



# Council Agenda Report

Item 7b

**Department:** Administration  
**Cost Center:** 1005  
**For Agenda of:** 5/21/2024  
**Placement:** Public Hearing  
**Estimated Time:** 90 minutes

**FROM:** Greg Hermann, Deputy City Manager  
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**SUBJECT:** ENERGY EFFICIENT RENOVATIONS POLICY FOR MAJOR RESIDENTIAL ADDITIONS AND ALTERATIONS

## RECOMMENDATION

Introduce a Draft Ordinance, entitled, “An Ordinance of the City Council of the City of San Luis Obispo, California, adopting Local Amendments to Part 6 of the Building Construction and Fire Prevention Code, 2023” approving the Energy Efficient Renovations Policy for major residential additions and alterations.

## POLICY CONTEXT

A suite of adopted City Council policies support the staff recommendation to adopt the Energy Efficient Renovations Policy for existing single-family residential buildings. A select summary of this policy context is below:

- [Land Use Element of the General Plan:](#)
  - Policy 9.4 (Climate Action Plan) - The City shall maintain and implement its Climate Action Plan to reduce community and municipal greenhouse gas (“GHG”) emissions consistent with State laws and objectives.
  - Policy 9.7 (Sustainable Design) - The City shall promote and, where appropriate, require sustainable building practices that consume less energy, water and other resources, facilitate natural ventilation, use daylight effectively, and are healthy, safe, comfortable, and durable.
- [Conservation and Open Space Element of the General Plan:](#)
  - Policy 2.2.1 (Atmospheric Change) - City actions shall seek to minimize undesirable climate changes and deterioration of the atmosphere’s protective functions that result from the release of carbon dioxide and other substances.
  - Goal 4.2 (Sustainable energy use) - Increase use of sustainable energy sources such as solar, wind and thermal energy, and reduce reliance on non-sustainable energy sources to the extent possible with available technology and resources.

- [Climate Adaptation and Safety Element of the General Plan:](#)
  - Policy HE-4.3 (Green and Healthy Buildings) - The City shall support fuel switching retrofits (from fossil fuel to high-efficiency electric appliances), energy efficiency retrofits, and distributed energy resources as low-carbon solutions to create safe, cool, and healthy buildings and consider programs and projects that support these retrofits as critical to maintaining community safety and to supporting disaster preparedness.
- [Resolution 11159 \(2020 Series\)](#) adopted the Climate Action Plan for Community Recovery with the goal of community carbon neutrality by 2035 and a sub-goal of 50 percent reduction in emissions from existing buildings by 2030.
- [Resolution No. 11381 \(2022 Series\)](#) reaffirmed these goals and created a work program for fiscal years 2023-27, including Green Buildings Action 2.1.E, which directs staff to, “Develop an equitable framework for requiring electrification retrofits and develop cost effective building electrification policies for additions and alterations.”
- [2023-25 Financial Plan Climate Action Major City Goal action 4.1.i](#) directs staff to conduct a study session, and pending Council direction, develop an equitable framework for cost-effective building electrification retrofit policies, with an initial focus on additions and alterations, as called for by CAP Green Buildings Task 2.1.E. Staff conducted the [study session on December 4, 2023](#) and received strategic direction to return with an additions and alterations policy in 2024.

## REPORT-IN-BRIEF

On August 19, 2020, Council approved the [City’s Climate Action Plan for Community Recovery \(“CAP”\)](#), and adopted [Resolution 11159 \(2020 Series\)](#), which includes the goal of carbon neutrality by 2035 and building sector goals of 1) zero emissions from new buildings, and 2) a 50 percent reduction in emissions from existing buildings by 2030. On December 6, 2022, the Climate Action Plan was updated, and the building sector goals were reaffirmed.

On December 5, 2023, staff conducted a [Study Session with City Council](#) to discuss the various policy options available to increase the rate of existing buildings emissions reductions. Council directed staff to return in 2024 with draft energy efficiency requirements for major additions and alterations. This report and the attached proposed ordinance provide these draft requirements, referred to as the Energy Efficient Renovations Policy, for Council’s consideration.

