

InstarAGF Asset Management

Designing flexible solutions for cities — and communities — of the future



Gregory Smith is president and CEO of InstarAGF, where he brings more than 25 years of experience in the investment, operation, acquisition and financing of private equity investments, including public and private infrastructure, real estate, power and utility businesses. Smith was previously managing partner and head of Brookfield Financial's Global Infrastructure Advisory Group. He also previously served as the president of Macquarie Capital Funds Canada Ltd., where he was responsible for the establishment, growth and operations of Macquarie's unlisted and listed funds business in Canada, along with the active management of Macquarie's Canadian assets owned by offshore funds.

In today's rapidly changing and complex world, the need for strategic, reliable and accessible infrastructure has never been greater. Recently, **Chase McWhorter**, Institutional Real Estate, Inc.'s managing director, *Institutional Investing in Infrastructure*, spoke with **Gregory Smith**, president and CEO of InstarAGF Asset Management, about the most significant infrastructure trends developing in North America, and what that could mean for our future. An excerpt of that conversation follows.

The socio-political and environmental landscape in North America is changing. What are the biggest trends you see impacting the way we think about infrastructure?

One of the biggest impacts is climate change. We are particularly focused on resiliency with regards to climate change and how to bring new types of innovation across the board — to energy, transportation, water and wastewater, and community infrastructure.

When we think about building long-term infrastructure in the context of climate imperatives and the rapid change of technology, resiliency becomes a critical objective for the infrastructure we are developing. Technological leaps and stronger, more destructive weather patterns demand we build with decades-long functionality in mind. Building parks with green infrastructure that diverts and recaptures storm water and doubles as a storm barrier, or roadways that can change from car, to pedestrian, to bike use, are examples of how we can think about longevity and flexibility in infrastructure.

Eighty percent of North American populations currently live in cities, and over the next 20 years, an anticipated 60 percent of the total building stock in the world will need to be rebuilt. This gives cities really an unprecedented opportunity to modernize their critical infrastructure.

With new technological advancements each year, how does technology play into a long-term approach?

There is a holistic strategy needed to maintain a quality of life for our cities. Thinking long term requires each sector and industry, public or private, to address how technology can both disrupt and aid in the development of new models of design, development and management.

Technology changes what is possible for us to create in the future, but it also impacts the infrastructure that exists today, with retrofitting and modernizations often playing a key role in longevity. For example, we can look at autonomous vehicles and think about both existing and new potential or value in our parking lots, roads and bridges.

The private sector is especially well positioned for technological shifts, with its ability to adapt more readily to capitalize on innovation. I think the private sector also has a different perspective and experience, with emerging best practices from around the globe, which it can adopt and adapt to make "local."

One of the first P3s I was involved with in Canada was the Sea-to-Sky Highway Improvement Project from Vancouver to Whistler. Rather than winning the proposal based on price or integrating the newest technology to showcase a "modern" development, we prioritized the needs of the surrounding community and users, working backwards to make sure that our solution and associated technology fit those local requirements and delivered on the government's priorities for safety and security.

As we look at urbanization more broadly, what sectors do you see playing a key role?

The growing prominence of digital technology within infrastructure is another opportunity that will continue over the next decade. From what we are investing in today — to how the internet of things, autonomous vehicles and AI develop in the future — smart technology will have a profound impact on the day-to-day operations and optimization of all infrastructure. And digital fiber will be the backbone of 5G, providing communities with the data and wireless capability needed to remain competitive in an ever-connected world.

The aviation sector is one area where urbanization, technology and sustainability all converge. Aviation is vital to regional and international connectivity, facilitating trade and travel for communities. With aviation demand expected to double in North America by 2035, we are seeing a significant push for the modernization and expansion of airports to strengthen sustainability, enhance passenger experience, and reduce the environmental footprint.



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Another ongoing part of our connectivity strategy includes ground transportation, ranging from specialty ports to rail-ways, where the demand for infrastructure is growing. With economic globalization, we're seeing a more integrated management of the supply chain, with businesses leveraging technology to make transportation more effective and to provide additional benefits to the surrounding communities, from enhanced mobility to greater sustainability. We can reduce the number of trucks on the highway, lessening traffic congestion. We can electrify transportation, increasing our environmental impact. Ultimately, technology is allowing us to change the way we look at the transportation of goods.

Lastly, the treating and distribution of water and wastewater remains a key consideration for infrastructure. *The New York Times* recently reported that a quarter of humanity faces a looming water crisis. Our existing infrastructure is under strain from aging water systems, population growth and climate change. Dealing with such an essential human need will make a huge difference, in which cities — and communities — are able to thrive into the future.

What will be the most important factor to prepare all these types of infrastructure for the 21st century?

Flexibility. In our policies, regulations, procurement, design, development and throughout operations. To become more resilient, productive and capable of meeting shifting local demands, we need to rely on approaches based on flexibility.

Climate change, urbanization, stakeholder engagement and technology are in constant flux, but we are looking to develop infrastructure that lasts for decades. Current models of managing long-term infrastructure in a static way need to change if we are to achieve the proper outcome and avoid unintended risks. Procurement approaches with incentives, off-site sharing and alignment are what will enable us to adapt to technological or regulatory changes. We must also make sure our policies and regulations enable innovation, particularly in terms of building codes and carbon-reduction goals.

With cross-sector collaboration at its core, this flexibility can strengthen stakeholder engagement, allowing communities, investors and the government to work more closely

together to redefine the value of infrastructure and how it is used and experienced.

How does flexibility impact public consultation or community engagement?

There is a complete shift in the industry around community engagement, particularly with the opportunities created through social media and other outreach platforms. Cities can go beyond required consultation to solicit significant feedback from consumers about when and how infrastructure in their community can be best optimized.

The Green City, Clean Waters plan in Philadelphia, for example, encourages community members to have a say in the city's green infrastructure, including roadside plantings, porous pavements, street trees and gardens, all of which help to eliminate storm water and create sewage improvements.

As we see changes in the marketplace and in global trends, infrastructure consistently and inherently affects people. It delivers essential services, like healthcare, mobility or education. It provides access to fundamental needs, like clean water, heat or energy. Successful infrastructure can also improve economic activity and lessen inequality, enhancing overall quality of life.

In Canada, for example, there is Evergreen, which is a national not-for-profit that aims to sustainably transform urban space and help identify new housing opportunities for low-income residents by converting 300 kilometers of laneways into untapped resources for infill housing. The infrastructure critical for energy and transportation also lowers inequality, improves the economic activity, and acts to beautify neighborhoods and communities.

Infrastructure projects are complex, involving multiple levels of public and private stakeholders, but local neighborhoods are always at the heart. When we invest in infrastructure, we ensure community engagement is a key consideration because, ultimately, they will be the deciding factor of success.

CORPORATE OVERVIEW

InstarAGF is building a North American investment platform focused on infrastructure, real assets and private equity investments in the middle market. Our team's significant depth of sector and investment expertise, relationships, and global reach empower InstarAGF to help investors meet their investment goals.

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