



Office of the City Manager

CONSENT CALENDAR

June 6, 2023

To: Honorable Mayor and Members of the City Council  
From: Dee Williams-Ridley, City Manager  
Submitted by: Jordan Klein, Director, Department of Planning and Development  
Subject: Contract: Rebuilding Together East Bay North for Just Transition Pilot Program

RECOMMENDATION

Adopt a Resolution authorizing the City Manager or their designee to award a contract and execute any amendments, extensions, or change orders with Rebuilding Together East Bay North (RTEBN) in an amount not to exceed \$1,500,000 to develop and implement a Just Transition Pilot Program over a two-year period.

FISCAL IMPACTS OF RECOMMENDATION

The \$1,500,000 in project funds for this contract was allocated in FY 2023 in budget code 011-53-583-611-0000-000-441-612990. The amount requested for the contract is a not-to-exceed (NTE) amount.

CURRENT SITUATION AND ITS EFFECTS

On January 31, 2023, the City of Berkeley released a Request for Proposals (RFP) Specification Number 23-11586-C to develop and implement a Just Transition Residential Electrification Pilot Program (Just Transition Pilot).

The City received valid proposals from three organizations for this solicitation. Staff reviewed and assessed the proposals according to the selection criteria in the RFP, including the organizations' references, cost proposals, qualifications, project approaches, abilities to meet program goals, and overall qualities of the responses.

Based on a thorough review, staff recommends awarding a contract to Rebuilding Together East Bay North (RTEBN) for a total amount of not to exceed \$1,500,000. RTEBN's proposal included a partnership with the Construction Trades Workforce Initiative (CTWI) to bolster its connection to workforce training and recruiting, and placing traditionally underrepresented people in the construction trades and union careers. The team was selected for its long history and successful track record in serving low-income Berkeley residents, ability to leverage additional funds, connections to construction trades, apprenticeship and pre-apprenticeship programs, and an existing pipeline of potential clients and buildings that could be served as part of this program.

The Just Transition Pilot is a Strategic Plan Priority Project, advancing the City's goals to foster a dynamic, sustainable, and locally-based economy; create a resilient, safe, connected, and prepared city; and be a global leader in addressing climate change, advancing environmental justice, and protecting the environment.

This action also fulfills the goals set forth in two previous City Council referrals regarding building electrification generally and a Just Transition Pilot specifically (described in more detail below), and upon adoption of the attached resolution staff will deem those referrals completed.

### BACKGROUND

On June 14, 2022, City Council approved a budget referral and Resolution No. 70,414-N.S. (Attachment 2) establishing a Pilot Existing Building Electrification Installation Incentives and Just Transition Program (Just Transition Pilot). On November 30, 2021, Berkeley City Council approved a budget referral for \$1,500,000 for the Just Transition Pilot, of which \$400,000 is allocated for administrative costs to run the program. The program was funded with a transfer of funds from the American Rescue Plan Fund as part of the FY 2022 Annual Appropriations Ordinance (AAO).

The establishment of both the Pilot Climate Equity Fund (approved by City Council on July 27, 2021) and the Just Transition Pilot are consistent with actions outlined in the Berkeley Existing Building Electrification Strategy (BEBES), approved by Council on November 30, 2021. A central principle of the strategy was the development of pilot programs that address the following Equity Guardrails that were developed for BEBES in collaboration with the community:

- **Maximize Access to Health, Safety & Mobility Benefits:** Proposed projects should prioritize the benefits of building and transportation electrification including health, safety, and comfort to those most impacted by climate change.
- **Maximize Access to Economic Benefits:** Proposed projects should leverage incentives and financing, reduce costs when possible, and support high-road job opportunities prioritizing disadvantaged communities.
- **Maximize Ease of Participation:** Proposed projects should be easy for community members to access, and should be integrated with other programs and services when possible.
- **Promote Housing Affordability & Anti-Displacement:** Proposed programs should support housing preservation and tenant protections, and not displace renters or homeowners.

