



Kate Harrison
Vice Mayor, District 4

REVISED AGENDA MATERIAL for Supplemental Packet 2

Meeting Date: May 24, 2022

Item #: 1

Item Description: Amendment: FY 2022 Annual Appropriations Ordinance

Submitted by: Vice Mayor Harrison

The FY 2022 AAO #2 funds the Pilot Existing Building Electrification Installation Incentives and Just Transition Program.

This supplemental includes the (1) Resolution referring to the City Manager to establish the program and (2) letters to state officials urging support for a statewide approach to rapidly contract the natural gas distribution system in a way that is safe, economical for remaining customers, and that provides a just transition for affected workers, including gas utility and extraction workers.



Kate Harrison
Councilmember District 4

CONSENT CALENDAR
May 24, 2022

To: Honorable Mayor and Members of the City Council

From: Councilmember Harrison (Author), Councilmember Bartlett (Co-Sponsor)

Subject: Budget Referral and Resolution Establishing a Pilot Existing Building Electrification Installation Incentives and Just Transition Program with Pre-Qualified Contractors Meeting Minimum Labor Standards to Assist New Property Owners, Renters and Existing Property Owners with Transition to Zero-Carbon Buildings

RECOMMENDATION

1. Adopt a Resolution establishing:
 - a. a referral to Office of Energy and Sustainable Development (OESD) staff to design and launch a two-year Pilot Existing Building Electrification Installation Incentives and “Just Transition” Program, using pre-qualified contractors meeting minimum labor standards to assist new property owners, renters and existing property owners with transition to zero-carbon plumbing, HVAC, cooking, and related electrical systems, with a preference first for assisting existing affordable housing buildings and assisting households at or below 120% of the Area Median Income; and
 - b. an annual process for the Energy (or successor) Commission and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES), in consultation with community and labor groups, to provide input to staff and Council about eligible *categories* of fund expenditures to maximize equitable emissions reductions and impacts for eligible households while leaving the mechanisms for doing so to staff discretion.
2. Send copies of the Resolution and letters to members of the California Public Utilities and Energy Commissions, Governor Newsom, State Senator Skinner, and Assemblymember Wicks conveying urgent support for a statewide approach to rapidly contract the natural gas distribution system in a way that is safe, economical for remaining customers, and that provides a just transition for affected workers, including gas utility and extraction workers.

3. Refer to the FY22 AAO #2 budget process: \$1,500,000 of general fund monies from the American Rescue Plan Act allocation or other sources as appropriate as seed funding for the two-year pilot, inclusive of staff costs.

POLICY COMMITTEE RECCOMENDATION

Action: 15 speakers. M/S/C (Arreguín/Harrison) to send the item to Council with a qualified positive recommendation including the following amendments:

Recommendation 2. That part of the recommended funding source is American Rescue Plan dollars and;

Recommendation 1a. Modifying the end of the last sentence to “with a preference first for affordable housing projects and assisting households at or below 120% the area median income.”

Vote: Ayes – Harrison, Arreguín; Noes – None; Abstain – Droste; Absent - None.

CURRENT SITUATION, EFFECTS, AND RATIONALE FOR RECOMMENDATION

The world is facing a grave climate emergency, requiring municipalities to rapidly transition towards zero carbon economy by 2030. Transitioning Berkeley’s economy will require significant investment on the part of both government and residents. It is in the public interest to establish a direct install financial incentive and “just transition” program using pre-qualified contractors meeting minimum labor standards to assist new property owners, renters and existing property owners with the transition to zero-carbon buildings. This item establishes the general scope of a two-year Existing Building Electrification Incentive Program Pilot and refers to staff to design an equitable program with \$1,500,000 for FY22, inclusive of staffing costs, and contingent on the availability of excess equity, from the General Fund. It also asks the Energy (or successor) Commission and FITES Committee, in consultation with community groups, to provide input to staff and Council on at least an annual basis about categories of fund expenditures that would provide the most benefit for lower-income households, maximize equitable emissions reduction impacts, and support residential construction contractors who will reliably perform high-quality work and provide high-road careers for workers. The establishment of this program is consistent with staff and Council goals and budgetary priorities.

