

DOCKETED	
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City Council AGENDA REPORT

DATE: 08/07/2025

AGENDA OF: 08/26/2025

DEPARTMENT: Planning and Community Development/City Manager

SUBJECT: Amendments to Title 18 of the Municipal Code to Align the Energy Reach Code for Major Renovations and Additions to Existing Single-Family Homes with the 2025 California Building Code Cycle (PL/CM)
LOCATION: Citywide

RECOMMENDATION: Motion to introduce for publication an ordinance amending Municipal Code Title 18 – Buildings and Construction, amending Chapter 18.15 to modify local amendments to Title 24, Part 6 of the California Code of Regulations (California Energy Code), aligning the energy reach code for renovations and additions to existing single-family homes with the 2025 California Building Code Cycle. CEQA determination: These amendments are consistent with the Negative Declaration approved for the City of Santa Cruz 2030 Climate Action Plan adopted by City Council on September 13, 2022. The ordinance is also exempt from CEQA under the general rule, 15061(b)(3) and per CEQA Guidelines Section 15308, Class 8, Actions by Regulatory Agencies for Protection of Natural Resources.

BACKGROUND: The California Air Resources Board (CARB) has introduced zero-emission appliance standards with a phased implementation beginning in 2027. These standards aim to reduce greenhouse gas emissions and improve air quality by targeting residential and commercial appliances, including heaters and water heaters, to transition toward cleaner energy sources. By 2030, all new space and water heaters sold in California are expected to meet zero-emission standards. This initiative is part of California's broader strategy to achieve carbon neutrality by 2045.

The City adopted its Climate Action Plan 2030 (CAP 2030) in 2022 with a legal target to reduce emissions 40 percent from 1990 levels by 2030 and an aspirational target of carbon neutral by 2035, 10 years earlier than the State target. Existing building energy use accounts for 24 percent of greenhouse gas emissions regulated by CARB, and the CAP 2030 targets reduction of these emissions via three measures:

- Measure BE-2 is to electrify 31 percent of existing residential buildings by 2030 and 53 percent by 2035;
- Measure BE-3 is to electrify 26 percent of existing commercial buildings by 2030 and 45 percent by 2035; and

- Measure BE-5 is to increase resiliency through equitable energy efficiency and local solar programs.

The City Council adopted the Existing Single Family Renovations Reach Code, an ordinance requiring additional efficiency or electrification measures for major additions and alterations in single family homes, on November 19, 2024. This reach code includes a menu of energy efficiency measures, with each measure assigned a point score, giving an applicant the ability to reach the required total target score using a combination of measures that best suit their situation.

The Existing Single Family Renovations Reach Code requires major residential additions and/or alteration projects to include energy efficiency measures and, in some cases, provide electric readiness for future zero emission appliances. A major addition or alteration triggers the requirements and includes the addition or alteration of 350 square feet or more of floor area. If the requirements apply, the permit applicant may choose from and install any number of energy efficiency measures that meet a point score in addition to the mandatory electric ready pre-wiring and outlet requirements.

The state requires that at least one cost effective option must exist to meet the point score; the reach code provides for at least five cost effective combinations. The existing policy does not require electrification and considers special onsite challenges or circumstances. The policy does not apply to small projects, repairs, appliance replacements (e.g., kitchen appliances or gas stoves), window projects, roof projects, cosmetic changes, or work that does not require a permit. There are also exemptions for pre-compliance, incompatibility with historical building status, seismic retrofits, temporary structures, or when upgrades present a significant cost burden.

One quarter of housing occupants are highly sensitive to energy bills, according to a 2022 building stock analysis completed by the consultant TRC. Thus, promotion and availability of incentives are critical for the proposed energy efficient renovations policy to succeed and not increase the energy burden of residents, especially those with lower incomes. Rebates are available from Central Coast Community Energy and, periodically, from the state. Other incentives and services to help residents navigate complex projects are also in development through the new Central Coast Rural Regional Energy Network.

The California Energy Code is updated every three years as part of the triennial building standards code cycle and was most recently updated on July 1, 2025 with an effective date of January 1, 2026. The proposed ordinance amends the Existing Single Family Renovations Reach Code to align with updates to the 2025 Energy Code related to wall insulation, windows, and lighting.

DISCUSSION:

Policy Overview

The proposed ordinance will update the Existing Single Family Renovations Reach Code to align with the 2025 Energy Code by making the following minor updates that are found to be cost effective:

1. Upgrade the wall-insulation requirement from R-13 to R-15.
2. Upgrade the windows U-factor from 0.3 to 0.27.
3. Replace all interior and exterior screw-in existing lights with a minimum 45 lumens per watt.

