

REPORT TO CITY COUNCIL

DATE: SEPTEMBER 25, 2024

TO: HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: NATHAN HAMBURGER, CITY MANAGER

**BY: DENICE THOMAS, COMMUNITY DEVELOPMENT DIRECTOR
LUKAS QUACH, BUILDING OFFICIAL**

SUBJECT: DISCUSSION OF OPTIONS FOR AMENDING THE CITY OF AGOURA HILLS REACH CODE ALL-ELECTRIC BUILDING REQUIREMENTS

In 2023, the City of Agoura Hills adopted local amendments to the California Green Building Standards Code (CALGreen) to transition towards an all-electric future and reduce reliance on methane gas. These amendments, commonly known as "Reach Codes," are intended to lower costs, reduce indoor air pollutants, eliminate the risk of carbon monoxide poisoning from gas appliances, decrease outdoor air pollution, and cut greenhouse gas emissions. By promoting all-electric buildings, the City aims to replace fossil fuels with clean, carbon-free electricity sources like solar and wind, benefitting residents, businesses, and the entire community.

However, following a federal court decision, the City of Agoura Hills has suspended the enforcement of its Reach Codes that mandate all-electric new buildings (City of Agoura Hills Municipal Code Sections 8215.2 and 8215.4). The Ninth Circuit Court of Appeals ruled in the California Restaurant Association v. City of Berkeley case that local ordinances prohibiting natural gas infrastructure were preempted by federal law, specifically the Energy Policy and Conservation Act (EPCA).

Despite this legal setback, California is advancing towards an all-electric future, and the City of Agoura Hills remains committed to climate action. The City continues to advocate for the reduction of methane gas in new construction, recognizing the long-term benefits and the need to actively address the climate crisis. The evolving regulatory landscape necessitates a re-evaluation of the city's Reach Code approaches.

With assistance from ID360, the City's Reach Code consultant, staff explored options to amend the Reach Code to ensure our regulations are consistent with the Federal Court ruling. At the March 27, 2024, Environmental Responsibility Subcommittee (Subcommittee) meeting, ID360 presented various approaches for amending the Reach Code in light of the Berkeley decision. The Subcommittee recommended further discussion in a full City Council meeting.

1. High-Performance Source Energy (One Margin) Approach

This model offers compliance pathways for both all-electric and mixed-fuel buildings. It allows for mixed-fuel buildings with high energy performance, requiring additional energy efficiency measures, battery storage, and/or pre-wiring to be electric-ready. It uses an Energy Design Rating (EDR), a carbon-based performance metric for regulating energy performance. This approach is applicable to Single Family, Multifamily, and Non-Residential New Construction buildings. Cities such as San Luis Obispo, San Jose, and Santa Cruz have adopted similar codes with the following features:

- Focus on carbon reduction
- Establishment of a “carbon proxy budget”
- Encouragement of all-electric construction
- Simplified compliance with heat pumps
- Potential requirement for battery storage in mixed-fuel buildings
- Electric readiness for gas equipment installations

Advantages:

- Allows methane gas pathways
- Provides a cost-effective pathway to all-electric construction
- Existing enforcement process and increased compliance margin

Challenges:

- Limited to regulating space heating/cooling and water heating
- Likely lower carbon savings compared to all-electric pathways

2. Zero GHG Emissions and Zero NOx Emissions Equipment Approach

This model targets NOx emissions, a significant component of greenhouse gases, by establishing precise standards for both new and existing buildings. It regulates building or appliance emissions through CALGreen, Part 11. Jurisdictions such as Los Altos Hills and New York City have adopted Zero NOx appliance standards.

Advantages:

- Utilizes Clean Air Act authority rather than EPCA
- Regulates all emitting equipment (e.g., cooking, fireplaces, dryers)
- Likely to promote all-electric construction, with associated cost savings
- Direct benefits to air quality and health
- Significant impact on emissions reduction

Challenges:

- Legally untested
- New enforcement approach may be challenging

FISCAL IMPACT

There is no immediate fiscal impact from this discussion, as funds were allocated in the Fiscal Year 2024-25 Budget (Account 010-4390-552200).

RECOMMENDATION

Staff recommends the City Council provide direction on which approach to utilize to amend the City of Agoura Hills Reach Code.