

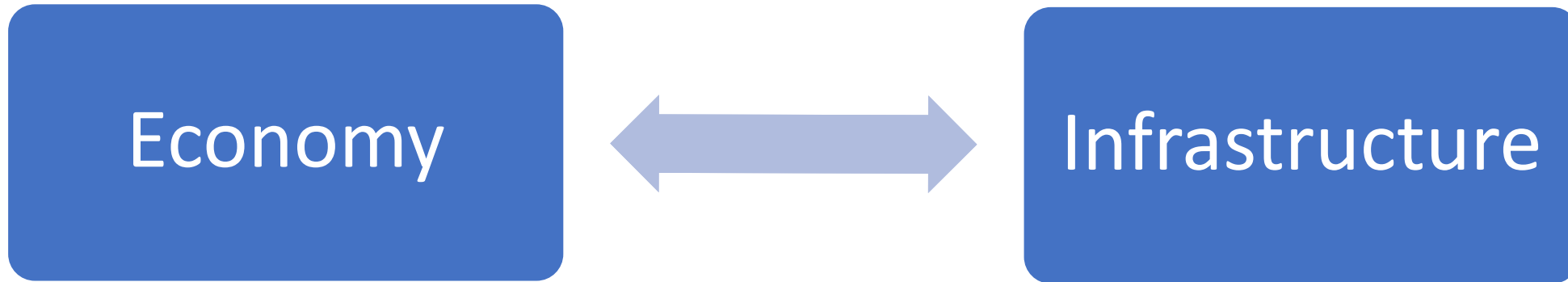
# Infrastructure & Public Investment

11.438 Economic Development Planning

Jeff Levine, AICP

*“The hallmark of an advanced economy is actually a larger public sector, or, in a word, more infrastructure of all types.” – Marshall, The Surprising Design of Market Economies, p. 118*

*“Lose your car to a thief and government is your friend. Park your car in front of a fire hydrant and government is your enemy.”* – Marshall, The Surprising Design of Market Economies, p. 177



Wagner's Law (Adolph Wagner): *"The advent of modern industrial society will result in increasing political pressure for social progress and increased allowance for social consideration by industry."*

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# “Infrastructure”



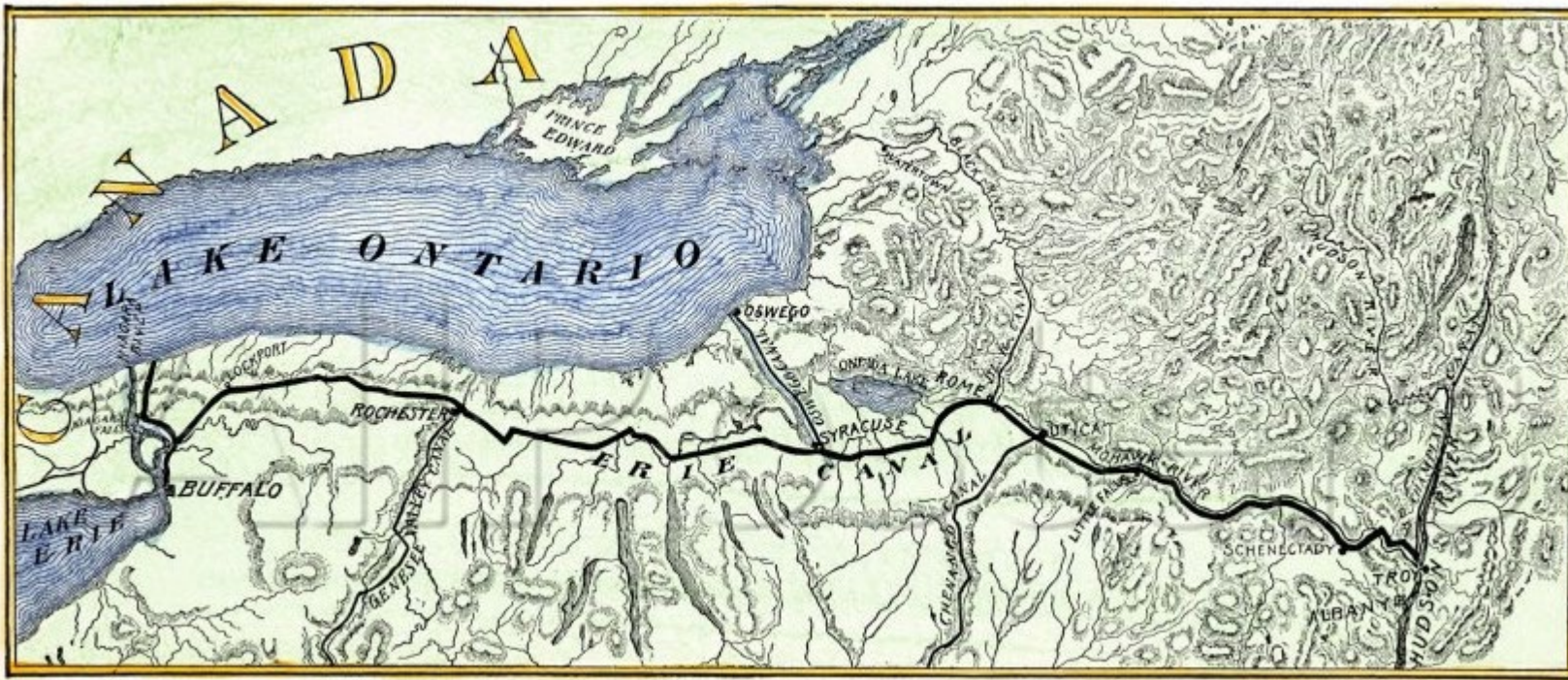
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# Erie Canal: 1817



