



## Staff Report

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Honorable Mayor and Members of the Hermosa Beach City Council  
Regular Meeting of November 29, 2022

**UPDATE AND CITY COUNCIL DIRECTION ON SUSTAINABILITY  
REBATES AND FEE WAIVERS FOR GREEN BUILDING AND  
ZERO EMISSIONS VEHICLES INCENTIVES**  
(Environmental Programs Manager Douglas Krauss)

**Recommended Action:**

Staff recommends City Council:

1. Provide staff with direction regarding next steps for rebates and incentives associated with the following City sustainability programs:
  - a. **Zero Net Energy Buildings**-Rebate 50 percent of building permit fees for Zero Net Energy buildings as verified through participation in the Savings By Design or California Advanced Homes programs;
  - b. **Energy Efficiency Upgrades**-Rebate 50 percent of building permit fees through Energy Upgrade California or HERO program funding;
  - c. **Alternative Fuel Infrastructure Upgrade**-Rebate 50 percent of electrical permit fees for 100 percent alternative fuel vehicles;
  - d. **Photovoltaic Installation**-Rebate 50 percent of planning and building permit fees for installation of photovoltaic systems, including 50 percent of roofing permit fee when roofing permit includes solar tile roofs or green roofs;
  - e. **Battery Storage**-Rebate 50 percent of electrical permit fees for battery storage units;
  - f. **Multiple Incentives Implemented**-Rebate 100 percent of planning and building permit fees when installation includes at least two of the following: photovoltaic solar or wind, electric vehicle charging, and battery storage;
  - g. **Small Wind Energy Systems**-Rebate 50 percent of Planning and Building permit fees associated with installation of a small wind energy systems;
  - h. **Demonstration of New Technology**-Rebate 50 percent of fee for Unusual Architectural/Building Review for demonstration of new technology, materials, or construction methods designed to reduce water, waste, or energy use and agreement to share results and feedback;
  - i. **Tree Planting Incentive**-Waive landscape plan review fee, or equivalent value waived from planning permit fees when application is for a project that includes other planning permits, for installation of trees beyond current code or replacement requirements;
  - j. **Residential parking permit**-Permit fees are waived for 100 percent alternative fuel

vehicles;

**k. Free parking at silver post meters**-100 percent alternative fuel vehicles are allowed to park for free at silver post meters;

**l. Free parking at EV stations**-Parking is free for vehicles utilizing EV chargers except in paid parking lots; and

**m. Free charging at EV stations**-Electricity charges are waived for all public EV charging except the Level 3 chargers in Parking Lot C.

### **Executive Summary:**

In 2008, the City Council directed staff to waive permit fees associated with the installation of solar photovoltaic systems to help encourage businesses and residents to install solar and reduce their energy consumption. These incentives have been regularly reviewed and revised since their initial adoption with the most recent update and continuation of the incentive offerings in 2019.

Staff recommends City Council discuss and provide direction regarding rebates and incentives associated with various City sustainability programs, including possible suspension of most, if not all, of the programs.

### **Background:**

In 2008, the City Council directed staff to waive permit fees associated with the installation of solar photovoltaic to encourage businesses and residents to install solar and reduce their energy consumption.

In 2010, City Council adopted additional incentives to support greater deployment of electric vehicles and energy efficiency projects to include:

- Waiving preferential parking permit fees for 100 percent alternative fuel vehicles;
- Waiving building permit fees for service upgrades for 100 percent alternative fuel vehicles;
- Rebate 50 percent of building permit fees for energy efficiency/Leadership in Energy and Environmental Design (LEED) or Build-It-Green certification; and
- Rebate 50 percent of building permit fees for energy efficiency improvements that qualify for Energy Upgrade California or PACE programs;

In 2011, Council authorized waiving or rebating planning and building permit fees for installation of small wind energy systems. These many incentive programs were reviewed, modified, and renewed by Council in 2013, 2015, 2017, and most recently at its December 17, 2019 meeting. With each review, City Council provided direction to return to Council after two years for evaluation.

