



Memorandum

TO: HONORABLE CITY
COUNCIL

FROM: Mayor Mahan
Councilmember Candelas
Councilmember Cohen
Councilmember Mulcahy
Councilmember Tordillos

SUBJECT: SEE BELOW

DATE: 11/24/2025

APPROVED:

SUBJECT: SJCE Pilot Program Options

RECOMMENDATION

1. Accept the staff recommendation.
2. Direct the City Manager to include in the Spring 2026 San José Clean Energy Programs Roadmap Status Report:
 - a. Recommendations to improve the eco home program for heat pump installations to ensure it is incentivizing and properly meeting the demand for conversions.
 - b. An assessment of the eco home and contractor incentive programs to inform potential Reach Code policy updates for single-family homes.
3. Direct the City Manager to conduct enhanced engagement and education about the eco home rebate programs to homeowners and contractors.

BACKGROUND:

As San Jose continues to pursue its Climate Smart goals, we must focus on the largest greenhouse gas emission sources, which are transportation and existing buildings. The most

impactful uses of Clean Energy Roadmap funds are programs that facilitate the purchase and charging of electric vehicles, and the electrification of existing buildings.

We were excited about the idea of using roadmap funds to help landscaping businesses trade in their polluting gas leaf blowers and replace them with modern electric devices. However, the carbon emission reduction possible from such an incentive doesn't move the needle on carbon neutrality as much as investments in the electrification of transportation and housing. There are limited funds available for rebate programs and we must focus them on the highest possible returns. We should still consider revisiting the leaf blower rebates in the future.

Many residents of San Jose are taking advantage of existing rebates and voluntarily upgrading their HVAC systems to heat pumps. But nearly half of those installations are being done by just 2 installers. This new installer incentive program will help other installers build the expertise to compete and also feel comfortable recommending the latest and most efficient technology to their customers.

When the reach code for existing buildings came to council in Fall 2025, there were concerns raised about the adequacy of our clean energy rebates to cover everyone who would need to install a heat pump when their A/C unit needs replacement. The Clean Energy department returns to Council each spring with their proposed programs roadmap. This year's analysis should include making sure the heat pump rebate program is right sized for San Jose's demand, so that all homeowners who replace their A/C unit have access to SJCE's rebate (in addition to available state rebates).

Once the Clean Energy Roadmap analysis is complete, we should be able to reconsider joining many of our forward-thinking neighbors who have already approved reach codes to facilitate the removal of natural gas from home heating. In fact, the City of Los Gatos is the most recent Santa Clara County City to adopt an A/C replacement reach code.

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.