



High Speed Internet Coming to a Neighborhood Near You?

Congratulations to Mineral Heights, Mineral Point and The Highlands at Mineral Point for moving forward with the installation of fiber to their neighborhood. Many subdivisions and neighborhoods are in the process of considering the installation and are interested in the process.

I thought it would be helpful if I wrote a recap article. The initial stages require enough people in the neighborhood to express their interest and desire to cost out the project. It is best if a leadership committee is formed to help with communication and coordination between the property owners and Rock Island Communications.

As interest builds, Rock Island Communications and the neighborhood leadership group set various dates for presenting to the property owners. This may be an organized homeowner's association or just a group of people in several adjacent neighborhoods. Rock Island Communication's presentation includes estimated cost to bring the fiber line from a main junction down into the neighborhood or what is referred to as the middle mile. They also prepare estimates for each homeowner for the cost from the neighborhood street down their driveway to their home, which is referred to as the last mile.

Rock Island uses an initial range of estimates from low to high. As more information and interest is gathered, refined designs and estimates are developed. Cost savings are available for those neighbors that agree to run the fiber down the property line and T-off to each house. Other cost saving measures can be taken to reduce the expense but the final individual bids can't be

processed until the neighborhood approves the middle mile portion of the project and moves forward.

Rock Island Communications has arranged fixed prices per foot on excavation and fiber installation from the various contractors they have working for them. Generally the cost is \$10 - \$12 per foot for the middle mile and \$9 - \$10 per foot for the last mile. Fiber doesn't have to be as deep as other utilities; it can be only 18 inches below the surface and shallower if under pavement.

Fiber doesn't have to connect to the home where the telephone junction box is located. It can be installed to a more convenient centralized location in the house, which will make internal wiring less expensive.

During the Rock Island Communications presentation, property owners soon realize that this is an expensive capital improvement to their property; somewhere between a new kitchen appliance but less than a new roof.

The subdivisions and plats with formal homeowners association have an advantage at this point. Depending on the provisions of the Homeowners Association By-Laws and Articles of Incorporation, they may be able to pay for the middle mile as a group with special assessments to **all** members of the homeowners association. In many cases, if the majority of the members of the association vote in the fiber, then it may be possible to have **all** of the property owners pay for their share of the middle mile.

The homeowners associations may be able to borrow the funds from Islanders Bank as an association and then assess their members an annual assessment which is used to pay off the funds borrowed. Islanders Bank has very competitive rates and terms for this purpose. This financing can spread the costs of the middle mile over a 3-10 year term which makes it much more affordable for the property owners. The interest rate is 5% fixed for the first five years with a \$500 loan set up fee.

As individuals, loans are available from Islanders Bank for the middle and last mile as well at 4.5% over a five year term. Islanders Bank is offering unsecured loan programs for this type of funding.

When a group is less formal, i.e., no association, individuals in a neighborhood can opt out versus an association where oftentimes majority rules. Rock Island Communications has developed an incentive to the program; the initial group is offered a \$1,500 discount for opting in at the beginning. Those that opt out in the beginning may hook up later, but at a higher cost.

After the Rock Island Communications presentation, the individual property owners need to make a decision as to whether fiber to their homes is deemed worth the investment. If they are a member of an association, the proposal is voted on and depending on the provision in the CC&RS, the majority may rule. Each association has a definition of majority in their governing documents.

At one presentation meeting I attended, the group took a poll just to check the threshold of interest for the property owners. Most in the room indicated they would pay up to \$5,000 to bring fiber from the main junction to their home; both middle and last miles. Only a few indicated they would pay up to \$10,000. The average price county wide is less than \$4,000.

The cost in each neighborhood will vary just as the length of individual driveways vary throughout the island.

In Mineral Heights, the Homeowners Association is paying approximately \$60,000 for their middle mile financed over 6 years. This equates to \$250 per year for each member. The individuals are paying on average in the range of \$3,000-\$3,500 for their last mile. It should be noted that Mineral Heights has higher density than other neighborhoods on island so their costs were below the average county wide figure. Some property owners in Mineral Heights are financing this and others are paying cash.

