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**IMPACT OF THE 2009 ECONOMIC STIMULUS PLAN
ON THE REAL ESTATE INDUSTRY**

With the enactment of the American Recovery and Reinvestment Act, generally known as the 2009 Economic Stimulus Plan, an unprecedented \$787 Million will be allocated to stave off the current recession by fostering economic development. For the real estate industry, this will be implemented through a combination of tax credits and increased government funding. As discussed more particularly below, the Economic Stimulus Plan will work to create opportunities for the real estate industry.

PUBLIC CONSTRUCTION OPPORTUNITIES*Infrastructure Investment*

The Economic Stimulus Plan will increase by billions of dollars the amount of money spent by the federal and local governments on the construction of roads, bridges and railways.

Impact- In the short term, increased infrastructure expenditures will lead to new opportunities for engineering firms and for the construction industry to bid on road, bridge and railway construction. Concrete and steel industries will also benefit from such work. In the long term, increased road, bridge and railway construction could increase real estate values for areas benefiting from increased/improved road and rail access. In turn this could create opportunities for real estate investors to create new residential developments, including new transit oriented developments. Better road/rail access to certain areas could lead to new permanent jobs in such locations, thereby creating potential opportunities for new office construction.

Public Housing

The Economic Stimulus Plan allocates \$6.3 billion to improve federal government backed public housing projects with new insulation, windows and furnaces. It also increases funding to the states to finance the construction, acquisition or rehabilitation of low-income and elderly housing projects such as section 8 housing, rural development and, in Pennsylvania, PHFA funded housing.

Impact- This capital infusion should create short term opportunities for contractors, engineers and architects, especially those who specialize in “green” energy efficient technology, to obtain work on such projects.

Public School Modernization/Qualified School Construction Bonds

The Economic Stimulus Plan will funnel money into public education with the recipients of these funds to have the discretion to invest portions of these funds to modernize, rehabilitate and/or repair existing public school facilities. The Economic Stimulus Plan also creates a new category of tax credit bonds for the construction, rehabilitation or repair of public schools or for the acquisition of land on which public schools may be constructed.

Impact- In the short term, increased public school construction should lead to new opportunities for construction companies and engineering and architectural firms to bid on public school construction projects. In the long term, areas benefiting from public school modernization/construction may see real estate values rise thereby leading to new residential construction and the possible flow of new jobs to such areas which could lead to new commercial construction as well.

Hospital Construction

Although scaled back from initial proposals, the Economic Stimulus Plan allocates \$1.2 billion to the construction and improvement of Veterans Administration hospitals and facilities leading to short-term jobs for the construction industry.

PRIVATE CONSTRUCTION OPPORTUNITIES*Weatherization/Energy Efficiency Tax Credits*

The Economic Stimulus Plan sets aside \$5 billion to weatherize more than 1 million modest-income homes and provides tax credits for all households that purchase energy-efficient furnace, energy-saving windows and doors.

Impact- This proposal could fuel home improvement projects in the residential sector leading to some new projects for architects, engineers and general contractors. This credit should also lead to a boom for those real estate companies that focus on energy efficient “green” construction.

Energy Grants in Lieu of Tax Credits

Currently, taxpayers may claim a production tax credit for electricity produced by certain renewable energy facilities and investment tax credits for certain renewable energy projects. However, the current recession has undermined the effectiveness of such tax credits. To rectify this problem and to increase the effectiveness of this regime, the Economic Stimulus Plan permits taxpayers to obtain a grant from the Treasury Department in lieu of such tax credits.

Impact- These grants should stimulate the move by property owners (both residential and commercial) to sustainable development and increase the focus on utilizing renewable energy sources in existing and new construction. Real estate companies that provide “green” solutions to construction and engineering should benefit from these energy grants.

BROADBAND EXPANSION

The Economic Stimulus Plan calls for spending \$7.2 billion to expand broadband communication access to currently underserved rural and urban areas in an effort to make broadband access available and affordable to all Americans in a similar way that electricity and

television services access to such areas were fostered by government incentives in the twentieth century.

Impact- In the short term, this expenditure should lead to increased work for contractors that construct/expand telecommunications lines throughout the country and should also increase the need for the construction/leasing of telecommunications towers and similar facilities. In the long term, increased telecommunication services to underserved areas could increase property values and add jobs to those areas and thereby increase demand for new residential/commercial construction in those areas.

TAX INCENTIVES

The Economic Stimulus Plan will extend to 2009 the temporary tax benefit to businesses that permits businesses to immediately write-off fifty percent of the cost of depreciable property acquired in 2009 for use in the United States. The Economic Stimulus Plan will also enable small businesses to write-off a maximum of \$250,000 of the cost of certain capital expenditures acquired in 2009.

Impact- This proposal will provide construction companies, engineering firms and property owners with extra incentives to purchase equipment used for construction activity and building maintenance.

TAX CREDITS

First-Time Home Buyer Credit

Though scaled down from the originally proposed \$15,000 credit, new homebuy-

ers who purchase homes prior to December 1, 2009 will receive a tax credit of up to \$8,000 that, unlike tax credits in previous years, will not need to be repaid as long as the buyer does not sell the home for at least three years. Please note, however, that this tax credit phases out for individuals earning more than \$75,000 annually and for married couples earning more than \$150,000 annually.

Impact- The First Time Home Buyer Credit should trigger a modest rise in home sales, at least temporarily, and could enable residential real estate developers to sell some of their surplus product that has lingered on the market during the current economic downturn.

The Economic Stimulus Plan increases New Market Tax Credits available for 2008 and 2009 to \$5 billion for each year. The Economic Stimulus Plan also will authorize billions of dollars in tax credit bonds for investment in economic recovery zones to the states (which will then be sub-allocated to local governments) based on each state’s job losses in 2008 as a percentage of national job losses in 2008. The states and local governments could use these bonds to invest in infrastructure and economic development among other items.

Impact- These proposals could spur economic development on the local level including construction of government buildings, low income housing and various other real estate related items that would thereby create new jobs and opportunities for a wide facet of the real estate industry.