



# Memorandum

**TO:** TRANSPORTATION AND ENVIRONMENT COMMITTEE

**FROM:** Kerrie Romanow

**SUBJECT:** CLIMATE SMART SAN JOSE PLAN SEMI-ANNUAL UPDATE

**DATE:** March 16, 2022

Approved

Date

3/18/22

## **RECOMMENDATION**

Accept this update on Climate Smart San José activities and recommend this item for full Council consideration at the April 26, 2022 City Council meeting.

## **OUTCOME**

Provide a semi-annual update to the City Council on key activities completed and underway to implement Climate Smart San José.

## **EXECUTIVE SUMMARY**

The Climate Smart San José plan (“Climate Smart”) was approved by City Council in February 2018 and includes goals and milestones that align with the 2016 Paris Agreement, designed to prevent global temperatures from rising by more than 2°C (or 3.6°F). Climate Smart is focused on achieving greenhouse gas (GHG) reductions in three primary categories: energy, water, and mobility. In November 2021, City Council adopted a resolution to work towards community-wide carbon neutrality by 2030. This 2030 carbon neutral aspiration roadmap will return to Council for consideration in Q2 of 2022. Since 2019, the City’s climate efforts have been supported with an in-house Climate Advisor position and significant technical resources through the American Cities Climate Challenge. This support will conclude in June 2022.

The City continues to seek out and employ cutting-edge and impactful tactics and programs to further Climate Smart San Jose goals. This update report highlights the many areas of progress achieved since the last update in November 2021.

## **BACKGROUND**

Adopted in February 2018, Climate Smart is a data-driven plan with specific goals to reduce community-wide GHGs through energy, water, and mobility measures organized in three pillars with nine associated strategies. As was anticipated when it was approved, Climate Smart needs to be updated to ensure alignment following the Envision San Jose 2040 General Plan four-year update and to reflect new learnings and technological advances since approval.

In February 2019, City Council approved the City's scope of work in its American Cities Climate Challenge (ACCC) memorandum of understanding (MOU), which included an in-house Climate Advisor position and significant in-kind services together valued at \$2.5 million over an initial two-year period. The MOU term, including the position and technical support, was since extended for one year and is set to conclude on June 30, 2022. With this support, the City has been able to: 1) pass a building reach code and natural gas infrastructure prohibition ordinance to require all-electric new construction in San José, 2) run a Building Performance Leaders Program which lowered participating buildings' GHG emissions by 24 percent collectively, 3) pass the Better Bike Plan 2025, 4) pass the Electric Mobility Roadmap, 5) launch Drive Electric San José, an electric vehicle education and discount program, 6) pass an ordinance allowing one-way vehicle sharing providers to operate in San José, 7) release a public draft of the Existing Building Electrification Framework, 8) develop an updated transportation demand management policy and parking ordinance (currently in progress).

Acknowledging the urgency of climate changes, as identified in the Intergovernmental Panel on Climate Change's *Climate Change 2021: The Physical Science Basis* report released in August 2021, City Council adopted a resolution in November 2021 setting a community-wide carbon neutral by 2030 aspiration for San José and directed staff to return to Council in June 2022 with a plan to move towards this new goal.

## **ANALYSIS**

The City staff across multiple departments and in collaboration with various community partners have continued to make significant progress, as detailed below, on programs and policies supporting Climate Smart goals.

### **Climate Smart Core Resources and Activities**

#### ***Climate Smart Staffing***

Climate Smart is presently staffed with two permanent staff in ESD. In addition, the program is currently supported by three term-limited staff in ESD and DOT and a contracted Climate Advisor funded through the ACCC. All four of these term-limited positions are currently scheduled to end June 30, 2022. The Climate Smart team is also currently supported by two California Climate Action Corps fellows serving 10-month terms from November 2021 to August 2022. Additional Climate Smart staffing is proposed in the 2022-2023 Proposed

Operating Budget that will ensure ongoing implementation of the programs and policies supporting Climate Smart and carbon neutrality goals.

***Climate Smart Funding***

City staff collaborates across departments to track and pursue private, state, and federal funding opportunities to support Climate Smart initiatives. Table 1 (below) provides a summary of recent Climate Smart external resource acquisition.