The Just Transition Pilot Program will provide the direct installation of building electrification measures in existing affordable housing buildings and/or for low-to-moderate income households (at or below 120% of the Area Median Income, or AMI). Electrification measures include replacing gas water heating, HVAC, electrical upgrades and cooking equipment with systems that run on clean electricity. The Just Transition

Pilot requires that electrification upgrades be completed by pre-qualified contractor(s) who meet minimum labor standards, as a way to ensure that residential electrification construction work also provides equitable benefits to workers. The objective of labor standards is to advance high-road, family-sustaining jobs that pay living wages, with comprehensive benefits and opportunities for career advancement for a diverse workforce.

The goals of the Just Transition Pilot include:

- Expand high-road workforce opportunities in the low-rise residential building sector by aggregating projects and/or buildings;
- Advance economic opportunities for residential building electrification contractors and workers, particularly Black, Indigenous, and people of color (BIPOC) and women contractors and BIPOC and women workers, by creating high-road job labor standards, trainings, and inclusive recruitment pathways;
- Improve occupant health, comfort and energy affordability for low-to-moderate income (at or below 120% AMI) Berkeley residents with high quality installations of efficient electrification measures in homes; and
- Reduce community-wide greenhouse gas emissions by converting residential gas systems to clean electricity.

Staff conducted extensive research to inform program design through interviews with key stakeholders and through active participation in the Bay Area regional High Road Training Partnership (H RTP)<sup>1</sup>. Staff also presented to and received valuable input from the Berkeley Environment and Climate Commission (ECC) on September 28, 2022, the City Council Facilities, Infrastructure, Transportation, Environment & Sustainability (FITES) Policy Committee on November 3, 2022, and the Commission on Labor on November 30, 2022. Other City Departments and Divisions also gave input, as did external partners including construction trades unions, energy retrofit contractors, workforce development nonprofits and pre-apprenticeship programs, and community organizations serving low-income people and disadvantaged communities.

On November 27, 2018, City Council submitted a Short-Term Referral to Draft Ordinance Amending Berkeley Municipal Code Chapter 7.52, Reducing Tax Imposed for Qualifying Electrification, Energy Efficiency and Water Conservation Retrofits (Attachment 3). While this referral proposed funding for building electrification for new home buyers, the Just Transition Pilot, along with the Climate Equity Resilient Homes Retrofit Program approved by Council on April 26, 2022, provide building electrification benefits to disadvantaged communities, thereby achieving the aims of this referral in a way that meets the equity guardrails adopted by Council as part of Berkeley's Existing Building Electrification Strategy.

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<sup>1</sup> <https://cwdb.ca.gov/initiatives/high-road-training-partnerships/>

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE IMPACTS

This funding focuses on making energy upgrades to the homes of low-income community members who are often hit first and worst by climate change and its impacts, and providing benefits to the construction workers and contractors who make those upgrades. This contract will further advance the City’s climate and resilience goals and demonstrate the City’s commitment to a Just Transition framework. Specifically, it will foster greenhouse gas emission reductions and health benefits by helping our community transition its buildings away from fossil fuels to clean electricity, and strengthen community resilience to adapt to the impacts of climate change all while building a diverse high-road workforce focused on clean energy solutions.

RATIONALE FOR RECOMMENDATION

The contract directly responds to the goals set forth in the Council-adopted Existing Buildings Electrification Strategy, Council Referral from November 2018 (Attachment 3), Council Referral from November 30, 2021 (Attachment 4), and Council-adopted Resolution No. 70,414-N.S. (Attachment 2). Funding this project will help the City of Berkeley implement the Climate Action Plan and the Resilience Strategy, advance the work of the Berkeley Equitable Building Electrification Strategy, be responsive to the Declaration of a Climate Emergency and Just Transition framework, and help Berkeley to become a fossil fuel-free community.

ALTERNATIVE ACTIONS CONSIDERED

None.