BACKGROUND

According to the best available science, a 50% reduction in emissions must happen worldwide by 2030 or earlier in order to delay extremely catastrophic warming. To meet the U.N.’s global 2050 target to keep emissions as close as possible to 1.5 degrees Celsius,

wealthy nations and cities must approach zero by 2030.¹

As a result of the scientific and economic realities of climate change, and despite the people of Berkeley’s average relative wealth, it is not realistic to expect the owners and renters of the city’s approximately 46,000 residential housing units to electrify their buildings in a decade without significant government co-investment. Low-carbon technology can often be out of reach of many lower-income households and, without direct assistance, many will be left behind. Transitioning Berkeley’s economy will require significant investment on the part of both residents and the government. Following Berkeley’s 2019 landmark prohibition on natural gas infrastructure, staff have released a Draft Berkeley Existing Buildings Electrification Strategy that is currently unfunded. Although the City recently invested \$600,000 to seed the Climate Equity Action Fund, the funding is extremely limited and may not be enough for certain electrification retrofit projects.

Additional investments would significantly lower Berkeley’s carbon emissions, at least 37% of which are from buildings, and provide residents with a plethora of health and safety benefits that will likely outweigh upfront costs. The program can be crafted in a way that supports good paying jobs, for example including unionized contractors, workforce development and local hire requirements. The transition to a zero-carbon city thus has the potential to uplift both workers and residents.

Existing Buildings Electrification Strategy

In January 2021, the City’s Office of Energy and Sustainable Development reported to the Energy Commission that the cost of electrifying the City’s entire low-rise building stock (approximately 36,000 units, or 90% of all Berkeley buildings and 65% of floor area) would be between \$700 and \$880 million. An additional \$120 million is needed for efficiency improvements and solar.

¹ IPCC, 2018: Summary for Policymakers. In: *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* [Masson-Delmotte, V., P. Zhai, H.-O. Pörtner, D. Roberts, J. Skea, P.R. Shukla, A. Pirani, W. Moufouma-Okia, C. Péan, R. Pidcock, S. Connors, J.B.R. Matthews, Y. Chen, X. Zhou, M.I. Gomis, E. Lonnoy, T. Maycock, M. Tignor, and T. Waterfield (eds.)]. *World Meteorological Organization, Geneva, Switzerland, 32 pp.* <https://www.ipcc.ch/sr15/chapter/spm/>.

Budget Referral and Resolution Establishing a Pilot Existing Building Electrification Installation Incentives and “Just Transition” Program with Pre-Qualified Contractors Meeting Minimum Labor Standards to Assist New Property Owners, Renters and Existing Property Owners with Transition to Zero-Carbon Buildings

Item 9 - Communications
Energy Commission
January 27, 2021
1/27/2021

Draft Total Costs

Approximate total modeled costs for converting Berkeley's low-rise housing stock today:

- Covers 36,000 1-3 floor homes (90% of all Berkeley buildings and 65% of floor area)
- \$280-430 Million more than business-as-usual gas replacements (no solar or envelope improvements)
- Additional \$220-660 Million for envelope efficiency and solar PV

	No Solar	Minimum Solar (Offset)	Maximum Solar (Net Zero Energy)
Economy Appliances	\$700 Million	\$930 Million	\$1.2 Billion
Mid-Tier Appliances	\$880 Million	\$1 Billion	\$1.2 Billion
Mid-Tier + Envelope Improvements	\$1 Billion	\$1.2 Billion	\$1.4 Billion

Table 3-4. Average Results for All Measure Packages

#	Electrification Package	Energy Bill Savings (\$/yr)	Energy Bill Savings (%)	Gross Cost (\$)	Incremental Cost (\$)	Incremental Cost with Current Incentives (\$)	Incremental Cost with Incentives + Financing (\$)
1.1	Economy Appliances	-\$540	-33%	\$19,870	\$7,930	\$7,930	\$12,290
1.2	Economy Appliances + Offset Solar	\$540	33%	\$26,160	\$14,220	\$14,220	\$5,610
1.3	Economy Appliances + NZE Solar	\$1,480	89%	\$32,270	\$20,330	\$20,330	\$1,470
2.1	Mid-Tier Appliances	\$5	0%	\$24,750	\$12,110	\$9,910	\$9,880
2.2	Mid-Tier Appliances + Offset Solar	\$590	35%	\$28,200	\$15,560	\$13,360	\$6,090
2.3	Mid-Tier Appliances + NZE Solar	\$1,510	91%	\$34,270	\$21,630	\$19,430	\$1,700
3.1	Mid-Tier Appliances + Envelope	\$90	5%	\$29,320	\$16,690	\$13,240	\$12,540
3.2	Mid-Tier Appliances + Envelope + Offset Solar	\$600	36%	\$32,350	\$19,720	\$16,720	\$9,470
3.3	Mid-Tier Appliances + Envelope + NZE Solar	\$1,510	91%	\$38,410	\$25,780	\$22,320	\$4,520

