



DATE: April 25, 2017

TO: Mayor and City Council

FROM: City Manager

SUBJECT Approval and Acceptance of EDA Grant No. 07-01-07286: Hayward High Speed Fiber Optic Network Installation Project, aka Highspeed Hayward

RECOMMENDATION

That the Council approves the attached resolution (Attachment II), retroactively authorizing the submittal for and acceptance of EDA Grant No. 07-01-07286, committing and appropriating the necessary matching requirements and directing and authorizing the City Manager to take all actions necessary to effectuate requirements associated with the grant.

BACKGROUND

The City's Economic Development Strategic Plan Work Task IS3.C tasks staff to "explore a public/private partnership to secure broadband/fiber optic network in the industrial area." Over the past three years, the City's Economic Development Division has been working with the Federal Department of Commerce's Economic Development Administration (EDA) to secure funding to construct high-speed fiber optic network infrastructure throughout the City's industrial crescent, downtown, and Mission Blvd. corridor. The proposed project was modeled largely after San Leandro and Lit San Leandro's EDA grant funded high speed fiber optic network project.

After two applications in 2015 and 2016, the EDA awarded the City a \$2.74M grant, which represents a 50% match to the project's proposed total cost of \$5.48M, in October 2016. Staff administering the grant recently recognized that staff responsible for preparing the grant never sought City Council authorization to apply for the grant, nor sought the required appropriations from Council to secure the City's 50% match. This staff report and attached resolution seeks to remedy this incongruence in City grant application procedures.

DISCUSSION

Authorized Grant Scope of Work

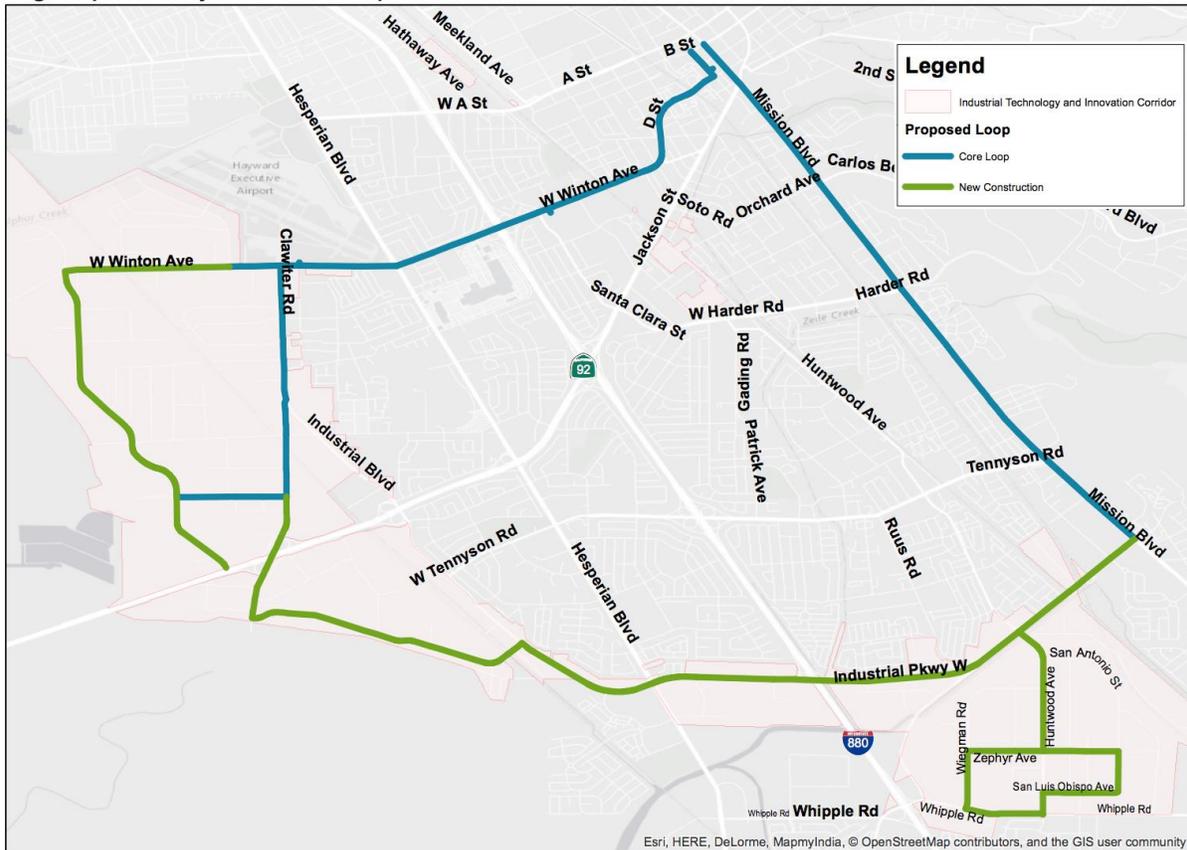
Under this grant, the City must construct and install a fiber optic network within an industrial zone. This network must meet the following specifications:

- Consist of 11 miles of high speed fiber optic cabling

- Include the installation of 97 pull boxes on 600 ft. intervals
- Install at least 3 railroad crossings and one major highway crossing.

