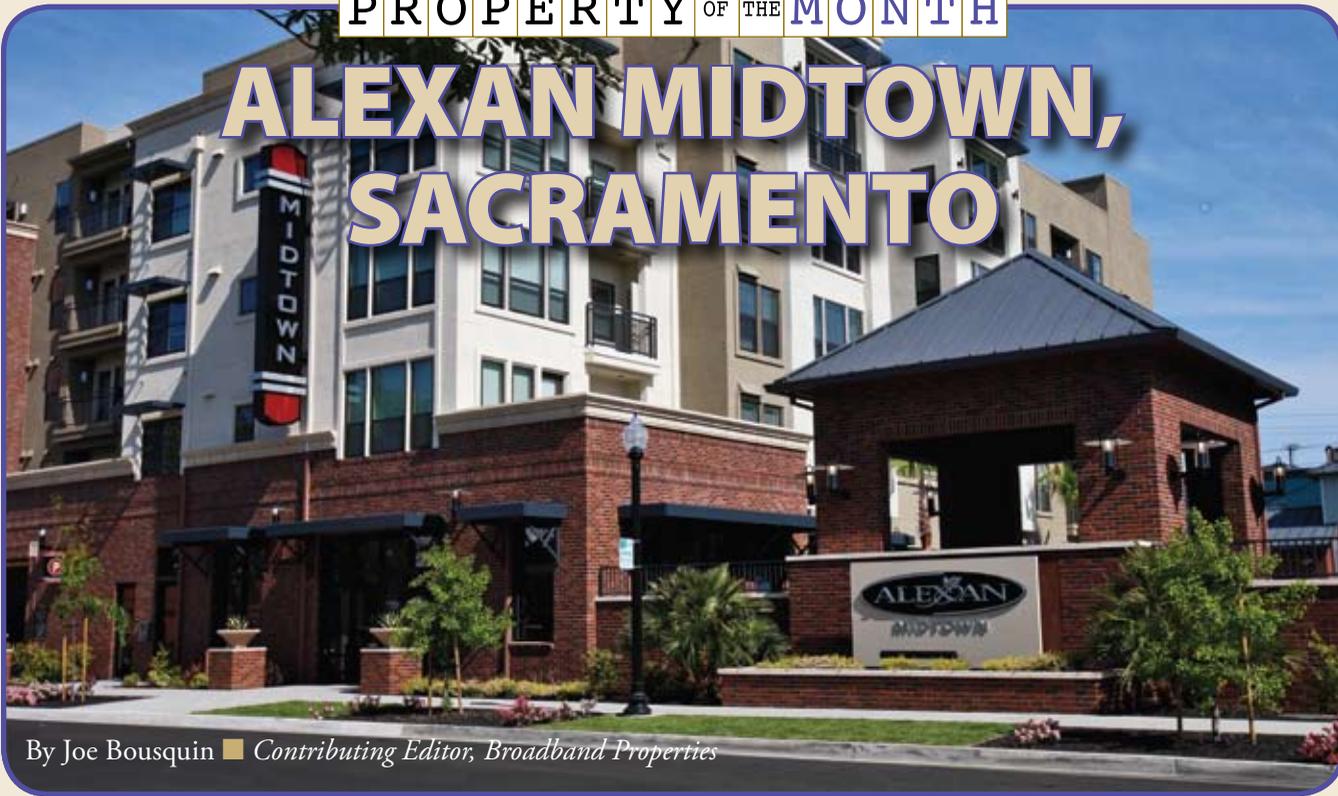


# ALEXAN MIDTOWN, SACRAMENTO



By Joe Bousquin ■ *Contributing Editor, Broadband Properties*

This month, we showcase Alexan Midtown, a luxury rental apartment community in Sacramento, Calif., developed by Trammell Crow and served with a fiber optic network from independent incumbent local exchange carrier (ILEC) SureWest. Our thanks to Trammell Crow's Steve Hester and SureWest's Ron Rogers, Ted Allegra and Greg Chamberlain for their assistance in preparing this feature.

