mbps internet is universally due to telephone technology. Rates and services are reliable, although comparatively slower. Not much drama or chaos regarding Access. Options for fiber is encouraging for future proofing.

Cons: No video service, although does cooperate with Satellite video providers. Internet is generally slower, despite claims of fast internet. Previously marketed fast fiber internet, but was unavailable to multiple locations within City of Seattle, so many respondents are unconvinced of how wide fiber is available. Respondents looking for development projects have trouble finding what buildings have fiber and/or access to Century Link Fiber.

Addendum C – Survey Questions

Interview Form: Seattle Office of Cable Communications

1. Name and/or Company of Interviewee:
2. Key details of buildings (# units, # buildings, age, mixed use, etc):
3. What Telecom/Cable Providers offer service in your building(s)? What services are provided? How many broadband providers offer speeds of at least 100 mbps?
4. Do you have contractual agreements with these providers? If so, please describe the general nature of these agreements (Exclusive Use/Marketing, Term, Bulk, etc.):
5. Do you include any Telecom/Cable services in your rental agreements? If so, are your tenants able to choose other providers and/or purchase additional services above the rental offering?
6. Do you charge anything from Telecom/Cable Providers to operate in your building (i.e., separate electrical meters, rent for space, etc.)? If so, please explain.
7. Do any Telecom/Cable Providers share revenue with you, or otherwise compensate you for allowing them access to your residents? If so, please explain.
8. Would you be interested in having other providers offer services in your buildings? Why/why not?
9. Are there any selling and/or repairman access restrictions in place for providers? If so, please explain.
10. Do you think having greater broadband choice would enhance the value of your building and/or the rents you can charge? If so, please explain.
11. Do you know the FCC definitions for Cable Home Run Wiring, Cable Home Wiring, and Distribution Wiring?
12. Who owns which sections of the above defined wiring? Does anyone have “Exclusive Use” of any of the above wiring sections?

13. What telecom infrastructure is in place today outside of your building (huts, roof antennas, other obvious infrastructure)? Who owns it?
14. What telecom infrastructure is used inside your building (wiring, conduits, electronics in a closet, CAT5, Coax, etc.)?
15. Do you have rules or restrictions for new telecom/cable infrastructure placed outside of the building? Do you allow service providers to place wires/electronics/antennas outside of your building?
16. Do you have any rules or restrictions about telecom/cable infrastructure inside your building? I.E, must all wiring be hidden from open sight or do you have any restrictions for wiring inside of apartments?
17. Do you provide a dedicated and secure place within the building for service providers, such as a telecom room or closet? Do all service providers share the same space?
18. What other issues or concerns do you see regarding cable/telecom **infrastructure** in your buildings?
19. Globally, what concerns you about the cable/telecom access in your buildings? I.E., providers restrictions, market issues, updating technology, etc?
20. If the City of Seattle could do one thing to support greater broadband support in your building(s), what would that be? What other thoughts would you like to share?