### **Building Code Adoption 2022 Cycle**

The City of Hermosa Beach is required to adopt the minimum California Building Code Standards every three years. The California Building Codes include residential, housing, mechanical, plumbing, fire prevention, electrical, green building, and energy codes. As part of the triennial building code updates, the City has the ability to adopt the minimum standards or consider additional local

amendments. When the City adopts its building codes, Council must make specific findings required under the Health and Safety Code that allow the City to adopt regulations that are stricter than the uniform codes.

The 2022 Edition of the California Building Standards Code is presented to Council on a separate agenda item on the current Council agenda. If adopted, the 2022 Codes would become effective on January 1, 2023 and apply to any project submitted for plan check thereafter.

#### Free Parking/Charging for Electric and 100 percent Alternative Fuel Vehicles

In addition to waiving permit fees associated with residential parking permits for those that live within the impacted area, Council has also previously authorized staff to waive parking meter fees at silver post meters for 100 percent alternative fuel vehicles and provide complimentary electric vehicle charging at several stations located in commercial areas throughout the City that are available to residents, customers, and visitors. This incentive was initially approved in April 2010 and most recently re-authorized by Council in November 2019.

As shown in Table 1, the range of electric vehicle charging stations has grown to a total of thirty-seven charging stations for public use at nine City-owned locations. There are an additional 10 City-owned charging stations that are exclusively for City vehicle use and other properties in Hermosa Beach, such as Plaza Hermosa (Vons) and Lazy Acres, that have electric vehicle charging stations available to the public.

Table 1: Inventory of City-Owned Publicly Accessible EV Charging Stations

	Location	Equipment Brand	Charging Level	Stations	Parking Restrictions
1	City Hall	Chargepoint	Level 2	2	Free to charge and park, 2 hour limit
	City Hall Employee Lot	Kitu System	Level 2	10	2 hour limit, weekends and evenings only
2	Community Center	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
3	Pier Ave & Cypress Ave	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
4	Pier Ave & Monterey Blvd	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
5	Lot A	BTC Power	Level 2	2	Free to charge, must pay to park
6	Lot C (parking structure)	EV GO	Level 3	2	Pay to fast charge, must also pay to park
	Lot C (parking structure)	BTC Power	Level 2	9	Free to charge, must pay to park

7	Kiwanis/Valley Park	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
8	2 <sup>nd</sup> & Hermosa Ave	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
9	Greenwood Park	BTC Power	Level 2	2	Free to charge and park, 2 hour limit
<b>Total for Public Use</b>				<b>37</b>	

Currently, all Level 2 stations in Hermosa Beach are available to charge for free up to two hours, and the Level 3 station on the top floor of the parking structure currently requires payment to charge at a rate of \$0.37 to \$0.56 per kilowatt-hour. Per the original agreement, payments for these Level 3 chargers are made directly to EVgo and do not generate revenue to the City. Separate from the free charging, electric vehicle (EV) charging stations located in Lot A and Lot C (the parking structure) require customers to pay for the cost of parking at the standard rate of \$1.25 to \$1.50 per hour. All other EV charging stations do not require a fee to park.

Additionally, the City Council previously authorized those driving a 100 percent alternative fuel vehicle (electric, hydrogen, CNG) to park at silver-post meters along the City's commercial zones up to the posted time limit at no charge. The current policy does not have a mechanism to verify that a vehicle meets the criteria, such as a California Department of Motor Vehicles issued current clean air vehicle decal, making enforcement by Community Service Officers difficult. This difficulty of enforcement was also discussed by City Council at its November 3, 2022 meeting in the context of the City's move to a new "pay-by-app" parking program, which will be implemented citywide in the coming years.

City Council has previously discussed whether to retain free charging and/or parking associated with EV charging stations or consider adopting a fee that would generate revenue to help offset the City's electricity and maintenance costs associated with this infrastructure. Additional context on the options and upgrades that would be needed to adjust the City's policy related to EV charging infrastructure is provided in the Discussion section.

### ***Past Board, Commission and Council Actions***

<b>Meeting Date</b>	<b>Description</b>
May 11, 2015	City Council reviewed and re-authorized sustainability rebates and fee waivers for green building and zero emissions vehicle incentives.
November 14, 2017	City Council reviewed and re-authorized sustainability rebates and fee waivers for green building and zero emissions vehicle incentives.

