



# Let's Create Jobs That Rebuild and Renew America

## *The AIA Blueprint for Economic Recovery*

**America's architects** stand ready to help our communities rebuild and renew through common-sense policies that not only create jobs, but lay the foundation for long-term prosperity. Architects employ more than a quarter of a million people and are the leading edge of a design and construction industry that accounts for nearly one in nine dollars of U.S. GDP.

**Every \$1 million invested in construction creates 28 full-time jobs.** As Congress debates a jobs bill, the AIA urges it to include these five planks to help rebuild and renew our nation:

### **Help Struggling Communities Rebuild**

Across America, communities face unprecedented upheaval from foreclosures and abandonment. Just as they help communities rebuild after natural disasters, architects are ready to help our country recover from this economic catastrophe. Congress should enact the AIA's Rebuild and Renew America's Communities Act to provide grants to rehabilitate abandoned buildings into vital assets like community centers, fire stations, health facilities and libraries, raising property values and restoring vitality to struggling neighborhoods.

### **Unfreeze Credit to Get America Building Again**

Thousands of worthy construction projects that would employ millions of Americans are on hold because credit is frozen. Banks received billions in federal taxpayer bailouts; now it's time to get those banks to lend. The AIA calls on Congress to extend the Term Asset Backed Securities Loan Facility (TALF) through 2011, allow the Public Private Investment Program to finance sound construction projects, and enact legislation to promote the use of covered bonds.

### **Encourage the Commercial Sector to Build Green**

Buildings account for 40 percent of carbon emissions and 70 percent of electricity generated in this country. By increasing incentives for green building design and renovation, Congress can stimulate economic activity while securing our energy independence. Congress should increase the Energy Efficient Commercial Building Tax Deduction from the current \$1.80/sf to \$3.00/sf as included in the Expanding Building Efficiency Incentives Act (S. 1637/H.R. 4226).

### **Provide Relief for Small Businesses**

Small businesses are the backbone of our economy, and they are the first to suffer in an economic crisis. Congress needs to pass the Small Business Financing and Investment Act (H.R. 3854) to make financing more available to small businesses. The Recovery Act COBRA subsidy has also placed a heavy cash flow burden on entrepreneurs who are now forced to choose between paying premiums and making payroll. Congress should help small businesses address this issue.

### **Invest in Our Children with 21<sup>st</sup> Century Schools**

Investing in green schools is a triple winner: it creates jobs, lowers school district energy bills and creates better learning environments for students and teachers. The House has passed the 21st Century Green High-Performing Public School Facilities Act (H.R. 2187) to fund the modernization and renovation of K-12 public schools. Now the Senate needs to act.

For more information, visit [www.aia.org/rebuildandrenuew](http://www.aia.org/rebuildandrenuew), or contact the AIA government relations team at [govaffs@aia.org](mailto:govaffs@aia.org). Follow the AIA government relations team on Twitter @aia\_advocacy.



## Key Points

- *Abandoned properties cost communities in terms of increased crime, lower property values, and lower tax revenue.*
- *Needs for infrastructure investment are far outpacing the actual funding levels.*
- *The design and construction industry has lost 1.6 million jobs since the beginning of the recession.*
- *CDBG has demonstrated that it is a very effective job creation tool.*

## Rebuild and Renew America's Communities

### AIA Position

The American Institute of Architects (AIA) supports federal policies that help our nation's cities and towns recover from the economic crisis through investments in community assets that not only rebuild neighborhoods but create thousands of jobs in the design and construction sectors.

### Action Sought

The AIA calls on Congress to provide funding for community rebuilding efforts through already-authorized programs such as the Community Development Block Grant (CDBG) so that funds can be distributed to communities as quickly as possible.

### Explanation and Justification

Our nation's communities are suffering from the twin challenges of high unemployment and unprecedented levels of foreclosures and abandonment, not just in housing but in commercial and industrial properties as well. This will only increase as the number of commercial foreclosures rises. A 2005 study by the National Vacant Properties Campaign showed that vacant and abandoned properties lead to more crime, lower property values, and less tax revenue. Meanwhile, more than 17 percent of the architects, engineers, and other professionals in the design and construction industry are unable to find work.

