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Strong Infrastructure Drives Retail Success

The link between infrastructure investment and the retail real estate industry

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Executive Summary

This white paper is a collaborative effort by the International Council of Shopping Centers (ICSC) Infrastructure Task Force (ITF) to highlight the importance of infrastructure investment and cooperative regulatory oversight for the competitiveness of the American economy. This paper will demonstrate the many ways that the retail real estate industry can work together with the public sector to provide direct and indirect infrastructure development.

Safe and efficient infrastructure is critical to the retail real estate industry and the communities we serve. We rely on roads and transit to get consumers and workers to our properties and we need reliable routes to get products to our stores.

ICSC members are key drivers for road and utility upgrades in our communities. Retail real estate contributes over \$366.4 billion annually in property and sales taxes and billions in impact fees associated with broader commercial real estate development. ICSC members work closely with municipalities to update water, electrical and other types of infrastructure to increase community connectivity and best serve the needs of consumers. Access to retail is a key component of successful transit-oriented development (TOD). The retail real estate community is both a user and a contributor to infrastructure and is an important voice for policymakers as they continue their efforts to restore and modernize America's infrastructure.

This is an exciting time in the continuum of the built environment where places are being reimagined to provide the amenities that key demographics are seeking. In light of the blending of uses, from retail to residential to office, to the development of automated and shared transportation sources, infrastructure needs for the future should be reconsidered.

Public spending on infrastructure has steadily decreased from a high of 4.2% of GDP to a current rate of 1.5% of GDP in 2016, leading to a \$2 trillion gap in committed infrastructure dollars over the ten years ending in 2025. The lack of public sector investment in infrastructure represents a challenge to the competitiveness of ICSC members, who rely on transportation systems that get people and products to and from their developments, utilities that power their facilities and water systems that ensure health and safety for their operations.

While there is bipartisan agreement in Congress and among Americans that a renewed investment in public infrastructure is critically needed, it remains unclear that a pathway exists for a large-scale, politically viable infrastructure package. As stakeholders continue to build consensus around the scope and direction of infrastructure policy at the federal, state and local levels, it is important for the retail real estate industry to be engaged. We continue to look for opportunities to work with other like-minded groups to help formally build a



collaborative approach that explains both the infrastructure solutions our members contribute and the opportunities for community economic development associated with sound public infrastructure investment.

To that end, the following policy recommendations were compiled from a 2018 ICSC member survey and are intended to help shape the dialogue about improving the state of the nation's infrastructure, the future of retail real estate and the communities we serve.

Proposed Areas of Policy Focus

1. Restore and Modernize Federal Infrastructure Funding:

ICSC members support efforts to ensure that there is sufficient dedicated revenue to maintain the solvency of the Federal Highway Trust Fund. We also believe that there is opportunity to expand funding sources through improvement of infrastructure-oriented Private Activity Bonds (PAB) and community focused public-private partnerships (P3s).

- Strengthen the effectiveness of P3s by restoring the federal tax exemption of certain grants. (IRC Section 118 – Contributions to Capital)
- Enhance existing federal development financing programs (BUILD grants, TIFIA, etc.), allowing for greater flexibility in infrastructure development.

2. Integrate and Rationalize Permitting:

ICSC members support efforts to streamline permitting for infrastructure projects in order to decrease costs and bring infrastructure-related projects to market faster. Transparency, upfront communication and accountability should be increased; jurisdictional overlap and duplicative impact studies should be reduced to provide better outcomes for our communities.

- Streamline federal permitting, especially for transit-oriented development (TOD).
- Incentivize state, regional and local efforts to shorten decision time and reduce redundancies.