Focusing on the biggest energy users in residential buildings, water heating and space heating, as well as whole building efficiency, the Energy Efficient Renovations Policy would require that major additions and alterations (as further defined herein) will need to include certain energy efficiency measures as part of their project. The Policy would be implemented via local amendments to the California Energy Code and would not apply to cooking equipment (e.g., stoves), laundry dryers, or other unregulated energy uses.

To be consistent with federal and state law, the City must make findings that the proposed building code amendments related to building energy performance are cost effective and use less energy than the standard State Code. The California Energy Commission (CEC) must agree with the City's analysis before the local amendments to the California Energy Code can go into effect. This report provides findings that the proposed amendments that affect building energy use are cost effective (as further defined herein). The study that illustrates cost effectiveness is provided as Attachment B.

Should Council move forward with staff's recommendation, the second reading of the Ordinance would occur on June 4, 2024. Pending California Energy Commission approval of the local amendments to the California Energy Code, staff would develop project intake forms and work with 3C-REN to develop an Energy Code Coach support service ahead of the reach code going into effect on January 1, 2025.

## **DISCUSSION**

### **Background**

On August 19, 2020, Council approved the [City's Climate Action Plan for Community Recovery \("CAP"\)](#), and adopted [Resolution 11159 \(2020 Series\)](#), which includes the goal of carbon neutrality by 2035 and building sector goals of 1) zero emissions from new buildings, and 2) a 50 percent reduction in emissions from existing buildings by 2030.

On December 6, 2022, the Climate Action Plan was updated, and the building sector goals were reaffirmed. In addition to a suite of solutions to support voluntary retrofits, the updated Climate Action Plan includes work task "Green Buildings 4.1.A", which directs staff to "Develop an equitable framework for requiring electrification retrofits and develop cost-effective building electrification policies for additions and alterations." This action is included in the 2023-25 Financial Plan as Climate Action Major City Goal Task 4.1.i.

As the City's electricity provided by Central Coast Community Energy (3CE) is on track to be 100% renewable by 2030, efforts to reduce climate emissions from buildings in SLO focus on reducing natural gas consumption and increasing overall building energy efficiency. Between 80 and 90 percent of gas used in residential buildings is consumed by a building's water heater and furnace. Due to current regulatory limitations, the City is excluding stoves and laundry dryers from existing building policy discussion. For these reasons, the existing building policy discussion, including the Energy Efficient Renovations Policy discussed in this report, will focus on water heating, space conditioning, and whole home energy efficiency.

On December 5, 2023, staff conducted a [Study Session with City Council](#) to discuss the various policy options available to increase the rate of building decarbonization. Council provided strategic direction to staff to return in 2024 with draft energy efficiency requirements for major additions and alterations. This report provides these draft requirements, now referred to as the Energy Efficient Renovations Policy, for Council's consideration.

### **Proposed Approach**

As discussed in the [September 19, 2023 Council Agenda Report](#) regarding local energy code amendments for *new* buildings, the *California Restaurant Association v. City of Berkeley* ruling prevents the City from requiring all-electric buildings. Staff identified increased building energy performance requirements via local amendments to the California Energy Code (also known as a “reach code”) as an allowable and viable alternative way to achieve lower emissions in new buildings. Just as with new buildings, Section 10-106 of the California Energy Code also allows for local amendments for efficiency standards for existing buildings in projects that include additions and alterations.<sup>1</sup> Similar to new buildings, Section 10-106 also notes that local amendments must be cost effective and result in buildings that consume less energy than permitted by the state Energy Code.

The California Energy Code establishes whole-building efficiency requirements, which account for a building’s water heater, HVAC (heating, ventilation, and air conditioning) system, solar generating system, and insulation, among other things. However, it does not account for cooking equipment, laundry dryers, or other unregulated energy uses.

### **Proposed Energy Efficiency Renovations Policy**

Staff proposes that single-family residential *major* additions and alterations be required to include certain energy efficiency measures, and in some cases include zero emission readiness provisions (i.e., pre-wiring for future electric appliances). This section provides proposed definitions for a “major addition” and “major alteration”, the energy efficiency measures required for compliance, and proposed exemptions.

