



Today's Contractor

In This Issue

- ▶ *Congress Repeals 3% Withholding on Government Contractors*
- ▶ *Making the Switch to Energy-Efficient Lighting Systems*

Smart Growth Development Set to Take Off

The desire for greater convenience and lower energy costs, combined with shifting cultural preferences, is leading to a steady climb in the demand for housing in more compact, mixed-use “smart growth” developments. Increasingly, buyers are looking not just at the size and quality of a home, but also at the amenities of the surrounding community, including sidewalks and green space, easy access to public transit, and proximity to shops and other businesses.

Especially among younger and more affluent Americans, there is a

growing trend towards seeking a sense of place and community, which includes knowing the neighbors, buying local produce at farmers’ markets, and being able to walk and bike to parks and other public spaces. These consumers also tend to support the protection of natural resources by steering new development away from open space and farming areas. People in this group are frequently drawn to “smart growth” neighborhoods, or densely built communities with a mix of housing and businesses, and more public transit links than conventional suburban developments offer.

The results of a national survey released by the National Association of Realtors (NAR) in April 2011 showed that Americans increasingly favor walkable, mixed-use neighborhoods, with 56% of respondents preferring smart growth neighborhoods over others that require more driving to and from home, work, and recreation. When considering a home purchase, 77% said they would look for neighborhoods with pedestrian-friendly features, and 50% want improvements to existing public

Congress Repeals 3% Withholding on Government Contractors

After an extended campaign by construction industry groups urging Congress to scrap a provision that would have imposed a withholding requirement on government contractors, President Obama signed into law on November 21, 2011, the 3% Withholding Repeal and Job Creation Act, which eliminates the controversial 3% withholding requirement for government contractors. The bill passed with overwhelming bipartisan support.

The new law repeals the 3% government contractor withholding mandate, a measure designed to discourage tax avoidance among contractors that never went into effect. Under Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), a 3% government withholding requirement was to be imposed on payments of \$10,000 or more to contractors and other providers of services or property to Federal, state, and local governments. The government withholding had been scheduled to apply to payments made after December 31, 2010, but the implementation was delayed under the economic stimulus legislation, and again by the Internal Revenue Service (IRS), and had been due to go into effect on January 1, 2013.

Lake Coulson, executive director of government affairs at the National Electrical Contractors Association (NECA), said the repeal of 3% withholding has been on the NECA's legislative agenda since the measure was first passed. "The entire construction industry came together to fight for repeal of the 3% withholding tax," Coulson said. "The recession served to draw additional attention

to the issue, since having 3% withheld from these companies could have been catastrophic for some companies."

The Associated General Contractors of America (AGC) had been working to repeal the withholding tax over the past five years, with members from all regions of the country calling and visiting members of Congress to urge them to support its elimination.

The Joint Committee on Taxation has estimated that the repeal of the withholding tax will cost \$11.2 billion over 10 years. To offset this cost, the new law alters the definition of modified adjusted gross income (AGI) to include a portion of the individual's Social Security benefits, which had previously been excluded, when calculating AGI for the purposes of determining eligibility for Medicaid, the Children's Health Insurance Program, and for the premium assistance tax credit, which will become available as part of the health care reform plan starting in 2014.

In addition, the law will permit the IRS to impose a continuous 100% levy against payment due on a provider of property sold or leased to the Federal government if the vendor has an unpaid Federal tax debt, and not just on vendors of goods and services, as was previously the case. The legislation further provides the VA with the authority to obtain information from the IRS, and orders the Treasury Department to prepare a report on how the government can become more effective in collecting delinquent taxes owed by Federal contractors.

Making the Switch to Energy-Efficient Lighting Systems

As Federal standards for light bulbs change, many homeowners may be considering moving from incandescent to halogen, fluorescent, and LED lamps, while still enjoying an attractive indoor/outdoor lighting environment. With the range of products now available, designing a lighting system

that will meet energy efficiency standards and lower utility costs is possible.

The Energy Independence and Security Act of 2007 requires all general-purpose light bulbs that produce 310–2600 lumens of light be 30% more energy efficient than incandescent bulbs by 2012 to 2014.

Continued on page 4

Continued from page 1

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transportation, rather than more new roads and developments. More than half (53%) agreed that preserving farms and open spaces should be a priority.

The findings also showed that many home buyers are willing to sacrifice square footage for less driving: 80% of those surveyed said they would prefer to live in a single-family, detached home without a longer commute, but 59% said they would choose a smaller home if the commute was 20 minutes or less. Two-thirds (66%) said easy walking to places in their community is an important factor in deciding where to live, with a majority favoring being able to walk to a grocery store (75%), pharmacy (65%), hospital (61%), and restaurants (60%).

