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URGENT 6 PAGE FAX MESSAGE

January 25, 2010

RUSH

Dear SMACNA Metropolitan Detroit Chapter Contractor,

Rebuilding America Coalition, a select group of business and labor leaders including SMACNA, have joined to achieve the goal of improving the energy performance of the nation's buildings by implementing a massive building retrofit program at all levels covering all building types. Rebuilding America is currently formulating a policy to aggressively stimulate retrofit activity on a national scale but is in need of our help.

Our endorsement for support is needed regarding commercial, industrial and multi-family dwelling rebate incentives proposed to be covered under this policy, which is currently under final development. Rebuild America Coalition along with SMACNA Detroit is urging Congress to establish Building STAR, a fast-acting, short-term program of rebates and tax incentives to create hundreds of thousands of jobs retrofitting commercial, industrial and multi-family buildings in 2010 as a core component of pending jobs legislation (**see attached for Building STAR rebate program proposal**).

We have been in contact with Michigan Senator Debbie Stabenow's office staff in hopes that she will spearhead this bill on behalf of SMACNA and its contractor members. SMACNA Detroit has sent a letter of endorsement to Senator Stabenow's office, but we also need our contractors to contact the Senator in an effort to gain her total support and action to stand behind the Building STAR incentive package for inclusion in the jobs package under development in the Senate right now.

We have enclosed a sample letter that you may personalize with your comments, name and address to forward by email or fax to Senator Stabenow's office and staff. Our goal is simple, we need Senator Stabenow to step forward and give support for this important commercial / industrial energy retrofit package to be inserted into the jobs bill.

Senator Debbie Stabenow
Phone 202-224-4822 Fax 202-228-0325
Senator@stabenow.senate.gov

Your endorsement letters to Senator Stabenow should also be copied to:

Amanda A. Renteria, Chief of Staff
Amanda_renteria@stabenow.senate.gov

Chris Adamo, Senior Policy Advisor for Energy
Chris_adamo@stabenow.senate.gov

We are requesting for your URGENT PERSONAL ATTENTION regarding this matter.

CC: SMWIA Local Union #80, Stan Kolbe



Rebuilding America

Building STAR: Job Creation through Retrofits of Commercial, Institutional and Multi-Family Buildings

Rebuilding America urges Congress to establish Building STAR, a fast-acting, short-term program of rebates and tax incentives to create hundreds of thousands of jobs retrofitting commercial and multi-family buildings in 2010 as a core component of pending jobs legislation.

Modeled on the successful “cash for clunkers” program, Building STAR is the product of a wide consultation among members of *Rebuilding America*, a coalition of more than 60 business, real estate, financial, labor, consumer, and advocacy organizations, and a broad range of outside technical experts. We have designed Building STAR as the commercial, institutional, and multi-family¹ counterpart to HOME STAR, which will serve the single-family market. The group developed a two-pronged, voluntary approach:

1. A simple and straightforward rebate plan modeled on the “Cash for Clunkers” program; and
2. A package of improvements to existing, and in some cases proposed, tax incentives and codes.

The Building STAR program belongs in a “jobs bill” because it would help create 200,000 to 300,000 high-quality jobs during 2010 in every part of the country, while helping to drive new investments into the commercial and multi-family real estate sectors.²

Today, 1 in 5 construction workers – over 1.7 million people – are out of work. Many of them are skilled tradesmen who used to work on commercial, institutional, and large residential buildings. In addition to a large pool of available and qualified workers, construction firms and energy service companies capable of performing large-building retrofits have significant amounts of idle equipment, materials, and design capacity that could be quickly deployed to meet the short-term demand that would be generated by Building STAR.

Building owners could take advantage of both the rebates and the tax incentives provided through this initiative (i.e., they would not have to pick only one or the other). Given the crisis in the commercial real estate market, the combination of rebates and tax incentives will provide building owners with a substantial impetus to make immediate investments in efficiency.

¹ Multi-family is a residential building of 5 dwelling units or more.

² Based on an assumption of 12.5 direct and indirect jobs created per \$1 million invested. This figure was used in the *Rebuilding America* white paper by the Energy Future Coalition and Center for American Progress and is based on a conservative estimate of job creation from studies of the overall efficiency market by the Political Economy Research Institute, the National Association of Home Builders, the Center on Wisconsin Strategy, and others.

Building STAR Rebates

Building STAR would authorize a rebate program for building owners who install or implement energy-efficient building equipment, materials, products and services during 2010. Once enacted into law, this program could be up and running within 30 to 60 days, using public funding to leverage two to three times as much private investment. As in the "Cash for Clunkers" program, the service providers (e.g., contractors or energy service companies) will be the primary marketers of the rebate program. Building STAR rebates will help drive demand for commercial building efficiency upgrades because they are based on, and can be used in conjunction with, successful incentive programs currently operated by states and utilities.

Participating in the Building STAR rebate program will be a simple and straightforward process for building owners:

