



TO: Mayor and Councilmembers

SUBMITTED BY: Peter Imhof, Planning and Environmental Review Director

PREPARED BY: Dana Murray, Sustainability Manager
Angeline Foshay, Management Analyst

SUBJECT: Heat Pump Permit Fee Waiver Program

RECOMMENDATION:

Adopt Resolution No. 25-__ entitled, “A Resolution of the City Council of the City of Goleta, California, Approving Establishing a Heat Pump Permit Fee Waiver Program.”

BACKGROUND:

With increasingly definitive and substantial climate data indicating a rapidly changing climate, the State of California (CA) has adopted goals and pathways to reduce greenhouse gas (GHG) emissions and support local governments in carrying out community-level emissions reductions strategies. Under the passage of Senate Bill 32 in 2016, CA set targets to reduce statewide GHG emissions to 40% below 1990 levels by the year 2030, and 80% below 1990 levels by 2050. Decarbonization of the building sector is essential in reaching these targets. In order to make these standards tangible, it is imperative to incentivize and reduce barriers to building electrification and the electrification of appliances with high emissions through supportive programming.

Incentivizing the switch to electric heat pumps as a heating and cooling alternative will help further the State and City of Goleta climate policy goals and reduce building sector GHG emissions. Heat pumps use electricity to transfer heat from one place to another and are much more efficient and climate-friendly than conventional space or water heaters that burn a fossil fuel source, such as natural gas, to generate heat.

According to the U.S. EPA, space and water heating represent ~80% of GHG emissions in U.S. buildings, with half of homes reliant on gas as their primary space heating fuel. Central Coast Community Energy (3CE) utilized 2020 data on Goleta’s energy use and concluded that across both electricity and natural gas usage, these energy sources accounted for 40.4% of the community’s total GHG emissions. Of that total energy use, natural gas in buildings accounted for 40% of Goleta’s energy emissions. While efforts have been made to decarbonize the natural gas system through renewable natural gas, there are insufficient supplies to properly meet state and local demand, ultimately leaving

full decarbonization of the natural gas system infeasible. To achieve a reduction in GHG emissions and meet statewide reduction goals and thresholds, it will require efforts to reduce the use of natural gas appliances like space and water heaters and increase the usage of efficient and clean electric heat pump technology.

In an effort to improve indoor air quality and reduce GHG emissions, all-electric buildings are recommended as the standard for residential construction starting in 2026, according to the CA Air Resources Board's (CARB) 2022 Scoping Plan. Anticipated regulations from CARB include a zero-emission appliance requirement by 2030, where replacement of space or water heaters must be zero-emission units. Existing gas appliances could remain in operation after 2030, though space and water heaters inevitably require replacement and maintenance. This regulation has not been officially finalized but is currently undergoing CARB's internal rulemaking process and is expected to be brought to the CARB Board this year.

The 2025 California Energy Code by the California Energy Commission will begin to require efficient electric heat pump technology for space and water heating in newly constructed single-family, multifamily, and select nonresidential building types as of January 1, 2026. As the state augments standards and thresholds with each code cycle, local jurisdictions have the opportunity to make these adaptations accessible and actionable for residents and stakeholders alike. The proposed heat pump permit fee waiver program would complement the Energy Performance Reach Code that City Council recently adopted, which requires improved energy performance for all new building types along with electric readiness requirements. However, the recently adopted Reach Code does not prohibit the use of gas technologies. The proposed permit fee waiver program would complement the Reach Code by incentivizing a non-fossil fuel alternative by removing an applicant's permitting fee for heat pumps.

On January 30th, 2024, staff presented information requested by the Goleta City Council's Energy and Green Issues Standing Committee (Green Committee) on a potential permit fee waiver program for electric heat pumps. The Green Committee supported a permit fee waiver program as a tool to incentivize building electrification. The Green Committee requested that staff address equity issues in a fee waiver program and recommended developing a pilot heat pump permit fee waiver program for Council consideration.

