
WEATHERIZATION INDUSTRIES SAVE ENERGY

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COMMENTS ON HB 3582

The weatherization portion of BETC comprises approximately 25% of the program by project volume but only about 2.5% by dollar volume; the typical tax credit is \$2000-\$3000. The vast majority of weatherization projects are for rental housing.

Why Weatherize?

- Conservation is by a wide margin the least cost and lowest risk way to meet Oregon's energy needs.
- Rental housing stock typically represents the worst energy waste per square foot of living space of all buildings.
- The direct benefits of Rental Dwelling Weatherization, which comprises the vast majority of the BETC weatherization projects, go to tenants thereby helping to keep them in their homes and off of utility bill assistance programs.

What Would Happen Without the BETC?

- Without the BETC, almost no rental weatherization projects would happen. This is due to the simple fact that the owner gets no direct return on investment because property owners almost never pay the utility bills for rental units. In other words, tenants receive the benefits of weatherization while the investment is made by the property owner.
- Because the rental market is so extraordinarily difficult to access, the BETC must work in tandem with the rental weatherization programs of the Energy Trust of Oregon and the various utility programs. Without the combined effort of each, both will fail.

How Many Jobs does BETC Create?

- Weatherization is labor intense and primarily creates small business construction jobs throughout the state; however, it also creates jobs through large employers like Jeld-Wen, Milgard, and Cascade Empire.
- Every BETC weatherization dollar creates at least \$2.50 in employment income within the state. The weatherization program creates about 150 FTE with only about 2.5% of all BETC funds.

Weatherization Industries Save Energy (WISE) is a trade association of weatherization and HVAC contractors and manufacturers. It is dedicated to promoting energy conservation through the services of its members, keeping conservation measures affordable, and providing policy-makers with the experience-based knowledge of business owners. For more information contact Jeremy Anderson at (503) 569-1381.



Clearly the best.™

To whom it may concern,

I would like to voice my concern regarding permanently removing energy related tax credits for rental property owners.

Milgard is a local window manufacturer with a plant in Tualatin Oregon. We rely on residential and commercial projects in both the new construction and retrofit segment of the industry to keep our plant, distribution, field and office personal employed. Large window replacement jobs like we experience under the BETC program, allows us to manufacturer and ship large quantities of our products from our local plant.

With the downturn in new home construction and the expiration of the federal tax credit for single family dwellings, it has been Multi-family type jobs motivated by the Business Energy Tax Credit, that have allowed us to minimize layoffs.

Milgard has been a part of Oregon since the 70's and we have built up substantial market share through these years. There is rarely a large rental property job that we are not bidding on and due to our market share in the area we tend to get more than a fair share of these projects. Removing the incentive for owners to invest in their properties will decrease the number of these jobs and have a negative impact on employment in the area.

I appreciate your consideration and thoughtfulness of the actions you take.

Sincerely,

Tony Quatraro
Milgard Manufacturing
Sales Manager
503-267-6980

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Senator Morse

I own and operate many hundreds of rental housing units throughout the Willamette Valley. Over the years I have used the Rental Dwelling Weatherization portion of the BETC to cut the heat bills of thousands of tenants. I can't begin to tell you how important this credit is to the renters of our state.

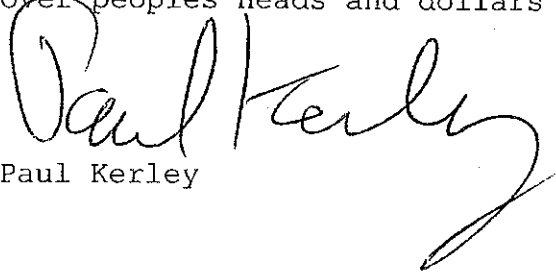
In your deliberations about the future of tax credits for rental weatherization there are a few key facts that I hope you will keep in mind:

- Renters have very little control over their heat bills; the structure they live in dictates how much they will have to spend on energy;
- Without significant financial help, rental property owners can almost never justify making energy improvements like weatherization because the direct return on the investment goes to the tenants and not to the owner;
- The money saved from lowering utility bills goes back into the local economy and helps tenants keep a roof over their heads (inability to pay utility bills is the second leading cause of homelessness).

I make my living as an investor and know how to identify a good return. Rental weatherization provides an excellent return on investment for Oregon. All parties—the tenants, the state, utilities, ratepayers in general, and property owners—benefit from weatherization, but no single party can bear the whole cost. Without the cooperative effort of everyone, including state through tax credits, these projects will not happen.

Please understand that rental weatherization is a capital improvement in Oregon housing stock that prevents the flow of Oregon dollars from leaving our state. For example when we; a cooperative financial effort between myself as property owner, PacifiCorp through the Energy Trust incentives, and the State of Oregon through the rental dwelling weatherization BETC; weatherized the Valley Pointe Apartments in Albany the average heat bill decreased by about 30%. With 127 units, this one project will continue for decades to return thousands of dollars per year into the local economy, it essentially eliminated the need for state bill-pay assistance, it significantly lowered evictions, and it provided jobs for a dozen weatherization workers.

I know that the legislature will have to make tough choices about state finances this year, but remember that keeping energy bills low keeps roofs over peoples heads and dollars within the state economy.