#### *Proposed Policy Applicability*

Staff reviewed construction and compliance measure cost estimates, previously submitted building permits, and examples from the nearly 20 statewide existing building energy reach codes to identify the appropriate applicability for buildings in San Luis Obispo. Based on cost of construction and compliance and in seeking to adopt a policy that effectively fits into major construction projects, staff propose that the policy apply to single-family homes under the following definitions and thresholds for applicability:

- Major Addition - Any change to an existing building that increases conditioned floor area by 500 or more square feet.
- Major Alteration - Any construction or renovation to an existing structure other than a repair whose work area covers 500 or more square feet of the total floor area of the existing building.
- Major Addition and Alteration – Any project whose combined addition and alteration has a work area equal to or greater than 500 square feet.
- Compliance Period - Per the draft ordinance, work that is completed within a one-year period would count toward the thresholds noted above.

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<sup>1</sup> Building Energy Efficiency Standards: [https://www.energy.ca.gov/sites/default/files/2022-12/CEC-400-2022-010\\_CMF.pdf](https://www.energy.ca.gov/sites/default/files/2022-12/CEC-400-2022-010_CMF.pdf)

### *Proposed Policy Compliance Requirements*

As proposed, projects that are identified as a Major Addition, Major Alteration, or Major Addition and Alteration, would have to complete the first two requirements listed below, and in some cases would also be required to complete the third requirement.

- Requirement 1 - Upgrade all internal and external lighting to LED lighting and upgrade external fixtures to include photocells or timers so that they are not operated during the daytime.
- Requirement 2 - Select from one of the following:
  - a. A combination of energy efficient measures from Table 1 (below) totaling 8 or more points, or
  - b. A heat pump hot water heater, or
  - c. A heat pump HVAC system, or
  - d. A rooftop solar energy system.
- Requirement 3 - Projects that are subject to the policy *and* that are electively upgrading their electrical service to 200 amps and their electrical panel must install breakers in the panel, run conduit and wiring to the location of a future heat pump hot water heater and heat pump HVAC system, and install outlets for those future systems.

**Table 1. Energy Efficiency Measures<sup>2</sup>**

| <b>Measure</b>             | <b>Measure Points</b> |
|----------------------------|-----------------------|
| Water Heating Package      | 1                     |
| Air Sealing                | 1                     |
| R-49 Attic Insulation      | 2                     |
| Duct Sealing               | 2                     |
| New Ducts and Duct Sealing | 4                     |
| Windows                    | 3                     |
| R-19 Floor Insulation      | 8                     |
| R-30 Floor Insulation      | 10                    |

### *Proposed Exemptions*

To accommodate the wide variability in existing buildings, staff proposes the following exemptions (the list below provides a brief overview of exemptions which are described in greater detail in Attachment A):

1. Repairs. Repairs are expressly exempt from the Policy.
2. Hardship. Projects with compliance costs that are more than 10% of total project cost, or that have building specific conditions that make compliance technically infeasible, may request a hardship exemption. Hardship exemptions will also cover

<sup>2</sup> Attachment A provides additional information about each energy efficiency measure.

unexpected circumstances. Approval of an infeasibility claim will be at the discretion of the Chief Building Official. As with all building code determinations and interpretations, decisions are appealable to the Construction Board of Appeals.

3. Pre-Compliance. Projects that can demonstrate that they have previously installed compliance measures will be given credit for those measures.
4. Historic Buildings. Historic buildings that could not comply without affecting their listing or registry status would be exempt.
5. Hazard Mitigation. Alterations completed solely for seismic safety upgrades would be exempt.
6. Roof and Windows: Alterations that consist solely of roof and/or window projects would be exempt.
7. New Units: When an addition or alteration results in the creation of a new residential unit, the square footage of that unit shall not be counted towards the 500 square threshold.

#### *Examples of Applicable Projects and Compliance*

The types of projects that would be applicable to the Energy Efficient Renovation Policy under the definitions proposed above would be elective major construction projects that are closer to new construction than a typical smaller addition or alteration might be. These types of projects require a building permit and are required to comply with state and local codes and requirements. As such, depending on the project scope, applicants of these types of projects typically already have an architect, engineer, and energy code compliance expert on their design team. In many cases, the construction teams of such projects include a general contractor and both plumbing and electrical sub-contractors.

Staff reviewed recent permits and standard construction cost estimates to develop an example major addition and major alteration, described in Figure 1, below. Since it is unlikely that most people in the community have considered adding 500 square feet to their home or altering 500 square feet of their home, it is helpful to provide examples of both types of projects. Note that costs are estimates and may be higher or lower depending on specific situations.

