NEWSMAX Money

Unleash Private Capital to Rebuild America's Infrastructure

BY BOB HELLMAN
MARCH 21, 2025

President Trump's executive order to pause federal disbursements from two major Biden-era bills has landed U.S. transportation infrastructure spending back in limbo. It also underlines a hard truth: There's insufficient political appetite to publicly fund the fix for the nation's spiraling infrastructure crisis. Worse, that crisis goes way beyond just transportation assets.

Collapsing bridges and impassable highways are unfortunately only the beginning of the country's infrastructure problem. A far less visible but equally urgent investment gap looms in social infrastructure—facilities like school and hospital buildings, affordable housing units, and community centers that sustain the American economy and workforce.

The good news is that the shortfall is creating opportunities for institutional investors to generate returns by stepping into the gap. "Private infrastructure" refers to the use of private equity capital to efficiently build and operate public infrastructure assets – including both transportation and social infrastructure – to benefit the public.

Private infrastructure creates an opening to generate stable, long-term returns that can fundamentally improve life in American communities. It's a strategy that has long been deployed for such

New River Gorge Bridge in Fayetteville, West Virginia (Jon Bilous/Dreamstime) (Jacquelyn Martin/AP)

assets as toll roads, shipping terminals, and other hard-core logistical assets. But private capital can also be attractive as a solution for social infrastructure needs in American cities and towns.

This could be private infrastructure's "moment," too: The federal government is tapped out and will be cutting spending, while state and local government budgets are in terrible shape. Budget shortfalls seem to be hitting hardest in blue states, and the public is controlled by anti-tax elected officials in red states.

With solidly high public support for Elon Musk's DOGE efforts to trim government spending, it's clear the political will to fund massive new outlays has evaporated. That means the U.S. faces an estimated $2.6 trillion investment shortfall in modernizing essential social infrastructure facilities in the next decade.

Which is exactly what creates the opportunity for institutional investors.

Unlike traditional mega-infrastructure projects, social infrastructure assets are highly localized—a new public school in a fast-growing county, a hospital expansion in an underserved region, affordable workforce housing near major employment hubs.

Private capital is a different, more agile and more efficient funding vehicle for these kinds of public needs. A new public or charter school building can be funded and built by a private investment fund after securing a long-term lease and services contract for the facility.

The same mechanics apply for buildings serving healthcare or community needs, and for subsidized housing. Payments can come from governmental entities themselves, or partially from user and tenant fees.

From an investor's perspective, the case for private social infrastructure is compelling:

- They create predictable long-term cash flows, often with government-backed revenue streams.
- The demand is both huge and resilient, as essential services like healthcare, education, and housing are not discretionary.
- The revenue agreements are often inflation-indexed, with cost escalation clauses that allow revenue to track inflation.
- They line up with ESG mandates, and while those may disappear from federal contracts, they're still going strong in many states and localities. Social infrastructure offers a rare combination of high social impact and attractive risk-adjusted returns.

But the social infrastructure investment gap persists, even with all those advantages. Why? Two main challenges.

The first is educational. Private social infrastructure hasn't emerged yet to the same degree private transportation infrastructure has – where almost a half-trillion dollars in US-based funds has been committed.

The second is that social infrastructure assets are often too small for the largest global infrastructure funds, which prefer multi-billion-dollar projects for capital efficiency. The average transaction size for social assets falls in the $10 million to $200 million range. That requires investors to execute multiple smaller deals, often through regional partnerships.

But as large-cap infrastructure funds continue to pour their efforts and capital into traditional assets like toll roads, airports, and energy infrastructure, the space has become increasingly crowded, which in turn drives down returns.

This saturation has made it harder for investors to achieve the yield premiums they once enjoyed. In contrast, social infrastructure remains an underinvested asset class, offering enticing returns while also aligning with growing demand for impact-driven investments.

For mid-sized institutional investors and specialized impact funds, social infrastructure presents attractive "bite sizes" for difference-making investments. For instance:

- K-12 school modernizations: $10M - $100M per project
- Affordable/workforce housing: $20M - $150M per development
- Hospital/community health center expansion/construction: $50M - $200M per development
- Public safety & other community facilities: $5M - $50M

Social infrastructure is an untapped trillion-dollar investment opportunity hiding in plain sight. For investors willing to build dedicated teams, partner with municipalities, and execute at a community level, the potential is enormous.

The question is no longer if private capital will step into this space, but who will lead the charge? ■

Bob Hellman is the CEO of American Infrastructure Partners (AIP), a firm that brings together public infrastructure funding needs with private investors. In this article Bob discusses how it is time to unleash private capital to solve America's social infrastructure crisis amidst President Trump's executive order to pause federal disbursements from two major Biden-era bills.