Note: Modeled costs are averages and electrification costs may be higher or lower depending on individual building characteristics

Clearly, this relatively modest pilot program paired with the Climate Equity Action Fund would only make a small dent in the City’s retrofit challenge, perhaps facilitating 400-500 retrofits per year. However, the success of this pilot program will likely spur the Council and residents to seek additional federal, state and local funds to expand the program in subsequent years. The expertise and lessons learned through this pilot will help guide future efforts aimed at closing the 46,000 gas-powered residential unit challenge.

Since 2018, the Council has explored opportunities to increase public investment in building electrification retrofits. Councilmember Harrison’s November 27, 2018 referral, following the passage of the Climate Emergency Declaration, requested that the City Manager draft an ordinance expanding eligibility for the existing Seismic Transfer Tax Rebate Program to include electrification and other resiliency measures. Staff

subsequently presented the draft ordinance to Council in July of 2020 at the outset of the COVID-19 pandemic with a recommendation to take no action for a year due to COVID-19-related fiscal uncertainty, and the item was held over at the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee (FITES).

At the same time, staff also presented to FITES a related referral to design a companion Resilient Homes Equity Pilot Program that would provide funding for home retrofit improvements to low-income residents. FITES and Council agreed to move the Resilient Homes Equity Pilot Program design and research process forward in November, 2020. The program remains underfunded.

In early 2021, Councilmember Harrison’s office and the FITES Committee worked with City staff to explore opportunities to fund retrofits through general fund transfer tax revenues and establishing a cap on total and per beneficiary allocations. In working with the City Manager, Councilmember Harrison concluded that while the existing transfer tax rebate system is a good vehicle for allocating at point of sale, it does not necessarily provide funding for existing property owners who may need to replace a broken appliance or who want to make voluntary retrofits. A better vehicle is a two-year direct install pilot; this requires fewer staff resources to administer and builds on significant staff experience and expertise administering incentive programs.

This item is a companion to the Seismic Transfer Tax Rebate model in the form of a budget referral and resolution establishing two-year pilot incentive program funded via general fund allocations, which are currently partially funded by transfer tax revenue.

Existing Building Electrification Direct Install Incentive and Just Transition Program Pilot

This item proposes a direct install incentive and Just Transition pilot program that is consistent with recent workforce-focused building decarbonization developments initiatives at the state, regional and local levels that benefit labor, minimize cost, and maximize climate benefits.

On February 22, 2021 the California Workforce Development Board announced a \$8.9 million grant as part of the High Road Training Partnership (H RTP) for “sector-based workforce development projects in several industries and areas that are critical to the state’s strategy for a just recovery from the COVID-19 pandemic and economic crisis while addressing climate change and community resilience.”² According to the

² California Workforce Development Board, “CWDB Announces Grants to Invest in Building Back Better with Equity, Climate and Jobs, February 22, 2021, https://cwdb.ca.gov/wp-content/uploads/sites/43/2021/03/CWDB-PressRelease-H RTP-Open-FINAL-021821_ACCESSIBLE.pdf

California Workforce Development Board, “high road” employers include those firms “that compete based on quality of product and service achieved through innovation and investment in human capital, and can thus generate family-supporting jobs where workers have agency and voice.”³

Bay Area-based Rising Sun Center for Opportunity received \$600,000 from the grant to launch a “High Road to Residential Building Decarbonization” project to convene more than 20 Bay Area cities, government agencies, unions, employers, and advisors.⁴ The City of Berkeley along with the Construction Trades Workforce Initiative (CTWI), the non-profit arm of the Building & Construction Trades Councils of Alameda and Contra Costa Counties, were invited to participate in ongoing discussions about ensuring equitable access to high-road jobs in the building decarbonization industry.

