

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: September 6, 2022

Approved



Date

9/15/22

**SUBJECT: CITY INITIATIVES ROADMAP - CLEAN ENERGY RESILIENCE:
RESIDENTIAL BUILDING ELECTRIFICATION UPDATES AND
WORKFORCE DEVELOPMENT ACCELERATION PARTNERSHIP**

RECOMMENDATION

- (a) Accept the update on the Request for Proposals for Residential Building Electrification Updates and Workforce Development Acceleration Partnership.
- (b) Adopt a resolution to authorize the City Manager to negotiate and execute a Master Agreement with BlocPower LLC for up to \$489,000, subject to the appropriation of funds.

OUTCOME

City Council approval will authorize the City Manager to negotiate and execute a Master Agreement with BlocPower LLC to implement a Residential Building Electrification and Workforce Development Accelerator Program (Accelerator Program). The Accelerator Program will help to implement both the City's Electrify San José: Framework for Existing Building Electrification (Existing Building Electrification Framework) and Pathway to Carbon Neutrality by 2030 by creating a one-stop shop that offers the lowest cost electric upgrades for residential buildings, and by providing contractor training to bring more skilled and diverse individuals into the electrification workforce.

BACKGROUND

As building electrification continues to move forward throughout the state, many communities face barriers to completing upgrades. Barriers can include lack of access to capital and lack of understanding about and awareness of heat pump and induction technologies, their health benefits, and potential cost savings. These barriers make the electrification process more difficult for all, and especially for disadvantaged communities who are often severely energy burdened,

which means a higher percentage of their income is spent solely on utility bills. Ironically, the least served stand to gain the most from these upgrades.

In January 2020, the City implemented its first “Reach Code” ordinance that requires new buildings to exceed the energy performance requirements of the California Building Energy Efficiency Standards – essentially a “reach” beyond the standard. San José’s Reach Code bans natural gas infrastructure in new single-family, low-rise residential buildings and detached accessory dwelling units. The Reach Code also requires electric vehicle charging infrastructure and solar readiness in new construction, exceeding the 2019 California Building Energy Efficiency Standards. However, these actions address new construction as opposed to existing buildings which often have outdated and inefficient appliances.

On April 26, 2022, staff provided a semi-annual Climate Smart update to City Council that included reference to an Accelerator Program intended to support the conversion of existing residential buildings to efficient electric appliances. City Council directed staff to return by September 2022 with an update on the Accelerator Program Request for Information. On June 14, 2022, City Council accepted the Existing Building Electrification Framework and approved the Pathway to Carbon Neutrality by 2030 which help guide the City’s efforts to support existing building electrification and achieve the City’s carbon neutrality goals.

ANALYSIS

In May 2022, the City released a Request for Proposals to acquire external support for the implementation of an Accelerator Program. After considering a Request for Information, staff determined that a Request for Proposals would be appropriate to allow the City to move the Accelerator Program forward.

The scope of work for the Accelerator Program included, for up to a four-year term, building electrification efforts to: attain upgrades for residential homeowners; develop a contractor training program; provide education and outreach to help building owners and residents understand the benefit of electrification; and identify and streamline financing assistance through grants, incentives, and low- or no-interest financing. The Request for Proposals was posted on the City’s website for 30 days and closed on June 30, 2022, with a total of two proposals received.

The proposers, ICF Resources, LLC and BlocPower LLC, received interim proposal scores of 75 and 74, respectively, out of a possible 100 total points. Staff conducted oral interviews on August 29, 2022; ICF Resources, LLC receiving a final score of 68 points and BlocPower LLC receiving 76 points. Based on these results, staff recommends City Council authorize the City Manager to negotiate and execute a Master Agreement with BlocPower LLC for up to \$489,000. Staff expects that the Master Agreement will be executed in October 2022 and the Accelerator Program will launch in the first quarter of 2023. The Accelerator Program will help to implement

both the City's Existing Building Electrification Framework and Pathway to Carbon Neutrality by 2030. It will leverage local, regional, state, and federal programs and funding to create a one-stop shop that offers the lowest cost electric upgrades for residential buildings. The Accelerator Program will serve to reduce greenhouse gas emissions, lower energy utility costs, and improve indoor air quality. The Accelerator Program will also provide contractor training to bring more skilled and diverse individuals into the electrification workforce.

