

2020 Virginia Telecommunication Initiative Program Guidelines and Criteria



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Program Guidelines

Background

The issue of rural telecommunications is not only one of technology; it is essential infrastructure for modern community and economic development. Many rural communities in Virginia evolved around industry sectors that have dramatically declined—rail, textile, manufacturing, and resource extraction to name a few. Broadband availability promotes sustainability and growth of communities by providing access to health care, particularly through the introduction of telemedicine, improving the local workforce, providing increased educational opportunities through distance learning, and encouraging an entrepreneurial economy where new and existing home-based and small businesses are able to compete globally.

Rural communities increasingly struggle to retain existing businesses due to slow, sporadic, or limited broadband services. Since the vast majority of businesses rely on the internet to perform business functions such as online banking, e-commerce transactions (i.e. sales and on-line payment processing), market development (i.e. on-line ads, websites, bulk-email, etc.), customer service through on-line chat or emails and internal/external communication, broadband connectivity is vital to the performance of microenterprise, small, and large businesses. Broadband has gone from being a luxury to a necessity for full participation in the twenty-first century economy.

Questions regarding Competitive Grant proposal development or about the application guidelines should be directed to:

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The main VATI email

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Please refer questions regarding your application submittal through CAMS to Tammy L. Breski.

Program Description

The Virginia Department of Housing and Community Development (DHCD) will implement the Virginia Telecommunications Initiative (VATI). The goal of VATI is to enhance sustainability and growth of communities throughout the Commonwealth by preparing those communities to build, utilize, and capitalize on telecommunications infrastructure. Consistent with the enabling legislation, DHCD will award the \$19 million FY 2020 appropriation to eligible applicants to provide last-mile services to unserved areas of the State. DHCD reserves the flexibility to award any amount to eligible grantees, depending entirely on the quality and quantity of applications received.

The primary objective of VATI is to provide financial assistance to supplement construction costs by private sector broadband service providers, in partnership with local units of government to extend service to areas that presently are unserved by any broadband provider.

Freedom of Information Act (FOIA)

Effective July 1, 2019, DHCD has the legal authority with the following information contained in a public record to exclude from the mandatory disclosure provisions of the Virginia Freedom of Information Act “information related to a grant application, or accompanying a grant application, submitted to the Department of Housing and Community Development that would (i) reveal (a) trade secrets, (b) financial information of a grant applicant that is not a public body, including balance sheets and financial statements, that are not generally available to the public through regulatory disclosure or otherwise, or (c) research-related information produced or collected by the applicant in the conduct of or as a result of study or research on medical, rehabilitative, scientific, technical, technological, or scholarly issues, when such information has not been publicly released, published, copyrighted, or patented, and (ii) be harmful to the competitive position of the applicant. “

In order to receive this FOIA protection, the applicant must request and follow DHCD’s written FOIA policy.

Eligible Applicant

Applications must be submitted by a unit of government (Towns, Cities, Counties, Economic Development Authorities/Industrial Development Authorities, Broadband/Wireless Authorities, Planning District Commissions, School Divisions, etc.) with a private sector broadband provider(s) as a co-applicant. Eligible projects will be owned and operated by the private sector co-applicant. Publicly owned networks are eligible for the program when partnered with a

private sector co-applicant, so long as the private sector applicant is acting as the customer-facing internet service provider.

Selection Process

Grantees will be selected through a competitive application process. Application questions will be centered on the applicant's broadband needs, and a shovel-ready project(s) needing financial assistance to supplement construction costs. The applicant must demonstrate a readiness to proceed with the Virginia Telecommunication Initiative in a timely manner by the required deadline.

Application modifications after a project has been awarded, will be subject to the Challenge Process. Please see page 7.