***Table 1. Value of Acquired External Resources Supporting Climate Smart Goals***

	<b>Total Received in Reporting Period (Nov.-Feb. 2022)</b>	<b>Total Received in FY 21-22 (through Feb. 2022)</b>
<b>Direct Funding</b>	\$622,000	\$5,928,776*
<b>In-Kind Resources</b>	\$40,000	\$401,200
<b>Total</b>	<b>\$662,000</b>	<b>\$6,329,976</b>

\*Includes \$5,066,776 in funding to San José Clean Energy for three years of energy efficiency and electrification programs.

The City also applied for \$1,673,000 in external funding (\$1,373,000 in this reporting period) for Climate Smart-aligned initiatives and is currently awaiting notification on awards for these applications. Both the State of California Proposed Budget and the federal Infrastructure Investment Jobs Act, which passed in November 2021, are allocating an unprecedented amount of funding for building and transportation electrification and climate resiliency initiatives. The Climate Smart team is closely monitoring and preparing for these opportunities as well as additional funding opportunities anticipated in the near future to support building electrification, energy efficiency, weatherization, EVs and EV charging infrastructure, transportation mode shifting, and climate resiliency planning and implementation. City staff also continues to leverage and promote available external resources, incentives, and programs that align with Climate Smart goals to reduce staff time and programmatic costs.

***Awards and Recognition***

For the second year in a row, San José was recognized by the American Council for an Energy-Efficient Economy (ACEEE) and CDP as a leader in national and worldwide rankings. In November 2021, San José was one of only 95 global cities recognized as a climate leader through inclusion on CDP’s “A List”. CDP, an environmental impact non-profit, recognizes city and business efforts in climate action and transparency. Through the CDP reporting process, San José was also awarded all available badges by the Global Covenant of Mayors, recognizing the City’s work on climate mitigation and adaptation through Climate Smart. In December 2021, San José was notified that it maintained its rank as ninth out of 100 cities assessed by ACEEE in the 2021 City Clean Energy Scorecard for the second year in a row.

***New Climate Smart Element – Natural and Working Lands***

In January 2022, the City received the first draft of the new Climate Smart Natural and Working Lands (NWL) element. This was shared with the Project Management Team, Technical Advisory

Committee, and additional stakeholders at three online public meetings in January, and an online form was provided to gather public comments. A second round of public stakeholder meetings in March will focus on incorporating cost and equity considerations into the NWL element. The City will receive the final NWL element at the end of April 2022.

### ***Climate Smart Community Outreach and Engagement***

- **Climate Smart Champion Awards:** Staff opened the 3<sup>rd</sup> annual Climate Smart Champion Awards for nominations on February 9. The awards will recognize individuals and/or organizations for outstanding efforts in 2021 that align with Climate Smart goals. Nominations are set to close in March and awardees will be recognized at an event in April 2022.
- **Equity-focused Co-creation with Community-Based Organizations:** Climate Smart initiatives are leading in the effort to develop City policies and programs more equitably by using a co-creation approach working with community-based organizations (CBOs) representing historically marginalized communities. This entails deep, iterative collaboration with CBOs to identify equity implications and gather input. This approach is being used in the following Climate Smart projects:
  - **Existing Building Electrification Framework** – City staff worked in close collaboration, including more than six months of regular meetings, with two CBOs, ICAN and Veggielution, followed by targeted stakeholder and broader engagement efforts. In addition to the CBOs, City staff worked closely with labor groups, multifamily housing property owners, and tenant advocacy groups to inform the draft plan. Between November 2021 and February 2022, staff worked with the CBOs to provide review of the draft plan. Staff also hosted two public information sessions prior to public posting of the draft in late February and will be hosting four public information sessions after the draft release to gather input.
  - **Delivering Zero Emissions Communities (DZEC)** – Under the DZEC grant City staff are conducting Equity Task Force meetings, starting in February 2022, with five CBOs over the course of six months. The purpose of the Equity Task Force is to understand the impacts of freight on local communities and brainstorm strategies to limit the negative consequences of these impacts.
  - **Zero Emissions Neighborhood (ZEN) pilot** – City staff began meeting in February 2022 with six CBOs to gather input on the ZEN neighborhood selection and pilot implementation. Once a neighborhood is chosen, City staff will collaborate with CBOs working in that neighborhood to engage residents in choosing measures to include in the ZEN pilot (such as new bike lanes or a community garden).
- **Statewide *The Switch Is On* Campaign:** The City of San José is participating in another iteration of the statewide *The [Switch Is On](#)* campaign, designed to educate consumers about the benefits of using electric appliances in their homes and encourage the adoption of home electrification technologies. City staff began marketing the campaign on social

media in December 2021 and is planning a big push in spring 2022 to coincide with the launch of San José Clean Energy's (SJCE) energy efficiency programs.