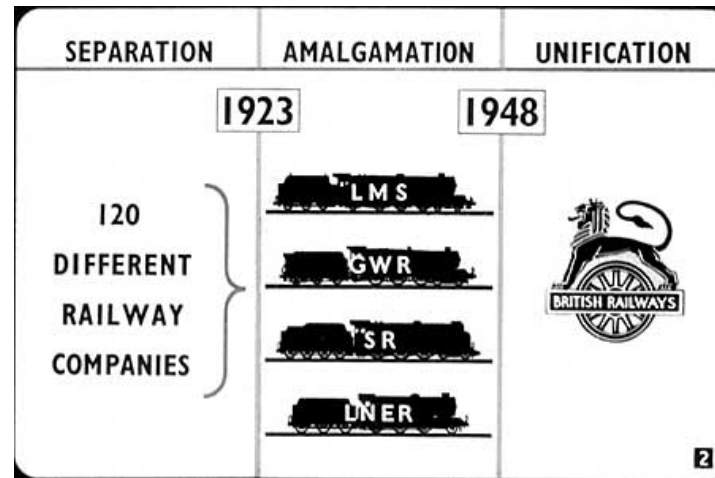
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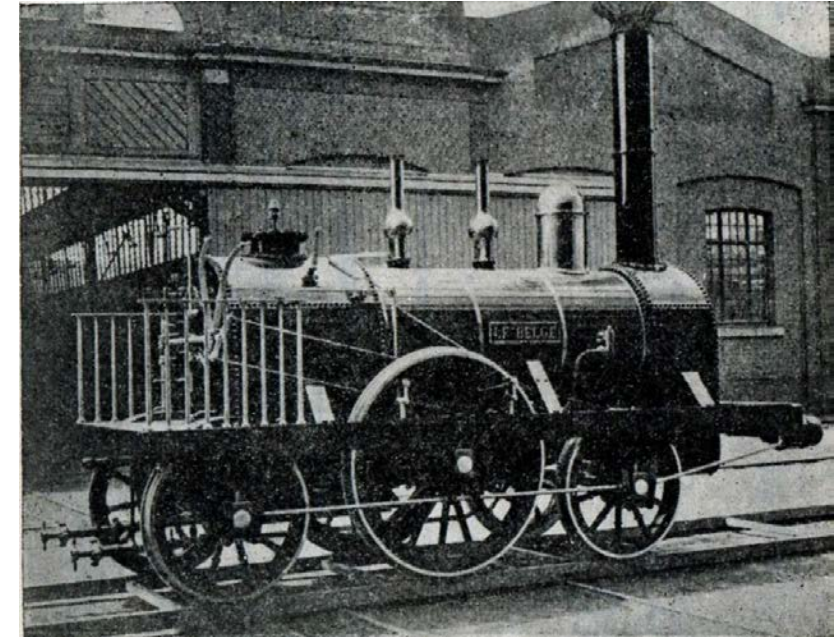
# Railroads – Public Good?



