

# Item 3.3

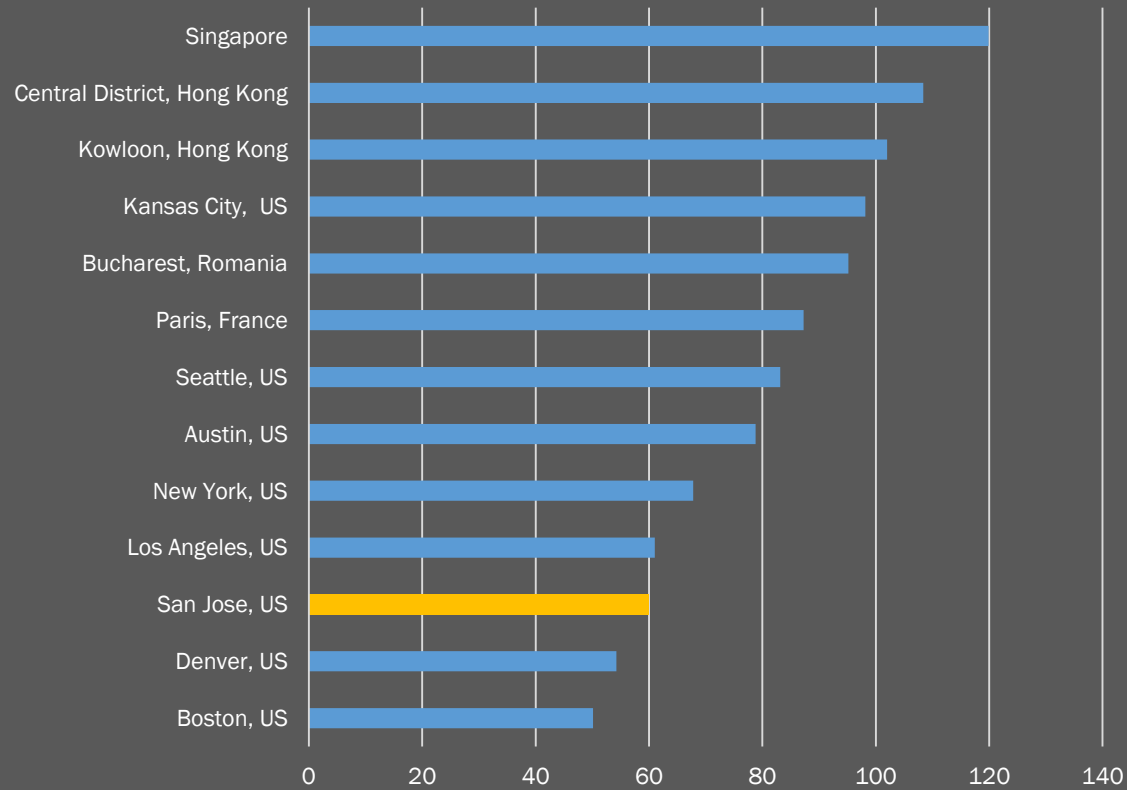
## Actions related to Agreement with AT&T for Permitting Small Cells