- **Climate Smart Challenge:** Staff continues to promote the City's [Climate Smart Challenge platform](#) which currently has 775 users. Participants have completed more than 1,000 climate actions that have resulted in \$45,000 saved, 127 tons of CO<sub>2</sub> reduction and 169,000 gallons of water saved.
- **GoGreen Teams:** GoGreen Teams is a new team-based community engagement strategy supported by the Community Climate Solutions (CCS), the creators of the Climate Smart Challenge platform. City staff, in partnership with CCS, signed up 40 Team Leaders through February 2022. Team Leaders will host nine meetings for their teams to learn about and take action on climate solutions – focused on food and waste, home energy, transportation, water, and climate resilience - and disaster preparedness. The first GoGreen Team cohort will conclude in July 2022. City staff hopes to improve upon and expand the program based on learnings from the first cohort.
- **Social Media:** Staff deployed social media campaigns and shared more than 10 posts on ESD's and SJCE's Facebook, Instagram, and Twitter platforms to highlight program initiatives.

## **Climate Smart Program and Policy Updates**

### **Climate Smart Pillar 1: A Sustainable & Climate Smart City**

#### ***San José Clean Energy***

In full operation since February 2019, SJCE now serves about 350,000 customers. For 2022, SJCE's default GreenSource service is 60 percent renewable and 95 percent carbon-free, and its TotalGreen service is 100 percent renewable. More than 1,400 residential and commercial customers have upgraded to TotalGreen. SJCE also now offers a low-cost service called GreenValue that is 40 percent renewable and 80 percent carbon-free. Customers opting out of SJCE service for full PG&E service represent about three percent of the customers who have been enrolled.

In addition, SJCE automatically enrolls low-income customers who qualify for the state CARE and FERA programs into its SJ Cares program to receive more renewable energy at SJCE's lowest rates. In 2022, SJ Cares customers will receive a 5% rate discount -- the lowest rates in San José.

Since its launch in February 2019, SJCE has invested \$1 billion in nearly 500 megawatts (MW) of new renewable energy and reliability resources. SJCE has contracted for these resources at cost-effective prices through long-term power purchase agreements, helping it provide competitive, stable rates. Two of the four projects completed construction and began producing power in December 2021:

- New Mexico Wind Project: 225 MW of wind power constructed and operated by Pattern Energy
- Kern County Solar and Storage Project: fixed delivery of 62 MW of renewable energy between 6:00 a.m. and 10:00 p.m. every day. To meet the obligations of this groundbreaking project, developer Terra-Gen built 118 MW of solar and 68 MW of battery storage.

Two more projects will come online by the end of 2022:

- 100 MW of solar in Kern County with Terra-Gen
- 100 MW of solar and 10 MW of battery storage in Fresno County with EDPR

SJCE is also a member of California Community Power, a joint powers authority comprised of 10 community choice aggregation organizations and formed to procure large-scale renewable energy and reliability resources. In early 2022, California Community Power reached two agreements for long-duration storage: 69 MW with developer REV Renewables in Kern County expected to come online in 2026 and 50 MW with Onward Energy in Escondido, California expected to come online in 2025. On March 8, 2022, the City Council voted to authorize SJCE to procure up to 25 MW of long-duration storage from REV Renewables' project.

### ***Energy Efficiency Programs***

In September 2021, SJCE was awarded \$5.1 million from the California Public Utilities Commission (CPUC)-administered Public Purpose Program charge to administer energy efficiency programs in San José over 3 years. SJCE will provide a discount for energy-efficient electric appliances geared towards moderate-income single-family households and provide technical assistance and discounts for Heating, Ventilation, and Air Conditioning (HVAC) systems and components for small businesses and schools. Staff began working with the programs implementer, Franklin Energy, to design the programs and expect to launch programs in Spring 2022.