From the perspective of builders, constructing mixed developments that combine residential with retail and commercial uses can be particularly attractive, especially if located close to public transit. There are, of course, some barriers that may be encountered in mixed-use and smart growth development, especially when construction is in existing communities. However, local zoning codes that once required low densities and separation of uses are being changed in many areas, as state and local authorities recognize the economic and social value of mixed-use, walkable communities. While financing for these developments is often structured differently than for conventional residential developments, builders can often get support, and sometimes subsidies, from government agencies that are seeking to promote this type of development.

Although builders face greater restrictions in the type of architectural styles and materials they can use in established neighborhoods, building in an area that is already considered desirable is less risky than constructing a new housing development in an unproven location connected to services and businesses only by car. When these projects are in established neighborhoods, builders can often take advantage of existing infrastructure, such as roads and utilities, although upgrades may be needed.

There are also indications that the prices for mixed-use housing are rising: an Environmental Protection Agency (EPA) study on smart growth market trends released in February 2011 found that, in nearly 80% of comparisons of smart growth and conventional suburban developments with similar building and property characteristics, housing units in smart growth developments sold for higher average prices per square foot. And in December 2011, the Multifamily Production Index (MPI) of the National Association of Home Builders (NAHB) showed continued improvement for the fifth consecutive quarter for the apartment and condominium housing market, suggesting that demand for non-single-family housing is strong and growing.



Interest in smart growth communities is expected to increase further, as retiring Baby Boomers downsize their homes in exchange for greater convenience, and Millennials minimize their car dependency for financial and environmental reasons. A recent study by the Urban Land Institute noted that as energy and infrastructure become more important to both residential and commercial customers, young adults are comfortable with smaller homes, and willing to trade living space for an easier commute and better lifestyle. The findings also indicated that homes near hospitals and medical offices will be popular among seniors, especially if they are integrated into mixed-use neighborhoods with shops, restaurants, and services.

construction trend data

Construction activity rose sharply in October, up 12% from September. Total construction starts for the first 10 months of 2011 came to \$355.6 billion, down 3% from the same period a year ago. From September to October, nonresidential construction jumped 36%, while residential building grew 2%, and nonbuilding construction remained flat.

The increase in nonresidential building activity was attributable in part to a 740% jump in the manufacturing plant category. Office construction was also up 58%. Meanwhile, the amusement-related category rose 98%, warehouse construction advanced 34%, and the public buildings category grew 39%. More modest gains were seen in the hotel construction (4%) and church (8%) categories, while declines were registered in educational buildings (-3%), health care facilities (-8%), and transportation terminals (-35%).

Although nonbuilding construction levels were flat in October, gains of 35% were reported in the

electric utility category. The sewer and waste disposal category rose 53% and water supply construction advanced 8%, but declines were seen in the areas of highway and bridge construction (-28%) and miscellaneous public works (-11%). Single family housing construction climbed 1% between September and October, showing a slight recovery from earlier in the year.

Total new construction starts by region for the first 10 months of 2011 were as follows: South Central, down 5%; Northeast, down 12%; Midwest, down 12%; West, up 8%; and South Atlantic, up 5%.

Year-to-Date Construction Contract Value Unadjusted Totals, In Millions

	10 Mos. 2011	10 Mos. 2010	% Change
Nonresidential Building	\$130,103	\$138,229	-6
Residential Building	102,347	103,615	-1
Nonbuilding Construction	<u>123,177</u>	<u>124,345</u>	<u>-1</u>
Total Construction	\$355,627	\$366,189	-3

Continued from page 2

Making the Switch to Energy-Efficient Lighting Systems

The efficiency standards will start by phasing out 100-watt bulbs in January 2012 and end by eliminating 40-watt bulbs in January 2014.

The U.S. Environmental Protection Agency's (EPA) Energy Star program recommends purchasing compact fluorescent light (CFL) bulbs, which are glass tubes filled with gas and a small amount of mercury. CFLs are 75% more efficient than incandescent bulbs and designed to last 10 times longer. CFLs now come in a variety of shapes similar to those of incandescent bulbs, and are suitable for most lamps.

Halogens are filaments encased in a bulb made of fused quartz or high silica glass containing a halogen gas and are only 25% more energy-efficient than incandescent bulbs.

Light-emitting diodes (LEDs) are small, highly efficient solid bulbs that provide energy savings of

75% to 90% compared with incandescent bulbs. Like CFLs, LEDs come in various shapes and sizes; but unlike CFLs, LEDs do not contain mercury. Although considerably more expensive than CFLs, LEDs last up to 50 times longer than conventional bulbs. The price of LED bulbs is expected to decline with advanced manufacturing technology.

CFLs and LEDs, unlike filament bulbs, emit little or no heat, and come in warm colors similar to the yellowish light of incandescent bulbs, and whiter and bluish colors for reading and task lighting.

In addition to switching bulbs, many homeowners want to install motion sensors or dimmers, which save energy by being able to adjust the lighting. As not all CFL and LED bulbs are suitable for dimmers, motion sensors, or outdoor lighting, it is important to coordinate the bulb type with the fixture and desired use.