



Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember Raul Peralez
Councilmember Lan Diep
Councilmember Magdalena Carrasco
Councilmember Dev Davis

SUBJECT: REACH CODE

DATE: September 13, 2019

Approved

Date

San Jose AE
Dev Davis
Magdalena Carrasco

9/13/19

Lan Diep SN

RECOMMENDATION

Accept the staff recommendation with the following recommendations:

1. Return to Council by October 2019 with an ordinance prohibiting natural gas infrastructure in new detached accessory dwelling units, single-family, and low-rise multi-family buildings starting January 1, 2020.
 - a. Remove the exemption for detached accessory dwelling units from the reach code.
 - b. Return to Council by January 2020 with an analysis as to whether or not we should require electrification for all wood-frame construction up to 7 stories.
2. Adjust the energy efficiency compliance margins to the higher requirements outlined in Staff's original draft reach code circulated publicly in July 2019, and supported by the California Energy Commission's cost-effectiveness study. This should also include the electrification readiness requirement outlined in the staff recommendation.
3. Direct staff to track data associated with the compliance of the reach code and report back to Council by February 2021, and annually thereafter. The data should include, but is not limited to:
 - a. The number of projects choosing the all-electric or mixed-fuel compliance pathways per building type, and
 - b. The number of buildings exceeding the reach code minimum requirements, per pathway, and per building type, and
 - c. The estimated greenhouse gas emissions avoided by builders of the all-electric buildings, and
 - d. The estimated greenhouse gas emissions avoided by builders of the mixed-fuel buildings.

4. Require all new multi-family buildings to include:
 - a. 70 percent electric vehicle capable spaces, and additionally
 - b. at least 20 percent electric vehicle ready spaces, and additionally
 - c. at least 10 percent electric vehicle supply equipment spaces.
 - d. For the electric vehicle space requirement, provide a hardship exemption for permanent supportive housing and housing built for up to 30 percent area median income.
5. Direct staff to explore in the parking management initiative under the American Cities Climate Challenge the opportunity to reduce parking requirements in exchange for electric vehicle supply equipment being included in the project.
6. Return to the Transportation and Environment Committee in March 2020 as part of the Climate Smart San José update to apprise the Committee on funding, financing, and partnership opportunities that would offset the costs for:
 - a. Installing solar and battery storage in new affordable housing construction, and
 - b. Installing electric vehicle infrastructure in new affordable housing construction, like the California Electric Vehicle Infrastructure Project, and
 - c. Electric appliances, such as induction stovetops, heat pump water heaters, and heat pump space heaters, and
 - d. The update should include an inventory of current electrification programs offered by CCAs in California.
7. Explore a potential partnership with electric vehicle infrastructure manufacturers, carsharing companies, and affordable housing developers to operate electric vehicle carsharing programs in new affordable housing projects.
8. Direct staff to return to Council by March 2020 as part of the Climate Smart San José update with options for potential fee and tax reductions for new all-electric high-rise multi-family and commercial building construction.
9. Direct staff to work with the American Cities Climate Challenge and other national and local organizations to develop a plan for technical assistance to multifamily project developers and the greater community to facilitate greater compliance with the all-electric pathway.
10. Direct staff to return to Council by October 2019 with a policy prohibiting natural gas infrastructure in all new municipal construction, with exceptions allowed for emergency equipment or micro-grids providing energy resiliency in anticipation of extended blackouts and de-energization of the grid.

BACKGROUND

In October 2018, the City of San José was awarded the largest environmental grant in the City's history through the American Cities Climate Challenge (ACCC), kickstarting the work required to rapidly reduce greenhouse gas (GHG) emissions. A building energy reach code provides an example of the kind of concrete action we can take to confront our climate emergency, and to send a clear market signal supporting decarbonization.

San José must aggressively decarbonize buildings, which account for one-third of our citywide GHG emissions, largely from the use of natural gas for cooking, space warming, and water

heating. San José Clean Energy already provides most of our residents and businesses with electricity from 80 percent carbon-free sources today, and 100 percent by 2021.

Electrifying buildings is not only good for the planet, but good for our health and safety. A study by Lawrence Berkeley National Lab found that 60 percent of homes in California that cook at least once a week with a gas cooktop can reach pollutant levels that would be illegal if found outdoors.¹ Removing these sources from our water heaters, space heaters, and stovetops will improve indoor air quality, especially for children and the elderly. The 2010 San Bruno gas pipeline explosion also reminds us of the gravity of risk associated with gas infrastructure.

It's also good for our wallets. Buildings built today will likely last over 50 years. Gas infrastructure will lock our rate-paying residents and businesses into escalating gas rates for decades. All-electric construction reduces the up-front costs inherent in installing gas pipes and infrastructure.

The market has already begun to grasp this opportunity, as we've seen with the recent announcement of Adobe's all-electric downtown headquarters expansion. However, more information is needed to understand how we can build all-electric high-rise buildings in San José, and we must be sensitive to the burdens new regulations can impose during a housing crisis. In particular, we have been told of the critical need—in today's state of technology—for gas water heaters in high-rise construction for cost-sensitive projects needing external financing, a concern that long-term owners/occupiers like Adobe do not have. Accordingly, we have asked staff to return with options to reduce fees or taxes to incentivize the construction of all-electric multi-family and commercial buildings. We will also receive support in this work as part of the American Cities Climate Challenge through technical assistance for multi-family project developers for electrification.

The decarbonization of our buildings will also include the infrastructure needed to decarbonize our transportation sector – the largest source of GHG emissions in San José. The San José metropolitan area has already become the nation's leader in electric vehicle (EV) adoption. We must now build for a future that will only see acceleration in EV adoption.

We have unique opportunities to overcome traditional cost barriers for EV adoption in our low-income communities. In addition to the ongoing fuel savings and government incentives of EVs outlined in the staff memo, electric vehicles incur dramatically lower maintenance costs. For that reason, we seek to require all new multi-family construction include spaces that will be EV capable, EV ready, and will have EV infrastructure installed. Programs already exist to offset the cost for EV chargers, including funding through the California Electric Vehicle Infrastructure Project. More funding will become available imminently at the regional and state level. Particularly given the poorer air quality and higher asthma rates that we incur in many lower-income neighborhoods, we must not lock out residents living in a multi-family setting from the benefits of EV usage.

¹ <https://newscenter.lbl.gov/2013/07/23/kitchens-can-produce-hazardous-levels-of-indoor-pollutants/>

However, overcoming barriers from the lack of EV infrastructure available in multi-family buildings will not ensure increased access to our low-income communities. This is why we are asking staff to return with a potential partnership with EV infrastructure manufacturers, carsharing companies, and affordable housing developers to operate or expand EV carsharing programs in new affordable housing projects.

Finally, we wish to thank everyone involved in bringing forward this reach code. City staff, including ESD, PBCE, and OED, and the New Buildings Institute have spent countless hours helping define, and refine San José's decarbonization path. Most importantly, thank you to the community, including NRDC, Mothers Out Front, and the many other stakeholders that have engaged in a comprehensive, and thoughtful engagement over the last five months.

As with our most important work, our progress is not merely to our benefit; these seeds we plant today will sustain a brighter, cleaner, and healthier future for our future generations.

Brown Act Disclaimer

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.