Program Requirements

- A. Unserved Areas
- B. Federal Funding
- C. Multiple Applications
- D. Project Financing
- E. Internet Speeds
- F. Public Notice
- G. Challenge Process
- H. Project Implementation Deadline
- I. Suitable Organizational and Management Capabilities

Projects Must Only Address Unserved Areas

DHCD will award funding to applicants to provide last-mile services, including middle-mile networks, equipment, or other investments required to deliver last-mile service, to unserved areas of the Commonwealth. Unserved areas are defined as having broadband speeds of 10 Mbps download and 1 Mbps upload or less. In addition, a proposed project area is considered eligible if 10% or less of serviceable units have access to service with no additional special construction costs from any provider as of the date of the application. Applicants are discouraged from overbuilding existing service areas in the proposed project area as this will lower the applicants' evaluation score.

Federal Funding

Project areas that have been awarded Connect American Funds II (CAF II) are not eligible for VATI. This type of federal funding cannot be used as match. However, local leverage dollars (provided by the provider and/or locality) to extend services to project areas beyond what is required by the Federal grant are encouraged. Federal funds can be used as match in cases where the funding partners with VATI jointly on providing service to a project area.

Multiple Applications

An applicant must submit one application per service provider. This does not limit a service provider from submitting an application with more than one unit of local government. This also does not limit units of local governments from submitting applications with multiple service providers, nor from including project areas that cross jurisdictional boundaries.

An applicant may designate separate Service Areas through a single application where:

- The applicant proposes to serve project area(s) that may or may not share contiguous boundary.
- The co-applicant (service provider) is the same for all the service area(s)
- The applicant can propose the use of different technology solutions in the single application
- If designating more than one service area in a single application, each service area must be clearly delineated and the required data and budget information must be provided.

Project Financing

Governor Northam has set a goal of providing financial assistance (gap financing) to supplement construction costs by private sector broadband service providers to extend service to areas that presently are unserved by any broadband provider. Consistent with that goal, applicants are encouraged to provide a co-investment. DHCD funding shall not exceed eighty-percent (80%) of the total project cost, but applicants should be advised that as this is a competitive program, projects with greater non-state match will be more likely to receive funding.

Internet Speed

VATI is designed to ensure that unserved areas of the Commonwealth have access to high speed broadband. Awarded applications will have broadband deployment speeds of at least 25 Mbps download and 3 Mbps upload. Projects proposing higher speeds in the most cost efficient manner will receive funding priority. In each case, the co-applicant will be required to demonstrate how their proposed technology solution will deliver the promised speeds in the proposed area once operational and how capacity will be aggregated in the network design.

Public Notice

All applicants are required to have issued a Public Notice detailing the proposed VATI project no later than Tuesday, August 6, 2019 at 5:00pm. Applicants must submit a copy of the Public Notice to DHCD at: vati@dhcd.virginia.gov. These notices will be posted by DHCD no later than Friday, August 9, 2019.

Challenge Process

Prospective challengers are strongly encouraged to contact and work with applicants directly and discuss the contested project area before submitting a challenge.

DHCD will post electronic copies of all submitted applications to the agency website within five business days after the deadline for application submissions has passed. Any private sector service provider wishing to request that DHCD deem a proposed project area as ineligible for VATI must submit a challenge with the information required in this section no later than 5:00 p.m. on October 9, 2019. DHCD will have 30 business days to validate a challenge.

Applicants will be notified if their proposed project area is being challenged. Applicants will have 15 business days from notification of a challenge to provide any additional information to DHCD. Providers choosing to challenge a submitted application must provide a signed and notarized Affidavit including the following:

1. Submit their current FCC Form 477 or equivalent
2. The incumbent provider is required to provide minimum/max speeds provided by their company in the proposed project area.
3. Number of serviceable units to which they provide the stated speed within peak interval.
4. Provide street level data of actual customers receiving service within the proposed project area. Provide the speeds those customers are able to receive. Planned service to the proposed project area will not demonstrate service for the purpose of a challenge unless State or Federal funds have been awarded and the provider has committed to providing service to the areas with these state or federal funds. Challenger must provide proof of funding commitment and commitment to serve the project area
5. The Department must receive all of the information referenced above or the challenge will be deemed invalid. The Department shall evaluate challenges that submit all of the information referenced above and determine if the challenger demonstrated that more than 10% of serviceable units in a proposed project area are serviceable at speeds above 10/1 Mbps as of the date of the application. Multiple providers may challenge a proposed project and challenges will be aggregated by the Department to determine percentage of serviceable units served by current providers in a proposed project area.