**Figure 1. Additions and Alterations**

•**MAJOR ADDITION EXAMPLE**

- 1,000 sq ft single family home adds 550 square feet in a second story with two new bedrooms and a full bathroom
- Electively upgrades electrical service and installs new panel



•**MAJOR ALTERATION EXAMPLE**

- 1,500 sq ft single family home alters 800 square feet, including converting 2 bedrooms, a hallway, and open space into 3 bedrooms and adding a new bathroom

The major addition example can be used to illustrate how compliance works. In this project, it is likely that the project would include replacing a hot water heater, so the builder/owner would likely choose to comply with the heat pump hot water heater measure. Since they are electively upgrading their electric service and panel, they would also add a breaker, conduit and wire, and an outlet for a future HVAC system. Taken together, the LED lighting upgrades, zero emission building readiness requirements, and heat pump hot water heater installation is estimated to cost \$5,000-\$15,000. Compliance would result in an approximately 2-6% increase in project costs. However, much of these costs could be offsets by available rebates and incentives as described below.

### *Cost Effectiveness*

The California Energy Commission (CEC) requires any local energy standards that exceed the California Energy Code to be cost effective and to use less energy than the state requirements. The CEC requires the local agency to adopt a determination, at a public meeting, that the energy standards are cost effective. Staff has provided recommended findings that meet these standards below and in the draft Ordinance provided as Attachment A. The determination must subsequently be filed with the CEC, which would be completed by staff upon adoption of the draft Ordinance.

The CEC provides two different cost effectiveness metrics. “On-bill” cost effectiveness refers to the direct cost experienced by the homeowner. For something to be cost effective “on-bill”, the energy bill savings of a measure must at least pay for the cost of that measure over a 20-year period. The other approach is “Long-Term Systemwide Cost” (LSC). LSC considers the cost to install energy efficiency measures, the on-bill savings from those measures, and larger system costs that everyone pays for like energy infrastructure costs and the impacts of climate change. For CEC approval, a local



amendment to the California Energy Code must show a compliance pathway that is *either* “on-bill” or “LSC” cost effective. As described below, staff’s proposed policy has “on-bill” *and* “LSC” cost effective compliance pathways.

In support of reach code development, the California Energy Codes and Standards Statewide Utility Program, which includes the State's Investor-Owned Utilities (Pacific Gas, and Electric (PG&E), San Diego Gas and Electric (SDG&E), and Southern California Edison (SCE), under the auspices of the California Public Utilities Commission) developed and published the 2024 Single Family Cost Effectiveness Report, provided as Attachment B.<sup>3</sup>

This study and the associated cost-effectiveness data are highly detailed and are included in the record to support Council’s findings and policy decisions. The study and the associated cost-effectiveness data include a calculated benefit-to-cost ratio for a wide variety of measures and climate zones. A benefit-cost value of “1” or greater illustrates that the measures save more than they cost and are therefore “cost effective.”<sup>4</sup> The study and the associated cost-effectiveness data are the basis for staff’s recommended cost effectiveness findings and are sufficient to illustrate compliance with the requirements set forth under California Administrative Code Chapter 10-106.

Based on the study, staff recommends finding that the proposed local additions and alterations amendments to the 2022 California Energy Code to be cost-effective and consume less energy than otherwise permitted by Title 24, Part 6. The following additional detail is included for transparency and to facilitate the California Energy Commission’s review of the City’s cost effectiveness findings:

- *The City’s requirement that major additions or alterations install energy efficiency measures includes at least five cost effective measure packages:*
  - Package 1, installing the efficiency measure of R-30 Floor Insulation would save energy relative to the base code and would achieve a benefit to cost ratio of 1.4 on an on-bill basis.
  - Package 2, installing the efficiency measure of R-19 Floor Insulation would save energy relative to the base code and would achieve a benefit to cost ratio of 1.4 on an on-bill basis.
  - Package 3 to installing a Heat Pump Water Heater (HPWH), would save energy relative to the base code and would achieve a benefit to cost ratio of 1.6 on an LSC basis.
  - Package 4, Heat Pump Space Heater, would also save energy relative to the base code and would achieve a benefit to cost ratio of 4.2 on an LSC basis.