December 17, 2019	City Council reviewed and re-authorized sustainability rebates and fee waivers for green building and zero emissions vehicle incentives.
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## **Discussion:**

### Utilization of Incentive Programs

Since 2008, the City has offered various incentives and rebates to encourage the community to adopt sustainability initiatives. Staff evaluated the extent to which the existing incentives have been used since 2009 (**Attachment 1**) and considered whether new incentives should be offered, or other incentives modified, based on level of use.

The waiving of parking permit fees for the preferential parking program for 100 percent alternative fuel vehicles and rebating planning and building permit fees for solar photovoltaic systems are the most frequently used programs. The City waived fees for 253 alternative fuel vehicles in 2020 and 284 in 2021. For solar photovoltaic systems, the City waived fees for 18 in 2020 and 21 in 2021.

The fee waiver for electrical circuit upgrades associated with EV charging infrastructure has been used sparingly with only one in 2021. All other existing incentive programs have not been utilized since they were approved.

### State of the Zero Emissions Vehicle Market

The State of California has set an ambitious goal of installing 250,000 electric vehicle charging stations to support a goal of 1.5 million zero emissions vehicles (ZEV) on California roads by the year 2025. Current data from the California Energy Commission helps show the progress towards these goals:

- As of the end of 2021, over one million plug-in electric vehicles have been sold in California to date;
- There are now over one hundred light-duty electric vehicle models now available to consumers;
- Over 80,000 electric vehicles charging stations have been installed in California; and
- In 2021 alone, over 250,000 plug-in electric vehicles were sold in California.

As of January 2022, the most recent year in which data is available at a zip code or city level, there were just over 1,100 zero emissions vehicles in Hermosa Beach out of approximately 13,500 registered vehicles.

### Proposed Updates to Building/Planning Related Incentives Program

Staff seeks Council consideration of the following building and planning related fee waivers/rebates:

- a. Zero Net Energy Buildings**-Rebate 50 percent of building permit fees for Zero Net Energy buildings as verified through participation in the Savings By Design or California Advanced Homes programs;

- b. Energy Efficiency Upgrades**-Rebate 50 percent of building permit fees through Energy Upgrade California or HERO program funding;
- c. Alternative Fuel Infrastructure Upgrade**-Rebate 50 percent of electrical permit fees for 100 percent alternative fuel vehicles;
- d. Photovoltaic Installation**-Rebate 50 percent of planning and building permit fees for installation of photovoltaic systems, including 50 percent of roofing permit fee when roofing permit includes solar tile roofs or green roofs;
- e. Battery Storage**-Rebate 50 percent of electrical permit fees for battery storage units;
- f. Multiple Incentives Implemented**-Rebate 100 percent of planning and building permit fees when installation includes at least two of the following: photovoltaic solar or wind, electric vehicle charging, and battery storage;
- g. Small Wind Energy Systems**-Rebate 50 percent of Planning and Building permit fees associated with installation of a small wind energy systems;
- h. Demonstration of New Technology**-Rebate 50 percent of fee for Unusual Architectural/Building Review for demonstration of new technology, materials, or construction methods designed to reduce water, waste, or energy use and agreement to share results and feedback; and
- i. Tree Planting Incentive**-Waive landscape plan review fee, or equivalent value waived from planning permit fees when application is for a project that includes other planning permits, for installation of trees beyond current code or replacement requirements.

#### Program Options for Alternative Fuel and Electric Vehicle Incentive Programs

Based on the assessment of the zero emissions vehicle (ZEV) market, evaluation of current EV incentive programs, and understanding to the fiscal impacts associated with the various incentive programs, staff also supports careful consideration from City Council of these incentives surrounding parking and charging for alternative fuel vehicles. Staff seeks Council consideration of the following incentives with a goal of balancing the benefits to residents, customers, and visitors, without making a significant fiscal impact to the City resulting from lost parking revenue and electrical/maintenance charges associated with EV charging stations. With that goal in mind, at this time staff is also recommending suspending the following incentives:

- a. Residential Parking Permit**-In 2021, the City issued 284 residential parking permits to residents that live within the impacted area and own a 100 percent alternative fuel or zero emissions vehicle for a total of \$11,360 in waived fees. When this incentive was initially implemented in 2011 just five permit waivers were issued, with issued 16 in 2012, and 21 in 2013. The number of waivers issued has grown significantly as the growth in the ZEV market has expanded. In 2022 thus far, the City has issued 409 of these parking waivers representing \$16,360 in lost revenue.