Kip Harkness and Dolan Beckel

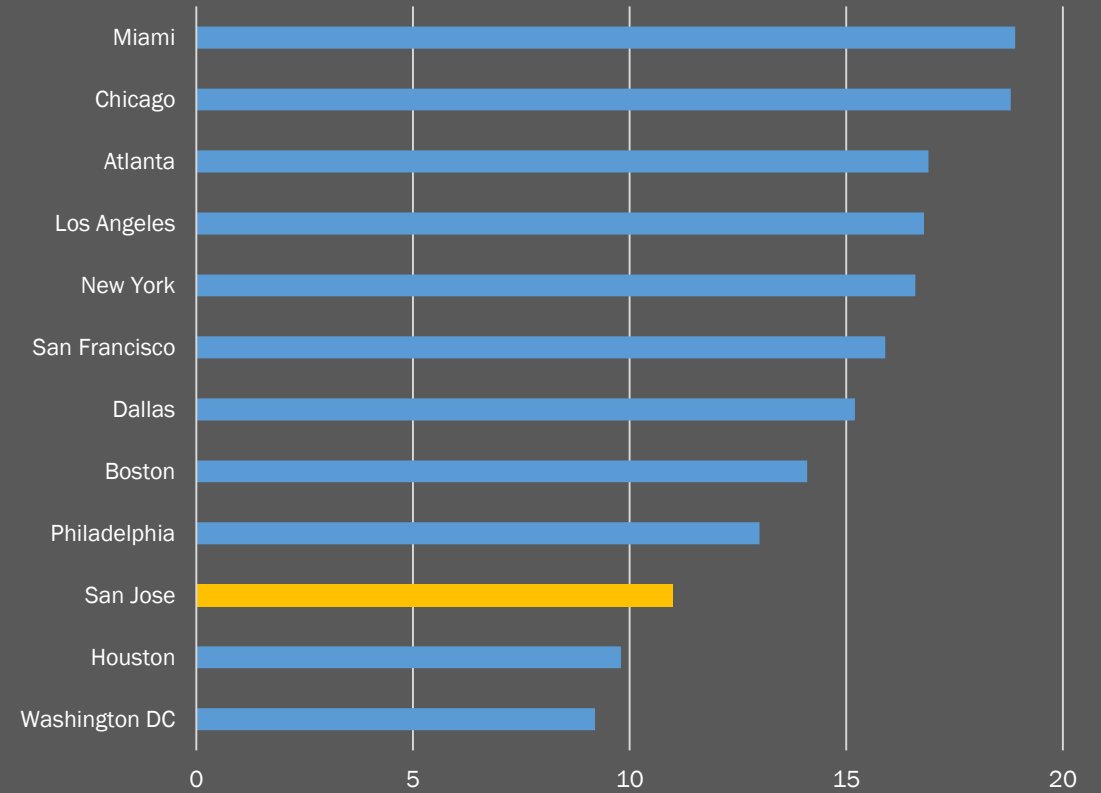
May 1, 2018

# Broadband Strategy

Average residential wireline download speeds (mbps)



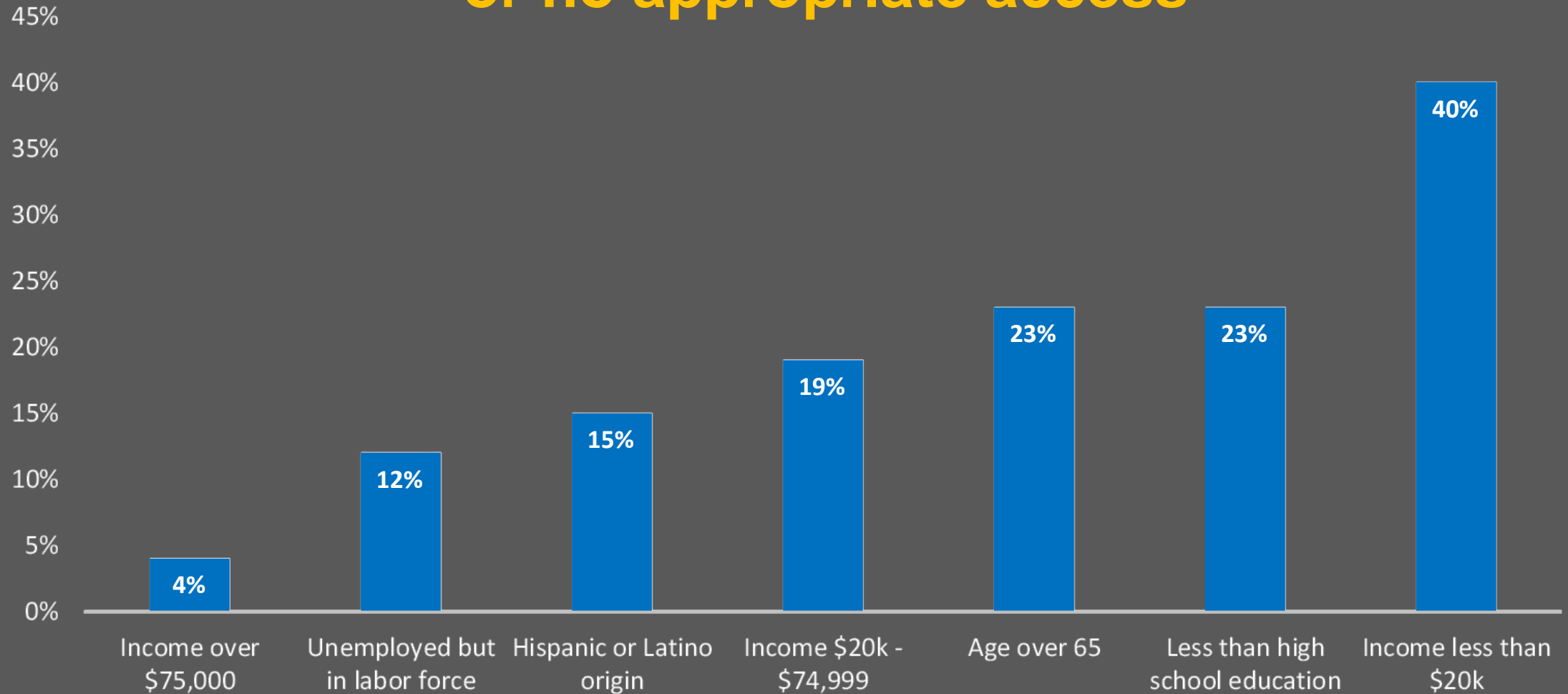
Average mobile download speeds (mbps)