CONTACT PERSON

Jordan Klein, Director, Planning and Development Department, 510-981-7534  
Billi Romain, Manager, Office of Energy & Sustainable Development, Planning Department, 510-981-7432

Attachments:

- 1: Resolution: Contract - Rebuilding Together East Bay North
- 2: Resolution No. 70,414-N.S. Establishing a Pilot Existing Building Electrification Installation Incentives and Just Transition Program (adopted June 14, 2022)
- 3: November 27, 2018, City Council Agenda – Item 24: Short-Term Referral to City Manager and Office of Energy and Sustainable Development to Draft Ordinance Amending Berkeley Municipal Code Chapter 7.52, Reducing Tax Imposed for Qualifying Electrification, Energy Efficiency and Water Conservation Retrofits
- 4: November 30, 2021 City Council Agenda – Item 21: Referral to the City Manager the design of a companion Resilient Homes Equity Pilot Program that would provide funding for home retrofit improvements to low-income residents

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

CONTRACT: REBUILDING TOGETHER EAST BAY NORTH FOR JUST TRANSITION  
PILOT PROGRAM

WHEREAS, the City of Berkeley has determined that supporting building electrification programs and providing climate and resilience benefits to low-income Berkeley residents along with advancing high-road jobs for a diverse workforce is a priority; and

WHEREAS, the City of Berkeley released a Request for Proposals on January 31, 2023 (Specification No. 23-11586-C); and

WHEREAS, a selection committee reviewed the proposals and determined that Rebuilding Together East Bay North, in partnership with the Construction Trades Workforce Initiative (CTWI), was the best qualified team to provide the services needed for developing and implementing a Just Transition Pilot Program for a cumulative amount not-to-exceed \$1,500,000; and

WHEREAS, the cost of the contracted service of an amount not-to-exceed \$1,500,000 is covered by budget code 011-53-583-611-0000-000-441-612990; and

WHEREAS, on June 2, 2009, the Berkeley City Council adopted the Berkeley Climate Action Plan to reduce greenhouse gas emissions by 80% of Berkeley's 2000 emissions level; and

WHEREAS, on April 1, 2016, the City of Berkeley released its Resilience Strategy; and

WHEREAS, on June 12, 2018, the Berkeley City Council declared a Climate Emergency and proposed a goal of becoming Fossil Fuel-Free City; and

WHEREAS, on July 23, 2019, Berkeley City Council adopted a Prohibition of Natural Gas Infrastructure in New Buildings (BMC Chapter 12.80); and

WHEREAS, on July 27, 2021, Berkeley City Council adopted a resolution establishing a Climate Equity Action Fund as a repository of city, regional, state, and federal funds related to climate equity for income-qualified households with a preference for households at or below 50% of Area Median Income; and

WHEREAS, on November 30, 2021, Berkeley City Council adopted the Berkeley Existing Buildings Electrification Strategy; and

WHEREAS, on November 30, 2021, Berkeley City Council adopted a resolution establishing a Pilot Existing Building Electrification program, including installation

incentives and just transition program to assist with the transition to zero-carbon buildings;  
and

WHEREAS, on December 14, 2021, the Berkeley City Council adopted the commitment to a Just Transition from the Fossil Fuel Economy to ensure that all Berkeleyans have access to good paying jobs and equitable living standards free from the fossil fuel economy; and

WHEREAS, on June 14, 2022, Berkeley City Council adopted Resolution No. 70,414-N.S. establishing the Pilot Existing Building Electrification Installation Incentives and Just Transition Pilot Program; and

WHEREAS, Berkeley's Strategic Plan sets the goals of fostering a dynamic, sustainable, and locally-based economy; creating a resilient, safe, connected, and prepared city; and being a global leader in addressing climate change, advancing environmental justice, and protecting the environment.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager or their designee is authorized to award a contract and execute any amendments, extensions, or change orders with Rebuilding Together East Bay North for an amount not to exceed \$1,500,000, for a two-year period from contract execution.

BE IT FURTHER RESOLVED that a record signature copy of said contract and any amendments will be on file in the Office of the City Clerk.

RESOLUTION NO. 70,414-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.