#### Options:

- Maintain 100 percent waiver of preferential parking permit fee for 100 percent alternative fuel vehicles;

- Waive 50 percent of preferential parking permit fees for 100 percent alternative fuel vehicles; or
- Eliminate this incentive.

**b. Free Parking at Silver Post Meters**-As noted previously, this incentive currently allows anyone driving a 100 percent alternative fuel vehicle to park at no charge at silver-post meters in Hermosa Beach, but does not require a sticker or marker to signify a vehicle is eligible, requiring staff to use discretion in determining whether or not a parking meter should have been paid.

Options:

- Maintain free parking at silver post meters up to the posted time limit with no changes;
- Maintain free parking at silver post meters up to the posted time limit, with a valid Clean Air Vehicle Decal; or
- Eliminate this incentive.

**c. Free Charging at EV Stations**-The City currently offers free charging at all Level 2 charging stations operated by the City for public use and a rate of \$0.37 to \$0.56 per kilowatt hour is currently charged at the publicly accessible Level 3 charger at the parking structure. The City currently maintains a network of 37 free and publicly accessible charging stations and covers the cost of the equipment, electricity, and any maintenance of these stations. The City's current network of EV charging infrastructure utilizes six different vendors and equipment types as well as different levels of network connectivity/point of sale capabilities.

Additionally, the different stations vary in their electric connectivity, with some infrastructure on separate SCE meters/accounts, and others connected to a meter for a larger facility making it difficult to estimate at this time with certainty the direct electricity costs associated with the charging stations. Noting the variability in both the level and time of use, staff developed a rough estimate of the annual electricity cost for Level 2 chargers of approximately \$70,000. Most, but not all, of the City's public EV chargers are networked and able to accept payments, if Council were to direct the implementation of fees. Staff could assess current infrastructure and work with the various EV vendors to determine payment capabilities. Based on rough estimates of current usage, charging a fee of \$0.35 per kilowatt hour, which is a common fee charged by public agencies in the region, for all public level 2 chargers would generate approximately \$60,000 annually.

Options:

- Maintain free charging at Level 2 charging stations and a pay-to-charge model for Level 3 chargers;
- Continue to allow free parking for vehicles utilizing the EV chargers; or

- Create a fee structure for public charging at City EV chargers. This fee could be based on kilowatt hour used, time at station, time per session, or a monthly or annual subscription fee that would cover a portion of the equipment, electricity, and maintenance costs and staff time to administer. A fee structure could be established to allow for free charging for a fixed initial period and then charging the customer the full rate for any time after that.

**d. Free Parking at EV Stations**-In addition to the free charging, many of the stations available in the City do not require a fee to park a vehicle. The exception to this is the 13 spaces between Lot A and Lot C (parking structure) where the standard fee to park (\$1.25 or \$1.50 per hour) is charged. Some EV charging stations are in areas where nearby non-EV spaces are also free to park (18 spaces between City Hall, Community Center, Kiwanis, Greenwood Park), while others are located adjacent to metered parking areas (6 spaces between Pier Avenue and Hermosa Avenue).

Options:

- Maintain free parking at all charging stations that are not located in Lot A or Lot C; or
- Consider charging a fee for parking at all EV stations.