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<sup>3</sup> The California Energy Codes and Standards Statewide Utility Program publishes cost effectiveness reports and accompanying study data at: <https://localenergycodes.com/content/resources>

<sup>4</sup> For more detail, see section 2.1.3 of

[https://localenergycodes.com/download/1266/file\\_path/fieldList/2022%20Nonres%20New%20Construction%20Cost-eff%20Report.pdf](https://localenergycodes.com/download/1266/file_path/fieldList/2022%20Nonres%20New%20Construction%20Cost-eff%20Report.pdf)



- Package 5 to install PV + Electric Ready Pre-Wiring would also save energy relative to the base code and would achieve a benefit to cost ratio of 1.4 on an on-bill basis.

#### *Available Resources for Lower Cost Renovations*

Many of the compliance measures have rebates, incentives, and tax credits associated with them which could substantially reduce the cost of compliance. Financial resources and technical assistance include:

- [Central Coast Community Energy](#) provides the [Electrify Your Home program](#), which provides rebates and incentives to contractors completing heat pump hot water heater (\$4,600 to \$6,385), heat pump HVAC (\$1,500 to \$5,000), and associated electrical work (lesser of \$2,000 or 50% of total project cost).
- 3C-REN [provides single family incentives](#) for energy savings associated with energy efficiency projects. Incentives are available for heat pump hot water heaters (\$1,500 to \$6,000) and heat pump HVAC (\$2,000 to \$9,000).
- The Inflation Reduction Act added [new provisions to the federal tax code](#) that allows for tax credits for certain energy efficiency measures (30% off of total project cost, up to \$1,200), heat pump hot water heaters (30% up to \$2,000), heat pump HVAC systems (30% off of total project cost up to \$2,000) and rooftop solar generation systems (30% off of total project cost with no maximum).<sup>5</sup>
- [The Energy Code Coach](#) program offered by 3C-REN provides no-cost personalized support to help building professionals and local government staff navigate the Energy Code, including local amendments adopted by the City. The City will work with 3C-REN staff to develop a help desk support service to answer applicant questions about compliance with the Energy Efficient Renovations Policy. This service will be hosted by 3C-REN at no-cost to the City.

#### **Previous Council or Advisory Body Action**

- August 2020 – Council adopted [Resolution 11159 \(2020 Series\)](#) which approved the Climate Action Plan for Community Recovery with the goal of community carbon neutrality by 2035 and a sub-goal of 50 percent reduction in emissions from existing buildings by 2030.
- December 2022 – Council adopted [Resolution No. 11381 \(2022 Series\)](#) reaffirming these goals and created a work program for fiscal years 2023-27, including Green Buildings Action 2.1.E, which directs staff to, “Develop an equitable framework for requiring electrification retrofits and develop cost effective building electrification policies for additions and alterations.”
- June 2023 – Council adopted the [2023-25 Financial Plan Climate Action Major City Goal 4.1.i](#), which directs staff to conduct a study session, and pending Council direction, develop an equitable framework for cost effective building electrification retrofit policies, with an initial focus on additions and alterations, as called for by CAP Green Buildings Task 2.1.E.

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<sup>5</sup> The 3CE, 3CREN, and tax credit incentives may be “stacked” and used together to cover 100% of project costs.

- December 2023 – [Council receives a report and presentation](#) from staff regarding existing building energy retrofit policy options and provides direction to staff to return in Spring of 2024 with a draft policy related to energy efficiency requirements in major residential additions and alterations.

## Public Engagement

Ahead of the December study session on existing buildings, staff conducted numerous public engagement activities. Since receiving Council strategic direction to develop an additions and alterations retrofit policy at that study session, staff have conducted the additional following outreach:

- Community Workshops and Survey. At the December 2023 study session, staff received direction to reach out directly to neighborhood groups. Following this direction, staff held two workshops in March of 2024 – one at Laguna Middle School and one at the downtown library. Staff reached out directly to community members associated with neighborhood groups including Residents for Quality Neighborhoods, Alta Vista, and Save Our Downtown. Staff requested that these community members forward meeting invites directly to their membership and worked with them to facilitate ease of access. Approximately 15 community members attended across the two meetings and provided substantial feedback that led to direct changes in the policy, including the addition of solar as a compliance measure, the replacement of a percentage metric for the definition of major alteration with a square foot metric, removing accessory dwelling units as triggers for existing building retrofits, and introducing flexibility for an applicant to identify where a future water heater or HVAC system might be placed as they work to comply with the proposed electric readiness requirements.