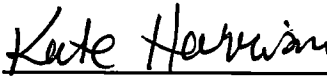
BE IT FURTHER AND FINALLY RESOLVED that copies of this Resolution and letters will be sent to members of the California Public Utilities and Energy Commissions, Governor Newsom, State Senator Skinner, and Assemblymember Wicks.

The foregoing Resolution was adopted by the Berkeley City Council on June 14, 2022 by the following vote:

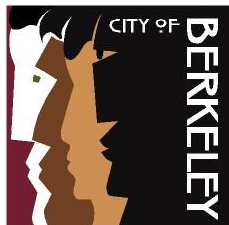
Ayes: Bartlett, Droste, Hahn, Harrison, Kesarwani, Robinson, Taplin, Wengraf, and Arreguin.

Noes: None.

Absent: None.

  
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Kate Harrison, Mayor Pro Tempore

Attest:   
\_\_\_\_\_  
Rose Thomsen, Deputy City Clerk



Kate Harrison  
Councilmember, District 4

## **REVISED AGENDA MATERIAL for Supplemental Packet 2**

**Meeting Date:** November 27, 2018

**Item Number:** 24

**Item Description:** Short-Term Referral to City Manager and Office of Energy and Sustainable Development to Draft Ordinance Amending Berkeley Municipal Code Chapter 7.52, Reducing Tax Imposed for Qualifying Electrification, Energy Efficiency and Water Conservation Retrofits

**Submitted by:** Councilmember Harrison

Added Councilmember Hahn as a cosponsor.



Kate Harrison  
Councilmember District 4

CONSENT CALENDAR  
November 27, 2018

To: Honorable Mayor and Members of the City Council

From: Councilmembers Harrison, ~~and Davila~~ [and Hahn](#)

Subject: Short-Term Referral to City Manager and Office of Energy and Sustainable Development to Draft Ordinance Amending Berkeley Municipal Code Chapter 7.52, Reducing Tax Imposed for Qualifying Electrification, Energy Efficiency and Water Conservation Retrofits

RECOMMENDATION

Short-term referral to the City Manager and the Office of Energy and Sustainable Development to draft an ordinance amending Berkeley Municipal Code (BMC) Chapter 7.52, reducing tax imposed for qualifying electrification, energy efficiency, and water conservation retrofits.

BACKGROUND

The City of Berkeley faces climate change and water usage emergencies. A recent UN Intergovernmental Panel on Climate Change report highlighted the immediacy of the climate emergency, suggesting that in order to keep warming under 1.5 degrees Celsius, carbon emissions would need to be cut 45% by 2030.<sup>1</sup> Though California is no longer in extreme drought, Berkeley is still categorized as abnormally dry, almost 50% of the state is in moderate drought or worse, and we can expect to face major droughts in the future.<sup>2</sup>

The City is already leading the state and nation in pursuing stricter green building standards through the adoption of stretch and reach codes (codes beyond the minimum imposed by the state) favoring sustainable buildings and time of sale energy audits, but progress is still hindered by a significant lack of financial incentives to encourage the replacing and phasing-out of energy inefficient, carbon and water-intensive infrastructure in new and existing buildings. For example, even though electric heat pump water heaters can prevent significant carbon emissions and save money on heating bills, the relatively higher purchase and installation costs associated with heat pumps as compared to gas-fired heaters remains a major disincentive.

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<sup>1</sup> IPCC Press Release, Summary for Policymakers of IPCC Special Report on Global Warming of 1.5°C approved by Governments, 8 October 2018, [http://www.ipcc.ch/pdf/session48/pr\\_181008\\_P48\\_spm\\_en.pdf](http://www.ipcc.ch/pdf/session48/pr_181008_P48_spm_en.pdf)

<sup>2</sup> National Integrated Drought Information System, Drought in California, <https://www.drought.gov/drought/states/california>.

The City has identified building retrofits as a key part of reducing emissions and energy and water usage. To achieve the ambitious sustainability goals set by the Council, the City cannot rely solely upon the market, state, federal and utility level incentives. It would do well to explore offering significant financial incentives to subsidize the transition towards sustainable building, including expanding the existing transfer tax subsidy for seismic retrofits to include qualifying sustainability retrofits.

