



BOARD OF DIRECTORS
STATIONARY SOURCE COMMITTEE
February 11, 2026

COMMITTEE MEMBERS

KEN CARLSON – CHAIR
DIONNE ADAMS
LYNDA HOPKINS
OTTO LEE
RAY MUELLER
STEVE YOUNG

JOHN GIOIA – VICE CHAIR
DAVID HAUBERT
TYRONE JUE
RICO MEDINA
GABE QUINTO

**MEETING LOCATION(S) FOR IN-PERSON ATTENDANCE BY
COMMITTEE MEMBERS AND MEMBERS OF THE PUBLIC**

**Bay Area Metro Center
1st Floor Yerba Buena
375 Beale Street
San Francisco, CA 94105**

**San Mateo County
Board of Supervisors' Office
5th Floor
500 County Center
Redwood City, CA 94063**

**City of San Bruno
567 El Camino Real, Room 138
San Bruno, CA 94066**

**Office of Contra Costa County
Supervisor John Gioia
Conference Room
11780 San Pablo Ave., Suite D
El Cerrito, CA 94530**

**Pittsburg City Hall
65 Civic Ave., Room, 301A
Pittsburg, CA 94565**

**Office of Santa Clara County
70 W. Hedding St
10th Floor Conference Room
San Jose, CA 95110**

**Office of Alameda County Supervisor
David Haubert
Scott Haggerty House
4501 Pleasanton Avenue
Pleasanton, CA 94566**

THE FOLLOWING STREAMING OPTIONS WILL ALSO BE PROVIDED

These streaming options are provided for convenience only. In the event that streaming connections malfunction for any reason, the Stationary Source Committee reserves the right to conduct the meeting without remote webcast and/or Zoom access.

The public may observe this meeting through the webcast by clicking the link available on the air district's agenda webpage at www.baaqmd.gov/bodagendas.

Members of the public may participate remotely via Zoom at <https://bayareametro.zoom.us/j/85972959872>, or may join Zoom by phone by dialing (669) 900-6833 or (408) 638-0968. The Webinar ID for this meeting is: 859 7295 9872

Public Comment on Agenda Items: The public may comment on each item on the agenda as the item is taken up. Members of the public who wish to speak on a matter on the agenda will have two minutes each to address the Committee on that agenda item, unless a different time limit is established by the Chair. No speaker who has already spoken on an item will be entitled to speak to that item again.

The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the Air District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The Air District is committed to maintaining a workplace free of unlawful harassment and is mindful that Air District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is *per se* disruptive to a meeting and will not be tolerated.

STATIONARY SOURCE COMMITTEE MEETING AGENDA

WEDNESDAY, FEBRUARY 11, 2026

10:00 AM

Chairperson, Ken Carlson

1. **Call to Order - Roll Call**

The Committee Chair shall call the meeting to order and the Clerk of the Boards shall take roll of the Committee members.

2. **Pledge of Allegiance**

CONSENT CALENDAR (Item 3)

The Consent Calendar consists of routine items that may be approved together as a group by one action of the Committee. Any Committee member or member of the public may request that an item be removed and considered separately.

3. **Approval of the Draft Minutes of the Stationary Source Committee Meeting of December 10, 2025**

The Committee will consider approving the Draft Minutes of the Stationary Source Committee Meeting of December 10, 2025.

INFORMATIONAL ITEM(S)

4. **Update on Regulation 9, Rule 6 - Options for Defining Low-Income Qualified for Affordability Amendments**

The Committee will discuss potential amendments to Regulation 9: Inorganic Gaseous Pollutants, Rule 6: Nitrogen Oxides Emissions from Natural Gas-Fired Boilers and Water Heaters (Rule 9-6). Air District staff will present information about options for defining low-income qualified exemptions. In October 2025, Air District staff released a draft Concepts Paper for public comment including information on affordability considerations for small water heaters that are currently subject to the January 1, 2027, zero NOx emissions standard. The Committee discussed the concepts in December 2025, with a request for staff to consider further definitions for low-income. The Committee will discuss varying definitions of low-income, housing cost burden and available incentive programs in consideration of potential options for future amendments to address

affordability and equity concerns. This item will be presented by Amy Dao, Acting Advanced Projects Advisor in the Planning and Climate Protection Division.