To date, these and other ongoing collaborative efforts have been extremely productive—in May 2021 CTWI and the Alameda County Building Trades Council provided helpful feedback and recommendations to the City’s OESD staff regarding the City’s Existing Buildings Electrification Strategy. However, the state grant did not include funding to do the physical work of electrification retrofits. Significantly, CTWI and Trades Council committed to:

“...supporting the City of Berkeley in its goals of reducing greenhouse gas emissions while ensuring that people who live and work in Berkeley—especially those from historically disadvantaged populations—have access to high-road, family-sustaining careers in union construction associated with existing building electrification and decarbonization.”⁵

In addition, their key recommendations to the City of Berkeley’s building electrification strategy include:

1. Address decarbonization overall—building electrification as well as energy efficiency measures—when planning strategies for a “Just Transition” in consultation with all crafts affected, including but not limited to Sheet Metal, Electricians, Carpenters, Plumbers and Pipefitters.
2. Create programs and identify funding sources to incentivize Berkeley property owners to replace, upgrade and install systems that will achieve energy efficiency goals.

³ California Workforce Development Board, “High Road Training Partnerships,” Rising Sun Center for Opportunity, “Rising Sun Convenes Partnership to Promote Equitable Job Access in the Bay Area’s Post-Carbon Economy,” March 29, 2021, <https://cwdb.ca.gov/initiatives/high-road-training-partnerships/>.

⁴ <https://risingsunopp.org/wp-content/uploads/Rising-Sun-HRTP-Press-Release.pdf>.

⁵ CTWI Policy Recommendations City of Berkeley Existing Buildings Electrification Strategy.

3. Require the use of pre-qualified residential construction contractors who will reliably perform high-quality work and provide high-road careers for workers.
4. Link disadvantaged Berkeley residents to training programs that prepare them to enter and succeed in union construction careers by working with and budgeting for ongoing City funding for local Multi-Craft Core Curriculum (MC3) workforce partners, school districts/community colleges and CBOs to develop and sustain a long-term pipeline of work in the residential building retrofit market that carries high-road labor standards.
5. Develop public education campaigns and resources to promote new City programs and the benefits of energy efficient systems and appliances; provide information on systems and requirements; and link property owners to a list of pre-qualified contractors.

Since this item was deferred to the November AAO following the June 2021 budget process, Councilmember Harrison’s office has engaged with the CTWI and the Trades to expand the item to incorporate specific recommendations to further refine the proposed incentive program and to enhance benefits to workers and residents.

This Budget Referral and Resolution now support each of the above CTWI and Trades recommendations.

With respect to recommendations 1-3, the \$1.5 million budget allocation would create a “direct install” incentive program. Direct install programs eliminate the need for households to find and manage their own contractors, and therefore can achieve significant cost savings. They also equitably eliminate or reduce the amount of upfront money needed by property owners to conduct retrofits, and eliminate the need to retroactively apply or wait for rebates (e.g., at tax time etc.). For example, the Sacramento Municipal Utility District (SMUD) recently reported the following significant advantages of direct install strategies to the California Energy Commission:

“SMUD has achieved significant societal cost savings by using direct installation in low-income single-family homes. For example, SMUD’s average low-income direct installation cost for a heat pump water heater is \$2,200 whereas for our market rate program, in which SMUD incentivizes \$2,500 and the customer is responsible for hiring a contractor, the average total cost is close to \$3,800. The cost savings may be even greater if the direct-install contractor is able to go door-to-door and convert multiple adjacent homes. Direct installation has only been used for low-income programs to date but could be equally beneficial when applied to any home or neighborhood. While labor costs associated with direct installation can be greater given prevailing wage

considerations, direct installation can nevertheless be cost-competitive for the utility in sufficient volume.”⁶

Further, OESD’s draft electrification strategy recommends direct install programs because they streamline permitting and lower barriers to residents:

“One of the major hurdles many community members face is lack of knowledge regarding incentives and rebates for electric equipment. When an appliance like a hot water heater breaks, there is rarely time to conduct extensive research on the programs available. This action would tie these resources directly to the permit for the appliance. When a permit is pulled for a heat pump hot water heater, that incentive would be given directly to the installer. This would lower the upfront costs for consumers and further incentivize electrification. Furthermore, this action would help remove the procedural inequities currently experienced by marginalized communities who may not have the time to conduct research or resources to pay the full price of the equipment while they wait for rebates to arrive.”⁷

Such a direct install program could also include energy efficiency upgrades if paired with utility-based and regional incentives for insulation and other building envelope improvement programs potentially employing the labor of additional trades.