Measure scores and the total target score will not change.

While the Existing Single Family Renovations Reach Code is being updated for the 2025 Energy Code, it should be noted that the reach code for new construction adopted by City Council in 2023 will expire December 31, 2025. The cost-effectiveness studies published by the California Energy Codes and Standards Statewide Utility Program are not yet available for new construction, and without those studies it is not yet possible to create an updated new construction energy reach code that is consistent with the 2025 Energy Code and meets the state-mandated finding for cost effectiveness. The City of Santa Cruz and TRC will re-evaluate reach code options for new construction and amendments to the 2025 state code in early 2026 once the results of the statewide cost-effectiveness studies are available.

California Energy Commission Approval

After adoption by the City Council, the proposed local amendments to the California Energy Code must be approved by the California Energy Commission prior to becoming effective. Public Resources Code Section 25402.1(h)(2) and Section 10-106 of the Building Energy Efficiency Standards establish a process that allows local adoption of energy standards that are more stringent than the statewide standards.

Under this process, the California Energy Commission requires any local amendments to the California Energy Code that affect energy use in regulated buildings to be cost effective and use less energy than the standard requirements contained in Title 24, Part 6. The attached cost-effectiveness studies published by the California Energy Codes and Standards Statewide Utility Program, which includes the State's Investor-Owned Utilities (PG& E, SDG&E, and SCE, under the auspices of the California Public Utilities Commission), show that reach codes such as the one proposed are cost-effective.

Next Steps

If the City Council approves the first reading of the ordinance on August 26, 2025, it will then come back for a second reading on September 9, 2025. After approval by the City Council, the ordinance will be submitted to the California Buildings and Standards Commission for filing and the California Energy Commission (CEC) for approval as local modifications to the California Energy Code. Approval by the CEC is expected by December 2025 and the ordinance is expected to go into effect by January 1, 2026.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA) DETERMINATION: The municipal code amendments are consistent with the Negative Declaration approved for the City of Santa Cruz 2030 Climate Action Plan adopted by City Council on September 13, 2022. Therefore, no further environmental review under the California Environmental Quality Act (CEQA) is required. The ordinance is also exempt from CEQA under the general rule, 15061(b)(3), because it can be seen with certainty that the provisions contained herein would not have the potential for causing a significant effect on the environment. Further, this ordinance is exempt per CEQA Guidelines Section 15308, Class 8, Actions by Regulatory Agencies for Protection of Natural Resources, since the proposed ordinance would institute regulatory requirements intended to protect the environment and natural resources.

HEALTH IN ALL POLICIES (HiAP): HiAP is a collaborative approach to improving the health of all people by incorporating health considerations into decision-making across sectors and policy areas. HiAP is based on three pillars: equity, public health, and sustainability. The

goal of HiAP is to ensure that all decision-makers are informed about the health, equity, and sustainability impacts of various policy options during the policy development process. The municipal code amendments support the pillars of equity and public health by promoting building health and safety while remaining cost effective. The amendments support sustainability by reducing GHG emissions and fossil fuel dependence citywide consistent with the CAP 2030. Therefore, the proposed code amendments are considered consistent with the three pillars of HiAP.

FISCAL IMPACT:

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| 1. The recommendation in this report impacts the General Fund: | No |
| 2. This recommendation requires a budget adjustment: | No |
| 3. The recommendation creates an on-going expenditure commitment: | No |

FISCAL IMPACT DESCRIPTION: The proposed minor changes to the Existing Single Family Renovations ordinance are not anticipated to change the fiscal impacts possible from prior adoption of the existing ordinance.

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ATTACHMENTS:

1. ORDINANCE – CLEAN.DOCX
2. ORDINANCE – TRACK CHANGES.DOCX
3. NOVEMBER 19, 2024 CITY COUNCIL MEETING AGENDA REPORT FOR FIRST READING OF THE EXISTING SINGLE FAMILY RENOVATIONS REACH CODE.PDF
4. 2022 COST-EFFECTIVENESS STUDY EXISTING SINGLE FAMILY BUILDING UPGRADES.PDF
5. APPLICATION OF THE 2022 STUDIES TO THE 2025 ENERGY CODE: EXISTING SINGLE FAMILY BUILDING UPGRADES.PDF
6. COST EFFECTIVENESS EVIDENCE.PDF