5. Update on Policy Development for Socioeconomic Analyses in Air District Rulemaking

The Committee will discuss policy development work for socioeconomic impact analyses conducted for Air District rulemaking, including statutory requirements and potential for changes in impact analysis, and opportunities for expanding socioeconomic impact analyses. This item will be presented by Leonid Bak, Economist/Senior Advanced Projects Advisor in the Regulatory Development Division.

OTHER BUSINESS

6. Public Comment on Non-Agenda Matters

Pursuant to Government Code Section 54954.3, members of the public who wish to speak on matters not on the agenda will be given an opportunity to address the Committee. Members of the public will have two minutes each to address the Committee, unless a different time limit is established by the Chair. The Committee welcomes comments, including criticism, about the policies, procedures, programs, or services of the Air District, or of the acts or omissions of the Committee. Speakers shall not use threatening, profane, or abusive language which disrupts, disturbs, or otherwise impedes the orderly conduct of a Committee meeting. The Air District is committed to maintaining a workplace free of unlawful harassment and is mindful that Air District staff regularly attend Committee meetings. Discriminatory statements or conduct that would potentially violate the Fair Employment and Housing Act – i.e., statements or conduct that is hostile, intimidating, oppressive, or abusive – is per se disruptive to a meeting and will not be tolerated.

7. Committee Member Comments

Any member of the Committee, or its staff, on their own initiative or in response to questions posed by the public, may: ask a question for clarification, make a brief announcement or report on their own activities, provide a reference to staff regarding factual information, request staff to report back at a subsequent meeting concerning any matter or take action to direct staff to place a matter of business on a future agenda. (Gov't Code § 54954.2)

8. Time and Place of Next Meeting

Wednesday, March 11, 2026, at 10:00 a.m. The meeting will be held in-person at the Bay Area Metro Center and at satellite locations as may be specified on the meeting agenda using a remote teleconferencing link. Members of the Stationary Source Committee and the public may attend at any of those in-person locations, and members of the public may also attend virtually via webcast.

9. Adjournment

The Committee meeting shall be adjourned by the Chair.

CONTACT:

MANAGER, EXECUTIVE OPERATIONS
375 BEALE STREET, SAN FRANCISCO, CA 94105
vjohnson@baaqmd.gov

(415) 749-4941
FAX: (415) 928-8560
Air District homepage:
www.baaqmd.gov

- Any writing relating to an open session item on this Agenda that is distributed to all, or a majority of all, members of the body less than 72 hours before the meeting shall be made available at the Air District's offices at 375 Beale Street, Suite 600, San Francisco, CA 94105, at the time such writing is made available to all, or a majority of all, members of that body.

Accessibility and Non-Discrimination Policy

The Bay Area Air District (Air District) does not discriminate on the basis of race, national origin, ethnic group identification, ancestry, religion, age, sex, sexual orientation, gender identity, gender expression, color, genetic information, medical condition, or mental or physical disability, or any other attribute or belief protected by law.

It is the Air District's policy to provide fair and equal access to the benefits of a program or activity administered by Air District. The Air District will not tolerate discrimination against any person(s) seeking to participate in, or receive the benefits of, any program or activity offered or conducted by the Air District. Members of the public who believe they or others were unlawfully denied full and equal access to an Air District program or activity may file a discrimination complaint under this policy. This non-discrimination policy also applies to other people or entities affiliated with Air District, including contractors or grantees that the Air District utilizes to provide benefits and services to members of the public.

Auxiliary aids and services including, for example, qualified interpreters and/or listening devices, to individuals who are deaf or hard of hearing, and to other individuals as necessary to ensure effective communication or an equal opportunity to participate fully in the benefits, activities, programs and services will be provided by the Air District in a timely manner and in such a way as to protect the privacy and independence of the individual. Please contact the Non-Discrimination Coordinator identified below at least three days in advance of a meeting so that arrangements can be made accordingly.

If you believe discrimination has occurred with respect to an Air District program or activity, you may contact the Non-Discrimination Coordinator identified below or visit our website at www.baaqmd.gov/accessibility to learn how and where to file a complaint of discrimination.

Questions regarding this Policy should be directed to the Air District's Non-Discrimination Coordinator, Diana Ruiz, Acting Environmental Justice and Community Engagement Officer at (415) 749-8840 or by email at druiz@baaqmd.gov.