To support broader access to the workshop, staff also developed an Open City Hall exercise that included a narrated version of the workshop presentation; 284 community members visited, leaving 112 comments.<sup>6</sup> Critical feedback included concerns about administrative complexity and potential impacts on other Building Department related activities, the potential for negatively impacting housing costs and affordability, disagreements about the importance of local climate action, and concerns about unintended consequences. Other feedback included general support for the policy with recommendations to make compliance as streamlined as possible, facilitate access to rebates and incentives, and ensure that the exemptions are as clear as possible.

- Chamber of Commerce. Staff presented to the Legislative Action Committee on April 11 to provide detail about the proposed energy efficient renovations policy described in this Council Agenda Report.

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<sup>6</sup> Comments from the exercise are archived and available for viewing at:  
[https://communityfeedback.opengov.com/portals/sanluisobispoca/Issue\\_13269](https://communityfeedback.opengov.com/portals/sanluisobispoca/Issue_13269)

- Climate Coalition. City Staff presented to the Climate Coalition Executive Director on April 22 and multiple representatives from the Climate Coalition attended the community workshops as described above.
- Central Coast Community Energy. City staff met with 3CE staff to discuss the ongoing availability of relevant rebates and incentives. As part of this outreach, Building Department staff also met with 3CE Program Staff to identify ways to streamline rebate applications and as a result, are currently working on integrating 3CE's rebate process into relevant online permit applications.
- One-on-One Discussions with Contractors. Staff met with several contractors, ranging from large corporate-owned to small family-owned companies. Staff found that the regional workforce generally has the capacity and capability to install the compliance measures included in staff's proposed policy.
- Construction Board of Appeals: Staff presented the proposed policy with a special focus on exemptions at an informational presentation to the Construction Board of Appeals on April 25. Board member questions focused on issues related to electrical panel capacity for proposed improvements, future statewide electric appliance regulations, and the applicability of Accessory Dwelling Units.
- Developer's Roundtable: Staff presented the proposed policy and received feedback from the Developer's Roundtable on May 2. Participants primarily asked clarifying questions and one participant asked for the City to share more information about available rebates and incentives.

### **Policy Implementation Considerations**

The policy would be implemented via an additional intake form required at time of building permit submittal. Building staff would review the application for consistency with the policy and field verification would happen as part of the typical inspection process. To limit the impact on Building Department staff, the Office of Sustainability proposes teaming with 3C-REN's "Energy Code Coach" Program to spend June through December of 2024 developing project intake forms, developing staff guidance curriculum and training, convening Code Coach staff and Building Department staff for internal training, and developing applicant communications and public facing guidance documents. In addition, 3C-REN's Energy Code Coach will provide a technical assistance hotline starting on January 1, 2025, to answer basic applicant questions about the policy, provide applicants information about common compliance pathways, connect applicants to rebates and incentives, and answer City staff questions about compliance during field verification. City staff have worked with 3C-REN staff to confirm the availability of and support for this scope of work.

Staff recommends that the City Council consider the following during discussion of the draft ordinance:

1. Based on direction provided by Council at the study session, the ordinance addresses single family additions and remodels over a certain size. According to past permit records there are approximately 15 projects of this size and scope per year – most of which already complied with the provisions of the policy. It is

therefore expected that approximately 5-10 projects would be required to add energy efficiency measures due to this ordinance per year, but the total would increase over time and contribute to the City's goal of carbon neutrality by 2035. Staff estimate that compliance would reduce covered buildings greenhouse gas emissions by up to 40%. Due to the fact that this ordinance addresses additions and alterations to single-family homes it is not likely that it will impact developers. Building and Safety staff have reported that the types of projects generally completed in the City that would be subject to this ordinance are homeowners and those that purchase houses to flip (although this has become a less common practice lately).

