NEW PLAN WOULD HELP CONGRESS CREATE 1.3 MILLION JOBS, AVERT IMMINENT COMMERCIAL REAL ESTATE CRISIS

SANTA FE, NM (June 22, 2010) – A tax incentive for business owners that would avoid the looming commercial real estate loan crisis while creating 1.3 million jobs is detailed for the first time in a report released today.

“This report is the first to illustrate how dramatic job creation through limited energy efficiency tax incentives can prevent a meltdown in the commercial real estate market,” said Edward Mazria, CEO of Architecture 2030, the leading building sector energy research organization. “Without a swift plan from Congress, the commercial real estate (CRE) crisis could cripple the economic recovery, raise unemployment, and lead to scores of small business and community and regional bank failures.”

Mazria is a co-author of the report, titled “The Imminent Commercial Real Estate Crisis and The CRE Solution.” The report, which recommends a three-year, tiered tax incentive tied to specific energy reduction targets, is being released at a critical time.

CRE transactions have dropped a staggering 90 percent since 2007. Between now and 2014, $1.4 trillion in CRE loans are coming due; more than half of these are currently underwater. Commercial property values have plummeted by more than 40 percent, and commercial vacancies rates continue to increase. By April, the construction industry had lost more than 2 million jobs, with another 35,000 jobs lost in May, mostly in the commercial building sector. Also, at the end of May, the FDIC reported that its "problem bank list" had grown from 702 to 775 since the end of the 2009 fourth quarter.

Congress can simultaneously address the looming CRE crisis and crippling construction unemployment through “The CRE Solution.” This can be jumpstarted quickly by building upon the existing Energy Efficient Commercial Building Tax Deduction (26 U.S.C. 179(d)) from $1.80 per square foot to a range of $3 to $9 per square foot for new and existing commercial buildings meeting specific energy reduction targets.

For each $6 billion of deferred CRE revenue, for example, “The CRE Solution” would generate $73.4 billion in new private spending, $15.9 billion in new federal tax revenue, and $5.25 billion in state and local government tax revenue, according to the report findings.
The report concludes that “The CRE Solution” would:

- Create 1.3 million jobs, quickly and cost-effectively
- Decrease building sector energy consumption and greenhouse gas emissions
- Increase after-tax cash flow and property values, and reduce loan defaults
- Increase new CRE sales, desirability, and investment value
- Generate billions of dollars in federal, state, and local revenue

“Employed strategically, energy efficiency tax incentives can be multiplied significantly to reduce CRE loan defaults, stimulate CRE transactions, boost commercial building construction, and increase commercial property values,” added Kristina Kershner, President of Architecture 2030 and a co-author of the report.

The 14-page report can be viewed at www.architecture2030.org

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About Architecture 2030
Architecture 2030 is an independent, nonpartisan nonprofit research organization focused on achieving a dramatic reduction in energy consumption and greenhouse gas emissions in the building sector by changing the way buildings and developments are planned, designed, constructed and renovated.