CONCLUSION

The Accelerator Program will offer a significant jumpstart for implementing the City's Climate Smart and carbon neutrality by 2030 goals related to existing building electrification. It will provide interested San José residents with the necessary technical information, contractor support, and funding to electrify homes at the lowest cost by leveraging existing programs and funding. It will also educate contractors on the planning, installation, maintenance, and overall characteristics of energy-efficient technologies – allowing them to complete this work beyond the parameters of the Accelerator Program. Pending City Council authorization, staff expects to enter into negotiations with BlocPower LLC and issue a Master Agreement for up to \$489,000 over a four-year term in October 2022 and launch the Accelerator Program in the first quarter of 2023.

EVALUATION AND FOLLOW-UP

The Accelerator Program will be included in 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 memorandum aligns with one or more Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

Staff forwarded information about a potential Accelerator Program to a total of 26 private, public, and non-profit organizations to encourage proposals in preparation for the Request for Proposals. Staff posted the Request for Proposals for the Accelerator Program on the City's Biddingo platform, where it remained public-facing and active for 30 days and closed on June 30, 2022. Staff published a notice of intended award on August 30, 2022. This memorandum will be posted on the City's website for the September 27, 2022 City Council meeting agenda.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

Accelerator Program activities align with the Pathway to Climate Neutrality by 2030, Climate Smart San José, Building Electrification Framework, and the City's Envision 2040 General Plan approved by City Council.

COST SUMMARY/IMPLICATIONS

The total estimated cost for the Accelerator Program and the Master Agreement is an amount up to \$489,000 over a four-year term with the following deliverables: help attain electrification upgrades of residential homes; education and training for contractors and outreach to help building owners understand the benefit of electrification; and to identify financing assistance through grants and other incentives. Funds for the Master Agreement will be encumbered over a multiyear period as needed when service orders are developed.

The 2022-2023 Adopted Operating Budget contains significant investments for implementing the City's Climate Smart goals, including 6.0 ongoing positions in ESD, 3.0 positions in the Transportation Department, and non-personal/equipment funding of \$765,700 (\$65,700 ongoing). As subsequently outlined in Manager's Budget Addendum #32, *Climate Smart Technical Assistance and Community Engagement*¹, and the City Council-approved Mayor's June Budget Message for Fiscal Year 2022-2023². The non-personal/equipment funding was anticipated to support: implementation of Building Electrification Upgrade Accelerator Program and low-income electrification incentives (\$320,000), reach code updates and building electrification policy (\$200,000), consultant services for Climate Plan updates (\$100,000), Climate Smart platform and engagement (GoGreen Teams, \$75,000), marketing and outreach (\$50,000), and program administration (\$20,700).

¹ Manager's Budget Addendum #32, Climate Smart Technical Assistance and Community Engagement: <https://www.sanjoseca.gov/home/showpublisheddocument/86715/637898000770330000>

² Mayor's June Budget Message for Fiscal Year 2022-2023 (p. 21): <https://www.sanjoseca.gov/home/showpublisheddocument/87963/637939096778500000>

Combining the \$320,000 earmarked for Accelerator Program and incentives along with a total of approximately \$100,000 of Climate Smart funds remaining from 2021-2022 that are anticipated to be available should the City Council approve the forthcoming 2021-2022 Annual Report at its meeting on October 18, 2022, would bring the available budget to \$420,000. The remaining funds for the program of approximately \$69,000 are anticipated to be identified in future years through either the reallocation of existing resources and/or the strategic allocation of new resources – including grant funding – during future budget development cycles as the City continues its work to implement Climate Smart objectives.

BUDGET REFERENCE

The table below identifies the fund and appropriation to fund the recommendations included as part of this memorandum.

Fund #	Appn #	Appn Name	Total Appn	Amt. for Contract	2022-2023 Proposed Operating Budget Page*	Last Budget Action (Date, Ord. No.)
001	0762	Non-Personal / Equipment	\$2,458,129	\$420,000**	470	06/21/2022 Ord. No. 30790

*The 2022-2023 Adopted Operating Budget was approved by the City Council on June 14, 2022 and adopted on June 21, 2022.

**The total Master Agreement not-to-exceed amount of \$489,000 is subject to the appropriation of funds.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
KERRIE ROMANOW
Director, Environmental Services

For questions, please contact Julie Benabente, Deputy Director, Environmental Services, via email at Julie.Benabente@sanjoseca.gov.