

INFRASTRUCTURE FINANCE

*Does your state
encourage innovation?*



PART TWO OF A SERIES

NATIONAL ASSOCIATION OF HOME BUILDERS



HOW WILL WE PAY FOR OUR INFRASTRUCTURE—roads, schools, parks, water and wastewater services, and other public facilities? This question is regularly asked by thousands of local governments across the country. Budgets are tight and demand for new and expanded infrastructure is intense.

Despite this pressure, the vast majority of local governments manage their infrastructure needs using the same tools and assumptions they used three decades ago. Fortunately, there are viable options, ranging from alternative financing tools to innovative methods of delivery and operation. The National Association of Home Builders (NAHB) has taken a leadership role in identifying those alternatives and demonstrating how they can and have been used to solve communities' infrastructure challenges.

This document, *Infrastructure Finance*, is Part Two in a series about innovative infrastructure tools and bridges two significant pieces of research. This publication enables policy makers at all levels of government to see which states

authorize the 12 most commonly used infrastructure finance tools. Prepared by researchers at the National Conference of State Legislatures (NCSL), this information can be used by local governments to determine the financing options enabled in their state. It can also be used by states to identify infrastructure tools that warrant new authorizing legislation.

The main body of NCSL's research—examples of existing statutes with citations and summary analysis—is simply too long for this publication. Those materials can be found online at www.nahb.org/infrastructurefinance.

In 2003, NAHB published Part One of this series on infrastructure tools: *Building for Tomorrow: Innovative Infrastructure Solutions*. That 32-page report explains more than 20 infrastructure financing tools and delivery mechanisms and presents case studies on how those tools have been applied successfully. *Building for Tomorrow* can also be found at www.nahb.org/infrastructurefinance.

Part Three of this series, *Infrastructure Solutions—Best Practices from Results-Oriented States*, was published in February 2007 and highlights the best state-enabling legislation for 11 key infrastructure finance alternatives, detailing which statutory language shows the most promise for helping local governments make effective use of those tools.

These innovative resources enable a local government to maximize community resources to improve and expand infrastructure. How many of these tools are available to your community? Does your state encourage local governments to find innovative ways to finance, build and manage infrastructure? Check the list inside to find out.

INFRASTRUCTURE FINANCE TOOLS

Below are 12 infrastructure financing mechanisms available to local governments. To find out which tools are specifically authorized by statute in your state, check the matrix at right. Please note that in some cases a few of these tools are being used in the absence of an enabling statute.

■ **COMMUNITY DEVELOPMENT DISTRICTS (CDD)**, sometimes called Community Development Authorities (CDA), are quasi-governmental entities with distinct boundaries that provide a limited number of public services. The debt is retired by charging the district's homeowners an annual tax surcharge.

■ **CERTIFICATES OF PARTICIPATION (COPS)** are portions of incoming municipal lease payments that are sold as issues to raise revenue for financing the project.

■ **DESIGN/BUILD** is a privatization strategy in which the design and building of the infrastructure is done by a private party. Other variations include design/build/operate and design/build/operate/finance.

■ **ELECTRONIC ROAD PRICING** is a user-fee system that charges drivers based on their use of the roadway without the presence of toll booths.

■ **GARVEE BONDS** are debts secured with anticipated federal funds.

■ **PARTNERSHIP SCHOOLS** enable public school systems to contract with a private developer to construct a public school facility to the standards of state and local laws.

■ **STATE INFRASTRUCTURE BANKS (SIBS)** operate the same way as SRFs (see next column). SIBs are intended to complement the traditional federal highway and transit aid programs by supporting certain projects via loans and credit enhancements.

■ **SMALL-SCALE WATER AND WASTEWATER SYSTEMS** enable developers to use new technologies to provide water and wastewater service to their developments. The developer typically adds the cost of installing these systems to the price of the homes. This technology overcomes development limits based on public sewer and water capacity.

■ **SPECIAL DISTRICTS** are a form of local government that delivers public services such as water, fire protection, police protection and flood control within defined boundaries. Special districts are usually empowered to enter into contracts, employ workers, acquire property, levy assessments and charge fees for services.

■ **STATE REVOLVING LOAN FUNDS (SRFS)** make low-cost loans available to jurisdictions for infrastructure. Loan repayments are put back into the program to fund additional projects.

■ **TAX-EXEMPT MUNICIPAL LEASE FINANCING** is basically a "rent-to-own" program in which a municipality pays one-year renewable obligations to a third-party lessor as rent payments on a given project. These leases are not considered outstanding debt for bond ratings. The financed infrastructure often becomes the property of the lessee once the debt is retired.

■ **TAX INCREMENT FINANCING (TIF)** takes the difference between a site's pre- and post-development tax revenues for a proposed development and uses that difference (or increment) to finance the proposed development.

STATE-BY-STATE INFRASTRUCTURE ALTERNATIVES

■ = Legislative authority as of 2005 ■ = Amended authority as of 2007 ■ = New authority as of 2007

	Community Development Districts	Certificates of Participation	Design-Build	Electronic Road Pricing	GARVEE Bonds	Partnership Schools
Alabama					■	
Alaska		■	■			
Arizona	■	■	■		■	■
Arkansas			■		■	■
California	■	■	■	■	■	
Colorado		■	■	■	■	
Connecticut	■	■	■			
Delaware			■	■		
DC						
Florida	■		■	■		■
Georgia			■	■	■	
Hawaii	■		■			
Idaho			■		■	
Illinois	■		■	■		■
Indiana	■		■	■		
Iowa						
Kansas						
Kentucky			■			
Louisiana	■	■	■	■	■	
Maine			■	■	■	
Maryland		■	■	■		■
Massachusetts			■	■		
Michigan						
Minnesota				■		
Mississippi			■			
Missouri			■			
Montana					■	
Nebraska	■					
Nevada			■		■	
New Hampshire			■	■		
New Jersey			■	■		
New Mexico			■		■	
New York	■	■	■	■		
North Carolina		■	■		■	■
North Dakota						
Ohio			■		■	
Oklahoma				■		■
Oregon		■	■			
Pennsylvania			■	■		
Rhode Island						
South Carolina			■	■		
South Dakota						
Tennessee	■		■			
Texas			■	■		
Utah			■			
Vermont	■		■			
Virginia	■		■	■	■	■
Washington		■	■			
West Virginia		■	■			
Wisconsin	■		■			
Wyoming			■			

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THE NATIONAL ASSOCIATION OF HOME BUILDERS also thanks its partners in this research initiative:



THE NATIONAL COUNCIL OF THE HOUSING INDUSTRY



NATIONAL ASSOCIATION OF REALTORS



NATIONAL ASSOCIATION OF INDUSTRIAL AND OFFICE PROPERTIES



NATIONAL APARTMENT ASSOCIATION



INTERNATIONAL COUNCIL OF SHOPPING CENTERS

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ABOUT NAHB

The National Association of Home Builders is a Washington-based trade association representing more than 220,000 members involved in home building, remodeling, multifamily construction, property management, subcontracting, design, housing finance, building product manufacturing and other aspects of residential and light commercial construction. Known as "the voice of the housing industry," NAHB is affiliated with more than 800 state and local home builders associations around the country. NAHB's builder members will construct about 80 percent of the more than 1.84 million new housing units projected for 2005, making housing one of the largest engines of economic growth in the country.