

**BUSINESS OF THE COUNCIL OF THE CITY OF HALF MOON BAY**

**AGENDA REPORT**

For meeting of: **November 16, 2021**

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**TO:** Honorable Mayor and City Council

**VIA:** Bob Nisbet, City Manager

**FROM:** John Doughty, Public Works Director  
Veronika Vostinak, Sustainability Analyst

**TITLE:** **BUILDING ELECTRIFICATION ORDINANCE**

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**RECOMMENDATION:**

Conduct a public hearing, waive first reading, and introduce an ordinance adopting a new chapter 14.06 to the Half Moon Bay Municipal Code entitled "Electrification of Buildings."

**FISCAL IMPACT:**

Staff has estimated the direct fiscal impact of ordinance adoption to be approximately \$90,000. This cost is associated with retrofit of City facilities. There will be some additional costs of administration, but these costs will be absorbed by the operating budgets of Community Development and Public Works.

**STRATEGIC ELEMENT:**

This action supports the Infrastructure and Environment and Healthy Communities and Public Safety Elements of the Strategic Plan.

**BACKGROUND:**

The City Council conducted a community study session on building electrification policy opportunities on February 2, 2021. Following community input, the City Council directed staff to prepare a draft ordinance that addressed the following policy areas:

1. No new Fuel Gas hookups; all new construction (residential and commercial) must be built all-electric
2. Any appliance that is replaced within an existing building must be replaced with an electric alternative
3. All Fuel Gas lines must be capped and/or decommissioned by January 1, 2045

A draft ordinance was prepared and released on April 22, 2021. Consistent with Council direction, the City initiated a robust public outreach effort between its release and September 15, 2021.

On September 21, 2021, the City Council conducted a study session to receive a report on community feedback on the draft ordinance. The item was continued to October 5th for additional review and direction.

During the October 5, 2021 Study Session, staff held a guided discussion with the City Council to address policy decision points necessary to update the draft ordinance and ready the document for introduction.

For more information and background on this building electrification policy, please refer to the staff reports published for the [February 2, 2021 Study Session](#) and [September 21, 2021 Study Session](#).

**DISCUSSION:**

At the October 5, 2021 Study Session, the City Council was guided through discussion on broad policy issues related to building electrification. This was followed by a more detailed discussion focused on narrowing down specifics related to timeline and scope of major provisions within the proposed Ordinance. The City Council reaffirmed the broad policy direction to require:

1. All-Electric New Construction for Residential and Non-Residential Buildings;
2. A prohibition on the Conversion of any Existing All-Electric Buildings to Mixed-Fuel Buildings; and
3. That any existing Fuel Gas lines are capped and/or decommissioned by January 1, 2045.

Council deliberations subsequently focused on more nuanced aspects of the policy direction including provisions related to retrofit requirements, timing, and exceptions for existing Residential and Non-Residential Buildings. The updated Draft Ordinance, included as **Attachment 1**, reflects the direction from the October 5th study session where there was consensus among at least three Councilmembers. A copy of the tables used to track the conversation at the Study Session is included as **Attachment 2** of this staff report. **Attachment 3** summarizes the substantive changes from the Draft Ordinance published on April 22, 2021. A summary of the provisions included within the draft ordinance where there was consensus among at least three Councilmembers is also outlined in the table below.

Title	Description	Effective Date	Location in Draft
Requirement for All-Electric Newly Constructed Buildings	All newly-constructed buildings must be built using all-electric design	30 days after Ordinance adoption	14.06.030

Conversion to Mixed-Fuel Buildings Prohibited (Residential)	No existing All-Electric Residential Buildings may be converted to a Mixed-Fuel Building	30 days after Ordinance adoption	14.06.040(A)
Conversion to Mixed-Fuel Buildings Prohibited (Non-Residential)	No existing All-Electric Non-residential buildings may be converted to a Mixed-Fuel Building	January 1, 2025	14.06.040(B)
Major Remodels <sup>1</sup> of Residential and Non-Residential Buildings	Entire Building (unit) must be fully electrified (including the replacement of Fuel Gas appliances) at the time of Major Remodel	January 1, 2025	14.06.040
Minor Remodels of Residential and Mixed-Use Buildings	If the Minor Remodel involves an area that includes a Fuel Gas appliance, the area where the appliance is installed must be Electrically Pre-Wired for future installation of an electric appliance	30 days after Ordinance adoption	14.06.060(A)
New Appliances	Any new appliances installed in an Existing Residential, Non-Residential, or Mixed-Use Building shall be all-electric	30 days after Ordinance adoption	14.06.070
Exchange of Appliances (Residential)	At the time an appliance is replaced (end of life or voluntary upgrade) within a Residential Building, that appliance must be replaced with an electric equivalent	January 1, 2023	14.06.080(A)
Exchange of Appliances (Non-Residential and Mixed-Use)	At the time an appliance is replaced (End of life or voluntary upgrade) within a Non-Residential or Mixed-Use Building, that appliance must be replaced with an electric equivalent	January 1, 2025	14.06.080(B)
Termination of Gas Services	All gas lines must be capped/decommissioned by January 1, 2045	January 1, 2045	14.06.090
<u>Exception:</u> Existing Deed Restricted Affordable Housing	Existing Deed Restricted Affordable Housing Buildings are exempt from Major/Minor Remodel, New Appliance and Exchange of Appliance provisions until January 1, 2027.	<u>Expires</u> January 1, 2027	14.06.100(A)
<u>Exception:</u> PG&E CARE/FERA Customers	Owner/Occupants that participate in PG&E's income-qualified CARE or FERA Programs are exempt from	<u>Expires</u> January 1, 2027	14.06.100(B)

<sup>1</sup> The City Council did not come to a consensus on the square footage of an alteration/addition that would constitute a trigger for Major vs. Minor Remodel. See "Definition of Major Remodel" on pages 4 and 5.