For Trammell Crow's Steve Hester, just getting the Alexan Midtown project up and running was a Herculean task. In 2007, while his team was planning the 245-unit mid-rise on the edge of Sacramento's hip Midtown area, the wheels started coming off capital market financing. Originally, Trammell Crow had envisioned the project as a condominium whose units would be marketed to young professionals working in Sacramento's health and government sectors, but it had to modify that plan quickly as lenders began to balk.

The company thought the project's underlying concept still made sense even in the altered financial environment. The site is located in Sacramento's "medical triangle," within easy biking distance of three major hospitals, including the UC Davis Medical Center, and just a few minutes from the California State Capitol and myriad state government offices and agencies.

"Even though for-sale was out of the question, the property still had a great story," says Hester, Trammell Crow's president of construction for Northern California. "It's transit-oriented, it's urban infill, and it's just a couple-minute car commute to employers in the downtown area. We continued to believe in it, even as a for-rent property."

There was only one catch: Given Sacramento's starring role in the housing debacle, with the area routinely ranking near the top of foreclosure statistics nationally, the rental market was flooded with houses that otherwise would have been for sale. That, in turn, put pressure on overall apartment rental rates. For the

Alexan Midtown to compete, it would need to offer residents more for their money, including state-of-the-art technology that would appeal to the young medical and government professionals that were still its target market. That was especially true because of the Midtown price point – studios were advertised for just under \$1,400 a month, more than double the rent of other entry-level digs in the area.

One differentiator materialized by chance. Because the aesthetics of the project called for existing overhead cables to be buried underground, Hester got to work contacting the owners of those cables. One happened to be

## About the Author

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Roseville, Calif.-based SureWest, an independent ILEC that has been aggressively rolling out IP-based services in Northern California. SureWest started offering IP-based HDTV as early as 2006 in the greater Sacramento area, and already had a fiber ring running right past the site of the Alexan.

"I've been doing this for 30 years, and that almost never happens, where there's actually existing fiber fronting the property," Hester says. "If it does happen, you usually can't tap into it because it's for 911 or a hospital or someone else's dedicated use. But in this case, we had SureWest right there, and they were only too happy to serve the property."

Because the property already had fiber running literally to its door, the developer decided to make an investment for the future and take the fiber path all the way to its units. Now, the Alexan Midtown is served by a pure, 100-percent fiber network that feeds each of the property's units, and residents can choose data speeds up to 50 Mbps.

"Oftentimes, people talk about having a fiber network. But I think ... that term has gotten watered down, just as the term 'organic' has been overused in the food industry. Nobody knows what it means anymore," Hester says. "But at the Alexan, we have the real deal. This is a pure fiber system. As far as we can tell, no one else in the market can say that."

#### VITAL STATS

*Property Description:* Alexan Midtown aims to redefine Sacramento's living experience with luxury apartments for rent in the heart of the city's most desirable urban location. Amenities include a resort-style pool, a relaxing outdoor patio with a fire pit, the fastest download speeds on the block, a cutting-edge fitness center, an entertainment room for film and gaming and a gourmet kitchen to entertain friends and neighbors. For residents' four-legged friends, Alexan Midtown has its own bark park. For more info, see [www.alexanmidtown.net](http://www.alexanmidtown.net).

*Greenfield or retrofit?* Greenfield

*Number of residential units:* 275

*Style:* Mid-rise

*Percent of units occupied:* 30 percent

*Time to deploy?* 12 months

*Date services started being delivered:*  
Jan. 1, 2010

#### TECHNOLOGY

*Greg Chamberlain, SureWest's executive director of network engineering, provided the following answers.*

*How does fiber get to the property?* A fiber spur from our existing FTTH network connects into the property's main point of entry (MPOE).

*How is fiber distributed inside the building?* Because our network hub is within a few blocks of the site, there was no need to deploy FTTH electronics to the site. There is a direct fiber feed from our network hub. At the MPOE, a fiber jumper connects our network to the building's internal fiber distribution network. From there, it terminates in a wiring cabinet inside each unit, which houses our ONT. Following SureWest's recommendations, the owner deployed Corning's ClearCurve bend-insensitive fiber compact drop cables in the internal distribution network.