*San Jose's broadband significantly lags our peers*

# Broadband Strategy

**95,000 individuals have no home broadband or no appropriate access**



# Broadband Strategy

## Hybrid Approach – 80% results for 20% effort

	Government-led	Hybrid model <u>(Recommended)</u>	Market-led
	<p>Chattanooga</p> <p>San Francisco</p> <p>Seattle</p> <p>New York City</p> <p>Charlotte Kansas City</p> <p>Los Angeles</p> <p>San Diego San Jose</p>		
Summary	<p>Cities building full fiber networks is expensive, complex, and risky</p> <p></p> <p><b>Too Risky</b></p>	<p>Cities that welcome private investment with appropriate guidance are most successful</p> <p></p> <p><b>Just Right</b></p>	<p>Cities with laissez faire broadband stagnate as cable-telecom duopolies</p> <p></p> <p><b>Too Ineffective</b></p>
Key Takeaways	<ul style="list-style-type: none"> <li>• Seattle, Palo Alto and others have determined that city-led full fiber build-outs are not practical, after detailed assessments</li> <li>• Chattanooga’s unique buildout included control by the utility and federal funds</li> </ul>	<ul style="list-style-type: none"> <li>• Seattle leveraged streamlined policies to drive competition and massive fiber buildout</li> <li>• NYC used franchise agreements to drive fiber build-out</li> </ul>	<ul style="list-style-type: none"> <li>• Broadband speed and price cluster to the bottom of the peer set</li> <li>• No substantial competition in any market-led city</li> </ul>
Potential costs	<b>Very high.</b> City-owned fiber-to-the-premise would cost \$800M+.	<b>Moderate.</b> Working with carriers could cost \$50-250M based on build types.	<b>Very low or none.</b> City relies on private sector investment.
Results	Peers show <b>90%+ fiber build-out.</b>	Peers show <b>55-70% fiber build-out.</b>	Peers show <b>0-5% fiber build-out.</b>

