The Value of Predevelopment Investment for Strengthening and Sustaining US Infrastructure

To promote post-COVID long-term economic recovery and job creation, policymakers should look to invest in resilient infrastructure innovation. We urge policymakers to create a Predevelopment Fund to support state and local project technical assistance to jumpstart a pipeline of shovel-worthy and investment-grade resilience projects, including broadband. This investment would help accelerate positive economic and health outcomes for American communities and mitigate the risks and costs of extreme weather events to United States taxpayers. This additive strategy will allow communities to act quickly to deliver on the most pressing projects in their region without being slowed down by federal programmatic requirements, funding silos that don't fit post-COVID community priorities, or local matching requirements that make it harder for smaller and underserved communities to access the technical assistance they need to innovate.

Summary

The current way we "buy" infrastructure in the US is broken. We typically buy the "low-cost" capital bid with no plan for maintaining an asset meant to last 30-40 years. Because local infrastructure needs and natural resources differ—and two-thirds of US infrastructure is funded locally—creating a Predevelopment Fund to support state and local project technical assistance affords states and counties the ability to design their own infrastructure resilience pipeline. This investment in local capacity will help communities to leverage their public dollars better and more effectively engage impact capital to co-invest in resilient infrastructure projects at scale. Three years of flexible base funding for project predevelopment and silo-breaking technical assistance, along with competitive funding for projects of regional and national significance, would effectively enable this capacity. At the same time, the establishment of Regional Resilience Centers would promote resilient infrastructure across federal agencies.

These major components are necessary to drive infrastructure transformation:

- **Predevelopment Capital.** For distressed communities struggling to jumpstart local economies and create investment-ready projects, the critical funding gap is often catalytic predevelopment capital. This hard-to-get early funding pays for the essential tasks that need to be completed before shovel-ready project construction can occur, such as architectural and engineering work, market assessments and economic feasibility studies, site/lease acquisition costs, business plan writing, life-cycle risk assessments, and permitting. Based on past economic studies, each $1 spent on predevelopment will generate $16-20 in total economic outcomes and funding leverage.

- **Federal Predevelopment Fund.** Based upon existing research, we believe that a small portion of future COVID recovery packages for local and state relief, economic development, and critical infrastructure investment should be used to create a Federal Predevelopment Fund. The fund would support local technical assistance grants and loans to develop community-led projects rapidly while acting as a catalyst for investment-ready resilience partnerships. Congress would create a three-year flexible funding program for predevelopment capital so that states and counties could jumpstart a steady stream of shovel-ready and job-creating projects. States would choose the best federal agency to work with to accelerate innovation in a critical area. Eligible infrastructure areas would include water systems, energy, transportation, broadband, housing, food infrastructure, and nature-based infrastructure projects.

- **Performance.** Reflecting the mandates of the Foundation for Evidence-Based Policy-Making Act of 2018 and the evaluation methods used for the State Small Business Credit Initiative, we must ensure that federal program investments lead to high-performance, replicable results where possible. Access to the Predevelopment Fund would be conditioned on an infrastructure predevelopment partnership agreement (IPPA) to ensure long-term performance improvements in key economic resilience criteria, such as life-cycle asset management, budgeting, and other fiscal best practices. Projects that are of national and regional significance, demonstrate scalability and replicability, and offer innovation to accelerate broad resilience outcomes would be eligible for bonus awards.

- **Regional Acceleration Centers.** To scale and accelerate best practices for cost-effective deployment of resilient infrastructure, we recommend establishing 10 Regional Resilience Centers. A Regional Center could be housed within each of six US Economic Development Administration Regions, with an additional four centers created to address critical problem areas, such as flooding or rural broadband. These centers would promote cross-agency collaboration and best practices in procurement, predevelopment, permitting, and asset management.

Now is the time to build new resilience into America's infrastructure systems. This moment for smarter execution should not be wasted. Federal investment cannot fully fund every community need, but it can facilitate a shift to overcome our infrastructure inertia by helping distressed communities and regions thrive and by catalyzing innovative partnerships and ideas.