DISCUSSION:

Permit fee waiver programs for efficient and fossil-free appliances, such as electric heat pumps, are a municipal strategy used to incentivize building electrification. Jurisdictions that waive permit fees for electrification projects include Menlo Park, which allocates \$150,000 for fee waivers for heat pumps, EV chargers, solar PV, induction cooktop conversions, and electric dryers. Santa Barbara Clean Energy, the City of Santa Barbara's electricity provider, provides rebates for heat pump water heaters and electrical work like wiring and panel upgrades under its Home Electrification Accelerator Program.

The City's community choice energy provider, 3CE, provides rebates to Goleta electricity customers to switch to heat pump HVAC and water heating via their Electrify Your Home program (Attachment 1). For heat pump HVAC, 3CE provides \$2,000 per unit (up to 2 units) and \$2,000-\$2,500 for water heaters based on the size of the unit. Additional incentives are available for electrical panel upgrades for the project and an additional \$1,000 is available for income-qualified customers. Staff would pair information to the public on rebates for heat pumps with information on the City permit fee waiver program.

The City of Goleta's permit fee waiver program could be applicable for time-of-replacement in residential buildings during the pilot program period (FY 25/26). "Time-of-replacement" refers to replacing fossil fuel burning equipment at the end of its useful life, either when the gas equipment fails or when a renovation is taking place. The Department of Energy's Federal Energy Management Program performance data heavily encourages conserving energy in homes using time-of-replacement measures given that replacing an appliance at the end of its life cycle is one of the most cost-effective times to install electric heating/cooling systems. Staff continues to monitor changes to the CA Building Code and could propose adjustments to the waiver program after an initial pilot year.

Beyond the primary scope of this project, staff would also increase public access to clean, efficient technologies and improve upon the City's internal permit tracking systems in the implementation process. For example, Sustainability, Planning, and Building staff are collaborating to update permitting tracking software to allow applicants to specify the type of replacement they are receiving permitting for so that the waived fee is verifiable. At this time, the City does not currently implement tracking for heat pump projects within its permit tracking system. If a fee waiver program is established, staff will develop adjustments to permit questions within our current tracking system so that heat pump related projects can be more easily identified as they are processed. Initial discussions with Goleta's Building staff and research into the City's permit management system revealed that about 5-10 permits are processed per year for water heating and space heating/cooling-related projects that could potentially qualify for a heat pump fee waiver, should those units be replaced with an electric heat pump. It is likely that there are unpermitted projects replacing water heaters or HVAC systems within the City. In creating a permit fee waiver program for heat pumps, there could be potential for more work getting the required permits and safety checks.

The City can support electrification projects by eliminating cost barriers and sharing information about the available programs and incentives with the community and operating contractors while also encouraging permitted work. According to the U.S. Department of Energy (DOE), heating a home utilizes more energy and is more cost-intensive than any other system in the home. The DOE's Low Income Affordability Data Tool states that there is a national energy burden on low-income households, meaning that these households spend a larger portion of their income on home energy costs (e.g., electricity, natural gas, propane) than other households. Should the fee waiver program be approved by Council, there are strategies to target equitable outcomes.

Per the Green Committee's request, the proposed permit fee waiver program could seek to relieve the energy burden for low-income households in Goleta. This could be done by potentially utilizing California Public Utilities Commission income qualification programs such as California Alternate Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) to confirm priority for permit fee waiver funding. Under Southern California Edison (SCE), Goleta electricity customers who are income qualifying can apply to either of the CARE or FERA programs which offer discounted monthly energy bills savings. The enrollment rate in the CARE program across Santa Barbara County is 64% for SCE customers as indicated by data calculated by the Low-Income Oversight Board in September of 2022. Both aforementioned programs have outlined post-enrollment verification processes as well as an already established enrolled portion of the local community. A portion of the proposed fee waiver program's reserved amount could be prioritized for applicants that are verified as income qualified; applicants could provide evidence that they are CARE or FERA eligible to be eligible for the priority funds designated to income qualifying applicants. Specific outreach efforts could be allocated towards this portion of the community to ensure that residents who experience poor indoor and outdoor air quality and have their health and lifestyles most impacted by GHG emissions and fossil fuel use may partake in the switch to more efficient and clean energy and are prioritized in doing so at a reduced cost.