# Broadband Strategy

## Emerging landscape for voice and DATA

*Effective in Dense Urban, Urban, and Suburban*

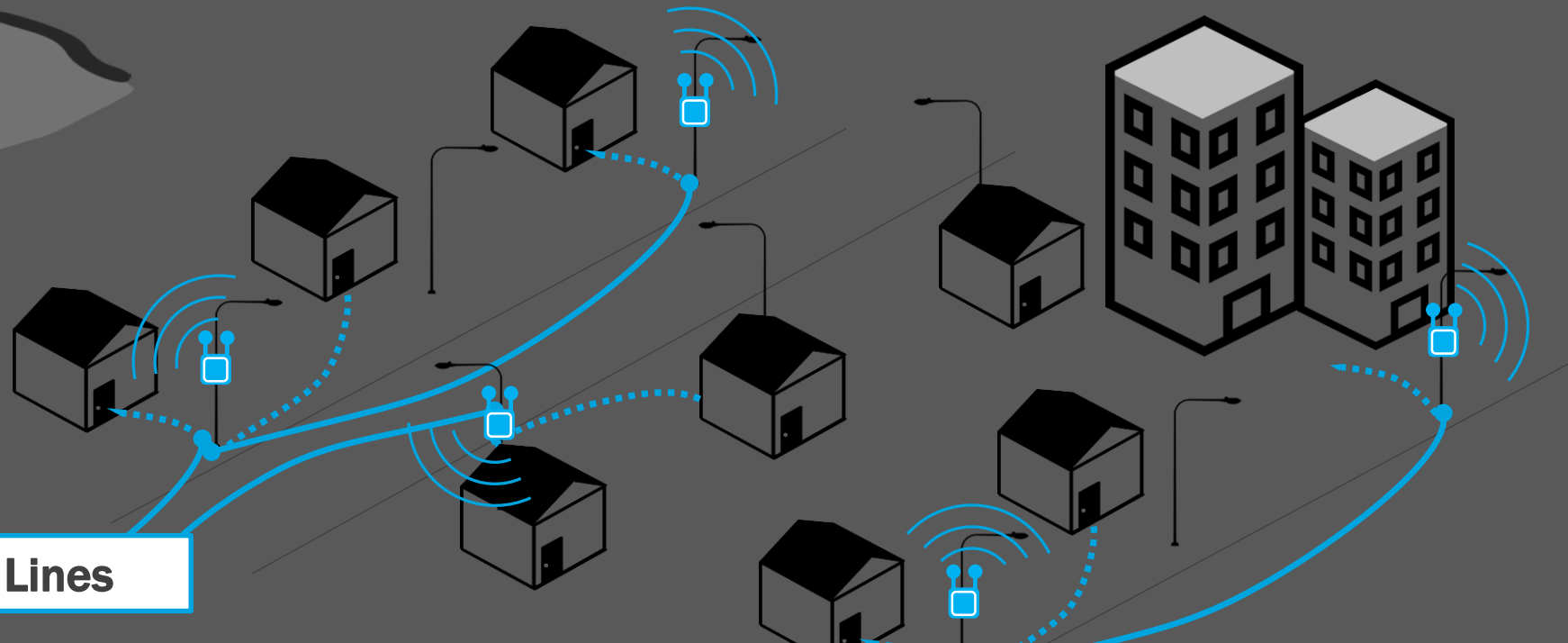
Cell towers: carry all mobile voice & some data

