



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: FEBRUARY 27, 2024

FROM: INNOVATION & TECHNOLOGY DEPARTMENT WARDS: ALL

SUBJECT: GROUND LEASE AGREEMENTS BETWEEN THE CITY OF RIVERSIDE AND SIFI NETWORKS RIVERSIDE, LLC, FOR THE OPERATION OF CITYWIDE FIBER OPTIC DATACENTER HUTS FOR VARIOUS TERMS AND LOCATIONS THROUGHOUT THE CITY

ISSUE:

Approve the Ground Lease Agreements between the City of Riverside and SiFi Networks Riverside, LLC, of Wilmington, Delaware, for the operation of citywide fiber optic datacenter huts.

RECOMMENDATIONS:

That the City Council:

1. Approve the Ground Lease Agreement between the City of Riverside and SiFi Networks Riverside, LLC, of Wilmington, Delaware, for the operation of a 1,000 square-foot citywide fiber optic datacenter hut at 6951 Flight Road, for an initial term of ten years plus seven optional five-year extensions for the amount of \$1.25 per square-foot (\$1,250 per month) with annual increases of three percent;
2. Approve the Ground Lease Agreement between the City of Riverside and SiFi Networks Riverside, LLC, of Wilmington, Delaware, for a 1,000 square-foot parcel to be used for the construction and operation of a citywide fiber optic datacenter hut at 2010 Martin Luther King Boulevard, for an initial term of ten years plus nine optional five-year extensions for the amount of \$0.66 per square-foot (\$660 per month) with annual increases of three percent
3. Approve the Ground Lease Agreement between the City of Riverside and SiFi Networks Riverside, LLC, of Wilmington, Delaware, for a 1,000 square-foot parcel to be used for the construction and operation of a citywide fiber optic datacenter hut at 6911 Palm Court, for an initial term of ten years plus nine optional five-year extensions for the amount of \$0.66 per square-foot (\$660 per month) with annual increases of three percent;
4. Authorize the City Manager, or his designee, to execute all documents pursuant to the Ground Lease Agreements including a First Amendment to add exhibits containing depictions and legal descriptions of the parcels and premises to be leased, making any minor non-substantive changes and subsequent term extensions.

BACKGROUND:

In late 2021, staff was approached by SiFi Networks Riverside, LLC (SiFi), regarding an offer and opportunity to build a citywide fiber optic network at no cost to the City. SiFi's proposal would allow them to invest more than \$300 million to privately fund, design, construct, and maintain a citywide open-access network. The citywide open access network would 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 and recommended that the Innovation and Technology Department (IT) take the proposed Agreement to the City Council for further review and approval.

On May 17, 2022, City Council approved a development agreement with SiFi allowing a nine million linear feet (1, 690 miles) Citywide Fiber Optic System to be 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.

City staff are currently negotiating a Smart City Managed Services Agreement with SiFi to establish the terms and conditions for municipal access to a closed loop within the fiber network that 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.

DISCUSSION:

In order to maintain and manage the inground fiber optic network, strategically placed datacenters need to be in place to aggregate the inground fiber optic network, provide failover services if one datacenter experiences an outage and to interconnect the fiber optic network to retail internet service providers. The following three locations are ideal based on the current system design:

1. 6911 Palm Court (Library - rear corner of staff parking lot)
2. 2010 Martin Luther King Blvd (Parks & Recreation - Southwest vacant corner on Kansas and Rancho)
3. 6951 Flight Road (Airport - existing telecommunication shelter)

Due to the permanent nature of SiFi's \$300 million investment of assets in the city, staff recommend a long-term approach to these agreements that conform to existing civil codes related to term maximums (California Civil Code, Section 718). Square footage costs were calculated internally by Real Property Services staff.

While the airport has an existing structure that can be utilized, both the Library and Parks and Recreation locations will require construction of shelters. At the time of agenda publication, the legal descriptions of each property and premise were being developed by the City Surveyor. Should they not be ready by the time the meeting is held, they will be attached as an amendment to the original agreement. Attachment 2 – Map of Datacenter Huts provides maps of each location for reference.

Please note, the attached agreement serves as a template for each location with the specific locations and amounts being updated in accordance to the recommendations provided in this report.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the following Envision Riverside 2025 City Council Strategic Priorities:

Strategic Priority 3, Economic Opportunity

- Goal 3.3. Cultivate a business climate that welcomes innovation, entrepreneurship, and investment.

Strategic Priority 6, Infrastructure, Mobility & Connectivity

- Goal 6.2. Maintain, protect and improve assets and infrastructure within the City's built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The item aligns with each of the five cross-cutting threads as follows:

1. **Community Trust** – 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 internet is being made through the development agreement with an open access network being built with an option to connect all City facilities, residences, businesses and institutions within Riverside. Leasing space for data center huts provides for the ongoing management and maintenance of such a network.
3. **Fiscal Responsibility** – The entire project from development to management 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.

4. **Innovation** – This is a public/ private partnership that will enhance City of Riverside services for residents, businesses and visitors.
5. **Sustainability & Resiliency** – Maintenance and management of a citywide open access network will improve the City's sustainability and resiliency as well as support the community's growing need for fiber internet access.

FISCAL IMPACT:

The total fiscal impact of the lease revenue over the initial ten-year term will generate an estimated gross revenue of \$308,400. All revenue will be deposited into the following funds and accounts as indicated on the table below.

Fund	Program	Account	Amount
General Fund	Use of Money and Property, Land and Building Rental	0000101-373100	\$158,400
Airport	Airport, Airport Building and Ground Rental	0000530-346120	\$150,000
Total			\$308,400

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Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer)
Approved as to form:	Phaedra A. Norton, City Attorney

Attachments:

1. Ground Lease Agreement
2. Map of Datacenter Huts