In addition to permit fees, the upfront cost for changing from gas to electric appliances can be cost prohibitive for some residents. However, there are tax credits and rebates available to support the transition away from fossil fuels in homes, such as Central Coast Community Energy's (3CE) Electrify Your Home, Go Green Financing, the Energy Savings Assistance Program, and Tri-County Regional Energy Network's (3C-REN) Incentive Finder. Moreover, staff has identified incentives and rebates for heat pump conversions that are available to the public and applicable to Goleta residents (Attachment 1).

Recommendations & Next Steps:

Staff is seeking adoption of a resolution to establish a heat pump permit fee waiver pilot program for time-of-replacement in residential buildings. If approved by Council, Sustainability staff will continue to collaborate with Building, Planning, and Finance staff to implement a heat pump permit fee waiver program.

GOLETA STRATEGIC PLAN:

City-Wide Strategy: 1. Support Environmental Vitality

Strategic Goal:

- 1.1. Strategic Goal: Promote renewable energy, energy conservation and local energy resiliency
 - 1.1.2. Encourage energy conservation through enhanced insulation, LED replacement lighting and similar measures, including at City-owned facilities

FISCAL IMPACTS:

The City currently contracts with Willdan Group, an engineering services company, for its Building & Safety permitting review services. As Willdan is paid in part via a percentage of the permit fees collected for the permits it issues, the City would need to set up a budget to cover the portion of permit fees for heat pump conversions to which Willdan would otherwise be entitled. Projects installing electric heat pumps for water heating would potentially need to apply for both plumbing and electrical permits depending on the pre-existing infrastructure. Heat pumps for space heating would require an electrical and mechanical permit. As many residential projects are anticipated to be conversions from natural gas to electric heat pumps with the availability of incentives and rebates, we can expect that the typical permit cost for a small residential project would be around \$225. If City Council approves, staff recommends setting up a pilot budget of \$10,000 to cover permit fees for heat pump electrification projects for the first year of the program. The budget will be programmed as part of the overall final proposed FY 25/26 budget.

ALTERNATIVES:

The City Council may:

- a.) Choose to not proceed with allocating funds and implementing a heat pump permit fee waiver program at this time
- b.) Expand qualifying building types
- c.) Direct more or less funding to the program
- d.) Expand offerings of a permit fee waiver program and/or look into alternative existing building electrification strategies.

LEGAL REVIEW BY: Isaac Rosen, City Attorney

APPROVED BY: Robert Nisbet, City Manager

ATTACHMENTS:

1. Resolution No. 25-__ entitled "A Resolution of the City Council of the City of Goleta, California, Approving Establishing a Heat Pump Permit Fee Waiver Program"
2. Incentives and Rebates for Building Electrification
3. Presentation

ATTACHMENT 1

Resolution Approving Establishing a Heat Pump Permit Fee Waiver Program

RESOLUTION NO 25-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA, CALIFORNIA, APPROVING ESTABLISHING A HEAT PUMP PERMIT FEE WAIVER PROGRAM

WHEREAS the Goleta City Council adopted the 2024-25 Planning and Environmental Review Annual Work Program, which included developing a Heat Pump Permit Fee Waiver Program to further existing building electrification; and

WHEREAS the City Council Energy and Green Issues Committee recommends the Council approve establishing a heat pump permit fee waiver program; and

WHEREAS scientific evidence has established that greenhouse gas (GHG) accumulation in the atmosphere as the result of human activity is the primary cause of the global climate crisis; and

WHEREAS the climate crisis is happening now, impacting Goleta in unprecedented ways with consequential human, economic, and environmental costs, while affecting the health and safety of the Goleta community; and

WHEREAS, in 2016, the State of California enacted Senate Bill 32 to require GHG emissions be reduced to 40% below 1990 levels by 2030, Governor Brown issued Executive Order B-55-18 in 2018 establishing a statewide target of carbon neutrality by 2045; and

WHEREAS achieving climate goals will require actions to protect the health and welfare of the community; and