The time to make federal investments in our communities is now. The Community Development Block Grant (CDBG) Program, administered by the Department of Housing and Urban Development, is a flexible and commonly utilized vehicle for providing quick, targeted funding to communities in need. The Brookings Institute has estimated that, by leveraging other funds and stimulating projects that would otherwise have never happened, CDBG-related funds create over 130 jobs for every \$1 million in federal outlays. Funding made available through a competitive grant process can prioritize the most worthwhile projects in the most disadvantaged regions of the country.

The CDBG has been utilized numerous times to respond to crisis. The American Recovery and Reinvestment Act (ARRA) provided funding for a Neighborhood Stabilization Program (NSP), a new type of CDBG funding vehicle. NSP has been administered in two phases and supported by approximately \$5.9 billion. In addition, the Disaster Relief Fund, a CDBG program, is used when major disasters overwhelm FEMA's capacity to respond. On more than 3 occasions recovery has been supplemented with funds in excess of \$6 billion.

The current fiscal disaster warrants the same attention. Using CDBG to construct or rehabilitate libraries, health facilities, bridges, streets, transit facilities, waste management centers, and other important public facilities, especially in communities hardest hit by the current economic crisis and those that have experienced long-term population losses, will not only create jobs in the short-term but will help communities stabilize and prosper in the long run.



## Key Points

- *The design and construction sector will likely remain anemic for the rest of 2010, particularly because credit is not available for sound construction projects.*
- *According to George Mason University, every \$1 million invested in design and construction projects creates 28.5 jobs.*
- *The TALF program has shown success and should not be terminated while it is still serving its purpose.*
- *Statutory language formalizing the use of Covered Bonds will provide lenders another tool to finance construction and aid in economic recovery.*
- *These steps will encourage lending that could save or create thousands of jobs in design and construction.*

## Make Credit Available for Commercial Building Projects

### AIA Position

The American Institute of Architects (AIA) supports policies that will ensure credit is available for commercial development projects that create jobs and rebuild our communities.

### Action Sought

The AIA calls on Congress to help restore liquidity to credit markets by extending the deadline for the Term Asset-Backed Securities Loan Facility (TALF) through the end of 2011 and to pass the Equal Treatment for Covered Bonds Act (H.R. 2896).

### Explanation and Justification

The design and construction industry, which accounts for one in nine dollars of U.S. GDP, is experiencing significant hardship and job loss. The AIA Architecture Billings Index, a leading indicator of design and construction activity, continues to forecast limited construction starts for the next six to twelve months. Millions of dollars of construction is ready to go in every community across the country, but cannot because lending is not available. Restoring and sustaining liquidity for development is vital to achieving a strong economic recovery.

Although there is no silver bullet to restore this market to health, Congress can take steps to improve the situation:

- The Term Asset-Backed Securities Loan Facility (TALF) continues to demonstrate usefulness in the marketplace. TALF encompasses two programs, one for TALF-eligible Asset Backed Securities, and a second specifically for Commercial Mortgage Backed Securities which are set to expire March 30, and June 30, 2010, respectively. TALF increases credit availability at relatively normal interest rates. Without it, the lending market has not been capable of ensuring liquidity; this is especially important as unemployment remains high. Congress should extend TALF beyond its June 30 expiration date through 2011 to ensure it can sustain a recovery.
- Covered bonds are a type of highly liquid debt instrument that is secured by quality assets, such as mortgages, which remain on a bank's account sheet. Covered bonds are not a new tool, but have been successfully employed in a number of European economies for centuries. Bipartisan legislation (H.R. 2896), introduced by Reps. Scott Garrett (R-NJ) and Paul Kanjorski (D-PA), will provide predictability to this type of asset and create a sound financing alternative to mortgage backed securities. This will serve the dual purpose of aiding the recovery process in the short term and providing a more stable financial landscape to sustain growth in the long term.