 **4G/5G Small-Cells**

Gigabit speed  
up to 50x faster

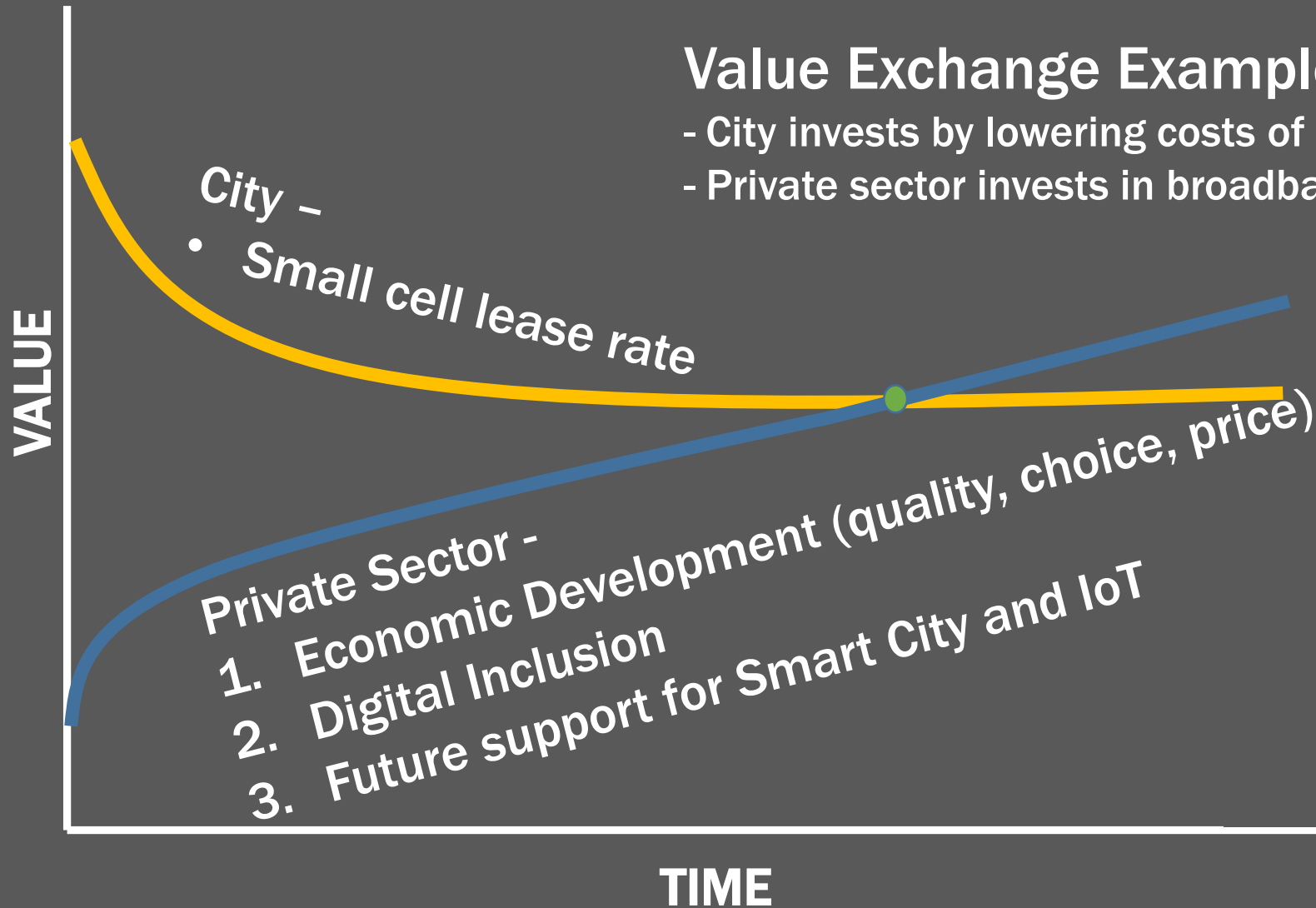
**Fiber Lines**

*Light pole is most valuable asset for broadband*



# Broadband Strategy

## Leverage valuable city assets



### Value Exchange Example:

- City invests by lowering costs of broadband deployment
- Private sector invests in broadband outcomes

# Agreement Outcomes

## Broadband Overall

1. Economic Development - Improve voice and data coverage, quality, and price through a competitive landscape
2. Generate revenue potentially for digital inclusion and broadband governance by generating small cell lease revenue
3. Provide future support for Smart City and Internet of Things initiatives through 5G technology

## First AT&T Agreement

1. Pilot small cell permitting and identify improvement areas
2. Achieve the speed and predictability desired by both parties by funding and implementing people, process, and technology improvements
3. Build confidence in the relationship to incent further investment in San Jose's digital infrastructure

# Agreement Scope

- Deployment
  - First of many waves of small cell deployments over the next 5-7 years
  - First Wave of 170 AT&T small cells distributed across the City targeting highest cellular congestion areas
  - Additional waves planned as part of ongoing build-out to cover entire city
  - Next wave upwards of 1000 small cells
- Lease Revenue
  - Generates revenue potentially for digital inclusion and connectivity
- Speed and Predictability
  - Draw down account – fronting of permitting fees provides confidence
  - Investment – improves our permitting processes



# Key Agreement Terms

- AT&T will make an \$850,000 up front permit fee payment approximately 30 days after approval
- AT&T will make four installments of \$250,000 on a \$1,000,000 process improvement payment approximately 30 days after approval
- AT&T will pay \$1500 per year per small cell site license for the first five years exclusive of any inflation escalator with an annual inflation escalator of 3.0% beginning in year six
- AT&T has the option to extend the agreement for two additional 5-year periods at the then applicable rate
- The City will make a good faith effort to meet or exceed a 60-day permitting service level agreement