*What is the FTTH technology?* Active Ethernet.

#### PROPERTY OF THE MONTH HIGHLIGHTS: ALEXAN MIDTOWN

- Though SureWest Communications has a large FTTH network in the Sacramento area, this is the first apartment community in Sacramento with an all-fiber feed all the way to the unit.
- Luxury downtown rental property is targeted to young, tech-savvy professionals working in health care and state government.
- Active Ethernet network supports 50 Mbps Internet access and IPTV with advanced features.
- Though apartments are also wired for cable and DSL and tenants can choose other service providers, SureWest has 55 percent penetration.
- Vendors include Allied Telesis, Cisco, Corning, Microsoft.



*What type of gear is used?* A Cisco Catalyst 4510 switch router with 100 Mbps customer-facing optical ports and Allied Telesis ONTs. The ONTs are Allied Telesis iMG726MOD Gateways for 100M and Gigabit triple play.

*How did you deal with wiring and plug access within the units?* Because this was new construction, we were able to specify power requirements for our equipment, and we didn't have to fish the walls [run new wires behind existing walls]. There is a power outlet inside each in-unit communications box.

*Have you provided wireless signals within units?* Yes.

*How much square footage did you have to dedicate to the network inside the building?* Just some wall space for the network cable to terminate. We needed one rack for electronics for RF video for the exercise equipment in the workout area.

*Could closets be shared with other utilities, or did you need to create a dedicated maintenance space?* Other service providers can share the closets if necessary. Each unit has two wall-mounted fiber termination panels (for a total of 288 terminated fibers).

### SERVICES

*Ted Allegra, business sales manager at SureWest, and Ron Rogers, SureWest's director of corporate communications, provided the following answers.*

*Does the building have triple-play services?*

Yes. SureWest offers a full selection of data, telephony and entertainment choices. Our advanced digital TV package, powered by Microsoft Mediaroom, offers popular features such as whole-home DVR capability, instantaneous channel changes and the ability to flip between live and recorded programs by hitting a single button on the remote.

*Can residents subscribe to IPTV?* Yes.

SureWest has been offering true IPTV to the Sacramento area since 2006, and our Microsoft Mediaroom offering is an IP-based system. However, we don't market ourselves as offering IPTV. Our research has led us to conclude that our customers aren't concerned with the technology platform behind the system, they just want it to work. The Microsoft Mediaroom platform gives us the ability to offer cutting-edge entertainment

choices through a best-of-breed delivery system that provides a seamless viewing experience.

*Are there amenities beyond triple play, such as free wireless in common areas or entertainment systems in common rooms?*

Yes, each piece of exercise equipment has an individual video monitor, and there are additional TVs in the game room and entertainment room, as well as a 10 Mbps Internet feed to the leasing office. SureWest delivers Wi-Fi throughout the property with strong signals available in the common areas of the community.

*Can residents choose service providers?*

*Steve Hester:* Yes. Although SureWest has a preferred marketing agreement at the Alexan Midtown, offering residents a choice of service providers was also important. For that reason, AT&T and Comcast services are also available.

*How did you set up the multiple choice capabilities?*

*Steve Hester:* To ensure that our residents could select the provider of their choice, we ran two additional cables from the MPOE to each living unit so that each apartment would be served not only by fiber but also by coaxial cable and traditional copper wiring.

*Who provides support? If residents have an issue or technical challenge, whom do they call?* The resident's provider of choice.

