



# Advancing Public Infrastructure in a Time of Change and Uncertainty



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# America's Infrastructure Crisis



- US infrastructure needs are estimated at over **\$7.7 Trillion** by 2030 (**\$4.7T by 2025**) just to keep pace with GDP (OECD/WEF)
- (ASCE) 2017 report card assigns an overall **grade of D+** to the Nation's major infrastructure.
- ASCE score card does not contemplate all infrastructure categories, nor does it distinguish between federal, state and local assets.
- Crumbling infrastructure is a threat to American standard of living and country cannot afford to defer investment any further (every dollar of deferred maintenance costs taxpayers \$4-\$5 in future capital expenditures).
- Facing debt ceilings and budget constraints, federal, state and local authorities have limited resources to devote to capital and operational expenditures, while users are increasingly facing affordability and capacity-to-pay issues.



Source: ASCE Infrastructure Report Card 2017

## But challenges go beyond funding...



### *Infrastructure delivery system is flawed*

- Public confidence gap in infrastructure delivery
- Limited life-cycle asset consideration
- Public sector retaining excessive delivery and performance risk (to the detriment of taxpayers and ratepayers)
- General lack of incentivized performance
- Excessive regulatory and administrative burdens unnecessarily increase costs

### *Taxpayers and ratepayers deserve a better deal*

- Need to leverage alternative finance and delivery modalities
- Linking funding (and financing) to infrastructure delivery and performance
- Growing focus on optimizing the return on public investment in infrastructure

**Of all of the world's megaprojects,  
9 out of 10:**

Overrun their budget   


Are delayed   


Don't deliver the expected benefits   


Source: Bent Flyvbjerg, University of Oxford Saïd Business School

P3 value proposition lies not in the financing of infrastructure (although that can be helpful), but in aligning incentives and optimizing risk transfer to deliver infrastructure in a timelier and more cost-effective manner.

# “Building America’s Infrastructure”

## Trump Infrastructure Plan - \$1.5 Trillion over 10 years



- *\$200 Billion in Federal Funds to generate \$1.5 Trillion in new infrastructure investments*

### FEDERAL FUNDING



**\$100 Billion**

**Incentives  
Program**



**\$20 Billion**

**Transformative  
Projects  
Program**



**\$10 Billion**

**Federal Capital  
Revolving  
Fund for real  
property**



**\$50 Billion**

**Rural  
Infrastructure  
Program**

### CREDIT PROGRAMS



**\$20 Billion**

- \$14B to expand existing programs (TIFIA, WIFIA, RRIF, Rural Utility Lending)
- \$6B to expand PABS

### NON-FEDERAL FUNDING



**\$1.3 Trillion**

**Funding from state and  
local authorities (tolls,  
taxes, asset recycling,  
etc.)**

- *Public Lands and Federal Assets*
- *Improving Infrastructure Permitting*



## Impact on P3 Market?



*Trump Plan is something of a Rorschach Test.*

### *Tailwinds*

- Some efforts to balance the playing field and reduce constraints on P3;
- Proposed expansion of PABs supportive of private investment;
- Monetization and asset recycling highly encouraged;
- More broadly, however, the plan is mostly delivery-neutral.

### *Headwinds*

- “*Hunger Games*”: Competition for federal funding under this plan would likely push for quicker decisions and contracting (to the disadvantage of P3)
- Affordability issues will be paramount to state and local authorities at a time when P3 value proposition under fire due to rising return requirements and financing premiums;
- Although significant private capital exists, only an estimated 10% of private infrastructure funds looking to invest in public assets;
- Private sector preference for existing assets at time when some in public sector can ill-afford to forgo revenues;
- Potential political / public pushback



## What to expect?



- Infrastructure plan contains no real surprises.
- Aims to transform federal infrastructure funding, allocating much greater responsibility to states and local authorities, while attempting to streamline entire process.
- However, no funding source has yet been identified for the US\$200 billion in federal money being proposed for infrastructure (and many suspect it's mostly sourced from cuts to other programs, including key transportation programs).
- State and local authorities will be challenged to find funding sources for \$1.3 trillion to meet their cost-share, as well as ongoing funding for O&M.
- Role of private finance and delivery is still to be determined, although continued organic growth in certain sectors is certainly expected in the short-term. If Trump plan is implemented, this growth could increase in certain sectors.
- Plan is just the beginning of the infrastructure debate and there is little certainty as to what might emerge from Congress (or when). Hearings underway this week.



# Advancing Projects in a Time of Uncertainty



*So what can you do? DON'T WAIT...*

- P3 is not free money and funding sources, especially at the State and local level, remain the key question mark.
- Creativity in identifying funding sources
  - User/usage fees
  - Budget based payments
  - Asset monetization and value capture
  - Capitalized savings
  - Public Offsets and Support (tax credits, grants, etc.)
- Affordability concerns will mandate objectivity in determining the appropriate finance and delivery approach for each project
- Imperative of life-cycle asset management
- P3 industry must do its part to validate value proposition and demonstrate public benefit of P3 approach







Thank you

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