### ***Solar Access (Disadvantaged Community Green Tariff program)***

The Solar Access program offers low-income customers living in disadvantaged communities a 20 percent bill discount and 100 percent solar energy from a solar facility in Northern California. Staff began enrolling customers in November 2021 and have enrolled over 600 San José residents. Program capacity of approximately 800 customers has not yet been met, so work with CBOs to recruit customers is still ongoing. The program is expected to run for 20 years.

### ***Net Energy Metering (NEM) 3.0***

In December 2021, the CPUC proposed a new set of rules - known as NEM 3.0 - for how PG&E and other investor-owned utilities must compensate rooftop solar customers for the energy their panels produce and how much they should pay to access the grid. SJCE is advocating for our current and future rooftop solar customers to the CPUC as an official party to their Net Energy Metering proceeding and filed comments in January 2022 opposing the proposed changes that would lower adoption of rooftop solar. In early February 2022, the CPUC postponed their vote on the proposed NEM 3.0 rules indefinitely.

## **Climate Smart Pillar 2: A Vibrant City of Connected & Focused Growth**

### ***Increasing High Density Housing***

The General Plan Four-Year Review was completed in January 2022. It included the City's adoption of California Senate Bill 9 (SB9) which would allow up to four housing units on existing single-family properties without discretionary review. Additionally, specific urban village policies were updated to allow affordable housing projects to proceed in Urban Villages that do not have an adopted plan. The N 1<sup>st</sup> Street urban village plan, currently in development, will permit up to 1,678 additional housing units. Staff is working on the Five Wounds Station Area Plan, which will update and consolidate existing urban village plans for Roosevelt Park, Little Portugal, Five Wounds, and 24<sup>th</sup> Street and William, with work on this effort expected to be completed by Summer 2023.

### ***Transportation Demand Management and Parking Ordinance and Policy Update***

The City has been reevaluating its car parking and transportation demand management (TDM) policies to advance Climate Smart, ACCC, and Envision San José 2040 General Plan transportation and land use goals. The proposal is to update Title 20 (the Zoning Ordinance) to move away from mandatory minimum parking requirements based on the project size and use and instead move towards a more flexible approach that will allow developments to evaluate their specific parking needs while the site is being planned for development. In conjunction, the ordinance will expand TDM project requirements to encourage new and existing residents to shift trips from single-occupancy vehicles to alternatives such as transit, biking and walking. These TDM requirements can be fulfilled with infrastructure (such as building or expanding bicycle and pedestrian facilities) or programs such as providing transit passes or bike share memberships to tenants. Specific effort has been made to ensure that these TDM measures are as equitable as possible. Staff expects to bring this policy and ordinance update to City Council by Summer 2022.

### ***EV Charging (citywide)***

As of February 2022, the City of San José had a total of 1,703 charging points, according to the US Department of Energy's Alternative Fuels Data Center. Of that total, 1,647 of the ports were accessible to the public and 56 were private. The ports comprise 1,494 Level 2, 204 fast chargers, and one Level 1 charger. To achieve the City's Climate Smart's Paris-accord aligned emission targets, San José's Electric Mobility Roadmap estimated that the City would need 3,943 Level 2 chargers and 147 fast chargers.

### ***California Electric Vehicle Infrastructure Project***

The California Electric Vehicle Infrastructure Project (CALeVIP), launched in December 2020, is a co-funded \$14 million rebate program for Level 2 and Direct Current Fast Charging infrastructure. The Center for Sustainable Energy, which is administering the program, continued to review the applications and some projects have begun receiving incentives. In March 2022, the program administrator announced an additional \$2.4 million in incentives for Level 2 chargers in San José. Projects are to be completed through 2023.