USA  
Private



UK  
Mixed



Belgium  
Public

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# Roads: A Public Good!



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# Economies of Scale & Natural Monopolies

- High barriers to entry and/or economies of scale
- Cost of competition outweighs benefits
- Can be sources of market failure
- Often regulated (not always)



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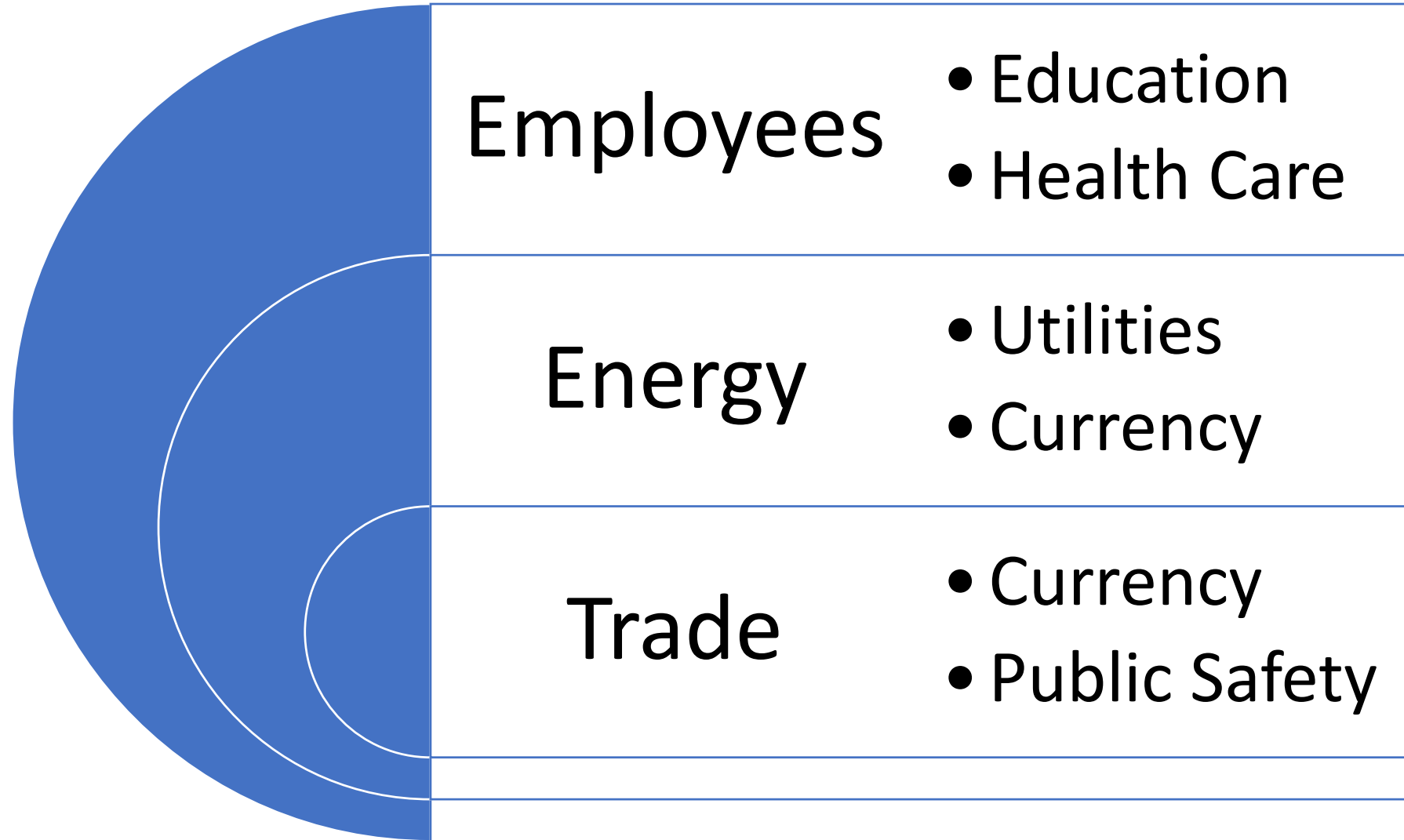
*“If you were successful, somebody along the line gave you some help. There was a great teacher somewhere in your life. Somebody helped to create this unbelievable American system that we have that allowed you to thrive. Somebody invested in roads and bridges. If you’ve got a business — you didn’t build that. Somebody else made that happen. The Internet didn’t get invented on its own. Government research created the Internet so that all the companies could make money off the Internet.— Barack Obama, July 13, 2012.*



