

Verizon Builds in the Green Fields

The Brambleton project in Virginia highlights Verizon's cooperation with developers

By Jill Kasle ■ *Associate Professor of Law and Public Policy, The George Washington University*

Brambleton, in Loudoun County, Virginia, has become the first planned community with FTTH installed by Verizon to go public. The defining philosophy of Brambleton, now under construction in one of the fastest growing counties in the nation, is technology. Kim Adams, director of marketing for Brambleton, says, "In the 1970s, the basic amenity was land. In the 1980s it was a pool and in the 1990s it was exercise space. Now, people don't care so much about the square footage of their property and they take home spas, home media rooms, and home offices for granted. But what people really want are the things that will make their life easier, and that's where technology comes in."

Adams noted that building a technology-driven community is a new experience for the developer. "We know what to do with dirt but technology is new for us," Adams said.

Some 6,200 homes (including single family homes, townhouses, and condos) are planned for Brambleton, on 2,000 acres. Also planned is 300,000 sq. ft. of retail and office space, three elementary schools, a high school, a movie theater, several day care centers and houses of worship, recreational space (tennis club, pools, golf course) and 1.5 million



Brambleton offers large homes, townhouses and condos. This is a view of Phase I.

sq. ft. of light industrial space. The prices of homes at Brambleton run from \$600,000 to \$1.2 million; townhouses start at \$400,000; condos start in the mid-\$200,000s. Phase 1 of the development (construction of 675 homes, a visitor center, and a pool) is complete.

The vision for Brambleton is a community that is completely networked via fiber optic technology. All buildings in Brambleton will be on a digital broadband network that integrates voice, video, and data, provides a community intranet, and expands as

systems, standards, and products improve and evolve. (Some businesses in Brambleton with specialized transaction and security needs, such as banks, will have access to copper wire with a fiber back-up.) The high level of technology at Brambleton easily supports home-based businesses, telecommuting, and telework. Homeowners will pay around \$100 a month for the full triple-play.

Verizon already considers Brambleton "old news." The Gameboy generation, a phrase used by Mila Stanley, Verizon's group manager for enhanced

communities, is buying real estate all across the country and Verizon is working with developers to stay one step ahead of them. In mid-2004, Keller, Texas, an upscale suburb of Fort Worth, was Verizon's first FTTP community, the test-bed for its FiOS service.

In 2005, Verizon is working to install FTTP in 14 states – California, Delaware, Florida, Indiana, Maryland, Massachusetts, New Jersey, New Hampshire, New York, Oregon, Pennsylvania, Rhode Island, Texas, and Virginia – but for several years, when it came to new, greenfield developments, Verizon had seemed content to leave most of the business to others.

Not any more. When Brambleton started, the developer, Detroit-based Soave Enterprises, LLC, approached a number of telecommunications companies about providing the fiber-to-home network. Lots of companies made promises and then quickly went out of business as the economy withered following the dot-com collapse. Through the Urban Land Institute, Soave was led to The Broadband Group, a company that provides consulting services to residential and commercial developers. Broadband began the search for a communications provider.

By early 2002, the developer entered into an agreement with Verizon to offer voice services for Brambleton residents and with GateHouse Networks to offer 1.5 Mbps symmetrical data access, cable TV services, and video on demand. That agreement appears to have been somewhat fluid, as Verizon now provides local phone and data services and Gatehouse provides video. Soon, Verizon will provide voice, video and data under its FiOS brand. In order for Verizon to offer these bundled services, the company has to get a local cable license, for which it has applied.

As noted in our February interview with Verizon senior VP Marilyn O'Connell, FiOS is currently offered

in three tiers:

- Up to 5 Mbps (megabits per second) downstream and 2 Mbps upstream, suitable for Internet surfing and basic computer functions;
- Up to 15 Mbps downstream and 2 Mbps upstream, designed for households with multiple computers and

people who do considerable file-sharing;

- Up to 30 Mbps downstream and 5 Mbps upstream for telecommuters, work-at-home households, or obsessed Internet gamers.

But the concept of Verizon offering more than just transport for other

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“We stay awake every night figuring out how to sell homes. We’re not fancy on broadband services but we needed to figure out a way to develop a competitive edge for ourselves.” – Russ Wyatt, Pulte Homes

companies’ services makes perfect sense, said Verizon’s Mila Stanley, as the telcos struggle to compete with cable companies that are offering voice and data services as well. Verizon’s business model, of course, calls for the company to provide everything – voice, data, and video – in suites of services that compete with existing cable and satellite providers.

Verizon and Pulte

Another developer currently working with Verizon is Pulte Homes, Inc., a nationwide company headquartered in Bloomfield Hills, Michigan. Pulte, the largest home builder in the country in terms of annual revenues, entered into an exclusive marketing agreement with Verizon a year ago, prior to the FTTP roll-out, whereby Pulte submits planned communities to Verizon for its consideration. If Verizon agrees to wire the community, Pulte agrees to exclusively market Verizon’s communications services on that property.

Under such an arrangement, said Russ Wyatt, vice president of home owner services for Pulte, a home buyer has access to Verizon’s premium bundle of communications services. Perhaps more importantly, a competitor such as Comcast is not allowed to come into a Pulte community’s sales center to sell its services. Of course, Wyatt noted, individual customers are free to call Comcast and Comcast can go door-to-door with its sales material but Pulte’s agreement with Verizon calls for the home builder to “pro-actively market Verizon and only Verizon.”