### **Climate Smart Pillar 3: An Economically Inclusive City of Opportunity**

#### ***Building Performance Ordinance***

Adopted in 2018, the Building Performance Ordinance (BPO) requires that property owners of commercial and multi-family properties that are 20,000 square feet in size and above to benchmark these properties' energy and water use. This information is reported to the City annually, using the US EPA ENERGYSTAR Portfolio Manager® platform. In 2021, staff implemented a new customer relationship management system, Touchstone IQ, which is used to organize building data, track and automate communications to building owners, and perform automatic quality checks on benchmarking data. In late 2021, staff began sharing energy and water data with buildings via customized scorecards. Scorecards provide an easy way for building owners and stakeholders to review annual energy and water use efficiency data, compare their data to other similar buildings, and learn about resources they can utilize to implement efficiency improvement actions. The 2021 benchmarking report submission rate was 58.8 percent, the invoice payment rate was 87 percent, and the annual exemption rate was 15 percent. In 2022, the BPO, in its fourth reporting year, will cover 2,065 commercial and multifamily buildings and 44 municipal buildings. Due to zoning or adjusted gross floor area exemptions, 179 buildings originally notified in 2020-2021 were removed from the covered buildings list and 49 buildings were added.

#### ***Existing Building Electrification Plan***

The draft Existing Building Electrification Framework was posted for public review in February 2022. The Framework does not include any mandates but offers strategies to: raise awareness about the benefits of using electric appliances and the negative health impacts of using gas; encourage the growth of high-quality building electrification jobs in San José; reduce housing and energy costs through building electrification programs; and increase access to clean and reliable energy. Staff expects to bring the Framework to Council for consideration in Q2 of 2022.

#### ***Building Reach Code Update***

The State of California has approved its 2022 Building Code so City staff will need to update the City's building reach code to align with these new standards for implementation by January 1, 2023. The update will allow the City to update the building reach code to also align with the Natural Gas Infrastructure Prohibition Ordinance (adopted after the building reach code). Given this required update, City staff began working with Silicon Valley Clean Energy, Peninsula Clean Energy, and East Bay Clean Energy, serving Santa Clara, San Mateo, and Alameda Counties respectively, to evaluate additional reach code options.

In addition, City staff is assessing the exemptions included in the Natural Gas Infrastructure Prohibition Ordinance. Thus far, the City issued only one exemption which was for Microsoft Data Center project's natural gas backup generators. This project committed to utilizing biogas (which has very limited GHG emissions) when in operation. The most recent data available on natural gas fuel cells in San José indicates that no new systems were installed in 2020.

You can find a full summary of Current Climate Smart Initiatives in Attachment A.



### **Looking Ahead**

City staff plans to complete the following items in the next reporting period (March – August 2022):

- Release a Request for Information for Climate Smart partnerships to accelerate building electrification and electrification workforce development
- Update the Climate Smart online dashboard
- Finalize the NWL Element
- Finalize the Solid Waste Element

Staff also expects to bring the following items to City Council:

- Existing Building Electrification Framework (Q2 2022)
- Carbon Neutral by 2030 Implementation Plan (Q2 2022)
- Access and Mobility Plan, Emerging Mobility Action Plan, and Transit First Policy (Q2/3 2022)
- Parking and TDM Ordinance (Q2/3 2022)

### **CONCLUSION**

Progress on a multitude of Climate Smart initiatives, as evidenced by this report, continues to be significant, despite the challenges created by the COVID-19 pandemic. Critical attention to the City's transportation-related emissions sector, the City's largest GHG contributor, and natural gas in the buildings sector is well underway and will need to accelerate in order to meet the City's new carbon neutral by 2030 goal. The intersection of climate work and equity present a strong opportunity to help our communities most adversely affected by climate change transition to a clean energy economy and enjoy the associated public health benefits.

### **EVALUATION AND FOLLOW-UP**

Staff will provide progress updates to the Transportation and Environment Committee and City Council on Climate Smart San José activities on a semi-annual basis.

### **CLIMATE SMART SAN JOSE**

The recommendation in this memo aligns with all Climate Smart San José energy, water, and mobility goals.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's website for the April 4, 2022 T&E Agenda as well as on the April 26, 2022 City Council's Agenda website.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office, City Manager's Budget Office, Department of Transportation, Department of Community Energy, Housing Department, Department of Public Works, the Office of Economic Development, and the Department of Planning, Building and Code Enforcement.

### **COMMISSION RECOMMENDATION/INPUT**

No commission recommendation or input is associated with this action.

### **FISCAL/POLICY ALIGNMENT**

Climate Smart San José activities align with the Climate Smart San José strategies and the City's Envision 2040 General Plan approved by City Council.

### **CEQA**

Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action.

/s/  
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For questions, please contact Julie Benabente, Deputy Director, at (408) 975-2537.

Attachment A: Current Climate Smart Initiatives