



Priority Issues

AIA North Carolina 2014 Legislative Day

The Cost of Doing Nothing & A Blueprint for Economic Recovery

Objective: Stimulate North Carolina's economy and provide jobs: AIA supports these three strategies:

- 1. Repair and Renovate Neglected Public Buildings**
- 2. Undertake a Comprehensive Study on State Building Needs**
- 3. Create a State Building Fund Bank**

Analysis: Facts about design and construction jobs:

- Since 2006 there has been a national loss of 2.1 million jobs in the construction sector.
- Since the beginning of the recession there has been a 34% decrease in construction employment in North Carolina.
- Since 2008 the architectural industry has lost 33% of its work force.
- In 10 years North Carolina will see an 11% increase in population.
- In 10 years North Carolina will be the 7th most populous state in the nation.

Facts about the construction economy:

- Every \$1 Billion invested in Design & Construction creates or sustains 28,500 jobs.
- Every \$10 million invested in construction creates or sustains 285 jobs.
- Unemployment in the Design & Construction industry is still above the national average.
- It takes 12-24 months for the planning & design of a construction project. Delaying funding in this area will delay economic recovery.
- If economists claim we're out of a recession why doesn't it feel like it? Answer, because the traditional leading economic sector of design & construction is still in a depression.

The quality and functionality of North Carolina's public infrastructure has a major impact on attracting new business to the state and on growing our existing businesses. The efficient operation of government services, the quality of public education (secondary and higher), the ability to move about without traffic jams, improved utility systems, the availability of recreational resources, all contribute to business and employment growth in our state. Investing in essential public infrastructure influences job creation in two direct ways: an immediate impact in design and construction job creation; and long-term job creation through attracting new business to the state and growing existing businesses.



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Our agenda includes three focus areas:

1. Repair and Renovate Neglected Public Buildings & Infrastructure

Deferred maintenance, energy efficiency improvements, water efficiency improvements and other critical repairs and renovations are needed for numerous public buildings—at a time when many material prices are starting to rise. Allocating funds for this work in 2014 will have an immediate impact on putting our design and construction industry to work as these are projects that can immediately move into design and then quickly into construction.

It costs the State 40% more annually for neglected buildings that are not adequately repaired and renovated. Funding to industry standard levels would save the State over \$700 million a year.

\$	1.4 Billion	-	The cost of doing nothing
\$	<u>630 Million</u>	-	Cost to fix the problems
\$	770 Million	-	Annual savings to the State

2. Undertake a Comprehensive Study on State Building Needs

Last year the Legislature and the Governor's administration undertook a process by which the Department of Transportation would evaluate road construction on an as need basis. They created the Mobility Fund that eliminates much of the politics that drove road funding in the past and instead instituted an objective formula for delivering transportation relief to points in the state with the most need. A similar type of approach could be developed for our aging and neglected state building needs.

3. Create and Invest in a State Building Fund Bank

This concept can be modeled after many other state infrastructure banks in the country. The fund needs a dedicated stream of income from some source that can be used to fund advanced planning and construction of essential public projects. The Fund could also be the catalyst for developing a comprehensive North Carolina Capital Improvement Plan that would be our long-term management tool for implementing capital projects or repair and renovation across the State. The bank can be a lower cost construction alternative for local governments and designed to keep dollars in North Carolina as a revolving fund for local infrastructure needs. We are asking the General Assembly to set up a study commission to determine the best approach to establishing these creative funding mechanisms.