

## City Council Report

915 I Street, 1<sup>st</sup> Floor

Sacramento, CA 95814

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**File ID:** 2021-00571

June 1, 2021

**Discussion Item 22**

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**Title:** An Ordinance Adding to and Amending Various Provisions of Title 15 of the Sacramento City Code and Adopting Local Amendments to the California Building Standards Code, Relating to Green Building Standards Including Electrification; and a Resolution establishing a framework for existing building electrification and directing the evaluation of water conservation and green job opportunities. (Passed for Publication 5/18/2021; Published 5/21/2021)

**Location:** Citywide

**Recommendation:** Adopt: 1) an Ordinance adding to and amending various provisions of Title 15 of the Sacramento City Code and adopting local amendments to the California Building Standards Code, relating to green building standards including electrification; and 2) a Resolution establishing a framework for existing building electrification and directing the evaluation of water conservation and green job opportunities.

**Contact:** Helen Selph, Associate Planner, (916)-808-7852; Matt Hertel, AICP, Acting Long Range Planning Manager, (916) 808-7158, Community Development Department; Jennifer Venema, Interim Climate Action Lead, (916) 808-1859, Office of the City Manager

**Presenter:** Jennifer Venema, Interim Climate Action Lead, (916) 808-1859, Office of the City Manager

**Attachments:**

- 1-Description/Analysis
- 2-Ordinance - Redline
- 3-Ordinance - Clean
- 4-Process for Developing Infeasibility Guidelines
- 5-Resolution
- 6-Attachment to Resolution
- 7-Community and Stakeholder Engagement
- 8-Frequently Asked Questions (FAQ)

## Description/Analysis

**Issue Detail:** The New Building Electrification Ordinance (Ordinance) establishes phased requirements for the electrification of new building construction. This Ordinance emerged as part of a comprehensive building electrification strategy intended to implement the direction from City Council which was based on a recommendation from the Mayor's Commission on Climate Change (MCCC) Final Report<sup>1</sup>. On April 20, 2021, City Council approved the first phase of the effort, the Electric Vehicle (EV) Charging Infrastructure Ordinance. The New Building Electrification Ordinance (Ordinance) is the second phase of the City's electrification efforts and would provide requirements for new buildings to be all-electric.

The New Building Electrification Ordinance (Attachments 2 and 3) includes the following changes to the Sacramento City Code:

- Local amendments to the California Building Standards Code that will amend Title 15, Sacramento's Building Code to require:
  - Building permit applications filed on or after January 1, 2023, for newly constructed buildings that are three stories or less to be all-electric buildings.
  - Building permit applications filed on or after January 1, 2026, for newly constructed buildings that are four stories or more to be all-electric buildings.
  - Limited exemptions for specific uses, available only for building permits filed on or before December 31, 2025:
    - A limited exemption for food establishments for cooking equipment only.
    - A limited exemption for manufacturing process loads within a manufacturing or industrial facility<sup>2</sup>.
    - A limited exemption for regulated affordable housing when virtual net energy metering is not available, for water heating only.

### Infeasibility

Staff have conducted extensive outreach on the New Building Electrification Ordinance, as outlined in Attachment 7. In response to stakeholder feedback about the feasibility of electrification for all project types, the New Building Electrification Ordinance also includes provisions for an infeasibility waiver for the portions of the project where all-electric is

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<sup>1</sup> Mayors' Commission on Climate Change final report and background information available online: <https://www.lgc.org/climatecommission/>

<sup>2</sup> A manufacturing or industrial facility means a building with the occupancy classification as defined in the California Building Code, Chapter 3, Section 306, Group F or Section 313, Group L. Group F refers to the use of a building or structure, or a portion thereof, for assembling, disassembling, fabricating, finishing, manufacturing, packaging, repair, or processing operations that are not classified as a Group H hazardous or Group S storage occupancy. Group L refers to a room building or area where the use and storage of hazardous materials are utilized for testing, analysis, instruction, research, or development activities.

demonstrated by the project applicant to be infeasible. If a building permit applicant establishes to the satisfaction of the building official that compliance with the all-electric requirement is infeasible, the building official may grant a modification to the requirement. The infeasibility process provides flexibility for new construction projects that specific codified exemptions cannot provide and does not have a sunset date. After the electrification requirements are effective, staff will provide an annual report back to Council on the implementation of new building electrification, including the number and type of waivers.

