

November 2020

HOT TOPIC ALERT

Infrastructure



Infrastructure forms the backbone of any community, providing systems and services that are essential for healthy, prosperous neighborhoods. The many different types of infrastructure, from transportation networks to public utilities to broadband Internet, require different solutions for maintenance and development. Infrastructure issues are complex. The ways of dealing with these issues vary from region to region.

In this Hot Topic Alert, we provide a current snapshot of infrastructure issues and the policies that can affect the infrastructure within a community. We provide an overview of the different types of infrastructure, and then summarize some of the state and local policies that govern infrastructure, including ownership of that infrastructure and its funding and maintenance. We also show how REALTORS® can influence infrastructure policies that affect the housing market in their communities.

WHAT IS INFRASTRUCTURE?

The term “[infrastructure](#)” includes many of the systems and services within an area or region, including the communities in that region. As a result, the presence and quality of infrastructure impacts property owners and property values. From roads to the Internet “super highway,” infrastructure systems help communities stay connected and add value to both residential and commercial property.

Generally speaking, any facility, system, or service that provides a tangible economic [benefit](#) to a community may be called “infrastructure.” This includes physical systems such as transportation networks and public utilities, often referred to as “[hard infrastructure](#).” By contrast, “[soft infrastructure](#)” refers to facilities or systems that provide social support or economic services, including banks, schools, entertainment facilities, and public spaces.

When people think of infrastructure systems, they often think of [transportation networks](#), and with good reason. Most of us use transportation infrastructure every day, and the ability of a community to provide reliable and efficient transportation options increases the desirability of living in that community. [Transportation infrastructure](#) includes roads, highways, and bridges, as well as bridges, tunnels, and other support structures placed on roads. Bicycle lanes or paths and sidewalks are also a part of infrastructure, since they allow for the easier movement of individuals around the community.

Transportation infrastructure includes [public transportation](#) options as well. [Mass transit](#) solutions such as subways, commuter rail, commuter ferries, and light rail are the norm in large cities and other areas with a higher density of population. These systems are often essential for the movement of people and goods within a community or region.

[Utilities](#) form another category of “hard” infrastructure. These may be public or private, depending on the community. Most communities have at least some [publicly-owned utilities](#) such as electricity, water, and sewage. These utilities provide basic services necessary for a community, namely, accessible and on-demand power, safe drinking water, and removal of waste. This type of infrastructure also includes the necessary systems that enable utilities to provide service to residents. For example, electrical utilities require an electrical grid, distribution systems, and generation plants to provide power. Water utilities require water filtration plants, reservoirs, and a network of pipes to deliver water to homes. Communities without a centralized water distribution system may instead rely on private [wells](#) to provide safe drinking water. Waste removal utilities require a sewer system, a fleet of vehicles for residential trash or recycling collection, and landfills or other waste disposal facilities. Many rural and exurban communities also rely on [on-site waste disposal systems](#), such as private septic tanks for holding sewage.

Additional utilities are often [privately-owned](#) and run on a for-profit basis. For example, community residents pay subscription fees or other monthly fees for premium television services, such as cable TV, and for Internet or broadband service. Telecommunications providers that provide telephone service and cellular service are another type of privately-owned utility. These private utilities also rely on an often-hidden network to provide services to users. Television and radio providers require transmission stations to function, and Internet service providers require servers, routers, and often specialized cables to bring the World Wide Web into homes. Some localities are piloting [municipal broadband](#) Internet deployments in order to help ensure more universal access to Internet and more affordable costs.

By contrast, “soft infrastructure” includes not only systems that directly impact a community’s residents, but also [services](#) that support other infrastructure systems. For example, broadband Internet services provide [essential](#) access to education, job opportunities, civic information, and healthcare providers. Likewise, parks and other public spaces enhance livability and desirability of a community, resulting in higher property values and an improved economy that produces more local revenue that can be invested back into the area. These investments can further improve a neighborhood’s property values by providing more and better services to residents.

STATE AND LOCAL INFRASTRUCTURE POLICIES

Infrastructure systems, such as transportation networks and electrical utilities, are owned by either [public governments](#) or by [private entities](#). Often, state or local governments own and manage roads, public transit, and water and sewage systems. Private companies usually provide telecommunications services, Internet services, and the like.

Another ownership option is a [public-private partnership](#). In these situations, governments and one or more private companies jointly fund and manage infrastructure. Such partnerships are especially common at [airports](#), which require a large amount of funds to build and maintain. Public-private partnerships can provide a good baseline of services without burdening local taxpayers with increasing costs. However, these partnerships can also be controversial. The [parking meter](#) ownership structure in Chicago has led to complaints of private investors reaping profits while local residents deal with broken and malfunctioning meters. Similarly, the [South Bay Expressway](#) in San Diego County, constructed as a toll road, went bankrupt due to contractor disputes and low toll revenues.