6. Challenges can be made to portions of the proposed project areas without invalidating the entire project. DHCD reserves the right to only invalidate a portion(s) of a proposed project area.
7. Separate challenges should be submitted for each application being contested.

The Department shall notify the applicant and challenger in writing if a challenge is deemed valid or invalid. All applications will remain in consideration until the received challenge evaluation has been completed.

Challengers are strongly encouraged to submit third party verified speed tests of challenged project areas for the technologies that can have variable speeds.

Implementation Deadline

In accordance with the goals of VATI, the applicants must demonstrate that their projects will be completed within twelve months after contract execution with DHCD, and must detail major benchmarks and timing of anticipated achievement of each benchmark. DHCD will consider an extended time horizon for larger project areas and extensions are readily available for projects that are being pursued diligently and become delayed due to circumstances outside of the applicants' control.

Applicants Must Demonstrate Organizational and Management Capabilities

To participate in VATI, applicant and co-applicant must demonstrate suitable organizational and management capabilities. To determine whether applicants meet this criterion, applicants and private sector partner(s), must submit the following documents and/or attest to each of the following:

1. Documentation that proposed project area is unserved based on VATI criteria;
2. Private Service Provider must provide proof that they have filed an FCC Form 477 for two years prior to submission of application. If provider has not been required to submit an FCC Form 477 in previous years, equivalent data must be provided.
3. Projects must be fully-financed, through a combination of the total requested VATI funds, committed funds from the Applicant or Co-Applicant, and in-kind resources;
4. Co-applicants must document current assets, (i.e. total amount of available cash and equivalents, callable capital, in an amount no less than the proposed committed funding, or a commitment letter for financing) in the amount of match funds committed for the project at the time of application;
5. Applicants must be in good standing in performance of any and all existing Commonwealth of Virginia contracts, and compliance with all federal, state, and local laws.

Proposal Due Date

Proposals are to be submitted on September 3, 2019 by **11:59 p.m.** Please note that DHCD offices close at 5:00 p.m. Staff will not be available to provide CAMS technical assistance after 5:00 p.m.

Proposal Evaluation Criteria

- **Demonstrated Need** — Unserved areas are defined as having broadband speeds 10 Mbps download and 1 Mbps upload or less.
 - Applicant must include the number of proposed serviceable units passed that are unserved at the time of application including residential, business and community anchors.
 - Take Rate, Adoption and Affordability- Demonstrate commitment to ensuring customers take the service through best practices in broadband adoption plan and commitment to plan implementation and reporting if awarded.
 - Meeting VATI Implementation Speeds—Project must meet minimum implementation speed 25Mbps/3 Mbps and will receive additional points for higher speeds.
- **Project Readiness** — The applicant and co-applicant must demonstrate readiness and capacity to successfully implement the VATI grant.
 - Leverage must be supportable and consistent with program guidelines. Local government co-applicants should demonstrate assistance to project that will lower overall cost and further assist in the timely completion of construction, including assistance with permits, rights of way, easements and other issues that may hinder or delay timely construction and increase cost.
- **Budget and Cost-Appropriateness** — Proposed construction costs must be supportable and consistent with program guidelines.
- **Commonwealth Priorities** - Additional points will be awarded to proposed projects that reflect Commonwealth priorities; these include regional/statewide significance, economic impact, and if the project fits into a larger broadband plan.

Request for Proposal Questions

Project Area

1. Explain why and how the project area(s) was selected. Describe the proposed geographic area including specific boundaries of the project area e.g.; street names, local and regional boundaries, etc. Attach a copy of the map of your project area(s). Label map: Attachment 1 – Project Area Map.
2. Describe your outreach efforts to identify existing providers in the selected project area. Provide a detailed explanation of how this information was compiled and the source(s). Provide a map and list of all existing providers (fixed and wireless), and speeds offered within the project area. Label Map: Attachment 2 – Existing Provider Map; Attachment 3 – Documentation on CAF Funding area