**BAY AREA AIR DISTRICT
375 BEALE STREET, SAN FRANCISCO, CA 94105
FOR QUESTIONS PLEASE CALL (415) 749-4941**

**EXECUTIVE OFFICE:
MONTHLY CALENDAR OF AIR DISTRICT MEETINGS**

FEBRUARY 2026

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Stationary Source Committee	Wednesday	11	10:00 a.m.	1 st Floor, Yerba Buena Room
Board of Directors Community Equity, Health, and Justice Committee	Wednesday	11	1:00 p.m.	1 st Floor, Yerba Buena Room
Board of Directors Policy, Grants and Technology Committee	Wednesday	18	10:00 a.m.	1 st Floor Board Room
Board of Directors Finance and Administration Committee	Wednesday	18	1:00 p.m.	1 st Floor Board Room

MARCH 2026

<u>TYPE OF MEETING</u>	<u>DAY</u>	<u>DATE</u>	<u>TIME</u>	<u>ROOM</u>
Board of Directors Meeting	Wednesday	4	10:00 a.m.	1 st Floor Board Room
Board of Directors Stationary Source Committee	Wednesday	11	10:00 a.m.	1 st Floor, Yerba Buena Room
Board of Directors Community Equity, Health, and Justice Committee	Wednesday	11	1:00 p.m.	1 st Floor, Yerba Buena Room
Board of Directors Policy, Grants and Technology Committee	Wednesday	18	10:00 a.m.	1 st Floor Board Room
Board of Directors Finance and Administration Committee	Wednesday	18	1:00 p.m.	1 st Floor Board Room
Community Advisory Council Meeting	Thursday	19	6:00 p.m.	Juntos Fruitvale 3357 International Boulevard Oakland, CA 94601

BAY AREA AIR DISTRICT
Memorandum

To: Chairperson Ken Carlson and Members
of the Stationary Source Committee

From: Philip M. Fine
Executive Officer/APCO

Date: February 11, 2026

Re: Approval of the Draft Minutes of the Stationary Source Committee Meeting of
December 10, 2025

RECOMMENDED ACTION

Approve the Draft Minutes of the Stationary Source Committee Meeting of December 10, 2025.

BACKGROUND

None.

DISCUSSION

Attached for your review and approval are the Draft Minutes of the Stationary Source Committee Meeting of December 10, 2025.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Marcy Hiratzka
Reviewed by: Vanessa Johnson

ATTACHMENT(S):

1. Draft Minutes of the Stationary Source Committee Meeting of December 10, 2025

Bay Area Air Quality Management District
375 Beale Steet, Suite 600
San Francisco, CA 94105

Stationary Source Committee Meeting

Wednesday, December 10, 2025

DRAFT MINUTES

This meeting was webcast, and a video recording is available on the website of the Bay Area Air Quality Management District at www.baaqmd.gov/bodagendas

CALL TO ORDER

1. **Opening Comments:** Stationary Source Committee (Committee) Chairperson, Ken Carlson, called the meeting to order at 10:00 a.m.

Roll Call:

Present, In-Person (Bay Area Metro Center, 1st Floor Yerba Buena Room, 375 Beale Street, San Francisco, CA 94105): Chairperson Ken Carlson; and Directors Brian Colbert and Rico E. Medina.

Present, In-Person Satellite Location: (Office of Contra Costa County Supervisor John Gioia Conference Room 11780 San Pablo Ave., Suite D El Cerrito, CA 94530): Directors John Gioia; Gabe Quinto; and Steve Young.

Present, In-Person Satellite Location: (Santa Rosa Junior College Campus Doyle Library, Room 148 1501 Mendocino Ave. Santa Rosa, CA 95401): Vice Chairperson Lynda Hopkins.

Present, In-Person Satellite Location: (Alameda County, Board of Supervisors District 3, 101 Callan Ave., Suite 103, San Leandro, CA 94577): Director Lena Tam.

Absent: Directors Dionne Adams.

2. **PLEDGE OF ALLEGIANCE**

CONSENT CALENDAR

3. APPROVAL OF THE DRAFT MINUTES OF THE STATIONARY SOURCE COMMITTEE MEETING OF NOVEMBER 12, 2025

Public Comments

No requests received.

Committee Comments

None.

Committee Action

Director Medina made a motion, seconded by Director Quinto, to **approve** the Draft Minutes of the Stationary Source Committee meeting of November 12, 2025; and the motion **carried** by the following vote of the Committee:

- AYES: Carlson, Gioia, Hopkins, Medina, Quinto, Tam, Young.
- NOES: None.
- ABSTAIN: None.
- ABSENT: Adams, Colbert.