WHEREAS the City must accelerate our actions to reduce GHG emissions and more quickly move toward a low-carbon, sustainable, and resilient future; and

WHEREAS, according to the U.S. EPA, space and water heating represent ~80% of GHG emissions in U.S. buildings; and

WHEREAS heat pumps use electricity to transfer heat from one place to another and are much more efficient and climate-friendly than conventional space or water heaters that burn a fossil fuel source, such as natural gas, to generate heat; and

WHEREAS incentivizing the switch to electric heat pumps as a heating and cooling alternative will help further the State and City of Goleta climate policy goals and reduce building sector GHG emissions; and

WHEREAS it is the intent of the City Council to reduce GHG emissions in buildings, thereby reducing the environmental and health hazards produced by the consumption and transportation of fossil fuels.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF GOLETA, AS FOLLOWS:

Section 1. The foregoing recitals are true and correct and incorporated herein by this reference.

Section 2. The City Council approves establishing a heat pump permit fee waiver pilot program, involving the waiver of heat pump permit fees, and approves a budget of \$10,000 for a pilot fund to cover permit fees for heat pump electrification projects for the first year of the program.

Section 3. This Resolution is effective upon its adoption.

PASSED, APPROVED AND ADOPTED this 3rd day of June 2025.

PAULA PEROTTE, MAYOR

ATTEST:

APPROVED AS TO FORM:

DEBORAH S. LOPEZ
CITY CLERK

ISAAC ROSEN
CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH S. LOPEZ, City Clerk of the City of Goleta, California, DO
HEREBY CERTIFY that the foregoing Resolution No. 25-__ was duly adopted by
the City Council of the City of Goleta at a regular meeting held on the 3rd day of
June 2025 by the following vote of the Council:

AYES:

NOES:

ABSENT:

(SEAL)

DEBORAH S. LOPEZ
CITY CLERK

ATTACHMENT 2

Resources for Building Electrification Rebates & Incentives

Resources for Building Electrification Rebates & Incentives

Individual Programs

(Southern California Edison or Community Choice Aggregator Qualifying)

- [Multifamily Energy Savings Program](#) – For properties receiving service from SCE or an affiliated CCA - no-cost and reduced-cost upgrades for lighting, heating and cooling, domestic hot water, building envelope and weatherization, appliances and plug loads, still exploring electrification opportunities
- [DAC-SASH Program](#) approved by CPUC – GRID provides incentives to cover the full cost of solar panels on customer homes and enables customers to save on their bills every month, qualify through [Energy For All Program](#)
- [SCE Building Electrification No Cost Program](#) - replacing natural gas and propane appliances with high-efficiency electric equipment for homeowners
- [Low Income Weatherization Program](#) - Farmworker Housing Component installs no-cost energy efficiency improvements and/or solar PV systems for qualified farmworker households. Multi-Family Energy Efficiency and Renewables Component provides technical assistance and incentives for the installation of energy efficiency measures and solar photovoltaic systems in low-income multi-family dwellings serving priority populations
- [3CE New Construction Electrification Program](#) - provide housing developers and homeowners with incentives to build all-electric housing. Housing projects must be built to all-electric standards for all energy utility needs including but not limited to water heating, space heating, and cooking appliances

Rebates/Incentives

- [3CE Electrify Your Home](#) - \$2000 for heat pump HVAC; \$2000-\$2500 for heat pump water heaters; additional \$2000-\$3000 available for electrical panel upgrades and income qualified customers
- [Energy Star Instant Rebate](#) – \$90 rebate for Energy Star Certified room air conditioner
- [HEEHRA Multifamily Electric Load](#) Service Center – electric panel upgrades
- [HEEHRA Multifamily Appliance](#) Rebate – electric stove, cooktop, range or oven *only for retrofits*