The grant application identifies the following route for the proposed 11-mile fiber loop, which can be found below:

High-Speed Hayward Fiber Optic Network



EDA Approved Budget

The total project cost is \$5,489,648. The grant is a 50% reimbursable match where the federal share of funds, or total grant amount, is \$2,744,824. The City is responsible for contributing the remaining 50%.

The City's 50% match consists of the following:

- \$2,185,765 in Public Right of Way (ROW) valuation (where the fiber will be installed)
- \$559,059 in General Fund contributions

The ROW contribution will be distributed in three tranches, following EDA acceptance of property appraisals. The financial proposal for meeting the other \$559,059 of grant matching requirements is outlined below in the fiscal impact section.

Grant Timeline

The City has five (5) years to complete this project. Construction must commence by October 2017 and must be complete by October 2020. This timeline can be extended, and will most likely be, due to timing concerns, Union Pacific and Caltrans permitting processing, and Council Technology Application Committee design guideline approvals.

Special Award Conditions (SAC)

The Grant award provides 34 Special Award Conditions, or tasks for completion over the life of the grant. These range from quarterly progress and biannual financial reporting, to CEQA and other regulatory requirements. There are several that staff would like to highlight to the Council, as they will require City Manager's execution authorized by the attached resolution (Attachment II).

- SAC 22 & 23: EDA Secured Interest/ Recorded Covenant of Federal Share
 - Under this grant, the City shall ensure that the EDA has a perfected first priority unsubordinated interest for the full fair market value of the EDA project through a recorded covenant of the federal share.
 - The City shall execute and cause to be recorded as a first priority unsubordinated covenant declaring the EDA's interest in the ROW contributed as a match.
- SAC 25: Leasing Restrictions
 - Any leasing, renting, rights of use agreements, assigning of usage rights, fiber swaps, or other in-kind exchanges, licensing, franchising or any other similar arrangement pertaining to facilities involved with the project including but not limited to infrastructure such as the fiber-optic cable(s) and pull boxes, shall be subject to prior EDA approval.
 - Per the Fiber Master Plan, execution of the "Dark Fiber Model" will require an internet service provider "ISP" to activate or "light" this fiber. Such agreement with the ISP will require prior EDA approval. These agreements will also require Council approval prior to execution.

ECONOMIC IMPACT

Staff cannot estimate at this time the job creation impacts attributable to this project. The City must report, as a requirement of the grant, to the EDA the number of new jobs attributable to this project 3 years, 6 years, and 9 years following the completion of this grant.

However, per the City's Economic Development Division, information collected through the Economic Development Business Visitation Program since September 2014, as well as the results of the business surveys and interviews conducted during the Fiber Master Plan formation process, indicates there is demand for broadband connectivity from small to

medium-sized businesses within the advanced industries sector. Firms in the biotechnology, construction and engineering, information and business services, and manufacturing sectors have expressed a need for such service to help them grow and remain competitive.

The ability to add this infrastructure to Hayward's Industrial Crescent will serve as a competitive advantage over other communities. Improved broadband connectivity in the City's industrial areas will support business attraction efforts. While the existence of fiber is only one of many site selection factors (such as lease rents, building configuration, traffic patterns, etc.), being able to market Hayward's broadband connectivity to the business community at-large not only helps satisfy a site selection criterion, it will strengthen the City's reputation as a center for innovation and growth.

FISCAL IMPACT

The total fiscal impact to the City is \$2,744,824¹. Of this amount, \$2,185,765 is City ROW contributed through a first priority unsubordinated covenant declaring the EDA's interest in said property for the useful life of this project (15 years). The remaining \$559,059 will come or has come from the General Fund. At FY2017 Mid-Year budget review, the Council approved an inter-fund transfer of \$350,000 from the Economic Development Grant Fund to the High-Speed Hayward Project. This leaves a remaining General Fund contribution of \$209,059. Staff recommends that this appropriation take place as a part of the CIP budget approval and will be paid for through a \$69,989.34 annual reduction in the Economic Development Grant program for Fiscal Years 2018, 2019, and 2020.²

NEXT STEPS

Following Council approval of the attached resolution, Staff will continue to administer the grant. Staff is planning on bringing a discussion on the specifications of the fiber infrastructure following interviews with several ISPs to the June CTAC meeting.

Prepared and Recommended by: John Stefanski, Management Analyst I

Approved by:



Kelly McAdoo, City Manager

¹ This total does not include ongoing maintenance costs which have not been estimated at this time.

² The total planned appropriation for the Economic Development Grant program for these years will be \$280,011. At this time, Council has yet to approve any Economic Development grant program guidelines.