

The Fiber-Optic Network: Are You In The Know?

Today, the newest trend in real estate development, and perhaps the most widely misunderstood, is a fiber-optic network. By building a fiber-optic network as the telecommunications backbone in a

community, developers and homebuilders open a whole new world of opportunity for their residents. Not only can they offer them the newest technologies on the market, and at the speed of light, but also they'll be ready to deliver emerging technologies that have yet to be invented. So why are some developers and homebuilders still hesitant?

Perhaps hesitation is a direct result of certain misconceptions. In order to make an educated decision on which technology platform to offer residents, it's important that developers and homebuilders aren't misinformed about fiber-optic technology.

Misconceptions: A deeper look

1 You can keep up with your competition without a fiber-optic network.

Technology is no longer a luxury but an expectation among homebuyers today. That's why they are starting to demand enhanced services. And fiber-optic technology is a means to that enhancement. In addition, the network is virtually "future-proof." Its unlimited bandwidth can handle emerging technologies as they come to market. That means homes built with a fiber-optic backbone will never become outdated.

And that's pretty important to developers like Rick Mildner, general manager and chief operating officer of Tributary at New Manchester, who says that the capabilities of a fiber-optic network separate his community

from the competition.

"If we want to ensure Tributary's homes won't become technologically obsolete, we must be sure that the home is wired to anticipate future technologies," Mildner says. "Over the longer term, fiber-optic technology protects both our residents and our investment in the community against inevitable technological obsolescence."

2 Fiber-optic networks are too expensive and difficult to build.

Expensive

There's a way to jump on board the fiber-optic revolution that is not as expensive as you think. There are companies out there that will invest their own capital, not yours, to design, build and install the fiber-optic network in your property. "If you're going to be a pioneer, get an experienced guide. Partner with a solid, dedicated network builder. Make sure they have the experience and the financial and human resources to do the job," says Mildner.

Difficult to maintain

The technology you offer your residents is only as good as the company who maintains it. Even the most sophisticated technology can deliver a bad experience if it isn't run seamlessly. That's why it's important to partner with a network builder who will maintain the network too.

President of Wright Resort Villas & Hotels, Inc., James Baldrige, agrees that having a third party take the funding burden off of the developer has its benefits. "Bringing a highly qualified network builder to install, operate and maintain the on-site technology systems allows the developer to focus on its core business.

3 It is impossible to retrofit an existing community with a fiber-optic infrastructure.

Overbuilds are not out of the question. Of course, they pose their own set of challenges and are slightly more complicated than outfitting a new property but they are not impossible. There are infrastructure companies that have experience in retrofitting existing properties with a fiber-optic network. If they're good, residents won't even know they are there.

"The trick to overbuilding is not disrupting what is already there, not disturbing the daily lives of the residents," says David Burman, regional vice president of Reunion's developer, Ginn Resorts. "[Our infrastructure builder] has completed 65 percent of the overbuilding process without disrupting a thing."

Developers' top 10 misconceptions regarding the fiber-optic network. Part 1 in a 2-part series.

By Caitlin Clinard



Top 10 Misconceptions of a Fiber-Optic Network

- 1** You can keep up with your competition without fiber-optic technology.
- 2** A fiber-optic network is too expensive and difficult to build.
- 3** It is impossible to retrofit an existing community with a fiber-optic infrastructure.
- 4** The network builder is the service provider.
- 5** Fiber-optic networks restrict developers and give control away.
- 6** The bandwidth capabilities of fiber-optic technology are exaggerated.
- 7** Today's typical technologies cannot interface over such advanced networks.
- 8** Fiber-optic technology does not really differentiate a property.
- 9** Developers can build their own network themselves.
- 10** Homebuyers are in the dark when it comes to fiber-optic technology.

4 The infrastructure builder is the service provider.

One of the most common misconceptions among developers and homebuilders is that the network builder is the actual service provider. Most public utility companies use their right-of-entry to build a network and deliver services over that network. Take for example, Verizon, a service provider who is rebuilding its network (in select markets) with fiber-optic technology (FiOS) to deliver services to its residents. In this case, the network builder is the service provider. When the network builder is the service provider and owns and controls the only networks serving the area, there is no accountability to ensure residents are receiving the highest level of services.

However, in the case of private infrastructure builders, they will secure rights of entry through private easements granted to them by the developer. This easement gives them the right to build a network in the community and facilitate the delivery of services over that network by contracting service providers and then managing them.

By separating the network from the provider, suddenly there is a system of checks and balances. Now, the network builder can hold service providers accountable for the quality of their services. Because the service provider rents the network, they are given incentive to deliver the best quality service because they have to keep residents happy or they will be replaced.

Carl L. Wilkins, Executive Director of the Cedars of Chapel Hill, an East West Partner Development, realizes the benefits of separating the network from the service provider. "I enjoy how my [network builder] manages the cable, phone and Internet providers at our development," he says. "They hold them to service level guarantees and even switched one service provider to another one that was better suited for our development and owner's needs."

5 Fiber-optic networks restrict developers and give control away.

This is actually an extension of the previ-

ous misconception (see No. 4). Partnering with a third-party infrastructure builder gives developers incentive to grant communication easements, which in turn, places control over the offered services in their hands. Also, they create a substantial revenue opportunity.

Communication easements allow developers to gain control over the scope of communications amenities offered at their property. They provide a tool for independent infrastructure companies and alternative service providers to offer a differentiated

solution from the beginning. This way, regardless of what exists through the incumbent providers in that local market, the community can be built-out with truly state-of-the-art communications technologies.

In addition, if developers retain the rights to control the telecommunications services that will be delivered throughout their property, they can rent the land for those rights and realize

a significant revenue opportunity. They can receive this revenue in two ways: door fees or monthly rent. A door fee is an initial payment or lump sum to acquire customer contracts and provide services to those customers. Monthly rent is a sum paid every month to use the property for network-based service delivery to residents. A steady, recurring revenue stream takes the place of a one-time giveaway to incumbent communications providers.

Mildner chose communication easements because delivering the best services to his residents meant having some level of control over the providers and the quality of their services. Mildner says his decision has enabled him to negotiate on behalf of his residents for better products at better prices. "Generally, developers overlook communication easements," he says. "But they're an asset that can be used to benefit both the resident and the developer."



Caitlin Clinard is the press and media coordinator for Connexion Technologies, one of the country's premier fiber-optic amenity companies. She may be reached via e-mail at caitlin.clinard@cnxntech.com.