



March 25, 2020  
Morteza Farajian, Executive Director  
Build America Bureau  
U.S. Department of Transportation  
Washington, DC

**Re: Response to the Department of Transportation's Request for Information on the Regional Infrastructure Accelerator Program (Docket No. DOT-OST-2020-0023)**

To Whom It May Concern:

The Milken Institute would like to thank the Department of Transportation for the opportunity to respond to the referenced Request for Information (RFI) on Regional Infrastructure Accelerators.

The Milken Institute is a nonprofit, nonpartisan think tank that helps people build meaningful lives, in which they can experience health and well-being, pursue effective education and gainful employment, and access the resources required to create ever-expanding opportunities for themselves and their broader communities. The Milken Institute Center for Financial Markets (CFM)<sup>1</sup> promotes financial market understanding and works to expand access to capital, strengthen and deepen financial markets, and develop innovative financial solutions to the most pressing global challenges. CFM works with federal, state, and local policymakers and investors to foster shared prosperity through innovation. In the last year, CFM has also been actively working with the Administration and local and state leaders to conduct a series of regional public sector financial innovation trainings, focused on best practice implementation of public-private partnerships and resilient infrastructure.

The Milken Institute commends DOT for the quality of this RFI and submits the following comments addressing the first two major comments areas: Structure and Geographic Diversity.

**Background**

Up to \$6 trillion in sidelined capital could move into public-private partnerships in a socially beneficial way in the next 5-10 years. But federal, state, and local governments in the United States have had historical difficulties in utilizing private capital effectively across a range of programs, planning rules, and financing authorities. A known gap inhibiting the growth of a robust "pipeline" of investable projects is due to limited public sector capacity, as well as failures in procurement and asset management best practices.

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<sup>1</sup> <http://www.milkeninstitute.org/centers/markets>

To address these capacity shortfalls, we need a new generation of innovative mechanisms better able to link private and impact capital with community-driven project development. collaboration. We also need to shift from top-down, siloed federal *planning* support to local project *implementation* support.

The planned Regional Infrastructure Acceleration pilots under the 2015 FAST Act (Public Law 114-94), the subject of this RFI, offer the Administration and the Department a low-cost, high-impact approach to begin the critical work of modernizing and expediting America's innovation and economic development infrastructure. That approach starts with better delivery of transportation systems at a regional scale.

### **Structure: Questions and Responses**

**What would be an effective form of the accelerator that could influence the development of infrastructure projects, and what type of structure and authority would be required for the establishment of a regional accelerator?**

To maximize structural effectiveness, selected regional accelerators should provide a very focused and replicable set of services for a specific regional infrastructure problem, such as:

- a ***offering critical training capacity in a region to upgrade public sector knowledge*** and usage of innovative delivery models;
- b ***providing regional acceleration capacity around a known and complex regional infrastructure challenge***, such as the 2028 Olympics transportation needs or an already entitled and funded multi-state project; and/or
- c ***advancing deep procurement and permitting reform by linking together integrated support for predevelopment funding tied to a performance agreement***. (Some suggested criteria for linking regional accelerator services to performance improvements are provided at the end of our comments in Appendix A).

**Are there examples of such entities from around the country and abroad, or in other sectors that could be used as a model for the Program?**

There are a number of models for regional accelerators upon which to draw apt experiences and lessons. Within North America, the work of Partnerships British Columbia and Public-Private-Partnership (PPP) units in the states of Virginia and Colorado offer strong case studies for the importance of supporting an in-government, "owner-advisor" role for building ongoing success in innovative project delivery. The work of West Coast Infrastructure Exchange, a winner of the [Harvard Government innovations](#) award, demonstrates the high demand and need for basic public sector training on innovative delivery modes across an entire region.

**What authority should the accelerator(s) have to effectively carry out its mission?**

We believe that accelerator pilots should be housed within existing public agencies, such as a local Metropolitan Planning Organization, a Regional Transit Agency, an Enhanced Infrastructure Financing District serving a metropolitan area, and/or as a project formed by multiple jurisdictions or infrastructure authorities coming together to solve a regional implementation problem under an MOU. It is appropriate to consider a legal entity, such as a Special Purpose

Vehicle, that has both equity and debt issuance authority to ensure it has the flexibility to interface with private capital appropriately. In our view, the key aspect of authority and structure that matters most is a commitment to total transparency, given the public's interest, taxpayer dollars at risk, and past public and media misunderstanding of how public-partnerships work.

### **Geographic Diversity: Questions and Responses**

**Given the appropriated amount (\$5 million), what would be the optimum range and most effective number of awards for regional accelerators? What would be an appropriate size program to consider in addressing the needs of priority infrastructure projects in rural areas?**

If the legislation permits, we would advise making three regional awards at \$1.3 million and offer each award winner up to \$333,000 in predevelopment loan or grant funding that they could use to engage public interest in the value of the accelerator model. Otherwise, reserve that funding to support regional resilience trainings, circuit-rider, and/or webinars to maximize the reach of this pilot phase. Specifically, the three awards could be divided as follows:

- One pilot award to a metropolitan-scale accelerator
- One pilot award to a state DOT or a multi-state, multi-year project accelerator seeking to develop an owner-advisor capacity to execute similar projects for delivery efficiency or to syndicate and warehouse public-private partnerships to offer ease of investor exits and entrances (e.g., Pennsylvania/Missouri bridges)
- One pilot solving a resilient infrastructure challenge facing a group of infrastructure authorities (e.g., earthquake resilient runways, frequent highway flooding)

The Milken Institute would again like to thank the Department of Transportation's Build America Bureau for providing the opportunity to comment on the RFI.

We believe this unique regional approach for accelerating resilient infrastructure could potentially serve as a model for bipartisan federal policy and programmatic breakthroughs in other federal infrastructure program spending areas in 2021 and beyond.

We welcome the opportunity to discuss our recommendations further with the agency.

Sincerely,

DC

Dan Carol  
Director  
Center for Financial Markets, Milken Institute

## Appendix A

As noted above, the proposed regional pilots could inform future discretionary grant competitions, performance-based block grants or other programs for blending and braiding funds in the future. We envision two types of performance criteria – one for accelerators, and one for projects.

### **Supported accelerators should demonstrate:**

- “Skin in the game” – some kind of in-kind support or match, such as a project predevelopment grant or loan fund to utilize;
- Explicit support from other key local decision-makers / regulatory partners; and
- Clear articulation of the potential pipeline of projects that would be reviewed and serviced by the accelerator

### **Supported projects serviced by a Regional Accelerator should demonstrate evidence that the project:**

- Helps build local and/or state and/or regional capacity to evaluate and structure projects involving the investment of private capital;
- Has an owner-advisor to ensure best practices and risks are understood by the public sponsor;
- Has considered warehousing or other alternatives to maximize smaller communities’ opportunity and accessibility to participate;
- Has in place full transparency and consistency in any value for money analyses and opportunities for public participation;
- Maximizes any multi-modal integration opportunities (e.g., energy and water, backup systems for critical infrastructure);
- Has analyzed all available value capture opportunities, (e.g., land value increases through transit-oriented development);
- Has in place a plan to avoid deferred maintenance filed with the project sponsor’s relevant local or state Office of Finance;
- Has addressed life-cycle risks in accordance with relevant local and state standards or the National Infrastructure Protection Plan;
- Has in place labor, environmental and procurement standards consistent with relevant local, state, and federal laws and priorities; and
- Has in place a plan to leverage local stakeholders for supplier diversity, capital access, and long-term workforce development.