2. As this policy change is occurring outside the regular building code update cycle, it will require re-adoption during the building code update ahead of January 2026 as is also the case with energy reach code provisions for new buildings and other local amendments made in other parts of the building code.
3. As with any change to regulations or codes, this policy will require some additional training for staff and assistance/education for the public as they learn the new requirements. This may marginally increase the amount of time required to review projects that are subject to the regulations, especially early in the implementation of the new ordinance when staff and the public are adjusting to the new requirements.
4. Energy efficiency retrofits for multi-family projects and for the main properties of attached Accessory Dwelling Units (ADUs) were initially considered as part of the policy development process. Multi-family projects were removed from staff's recommendation due to an extended delay in the statewide cost effectiveness study for this property type. Accessory Dwelling Units were removed due to extensive community concern about potential impacts to housing production. In both cases, staff believes there are cost effective ways to include electric readiness and energy efficiency measures in these projects and recommends reevaluating the feasibility of including these types of projects as part of the 2026 Energy Code update.

## SCHEDULE AND NEXT STEPS

Should Council approve staff's recommendations, work would proceed on the timeline provided in Table 2 below.

**Table 2. Schedule and Next Steps**

| <b>Task</b>   | <b>Timeframe</b>       |
|---|------------------------|
| Second reading of the draft Ordinance (Attachment A) and submittal to the California Energy Commission. | June 2024              |
| Receive approval from the California Energy Commission  | September-October 2024 |
| Develop implementation forms, training, and help desk services.   | July – December 2024   |
| Policy goes into effect   | January 1, 2025        |

## CONCURRENCE

The Community Development Department and City Attorney's Office concurs with this report.

## ENVIRONMENTAL REVIEW

Staff's recommendations are found to be exempt from CEQA under the general rule, 15061(b)(3), because it can be seen with certainty that the provisions contained herein would not have the potential for causing a significant effect on the environment. Further, this ordinance is also exempt from CEQA under the categorical exemptions in Section 15308 of the CEQA Guidelines in that the proposed ordinance would institute regulatory requirements intended to protect the environment and natural resources.

## FISCAL IMPACT

Budgeted: Yes

Budget Year: 2023-24

Funding Identified: Yes

### Fiscal Analysis:

| <b>Funding Sources</b> | <b>Total Budget Available</b> | <b>Current Funding Request</b> | <b>Remaining Balance</b> | <b>Annual Ongoing Cost</b> |
|------------------------|-------------------------------|--------------------------------|--------------------------|----------------------------|
| General Fund           | \$                            | \$                             | \$                       | \$                         |
| State                  |                               |                                |                          |                            |
| Federal                |                               |                                |                          |                            |
| Fees                   |                               |                                |                          |                            |
| Other:                 |                               |                                |                          |                            |
| <b>Total</b>           | <b>\$</b>                     | <b>\$</b>                      | <b>\$</b>                | <b>\$</b>                  |

The reach code requirements will be implemented through the building permit review process as described in the Policy Implementation section above. There may be costs associated with training staff and providing additional support to the community during the implementation of this program. If implementation of this program impacts time required to review permit plans, then fees for review of building permit plans may increase to absorb the cost, but any impacts are expected to be marginal. Some of this additional work can be directly supported by the 3C-REN Energy Code Coach Program, which provides technical support for code interpretation. Funded under the auspices of the California Public Utilities Commission, Energy Code Coach is free to the user and can be accessed at no cost by project applicants and City staff.

## ALTERNATIVES

1. ***Council could decide not to adopt the ordinance.*** Staff does not recommend this alternative as the Policy is supportive of achieving the goal of reducing emissions from existing buildings in half by 2030.
2. ***Council could provide direction to staff to continue to work on the ordinance to explore the inclusion of new ADUs and multifamily units.*** Upon receiving this direction, staff would continue to work on the policy and return at a later date with options to address multi-family units and ADUs.
3. ***Council could provide direction on program specifics including definitions, compliance measures, exemptions, and effective date.*** Staff requests that Council provide specific direction on proposed changes.
4. ***Council could provide direction to delay reach code adoption to coincide with the 2025 California Building Code update.*** The 2025 code would be adopted in late 2025 and would go into effect in 2026, which would delay implementation by one year.

## ATTACHMENTS

- A - Draft Ordinance Adopting the Energy Efficient Renovations Policy
- B - 2024 Single Family Cost-Effectiveness Study