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Infrastructure investment: a great rate of return for our future

By TONY PAUKER AND MARY LYDON
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In April 2007, the Urban Land Institute published "Infrastructure 2007: A Global Perspective."

The report gives an overview of the state of our nation's infrastructure and some of the emerging solutions for the declining state of highways, bridges, water, electricity, airports, subways, rail and fiber optics within major cities throughout the world.

It was a call for action, emphasizing that we shouldn't wait for our bridges to collapse before moving forward. Tragically, that admonition rang true with the collapse of the 35-W Interstate Highway in Minneapolis last month.

Investment in infrastructure remains a touchy subject because it requires more fees and/or taxes and any discussion of future needs means we have to embrace growth.

Besides being politically unpopular, infrastructure needs are decades into the future, well past the current election cycle.

Consequently, the focus is often on how to restore what we currently have and not on rethinking the model and finding efficiencies for a problem that costs billions to solve.

The city of San Diego estimates the existing unfunded infrastructure deficit is between $2 billion and $3 billion. This does not include future needs or the needs of the remaining 17 cities in the county.

We need a big picture approach to finding solutions for funding future infrastructure needs.

A great way to start would be a regional plan that examines our realistic growth and evaluates our needs in terms of highways, transit, zoning, commerce and exit interchanges.

SANDAG's Smart Growth Map -- which identifies nodes of transit-oriented development -- gives San Diego a running start for defining where infrastructure and density is best suited.

One of the best examples of the need for regional solutions are the tremendous water challenges the entire Southwest faces from drought, agribusiness, water run off and the purity of aquifers.

Our main sources of water, the Colorado River and the Bay Delta, are diminishing due to environmental issues, run- off and decreased snow mass from increased carbon dioxide emissions.

At the same time, we are faced with almost 100 miles of coastline begging for a desalinization facility.

We've done a good job of increasing water efficiencies indoors and now the focus needs to move outdoors, specifically around landscape management and hydropower technologies.

Conservation and "smart" watering systems might appear simple to implement, but the bottom line is that major changes in the way we live and do business are required of everyone and that is difficult to achieve.

Take the future of San Diego's agribusiness. The cost to farming is now driving farmers out of business, a move that could greatly diminish our food supply and its safety.

Solutions to all of our infrastructure concerns might be to implement user fees, which will make people, think more about their lifestyles. When people understand the true cost they adjust accordingly.

Privatization and public/private partnerships could spawn higher gas and sales taxes, special district taxes, property taxes, parking space tax, etc., forcing users to make economic choices that will fund infrastructure.

But while we look to our future needs, how do we simultaneously solve our existing infrastructure deficits?

We cannot expect the state or federal government to bail us out of this predicament. All of us cannot afford to abandon older communities which typically have the greatest deficits and move into greenfield developments

with sparkling new roads, sewers and public parks.

Is the private sector an answer? Privatizing infrastructure in the United States is nothing new, but there are many new funds, sponsored by global investment banks, private equity firms and institutional money managers who are looking to place money from pension funds, insurance companies and high net-worth individuals into infrastructure investments.

These funds are a new asset class that offers secure, long-term cash flows, inflation protection and opportunities for reducing overall portfolio volatility and risk.

In San Diego, the new state Route 125 toll road is a great example of a public/private partnership, which may become a model for future roadway financing strategies.

In 2050 we will either be able to look back at this pivotal time and see clearly the decisions and commitments that we made for the good of all that created a region that is environmentally sound, economically feasible and socially equitable or we won't be able to look back at all because we won't be here.

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