



COUNCIL AGENDA: 12/11/2018

ITEM: 7.1

Memorandum

TO: CITY COUNCIL

FROM: Mayor Sam Liccardo
Councilmember Sergio Jimenez
Councilmember Raul Peralez
Councilmember Lan Diep

SUBJECT: SEE BELOW

DATE: December 7, 2018

Approved

Date

[Signature: Sam Liccardo] *[Signature: Sergio Jimenez]* *[Signature: Raul Peralez]* *[Signature: Lan Diep]* 12/7/18

SUBJECT: ENERGY AND WATER BUILDING PERFORMANCE ORDINANCE

RECOMMENDATION

Accept the staff recommendation with the following direction:

1. Develop a robust outreach and engagement plan to commercial building managers to ensure compliance with the benchmarking and transparency ordinance;
2. Defer consideration on the funding strategy and/or fee structure required to staff the energy benchmarking and transparency program to the 2019-2020 budget process;
3. Identify funding opportunities and partners to develop an online visualization tool and/or map to track benchmarking progress and ensure transparency throughout the City;
4. For multi-family buildings that fall between the 20,000 sq. ft. - 49,999 sq. ft. threshold, require benchmarking and reporting for both energy and water, but exclude improvements required for water if the building is not individually sub metered.

BACKGROUND

We would like to thank City staff for their efforts over the past two years to bring forward the Energy and Water Building Performance ordinance. We also thank Bloomberg Philanthropies and the Natural Resources Defense Council (NRDC) for their continued partnership. In 2016, San José was awarded a \$200,000 grant – as part of cohort of dozens of cities across the US – to develop a benchmarking and transparency ordinance to help reduce energy emissions in buildings, which account for one of the largest sources of emissions in the City. This work was integrated into the City's unanimously adopted Paris Agreement-aligned sustainability plan - Climate Smart San José - and will be an important part of the City's strategies to reduce greenhouse gas emissions 6.5 percent year-over-year through 2050. Specifically, this ordinance will move the needle on our city action plan for improving our commercial building stock, and will catalyze high performance buildings - a critical step for achieving our goals under the Plan.

As outlined in Climate Smart San José, energy reduction in buildings in San José is an important action for achieving our climate action goals. Buildings are the second largest source of emissions in the City, accounting for 33 percent of total emissions. More than half of San José's building stock averages 50 years or greater, and therefore presents a significant opportunity to reduce energy and water usage, and subsequently, save building owners and tenants money and improve public health.

Energy benchmarking and transparency policies provide an opportunity for building owners of buildings over 20,000 square feet to gain a better understanding of their energy and water usage by benchmarking and tracking their building performance. It also provides an opportunity for tenants to have visibility into energy performance as it relates to leasing decisions. By setting the minimum square footage for this ordinance at 20,000 sq. ft., we will cover 82 percent of the total square footage city wide, but impact less than 25 percent of the total buildings in the City. We are encouraged that the City will also lead by example in setting a lower threshold of 15,000 sq. ft. for municipal buildings. As part of this leadership, it is critical that we work with partners that aren't automatically included in the ordinance to opt in, including utility buildings and county buildings within the City. Importantly, the ordinance – and the actionable data stream collected thereby – will provide an opportunity for the City to ultimately develop targeted local programs for commercial and multi-family buildings in coordination with San José Clean Energy. We believe that the ordinance as presented strikes the necessary balance and flexibility between building performance, pathways for improvements, exemptions, and a phase-in approach.

City staff conducted an extensive stakeholder engagement process to inform development of the benchmarking and disclosure ordinance, and in doing so received feedback and insights from over 50 organizations over the course of six meetings. As the ordinance is implemented, it is incumbent upon us to develop a robust engagement strategy to ensure compliance and ensure the benefits of program like this are fully utilized. Staff must ensure that building owners have the resources necessary to comply with the benchmarking requirements, and if needed, comply with the improvement pathway to reduce their energy or water usage. This should include the distribution of a resource guide to building owners so that they are aware of incentives and programs that are available to improve efficiency. There should also be an emphasis on conducting outreach and education to building owners of multi-family buildings that may be covered by the Apartment Rent Ordinance to minimize the costs passed on to tenants that may be already cost burdened.

Implementing the ordinance will require staffing resources to provide this outreach and support. Staff has worked to identify the best way to fund the staffing needed to run a successful benchmarking program. There are current resources in place to fund these efforts through June of 2019, and we should defer the question of funding the program to the 2019-2020 budget process.

In no small part, the work accomplished through the City Energy Project led to San José's successful grant award under the Bloomberg American Cities Climate Challenge (ACCC) that was announced in October. This award will accelerate progress on our ambitious climate action goals, and our commercial buildings work will remain a critical component of our deliverables under the grant. We look forward to seeing the metrics under the ACCC and required policy changes for this work coming to Council in January.