A handwritten signature in cursive script that reads "Paul Kerley". The signature is written in black ink and is positioned to the right of the typed name.

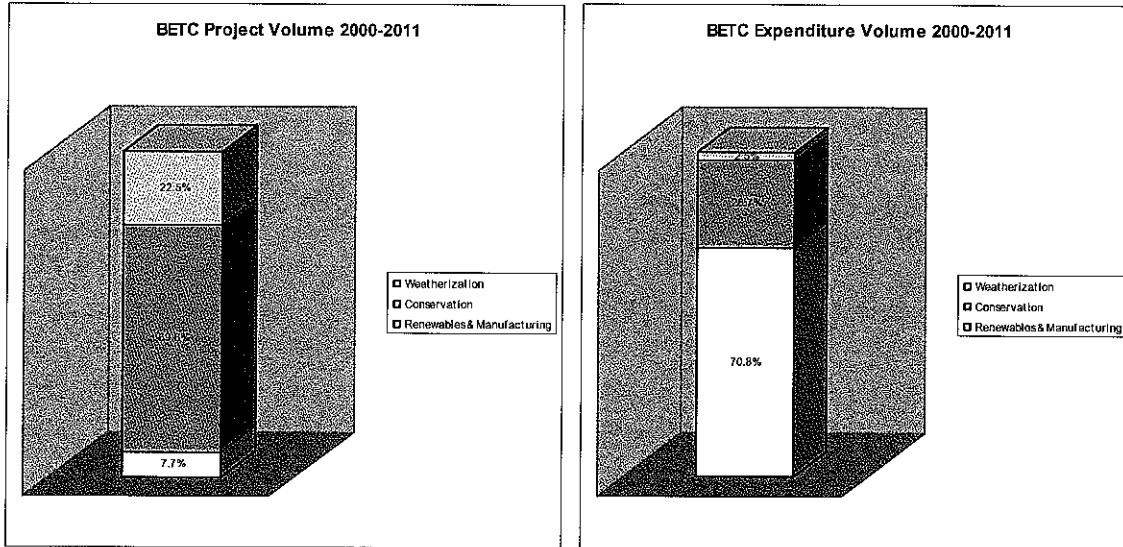
Paul Kerley

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HB 2414: BETC Data



- An average of 500 weatherization BETCs are granted per year with a typical tax credit of \$2000.
- The majority of weatherization projects are for rental dwellings where the tenant pays the utility bill but the owner pays for the improvement. **This means that the project owner receives no direct return on investment.**
- The typical weatherization project has a projected lifespan of at least 40 years.
- Approximately 40% of weatherization projects need a passthrough partner because the project owner does not have enough tax liability to use the credit.
- Approximately 70% of BETCs are awarded as one year credits (credits under \$7000).
- The vast majority of weatherization projects are very similar to each other with similar energy savings and payback periods.
- Weatherization projects typically save multiple fuel types including natural gas, electricity, heating oil, propane, wood, etc.

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COMMENTS ON "FINANCIAL AND ECONOMIC IMPACT OF THE OREGON BUSINESS ENERGY TAX CREDIT: AN ANALYSIS OF REPRESENTATIVE PROJECTS CERTIFIED DURING THE PERIOD 2002 TO 2009"

Introduction

Weatherization Industries Save Energy (WISE) is a trade association of weatherization and HVAC contractors and manufacturers. It is dedicated to promoting energy conservation through the services of its members, keeping conservation measures affordable, and providing policy-makers with the experience-based knowledge of business owners.

The report made by Industrial Economics to Oregon Department of Energy and presented to the Joint Committee on Tax Credits may contain useful information for many of the projects which have received BETC dollars, but fails to adequately account for several key aspects of weatherization projects, thereby understating the value of these projects. The most significant oversight is that, although in the executive summary the authors acknowledged that "The BETC can play a significant role when capital constraints are the main problem facing conservation project applicants, or when the project owners and project beneficiaries are not the same," they did not incorporate this insight elsewhere into their analysis and conclusions.

Financial Impact

The vast majority of weatherization projects are for rental dwellings (97% according to the report in question), and almost all of these represent a situation where the tenants pay the utility bills. This means that the project owners receive no direct economic benefit from the weatherization project. Therefore, since the project investor and the project beneficiary are not the same, IRR does not work as a screen for the influence of the BETC on these projects. The rare cases where the project owner and the project beneficiary are the same are typically cases where capital constraint is the most significant barrier to a project. The simple fact is that without the BETC, almost none of these weatherization projects would happen. In other words, instead of >10% of weatherization projects being BETC dependent, the true figure is closer to 100%.

Economic Impact

Obviously, the most drastic change needed in the economic impact analysis is to adjust the assumed 10% "BETC Dependent" rate to nearly 100%. This would put the economic impact at the highest end of the labor income and worker-year ranges given. This revision alone would change the economic analysis results to show that BETC creates \$1.42 in labor income and \$3.71 in additional net economic activity for tax credit dollar awarded on weatherization.

There are additional problems with the economic impact. First, the measure life used in the analysis was 20 years. The common, and conservative, measure life used for most weatherization is 40 years. This one change would double the additional net