Tax Credits

- [Energy-Efficient New Homes](#) Tax Credit for Home Builders - The federal Energy Policy Act of 2005 established tax credits of up to \$2,000 for builders of all new energy-efficient homes, including manufactured homes constructed in accordance with the Federal Manufactured Homes Construction and Safety Standards. Single Family homes and manufactured that are certified as a zero energy ready home under the Zero Energy Ready Home Program of the U.S. Department of Energy can receive a tax credit of \$5,000
- [Residential Energy Efficiency](#) Tax Credit - Owners of existing homes may receive a tax credit worth 30% of the cost of upgrading the efficiency of the building's envelope, includes things like exterior windows, insulation materials or systems designed to reduce heat loss or gain. Equipment must meet or exceed highest efficiency tier

- [Federal Residential Clean Energy](#) Credit – equals 30% of costs of new, qualified clean energy property for home battery storage
- [Federal Residential Clean Energy](#) Credit – equals 30% of costs of new, qualified clean energy property for home solar electric panels
- [Investment Tax Credit](#)

Local Searches/Engines

[The Switch Is On](#)

[Database of State Incentives for Renewables & Efficiency](#)

Other organizations with offerings:

[Central Coast Community Energy](#)

[CA Energy Smart Homes](#)

ATTACHMENT 3

Presentation

Heat Pump Permit Fee Waiver Program

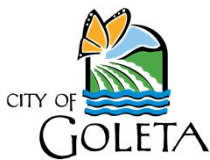
June 3, 2025

Presentation by:
Dana Murray, Sustainability Manager
Angeline Foshay, Sustainability Analyst



Overview

- Green Committee Recommended
- Permit Fee Waiver Program modeled after similar programs at other cities
- Alignment with Energy Performance Reach Code and CA Energy Code to improve energy performance and electric-readiness



Background: Policy Progress

- State of California
 - All-electric buildings to be standard, likely in 2029
 - Heat pumps prioritized in CA 2025 Building Code
- City of Goleta
 - Goleta Strategic Energy Plan
 - Green Committee Recommendation
 - City Council 2024-2025 Annual Work Program



Background: State Guidance

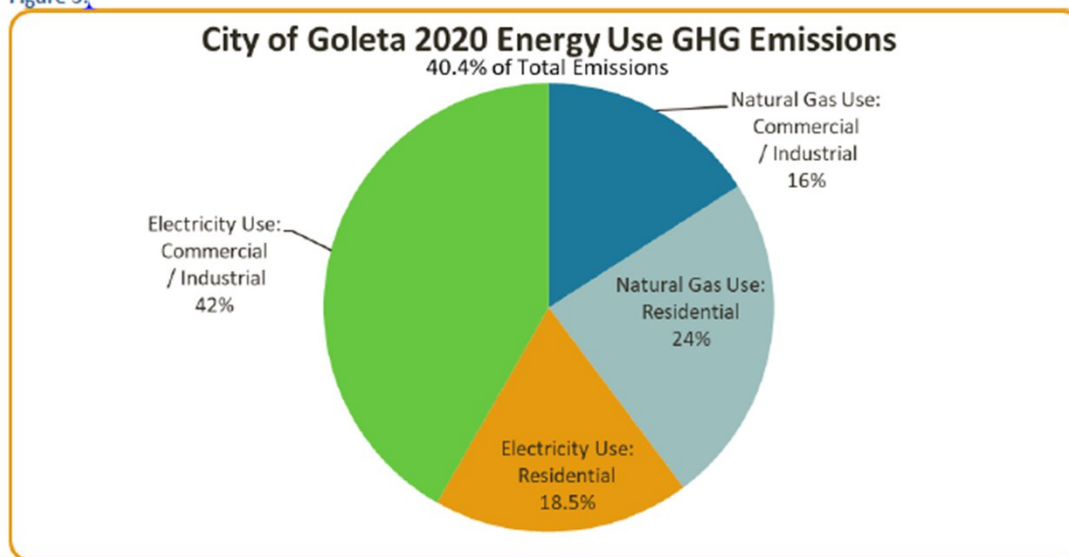
- Decarbonizing building sector essential for GHG emissions reductions
 - Space & water heaters
 - Comprise ~90% of all building-related fossil gas demand
 - Contribute most to GHG and NOx emissions from fossil gas combustion in buildings
- Potential regulations from CARB include a zero-emission appliance requirement by 2030
 - Time of replacement for space or water heater after 2030, required to purchase zero-emission units



