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CONSTRUCTION EXECUTIVE

WHAT THE CARES ACT MEANS FOR THE CONSTRUCTION SECTOR

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The novel coronavirus (COVID-19) has had a major impact on organizations and operations across all industries—construction is certainly no exception. As construction executives grapple with the unprecedented impact COVID-19 will ultimately have on their businesses, a great deal of uncertainty remains. Many question marks still exist around the ultimate scope of the pandemic and what recovery will look like in the construction sector and the economy at large.

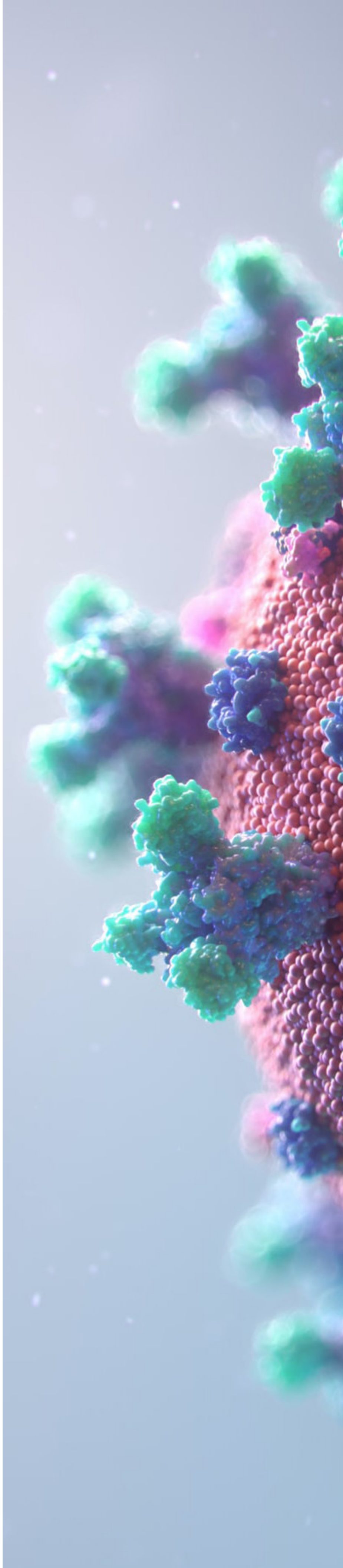
From a risk management perspective, these uncertainties make planning for the future particularly challenging. Yet the recent Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, offers a glimpse at the future in terms of what relief will be available and opportunities for new projects in a post-coronavirus world.

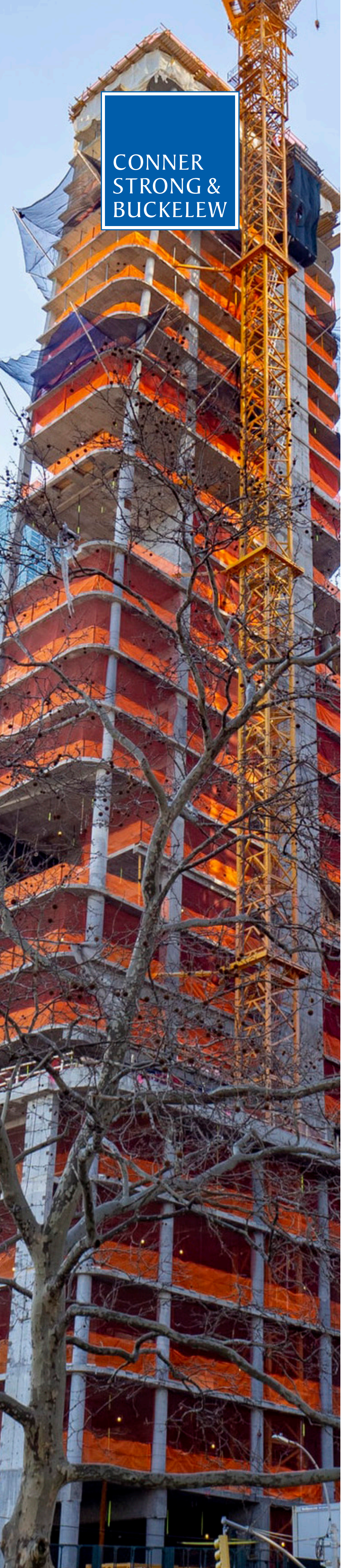
The $2 trillion act is the largest relief package in U.S. history, and the third stimulus effort dedicated to combatting the economic impact of COVID-19.