	Major/Minor Remodel, New Appliance and Exchange of Appliance provisions until January 1, 2027.		
<u>Exception:</u> Existing Commercial Greenhouses	Existing Commercial Greenhouses are exempt from Major/Minor Remodel, New Appliance and Exchange of Appliance provisions until January 1, 2030.	<u>Expires</u> January 1, 2030	14.06.100(C)
<u>Exception:</u> Wastewater Treatment Plants	Commercial Greenhouses are exempt from Ordinance until 2045.	<u>Expires</u> January 1, 2030	14.06.100(D)
<u>Exception:</u> Propane Use Outside of Building Envelope	Propane Use outside of building envelope is exempt from Ordinance.	N/A	14.06.100(E)

There were a few policy areas where the City Council was not able to come to a consensus. These sections and other sections requiring City Council input are highlighted in the Draft Ordinance (**Attachment 1**) and within the discussion tables (**Attachment 3**) in blue. More detail regarding these sections is outlined below.

Applicability for New Construction, Section 14.06.030

The City Council requested that staff include some flexibility for owners who may have invested in building plans and/or are in the process of applying for permits for any new Mixed-Fuel buildings prior to the ordinance introduction. Staff has included provisions within the draft ordinance to provide “in-process” applicants additional time to proceed with permitting and commencement of construction without needing to comply with the all-electric new construction provisions, so long as construction commences before January 1, 2023. However, for buildings for which construction commences after the effective date of the Ordinance but before January 1, 2023, those buildings need not be all-electric but must, Electrically Pre-Wire for future electric appliances.

Definition of Major Remodel, Section 14.06.020 (L/M)

As currently drafted and recommended, a Major Remodel of any Residential or Non-Residential Building would trigger the requirement to fully electrify the entire building at the time of remodel. This requirement would include the replacement of all Fuel Gas appliances with electric equivalents at the time of remodel.

The City Council did not come to a consensus on the definition of “Major Remodel.” Staff had proposed that Major Remodel be defined as the alteration and/or addition of an existing residential or non-residential structure of either 500 square feet or 750 square feet. Staff indicated at the study session that either of the two potential triggers were viable options and supported within other provisions of the Municipal Code. Per State Law, the area of any new addition and/or alteration of a space that is being converted to a new Accessory Dwelling Unit

(ADU), may not be included in the calculation of area used to trigger modifications or upgrades to the main house. City Council requested more information and examples of previous remodels and additions of both 500 square feet and 750 square feet to better inform their decision making. Staff reviewed the permit applications received over the past two years and found there were sixteen (16) projects that included alterations or additions between 500 and 749 square feet and thirty (30) additional projects that included alterations or additions that were equal to or greater than 750 square feet.

Of the sixteen (16) projects that included additions or alterations of areas between 500 and 749 square feet, eight (8) included additions or conversions that resulted in new ADUs. Of the remaining eight (8) projects, seven (7) included remodels of kitchens, bathrooms, laundry rooms or a combination of the three. Only one (1) project added only a living room and office space. If the Ordinance were in place with a Major Remodel trigger set at 750 square feet, the majority of these smaller remodels would have likely triggered the “Minor Remodel” requirement. This would mean any areas within the minor remodel that included a Fuel Gas appliance would have needed to be Electrically Pre-Wired to prepare for the installation of an electric appliance before the existing appliance is reinstalled. In the event one of these appliances were to be upgraded or replaced as part of the remodel, this would trigger the “Replacement of Appliances” requirement which would require a conversion to an electric appliance at that time.

Of the thirty (30) projects that included additions or alterations of spaces 750 square feet or greater, twelve (12) of these resulted in new ADUs. Of the remaining eighteen (18), the vast majority of these projects included major alterations such as, large-scale remodels of three or more rooms, large additions, or layout changes, and/or structural alterations.

The current draft defines a Major Remodel as any alteration or addition of an existing building that is equal to or greater than 750 square feet. The ordinance also has been updated to clarify that minor maintenance improvements such as window replacements, dry rot repair, outdoor deck repair/additions, and energy efficiency upgrades alone would not trigger the requirement of Major Remodel.

#### Exception for PG&E CARE and FERA Customers, Section 14.06.100(B)

The City Council provided direction to include a delay in the implementation of the Ordinance provisions regarding existing Residential Buildings for PG&E CARE customers until 2027. This delay would provide more time for these building owners to prepare for these retrofits and for regional incentive programs to become available. Staff has added PG&E’s FERA customers to this provision and applies the delay for Owner-Occupants.

#### Extended Delay for Commercial Kitchens (Not included in draft)

The City Council did not reach consensus on whether commercial kitchens should be given additional time to comply with electrification retrofit requirements for existing buildings. Staff

would like to receive direction from the City Council if this exception should be added to the Draft Ordinance. As drafted, commercial kitchens would be required to comply with Ordinance provisions starting January 1, 2025.

Minor Remodels of Non-Residential Buildings (Not included in draft)

The City Council reached a consensus that requirements to require electrification of Non-Residential Buildings during a Major Remodel should be revisited within two years. Staff plans to return to revisit this provision with the City Council sometime in 2023.

**Next Steps**

If there is consensus to proceed with the items highlighted within the draft in blue as is, the Ordinance may be introduced. However, if the Council would like to see additional edits, the item may be continued to December 2, 2021 or renoticed for a meeting in early 2022.

**ATTACHMENTS:**

Attachment 1: Ordinance

Attachment 2: Discussion Tables from October 5, 2021 Study Session

Attachment 3: Summary of Major Changes from April 22, 2021 Draft Ordinance

Attachment 4: Comments from October 5, 2021 to November 12, 2021