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America's Infrastructure Future Hinges on New Partnerships

Local jurisdictions are searching for new partners and approaches to update infrastructure. But there are no silver bullet solutions.

Amid fundamental shifts in U.S. government priorities, cities and states find themselves on the front lines of change like never before. This includes pursuing bold, new ways to modernize the infrastructure that supports growth and enhances quality of life.

Given the great need to modernize America's crumbling infrastructure and close a gap measured into the trillions of dollars, mayors, governors, and a huge majority of the public had hoped Congress would provide long-term solutions. But new tax laws and proposed changes to federal funding that place greater burdens on local jurisdictions have them searching for new partners and approaches to update roads, bridges, airports, ports, and other critical public facilities.

Where needs are most acute, frustrated taxpayers have stepped up. Voters from Los Angeles to Seattle to Atlanta recently approved more than $200 billion in additional sales taxes to fund ambitious transit projects to improve mobility and ease economic friction. Elsewhere, ballot measures hope to find money to expand broadband internet, increase affordable housing, and improve water systems.

Other local jurisdictions are turning to the private sector—investors, pension funds, and dedicated infrastructure funds—and exploring public-private partnerships (P3s) or tapping private sources of money as a way of addressing complex, large-scale projects. As examples, Virginia's HOV toll-lane project on the Beltway received a private funding boost; Pennsylvania bundled and rebuilt more than 550 rural bridges in a $900 million P3 program; La Guardia Airport, the nation's largest P3, is undergoing a $4 billion facelift; and New York and New Jersey are reconstructing the Goethals Bridge with the help of an Australian bank.

While prospects for national infrastructure legislation remain uncertain, the federal government has provided a small bump in infrastructure funding. It also plans to speed up decision-making to cut down the time it takes to finish projects, making them more attractive to the private sector.

There are no silver bullet solutions.

What's required is a combination of approaches aligned behind a strong vision, innovation, a conducive regulatory environment, and willing partners in the private sector who can rise above complicating factors to build trust that leads to confidence in proceeding.

Here are five approaches that can unlock wider private-sector participation and help local jurisdictions reduce the infrastructure gap:

- Share returns through properly managed public-private partnerships that transfer the life-cycle costs of infrastructure away from public-sector budgets and create investable assets for the private sector. The P3 market in the U.S. is growing as concession terms become standardized and valuation transparency is enhanced from higher transaction volumes. This approach has been successful for decades in countries such as Australia and Canada.
- Band together as regional authorities. Cities in growing urban regions can benefit through shared governance structures that take a longer-term and more expansive view of infrastructure needs. The role of these authorities can spur P3 activity by encouraging enabling legislation, prioritizing projects, and interfacing between procurement agencies and private capital sources.
- Recycle assets. Leasing government-owned assets, like airports, to private companies, can generate new revenues for infrastructure development and maintenance.
- Connect to what matters. Specialized bonds, such as social and green infrastructure bonds, can reframe and focus financial returns on issues of importance to the public and deliver capital resources to urban infrastructure.
- Humanize infrastructure. Convey the power of infrastructure to improve lives—creating new economic opportunities; relieving congestion; and enhancing environmental sustainability—to build a local base of support that reduces political risk, attracts capital, and realizes projects that people love.

This year, AECOM will partner with the Milken Institute to examine ways to engage and accelerate new forms of capital that attract investors to the infrastructure space and explore innovative value-capture mechanisms to close the funding gap. The discussions will focus initially on efforts in Los Angeles, Chicago, New York City, and London, bringing together interdisciplinary leaders, including governments, researchers, policymakers, financial institutions, and industry experts. The goal is to generate effective, market-based, and implementable solutions that can be applied to these cities and others worldwide.

While local jurisdictions hoped the U.S. Government would deal them a better hand, they can't fold and move on. They own the responsibility of advancing change and providing infrastructure and services that support community well-being and growth. The private sector, which benefits from their efforts, can and must play an important, enabling role.

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