State and local policies play an important [role](#) in the maintenance and improvement of infrastructure within a community. State laws often [preempt](#) local ordinances for developing or regulating infrastructure systems. Additionally, privately-owned utilities are subject to local or state laws [regulating](#) how services are provided or setting basic safety standards (e.g., for drinking water). For publicly-owned infrastructure, governments are responsible for providing sufficient funding and ensuring that it meets relevant safety standards.

State and local infrastructure policies must balance several [goals](#), including maintenance, increasing options, ensuring proper provision of services, and protecting the health and safety of residents. The choices governments make reflect their priorities; for example, whether to build more roads or construct a mass transit system. Governments must also wisely [invest](#) money, usually provided by taxes or other fees, in order to keep roads, bridges, and highways in good repair.

Indeed, providing sufficient [funding](#) for infrastructure is one of the core challenges governments face. Generally, state and local authorities use taxes, user fees, and development fees to fund infrastructure repair and building projects. Governments often use property taxes to improve and maintain local streets and sidewalks. Sales taxes from the provision of goods and services can also be used for infrastructure purposes. Lastly, local authorities can charge [development fees](#) for building or expanding community improvements that are intended to pay for a portion, or all, of the associated costs.

[User fees](#) come in many forms. One of the most common is a standard monthly fee that offsets some, or all, of the cost of services. Electric and gas utilities charge a fee to residents to provide power. Another type of user fee is a toll, which drivers pay in exchange for using a road or highway. Tolls are often expressly used for maintaining the road or highway that the tolls are collected from.

State and local governments can also use several types of development fees to fund infrastructure projects. An [impact fee](#) is usually a one-time fee charged by governments on property developers to reduce the cost of newly-constructed infrastructure. An [exaction](#) (or proffer) is slightly different, and is a payment or series of payments made by a developer as a condition for governmental approval of infrastructure construction. Finally, [tap fees](#) are fees charged to residential customers to recover costs associated with connecting those customers to infrastructure services (power, water, gas).

INFRASTRUCTURE IMPACTS ON REAL ESTATE MARKETS

The [quality](#) of a region's infrastructure is critical to the desirability of the region's real estate markets. Communities with better infrastructure, such as more convenient transportation options, have higher property values. Moreover, [better infrastructure](#) leads to more economic development, which leads to an improved quality of life for local residents.

Additionally, sufficient infrastructure is necessary to ensure an adequate supply of [housing](#), including affordable housing. Without good infrastructure, less land is available for building housing, which can lead to housing shortages. Expanding infrastructure options can result in more housing options. It can also lead to more efficient transportation within a community, enabling the building of mixed-use developments that provide multiple types of services to nearby residents. Efficient transportation and other infrastructure are also effective ways to lure employers to a given area, providing more jobs for residents, and lowering the cost of public services.

“Soft infrastructure” systems like parks, playgrounds, clinics, and hospitals have both a direct and indirect effect on a community’s health. Parks and public spaces encourage physical activity, especially if other infrastructure elements enable residents to easily walk between their residences and service providers. A neighborhood’s [walkability score](#) is often used as an indication of the amount of nearby services. A higher score indicates more amenities and more infrastructure that tends to indicate more livable areas.

Lack of [sufficient infrastructure, on the other hand](#), can result in lower economic output for a community, reduced safety due to weaker police and fire services, and negative impacts on [public health](#). Infrastructure is a necessary tool for local governments to enhance their community, both from an economic standpoint and from a desirability standpoint. Building new infrastructure calls for state and local governments to exercise careful planning. Without such planning, governments run the risk of building infrastructure that no one will use, or that will not be worth the maintenance costs. For instance, California’s current [high-speed rail](#) project may have cost overruns of \$30 billion or more once completed, and may still not be fast enough to provide a feasible transportation alternative to driving or flying. [Urban planning](#) must consider the needs of a community and how new infrastructure impacts the environment and existing local services. By building [sustainable](#) infrastructure, governments can help foster the development of communities that are ecologically, economically and socially sustainable.

