

Legislation Text

File #: 21-419, **Version:** 1

PRESENTER:

Jeff Jewell, Director of Economic and Community Development

SUBJECT:

Discuss and consider approval of a resolution recommended by the New Braunfels Economic Development Corporation approving a project expenditure of up to \$400,000 to Frantic Holdings, LLC for a project that will promote or develop new or expanded businesses by delivering high speed broadband infrastructure and services to commercial customers in downtown and other areas of New Braunfels, an eligible project expenditure; and declaring an effective date.

DEPARTMENT: Economic and Community Development

COUNCIL DISTRICTS IMPACTED: 1,3,5,6

BACKGROUND INFORMATION:

Facilitating broadband deployment throughout New Braunfels has been an economic development strategic priority for many years. The EDC and NBU have studied this issue throughout the years and explored various methods to bring greater broadband availability through a variety of means. In May 2020, the EDC contracted with Alk Development Services to oversee the development of the project plan with Frantic Holdings, LLC (Frantic) that would bring broadband services at affordable rates to downtown businesses initially. Broadly, Frantic plans to utilize existing street poles to deliver backbone routes and connections to each building and utilize available city and NBU easement utilities as necessary. The agreement calls for EDC subsidizing a portion of this cost, as well as the “commercial last mile” connection at a total cost of up to \$400,000.

As proposed, there are two primary stages of the broadband project. The first, which is divided into three phases, is to bring the “fiber backbone” or trunk line in proximity to the area that will be served. This backbone is the primary service line where individual connections will be made and the preliminary routes are shown in the image below (in red):



Frantic has worked with NBU to secure pole attachment agreements for permission to attach this main line to NBU's infrastructure where possible. Where a pole attachment is not possible, Frantic will make other accommodations to advance the trunk line into the downtown area.

Once the backbone line is installed, the EDC will commit a fixed amount of \$1,500 for each newly activated and contracted commercial customer. There are costs associated with physically connecting a customer's building to the backbone line and the \$1,500 represents an average cost to physically connect a trunkline to a customer's demarcation point. This connection, referred to as the "Commercial Last Mile" refers to the physical demarcation point from the active customer's hand-off point to the nearest trunk or backbone line. The subsidy is available for the first 200 commercial customers up to \$300,000. In return, Frantic must provide the commercial service at 1 gigabit or greater synchronous speeds and pricing less than or equal to \$99.00 per month for a 36-month term. Frantic will operate the service and provide the front and back end customer support to the client and the EDC is not involved for this portion of the service.

The EDC's proposed fiscal involvement in this endeavor will assist in cost offsets for up to three phases of backbone/trunk line installation at \$100,000 and provide a \$1,500 subsidy for every commercial customer contracted up to \$300,000 (200 commercial customers). Frantic will provide a letter of credit that will step up and down as the EDC's exposure increases and reduces over time:

Initial Amount at Date of Execution of this Agreement	No letter of credit required
After Year 1	\$150,000
After Year 2	\$250,000
After Year 3	\$150,000
After Year 4	\$50,000
After Year 5	No letter of credit required

The schedule assumes Frantic obtains one-hundred active contracted customers within the first year of this Agreement and an additional one-hundred active contracted customers in the second year of this Agreement. If, in the sole opinion of the EDC, the company falls significantly below these numbers, then EDC will adjust these letter of credit amounts in an amount that EDC deems fairly and adequately secures the company's repayment obligations to EDC. The EDC will

review the contracted customers on a quarterly basis with Frantic in order to establish the payment due to the Company.

In the event that Frantic is unable or unwilling to complete its obligations under the Agreement, Frantic agrees to grant EDC the first right of refusal to purchase the backbone fiber improvements made pursuant to the Agreement at a price of the fair market value of the improvements less any amount the EDC has granted the company. This helps protect the end user and protect the EDC's investment if Frantic exits the project at some point.

ISSUE:

Facilitating broadband deployment throughout New Braunfels has been an economic development strategic priority for many years. The EDC and NBU have studied this issue and explored various methods to bring greater broadband availability through a variety of means. Developing a public/private partnership whereby an incentive is provided in exchange for a private service provider deploying the service was determined to be the most cost effective and efficient way to test the prototype and deliver service to commercial customers.

FISCAL IMPACT:

Up to \$400,000 from the NBEDC. The NBEDC has sufficient funds available for this expenditure.

RECOMMENDATION:

The NBEDC voted 6-1 to approve this project expenditure on April 15, 2021. Staff recommends approval of the resolution.