



City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 5, 2024

FROM: INNOVATION & TECHNOLOGY DEPARTMENT WARDS: ALL

SUBJECT: FIRST AMENDMENT TO THE DEVELOPMENT AGREEMENT BETWEEN THE CITY OF RIVERSIDE AND SIFI NETWORKS RIVERSIDE, LLC FOR A CITYWIDE FIBER OPTIC NETWORK

ISSUE:

Approve the proposed First Amendment to the 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 First Amendment to the 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 to make minor non-substantial changes.

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. Their proposal was for SiFi to privately fund, design, construct, and maintain a citywide open-access network. Their project capital and operational investment was estimated to be more than \$300,000,000. 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 would be built with the option to connect all City facilities, residences, businesses, and institutions within Riverside. The proposed project would 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. Ultimately, the Committee recommended that the Innovation and Technology Department take the proposed Agreement to the City Council for further review and approval.

On May 17, 2022, the City Council approved the development agreement that would 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.

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 SiFi's 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) in order to support SiFi's obligations to restore the condition of the Public Right-of-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.
- 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.

Upon approval of the Development Agreement, City staff began negotiating the terms of a Smart City Managed Services (SCMS) Agreement with SiFi. The SCMS will establish the terms and conditions for municipal access to a closed loop within the fiber network that can connect any municipal facility, including the City's standalone traffic signals (totaling approximately 300).

On February 27, 2024, the City Council approved three ground lease agreements between the City of Riverside and SiFi for the installation and operation of three SiFi Shelters that will serve as datacenters needed 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.

DISCUSSION:

The current agreement, signed in 2022, included all of the engineering designs and standards that would be adhered to during the construction phase. This included the use of micro-trenching, where a narrow 1.25- to 2-inches wide trench would be cut in the road for placement of the micro duct and fiber. Although the trenches can be placed anywhere in the pavement or softscape parkway, the agreement specified that placement would be parallel to the gutter where it meets the pavement.

Inflation and interest rate increase over the past two years have resulted in SiFi experiencing significant increases to both construction costs and funding sources. Adjusting the placement of the micro-trenches will allow the project to continue. Failure to do so will make the project cost-prohibitive and unlikely to continue.

City staff worked closely with SiFi to come up with an alternative solution (i.e. crossings) that is not only minimally invasive visually, but also has the least impact on the pavement. The crossings will allow micro-trenching on one side of the street with crossings to the other side with a maximum width of 0.75 inches.

Additional pertinent deal points in the First Amendment of the Development Agreement include:

- Under the terms of the amendment, SiFi will warranty their work for 10 years (or until the road is repaved), making any necessary pavement repairs adjacent to their cuts.
- No work on streets protected by the 5-year moratorium.

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:

There is no fiscal impact associated with this action as all costs are born by the developer.

Prepared by:	Jessica Gordon, Administrative Services Manager
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Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer)
Approved as to form:	Jack Liu, Interim City Attorney

Attachments:

1. Presentation
2. First Amendment to the Development Agreement