The Ordinance also provides for the development of guidelines for considering infeasibility waivers. The infeasibility waiver process must include, (but is not limited to) the following:

- A meeting with the building permit applicant during which the building permit applicant can present documentation and any other evidence to support the building permit applicant's claim of infeasibility;
- Consultation with relevant industry experts, including the Sacramento Municipal Utility District;
- A written decision granting or denying the infeasibility waiver, including the reasons for the decision; and,
- that the guidelines shall not be effective until approved by resolution of the City Council.

Staff anticipate that adoption of the guidelines would occur in Fall 2022, in alignment with the 2022 California Building Standards Code.

Staff recommends that a technical panel be established as an informal body tasked with providing input on considerations for infeasibility waivers, vetting barriers where technologies are not yet market-ready for electrification and providing input on the infeasibility guidelines prior to Council adoption. Further information on the composition of the technical panel that will be tasked with the development and annual review of infeasibility guidelines and the process and timeline for developing infeasibility guidelines, are available in Attachment 4.

#### Ordinance Effective Dates

The New Building Electrification Ordinance and the EV Charging Infrastructure Ordinance (adopted April 20, 2021) will have the same phased timeline and effective dates, providing a balanced overall package with net cost savings for new development. The effective dates are January 1, 2023, and January 1, 2026, respectively, as described above. The effective dates are consistent with the MCCC recommendations and provide time for the development community to plan for the new mandate. These effective dates align with the effective dates of the 2022 and 2025 California Building Standards Code updates. Complete building permit applications (including payment of all required fees) filed with and accepted by the City's Building Division prior to the effective dates would not be subject to electrification requirements.

The California Building Standards Code is on a three-year cycle. Local amendments are only enforceable for the current California Building Standards Code. The current California Building Standards Code in effect is the 2019 code; accordingly, the 2023 and 2026 requirements in the City's Ordinance are not enforceable until California adopts the future state building codes, and the City adopts ordinances that are local amendments to the new California Building Standards Codes that would be adopted after July 1, 2022 and July 1, 2025, respectively. Staff will provide ongoing evaluation on the implementation of new building electrification and report back to City Council annually.

In addition to the New Building Electrification Ordinance, staff are planning for the gradual electrification of existing buildings in the next phase of City electrification efforts. The attached Resolution (Attachments 5 and 6) outlines the City's commitment to establishing a pathway for existing building electrification and directing the evaluation of water conservation and green job opportunities. Following the adoption of the New Building Electrification Ordinance, staff will begin engagement on electrifying/retrofitting existing buildings as outlined in the attached Resolution and Exhibit A.

Attachment 8 - Frequently Asked Questions (FAQ), includes responses to the key questions staff have received from residents and stakeholders. It has been revised to reflect recent changes and stakeholder feedback.

**Policy Considerations:** The 2035 General Plan includes the following key policies related to GHG emissions reduction.

**ER 6.1.5 Community Greenhouse Gas Reductions.** The City shall reduce community GHG emissions by 15 percent below 2005 baseline levels by 2020 and strive to reduce community emissions by 49% percent and 83% percent by 2035 and 2050, respectively. (RDR)

**ER 6.1.7 Greenhouse Gas Reduction in New Development.** The City shall reduce greenhouse gas emissions from new development by discouraging auto-dependent sprawl and dependence on the private automobile; promoting water conservation and recycling; promoting development that is compact, mixed use, pedestrian friendly, and transit oriented; promoting energy-efficient building design and site planning; improving the jobs/housing ratio in each community; and other methods of reducing emissions. (RDR)

The City Council committed to carbon neutrality by 2045 with adoption of the 2040 General Plan Vision and Guiding Principles (Resolution No. 2019-0433). The Council also declared a Climate Emergency on December 10, 2019 (Resolution No. 2019-0465), calling for the City to undertake significant action to accelerate the rapid decrease of GHG emissions. On August 25, 2020, City Council passed a motion directing staff to develop an ordinance to electrify new buildings and to plan for the electrification of existing buildings (Motion No. 2020-0226). On January 19, 2021, City Council reaffirmed electrification as a key strategy for the 2040 General Plan update. Specifically, the January 19<sup>th</sup> resolution commits to require new buildings to be electric and to gradually transition existing buildings away from natural gas, with assistance and financial incentives for low-income residents.

**Economic Impacts:** The economic impacts of passing an electrification ordinance may be reduced construction costs for residential development and increased demand for climate-friendly appliances. Cost-effectiveness studies indicate that all-electric construction is cost-effective for all low-rise and mid-rise construction prototypes studied. Cost-effectiveness of high-rise residential construction up to eight stories is cost effective, but above eight stories cost effectiveness varies depending on project design. All residential new construction building types are cost-effective when SMUD incentives are considered. City staff and SMUD will continue to engage stakeholders to share information and findings related to cost-effectiveness. Staff will continue to work with stakeholders to understand and address economic barriers for certain development types.

