California's Telecom Paradigm Shift

Voice, video, data and wireless options offer numerous choices for multifamily industry

By Don Clark

The gold rush is on again in California, except this time it isn't for gold nuggets. The new gold rush is the collective consumer "checkbook" to purchase the vast array of voice, video, data and wireless services. There was a time not long ago when acquiring your telecommunications and entertainment services was simple. You went to the phone company for your telephone, to the cable company for your television, AOL for your dial-up Internet and a wireless company for your cell phone.

For apartment owners and managers it was simple, as well. When you needed cable TV and phone, you brought in the franchised Cable Operator and the Local Exchange Carrier. No problem, right? The service providers were assigned a territory and you pretty much knew who you had to get the service from. Well, as the saying goes, "Times—they are a changing," and life is no longer simple in the fast changing telecom world.

Today, there is a major paradigm shift occurring in the way we will receive our telecom and entertainment services, and who the players will be that provide them to us. The cable companies are getting into the phone business. The phone companies are getting into the television business and they're both providing high-speed Internet services. In addition, most companies offer wireless phone and the high-speed wireless Internet services.

So, the sands are shifting throughout California and the landscape is changing. On the service and technology front, AT&T has begun to launch their new Fiber-to-the-Node (FTTN) U-Verse service to many areas of the state and is providing a "triple play" offering, including their Internet Protocal Television (IPTV) service. Verizon has also launched their new Fiber-to-the-Premise (FTTP) FIOs service in many new developments and is expanding to many new existing areas. Most

of the cable companies, including Comcast and Time Warner have launched their new Voice-Over-IP (VOIP) phone service in many of their markets. Wireless services are being launched by established providers, start-up companies and even some cities. In apartments today, cell phones are increasingly replacing landline phones, and wireless high speed Internet hot spots are being installed in the common areas.

On the regulatory front, the state of California has passed a statewide franchise bill, AB 2987 that allows any qualified service provider to acquire a "state franchise" to provide cable services anywhere it wants in the state, without acquiring a local franchise. In all likelihood, both the cable operators and phone companies will seek a

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state franchise, although from a practical perspective, this does not mean that they will have service available throughout the state. In Washington, several new initiatives are being considered that could have an impact on the way apartment owners and managers do business in the future with all of these service providers. Some of these regulations being considered may impact the owner's property rights and the way in which apartment owners can contract with service providers.

There is still a lot of confusion and uncertainty for most apartment owners and managers. What exactly does all the changes mean to them with respect to the:

- New competitive service provider environment;
- Technology advancements;
- New service applications;
- Property infrastructure requirements;
- Availability of these new services; and
- New contract terms to consider?

Overall, the recent changes are going to be a very positive development for the apartment industry. Many new services and technologies will enhance the telecommunications and entertainment amenities that owners can offer to attract and retain prospective and current residents.

Before entering into a video, voice, data or wireless service agreement, the following are subject areas that apartment owners need to consider and ask themselves:

Technology

Do you understand what new technology is being offered today? These new technologies are going to provide the capability for some exciting new services to your residents that you are going to want to make available to them to stay competitive. Will your existing infrastructure support the bandwidth requirements for the future? Since the lines are blurring between phone companies and cable companies, and they both will offer the same services, will your property accommodate multiple service providers? AT&T's new approach in delivering voice, video and data services has a lot of potential; however, it is a relatively new approach and is untested on a large scale. Verizon is building a fiber network all the way to the living unit to deliver voice, video and data. How does this impact your infrastructure on your property and is this something you must do, or want to do? Cable companies are now providing, along with video and data services, phone service over their coax network and utilizing the phone lines in the living units. How do you handle this situation? The FCC is now considering how the "inside wiring" rules should be modified in this new environment. Since the cable and phone inside wiring rules are different, which one would be more favorable to the apartment owner? Most experts on the apartment side would suggest the phone rules are better, since the owner has the right to set where the demarcation point is located. Should the property owner seek to own all the wiring and what does that mean? How does wireless technology fit into this formula?

Provider Agreements

With all the changes going on today, it is more important than ever to make certain that the service agreements entered into for voice, video and data are carefully constructed from a business and legal perspective. The agreements that have been prepared in the past will no longer be adequate to assure the owner that they will be able to:

- Provide their residents with the choice of services they will want;
- Assure the technology will not become obsolete;
- Assure that they have protected their property rights;

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Optimizer system, discusses how more and more owners are handling revenue management using software that changes prices on a daily basis. The results are compelling. Users report revenue improvements ranging between 3% and 5% over control groups and peer markets. That's a significant increase, and sure to get bigger as users more fully understand and exploit the technology.

Another fascinating technological advance is the growing use of online Resident Portals. On page 16, Anna Facemire, marketing manager for Resident Source, discusses the ins and outs of creating resident portals, and how residents experience a heightened sense of community and satisfaction when given 24/7 access to community management, and other services designed to enhance their residential experience.

Finally, just a reminder that CAA's new comprehensive insurance program—the CAA Value Insurance Plan™, is off to a great start. Learn more about CAA's unparalleled rates, services, and benefits on page 34.

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- Assure that they capitalize the asset value of their property and;
- Preserve the ancillary revenue opportunities.

Services

The good news is that property owners are going to have more service provider choices, and residents will have many new services to choose from. The demographics for the rental market are also changing with the young tech-savvy generation and diverse ethnic residents growing all the time. Some of the new services will require considerable bandwidth capability including:

- Expanded High Definition Television (HDTV)
- Increased Digital Video Recorder (DVR) Storage Capability
- "Mobile DVR"
- Enhanced Video On Demand (VOD)
- Interactive TV services
- "Turbo" data button option
- Integrated wireline/wireless services
- Video-conferencing
- Voice/data service integration
- Video phone

Planning

I've been in this business for 27 years and I have never witnessed so many issues and events converging at the same time. As a result, it is very important that property owners and managers take the time to analyze their situation, evaluate their markets and the service providers, and develop a plan with their objectives clearly defined. A word of caution - in this new competitive environment, there is a hard push by service providers to sign up property owners quickly with tactics and incentives that are not always in the best interest of the owner or their residents. It is important that before a property owner considers renewing an existing agreement, or enters into a new agreement with any service provider, they seek expert advice to help them sort through the promises and consider the options they have in the marketplace.

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