

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 3 above-ground stories or more as defined by ASHRAE 2007 and excludes single-family residences.

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. 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, a certified independent evaluator verifies that the project complies with the scope of work submitted to Treasury Department (as described in *Appendix B*) that corresponds to the rebate requested. 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
- Water efficiency (to be added)
- 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.

Mechanical Insulation: Include an incentive for mechanical insulation to be installed to meet or exceed ASHRAE Standard 90.1-2007 to bring existing insulation systems up to that minimum level and to repair existing insulation that meets those minimum levels but has been damaged and therefore is not providing expected performance. A mechanical insulation incentive should provide some financial assistance, so building owners could install and/or repair insulation systems, such that they are most effective in meeting thermal and other requirements. The Building STAR group is currently evaluating existing tax incentive proposals.

Other Technologies: The Building STAR group is finalizing a decision on including tax incentives for green roofs and a small number of other efficient equipment.

Administration of Technology-Based Tax Incentive

Capping the total tax credits available under the technology-based program would require the US Treasury to adopt the following administrative procedures:

1. A building owner would submit proposed upgrades to the U.S. Department of the Treasury, including a claim for a tax credit of a specific dollar amount.
2. Treasury would issue a permit within 15 days authorizing the owner to implement the upgrade and claim a tax credit on their quarterly filing. Treasury would issue authorizations for tax credits only up to limits authorized by Congress, operating on a first come, first served basis.
3. After the work is completed, the building owner would file a claim for no more than the authorized credit on their quarterly tax filing. Alternatively, building owners would assign the tax credits to contractors at the time of installation. Tax fraud penalties would provide a powerful disincentive for fraud.

Appendix A

Proposed Eligibility and Incentive Structures for Building STAR Prescriptive Rebate Program

Building STAR would provide up-front rebates directly to commercial, institutional and multi-family building owners who install qualified energy efficiency equipment and materials in existing buildings. *Rebuilding America* drew from existing state and utility incentive programs and worked closely with leading technical and efficiency experts to develop the following eligibility and incentive structures:

INSULATION, DOORS, AND WINDOWS

Building Envelope Insulation

This incentive would be available where building envelope insulation is installed to meet or exceed ASHRAE Standard 90.1-2007, including bringing existing insulation systems up to that minimum level and repairing existing insulation that meets those minimum levels but has been damaged, thus not providing expected performance. Building envelope insulation is defined to encompass all thermal and acoustical requirements for the building envelope, including roofs (but excluding low slope roofs), walls (above and below grade), floors, and slab-on-grade floors as defined in ASHRAE 90.1-2007.

Incentive: \$0.60 per square foot of insulated area.

Mechanical Insulation

This incentive would be available where mechanical insulation is installed to meet or exceed ASHRAE Standard 90.1 2007 including for bringing existing insulation systems up to that minimum level, and for repairing existing insulation that meets those minimum levels, but has been damaged and is therefore not providing expected performance. To be eligible for the rebate for HVAC Duct Applications, ducts must be pressure-tested and, if necessary, remediated to the appropriate leakage class as defined by Sheet Metal and Air Conditioning National Association standards prior to insulating. Installed insulation must meet or exceed ASHRAE 90.1 2007. Mechanical insulation is defined to encompass all thermal requirements for mechanical piping and equipment and Heating, Ventilating & Air Conditioning (HVAC) applications.

Piping and Equipment Applications	Incentive
2" IPS and below	\$2.50 per equivalent lineal foot
Above 2" IPS – 12" IPS	\$5.00 per equivalent lineal foot
Above 12" IPS and equipment	\$5.00 per equivalent lineal foot
HVAC Duct Applications	\$1.00 per square foot

High-Efficiency Window Films and Screens

Window films or screens that result in a solar heat gain coefficient (SHGC) equal to or below the values indicated in the table for windows (as certified to National Fenestration Rating Council standards) and a Luminous Efficacy (defined as Visible Light Transmission divided by SHGC) equal to or greater than 1.1. The treatment must be permanently affixed to the glass (film) or window frame (screen).

Incentive: \$1 per square foot of glass enclosing a mechanically conditioned space.

Windows

Windows must have a maximum U-factor and SHGC (as certified to National Fenestration Rating Council standards) as indicated in the following table to qualify. Curtain wall and storefront windows are not eligible for the rebate. The table reflects climate zones and values required in proposed New Building Institute guidelines.

Climate Zones	1	2	3	4	5	6	7	8
U-Factor	1.20/.57 ³	.57	.40	.35	.35	.35	.35	.35
SHGC	.25	.25	.25	.40	.40	.40	.45	.45

Incentive: \$200 per window.

Low-Slope Roofing

Installation of insulation into low-slope roofs entirely above deck. The insulation levels after the retrofit would have to meet or exceed the R-values listed in the table below.

Climate Zones	1	2	3	4	5	6	7	8
R-Value for Buildings, Except Semi-Heated Spaces	20	25	25	25	25	30	35	35

Incentive: \$0.80 per square foot of the affected roof area.