A new focus on [environmental issues](#) has led urban planners and government officials to design infrastructure projects in such a way as to reduce each individual’s ecological footprint while maintaining essential services and improving the desirability of a neighborhood. For example, poorly-planned high-density buildings negatively impact the environment by inefficiently taking up available land and burdening the local area with increased traffic and pollution. In the past, poor planning of transportation infrastructure, such as the [Cross Bronx Expressway](#) or the routing of Interstate 5 through downtown [Seattle](#), has bisected neighborhoods, caused traffic congestion, and contributed to the economic depression of surrounding areas. However, well-planned neighborhoods can incorporate higher population density in planned developments that include transportation options (such as public transit), nearby services, and public spaces to reduce noise and pollution while increasing desirability. Such “[green infrastructure](#)” utilizes natural features, including parks and open spaces, to protect communities against flooding or excessive heat, or to help improve air, soil, and water quality.

[Sustainable infrastructure](#) is resilient in the face of natural disasters or other unexpected events that could be disruptive. Infrastructure systems and services must be both environmentally sustainable and physically durable to reduce the magnitude and/or duration of disruptive events (e.g. [natural disasters](#)). Basic services are maintained during the disaster, and infrastructure users are not put at risk by sub-standard structures.

REALTOR® INVOLVEMENT ON INFRASTRUCTURE ISSUES

[NAR](#) and its regional associations are vigorous and effective advocates for the nation's 1.4 million REALTORS® and 75 million property owners.

On infrastructure issues, NAR has implemented a [Smart Growth](#) program to improve livability of communities and provide resources on sustainable and balanced development. The program has 10 Smart Growth Principles, including creating walkable neighborhoods, preserving open spaces and environmental areas, and providing a variety of transportation choices. Through the program, NAR provides funding for grants and research and assistance on infrastructure issues.

The [Placemaking Initiative](#) is part of the Smart Growth program and exists to help support state and local REALTOR® Associations' activities in a wide range of land-use and transportation-related activities with the primary goal of affecting public policies that support development that meets one or more of the 10 Smart Growth Principles. [Placemaking](#) has been supported by two different categories of grants that fund the creation of new, outdoor public spaces and destinations in a community: [Placemaking Grants](#) for smaller projects that improve and revitalize neighborhood spaces, and [Small Growth Action Grants](#) for larger projects.

For smaller neighborhood projects, a Level 1 Placemaking Grant provides funds for demonstration and temporary projects to test the viability of long-range plans and investment initiatives that increase community livability and downtown revitalization. Grant funds can be used for setting up temporary parklets, pop-up parks, pedestrian plazas, and bike lanes. A Level 2 Placemaking Grant funds the creation of new public spaces and destinations in a community accessible to everyone and open at all, or most, times. The grant focuses on "lighter, cheaper, quicker" placemaking projects, which can be built under a year and cost less than \$200,000. For example, the [St. Louis REALTORS®](#) applied for, and received, a Level 2 Placemaking Grant to turn an empty church parking lot into a pop-up park.

For larger community projects, Level 1 Smart Growth Grants can be used for educational activities, such as speakers that can address specific growth issues impacting local communities. Recently, the [REALTORS® of South Central Kansas](#) used a Level 1 grant to bring in speakers to educate members on smart growth principles and related issues, such as zoning and urban infill.

Level 2 Smart Growth Grants can provide seed funding to enable a state or local association to make the initial efforts to engage local land-use/transportation policy issues with other stakeholders and elected officials. Level 2 Smart Growth Grants are appropriate to help support events of other organizations that engage REALTORS®. For example, in Massachusetts, the [Berkshire County Board of REALTORS®](#) used a Level 2 grant to host an event to help REALTORS® better understand issues and policies relating to sustainable and equitable economic development.

Through its [Issues Mobilization Grant](#) program, NAR provides financial assistance for state and local REALTOR® Associations to organize and manage effective advocacy campaigns. These campaigns promote positions on public policies (government laws, regulations, courses of action and funding priorities) that affect REALTOR® interests. Campaign services such as polling and issue research, public outreach via direct mail, phone calls, grassroots mobilization, advertising (online, print, radio & TV), and websites/social media, are provided at a discounted cost. NAR also provides assistance with legal compliance issues and other professional services (including training and strategy assistance) to help members publicize calls to action. For instance, in June 2017, NAR provided an Issues Mobilization Grant to help the [Cheyenne Board of REALTORS®](#) educate local voters on several propositions relating to infrastructure funding. Later that same year, a grant enabled the [Oklahoma City Metropolitan Association of REALTORS®](#) to help turn out voters in a special election to support much-needed bond proposals that funded local police and fire departments.

