BACKGROUNDER | APRIL 2024

Bulk Internet in Rental Housing

Questions Answered within this Backgrounder:

- What is Bulk Internet?
- Does Bulk Internet and/or Managed Wi-Fi Solutions Support Cellular Connectivity?
- How does Bulk Billing/Internet and Managed
- Wi-Fi Solutions Impact Property Sustainability?
- What are the benefits of the bulk internet model?
- Is Bulk Internet the Only Model Being Used in Rental Housing?
- Has the FCC Weighed in Previously on Bulk Billing Models?
- Has Congress Weighed in Previously on Bulk Billing Models?
- What Happens if the FCC Bans or Significantly Interferes with the Terms of Bulk Billing Agreements?
- Is Bulk Internet the Same as Managed Wi-Fi?

What is Bulk Internet?

Bulk billing agreements are pro-consumer arrangements between internet service providers (ISPs) and owners and operators of rental housing that leverage bulk purchasing to provide affordable, fast and reliable internet access to apartment residents.[1] Bulk agreements may also obligate the ISP to provide broadband capability that enables residents' access to innovative technological features and supports critical property operations.

Rental housing providers have increasingly adopted the bulk internet model to respond to resident demand for always-on and community-wide connectivity. In fact, using the bulk billing model, rental housing providers routinely negotiate better pricing, speeds, reliability and customer service for residents than what is found in the broader community—in addition to the new technology mentioned above.

Bulk internet agreements typically involve the purchase by a property owner of internet connectivity services for an entire rental community that is delivered to residents of the community at a reduced cost per unit, compared to what those residents would pay if they were subscribing directly to those internet services. Costs for this service are typically rolled into rent or charged as a separate technology or amenity fee, both of which are transparent and disclosed throughout the leasing process. While bulk internet delivery has grown in popularity across all rental property types, it has been historically very effective in getting broadband service to low-income, affordable, senior, student and veteran populations because of its ease of access and pro-consumer pricing benefits.

Bulk internet agreements vary, but most bulk arrangements afford renters the flexibility to upgrade the service in their units above the speed of the bulk service. In such situations, the additional cost to the renter for the upgrade is merely the difference between the provider's standard retail rate for the bulk service and the provider's standard retail rate for the upgraded service the resident chooses to order. In almost all bulk situations, the resident pays this upgrade amount to the service provider directly and the amount, if any, the resident pays to the property owner for the bulk services (whether as rent or part of an amenity fee or technology fee) is not affected.

Does Bulk Internet and/or Managed Wi-Fi Solutions Support Cellular Connectivity?

Yes, having a community wide Wi-Fi platform facilitates W-Fi calling – particularly important with reduced cellular coverage. It is not uncommon for properties to have good cellular coverage initially, however once a community is built – this can change due to adjacent buildings, density, etc. Innovations in the design and construction space that are improving property resilience and sustainability are also impacting the ability of cellular signals to enter apartment communities. To ensure residents using 5G enabled cellular devices do not suffer from poor cellular quality or dropped calls, a bulk-enabled managed Wi-Fi solution ensures seamless connectivity for residents from the street to inside their apartment home. This is particularly important from an emergency preparedness standpoint.

[1] Bulk billing agreements (or simply bulk agreements) can also be used to deliver voice and video services, almost always in a bundle with broadband service. All types of broadband provider – cable operators, telecommunications companies and broadband-only companies – may enter into bulk agreements. For simplicity, we address only bulk Internet service in this backgrounder, referring to the relevant contractual arrangements as "bulk Internet" or "bulk billing" agreements, and we refer to all providers as "ISPs."

How does Bulk Billing/Internet and Managed Wi-Fi Solutions Impact Property Sustainability?

As rental housing properties have worked to improve sustainability and resiliency, they have utilized a growing array of internet enabled smart technologies to do so. Leak detection devices, EV charging stations and energy and water monitoring technologies are just a few of the smart building technologies that are only possible with a an always-on internet connection. Here too, bulk internet or managed Wi-Fi solutions are the only real way to ensure this level of connectivity to support such operations. Simply put, rental housing communities will not be able to implement many sustainability measures and technologies at the scale that we need without bulk internet or managed Wi-Fi as a backbone.

What are the benefits of the bulk internet model?

Bulk internet agreements are advantageous for rental housing operators and owners, renters and ISPs.

Property Owner/Operator:

- Resident satisfaction is paramount to a rental housing community's success. Residents view connectivity as a critical amenity, essential to their quality of life. Rental housing providers therefore must make connectivity a priority.

- Renters are a highly mobile population — they may stay one year, until their lease is up, and move on. On a national basis, roughly half (51% in 2019) of apartment residents move every year,[2] and limiting resident turnover is a major concern for property managers.

- When renters move to a new apartment, they want immediate, easy access to the internet, which bulk and managed Wi-Fi solutions provide. The 2024 NMHC/Grace Hill Renter Preferences Survey of over 172,000 renters living in 4,220 communities nationwide reports that 87% of renter respondents view availability of internet immediately on move-in as "very important" or "absolutely essential."

