

For apartment building owners, Google Fiber can be a tough sell

July 3 2013, by Alicia Stice

Promising superspeed Internet connections might someday be as critical to drawing renters to apartments as off-street parking or on-site laundry machines.

But the upfront cost of wiring scores of apartments to Google Fiber could be too steep for some landlords.

And that could set the stage for a Kansas City with a deepened digital divide between its homeowners and apartment dwellers - the latter left with ordinary [download speeds](#) while their generally wealthier neighbors jet ahead.

Google requires landlords to foot the \$300-per-unit installation cost. Multiply that across a larger building or apartment complex - the company insists on running the wires to all apartments in a building or none - and the price quickly adds up.

Installing Google Fiber through a complex with 350 apartments, for instance, would cost the property owner more than \$100,000. Google does not offer bulk discounts for building owners, Google Fiber's head of sales Mike Gottfried said, although it does allow the payments to be made in installments over one year.

That hefty cost could make some property owners reluctant to get Google Fiber in their buildings, said Crosby Kemper III, Kansas City Public Library director.

"If that \$300 has to be paid up front, absolutely there will be [apartment buildings](#) that don't do it," he said.

Kemper said he thinks the city should invest money in making 1-gigabit-per-second Internet hookups more widely available.

Aaron Deacon, managing director of KC Digital Drive, thinks that as more apartment buildings get high-bandwidth Internet, property owners will face more pressure to offer the same service to their tenants.

"From a landlord's perspective, you have a real competitive advantage if you offer fiber connection," he said. "It may be an advantage right now. It may be more recognizable in two or three years."

But some landlords think the potential benefits of Google Fiber are not yet worth the initial financial investment.

"I don't know many apartment complexes that have \$100,000 in the bank just waiting to be spent," said Jon Gambill, CRES Management information technology director.

CRES Management owns nine Kansas City apartment buildings, including two in a downtown neighborhood where Google Fiber will be available. CRES Management opted not to sign up for the service in those two buildings because of the construction costs.

Google promises to pay back that investment if enough tenants end up buying its top-tier services. But because those renters could opt for far slower service that the company offers for free - meaning no rebates on installation for the property owners - landlords can reason they're better off to stay with existing Internet services.

Once Google puts the fiber optic network in an apartment building,

anyone who lives there there gets free Internet service for 10 years after the installation. The Internet company offers to reimburse property owners for the construction fees based on how many people in the building sign up for paid service from Google, Gottfried said. The Internet service costs \$70 a month, and the Internet and TV service package starts at \$120 a month.

Google will give building owners \$25 for every month that a tenant pays for one of its more expensive services until the \$300 per unit construction fee is completely reimbursed. Yet landlords might calculate that few tenants will buy the faster Internet or TV packages. That would leave them stuck with the installation costs.

"If people can get free Internet, they're not going to pay for premium," Gambill said. "If someone doesn't want to pay for Internet, they really don't have to, but then we've lost out on that reimbursement."

Building owners can't have contracts with companies such as Time Warner Cable and AT&T that prevent them from giving tenants access to service from other groups, but many agree to only promote one service to residents, Time Warner spokesman Mike Pedelty said.

As fiber optic connections come to more apartment buildings, Google's Gottfried said, renters will see more competition for Internet service business.

"A lot of buildings are using multiple [service](#) providers, Google Fiber as well as other services," he said. "We love and embrace the fact that tenants have a choice on whether they want to use Google Fiber."

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Citation: For apartment building owners, Google Fiber can be a tough sell (2013, July 3)
retrieved 26 April 2024 from
<https://phys.org/news/2013-07-apartment-owners-google-fiber-tough.html>

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