Importantly for workers, the direct install program would incorporate pre-qualified contractors meeting minimum quality and labor standards, similar to the City’s existing project labor agreements. The City would also achieve economies of scale on permitting and inspection processes and ensure workers are properly trained and licensed/certified. Staff should consider the following pre-qualification requirements:

1. Certification that the contractor is in compliance with all applicable licensing, bonding, and insurance requirements;
2. Certification that the Contractor participates in, makes training fund contributions to, and sponsors apprenticeships from a state-approved apprenticeship program that partners with an MC3 pre-apprenticeship program;
3. Certification that the contractor provides family health benefits and pension benefits to its workers;
4. Certification that the contractor has not been convicted of, fined, or penalized for any violation of wage, labor, safety, or building standard requirements within the last five years;

⁶ Sacramento Municipal Utility District, “SMUD Comments on Building Decarbonization and Energy Efficiency,” 21-IEPR-06 and Building Decarbonization, July 27, 2021, <https://efiling.energy.ca.gov/GetDocument.aspx?tn=239016&DocumentContentId=72448>

⁷ OESD, Draft Existing Buildings Electrification Strategy, April, 2021, https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Draft_Berkeley_Existing_Bldg_Electrification_Strategy_20210415.pdf

5. Certification that no surety firm has had to complete a contract or pay for completion of a contract on behalf of the contractor or subcontractor within the last five years;
6. Certification that the contractor has not had any licenses revoked within the past five years;
7. Certification that the contractor is not ineligible to bid, be awarded or subcontract on a public works project pursuant to either Labor Code section 1777.1 or Labor Code section 1777.7;
8. Certification that the contractor has not been cited for any serious, willful or repeat OSHA violations within the last five years as defined under Title 8 of the California Code of Regulations.
9. Certification that the contractor has a Better Business Bureau rating of “B” or higher.

With respect to recommendation 4, the Resolution also refers to staff to design the program in consultation with labor partners to facilitate apprenticeship opportunities for Berkeley residents, including historically disadvantaged populations. The program would be integrated into the City’s website and existing communications channels pursuant to recommendation 5.

The item also supports the concept of “just transition” off fossil fuels and towards a zero-carbon economy. According to a report by the Climate Equity Network, a just transition includes moving away from fossil fuels “in a manner that protects workers and communities economically dependent on the fossil fuel industry” and involves “those who have historically been excluded from the jobs and economic benefits of the extractive economy and expand the populations who have access to future jobs and economic opportunities.”⁸

While the City of Berkeley and Alameda County are not known for their petroleum extraction industries, the Alameda County Building Trades include Pipefitters, who stand to lose natural gas infrastructure installation and maintenance jobs over time as part of the City’s implementation of the natural gas prohibition (BMC 12.80) ordinance and other electrification initiatives. A 2019 UCLA Luskin Institute study found that 3,100-3,600 jobs statewide could be lost as a result of new construction electrification policies alone. Meanwhile, the study estimated a statewide increase of 64,232-104,060 building

⁸ The Climate Equity Network, “A Roadmap to an Equitable Low-carbon Future: Four Pillars for a Just Transition, April, 2019, https://dornsife.usc.edu/assets/sites/242/docs/Just_Transition_Final_Report_2019.pdf

electrification jobs, including retrofits.⁹ By partnering with organized labor through this pilot program, the City can help support impacted workers new work opportunities and workforce development opportunities, including the electrification of existing buildings.

At the same time, the City acknowledges that absent state leadership and a statewide just transition framework, electrification can adversely impact the livelihoods of gas utility infrastructure and extraction workers and low-income gas customers. Therefore, this item sends copies of the Resolution and letters to members of the California Public Utilities and Energy Commissions, Governor Newsom, State Senator Skinner, and Assemblymember Wicks conveying urgent support for a statewide approach to rapidly contract the natural gas distribution system in a way that is safe, economical for remaining customers, and that provides a just transition for affected workers, including gas utility and extraction workers.

In addition, this item supports expanding opportunities to historically excluded populations in Berkeley through labor apprenticeship programs that recruit directly from impacted populations. It also would provide electrification benefits to lower and moderate-income residents with a preference for those at or below 120% of the Area Median Income.

Budgetary Opportunities

Many economic and public health indicators suggest that the City is entering a more optimistic phase in the pandemic, to include the influx of substantial—but temporary—federal stimulus monies through the 2021 American Rescue Plan Act and the anticipation of a fairly rapid rebound in revenues to pre-pandemic levels. Transfer tax revenues for FY21 are estimated at \$20 million (compared with \$20 million in FY 19) and the city expects to receive a one-time two-year allocation of approximately \$66 million from the 2021 American Rescue Plan Act.