- Bulk agreements enable customized services tailored to a community's specific needs, such as dedicated bandwidth and service level agreements (SLAs) that specify the provider's obligations for reliability, performance and priority customer support. Additionally, as property owners deploy more resident-demanded smart technology and IoT/smart building technologies – such as improved security access controls, smart thermostats, leak detection sensors and automated or voice-activated lights and window coverings – the bulk internet model supports the always-on needs of these systems.

Renters:

- When renters move to a new apartment, they want immediate, easy access to the internet, which bulk and managed Wi-Fi solutions provide. The 2024 NMHC/Grace Hill Renter

[2] National Apartment Association, Survey of Operating Expenses and Income in Rental Apartment Communities (2019), https://www.naahq.org/2019-naa-survey-operating-income-expenses-rental-apartment-communities.

Preferences Survey of over 172,000 renters living in 4,220 communities nationwide reports that 87% of renter respondents view availability of internet immediately on move-in as "very important" or "absolutely essential."

- For renters, bulk internet service is typically faster, more reliable and more affordable than what is available in the broader consumer market. Not only does bulk Internet service meet resident needs for broadband connectivity, but many current bulk arrangements also satisfy the desire of renters to have seamless connectivity throughout the apartment community.

- From a digital equity perspective, bulk internet can also remove barriers to affordability and adoption of broadband service by providing immediate, always on service, and removing the need for credit checks, security deposits and equipment rentals, all of which can disproportionately harm low-income Americans.

Broadband Providers:

- For ISPs, especially for smaller, independent providers that enable competition in the connectivity space, bulk agreements ensure a steady revenue stream because the owner of the rental community is contractually obligated to pay the bulk fee for service throughout the community. This model offers smaller ISPs three benefits:

    - By guaranteeing a known rate of return, a bulk contract justifies the substantial initial investment needed to build out a modern broadband network. This is especially important in serving the existing stock of affordable housing, where low take rates and high turnover under a traditional retail subscriber model can quickly make a project unprofitable for the ISP.

    - Investors and lenders who finance these networks much prefer the predictability of a bulk arrangement when evaluating risk and providing critical funds, especially for smaller broadband providers to build or deploy infrastructure.

    - Bulk internet models can reduce an ISP's costs by optimizing network capacity utilization.

At their core, bulk billing arrangements are pro-consumer and pro-renter and help support property operations like climate resilience and our shared, long-term goals of improving housing affordability.

Is Bulk Internet the Only Model Being Used in Rental Housing?

The bulk internet model is just one possible tool for delivering internet in rental properties. Most apartment communities are still served under the traditional retail model, in which residents subscribe to service directly from the provider. It is very common for rental properties to have more than one provider on site, including in properties with bulk internet. This is particularly the case in higher-end rental properties where providers can justify the expense of deploying facilities to serve fewer customers because the high disposable income of the residents gives them confidence that they can recoup their financial investment. Residents of lower-income, smaller, affordable, senior and student housing do not have the same choices, because resident demographics and providers' estimates of profitability

discourages providers from taking on the burden to deploy, upgrading or maintaining infrastructure. This is why NMHC and NAA have been very strong supporters of the historic BEAD infrastructure funding that explicitly makes low-income multifamily properties eligible for funding support.

Has the FCC Weighed in Previously on Bulk Billing Models?

In 2009, the FCC conducted a thorough analysis of bulk billing and endorsed the use of such arrangements in *Exclusive Service Contracts for Provision of Video Services in Multiple Dwelling Units and Other Real Estate Developments*, Second Report and Order, MB Docket 07-51, 25 FCC Rcd 2460 (2010) (the "*Second Exclusivity Order*"). While recognizing that bulk agreements could have drawbacks, the FCC found that they were outweighed by the many benefits, noting that "[t]he chief benefits that bulk billing brings to MDU residents in most cases are lower prices, packages of programming tailored to the particular interests and needs of the MDU's residents, and avoidance of the inconvenience of establishing or disconnecting MVPD service." *Second Exclusivity Order* at ¶ 16. Not only does the analysis in the Order still apply today, but the additional capabilities offered by property-wide broadband make bulk agreements even more valuable to residents.

The findings in the *Second Exclusivity Order* are further amplified by comments made in 2021 by Commissioner Geoffrey Starks, who continues to serve as a current FCC Commissioner:

> "The Order we adopt today acknowledges the critical efforts of local governments, community institutions, housing providers, schools, state departments of education and other organizations that have created their own broadband programs. ***Many of these organizations connected thousands of households in senior and student residences, mobile home parks, apartment buildings and federal housing units using bulk or sponsored billing arrangements, in which households receive service through an intermediary.*** We will need to work with these organizations—frequently serving at the local level—to make sure that we don't lose eligible families that can and want to move to EBB."

Emergency Broadband Benefit Program, Report and Order, Separate Statement of Commissioner Starks, WC Docket 20-445 (released Feb. 26. 2021) (emphasis added).

Has Congress Weighed in Previously on Bulk Billing Models?

