

# San Francisco's MDU Ordinance Is a Win-Win-Win

Under a new city ordinance, renters in San Francisco can request internet services from providers of their choice. The legislation appears to be a win for ISPs, property owners and consumers.

By Dane Jasper / *Sonic*

**M**ultiple-dwelling-unit properties (MDUs) have long been an obstacle for internet service providers, largely because of the lack of regulation to guide the process. No clearly defined federal law regulates an ISP's access to MDUs. As a result, there is no protection for tenants or property owners and no guiding principles for ISPs. This makes every encounter unpredictable.

Today, in most cities, a property owner has the ability to deny a tenant's request for a specific internet service provider, hindering the tenant's ability to choose. For property owners, there is no regulation in place to protect their properties and investments. For ISPs (including my independent ISP, Sonic), the lack of access to MDU residents forces them to lose a considerable share of the potential market.

That's why I was pleased when, in December 2016, San Francisco became the first U.S. city to pass an MDU ordinance (Ordinance 250-16). Enacted with the goal of increasing ISP competition in San Francisco, the ordinance establishes requirements for ISPs to obtain access to MDUs. In terms of customer impact, this ordinance gives MDU tenants the freedom to choose ISPs rather than limiting them to the ISPs that property owners choose. Finally, the ordinance provides clear guidelines and processes for ISPs, strengthening relationships between ISPs and owners.

## **BUILDING RELATIONSHIPS, CREATING CHOICE**

Since passage of the ordinance, Sonic has benefited in terms of its business and its relationships with property owners. More important is the positive impact this ordinance has had on the San Francisco ISP market, providing competitive ISPs the opportunity to increase market share and better compete with industry conglomerates.

### **Conversations with property owners.**

Before the ordinance was passed, property owners were able to deny ISPs, such as Sonic, access to a building without any explanation – often simply because they were unfamiliar with a company. With the ordinance, a property owner is now required to allow a potential competitor an on-site visit, giving it the opportunity to walk through the installation process in person and educate the owners about the company and its values.

Site visits have now become the primary way of changing property owners' perceptions (or lack thereof) of Sonic because we can show them, in person, the benefits of gigabit fiber, address their concerns and give them peace of mind. Property owners that were once reluctant to admit Sonic into their buildings have become our biggest advocates.

**Happy tenants, happy owners.** This ordinance benefits MDU tenants and property

owners as well. Tenants benefit by having access to gigabit fiber internet and having more than one option when selecting an ISP. According to FCC data, nearly half of U.S. residents have at best one option for internet service of 25 Mbps or higher.

Owners can increase their property values by offering gigabit fiber as an amenity. In fact, according to the Fiber Broadband Association, rental properties that have fiber internet installed can increase their monthly rents by 8 percent. As more and more consumers depend on fast internet to stream content, video conference and more, amenities such as fast internet are growing in importance among tenants.

**ISP competition.** Fundamentally, this is a win for the competitive marketplace. Before this ordinance, large incumbent ISPs had a stranglehold over many MDUs in San Francisco, furthering the monopoly they have long held throughout the city. This ordinance gives independent ISPs another chance to compete with the big guys and opens up new territories for independent carriers to thrive. More competition means a better, faster internet for consumers.

## UNEXPECTED ROADBLOCKS

As is to be expected with any new legislation, we also experienced a few roadblocks in navigating this ordinance. However, we found ways to overcome them all.

**The need to collaborate with property owners.** We at Sonic realized quickly this ordinance was not a magic entry point into every MDU in San Francisco. We still needed to work with property owners, explain our installation process and make sure they felt good about how we were proceeding.

Some property owners were apprehensive about the ordinance, as they saw it as a way for ISPs to force their way into buildings without regard for their concerns. Understandably, aesthetics is a common concern among owners of historic buildings and can create reluctance to allow access to unknown providers. For example, in buildings of historical or architectural significance, property owners often



Sonic can reassure owners of San Francisco's historic buildings about the impact of fiber on their properties.

feared that installing fiber might damage building exteriors. Property owners ask us whether fiber can be installed using existing wiring, as they don't want any new wires in their buildings. With the ordinance, we have the opportunity to discuss alternative installation methods and create fiber delivery methods that have minimal impact on building integrity.

After requesting access to a new MDU, we've learned that the best approach is to have open, honest conversations with property owners. Once we walk them through our installation process and the intentions of the ordinance in a polite, respectful manner, property owners are generally open to working with us, allowing us to form strong partnerships across the city.

**Increased formality and communication during inspection and installation.** Since the passing of the ordinance, we've noticed that more building owners have formally requested us to prove we have appropriate liability insurance, installation processes and regulatory authority to provide services.

As a result of these requests for increased transparency, we've created more informative resources to share, including an outline of our MDU installation process and a company brochure specifically crafted for property owners. This ensures that every question is answered when we request access to a new building.

**Understanding and navigating a new set of rules.** Not surprisingly, interpreting the language and articles of the ordinance has been a challenge. For example, the ordinance states that a property owner is entitled to "just and reasonable compensation" from a communications service provider for installing, operating and maintaining the facilities and equipment needed to provide service on its property. However, because there are no guidelines as to what "just and reasonable" means, the definition is left up for discussion between an ISP and a property owner.

In response, we developed an offering that meets property owners' compensation expectations, benefiting both parties and allowing us to continue discussions and progress with building access.

Despite the learning curve that comes with any new piece of legislation, this ordinance has created more opportunity for smaller ISPs in San Francisco and reflects another step toward creating a truly competitive ISP marketplace in San Francisco. It's been greatly helpful in Sonic's own expansion efforts, and I hope this MDU ordinance will serve as a model for more cities across the U.S. to adopt in the future. ❖

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