As a result, it is in the public interest to revisit the July 2020 item to see how the City can best move forward with providing residents with critical greenhouse gas reduction incentives in order to address our larger and longer-term crisis: climate change.

According to recent 2020 transfer tax data from OESD, on average between 2014-2019, 845 residential units were transferred per year, generating approximately an average of \$4.6 million total per year in eligible rebates for the Seismic Transfer Tax Program. The

⁹ UCLA Luskin Center, “California Building Decarbonization: Workforce Needs and Recommendations,” November, 2019, https://innovation.luskin.ucla.edu/wp-content/uploads/2019/11/California_Building_Decarbonization.pdf.

city has approximately 46,000 occupied housing units, with the vast majority being gas-powered.

Currently, the Council approved amount in transfer tax revenues is allocated to the General Fund (as in the past, at \$12.5 million) and some portion is typically set aside for capital projects (generally at \$2 million). For the first year of this pilot program this item proposes to allocate a total of \$1.5 million in excess Transfer Tax equity which would be inclusive of staff’s administrative costs.¹⁰ On adoption of this proposal, total transfer tax expenditures would amount to approximately \$17 million, including the \$12.5 million typically allocated to the General Fund programs and the \$2 million to capital programs.

While the program will ultimately be designed by OESD staff through administrative regulation, this item also includes a resolution officially establishing the program and providing general parameters for how staff should allocate the proposed \$1.5 million retrofit fund. This program and the \$1.5 million allocation were originally included as a line item in the Planning & Development Department’s Fiscal Year 2022 proposed budget.

New property owners are most likely to remodel their units shortly completing the purchase. Thus, the Draft Berkeley Existing Buildings Electrification Strategy recommends allocating some portion of the fund for transferees of residential properties within two years of point of sale. The City is also exploring opportunities to adopt certain mandatory electrification requirements for transferees of new buildings through its BESO program.

Equitably supporting existing property owners and renters whose appliances, e.g., their water heater, break down suddenly, and those who wish to embark upon voluntary electrification projects to include new appliances, electrical work (e.g., panel upgrades) are also elements of the Building Electrification strategy. This part of the program would be similar to Marin County’s Electrify Marin program which provides residents with income-qualified incentives for building electrification and panel upgrades. Since 2019, Marin has disbursed over \$100,000 in rebates.

Electrify Marin

¹⁰ This amount would be in addition to the separate \$600,000 Climate Equity Action incentive fund proposed by Councilmember Harrison, Mayor Arreguín, and Councilmembers Taplin and Robinson.

Appliance Type	Standard Rebate	Income Qualified Rebate
Heat Pump Water Heater	\$1,000	\$2,000
Heat Pump Space Heater		
Central Heat Pump	\$1,000	\$4,500
Mini-Split Heat Pump	\$800	\$3,000
Induction Cooking		
Range (Cooktop & Oven)	\$500	\$500
Cooktop only	\$250	\$250
Service Panel Upgrade	\$500	\$1,200

These incentives would be paired with rebates available through BayRen and EBCE, which are helpful but fall far short of the actual cost. For example, BayRen and EBCE offer \$2,000 for water heaters, which typically cost approximately \$5,000-\$10,000 when one includes the cost of potential electrical and panel upgrades. Berkeley’s incentive program is also needed to pay for space heating electrification, and needed panel and other electrical upgrades for which there are currently no incentives. Electrical, panel and space heating upgrades are typically the most expensive part of any electrification project.

Staff have indicated that they believe an additional incentive of approximately \$2,500 per property owner would be significant to persuade many property owners to electrify.

Alternatives Considered

FITES discussed whether to expand this program beyond building electrification to include fire safety and resilience upgrades. However, at this time, fire programs have separate revenue sources and greenhouse gas reduction is a top priority given the need to reduce emissions to near zero by 2030 per the 2018 IPCC report. For example, fire safety measures have received generous support from the voters through Measure FF, whereas climate is still severely underfunded. In addition, global warming is one of the chief causes of increased fire threats.

FINANCIAL IMPLICATIONS

This item would result in a one-time investment of \$1,500,000 from excess equity to provide initial funding for a two-year Existing Building Electrification Incentive Program Pilot to assist property owners and renters with the transition to a zero-carbon economy. This investment includes staff costs to run the program and to provide support for implementation of the Berkeley Existing Building Electrification Strategy (BEBES): a temporary 2-year FTE, estimated at \$200,000 per year, for a total of \$400,000.

