



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Mayor Mahan
Councilmember Cohen
Councilmember Candelas
Councilmember Tordillos

SUBJECT: SEE BELOW

DATE: September 9, 2025

Approved:

Date: 9/5/2025

SUBJECT: Existing Single-Family Building Reach Code.

RECOMMENDATIONS:

Approve staff recommendation alternative #1: Only adopt the AC to Heat Pump requirement as Reach Code and direct the City Manager to:

1. Conduct community outreach in developing the San Jose Clean Energy (SJCE) roadmap programs for fiscal year 2026-2027 focused on limiting financial hardship in the implementation of reach code requirements.
2. In Spring of 2026 bring an update to the Transportation and Environment Committee and the City Council as part of the annual San Jose Clean Energy roadmap discussions progress on efforts to
 - a. Facilitate electric panel upgrades for those are exempt.
 - b. Connect residents with resources to meet the reach code requirements.
3. Ensure rebate and incentive information is made available to permit applicants to ensure that contractors, residents and applicants are aware of the promotion that SJCE provides.
4. Return to council by Fall of 2026 with an analysis of
 - a. Rebate and financing programs being able to cover the need for homeowners with a household income under 100% of AMI to determine if the exemption should be sunset.
 - b. With an analysis of rewiring requirements for renovations and entire home remodel projects; the analysis should include a recommended threshold for implementation of these rewiring requirements.

BACKGROUND

San Jose has prided itself in being a leader on climate policy, as the first big city in America to commit to being carbon neutral by 2030. It will take big, bold action to be successful and we are under no illusion that it will be easy. Local action is more important than ever given the current federal administrations denial of climate science and their attempts to prevent progress. A study from UC Berkeley indicates that other than the transportation sector, the single most impactful policy action we can take is to electrify and add efficiency to existing buildings ¹.

San Jose Clean Energy currently offers significant rebates for EcoHome improvements. For example, the rebate for installing a new heat pump HVAC system is up to \$3500. The combination of local and state rebates is more than enough to cover these conversions. Our existing 0% interest financing option (EcoHome Payment Plan) also helps consumers make this work financially.

While these rebates are extremely helpful for assisting residents in electrifying their homes, we need to continually update our analysis to ensure that adequate financial support is being provided to avoid unnecessary financial hardship. That's why we are asking for staff to include this analysis when they come back with the annual Clean Energy roadmap in spring 2026.

This memo describes additional analysis as part of the Clean Energy Roadmap discussion for FY 2026-27. The analysis should be done in conjunction with Housing in order to make sure we have a complete understanding of the capacity of our programs (rebates and financing) to cover the costs of implementing the reach codes.

San Jose's Clean Energy programs include rebates to cover the difference between the cost of standard HVAC and a heat pump, plus a 0-interest financing plan that covers up front financial outlay that should make this requirement affordable for all residents regardless of income. But before extending the requirement to those with income below 100 percent AMI, we must be sure our programs have the capacity to cover everyone. In addition, we must continue to educate local contractors, so they are prepared to facilitate the application for rebates and financing.

We should also remember that by 2029, the Bay Area Air District will no longer allow the purchase and installation of gas appliances, so these new reach codes are helping our residents prepare. While San Jose used to be the Bay Area leader, this modest set of reach code updates still leaves us behind many of our neighbors, including San Francisco, where their policy applies to multi-family homes.

<https://coolclimate.berkeley.edu/ca-scenarios/index.html>

The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.