“You Didn’t  
Build That”

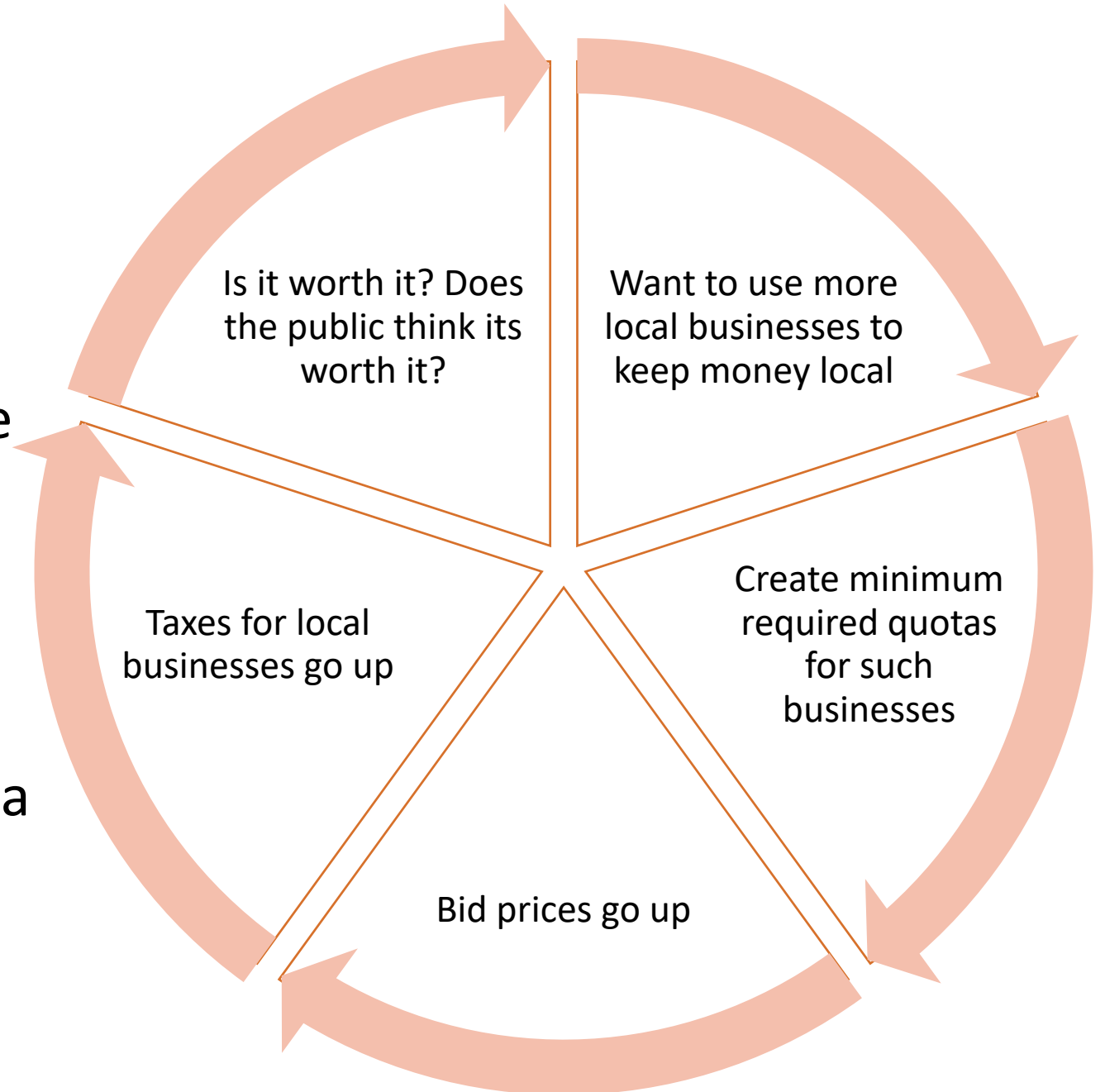
but...