Mineral Point and The Highlands at Mineral Point elected to complete the project as individuals versus using their associations.

Rock Island Communication's monthly service costs, including the land line telephone service, range from \$95-\$195 depending on service speed you choose. Data speeds range from 25Mbps to 200Mbps on fiber. There is also a one-time hookup fee of \$150. Another possible \$15 per month saving worth investigating is the need for a land line. Cellular options do exist with high-speed Internet even in areas with zero cell coverage eliminating the need for a land line. Carriers are starting to deploy Wi-Fi calling or individuals can purchase microcell/network extenders from their cell carriers to provide in-home cell service. Many options exist; see your cell phone service provider's websites for more details.

As a REALTOR, I wish I could report the number or value assigned to your home by the market for having good Internet service but we don't analyze the comparable sales that way, YET. National numbers from various sources suggest it is a \$5,000-\$6,000 value increase to property values.

I can state that if a buyer is in need of good Internet service and your property fails to provide for that, the value assigned by that buyer could be less than zero as no offer will be generated for you to consider or the offer may rescind during the feasibility study. Of course, the buyer can always opt to bring in fiber to the property but, unless it is nearby, that option may be cost prohibitive.

I can also report that historically, a home off the grid, sells for less than one further down the road with power, so I assume fiber will follow suit in the future.

As we are primarily a second home market, our typical buyer profile is 45-65 years of age purchasing a second home, primary residence or future retirement home. Sixty percent of these buyers come from Western Washington region, which is a tech savvy area. They want to be at their second home or primary residence and be in communication with their employers, family, friends and employees.

High speed Internet is not just to stream Mad Men. It is important to skype for work and with your grandchildren. Telecommuting and just running the regular programs all require decent connections. Timing out is unacceptable.

I can state that when I am showing a property in a neighborhood, amenities are pointed out to a prospective buyer such as the community beaches, walking trails

or nearby parks. Fiber to the neighborhood will soon be amongst the list of amenities. It will be a selling point that agents will use with buyers and will be included in the ad copy to promote our seller's properties.

The decision to participate in a fiber project should be viewed as a capital expenditure to one's real estate investment. It may be added to your basis and have a favorable impact to your capital gain calculation. The investment should be considered as part of the resale value of your property.

For Mineral Heights, Mineral Point and The Highlands at Mineral Point, their middle mile installation should be completed by July and the last mile installation for those participating will follow. Some property owners, including the vacant landowners, are paying their special assessment for the middle mile but will wait until the future or for their new home construction for their last mile.

Several of the leadership committee members indicated that the organization of the project took a lot of work and coordination. The only objection they encountered from some property owners was the cost. Most everyone felt it was a personal benefit with added communication, safety, as well as being an improvement to their property.

High-speed Internet connection is now and will continue to affect the resale of real estate. It is a regular question during the car ride while viewing properties. You may not be considering selling now but you may want to have your property saleable 5-10 years from now when Internet will be even more important.

Our demographics do not attract any of the major service providers to invest in the infrastructure so that they can provide the end product to us. Our County just doesn't have the population to support their economic models. This is the case with our cellular service providers as well. As property owners we need to be the ones that accept the responsibility and bring the fiber to our homes.

Internet connections will become more defined in the near future as it relates to real estate and will become more prevalent. Neighborhoods will be defined as those that have and those that have not. I commend the Mineral Point, Mineral Heights and The Highlands at Mineral Point neighborhoods with forward thinking.

As always, this article is for informational purposes and not intended to incorporate the entire process therefore should not be relied upon as doing so.

Article by:

Merri Ann Simonson

Coldwell Banker San Juan Islands Inc

1-800-451-9054

Simonson@sanjuanislands.com

360-317-8668 cell

Important Contact Names:

Rock Island Communications Dan Burke VP of Sales 360-378-5884 ext 313

Islanders Bank Bruce Martin 360- 378-1269