INFORMATIONAL ITEMS

4. UPDATE ON COMMENTS ON REGULATION 11, RULE 18 - REDUCTION OF RISK FROM AIR TOXIC EMISSIONS AT EXISTING FACILITIES

Gregory Nudd, Deputy Executive Officer of Policy, provided an update (no formal presentation) on public comments received by the Air District, regarding Regulation 11, Rule 18 - Reduction of Risk from Air Toxic Emissions at Existing Facilities. Mr. Nudd said that at the November 12, 2025, Stationary Source Committee meeting, Air District staff provided an update on Rule 11-18. Currently, staff is working on a streamlining package that is meant to accelerate implementation and installation of control devices. Air District staff had characterized comments that had been received, and found out, after November 12, 2025, that one of the comments was not seen in time because it was sitting in a spam folder in Microsoft. To complete the record, Mr. Nudd summarized those unseen comments for the Stationary Sources Committee’s awareness.

The comments were from Communities for a Better Environment (CBE), and the comments explained the following:

- CBE opposes facility-prepared Health Risk Assessments (HRA) and instead recommends that the Air District hires third-party vendors to conduct the HRAs.
- CBE requests an additional comment period on the final HRA, if there are substantial changes after the comment period on the preliminary HRA.

- CBE requests additional details on limits to Risk Reduction Program submission extensions and the requirements for interim risk reduction goals in the risk reduction plans.
- CBE proposes the inclusion of non-routine emissions in emissions inventory for the HRA.
- With respect to the Dispute Resolution Panel (DRP), CBE requests that risk reduction measures not be delayed by the DRP proceedings, and that those proceedings be transparent and include the opportunity to provide public comments along with the Air District responses.

Mr. Nudd concluded by stating that Air District staff are reviewing these comments in consideration of a future Board action in 2026.

Public Comments

Public comments were given by Kaitlin Alconitn, CBE; Kevin Buchan, Western States Petroleum Association (WSPA); and Kathy Kerridge, Benicia resident.

Committee Comments

The Committee and Air District staff discussed the importance of considering CBE's comments prior to Board action, as CBE's 2023 lawsuit alleged that the Air District did not provide sufficient community participation in the Rule 11-18's implementation; and whether permitted facilities should be allowed to conduct their own Health Risk Assessments.

Committee Action

No action taken.

5. UPDATE ON REGULATION 9, RULE 6 - CONSIDERATION OF CONCEPTS FOR AFFORDABILITY AND AVAILABILITY AMENDMENTS

Jennifer Lam, Rules and Strategic Policy Division Manager, gave the staff presentation *Rule 9-6: Consideration of Concepts for Affordability and Availability Amendments*, including: outline; building Nitrogen Oxides (NOx) emissions overview; health benefits overview; upcoming implementation timelines; overview of the concept paper; flexibility concepts: smallest units; flexibility concepts: project constraints; flexibility concepts: emergencies; flexibility concepts: income qualification; potential impacts from the concepts; public comment summary; next steps; considerations for discussion; additional steps; questions & discussion.

NOTED PRESENT: Director Colbert was noted present at 10:21 a.m.

Public Comments

Public comments were given by Dr. Rachel Gottlieb, Climate Health Now; Dr. Robert Gould, San Francisco Bay Physicians for Social Responsibility; Dr. Marjorie Chen, San Francisco Bay Physicians for Social Responsibility; Dr. Ann Harvey; San Francisco Bay Physicians for Social Responsibility; Sam Fishman, San Francisco Planning and Urban Research

