



# A CALL FOR INVESTMENT TO SAVE THIS REGION'S INFRASTRUCTURE



Mitchel B. Wallerstein, President of Baruch College, CUNY

The call to revitalize the region's crumbling bridges, roads, trains and energy grid gathered momentum and focus this month as prominent leaders from business, labor, academic and policy arenas convened at the William and Anita Newman Conference Center to promote innovative new methods for funding infrastructure projects. The March 14 event was attended by over 300 people, indicative of the importance and urgency of the subject matter being addressed.

The conference, **"Banking on the Future: A New Paradigm for Rebuilding our Nation's Infrastructure,"** was co-hosted by the Steven L. Newman Real Estate Institute at Baruch College and Manhattan Borough President Scott Stringer as a platform to advance bold and practical solutions to the current funding crisis, including the creation of a regional or national infrastructure bank.

"Infrastructure is vital to the health of our region's economy now and well into the future," said Mitchel B. Wallerstein, president of Baruch College, in introductory remarks.

Infrastructure banks, which use government dollars in the form of loans, tax credits, insurance, guarantees, bonds or direct subsidies to leverage much larger sums of private capital, stand to significantly boost investment in public works while stabilizing funding streams, a growing number of proponents say.

Conference participants, including Edward G. Rendell, the former governor of Pennsylvania, U.S. Rep. Jerrold Nadler, Democrat from New York, and Bernard L. Schwartz, chairman and CEO of BLS Investments, among others, called the creation of an infrastructure bank to back critical upgrades not just feasible, but necessary.

Decades of disinvestment have left the country with a backlog of \$2.2 trillion in needed infrastructure repairs, according to a recent estimate by the American Society of Civil Engineers. Congestion and dilapidation throughout the New York region compromise both safety and productivity. According to one recent report, some 66 percent of New York City bridges and overpasses were classified by the New York State Department of Transportation as "functionally obsolete," while another 11 percent were declared "structurally deficient."

"Our streets and bridges are in woeful need of repair. Our antiquated energy grid teeters on the brink every summer, and our trains don't move nearly fast enough," Stringer said. "What's needed is innovative thinking, and a plan of action that can restore the legacy of New York and its surrounding region as a place that tackles big projects – on time and on budget!"

Indeed, conference participants said the country's declining infrastructure puts the U.S. at a competitive disadvantage going



Manhattan Borough President Scott M. Stringer

forward with countries that are now making substantial, strategic investments to modernize and grow their economies.

“We’re not talking about a stimulus bill, but a way to create jobs and compete with other economic power centers,” said U.S. Rep. Rosa DeLauro (D-Conn.), one of six speakers at the conference’s plenary session. DeLauro noted that while transportation is at the “heart and center” of the debate, a federal or regional infrastructure bank should also finance upgrades of water, energy and telecommunications systems and expand broadband networks.

Both the Newman Institute and the Manhattan Borough President argue that the need to identify innovative funding solutions is increasingly urgent amid soaring state and federal budget deficits. And conference participants such as Christopher O. Ward, executive director of the Port Authority of New York and New Jersey, noted during the plenary session that other financing mechanisms, including proposals to levy dedicated fees to support airport renovations and expansions, for example, have failed to gain political traction.

Policymakers and financiers at the conference asserted that public funds dedicated to an infrastructure bank could leverage several times their initial investment in private capital.

Felicity B. Gates, co-head of Citi Infrastructure Investors and a participant in the plenary session, called infrastructure investments a “good match” for long-term investors such as pension funds, for example.

Schwartz argued that strategically structured financial incentives would likely attract vast streams of now uncommitted private capital to back infrastructure projects. Moreover, he noted, there are millions of unemployed and underemployed Americans “with no program - Republican or Democrat - to put them back to work, “ who are available to build them.



Honorable Steve J. Israel

“Is this a national priority? It should be,” he concluded, adding that an infrastructure bank would complement current allocations by local, regional, state and federal governments, not replace them.

Indeed, the infrastructure bank has growing support from a diverse coalition, including labor unions and the U.S. Chamber of Commerce, DeLauro noted.

In his recent budget proposal, President Barack Obama has called for the creation of a National Infrastructure Bank capitalized with \$30 billion in initial funding over a six year period. DeLauro, together with U.S. Rep. Steve Israel, Democrat of New York, and others, earlier introduced the National Infrastructure Bank Development Act of 2011.

Proponents of the bank say it would insulate projects from the ebb and flow of politics, provide a stable investment environment for the private sector, and guard against fluctuations in funding due to political factors.



Mitchell L. Moss moderates the plenary session.



Bernard L. Schwartz comments on the importance of infrastructure.

In addition, it would further depoliticize the environment around projects viewed skeptically by some as wasteful earmarks by putting investment decisions in the hands of financial experts who would pick them on the basis of merit. Under the DeLauro and Israel bill, the President, with the advice and consent of the Senate, would propose a board of director to oversee projects. Below the board would be a 19-member executive committee, a five-member risk management team, and a five-member audit team.

"The bank should back projects of regional and national significance," Rendell said, noting the need to change what he called the current formula, in which transportation funds are allocated on the basis of which elected representatives "have the most power."

Ward noted that the public had lost confidence in government's ability to undertake large, important public works projects and bring them in on budget.

To rebuild public confidence and ensure that projects critical to the country's future success are funded and completed, a regional or national bank would need to be structured so that it could finance a range of projects, from emergency repairs, to long-term strategic replacements to large scale transformational projects, conference participants said.

For some projects, there would be a clearly designated revenue stream from fees and tolls, for example, to pay back investors. But other important public works projects, without the ability to generate revenues, would require a larger investment of public dollars at the start.

In those cases, Rendell noted, the government can supply "a cushion" to reassure private investors.

And Schwartz recommended issuance of long-term bonds that typically come with a higher yield than shorter term instruments.

Following the morning plenary session, moderated by Mitchell L. Moss, director of the Rudin Center for Transportation Policy and Management at New York University, breakout sessions focused on clean energy, transportation and high speed rail, private and pension fund investments in public works and the impact of infrastructure investments on employment.

The Manhattan Borough President's office plans to issue a report calling for the creation of a regional or national infrastructure bank that that includes "a financial and legislative roadmap that, together, we can all get behind," based upon input from the conference's participants.

And while there is growing support for such a bank, a substantial educational process lies ahead, commented Jack S. Nyman, director of the Newman Institute.

"We know it's time for fresh thinking. We know the challenge is not only to design new financing models but to sell them – and I mean 'sell' in the deepest sense of civic education," Nyman noted. "We must help every sector of our economy genuinely understand its own stake in infrastructure issues, and we must engage all sectors fully in building support for new financing models over the long term."



Honorable Steve J. Israel, Felicity B. Gates, Honorable Rosa DeLauro, Manhattan Borough President Scott M. Stringer, Honorable Jerrold Nadler, Honorable Edward G. Rendell, Bernard L. Schwartz, Christopher O. Ward, Mitchell L. Moss

These are priority issues for the Newman Institute, which has hosted nine conferences related to infrastructure financing and development, focused on modernizing the regions' airports, freight distribution and transit systems, among other topics, over the past two years alone.

"We're committed to advancing our region's infrastructure agenda, through collaborative research projects and public events for years to come," Nyman said. ■