# Common Community Questions

## Public Noticing

- Prior to permit submittal, AT&T mails a notification letter to addresses within a 300-foot radius of the street light
- Recipients have 20 calendar days to contact the AT&T with their concerns and questions
- AT&T addresses issues prior to permit submittal
- AT&T informs City of San Jose, in writing, if issues are not resolved

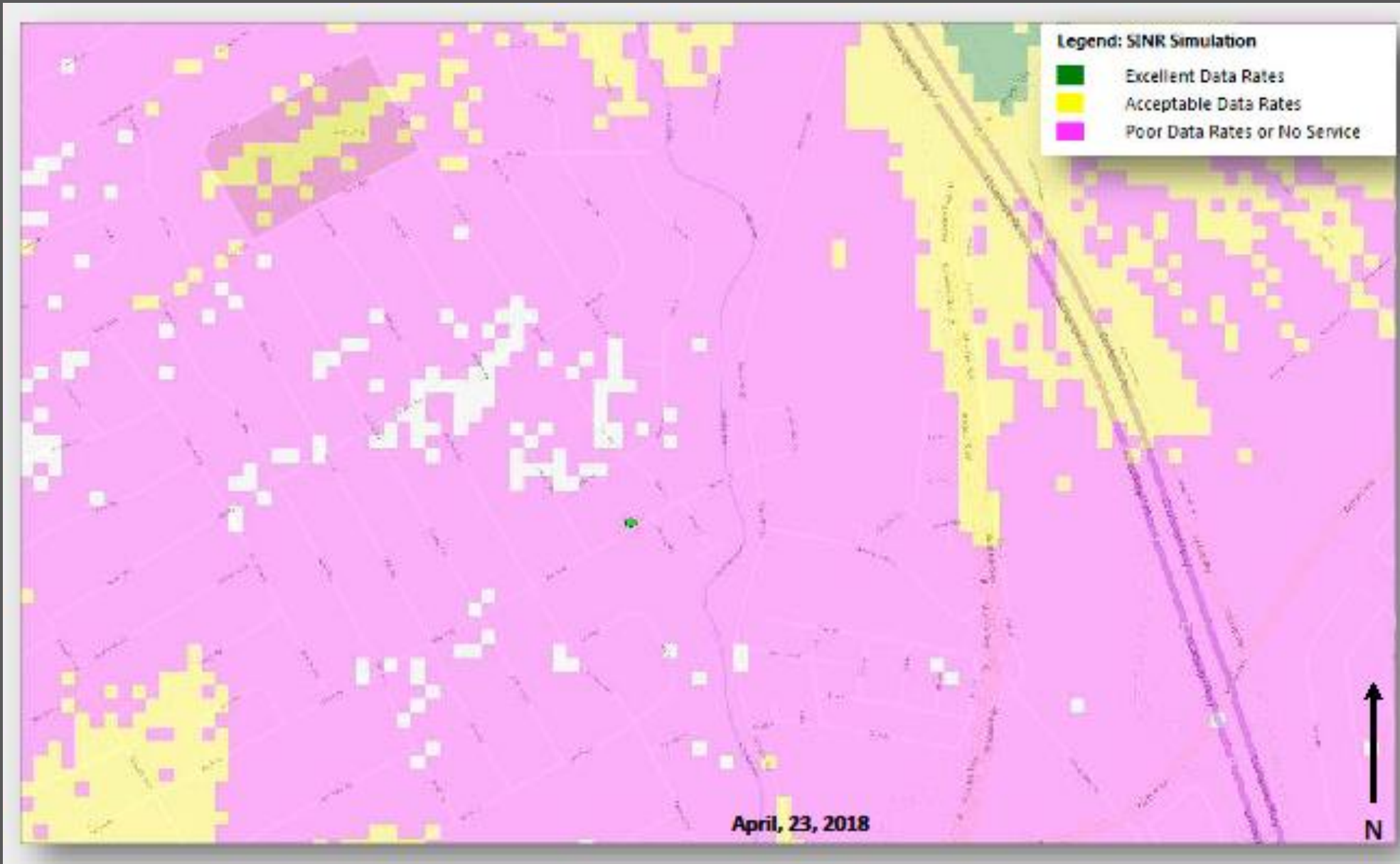
## Design

- Picture of standard design included on subsequent slide
- Standard design does not require separate pedestal

