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Guest on THE INFRA BLOG

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The Low Return of Horizontal Infrastructure

If you look at the post-World War II expansion, it began with these massive infrastructure investments, largely in highways, but also in other horizontal infrastructure. All of that created sort of instantaneous growth and wealth and prosperity, but as you go forward into the lifecycle of that, what you see is that the amount of wealth that is created is not enough, or at least not enough of it by a long, long shot is being captured in order to sustain those infrastructure investments. Our approach though, kind of based on those early successes, is all about the horizontal expansion; it's all about the building new. Building new creates new jobs, it creates new opportunities for new subdivisions and big box stores and strip malls and *drive-thru*s and gas stations and everything else. Even when it's done in a different pattern, I know there's a push today for more neighborhood-style development, you know when it's done like that in a horizontal expansion framework, you're still just adding new investments, new infrastructure that would be very low return ultimately when looked over its entire lifecycle. So we need to step back and rethink, 'how did we get to the point where we were at one hand so prosperous and so unrivaled economically, yet at every level we're broke and don't have the money to fix a pothole hardly in most cities across this country.'

Build it and They Will Come

Well I think there's a couple key pivots. The first one is that we have adopted this "build it and people will come" mentality. That worked great for a cornfield in a movie in Iowa, it doesn't necessarily work as a national economic development strategy, particularly for cities. You know "build it and they will come" is essentially gambling at the local level. And this kind of brings me to the second pivot that we need to make, which is, our cities actually need to become more risk averse. For some reason we've developed this idea at the local government level that we can make these kinds of huge, huge investments, not look at the return on investments from the government standpoint: how much are we spending versus how much do we expect to capture back in order to sustain that investment or even break even? We need to become much more risk averse at the local level and actually start to run our places in a way that would be functionally solvent. As governments we should not be making huge gambles at the local level but we should be making many, many smaller, more fine-grained types of investments. Those are actually the high return investments. We actually need to retool our governments to be much more fine-grained, much more risk averse, and instead of focusing on the big splash, focus on many, many small investments, which are going to, in aggregate, yield a much higher return.

Wasteful, not Wealthy

People will tell me, ”well, our city’s completely built out. The only place we can grow is out.” And I mean I've had towns as small as 200 people at an incredibly low density say things like that to me. Get out of your car and walk around your neighborhood, look at the enormous amount of gaps between buildings. All of that has infrastructure in the ground in front of it and very little of it is being used in our current approach. I was in Idaho last week and giving a speech and a guy stood up during the Q&A and introduced himself as being from Costa Rica and he said, “thank you for explaining this to me because I didn’t understand how you Americans could build this way. In Costa Rica we can’t—we’re not rich. We can’t afford to have gaps in between buildings. We can’t afford to have all this space devoted to parking. If we build infrastructure, we have to make really good use of it because we’re not that wealthy. And now I understand how you guys have built this way.” And the reality is when I step back and think about his question, we’re really not that wealthy, we’ve just been incredibly wasteful. So if you actually get out of your car and start walking around our communities, you’ll see, they’re designed at a monstrous scale. And if we actually started to look in a more fine-grained way, every city in the country has this miles and miles and miles of low-productive use infrastructure that we could start to fill in and make much better use of.

Memphis: A Study in Urban Planning

Memphis kind of has both sides of the equation going. Memphis is trying to make the huge multi-million dollar gambles. But there’s other organizations there that are doing the more fine-grained approach. There’s one group recently that went out and basically painted in crosswalks and bike lanes and parking areas on a street that had been long neglected by the city public works department. They went out and took matters into their own hands and gussied up the street a bit. The funny thing about that is that after six months, the street, which was kind of rundown, and the buildings along it half-occupied, actually has some vitality now, actually has people renting all those buildings. And the project was so successful, I mean a few hundred bucks of paint, now all of a sudden you have all these new jobs, all this new investment in these buildings along here that the city is actually going in and making those permanent. They’re going to take some nice 3M paint, and make these pavement markings more permanent, more professionally done. They’re actually going to reroute one of the bike trails to go through this area. So by focusing at the block level, whether it is allowing citizen activists to do things like that or the government actually reorient itself to take a more fine-grained approach, you find that while you’re not going to get rich on any one project, over time those high-return investments are going to add up.

Texas: A Failing Model
I mean you can look at like the different approaches of say, San Francisco or New York from a place like Dallas, and Houston to a degree, are often held up as kind of the market leaders in terms of less government, lower taxes, less regulation. When you dig a little bit deeper you see that a lot of the growth that's happening in those places is being fueled by this 1950s model but with an added component of debt. So you have all this infrastructure being built, all this kind of cheap, easy, instant cash through the horizontal expansion, but to keep it going they're using a lot of tax subsidies of businesses and a lot of debt accumulation. I want to say that Texas, as a state, is going to be devoting more money from the transportation budget to debt service than to actually building and maintaining roads. It's either this year or next year, they're supposed to cross over that threshold. That's not a model that's viable and can be maintained. If you switch to a place like San Francisco or Portland or New York City where they have a different set of policies in place that allow a more fine-grained approach, I won't say those places are perfect and they certainly struggle as well with things like over reliance on the wide streets and the transportation auto-based infrastructure, still they're able to capture a more fine-grained approach and ultimately their balance sheets are better off because of that.

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