### BUSINESS

*Who owns the network? Does the property owner have "skin in the game"? Who paid for what?*

**We don't market ourselves as offering IPTV. Customers aren't concerned with the technology platform – they just want it to work.**



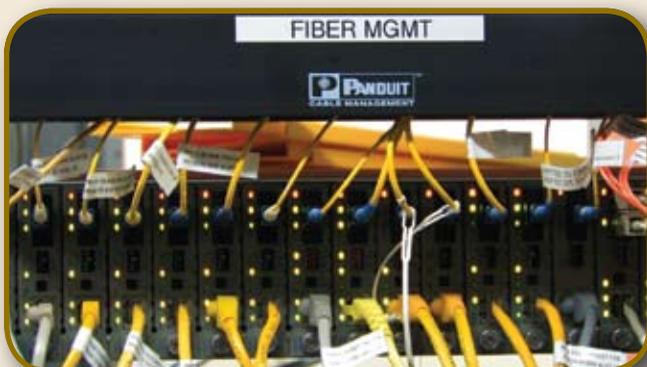
Data switch for the in-building network.



Data switch showing redundant multimode uplinks.



Fiber jumpers connecting to the core data routers.



Media converter shelf (optical-to-electrical Ethernet conversion).



Fiber switch for IPTV.

*Greg Chamberlain:* The property owner installed the fiber to the unit. SureWest owns the fiber ring network leading to the building MPOE and has exclusive use of the fiber network within the building.

*Was there a door fee?*

*Steve Hester:* Although we were able to negotiate a door fee with SureWest, because it was a nonexclusive property the door fee basically covered the cost of building the fiber network internally. Unlike the previous model, where service providers would both pay door fees and bear the costs of setting up a network within an owner's building, we're seeing fewer opportunities for ancillary income in these arrangements. If you can get a door fee, it's just going to cover your costs; you're not going to make money off the deal.

*Are services automatically included in the rent? If not, what was the initial take rate?*

*Greg Chamberlain:* No. SureWest has achieved 55 percent penetration rate among occupied units, which we view as a great success.

*Who handles billing and collection?* The resident's provider of choice.

*How are the services marketed, and by whom?*

*Ted Allegra:* The property owner includes a SureWest promotional package to residents with their move-in documents and refers new residents to Surewest before they move in. We also have access to new resident contact information so that we can market to them directly.

*What has the return been on this implementation, in dollars or otherwise – for example, better retention, higher conversion rates of leads, marketing leverage, amenity advantage, less churn?*

*Greg Chamberlain:* Without mentioning dollar amounts, all the returns listed above are accurate, which makes this a very successful project from SureWest's perspective.

**ON-SITE EXPERIENCE/LESSONS LEARNED**

*What was the biggest challenge?*

*Greg Chamberlain:* Because of the market conditions, the timeline was protracted and there was the added challenge of converting the project from a condominium community to rental units. However, we've been very happy with the project's initial take rate since opening this year.

*What was the biggest success?*

*Ted Allegra:* High penetration. Alexan Midtown offered us an excellent opportunity to market our services to a number of residents. We consider this an ongoing opportunity to offer our services not only to the Alexan's initial residents but also to future residents as they move in over time.

*What would you say to owners who want to deploy a similar network? What issues should they consider before they get started?*

*Ted Allegra:* In this environment, it's very important to consider the cost of capital versus the buildout timeline. For SureWest, it was actually a much better scenario when the property converted to rental units. If this had gone ahead as a for-sale com-



munity, we would have been looking at a five-year buildout, which is obviously less desirable. In this scenario, we're looking at approximately 18 months for lease-up and the opportunity to offer services to all 275 units.

*Were there any guidelines or requests from the owner about limiting residents' pain points during installation?*

**Greg Chamberlain:** No. Because this was new construction, each installation went very smoothly. We were able to

specify our technical requirements to the owner during the buildout. There were some issues initially with scheduling access to individual units and coordinating with other trades on-site, but we worked those out as the project progressed.

*What is the property manager's perspective on this installation? Has it been a success? What has been the response from residents?*

**Steve Hester:** Given our market of young medical and government professionals, we think that offering this amenity is a must. As far as we can ascertain, no other competing community in our market can say it has a pure fiber network all the way to the unit. We believe our resident demographic understands the distinction and the importance of having that technology in the unit. It definitely lets us speak to our residents in a language they understand. **BBP**

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