In 2018, NAR provided grants to the [Collin County Association of REALTORS®](#) , the [Scottsdale Area Association of REALTORS®](#) , and the [Hilton Head Area Association of REALTORS®](#) for their campaign to pass transportation ballot initiatives in their local area. In 2019, a grant from NAR was awarded to the REALTORS® Association of Lincoln to pass a transportation funding initiative in that city. This year, NAR provided grants to the [Missoula Organization of REALTORS®](#) in Montana and the [Cincinnati Area Board of REALTORS® in Ohio](#) to pass additional funding options for transportation initiatives.

NAR has also supported local REALTORS® through its Advocacy Everywhere program. This program helped the [Marin Association of REALTORS®](#) in California campaign for a county ordinance requiring sewer inspections when a home is sold or remodeled. In March 2019, Advocacy Everywhere assisted [Mississippi REALTORS®](#) to rally the public in support of a state statute that enables expansion of broadband Internet services to rural and underserved areas.

For 2020, NAR has focused on [advocating](#) for a variety of infrastructure issues, specifically targeting improvements and investment in transit systems and other critical infrastructure. These systems are critical in creating livable communities and enhancing economic vitality. Poorly maintained transportation infrastructure results in traffic congestion and longer transportation times, which causes extra costs throughout the local economy. Additionally, NAR is focused on improving community access to broadband Internet services, an important “soft infrastructure” system. Between 14 and 24 million Americans still lack access to broadband internet service. NAR supports a comprehensive national policy to stimulate the deployment of broadband in underserved areas of the U.S., increased data speeds, and lower broadband prices.

By continuing to advocate for these and other priorities, individual REALTORS® and state and local REALTOR® Associations can help improve their own communities and ensure sustainable and concrete infrastructure development in the future.

INFRASTRUCTURE PARTNERS

NAR is joined by multiple partners in advocating for infrastructure maintenance and improvements as a foundation for sustainable economic development. One such partner is [Smart Growth America](#), which works with REALTORS® and state and local governments to create more equitable and prosperous communities.

Smart Growth America works with members of Congress to make sure federal policies support economically strong, socially equitable, and environmentally sustainable communities. For instance, the [Revitalizing Economies, Housing, And Businesses \(REHAB\) Act](#), H.R. 6175, would create a federal tax credit to support redeveloping old (but non-historic) buildings near public transportation. NAR supports the REHAB Act, which would provide much-needed federal funding for revitalizing areas of communities near key infrastructure systems, resulting in more building blocks for future economic development. NAR also supports the [Complete Streets Act of 2019](#), which requires states to set aside money for Complete Streets projects and creates a statewide program to distribute money, paired with technical support. The Act would also require states and metropolitan areas to adopt design standards that support safer, more complete, and more accessible streets. Smart Growth America has also championed Complete Streets, seeing it as a vital [solution](#) that can provide safer and more affordable transportation options that are consistent with social distancing requirements during the current COVID-19 pandemic.

Other key infrastructure partners include the [Project for Public Spaces](#), which is a non-profit planning, design, and educational organization dedicated to helping people create and sustain public spaces that build stronger communities. The Project for Public Spaces is dedicated to placemaking and encourages communities and residents, including real estate experts such as REALTORS®, to redesign public spaces in a way that fits with the identity of a specific neighborhood or area.

In rural areas, organizations such as the [Rural Community Assistance Corporation](#) (RCAC) work with state and local REALTOR® Associations to advocate for increased infrastructure improvements and access in Western states. RCAC emphasizes the need for efficient water, wastewater, and solid waste facilities, including the need for access to safe public drinking water in every community. RCAC also promotes policies that support collaborations between rural utilities in order to make them more financially sustainable, ensuring that necessary infrastructure for rural areas continues to exist.



CONCLUSION

Infrastructure systems are at the heart of every community, but are often overlooked and underfunded. State and local governments often bear the burden of supplying residents with transportation, utilities, and other services that they need. Local REALTORS® and REALTOR® Associations therefore have a key role to play in ensuring that vital infrastructure is adequately maintained and improved. Well-designed infrastructure projects need to take into account the needs of the community where they are located in order to help create more economically and environmentally sustainable neighborhoods.

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ADDITIONAL STATE & LOCAL RESOURCES

White Papers: Comprehensive reports prepared for NAR on issues directly impacting the real estate industry. Examples include: Rental Restrictions, Land Banks, Sales Tax on Services, State & Local Taxation, Building Codes, Hydraulic Fracturing, Foreclosure Property Maintenance, Climate Change, Private Transfer Fees.

Growth Management Fact Book: Analysis of issues related to land use and modern growth management topics include: density — rate of growth, public facilities and infrastructure, protection of natural resources, preservation of community character, and affordable housing.

All available on [REALTOR® Party webpage](#) under the *State & Local Resources* tab.