Project Need/Description

3. To be eligible for VATI, applicants must demonstrate that the proposed project area(s) is unserved. An unserved area is defined as an area with speeds of 10 Mbps/1 Mbps or less, and with less than 10% service overlap within the project area. Describe any anticipated service overlap with current providers within the project area. Provide specific information as to how you determined the percentage overlap. Label Attachment: Attachment 4 – Documentation unserved area VATI criteria **(up to 15 points)**
4. Provide the number of residential serviceable units in the project area(s). Describe the eligible premises that will be served by the proposed project and the basis for these projections. **(up to 35 points)**
5. Indicate the number of commercial businesses and community anchor institutions the proposed project will pass in the project area. Also indicate the number of home based businesses. Provide specific information.**(up to 15 points)**
6. Understanding that projected take rates are an estimate, provide the anticipated take rate for the proposed service within one year of project completion and describe the basis for the estimate. Also detail all actions (i.e. Marketing activities, outreach plan) to be implemented to reach the identified potential serviceable units within the project area. **(up to 10 points)**
7. For wireless projects only: Please explain the ownership of the proposed wireless infrastructure. Will the wireless co-applicant own or lease the radio mast, tower, or other raised structure onto which the wireless infrastructure will be installed?
8. Provide the proposed download and upload speeds for the project area. Detail whether that speed is based on dedicated or shared bandwidth, and the technology that will be used. This description can be illustrated by a map or schematic diagram, as appropriate.

Describe the Internet service offerings to be provided after completion of this project and your price structure for these services. The service offerings should include all relevant tiers. **(up to 25 points)**

9. Provide a description of the network system design used to deliver broadband service from the network's primary Internet point(s) of presence to end users, including the network components that already exist and the ones that would be added by the proposed project. Also describe specific advantages of using this technology. Provide a detailed explanation on how this information was compiled and source(s). For wireless projects, provide a propagation map including the proposed project. Label Map: Attachment 5 – Propagation Map Wireless Project

Project Readiness

10. What is the current state of project development (i.e. planning, preliminary engineering, identifying easements/permits, final design, etc.)? Prepare a detailed project timeline or construction schedule, which identifies specific tasks, staff, contractor responsible(s), collection of data, etc., and estimated start and completion dates. Provide any MOU's/MOA's (drafts are allowable), letters of support, etc. The timeline should include all activities being completed within 12 months of contract execution with DHCD. Label Attachments: Attachment 6 – Timeline/Project Management Plan; Attachment 7 – Relationship between Applicant/Co-Applicant; Attachment 8 – Letters of Support **(up to 25 points)**
 - i. If the partnership is formalized in a written agreement provide a copy of that agreement.
 - ii. If the partnership has not been formalized, provide a short description of the project management role, financial commitment, or other contribution to the project for the applicant and co-applicant and any additional partners.
 - iii. If applicant is not a locality(s) in which the project will occur, please provide a letter of support from that locality.
11. Matching funds: Provide a description of the matching funds the applicant and co-applicant will invest in the proposed project, (VATI funding cannot exceed 80% of total project cost). The Funding Sources Table must be completed. Label Attachments: Attachment 9 - Documentation of Match Funding; Attachment 10 – Funding Sources Table; **(up to 15 points)**
 - i. For each element of matching funds in the description, indicate the type of match (cash, salary expense, or in-kind contribution).
 - ii. Identify whether the applicant or co-applicant is responsible for providing each element of the proposed matching funds.
 - iii. Include copies of vendor quotes or documented cost estimates supporting the proposed budget.

12. Applicant and Co-Applicant: A description of the public-private partnership involved in the project. Detail the local government assistance: Local government co-applicants should demonstrate assistance to project that will lower overall cost and further assist in the timely completion of construction, including assistance with permits, rights of way, easement and other issues that may hinder or delay timely construction and increase cost. Provide detail if this project includes additional partners such as municipal providers, middle mile providers or investor owned utilities. **(up to 10 points)**
13. Identify key individuals, including name and title, who will be responsible for the management of the project. Provide a concise description of their role and responsibilities for the project. Present this information in table format.

