

*City of Arts & Innovation*

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL**      **DATE: MAY 17, 2022**  
**FROM: INNOVATION AND TECHNOLOGY**      **WARDS: ALL**  
**DEPARTMENT**  
**SUBJECT: DEVELOPMENT AGREEMENT BETWEEN THE CITY OF RIVERSIDE AND SIFI NETWORKS RIVERSIDE, LLC FOR A CITYWIDE FIBER OPTIC NETWORK**

## **ISSUE:**

Approve the proposed Development Agreement between the City of Riverside and SiFi Networks Riverside, LLC for a Citywide Fiber Optic Network as recommended by the Mobility and Infrastructure Committee.

## **RECOMMENDATIONS:**

That the City Council:

1. Approve the proposed Development Agreement between the City of Riverside and SiFi Networks Riverside, LLC for a Citywide Fiber Optic Network as recommended by the Mobility and Infrastructure Committee; and
2. Authorize the City Manager, or designee, to execute the Agreement and any additional documentation to effectuate this agreement and the ability to make minor non-substantial changes.

## **BACKGROUND:**

In late 2021, staff was approached by SiFi, regarding an offer and opportunity to build a Citywide Fiber Optic Network at no cost to the City. The SiFi's proposal is for SiFi to privately fund, design, construct, and maintain a citywide open-access network with their project capital and operational investment being over \$300,000,000. The citywide open access network will allow all internet service providers (ISP) to provide up to 10 gigabit broadband connectivity to residential customers and up to 100 gigabit connectivity to businesses. The open access network will be built with the option to connect all City facilities, residences, businesses, and institutions within Riverside. This proposed project will bring gigabit level internet and data transfer speeds to every doorstep within the City of Riverside without using any municipal taxpayer subsidy towards construction of the network.

On April 14, 2022, the Mobility and Infrastructure Committee reviewed and provided feedback on

the proposed Development Agreement between the City of Riverside and SiFi Networks Riverside, LLC for a Citywide Fiber Optic Network. Ultimately, the Committee recommended that the Innovation and Technology Department take the proposed Agreement to the City Council for further review and approval.

## **DISCUSSION:**

The proposed Development Agreement with SiFi Networks Riverside LLC ("SiFi") shall result in a 9 million linear feet (1,690 miles) Citywide Fiber Optic System delivered to all residences and businesses within the City's estimated 106,000 parcels. The Development Agreement grants SiFi non-exclusive right-of-way access and authorizes SiFi to install fiber optics and electronics in the City's public right-of-way to provide fast and reliable internet-service throughout the City. SiFi is an infrastructure developer and does not provide retail service to the public. Their sustainable business model is wholesaling network access to multiple service providers who utilize the open access network to provide one or many services to residents and businesses connected to the network. SiFi will own the network infrastructure. Maintenance and repair of the network is wholly the responsibility of SiFi.

Residents and businesses will have the option to continue with their existing ISPs or seek subscriptions with providers, who SiFi has wholesaled network access to, and receive a fiber service drop directly into their homes or businesses. In addition, this agreement does not prevent any other service providers from installing their own citywide fiber optic networks or expanding their existing fiber infrastructure and providing a similar service. From an economic development perspective, a 100% privately funded and managed citywide open access network is a significant opportunity for strengthening Riverside's competitive advantage for retaining and attracting businesses, jobs, and private investment into our community.

Existing ISPs that provide high-speed Internet access in the community will continue to provide those services to the community. However, not every home and business in the City currently has access to fiber optic infrastructure. SiFi, via the proposed Development Agreement (Attachment 1) is requesting full access to the public right-of-way to install cables via the minimally invasive micro-trenching technology, which will be constructed to remove the existing digital divide.

Additional pertinent deal points in the Development Agreement include:

- On a monthly basis, the City will invoice SiFi for actual fees incurred by the City during the previous month including the labor cost of City staff or contracted services performing administration, plan check, permit review or inspection services of this agreement. SiFi will pay all applicable permits and City of Riverside Municipal Code required fees.
- The initial term of the agreement is for 30-years with two 30-year term extensions available. While on the face of it, a term structure such as this could be considered an "evergreen" contract, and while not a utility company, SiFi's infrastructure will provide a new type of utilitiesque service to individual property-based customers. The proposed contract term will ensure that SiFis' long-term amortize structure of their significant initial capital investment meets the requirements of their institutional investor partners and to provide ongoing Fiber service to Riverside residents. The agreement does not confer exclusive use of the public right-of-way for this purpose to SiFi and any other company wanting to privately finance and construct a similar fiber network in Riverside could do so. The agreement also does not preclude private telecommunications companies from expanding their existing fiber networks in Riverside for a similar purpose or those who are regulated

by the State's Public Utility Commission. However, the City of Riverside may not enter into a similar agreement for one-year from the effective date of this Development Agreement.