#### Consideration of Suspending Incentive Programs

As explained above, City staff seeks Council's feedback but recommends Council consider suspending most, if not all, of these incentives. Most immediately, staff recommends suspension of the waivers for parking meter and preferential parking permit fees for zero emissions vehicles. Rationale for these recommendations is summarized below:

1. Of the thirteen sustainability incentives offered by the City as described in Recommendation section, only four have been utilized by residents since the programs' inception. To improve administrative efficiency, it is recommended that at least the unused programs be suspended.
2. Of the incentives that have been regularly utilized, only the waiving of preferential parking permit fees for 100 percent alternative fuel vehicles has seen a significant increase in participation. The waiving of fees for EV charging and solar infrastructure installation have both been stagnant or seen drops in participation in the last five years. Despite this lack of participation, the programs have resulted in over \$100,000 in revenue loss to the City.
3. The waiving of preferential parking permit fees has seen significant increases in participation and consequently is resulting in over \$16,000 annually in lost revenue to the City. As with the free public EV charging described below, this incentive is no longer impactful in light of the tremendous growth in EV ownership.

Data on the usage of free parking at silver meters for 100 percent alternative fuel vehicles is unknown but is also no longer an effective incentive for encouraging growth in EV ownership.



Additionally, enforcement of this program is very difficult especially as the City implements a new “pay-by-app” parking meter system.

4. Waiving fees for public EV charging is costing the City approximately \$70,000 annually in electricity costs. Additionally, the program is no longer effective as an incentive for encouraging the community to purchase electric vehicles, as seen by the massive growth in EV ownership. Additionally, most agencies now charge at least some fee for public charging, both as a way to recoup electricity and maintenance costs but also to help regulate equitable usage of the EV facilities (encourage turnover of users, etc.). Waiving parking fees at the charging locations also contributes to lost revenue to the City although this amount is unknown.

Staff recommends returning to Council at a future date with more details on developing a policy establishing charging for use of the public EV chargers. This would include suggested rate structures and relevant policy guidelines. Staff would need to assess the charging infrastructure to determine options for implementing fees.

Thus, staff recommends suspension of the abovementioned incentive programs. Should Council choose, staff can return to Council at a future date with an update and suggestions for other potential programs to encourage equivalent sustainability measures. Additionally, the possibility of aligning other sustainability incentive updates with future building code cycles, may help staff consider changes to the minimum building code requirements in determining to recommend new incentives.

### **General Plan Consistency:**

This report and associated recommendations have been evaluated for their consistency with the City’s General Plan. Relevant goals and policies are listed below:

#### *Mobility Element*

**Goal 5. A robust low cost and low carbon transportation system that promotes the City’s environmental sustainability and stewardship goals in support of social and economic objectives.**

Policy:

- **5.1 Prioritize development of infrastructure.** Prioritize the development of roadway and parking infrastructure that encourages private electric and other low carbon vehicle ownership and use throughout the city.

#### *Sustainability + Conservation Element:*

**Goal 2. Hermosa Beach is a low-carbon community meeting State greenhouse gas reduction goals by 2040.**

Policies

- **2.3 Grants and incentives.** Seek additional sources of funding to support implementation of greenhouse gas reduction projects for the City, as well as residents and businesses.

- **2.7 Emerging technologies.** Regularly evaluate new and emerging technology changes that can help to reduce greenhouse gas emissions and encourage the use of such technology when it is demonstrated to be effective at reducing greenhouse gas emissions and a fiscally responsible investment.
- **3.5 Clean fuels.** Support increased local access to cleaner fuels and cleaner energy by encouraging fueling stations that provide cleaner fuels and energy to the community.
- **4.1 Renewable energy generation.** Support or facilitate the installation of renewable energy projects on homes and businesses.

**Fiscal Impact:**

Since the City Council last extended the sustainability initiative program in December 2019, the City waived approximately \$57,006 in permit fees associated with the existing incentives mentioned above. Additionally, the City expended approximately \$70,000 annually in electricity costs associated with electrical vehicle charging.

It is unknown how much revenue has been lost due to 100 percent alternative fuel vehicles utilizing the option to park for free at silver post meters.

**Attachments:**

1. City of Hermosa Beach Sustainability Incentives Issued Since 2009
2. Link to May 11, 2015 City Council Staff Report
3. Link to November 14, 2017 City Council Staff Report
4. Link to December 17, 2019 City Council Staff Report

**Respectfully Submitted by:** Doug Krauss, Environmental Programs Manager

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Legal Review:** Mike Jenkins, City Attorney

**Approved:** Suja Lowenthal, City Manager