Association; Bhima Sheridan, District Homes; Dr. Mary Williams, San Francisco Bay Physicians for Social Responsibility; John McKenna, Menlo Park resident; Hon. Igor Tregub, City of Berkeley; Susan Green, San Francisco Climate Emergency Coalition; Bill Olsen, Alamo resident; Fariya Ali, Pacific Gas & Electric; Mary Dateo, Mountain View resident; Gerard Manning; Brian Schmidt, Menlo Spark; Nick Despota, Richmond resident; Fernando Gaytan, Earthjustice; Angela Evans, Menlo Spark; Heather Bromfield, Enterprise Community Partners; Bruce Hodge, Carbon Free Palo Alto; Jocelyn Anaya, Menlo Spark; Linh Dan Do, Menlo Park resident; Dr. Wendy Bernstein; Melissa Yu, Sierra Club; David Moller, Marin Electrification Council; Colleen Corrigan, Oakland resident; Mayna Yung, Business and Housing Network; Jed Holtzman, Rocky Mountain Institute; Tony Sirna, Evergreen Action; Dr. Julie Lindow, San Francisco Bay Physicians for Social Responsibility; Heather McCloud, Oakland resident; Dr. Stephen Rosenblum, Climate Action California; Rod Sinks, Cupertino resident; David Stark, Bay East Association of Realtors; Lucinda Young, Albany resident; Alma; Alejandro; Kathy Battat; Peter Belden, San Francisco resident; Lisa Jackson, 350 Contra Costa Action; Connie Miller, Santa Clara County resident; Andy McNamara, Carbon Zero Buildings; Robert Mayo, Mountain View resident; Dr. Bret Andrews, San Francisco Bay Physicians for Social Responsibility; Wynn Tucker, Green and Healthy Homes Initiative; Ilona Clark, Richmond resident; Michael Corbett, Bradford White; Melvin Willis, Alliance of Californians for Community Empowerment Institute; Lynda Amen, Napa resident; Sven Thesen, National Charging Access Coalition; Lisa Badenfort, North Bay Association of Realtors; Kathy Kerridge, Benicia resident; Daniela Suarez, Local Clean Energy Alliance; Bruce Naegel, Mountain View resident; Charlie Boyd; Wendy Chou, San Mateo resident; Debbie Mytels; Tom Kabat, Menlo Park resident; Cherlyn W, 350 Silicon Valley; Joanna Falla, Palo Alto resident; Dennis Murphy, Acterra; Ann Brown, Tri-Valley Air Quality Climate Alliance; and Christina B, Richmond resident.

Committee Comments

The Committee and Air District staff discussed the dollar amounts for income-qualified property owners, and whether to establish different income level thresholds by county; the average cost of upgrading a home's electric panels; concerns regarding the potential misuse of exemptions; the maximum duration that emergency replacement stock may be temporarily installed; whether a socioeconomic impact analysis policy will have been created by February 2026 to ensure that equity is being considered; Marin Clean Energy's Heat Pump Water Heater Program; the average upfront incremental cost before incentives to install a new heat pump water heater, and the comparison of that estimate to costs estimated by the South Coast Air Quality Management District; total versus incremental costs; whether the Air District has received threats of federal legal action which may delay implementation; whether the Air District will offer a rebate program; the request for median income by the number of people in a household; whether the Air District plans to phase out the exemption process over time; the need for consistent implementation messaging for contractors (large and small businesses); whether the Air District will provide the public with an online landing page with Frequently Asked Questions; the importance of speaking with property owners, especially of multi-unit housing, who have completed electrical conversions, to discover friction points, prior to the next Board action on Rule 9-6; outreach efforts to all stakeholders; the suggestion of creating an entity to act as the sole clearinghouse where stakeholders can get assistance with resources, exemptions, and rebates within local jurisdictions; setting an end date by looking at technology development; the need to consider the current affordability crisis in the Bay

Area, with rising housing costs and foreclosures increasing in some high-risk areas, when developing this rule; concerns that some people may have oversimplified the process and overestimated the costs; the desire to elevate this conversation at the State level for incentives; the request for data on the top poverty level related to area median income to analyze how that overlies with Assembly Bill 617 and other overburdened communities; and the desire to see implementation begin within the next 12 months.

Committee Action

No action taken.

OTHER BUSINESS

6. PUBLIC COMMENT ON NON-AGENDA MATTERS

No requests received.

7. COMMITTEE MEMBER COMMENTS

The Committee wished everyone Happy Holidays.

8. TIME AND PLACE OF NEXT MEETING

Wednesday, February 11, 2026, at 10:00 a.m. The meeting will be held in-person at the Bay Area Metro Center and at satellite locations as may be specified on the meeting agenda using a remote teleconferencing link. Members of the Stationary Source Committee and the public may attend at any of those in-person locations, and members of the public may also attend virtually via webcast.

9. ADJOURNMENT

The meeting was adjourned at 1:04 p.m.

Marcy Hiratzka
Clerk of the Board

BAY AREA AIR DISTRICT
Memorandum

To: Chairperson Ken Carlson and Members
of the Stationary Source Committee

From: Philip M. Fine
Executive Officer/APCO

Date: February 11, 2026

Re: Update on Regulation 9, Rule 6 - Options for Defining Low-Income Qualified
for Affordability Amendments

RECOMMENDED ACTION

None; the Committee will discuss this item, but no action is requested at this time.