## Key Points

- *Governmental policies, programs, and incentives should encourage energy efficiency, especially as it relates to the built environment.*
- *Expanding existing incentives for energy efficiency with a track record of success will encourage more building owners to utilize the incentives and thus create jobs.*
- *Congress first created the Energy Efficient Commercial Building Tax Deduction in the 2005 Energy Policy Act and extended it to 2013 in the 2008 financial rescue legislation.*
- *This tax deduction should be increased to allow for a deduction of \$3.00 per square foot for qualified energy efficiency improvements or construction in commercial buildings.*

## Expand the Energy Efficient Tax Deduction For Commercial Buildings

### AIA Position

The American Institute of Architects (AIA) believes that governmental policies, programs, and incentives should encourage energy efficiency, especially as it relates to the built environment. To this end, the AIA supported legislation enacted in 2005 that allows for a tax deduction for constructing energy-efficient commercial buildings and for installing energy-efficient systems in existing buildings. In 2008, the deduction was extended through December 31, 2013, and should now be expanded to increase its usefulness in promoting energy-efficient buildings and creating jobs in the design and construction industry.

### Actions Sought

The AIA strongly urges Congress to enact legislation that enlarges the Energy Efficient Commercial Building Tax Deduction (26 U.S. Code §179D) from the current \$1.80 per square foot to \$3.00 per square foot as contained in the Expanding Building Efficiency Incentives Act (S. 1637/H.R. 4226).

### Explanation and Justification

The federal government has the ability to encourage energy-efficient practices in the private sector. Congress demonstrated this in 2005 by approving a tax deduction for energy efficient commercial buildings within the Energy Policy Act (P.L. 109-58). This tax deduction allows for building owners to claim a tax deduction of \$1.80 per square foot of building area for the installation of systems that reduce the total energy and power costs by 50 percent or more when compared with a reference building. The deduction applies to nearly all commercial, high-rise multifamily residential, health care, institutional, public, and educational facilities.

At a time when the design and construction industry is being decimated by the ongoing financial crisis, providing incentives for energy-efficient design and construction is an effective strategy to encourage building owners to undertake renovations, leading to job creation across the industry. And as energy-efficient buildings cost less to operate, use less energy, reduce the emission of greenhouse gases, improve comfort, and protect the energy security of our nation, enlarging the deduction will promote job growth while also supporting key national ideals. Enlarging this tax deduction will send a message that Congress is committed to invigorating the design and construction industry through incentives for energy-efficient design and construction.



## Key Points

- *America's schools are in desperate need of repair. A December 2008 study by the American Federation of Teachers estimates school-infrastructure needs at more than \$254 billion nationally.*
- *Numerous studies have shown that green, high performing schools improve the learning environment for students, promote healthier students and teachers, and cost less to operate through reduced energy consumption.*
- *The recession has forced many states and local school districts to put a hold on school modernization projects. A federal commitment to 21<sup>st</sup> century school renovation will get stalled projects moving, creating jobs in all 50 states.*

## A Federal Commitment to 21<sup>st</sup> Century Schools

### AIA Position

The American Institute of Architects (AIA) strongly supports government policies and programs that will spur the creation of high-performing, 21<sup>st</sup> century schools. Twenty-first century schools improve health and educational achievement, promote energy savings, and effect positive environmental change. A federal commitment to modernizing our nation's schools will also create jobs in the design and construction industry in all 50 states.

### Action Sought

The AIA urges Congress to pass legislation that would provide funding to state and local school districts for the modernization and renovation of K-12 public schools. Specifically, the AIA calls on Congress to pass the 21st Century Green High-Performing Public School Facilities Act of 2009 (H.R. 2187). This legislation was approved by the House in May 2009.

### Explanation and Justification

Too many of America's children go to school in overcrowded buildings with leaky roofs, faulty electrical systems, and outdated technology; all of which compromises their ability to achieve, succeed, and build the educational foundations necessary for the workforce of the 21st century. Modern, more energy efficient, green schools will improve the learning environment for students, enhance the workplace for teachers and school administrators, and – most importantly – create jobs in all 50 states.

The 21st Century Green High-Performing Public School Facilities Act will assist states and local communities in meeting these staggering needs through federal grants to local school districts for energy efficient school modernization projects. This legislation would provide \$6.4 billion in grants to states and local school districts at a time when significant fiscal relief for local school districts is needed.

H.R. 2187 will assist states in meeting the school facility needs of local communities by providing resources to repair, renovate, and modernize America's schools. It will stimulate the creation of more than 100,000 new jobs. These jobs will be generated in the construction industry among suppliers, ranging from architects and engineers to roofing contractors and other construction workers who modernize, renovate, and repair schools.