The agreements between Verizon

and Pulte come in three forms:

- For every home that Pulte closes or that Verizon passes, Pulte gets a one-time “door fee.”
- Verizon and Pulte have a recurring revenue-sharing arrangement.
- A hybrid of the above two.

In other words, giant Verizon is acting like many of the smaller, nimble CLECs that have produced more than half the FTTP projects in the nation in the past 18 months. Pulte’s agreement with Verizon is part of a larger strategy for the builder, which also has agreements with SBC and Qwest. “We stay awake every night figuring out how to sell homes,” said Wyatt. “We’re not fancy on broadband services but we needed to figure out a way to develop a competitive edge for ourselves.”

When DSL went from “isn’t this nice” to “gotta have it,” said Wyatt, the company realized that it was time to align with communications companies for the competitive advantage. Now Verizon and Pulte are partnered in four projects in southern California and “a handful” in Tampa.

Consultants’ Roles

For those developers who lack Pulte’s vision or simply find dealing with communications companies to be overwhelmingly confusing, there are the consultants who help sort things out and offer advice. Steve Mayo, president of Intelconnect, Inc., a business based in Saline, Michigan, got his start building networks for small and medium-size colleges and universities. He went on to work on planned communities, starting with Playa Vista, an 11,000-acre

development in Los Angeles that was one of the first planned communities to integrate residential, retail, and commercial space.

Playa Vista was built on a site formerly occupied by the aircraft facility owned by Howard Hughes. It was intended as the site for DreamWorks SKG, the movie studio owned by Steven Spielberg, Jeffrey Katzenberg, and David Geffen. Indeed, one of the goals for Playa Vista was to provide a very short commute for the employees of DreamWorks. So, in developing the strategic plan to replace the incumbent local exchange carrier with an FTTP platform for voice, data, and video, Mayo’s intention at Playa Vista was to provide sufficient bandwidth at home for the animators, techies, and production people of DreamWorks.

Mayo noted that in the late 1990’s his job was to convince developers to let him put shadow conduit systems into their developments. Developers knew to contact the local telephone and cable companies. What they didn’t know was that an overlay system parallel to the phone company’s for use by third parties would come in handy some day. At the time, Mayo’s work was incredibly speculative, as a number of CLECs were rapidly going out of business and the industry itself was taking a huge hit. What’s more, in 1999 Verizon couldn’t be persuaded to provide anything but dial-up service. “But lo and behold, now Verizon has its FTTH strategy and they’re using these parallel networks,” said Mayo.

He added that the point of these parallel networks is not to exclude the carriers – although that may have been what happened initially – but to make the carriers better. “I was nudging the carriers toward decisions they should have made back then and are finally making now,” said Mayo.

Robert Picchi, head of Blue Ridge Advisory Services Group, is a technology consultant whose own life was changed by technology. Picchi and his wife were living in Chicago when the

Promoting Brambleton to Prospective Buyers

From a pamphlet titled *Brambleton Connectivity: Community Technology Overview*

- Your home is equipped with an advanced residential structured wiring system, which has the capability and quality of architecture to support all of your communications needs – today and well into the future.
- A feature of this system is the placement of Cat5e cables for the distribution of communication and entertainment services throughout your home. These high-quality cables are “homerun” back to your structured wiring system enclosure, where they are currently connected to a telephone distribution module or router. If you desire, this module can be upgraded to such things as phone line location assignment and a telephone system.
- To assure that structured wiring in your home supports both the technologies of today and tomorrow, the data/voice outlets are terminated with a “RJ-45” jack, giving you access to voice, data and video at locations you select with your builder. Please discuss router options with your builder to ensure the data outlets you designate are activated with the high speed data service.
- Media Outlet: minimum requirement for any TV location in all ancillary living areas. Voice or high-speed data services (including LAN) are provided via a single Cat5e cable, and video services are provided via a single RG-6 coax.
- Data/Voice: Voice and high-speed data services (including LAN) are provided via dual Cat 5e cables. A minimum of two are included.
- Universal Outlet: Voice and high-speed data services (including LAN) are provided via dual Cat 5e cables, and video services and high-speed data services or the redistribution of video are provided via dual RG-6 cables. Minimum of 4 included.
- Note: Your home is wired to support a LAN (local area network); the enablement of a LAN in your home requires the purchase of additional computer hardware and software.

attacks of 9/11 took place. After that his apartment building, his neighborhood, and his city went into virtual lockdown. Getting to O’Hare Airport, always a challenge, became impossible for awhile, so Picchi and his wife moved to their summer home in Blowing Rock, North Carolina, where Picchi was able to use technology to do many of the things in his consulting work that he’d formerly had to do in person.

Picchi’s work in telecommunications began in the post-divestiture era when utility companies became the medium for start-ups to provide competitive access for telecommunications. In 1995, he started working with commercial real estate developers who had figured out that deregulation of the telecommunications industry provided opportunities but didn’t know how to take advantage of those opportunities.

So Picchi went to work converting regulatory changes into business models and showing developers how to create value by offering telecommunications services to home buyers that they couldn’t get from the incumbent carriers.

For many developers, of course, the comfort of having giants like Verizon (and SBC or BellSouth, for that matter) handle the fiber is a big plus, one that helps them accept the technology and push it into the hands of their customers.

But the consultants will still be needed, if only to help negotiate the financial arrangements. It looks like FTTH is on the way to becoming the norm for greenfield projects, now that the major players have added their muscle. ♦

About the Author

Prof. Jill Kasle teaches law at The George Washington University in Washington, DC. She was a member of AT&T’s legal team on the divestiture case from 1976 to 1982 and has been a consultant to telcos since 1982.