- SiFi will make an effort to locally hire and train approximately 100 people to support installation of the network and a permanent 24/7 field service crew that stays within the City for the project's entire lifetime.
- Cash in escrow, subject to a mutually agreed escrow agreement, in an aggregate annual amount not to exceed two million dollars (\$2,000,000.00) in order to support SiFi's obligations to restore the condition of the Public Way impacted by the construction of this System.
- SiFi has a FiberCity® Aid Program dedicated to subsidizing connectivity to 12% of the City's housing units to support vulnerable families, with the City determining the parameters for which households qualify, such as but not limited to low income and school meal program. SiFi anticipates this program providing a citywide benefit of \$133 million over the initial 30-year term.
- Use of micro-trenching, where a narrow cut up to 1.25 to 2-inch-wide trench is created in the road for placement of the micro duct and fiber. Preferred placement is where the pavement meets the gutter, though it can be placed anywhere in the pavement or softscape (parkway) to suit City staff requirements.
- SiFi and City will negotiate in good faith six mutually agreeable locations for the installation and operation of up to six SiFi Shelters (approximately 1,000 square feet per location for each Shelter) subject to a separate lease, easement, or another suitable agreement to be negotiated in good faith, including payment by SiFi of fair market value for the use and occupancy of each such Shelter Facility on City-owned land. Any such subsequent lease or other such agreement may require approval from the applicable legislative body of the City.
- More than one ISP will have the opportunity to access the network to provide retail services.
- Should SiFi abandon the fiber network, the City would assume ownership of that asset.
- Substantial completion goal of 95% system buildout of the project is projected to take four years.

If the Development Agreement is approved, the City will then begin to negotiate the terms of a Smart City Managed Services Agreement with SiFi Riverside. The Smart City Managed Services Agreement will establish the terms and conditions for municipal access to a closed loop within the fiber network which can connect any municipal facility, including the municipality's existing approximate 300 standalone traffic signals. The Smart City Managed Services Agreement would be brought to City Council at a future date.

## **STRATEGIC PLAN ALIGNMENT:**

This item contributes to Strategic Priority No. 6 – *Infrastructure, Mobility & Connectivity* and Goal No. 6.2 by improving assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity and Goal No. 6.4 supporting the City's Smart City strategies. This item also aligns with Strategic Priority No. 3 – *Economic Opportunity* and Goal No. 3.3 – Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

This item aligns with the five Cross-Cutting Threads as follows:

1. **Community Trust** – The proposed Development Agreement is being presented to the Mobility & Infrastructure City Council Committee and then to City Council to ensure community engagement and involvement. This project will benefit all residences and businesses citywide without using any municipal taxpayer subsidy towards construction of the network.
2. **Equity** – Citywide access to fiber will be made possible through this agreement. In addition, SiFi has a FiberCity® Aid Program dedicated to subsidizing connectivity to 12% of the City's housing units– those hardest hit, within disadvantaged areas which will assist in equitable distribution of services throughout the City of Riverside. The open access network will be built with the option to connect all City facilities, residences, businesses, and institutions within Riverside.
3. **Fiscal Responsibility** – This development is fully funded by SiFi through their FiberCity® brand. APG, one of the world's largest pension funds that currently have assets under management equal to \$690 billion U.S. dollars, are backing SiFi's FiberCity® long-term investments. This project will benefit all residences and businesses citywide without using any municipal taxpayer subsidy towards construction of the network. SiFi will pay all City required permits, fees and other Municipal code defined fees. In addition, The City will Invoice SiFi monthly for actual fees incurred by the City during the previous month.
4. **Innovation** – This is a public/private partnership that will enhance City of Riverside services.
5. **Sustainability & Resiliency** – A Citywide open access network will improve the City's sustainability and resiliency as well as support the community's growing need for fiber access.

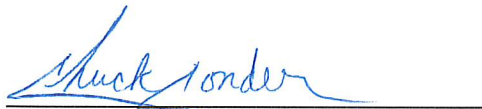
## **FISCAL IMPACT:**

There is no direct fiscal impact related to this report. On a monthly basis, SiFi Networks Riverside, LLC shall reimburse the City actual fees incurred by the City during the previous month including the labor cost of City staff or contracted services performing administration, plan check, permit review or inspection services of this agreement. There is no cost to the City for deploying the system throughout the community.

Prepared by: George Khalil, Chief Innovation Officer  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer  
Approved by: Lea Deesing, Assistant City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Concurs with;

A handwritten signature in blue ink, appearing to read "Chuck Conder", is written over a horizontal line.

Chuck Conder, Chair  
Mobility and Infrastructure Committee

Attachments:

1. Development Agreement