The CARES Act does not specify significant provisions directed at construction industry losses specifically, such as relief for project delays or additional safety precautions for workers. But there are aspects many construction firms—particularly small businesses—can capitalize on and incorporate into long-term risk planning. In addition to short-term relief offerings, the stimulus offers funding for construction-related projects focused on combating the COVID-19 and increasing our nation's public health infrastructure.

These resources present opportunities for the construction industry as our nation recovers and puts this funding to use.

Here's a closer look at what the CARES Act means for construction owners and employers creating a plan to navigate ongoing risk created by the COVID-19 and explore opportunities in recovery efforts.





PAYROLL ASSISTANCE FOR SMALL BUSINESSES AND TAX RELIEF

A significant focus of the CARES Act is on providing relief for small businesses facing challenges around the COVID-19. Unlike other crises like extreme weather or other natural disasters, small businesses in the construction sector may not have comprehensive plans or adequate insurance coverage for risks that come with a global pandemic.

A bulk of this relief comes in the form of $349 billion in forgivable loans from the Small Business Administration.

The initiative, known as the Paycheck Protection Program, allows employers with less than 500 employees to receive up to $10 million under the Small Business Act. It can be used for a wide range of business expenses, including payroll, as well as paid sick, medical or family leave; costs related to the continuation of group health care benefits; mortgage payments and rent; utilities; and other debts. These loans could also be extended to sole proprietors, independent contractors and self-employed persons.

For construction firms that are able to keep employees on the books through the worst of this crisis, the program offers loan forgiveness for costs associated with payroll as well as interest on mortgage obligations, rent and utilities.

Additionally, the CARES Act offers tax relief that can benefit construction firms, specifically around payroll taxes and using losses from prior years to offset liabilities.

For firms struggling with tough decisions around maintaining operations and staffing during these uncertain times, the CARES Act offers some relief for qualifying firms. What's more, it offers some clarity for firms looking to build a framework for business recovery efforts and planning.

OPPORTUNITIES IN FUNDING FOR NEW PROJECTS

Speculation on just how long social distancing measures and other business restrictions persist vary, and it's difficult to predict when halted projects will be able to resume work in many parts of the country. However, a number of provisions in the CARES Act spell out where federal funds will be available for new construction projects in the wake of the pandemic. Planning for these opportunities may be one of the only bright spots in this current downturn.

The most significant is an allocation of more than $27 billion to the Department of Labor for the Public Health and Social Services Emergency Fund.

These funds are dedicated to ramping up our ability to respond to the COVID-19 and include support for construction of manufacturing facilities, non-federally owned diagnostic and vaccination production and testing facilities and reimbursing health care providers for expenses related to the COVID-19 that can include construction costs.

In terms of receiving assistance from the CARES Act, employers are advised to seek guidance from their tax and legal advisors on how to access available federal funds and qualify for new programs. It's also a good time to talk to your risk manager or broker about the best ways to plan for future business disruptions and streamlining your firm's recovery from this pandemic.

Through any crisis, it's important to expect shifts in both the industry and regulatory landscapes on a regular basis.

As recovery from the COVID-19 continues, more stimulus efforts will be announced. Additional planning tools will become available to construction executives seeking to navigate the current downturn and best position themselves for business to return to something approaching normal.

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