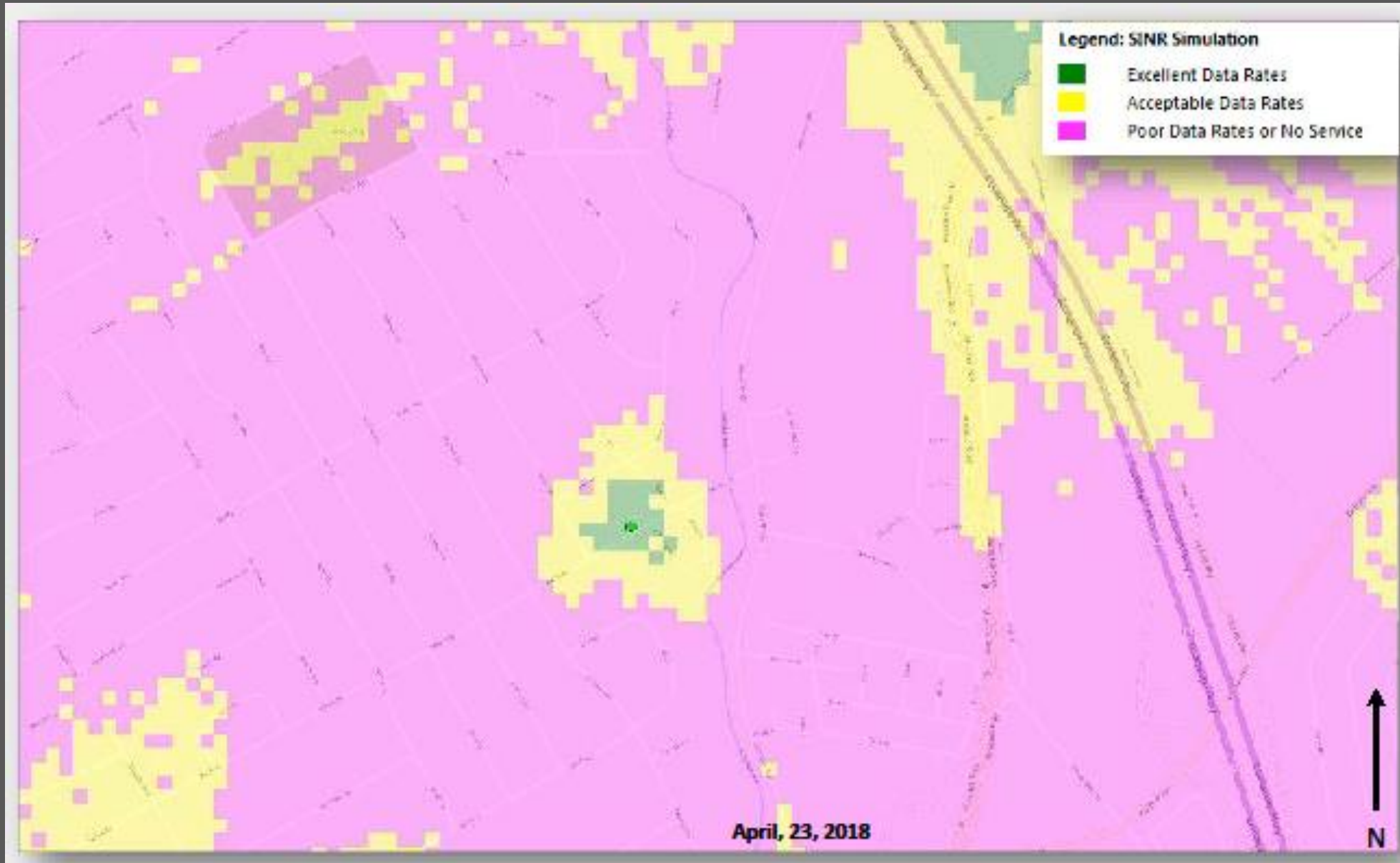
## Health

- The City will monitor research, analysis, and findings and will report back to Council on a periodic basis
- The FCC does not allow small cell permit applications to be denied based on health concerns