ENVIRONMENTAL SUSTAINABILITY

Supporting incentives for building decarbonization will complement and accelerate

Budget Referral and Resolution Establishing a Pilot Existing Building Electrification Installation Incentives and “Just Transition” Program with Pre-Qualified Contractors Meeting Minimum Labor Standards to Assist New Property Owners, Renters and Existing Property Owners with Transition to Zero-Carbon Buildings

CONSENT CALENDAR
May 24, 2022

Berkeley’s ongoing efforts to reduce carbon emissions at an emergency and equitable pace in line with the Climate Action Plan, Climate Emergency Declaration, and Existing Building Electrification Strategy.

CONTACT PERSON

Councilmember Kate Harrison, Council District 4, 510-981-7140

ATTACHMENTS

1. Resolution

RESOLUTION NO. ##,###-N.S.

RESOLUTION ESTABLISHING A PILOT EXISTING BUILDING ELECTRIFICATION
INSTALLATION INCENTIVES AND JUST TRANSITION PILOT PROGRAM

WHEREAS, the world is facing a grave climate emergency, requiring municipalities to rapidly and justly transition towards a zero-carbon economy by 2030; and

WHEREAS, transitioning Berkeley's economy will require significant investment on the part of both government and residents as converting Berkeley's approximately 46,000 residential housing units will likely cost hundreds of millions of dollars; and

WHEREAS, low-carbon technology and infrastructure can often be out of reach for many households and, without direct assistance, many will be left behind; and

WHEREAS, moderate and lower-income communities are most impacted by global climate change and have the least financial ability to address it; and

WHEREAS, the City's Draft Existing Building Electrification Strategy cites the importance of ensuring equity in access to carbon-free technology; and

WHEREAS, by partnering with labor, the City of Berkeley can cost-effectively meet its goals of reducing greenhouse gas emissions while supporting elements of a just transition ensuring that people who live and work in Berkeley—especially those from historically disadvantaged populations—have access to high-road, family-sustaining careers in union construction associated with existing building electrification; and

WHEREAS, the program would help support Pipefitters and other tradespeople who may be acutely impacted by Berkeley's building electrification policies; and

WHEREAS, direct install programs using pre-qualified contractors meeting quality and labor standards eliminate the need for households to find and manage their own contractors, and therefore can achieve significant cost savings and socioeconomic benefits; and

WHEREAS, it is in the public interest to establish a two-year Existing Building Electrification Direct Install and Just Transition Incentive Program to assist residents with transitioning from a carbon-based city; and

WHEREAS, in adopting this building electrification Pilot Program, the City of Berkeley simultaneously supports local and statewide electrification at an emergency pace (2030) and continued safe, affordable, and reliable natural gas service for Berkeley and California customers who remain on gas service in the interim; and

WHEREAS, despite offering opportunities for certain trades, absent state leadership and a statewide just transition framework, electrification can adversely impact the livelihoods of gas utility infrastructure and extraction workers and low-income gas customers; and

WHEREAS, the City of Berkeley urges the State of California, through the California Public Utilities Commission and the California Energy Commission, to adopt a statewide approach to contract the natural gas distribution system in safe and economical way that provides a just transition for gas utility and extraction workers.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager establish an Existing Building Electrification Installation Incentives and Just Transition Program to invest in zero-carbon plumbing, HVAC, cooking, and related electrical system retrofits as follows, to be further defined by staff:

1. a preference first for assisting existing affordable housing buildings and assisting households at or below 120% of the Area Median Income such as:
 - a. transferees of residential property to include appliance retrofits and electrical upgrades as appropriate;
 - b. existing residential property owners and renters, especially tenants in income-restricted units, pursuing electrification retrofits or replacing broken or outdated appliances, to include electrical upgrades as appropriate.

2. a nexus with high-road jobs, including:
 - a. use of pre-qualified residential construction contractors to reliably perform high-quality work and provide high-road careers that meet minimum labor standards;
 - b. leveraging other local, regional, state or federal climate or energy efficiency incentives, such as building efficiency, to maximize climate benefits and to include other crafts, including but not limited to Sheet Metal, Electricians, Carpenters, Plumbers and Pipefitters;
 - c. linking Berkeley residents who are disadvantaged or disproportionately impacted by climate and environmental injustices to training programs (including apprenticeships) that prepare them to enter and succeed in union construction careers by working with local Multi-Craft Core Curriculum (MC3) workforce partners, school districts/community colleges and CBOs to develop and sustain a long-term pipeline of work in the residential building retrofit market with high-road labor standards.

