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## **Time to pay the piper and bring infrastructures up to meet the needs of the 21st century**

July 30, 2015 - Spotlights

With Greece on the brink (brink of what?), China's stock market having crashed, and the U.S. economic recovery still very tepid, what is important for the remainder of 2015 and into 2016 when New Hampshire will be plagued by too many politicians, promising too many things as they all run for one sought-after position (that no one in their right mind would want)?

Well, after careful consideration and hundreds of miles of driving around on my daily duties, I think the answer is infrastructures. Here in Concord, we have one of those red-listed bridges a quarter mile from my house being replaced. But to get to that bridge, I have to drive over one of the worst city streets, pockmarked with potholes. At the same time, the city of Concord is spending \$10+ million to rebuild its Main St. in the downtown core (they should be spending \$14 million to do it right). All of this project is contemplating "revitalization" which will not happen just because they built it (they will not necessarily come...). There needs to be recruiting of new businesses now, before the project is complete, to fill empty storefronts and upper stories to get to increased activity levels desired.

The point is in these summer months one does not need to look far to see construction equipment and workers going full tilt. But is it enough? Is it the right project(s)? Will it stimulate our economy (after the paint dries)? The quick answer is - it is a start. In 1925 after graduating from college in Boston, my father and his roommate of three years drove across the country to Butte, Montana in a used Model A. It took 91 days as only 10% of the roads were paved and bridges were scarce (not to mention the car broke down every other day). Nearly 100 years later, it is hard for us to fathom (Boston to Butte, now is 4 - 5 days max). Cars became ubiquitous and roads were built to accommodate them (not to mention trucks carrying freight). After World War II, the Eisenhower Interstate System (the Defense Highway Act) was initiated. Thousands of miles of interstate were built with tens of thousands of bridges. There is no question this augmented a tremendous economic boom. Alas, 50 to 60 years later much of these constructions are at the end of their economic (and safe) lives. Funding is a big issue. Gas taxes, both state and federal, should be funding these repairs and replacements (in economics, it is called the "those who benefit shall pay" principle). Alas, over the years politicians have raided the trust funds and dedicated accounts and shortsighted politicians and leaders have not supported increasing gas taxes to keep up with the rising costs and dramatically increasing scope. The Counselors of Real Estate (CREs) have listed the deteriorating infrastructures of the U.S. as a top 10 real estate issue.

What to do? Well, as an imminent retiree, the ~1% return from savings is not going to get it done. So we should create an infrastructure bank (or agency) that can issue tax-free bonds (both state and federal) yielding 3% to retirees. Perhaps it is a private or public/private venture to start, but in time it could mimic Sallie Mae, Freddie Mac, etc. Retirees get some badly needed yield from their

retirement savings, the states and the feds do not have to raise gas taxes too dramatically, projects are funded by "buying" bonds which amortize over the useful life of the improvements. Jobs are created and those workers spend money. The economy gets a boost. But who pays for these improvements? There are several models both public and private. Some will need to be paid by all, while others can be based on user fees (that economic principle is "those who benefit shall pay"). At the end of the day, the capital dollars flow to the projects that need to be done, those improvements make us all more productive (not to mention less stressed). Felix Rohatyn and others have been beating this drum for decades (so far to little or no avail).

Just the other day, I drove on the recently renovated section of I-93 in Bow over I-89 (whose bridge has been rebuilt). What a pleasure! Safe, clean, smooth - the way the road was designed before we underfunded routine maintenance. It is time to pay the piper and bring our roads, highways, bridges, Main Streets, sewers, water and storm water systems and utilities up to snuff to meet the needs of the 21st century. Just yesterday, a 51-year-old fire hydrant "rotted" out resulting in the water being shut off to downtown businesses in Concord. What was the economic impact of that? We can't keep kicking this can down the road.

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