1. A building owner, or designee, proposes energy-efficient upgrades using the pre-approved list of products and services and rebate levels set forth in *Appendix A* of this document. Alternatively, the building owner, or designee, could find a licensed contractor, ESCO, or other provider to propose performance improvement measures, using the same pre-approved list in *Appendix A*.
2. The building owner, or designee, electronically submits the application (as described in *Appendix B*) to U.S. Department of Treasury to get into a pipeline for this rebate. Applications in the pipeline are prioritized on a first-come, first-serve basis and allow the Treasury Department to gauge the number of applicants and the funds available for this rebate program.
3. The Treasury Department will send a confirmation electronically to a building owner, or designee, that the rebate money is available for its intended project.
4. A building owner, or designee, installs the equipment or undertakes the services called for as part of the rebate application, and pays for the work, except for the portion to be covered by the rebate.
5. The building owner, or designee, signs a confirmation certifying that the work specified in the application has been completed according to the requirements outlined in *Appendices A* and *B* of this document. Alternatively, the building owner, or designee, has the option to have a third-party verifier confirm that the work has been done in accordance with the application. Either way, the confirmation is then sent electronically to the Treasury Department.
6. An independent third-party verifier contracted by the Treasury Department reviews the application to ensure calculations are correct. If the application is accurate, the rebate money is disbursed to building owner, or designee, by the Treasury Department within 30 days of receipt of confirmation.
7. Following the completion of the retrofit, 10% of project participating in the program will be undergo an on-site evaluation by a certified independent entity to verify that the project complies with the scope of work submitted to Treasury Department (as described

in *Appendix B*). If the verification process finds evidence of fraud, building owners are subject to an IRS audit and/or other penalty under law.

A brief overview of the types of products and services covered by the rebate is as follows (see *Appendix A* for further detail):

- Building envelope insulation
- Mechanical insulation
- Windows, window films and doors
- Low-slope roofing
- HVAC equipment, water heaters, and boilers
- Duct testing and sealing
- Variable speed motors
- Interior and exterior lighting
- Building energy audits, commissioning, tune-ups, and training
- Energy management and monitoring systems

Building STAR Tax Incentives

As a second tool to spur demand for commercial retrofits and create jobs in 2010, the Building STAR program would provide new or expanded tax incentives for retrofits.

Performance-Based Tax Incentives

Building STAR would:

- Increase the Energy Efficient Commercial Building Tax Deduction (26 U.S.C. 179D) from \$1.80 to \$3.00 per square foot, and increase the deduction for partial allowances regarding specific system retrofits in commercial buildings, as provided in the “Expanding Building Efficiency Incentives Act of 2009” (S. 1637 and H.R. 4226, section 3(a)(1) of both bills). This would bring the incentive to a level that would help drive significant retrofit activity.
 - Incorporate the remaining sections of the Expanding Building Efficiency Incentives Act of 2009 (S. 1637 and H.R. 4226). The Energy Efficient Commercial Building Tax Deduction (26 U.S.C. 179D) includes performance and prescriptive incentives, as well as important verification requirements that will help ensure that work is completed correctly and maintained appropriately.

The prescriptive requirements contained in *Appendix A* of this document, or similar requirements, should be used for envelope retrofits affecting individual structural elements that are eligible for a partial deduction until such time as the Department of Energy and Internal Revenue Service issue new regulations to simplify and streamline the administration of the Energy Efficient Commercial Building Tax Deduction as called for in S. 1637/H.R. 4226, section 3(a)(2)(B). Such changes also would help improve the administration of the current Energy Efficient Building Tax Deduction program (26 U.S.C. 179D), which currently is a barrier to widespread use by building owners.

- Grants in lieu of Tax Incentives for REITs - Incorporate the Sustainable Property Grants Act (H.R. 4256), which would allow Real Estate Investment Trusts (REITs) to apply for grants instead of tax incentives, as already established for some other entities in Section

1603 of the American Recovery and Reinvestment Act of 2009. This would allow a large class of real estate owners to take advantage of these incentives.

Technology-Specific Tax Incentives

Building STAR supports tax incentives for technologies and equipment that could drive significant reductions in energy use and create jobs. The tax incentives in this section would be capped at a specific dollar amount.

Variable Speed Drives for Motors and Chillers: Include the “Expanding Industrial Energy Efficiency Tax Incentives Act of 2009” (S. 1639) as introduced in the Senate on August 6, 2009. This bill would provide incentives to manufacturers and end-users of advanced motor systems with adjustable speed capability. In addition, the bill provides incentives to upgrade to more efficient chiller equipment.

Energy-Efficient Roofs: Reduce depreciation from 39 years to a 20 year depreciation period for commercial roofs that meet prescriptive R-values equal to the rebate qualification levels in *Appendix A*. The shortened depreciation would only apply to low-slope roofs where the insulation is installed entirely above deck. This roof category covers approximately 62% of the existing commercial building floor space and are the types of roofs that are most able to increase their insulation levels and respond quickly to this type of incentive. Only roofs that are upgraded in 2010 and 2011 (or within the two years following enactment) can qualify for this incentive. New construction is excluded from the tax incentive. Buildings owners may take either the tax incentive or the rebate, but not both.

DRAFT LETTER

DRAFT

Senator Debbie Stabenow
133 Hart Senate Office Building
Washington, DC 20510

January 25, 2010

Dear Senator Stabenow and Staff,

Michigan's construction industry is in the midst of the most difficult and rapidly changing period it has experienced in several decades. Our industry, along with other skilled trades are dealing with many overwhelming issues such as raising health care costs, a depleting pension fund, dramatic loss of construction manhours/jobs and has a large percentage of journeymen and apprentices out of work. As a SMACNA Metropolitan Detroit Chapter contractor, we are in need of immediate assistance in order to obtain jobs and get our people back to work. That is why we believe the Building Star incentive will provide the spark needed for a construction industry recovery.

As a SMACNA Metropolitan Detroit Chapter contractor, we have a tradition of being responsive to change and are forward thinking. With your support, together we can offer immediate action to begin to stabilize our economy, our companies and our struggling unemployed tradesmen. Michigan can easily concentrate on its wealth of expertise amongst its skilled trades contractors like ourselves, and may rely on the resource of its unions for quality workmanship to achieve this tremendous task of recovery.

We appreciate your support and are prepared to offer any additional assistance you may need.

Yours very truly,

YOUR ENDORSEMENT HERE

CC: Amanda A. Renteria, Chief of Staff
Chris Adamo, Senior Policy Advisor for Energy