Following the devastating 1989 Loma Prieta earthquake, the Council passed Ordinance 6072-NS in 1991 to reduce up to one-third of the transfer tax imposed on property owners who seismically retrofit any structure which is used exclusively for residential purposes, or any mixed use structure which contains two or more dwelling units. In passing the ordinance, forward-looking leaders acted independently of the state and federal government to subsidize critical building improvements in anticipation of relatively infrequent but exceedingly devastating earthquake emergencies. The seismic retrofit subsidy program offers a model for accelerating opportunities to address the major emergencies of our time.

This referral asks the City Manager and Office of Energy & Sustainable Development (OESD) to develop amendments to BMC Chapter 7.52 that expand the existing seismic retrofit subsidy in order to include appropriate reductions in transfer tax imposed on sales of property for qualifying electrification, energy efficiency, and water conservation retrofits. According to a 2018 City Manager report, 737 Berkeley residences were transferred in 2017.<sup>3</sup>

In drafting the ordinance, staff should consider existing City sustainability goals such as the 2009 Berkeley Climate Action Plan, and the framework for a just and equitable transition as set out in the Climate Emergency Declaration. Staff should tailor the subsidy to be commensurate with the emergency at hand and should design it to result in quantifiable reductions in emissions as well as energy and water waste.

OESD staff recently issued a request for proposals (RFP) for expert analysis identifying a set of measureable policies and programs to transition Berkeley's building stock to efficient and 100% clean energy.<sup>4</sup> The resulting analysis report should help inform staff in determining which types of greenhouse gas reduction measures transfer tax reductions could fund. Additionally, within the context of the City's sustainability goals

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<sup>3</sup> Placing a Measure on the November 6, 2018 Ballot to Increase the Transfer Tax on Property Sales to Pay for General Municipal Services Including Funding Homeless Services, City Manager, July 31, 2018, [https://www.cityofberkeley.info/Clerk/City\\_Council/2018/07\\_Jul/Documents/2018-07-31\\_Item\\_05\\_Placing\\_a\\_Measure\\_on\\_the\\_November\\_6.aspx](https://www.cityofberkeley.info/Clerk/City_Council/2018/07_Jul/Documents/2018-07-31_Item_05_Placing_a_Measure_on_the_November_6.aspx)

<sup>4</sup> Request for Proposals (RFP) Specification No. 19-11256-C for Pathway to Clean Energy Buildings Report: Existing Building Program Evaluation and Recommendations, OESD, October, 10, 2018, [https://www.cityofberkeley.info/uploadedFiles/Finance/Level\\_3\\_-\\_General/19-11256-C%20-%20RFP%20Pathway%20to%20Clean%20Energy%20Building%20Report\\_rev%201017.pdf](https://www.cityofberkeley.info/uploadedFiles/Finance/Level_3_-_General/19-11256-C%20-%20RFP%20Pathway%20to%20Clean%20Energy%20Building%20Report_rev%201017.pdf).

and the RFP analysis, staff should specifically consider developing and codifying definitions of qualifying improvements, including but not limited to:

- Electric service panel upgrades for the purpose of transitioning to electric appliances
- Transitioning home appliances to efficient electric versions, e.g. replacing gas burning appliances and systems such as fossil fuel HVACs, cooktops and ovens, washers and dryers, and water heaters.
- Solar or other clean energy generation installations
- Electric vehicle charging stations
- Building weatherization upgrades in coordination with the Building Energy Saving Ordinance (BESO)
- Graywater recapture systems
- Water efficient fixtures and irrigation systems

The seismic retrofit program was limited to residential and mixed use buildings, but staff should consider the appropriateness and effectiveness of extending the subsidy program to commercial and/or industrial properties for the purpose of achieving city-wide sustainability goals. It should also review whether the existing requirement for completing seismic retrofits following property transfers is appropriate for the sustainability retrofits outlined in this referral.