# Appendix A: Improvement Example - Before



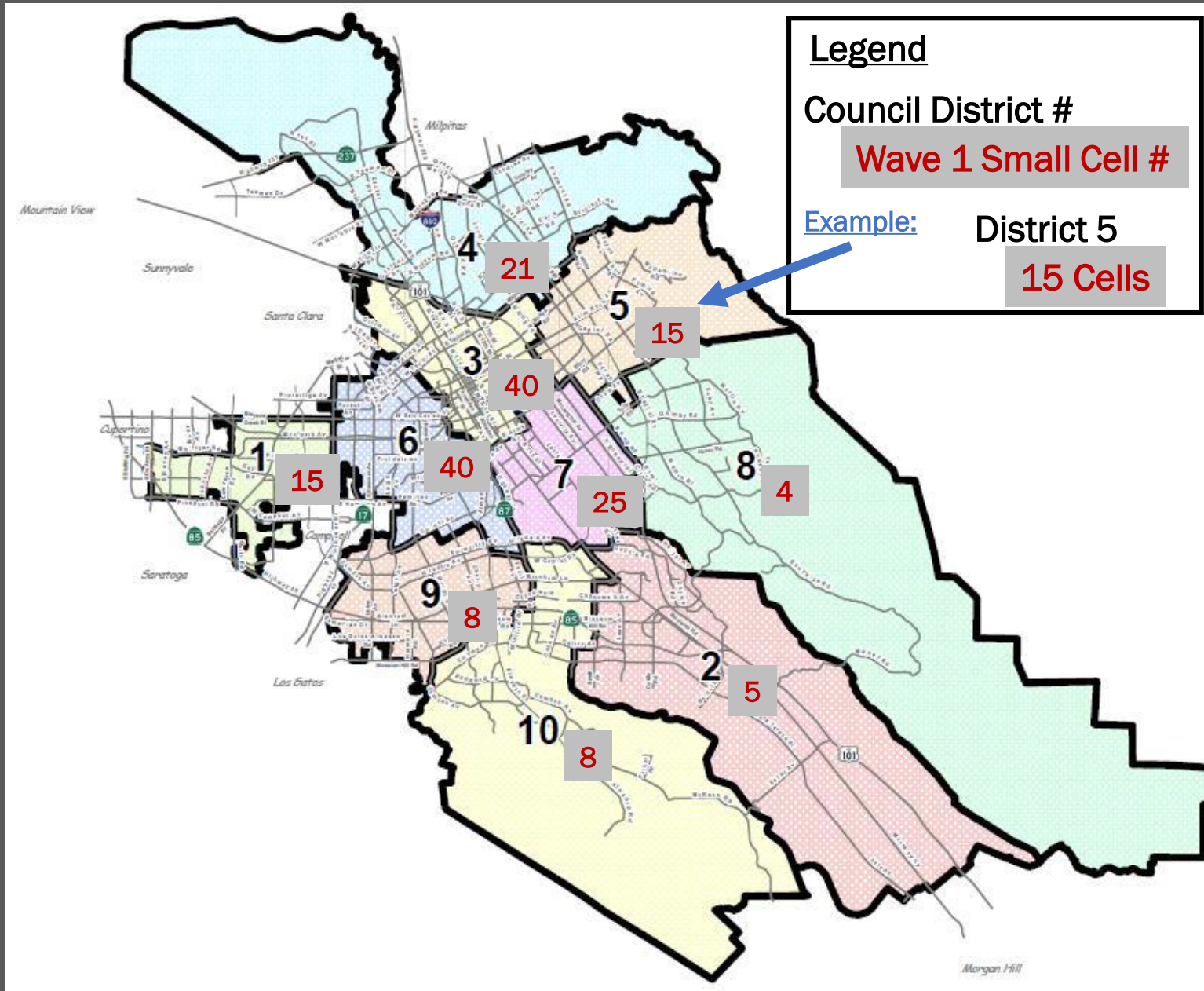
# Appendix A: Improvement Example - After



# Standard Design Picture



# Wave 1 Small Cell Distribution Counts



- Wave 1 distribution of 170 small cells targets high congestion areas
- Additional waves are being planned to further improve coverage and quality across the City
- Relationship confidence will drive increased (up to 1000 cells) investment in San Jose in the next wave

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