Staff will collaborate with stakeholders to advance “just transition”<sup>3</sup> strategies and work to create new opportunities for jobs that may be impacted by a reduction of gas infrastructure work. Electrification and sustainable infrastructure will bring new labor demands and workforce development needs. City resources will be prioritized to assist marginalized and underemployed communities to enhance opportunities for our most in-need jobseekers. Through collaboration with multiple stakeholders, including members of the City’s Workforce Working Group (a Subcommittee of the City’s Investment Committee), workforce nonprofit providers, higher education partners, governmental agencies and industry partners, staff are integrating electrification conversations with workforce and economic development efforts.

In response to stakeholder concerns about the impact of the Ordinance on plumbers and pipefitters work, a feasibility analysis related to the cost of potential new water conservation standards for new development and associated workforce expansion potential is planned. This

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<sup>3</sup> Refer to the just transition concept provided in the UC Berkeley Center for Labor Research and Education report to the California Workforce Development Board, in which “‘Just Transition’ refers to protection, support, and compensation for displaced workers and communities when a society makes significant policy decisions that result in job loss in affected businesses” to ensure that impacts are mitigated with other “high-road” opportunities (p. 149, Cha, M. (June 2020). Chapter 4: Just transition: Tools for protecting workers and their communities at risk of displacement due to climate policy. *Putting California on the high road*. <https://laborcenter.berkeley.edu/wp-content/uploads/2020/08/Chapter-4-Just-Transition-Putting-California-on-the-High-Road.pdf>

additional work is supported by the Council's one-time funding allocation for 2021 Climate Implementation Work Plan in the Fiscal Year 2020/2021 Midyear Budget (Resolution No. 2021-0029) which was approved by City Council on February 2, 2021.

**Environmental Considerations:** Installation of additional electrical infrastructure in development would be required in some cases but would be offset by the lack of need to install gas infrastructure. The indirect effects of the regulation would substitute electrical energy use for natural gas. The combustion of natural gas produces indoor and outdoor air pollution as well as GHG emissions that are a significant contributor to climate change.

SB100 requires California utilities to provide carbon neutral electricity by 2045. The Sacramento Municipal Utility District currently provides electricity that is approximately 70% carbon free. SMUD is committed to achieving carbon-neutral electricity by 2030. On April 28, 2021, the SMUD Board adopted a 2030 Zero Carbon Plan that establishes goals for carbon neutrality. The substitution of clean, carbon-neutral electricity for natural gas will significantly reduce indoor and outdoor air pollution and GHG emissions.

This Ordinance is consistent with City policies in the 2035 General Plan and other plans, to reduce greenhouse gas emissions and improve air quality. Adoption of the Ordinance would not result in any significant effects. The 2023 and 2026 requirements in the ordinance are not enforceable until California adopts future state building codes and the City adopts ordinances that are local amendments to those future state building codes. Because it can be seen with certainty that the action would not result in significant effects the action is exempt from CEQA pursuant to the commonsense exemption provided in CEQA Guidelines section 15061(b)(3). In addition, this ordinance is exempt pursuant to CEQA Guidelines sections 15307 and 15308 because it is an action taken to assure the maintenance, restoration or enhancement of natural resources or protection of the environment where the regulatory process involves procedures for protection of the environment. The resolution adopting a framework for staff to follow in developing a plan for electrification of existing buildings is exempt from CEQA under Guidelines 15378 because it will not cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and it is exempt under section 15262 relating to feasibility studies for possible future action.

**Sustainability:** The New Building Electrification Ordinance will have a net positive environmental impact because it will reduce GHG emissions and other pollution associated with fossil fuel combustion from gas heating systems, stoves, water heaters, and other appliances. The electrification ordinance will also help improve air quality and further decarbonize Sacramento's economy. Electrifying buildings is a key strategy to achieve carbon neutrality and advance the recommendations from the MCCC.

**Commission/Committee Action:** On May 4, 2021, the Law and Legislation committee passed a motion forwarding the Ordinance to City Council for consideration. The motion also established direction for staff to provide more information about the composition of the informal technical panel to be established regarding the development of guidelines for considering infeasibility waivers. Attachment 4 includes details regarding the process for developing infeasibility guidelines and the composition of the technical panel.

The Ordinance reflects revisions to the original proposed standards previously presented to the Law and Legislation Committee on March 2, 2021. At the March 2<sup>nd</sup> meeting, the Law and Legislation Committee directed staff to split the New Building Electrification Ordinance by moving EV charging standards forward to City Council hearing with recommendation for adoption as a separate ordinance, while directing staff to refine the original new building electrification proposal and return to the Law and Legislation Committee.