Congress has effectively endorsed bulk billing. In 1992, Congress adopted 47 U.S.C. § 543(d), which requires cable operators to maintain a uniform rate structure throughout a geographic area. Such a requirement could be read to prohibit bulk billing, however, so in 1996 the statute was amended to include the following language:

"Bulk discounts to multiple dwelling units shall not be subject to this subsection, except that a cable operator of a cable system that is not subject to effective competition may not charge predatory prices to a multiple dwelling unit."

Although the FCC is concerned now with broadband service, rather than legacy video programming, this statute remains on the books. Not only does it clearly endorse bulk billing, but it is the only statement Congress has made on the issue. In fact, it is a clearer statement of Congressional will than anything Congress has ever said with respect to the FCC's power to regulate broadband service.

What Happens if the FCC Bans or Significantly Interferes with the Terms of Bulk Billing Agreements?

A ban or restriction on bulk agreements would be harmful to rental housing residents and could further exacerbate housing affordability challenges. Regulation of bulk agreements could disrupt broadband services to thousands of communities and potentially millions of broadband users. Significant regulation would almost certainly increase the price of broadband service for most of those residents and communities, by cutting or eliminating existing negotiated discounts. A ban on bulk arrangements would also jeopardize many of the new and innovative technological amenities available to residents of bulk communities.

Restrictions on bulk arrangements would be particularly harmful in underserved areas, because bulk billing is a valuable mechanism for addressing the digital divide. Bulk billing agreements have been an important tool for extending broadband service to under-resourced communities and for supporting resilience efforts.

Any ban or significant restriction would actually reduce competition by concentrating service with the larger providers that have historically avoided investing, upgrading, and serving low-income and rural areas of the country. Smaller providers negotiate bulk internet agreements to enable them to invest in levels of equipment and infrastructure installation that would be cost-prohibitive without the assurance that they would gain enough subscribers and earn sufficient revenue to justify the investment. From a resident's perspective, costs could increase, service could be degraded, and millions of American families could be disconnected from the internet.

Is Bulk Internet the Same as Managed Wi-Fi?

Not all bulk arrangements are the same. Service providers and property owners use different models to meet the needs of specific communities. The two most common models are the managed Wi-Fi model and the more traditional "bulk-to-the-unit" model which are described below. There are also newer hybrid models that are evolving due to the overall popularity of bulk models.

Managed Wi-Fi:

> Under a managed Wi-Fi model, the service provider usually installs wireless access points in some or all of the residential units of a property and in many common area locations. This property-wide wireless coverage allows residents to connect to the bulk internet service in their homes and stay connected to those specific networks anywhere else they go at the property – no logging onto to different wireless networks whenever the resident moves throughout the property and visits amenity areas like the lobby, fitness center, or swimming pool. In properties

that have a fiber backbone, residents in a managed Wi-Fi property typically will not need any customer premises equipment (such as modems) to connect to the bulk internet services in their homes.

This model also gives service providers greater ability to monitor their on-site networks, which allows them to manage those networks in real time, spot problems and fix service disruptions remotely and efficiently. Often, a managed Wi-Fi provider will establish a property portal that provides real-time information about the property's broadband network to the property owner. The owner and the provider can work together to make necessary adjustments to ensure the network's performance satisfies the residents' actual bandwidth needs.

A managed Wi-Fi model also supplies additional bandwidth to address other technological needs at a property. As part of many managed Wi-Fi contracts, a service provider will establish various wireless networks at a property to handle not only resident usage, but also guest usage and home automation purposes. Property owners can then add cutting-edge technological amenities at these properties for residents to use. These types of home automation amenities include, but are not limited to, Wi-Fi-connected smart door locks, smart thermostats, leak detection sensors and automated and voice-activated lights and climate activated blinds or shades. Such automation can contribute to resilient and sustainable design by allowing greater efficiency in energy use and other property management functions.

Bulk to the Unit (Traditional):

While managed Wi-Fi models are popular, they are also more costly and almost always require some substantial on-site construction work at existing properties. A traditional bulk-to-the-unit model is a better fit for many properties for cost and operational reasons.

Under this more traditional model, the residents receive bulk services in their units using customer premises equipment ("CPE") that is provided in the units. In some traditional arrangements, the resident is provided a wireless modem as part of the bulk service. In other cases, there is already existing CPE installed within a wiring panel at the Property. The cost of the CPE is typically included as part of the bulk service, so there is no additional cost to the resident for this equipment.

In a bulk-to-the-unit deployment, the resident typically has Internet services that can be received through a wired port in the unit but are also available on a wireless basis throughout the unit. Under this model, however, the residents' connectivity does not extend throughout the entire property. In these traditional bulk situations, property owners often will work with a service provider to deploy some common-area Wi-Fi services, but those are provided over separate wireless networks.

Many providers are now working on ways to bridge the gaps between the traditional model and the managed Wi-Fi model. Some providers are working on new bulk technologies that would provide some of the connectivity benefits of a managed Wi-Fi model at existing properties without the costs and operational difficulties associated with a full managed Wi-Fi build-out.