BE IT FURTHER RESOLVED that the Berkeley Energy Commission, or successor, and the Facilities, Infrastructure, Transportation, Environment & Sustainability Policy Committee, in consultation with community groups, provide input to staff and Council on at least an annual basis about eligible categories of fund expenditures to maximize equitable emissions reductions and impacts for eligible households.

BE IT FURTHER RESOLVED that any unexpended funds shall carry over from year to year consistent with the biannual budget process.

BE IT FURTHER AND FINALLY RESOLVED that copies of this Resolution and letters will be sent to members of the California Public Utilities and Energy Commissions, Governor Newsom, State Senator Skinner, and Assemblymember Wicks.

California Public Utilities Commission
San Francisco Headquarters
505 Van Ness Avenue
San Francisco, CA 94102

Re: Urgent Need for Statewide Just Transition for Gas Utility and Extraction Workers and Berkeley's Resolution Establishing a Pilot Existing Building Electrification Installation Incentives and Just Transition Pilot Program

Dear Honorable Commissioners:

As the Berkeley City Council adopts and implements policies phasing out natural gas from new buildings and incentivizing electrification in existing buildings occupied by lower-income residents, it writes to convey its urgent support for a statewide approach to contract the natural gas distribution system in a safe, economical for remaining customers, and that provides a just transition for affected workers, including gas utility and extraction workers.

The world is facing a grave climate emergency, with the latest science warning that California and municipalities must rapidly and justly transition towards a zero-carbon economy by 2030. California's existing decarbonization policies such as executive order B-55-18 and AB-3232 operate within a 2045 timeline, and are therefore dangerously out of sync with the latest science. It is therefore critical that the Commission and state leaders consider moving up these timelines while also providing funding and plans to facilitate a timely transition that supports all affected workers.

Despite the issuance of critical grants through the California Labor and Workforce Development Agency to support ongoing discussions between labor and municipalities with regard to electrification and other ongoing state-led initiatives, California currently lacks robust plans, funding, and just transition frameworks for workers who are directly impacted by electrification policies. These issues are directly within the jurisdiction of the California Public Utilities and California Energy Commissions.

As a municipality, the City of Berkeley is in the process of decarbonizing its building stock and supporting just transition elements for affected trades as feasible, but is ultimately limited in its ability to adequately support all affected workers, including gas utility and extraction workers. Berkeley looks to the State for its leadership on this critical issue.

For example, the City of Berkeley is in the process of implementing an Existing Building Electrification Strategy and a \$1.5 million two-year pilot program to incentivize direct install electrification projects in lower-income households using minimum labor standards and prequalified contractors. In adopting this pilot, the City simultaneously supports local and statewide electrification at an emergency pace (2030) and continued safe and reliable natural gas service for Berkeley and California customers who remain

on gas service in the interim. While this pilot program has the potential to benefit and support many regional tradespeople who may be acutely impacted by Berkeley's building electrification policies, without state leadership gas utility and extraction workers may be adversely impacted over time.

To this end, Berkeley believes that the State must quickly adopt statewide policies supporting gas utility workers and interim gas ratepayers, including but not limited to:

- establishing programs to retain highly skilled gas utility workers through the transition period;
- incentivizing senior workers to retire at the right time and retrain junior workers;
- establishing a fund for gas worker retention and transition including bridges to retirement for older workers with wage replacement, retraining, and job placement assistance for younger workers;
- targeting subsidies and direct install electrification programs for vulnerable, historically disadvantaged, and low-income gas ratepayers;
- adopting policies that stabilize utility bills for customers who remain on gas service in the interim;
- engaging stakeholders such as ratepayer advocates, labor, the utilities, and other experts in long-term planning to rapidly decommission and contract the natural gas distribution system in California with an emphasis for including all remaining gas customers, especially those low-income and disadvantaged gas customers.

Thank you for your consideration and leadership on this important issue.

Sincerely,

The Berkeley City Council

CC:

Governor Gavin Newsom
Senator Nancy Skinner
Assemblymember Buffy Wicks

California Energy Commission
715 P Street
Sacramento, CA 95814

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