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Heartwood Internet (B)

The Heartwood neighborhood is one of the two major community initiatives in the Eastside Redevelopment District for the Gainesville CRA. The development includes new construction of 34-single family homes on the former Kennedy Homes site in East Gainesville. Community stakeholders worked with the CRA on the naming, design and planning for this initiative and the project has been much anticipated by the community and the CRA and its Boards.

At its June 19, 2017 meeting, the Gainesville CRA Board approved for the CRA to act as “developer” to build all the related infrastructure needed for the neighborhood. There was a request from the Board to pursue providing GRUCom internet service to the entire neighborhood and CRA Staff agreed to look into the costs to provide this for Heartwood.

GRUCom and the CRA began discussions to provide internet service to the Heartwood development in April of 2017. GRUCom subsequently provided a pricing proposal with four service options, including both bulk and retail arrangements for service in July of 2017. Subsequently the Broadband Connectivity Subcommittee (BCS) requested to discuss the proposals at their meeting on July 23rd, and the CRA requested, and was provided a refreshed quote for service for that meeting.

GRUCom’s current business model provides options for a bulk subscription arrangement, commonly referred to as “GATOR NET” (with site connection costs included in ongoing monthly charges paid by the HOA or property management company on behalf of the entire community) or a retail subscription arrangement, commonly referred to as “GRUNet” (with the developer paying for upfront connection costs allowing each individual unit owner/tenant elect to subscribe and pays an individual monthly charge only for their service). Under either types of subscription arrangement, GRUCom provides two site-preparation options. First, GRUCom conducts all advance site preparation work for an additional fee (known as a “turn-key” site prep arrangement), which in the quote to CRA is \$ 96,540. The other is one where the developer conducts all

advance site preparation work per GRUCom specifications at no charge by/to GRUCom (known as a “build-to-order” site prep arrangement), which in the quote to CRA is \$63,091.

Each of the four proposals are structured for GRUCom to fully recover the connection costs (external labor and materials) of its installation work, either through a direct charge (seldom chosen), or through the contracted monthly rates (for any costs above those not absorbed in make-ready work by the developer) over a certain term with an additional component in the rate for ongoing operating costs.

After discussion of the cost components and pricing methodology of the proposal, the Broadband Connectivity Subcommittee requested the item be referred to the City Commission to discuss directing GRUCom to pilot a residential GIGABIT internet service program for the Heartwood development.

The available internet speed choices vary between GATOR NET (50Mb, 100Mb or 1000Mbps “GIGABIT”, the speed is selected by the HOA or property management company and uniformly provided throughout the development) and GRUNet (currently only available as a 50Mbps service due to various system limitations).

There are currently around fifty GATOR NET developments and six GRUNet developments operating under similar cost recovery arrangements throughout the GRUCom service area. Generally, GRUCom is prohibited from providing connections or service below cost per Section 710(2) of the City of Gainesville Bond Covenants. Section 710(2) provides that “No free service or service otherwise than in accordance with the established rates, fees, and charges shall be furnished by the System, which rates, fees and charges shall not permit the granting of preferential rates, fees or charges among the users of the same class of customers.” CRA Staff is currently overseeing the \$2.5M site construction contract of the Heartwood neighborhood and within that project, is working with the various communications providers (GRUCom, Cox, ATT) on the installation of sufficient conduit necessary to facilitate internet services providers. The CRA’s goal is to find the most cost-efficient way to implement that doesn’t place a financial burden on the end buyers. The neighborhood will bring a mix of affordable and market rate housing and CRA’s focus continues to be on creating an affordable housing product with amenities that assist potential buyers in keeping their monthly bills to a minimum.

The infrastructure work at Heartwood will be completed by the end of the calendar year with construction of new homes following in early 2019.

GRUCom structured its GRUNet proposals to either recover the connection costs through an upfront charge of either \$63,091 with developer assistance on site prep and \$96,540 for a turn-key connection. GatorNet was structured to recover the connection charges over the length of the developer contract (24 to 80 months).

The Broadband Subcommittee requests that the City Commission discuss the concept of a Pilot Internet Plan for Heartwood;

Staff recommends that the City Commission discuss the fiscal impact and funding sources for recovery of GRUCom’s expenses to provide GRUNet or GATOR NET internet service to the CRA as the developer in the Heartwood development.