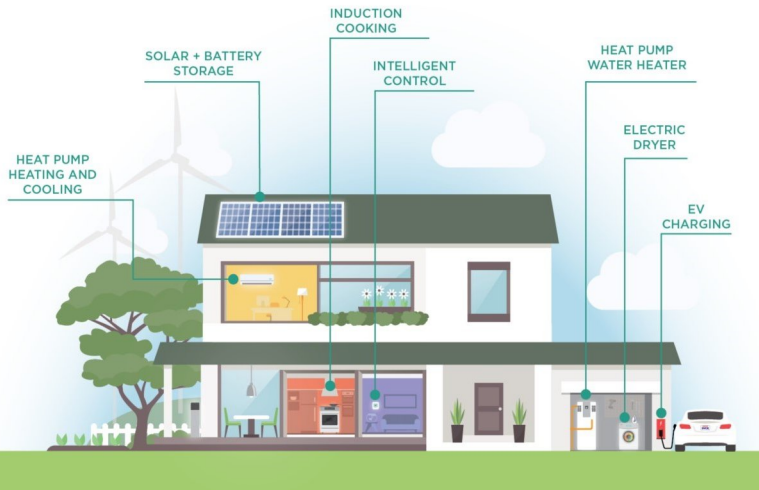
Background: GHG Emissions

- Goleta's energy use (electricity & natural gas) accounted for 40.4% of the community's total emissions in 2020
 - Natural gas use in buildings accounted for 40% of Goleta's energy emissions

Figure 3:



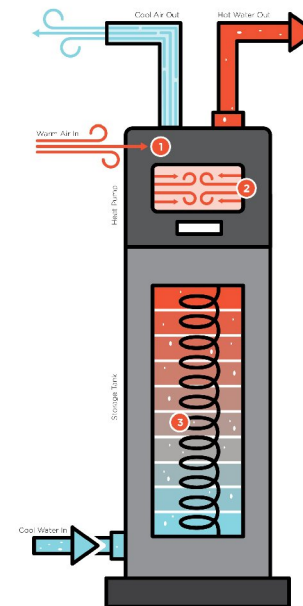
Background: Electrification



- Benefits of heat pumps
 - Reduce GHG emissions & avoid worsening climate change impacts
 - Improve safety and indoor air quality
 - Highly efficient technology
 - Cost effective
- Incentives & rebates for heat pump conversions available
 - 3CE's Electrify Your Home Program
 - CPUC Energy for All Program
- Municipal strategy to incentivize sustainable projects
 - Equitable access to permitting
 - Menlo Park
 - Santa Barbara

Goleta Heat Pump Permit Fee Waiver Program

- When applying for a permit to install an electric heat pump, permit fee would be waived after confirming completion of the project
- Single-family and multi-family residences
- Time of replacement
- Program implementation:
 - Permit Tracking Data with assistance from Building Division
 - Project Volume
 - Permit Review & Program Structure



HOW DO HEAT PUMPS WORK?

By transferring heat rather than creating it, heat pumps deliver hot water **3-4 times more efficiently** than conventional water heaters.

- 1 Heat pump pulls warmth from the air.
- 2 Warm air is compressed, increasing its temperature.
- 3 Condenser coils transfer heat to the water.



Fiscal Analysis of Permit Reviews

- Installation potentially requires 2 permits (plumbing and electrical)
 - Estimated cost per project: typical permit cost for a small residential project ~\$220
- \$3,250 estimated annual cost to cover potentially-qualifying permits
 - ~20 permits per year historically reported by Building and Safety
 - Multiplied by the average cost for those permits at \$220
 - Multiplied by Willdan's 80% share of permit fees
- Menlo Park & Santa Barbara noted increase in permit applications
- Pilot reserve fund of \$10,000 to cover permit fees for the first year of the program



Next Steps

- Program Implementation
- Permit Tracking
- Outreach
- Pilot Year review



Recommendation

- Adopt Resolution No. 25-__ entitled "A Resolution of the City Council of the City of Goleta, California, Approving Establishing a Heat Pump Permit Fee Waiver Program."