Finally, staff should attempt to estimate the carbon, electrical, and water savings that are likely to result from adoption of their proposal, and determine whether alternatives exist which, at a similar cost the city, would result in greater reductions.

This referral is compatible with OESD's 2017 Climate Action Report update suggesting that the Council take bold steps to meet Berkeley's 2050 emission reduction goals. The report highlighted the urgency of identifying resources for incentivizing electrification measures, building efficiency, generation of renewable electricity, and transitioning buildings and vehicles away from fossil fuel.<sup>5</sup>

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<sup>5</sup> Berkeley Climate Action Plan Update, Office of Energy and Sustainable Development, December 7, 2017, [https://www.cityofberkeley.info/uploadedFiles/Planning\\_and\\_Development/Level\\_3\\_-\\_Energy\\_and\\_Sustainable\\_Development/2017-12-07%20WS%20Item%2001%20Climate%20Action%20Plan%20Update.pdf](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/2017-12-07%20WS%20Item%2001%20Climate%20Action%20Plan%20Update.pdf)

Short-Term Referral to City Manager and Office of Energy and Sustainable Development to Draft Ordinance Amending Berkeley Municipal Code Chapter 7.52, Reducing Tax Imposed for Qualifying Electrification, Energy Efficiency and Water Conservation Retrofits

CONSENT CALENDAR  
November 27, 2018

**FINANCIAL IMPLICATIONS**

Possible reduction in tax revenue, the magnitude of which is dependent on which retrofits are found to be qualifying.

**ENVIRONMENTAL SUSTAINABILITY**

Incentivizing electrification, energy efficiency, and water savings is directly in line with the City's climate and environmental goals.

**CONTACT PERSON**

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

**Attachments:**

1. BMC Section 7.52.060

**7.52.060 Exceptions.**

A. Any tax imposed pursuant to this chapter shall not apply to any instrument in writing given to secure a debt.

B. Any deed, instrument or writing to which the United States, or any agency or instrumentality thereof, any state or territory, or political subdivision thereof, is a party shall be exempt from any tax imposed pursuant to this chapter when the exempt agency is acquiring title.

C. Any tax imposed pursuant to this chapter shall not apply to the making, delivery, or filing of conveyances to make effective any plan of reorganization or adjustment:

1. Confirmed under the Federal Bankruptcy Act, as amended;
2. Approved in an equity receivership proceeding in a court involving a railroad corporation, as defined in subdivision (m) of Section 205 of Title 11 of the United States Code, as amended;
3. Approved in an equity receivership proceeding in a court involving a corporation, as defined in subdivision (3) of Section 506 of Title 11 of the United States Code, as amended; or
4. Whereby a mere change in identity, form or place of organization is effected.

Subdivisions 1 to 4, inclusive, of this section shall only apply if the making, delivering or filing of instruments of transfer of conveyance occurs within five years from the date of such confirmation, approval or change.

D. Any tax imposed pursuant to this chapter shall not apply to the making or delivering of conveyances to make effective any order of the Securities and Exchange Commission, as defined in subdivision (a) of Section 1083 of the Internal Revenue Code of 1954; but only if:

1. The order of the Securities and Exchange Commission in obedience to which such conveyance is made recites that such conveyance is necessary or appropriate to effectuate the provisions of Section 79k of Title 15 of the United States Code, relating to the Public Utility Holding Company Act of 1935;
2. Such order specifies the property which is ordered to be conveyed;
3. Such conveyance is made in obedience to such order.

E.

1. In the case of any realty held by a partnership, no levy shall be imposed pursuant to this chapter by reason of any transfer of an interest in a partnership or otherwise, if:

a. Such partnership (or another partnership) is considered a continuing partnership within the meaning of Section 708 of the Internal Revenue Code of 1954; and

b. Such continuing partnership continues to hold the realty concerned.

2. If there is a termination of any partnership within the meaning of Section 708 of the Internal Revenue Code of 1954, for purposes of this chapter, such partnership shall be treated as having executed an instrument whereby there was conveyed, for fair market value (exclusive of the value of any lien or encumbrance remaining thereon), all realty held by such partnership at the time of such termination.