Maybe You  
Directed &  
Produced It



# Why Planners Care

- Once you understand the public actions that set the stage for the private market, you can affect the private market
- Be careful of unforeseen consequences, this is a system
- There also can be negative impacts but its still worth it if it's a net positive intervention
- Who decides?



# NEW MIXED USE TRANSIT ORIENTED DEVELOPMENT



| MARKET ISSUE                   | ACTION                     | POSITIVE EFFECTS                   | NEGATIVE EFFECTS                 |
|--------------------------------|----------------------------|------------------------------------|----------------------------------|
| Needs sewer and water upgrades | TIF district               | Benefits area not just development | Opportunity cost of lost revenue |
| Needs transit line extension   | Federal Small Starts grant | Creates value along corridor       | Operational costs absorbed       |
| Zoning limits density          | Rezoning                   | Allows node of development         | Does it hurt downtown?           |
| Nearby roads failing           | Roadway improvements       | Vehicle safety and flow            | Encouraging sprawl?              |

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# SMALL BUSINESS INCUBATOR



| MARKET ISSUE               | ACTION                           | POSITIVE EFFECTS                         | NEGATIVE EFFECTS                      |
|----------------------------|----------------------------------|--|---------------------------------------|
| Needs operating assistance | TIF credit enhancement           | Allows shared benefit of new tax revenue | Potential loss in revenue for city    |
| Bad bike/ped access        | Build mixed use path             | Safer access to site                     | Is this the best place for one?       |
| No parking for employees   | City leases lot for below market | Easier to attract tenants                | Encourages driving and ties up spaces |
| Electric grid in area poor | Infrastructure grant to upgrade  | Improves grid for whole area             | Opportunity costs of grant            |

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# LOCALLY OWNED BOOKSTORE



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| MARKET ISSUE                    | ACTION                     | POSITIVE EFFECTS          | NEGATIVE EFFECTS                  |
|---------------------------------|----------------------------|---------------------------|-----------------------------------|
| Access to capital               | Small business loan        | Store can expand          | What if they don't make payments? |
| Lighting on street is poor      | Public Works adds lights   | Placemaking               | Who else wants a light?           |
| Public schools buy books online | Local purchasing ordinance | More sales for this store | Increased costs means fewer books |

# PLANNED DEVELOPMENT DISTRICT



Legend  
● Evaluate    ● Transform    ● Enhance     Priority Corridors

| MARKET ISSUE           | ACTION                   | POSITIVE EFFECTS          | NEGATIVE EFFECTS           |
|------------------------|--------------------------|---------------------------|----------------------------|
| No sense of place      | Fund placemaking         | Improved sense of area    | “If you build it...?”      |
| Utilities lacking      | Area-wide TIF            | Borrowing “for free”      | Risk if it doesn’t work    |
| Public Safety Concerns | Target area for the beat | Safer streets in district | Cops taken off other beats |

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