On February 11, 2021, the Planning and Design Commission held a public hearing on the New Building Electrification Ordinance. The Commission unanimously passed a motion to forward the Ordinance to City Council for consideration, with an amendment to increase the parking incentives for projects which provide EV carsharing in addition to a Level 2 electric vehicle charger or an electric vehicle direct current fast charger.

**Rationale for Recommendation:** Council has declared a climate emergency and declared the City's intent to take bold and immediate action to address climate change. In response to the recommendations of the MCCC and Council direction, staff is recommending adoption of the New Building Electrification Ordinance.

**Financial Considerations:** The New Building Electrification Ordinance is not anticipated to have a significant cost impact for the City.

**Local Business Enterprise (LBE):** Not Applicable.

**Background:** The process of developing the Ordinance began on August 25, 2020, with Council Motion No. 2020-0226 directing the City Manager to take several actions including moving quickly to draft an ordinance to require electrification of new construction. Since receiving direction in August 2020, staff have conducted extensive outreach as described in Attachment 7 and conducted sessions with the various commissions listed above.

On January 19, 2021, City Council adopted Resolution No. 2021-0022 establishing the following key 2040 General Plan strategies for building electrification:

- Require all new buildings to be all electric and eliminate the use of natural gas and fossil fuels for building operations.
- Gradually transition existing buildings away from natural gas to electric and assist low-income residents by offering financial incentives.

### Current and Future State Mandates

California has taken an aggressive stance to mitigate climate change at the state-level through the adoption of legislation and executive orders. The two major state GHG-related goals are established by Assembly Bill 32 (2006) and Senate Bill 32 (2016).

- AB 32 established a statewide GHG emissions reduction goal of attaining 1990 levels by 2020.
- SB 32 requires state agencies to achieve a 40 percent reduction below 1990 levels by 2030.

Executive Order (EO) B-55-18 was signed by the Governor Brown in 2018. This order sets a goal of achieving carbon neutrality as soon as possible, but no later than 2045, and maintaining neutrality thereafter.

Following the passage of SB100 (2018), which mandates that California utilities provide carbon-neutral electricity by 2045, local governments began passing ordinances that are variations on the theme of prohibiting fossil fuel energy sources in new construction.

In September 2020, Governor Newsom issued EON-79-20, setting new statewide goals for phasing out gasoline-powered cars and trucks in California. Under the order, 100% of in-state sales of new passenger cars and trucks are to be zero-emission by 2035. Additionally, the order also establishes that all medium- and heavy-duty vehicles and off-road vehicles and equipment sales shall also be zero-emission where feasible.

### City of Sacramento – Climate Action Policy Direction

In November 2018, Mayor Darrell Steinberg and West Sacramento Mayor Christopher Cabaldon launched MCCC to develop recommendations for the cities of Sacramento and West Sacramento to achieve carbon zero by 2045. On June 29, 2020, the MCCC unanimously approved its final report for achieving carbon zero by 2045 in Sacramento and West Sacramento. The MCCC recommendations included the following for electrification in new construction:

- MCCC Built Environment Recommendation - Electrification in New Construction:
  - Mandating all-electric construction to eliminate fossil-fuel use in new low-rise\* buildings by 2023 and all buildings by 2026\*\*. (*\*Low-rise defined as under 4 stories. \*\*Provided that the costs to go all-electric are cost-effective including the incremental costs of electrical infrastructure upgrades and the technology has shown to be feasible.*)
  
- MCCC Mobility Recommendation - Zero-Emission Vehicles:
  - Developing a comprehensive package of incentives, disincentives, and policies to encourage the adoption of zero-emission vehicles (ZEVs) so that:
    1. 70% of new vehicle registrations will be for ZEVs by 2030.
    2. All public, private, and shared fleets are fully electrified by 2045.

In coordination with the MCCC recommendations, the City is also in the process of updating the Sacramento Climate Action and Adaptation Plan (CAAP) to reduce community wide GHG emissions to 40% below 1990 levels by 2030 and developing a path forward for achieving carbon neutrality by 2045. It is anticipated that the draft CAAP will be available for public review in Summer 2021.

Decarbonization through electrification is one of the City's key strategies for reducing GHG emissions. Building code amendments are more effective and cost efficient than other GHG reduction measures, so they are a logical first step. Sacramento is looking to be a regional and statewide leader in taking proactive steps to reduce the impact of climate change.