3. Not more than one tax shall be imposed pursuant to this chapter by reason of a termination described in subdivision 2, and any transfer pursuant thereto, with respect to the realty held by such partnership at the time of such termination.

F.

1. Any tax imposed pursuant to this chapter shall not apply to any transfer of property from one spouse or domestic partner to the other in order to create a joint tenancy or tenancy in common of their common residence.

2. Any tax imposed pursuant to this chapter shall not apply to any transfer of property from one spouse to the other in accordance with the terms of a decree of dissolution or in fulfillment of a property settlement incident thereto; provided, however, that such property was acquired by the husband and wife or husband or wife prior to the final decree of dissolution. Any tax imposed pursuant to this chapter also shall not apply to any transfer from one domestic partner, as that term is used in the City of Berkeley's policy establishing domestic partnership registration, to another, where (1) prior to such transfer an affidavit of domestic partnership has been filed with the City Clerk pursuant to Section IV of the City of Berkeley's policy establishing domestic partnership registration; (2) subsequent to the filing of such affidavit of domestic partnership, either or both domestic partner(s) files a statement of termination with the City Clerk pursuant to Section V of the domestic partnership policy; (3) such transfer of real property is made pursuant to a written agreement between the domestic partners upon the termination of their domestic partnership; and (4) the real property was acquired by either or both domestic partner(s) prior to the filing of the statement of termination.

G. Any tax imposed pursuant to this chapter shall not apply to transfers, conveyance, lease or sub-lease without consideration which confirm or correct a deed previously recorded or filed.



H. Any tax imposed pursuant to this chapter shall not apply to transfers recorded prior to the effective date of the ordinance codified in this chapter.

I. The tax imposed pursuant to this chapter shall not apply with respect to any deed, instrument, or writing to a beneficiary or mortgagee, which is taken from the mortgagor or trustor as a result of or in lieu of foreclosure; provided, that such tax shall apply to the extent that the consideration exceeds the unpaid debt, including accrued interest and cost foreclosure. Consideration, unpaid debt amount and identification of grantee as beneficiary or mortgagee shall be noted on said deed, instrument or writing or stated in an affidavit or declaration under penalty of perjury for tax purposes.

J. Reserved.

K.

1. Up to one-third of the tax imposed by this chapter shall be reduced, on a dollar for dollar basis, for all expenses incurred on or after October 17, 1989 to "seismically retrofit" either any structure which is used exclusively for residential purposes, or any mixed use structure which contains two or more dwelling units.

2. The term "seismically retrofit" within the meaning of this chapter means any of the following:

a. That work which is needed and directly related to make the structure capable of withstanding lateral loads equivalent to the force levels defined by Chapter 23 of the 1976 Uniform Building Code;

b. Replacement or repair of foundations; replacement or repair of rotted mud sills; bracing of basement or pony walls; bolting of mud sills to standard foundations; installation of shear walls; anchoring of water heaters; and/or securing of chimneys, stacks or water heaters;

c. Corrective work on buildings which fit the criteria in subsection K.1, which are listed on the City of Berkeley inventory of potentially hazardous, unreinforced masonry buildings when such work is necessary to meet City standards or requirements applicable to such buildings;

d. Any other work found by the building official to substantially increase the capability of those structures, specified in subsection K.1, to withstand destruction or damage in the event of an earthquake.

3. The work to seismically retrofit structures as provided herein shall be completed either prior to the transfer of property or as provided in subsection K.4.

4. If the work to seismically retrofit the structures provided for herein is to be performed after the transfer of property which is subject to the tax imposed by this chapter, upon completion of such work and certification by the building official as to the amount of the expenses of such work the City Manager or his/her designee may refund such expenses not to exceed one-third of the tax imposed to the parties to the sale in accordance with the terms of such sale. Any remaining tax shall be retained by the City.