Project Budget and Cost Appropriateness

14. Applicants shall provide a detailed budget as to how the grant funds will be utilized, including an itemization of equipment and construction costs and a justification of proposed expenses. Expenses should be substantiated by clear cost estimates. Label Attachment: Attachment 11 – Derivation of costs; Attachment 12 - Documentation of Supporting Costs; Attachment 13 – Supporting Documentation of Cost Estimates **(up to 10 points)**
15. The cost benefit index is comprised of three factors: (i) state share for the total project cost, (ii) state cost per unit passed, and (iii) the internet speed. From these statistics, individual cost benefit scores are calculated. Finally, the three component scores are averaged together and converted to a 30 point scale to form a composite score. Please provide the following 3 pieces of information:
 - a. Total State funding requested/Total Project cost
 - b. Number of serviceable units
 - c. Highest Residential speed available**(up to 30 points)**
16. A brief description of applicant and co-applicant's history or experience with managing grants and constructing broadband communications facilities in the Commonwealth of Virginia and elsewhere.

Commonwealth Priorities

17. Additional points will be awarded to proposed projects that reflect Commonwealth priorities. Please describe if the project fits into a larger locality or regional universal broadband plan. **(up to 15 points)**

Additional Information

18. Any other equitable factor that the applicant desires to include. Applicants are limited to four additional attachments. Label Additional Attachments as:
 - a. Attachment 14 – Two most recent Form 477 submitted to the FCC or equivalent
 - b. Attachment 15 – Copy of Public Notice
 - c. Attachment 16 – XXXXXXXX
 - d. Attachment 17 – XXXXXXXX
 - e. Attachment 18 – XXXXXXXX
 - f. Attachment 19 – XXXXXXXX

Definitions

Anchor Institutions – Enterprises (i.e hospitals, libraries, etc.) that are rooted in their local communities by mission, invested capital, or relationships to customers, employees or vendors.

Business – An organization or entity that provides goods or services in order to generate profit.

Digital Subscriber Line (DSL) – A technology for bringing high-bandwidth information to homes and small businesses over ordinary copper telephone lines

Eligible Project Costs – Expenses eligible for reimbursement under the VATI grant

Fiber-to-the-Home (FTTH) – A network that delivers internet service over optical fiber directly to an end-user home, business, or other Unit

Fixed Wireless – Wireless devices or systems that are situated in fixed locations

Hybrid Fiber Coaxial (HFC) – A broadband network combining optical fiber and coaxial cable

Last-Mile – Components of a network that provide broadband service to end-user premises or devices through an intermediate point of aggregation (*e.g.*, remote terminal, fiber node, wireless tower, or other equivalent access point)

Middle Mile – Network components that provide broadband service from one or more centralized facilities (*e.g.*, the central office, the cable head-end, the wireless switching station, or other equivalent centralized facilities) to an Internet point of presence

Peak Interval - Weekdays from 7:00 pm – 11:00 pm local time.

Served - Properties that currently have access to internet speeds from a wireline or wireless facilities-based provider at higher than 10/1 Mbps

Service Area – Refers to the geographic territory in which an applicant has proposed to provide service

Serviceable Units – Properties that are eligible for broadband service without additional special construction costs from the property owner/subscriber

Street Level Data – address ranges or specific addresses from an existing provider along with the existing number of customers within those ranges. No personal information of specific customers will be requested.

Unserved – Properties that currently have access to internet speeds at 10/1 Mbps or less.

List of Required Attachments

1. Map(s) of project area, including proposed infrastructure
2. Map(s) or schematic of existing broadband providers (inventory of existing assets)
3. Documentation that proposed project area is not designated for Connect America Funding (CAF)
4. Documentation that proposed project area is unserved based on VATI criteria
5. Propagation Map if Wireless Project
6. Timeline/Project Management Plan
7. Documentation of relationship between applicant and co-applicant (formal or informal)
8. Letters of Support
9. Documentation for in-kind contributions, including value(s)
10. Funding Source Table
11. Derivation of Cost (Project Budget)
12. Documentation supporting project costs (i.e. vendor quotes)
13. Supporting documentation for costs estimates
14. Two most recent Form 477 submitted to FCC
15. Copy of Public Notice