HEATING, COOLING, VENTILATION

HVAC Testing, Balancing, and Duct Sealing

A rebate for proper HVAC testing, balancing and duct sealing. Ducts must be pressure-tested and, if necessary, remediated to the appropriate leakage class as defined by Sheet Metal and Air Conditioning National Association standards. To qualify, all work must be done by an individual whose certification is ANSI-accredited in HVAC Testing Adjusting and Balancing.

Incentive: \$0.75 per square foot of duct surface area for testing, and remediating to appropriate leakage class.

Commercial Boilers/Water Heaters

A rebate for the replacement of operational commercial boilers with new, efficient boilers.

Equipment Type	Qualification Level	Incentive
Boilers, 300,000-5 million Btuh		
Gas	90% TE	\$10/kBtuh
Oil	85% TE	\$3/kBtuh
Furnaces		

³ The first U-factor applies when impact rated glazing is installed.

Gas	TBD	\$X/kBtuh
Water heaters , 75,000 Btuh and above		
Gas	90% TE	\$8/kBtuh
Electric	2.5 COP or EF 2.0	\$20/kBtuh

High-Performance HVAC Equipment (Rooftop Units/Heat Pumps)⁴

Rebates for high-performance HVAC equipment as follows:

Equipment Type	Qualification Level	Incentive
Unitary AC and heat pumps, 3 phase	CEE tier 1	\$100/ton
	CEE tier 2	\$200/ton

Variable Speed Drives (VSD) for Motors⁵

Motors must operate at least 2000 hours annually. The installation of a VSD must accompany the permanent removal or disabling of any throttling devices such as bypass valves, bypass dampers, inlet guide vanes, and outlet control valves. Each VSD must include a series reactor (inductor, choke) to avoid sensitivity to power factor. VSD must be controlled automatically by a building automation system, process control system or local controller (not manually) driven by differential pressure, flow, temperature, or another variable signal.

Contractor must certify that motor experiences regular and significant changes in load and therefore in motor speed under normal operation and is likely to result in savings of at least 20%.

Power Controlled (horsepower)	Incentive
<10 hp	\$160/hp
10-100 hp	\$80/hp
> 100 hp	\$40/hp

Chilled water pump
Cooling tower fan
Return/supply/exhaust fans on built up VAV unit
Supply/return fans on VAV packaged unit
Hot water pump
Stand-alone exhaust fan
Laboratory fume hood exhaust & makeup fans

LIGHTING

Interior

Reduce rated interior lighting energy use (kWh) relative to current installed lighting as documented in accordance with procedures for the Federal commercial building tax deduction.

25% Reduction in Watts (adjusted by control factor)	\$0.25 per sq. ft of floor area changed
40% Reduction (adjusted by control factor)	\$0.50 per sq. ft of floor area changed

⁴ Based on an inventory of 29 prescriptive rebate programs for RTUs offered today by utilities and states throughout North America providing rebates ranging from \$15 to \$125/ton of cooling capacity.

⁵ Based on 33 prescriptive rebate programs offered today by utilities or states throughout North America providing rebates ranging from \$25 to \$400/horsepower controlled.

For purposes of calculating kWh savings from lighting controls, savings in Watts shall be multiplied by the following values:

Occupancy sensors: 1.x
Daylight dimming controls: 1.y

Exterior

Reduce rated exterior lighting energy use (kWh) relative to current installed lighting as documented in accordance with procedures for the Federal commercial building tax deduction and assuming that outdoor lighting operates for an average of 4000 hours per year.

20% Reduction	\$0.25 per kWh saved annually
40% Reduction	\$0.50 per kWh saved annually

For purposes of calculating kWh savings from lighting controls, savings in Watts shall be multiplied by the following values:

7 day time controls (with a provision for holiday schedule): 1.x
Controls that monitor area activity and turn lights off: 1.y
Controls that dim lights at a specified time: 1.z
Controls that provide multi-level lighting with constant monitoring: 1.q

BUILDING EFFICIENCY SERVICES

Audits

A rebate for building owners who undertake a comprehensive energy audit of their property to achieve all cost-effective energy efficiency. Auditors must certify that an ASHRAE Level II energy audit was performed to qualify.

Incentive: \$0.05 per square foot of audited building space, not to exceed 50% of total cost of the audit.

Energy Management and Monitoring Systems

Details forthcoming.

Commissioning

Details forthcoming.

Water Efficiency

Details forthcoming.

Energy-Efficient Building Operations and Maintenance Training

Rebates to train building superintendents and operators in energy-efficient operations of large commercial and multi-family buildings, provided that workers are trained to BOC or BPI Multi-Family Building Operator standards or their equivalent.

Incentive: \$2,000 per worker who completes the training and certification process.

Appendix B

Building STAR Rebate Program Application Form and Procedures

A building owner or a licensed contractor/provider submits its list of proposed efficiency measures to Treasury.

- Building owners must provide equipment serial numbers and/or information on services and upgrades that are a part of the proposed scope of retrofit work.
- Building owners must provide the total rebate expected based on the scope of work described above.
- Building owners must demonstrate that new products and services are contracted to be installed or implemented by licensed contractors or providers.
- The building owner or designee/contractor certifies that the products and services to be installed or implemented and the installation methods meet all applicable federal, state and local government building codes and standards.