5. From the date of the recordation of the transfer document, the applicant shall have one year to complete all seismic retrofit work and submit a seismic retrofit verification application to the codes and inspection division of the City of Berkeley. If the work is not completed at the end of one year, that portion which has been completed may be credited to the applicant upon submission of a seismic retrofit verification application and substantiating documentation, as required by the codes and inspections division of the City of Berkeley, showing the dollar amount of work completed up to that date. All other monies remaining in escrow will be returned to the City of Berkeley upon written request by the Finance Department.

6. Within the one-year period established by paragraph 5, an applicant may request, and the City Manager may approve, an extension of up to one year. The City Manager or his/her designee may grant such an extension only for good cause. The decision of the City Manager or his/her designee shall be entirely within his or her discretion and shall be final.

a. "Good cause" includes (i) the inability of the applicant, after a prompt and diligent search to find and retain the services of an architect, engineer, contractor or other service provider whose services are necessary for the seismic retrofit work; (ii) unforeseen and unforeseeable circumstances such as a significant change in the scope of the seismic retrofit work due to circumstances in the field which could not reasonably have been known earlier; and (iii) serious illness or other extraordinary and unforeseeable circumstances that prevented the timely commencement or completion of the seismic retrofit work.

b. "Good cause" does not include (i) ignorance of the applicable City ordinances or regulations concerning the seismic retrofit rebate provided in this chapter or state or local laws relating to the standards with which seismic retrofit work must comply; or (ii) any delays which were within the control or responsibility of the applicant.



Kate Harrison  
Councilmember District 4

CONSENT CALENDAR  
November 30, 2021

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.

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3. Refer to the November, 2021 AAO budget process:
  - a. \$1,500,000 of general fund monies from the American Rescue Plan Act allocation and other sources as appropriate as seed funding for the two-year pilot, inclusive of staff costs, for FY 2022.

#### 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,

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

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wealthy nations and cities must approach zero by 2030.<sup>1</sup>

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.

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<sup>1</sup> 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/>.

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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

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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.”<sup>2</sup> According to the

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<sup>2</sup> 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](https://cwdb.ca.gov/wp-content/uploads/sites/43/2021/03/CWDB-PressRelease-H RTP-Open-FINAL-021821_ACCESSIBLE.pdf)

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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.”<sup>3</sup>

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.<sup>4</sup> 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.”<sup>5</sup>

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.

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<sup>3</sup> 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/>.

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

<sup>5</sup> CTWI Policy Recommendations City of Berkeley Existing Buildings Electrification Strategy.



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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

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

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.”<sup>7</sup>

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;

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<sup>6</sup> 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>

<sup>7</sup> 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](https://www.cityofberkeley.info/uploadedFiles/Planning_and_Development/Level_3_-_Energy_and_Sustainable_Development/Draft_Berkeley_Existing_Bldg_Electrification_Strategy_20210415.pdf)

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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.”<sup>8</sup>

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

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<sup>8</sup> 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](https://dornsife.usc.edu/assets/sites/242/docs/Just_Transition_Final_Report_2019.pdf)

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electrification jobs, including retrofits.<sup>9</sup> 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

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<sup>9</sup> 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](https://innovation.luskin.ucla.edu/wp-content/uploads/2019/11/California_Building_Decarbonization.pdf).

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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.<sup>10</sup> 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

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<sup>10</sup> 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.

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Appliance Type	Standard Rebate	Income Qualified Rebate
<b>Heat Pump Water Heater</b>	\$1,000	\$2,000
<b>Heat Pump Space Heater</b>		
Central Heat Pump	\$1,000	\$4,500
Mini-Split Heat Pump	\$800	\$3,000
<b>Induction Cooking</b>		
Range (Cooktop & Oven)	\$500	\$500
Cooktop only	\$250	\$250
<b>Service Panel Upgrade</b>	\$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  
November 30, 2021

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 staff have estimated that 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, 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 such as 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 rapidly contract the natural gas distribution system in a way that is safe, economical for remaining customers, and 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, including rent-controlled tenants, 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 that will reliably perform high-quality work and provide high-road careers for workers and meet minimum labor standards;
  - b. consideration of 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 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.

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.

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 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.

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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