BACKGROUND

In March 2023, the Air District Board of Directors adopted amendments to Regulation 9, Rule 4 and Regulation 9, Rule 6 (“building appliance rules”), which included zero nitrogen oxides (NO_x) emissions standards starting in 2027, 2029, and 2031 depending upon the appliance type and size. The amendments to Rules 9-4 and 9-6 are projected to result in substantial health benefits to Bay Area residents as NO_x from buildings are a significant source of emissions.

In December 2024, Air District staff presented an update to the Board of Directors to convey current understanding of the implementation readiness of the zero NO_x building appliances rules. The information presented in this report was gathered through significant stakeholder engagement and was focused on the January 1, 2027 compliance date for the requirement in Rule 9-6 for water heaters less than 75,000 BTU/hr (British thermal units per hour). This presentation concluded that while significant progress has been made toward successful implementation of Rule 9-6, Air District staff see benefits in further amending the rule to provide increased flexibility in areas where challenges remain.

In April 2025, the Committee discussed potential pathways for amendments to Rule 9-6 to address remaining implementation challenges. In October 2025, Air District staff released a draft Concepts Paper outlining specific potential exemptions that were discussed by the Committee in December 2025. The Committee also discussed summaries of the public comment received. The Committee requested further information on low-income definitions and incentive programs.

DISCUSSION

On October 24, 2025, Air District staff released for public comment a Concepts Paper addressing Rule 9-6 affordability and availability concerns. The paper provided Air District staff's thinking on limited exemptions to address concerns discussed in the December 2024 report for small water heaters. These included:

- Exemption for water heaters less than 35 gallons
- Limited certified exemptions for project constraints including:
 - High heat demands
 - Emergency replacements
 - Hydronic systems
 - Electrical constraints and space constraints.
- Certified exemptions for applicants including low-income building owners

The Concept Paper defined low-income as participants in low-income programs including California Alternate Rates for Energy (CARE), Family Electric Rate Assistance Program (FERA), food stamps, etc., that generally utilize the 250 percent Federal Poverty Guidelines (FPG).

FPG is the same for all 48 contiguous states (see Table 1 in attachment). FPG's purpose is to determine eligibility for federal programs such as Medicaid, food stamps, Family Electric Rate Assistance (FERA), and more. FPG varies with household size, for example 250 percent FPG for a two- and four-person household are \$52,875 and \$80,375, respectively.

Similarly, Area Median Income (AMI) also varies with household size but is based on local, often county-level, median income, meaning that half of that population's income will be above and below the midpoint (see Table 2 and 3 in attachment). AMI's purpose is to determine eligibility for housing assistance programs. Fifty percent AMI is considered very low income and is often relatively close with 250 percent FPG; 50 percent AMI for four-person households ranges in the Bay Area from \$56,300 to \$90,650. However, AMI is not consistently higher or lower than FPG; Alameda and Contra Costa counties show for two-person households that 50 percent AMI is slightly higher than 250 percent FPG, but for four-person households 50 percent AMI is lower than 250 percent FPG.

Eighty percent AMI is significantly higher than both 50 percent AMI and 250 percent FPG. In the Bay Area, 80 percent AMI for 4-person households ranges from \$90,080 to \$145,040.

Given the high cost of living in the Bay Area is often driven by housing costs, an additional important consideration is the relationship between housing cost and income. For example, if housing costs (mortgage, taxes, insurance, and utilities) are 35 percent or more of household income, that household is considered housing cost burdened. Similarly, traditional mortgage lenders use a 28 percent gross income threshold (based

on mortgage, taxes and insurance) when evaluating appropriate levels of housing cost to income.

Given the ranges of low-income definitions and housing affordability considerations, Air District staff proposes two options for consideration.

Option A would be to add a low-income exemption based on mortgage and taxes relative to income, to compliment the previously proposed pathway of participation in a low-income program utilizing 250 percent FPG. This concept would provide an additional pathway for homeowners to qualify based on mortgage and taxes relative to income and would be set at 28 percent of gross income which is similar to traditional mortgage lending practices. Staff are not recommending using housing cost burden because in addition to mortgage and taxes, cost burden includes insurance and utilities (water/sewer, gas, electricity and trash). As many utility bills can significantly vary seasonally and annually, and are also dependent upon consumer behavior, it is more appropriate and customer friendly to define this additional exemption pathway based on core housing costs, that is, mortgage and taxes. Option B would be to have a single pathway based on 80 percent AMI.

An overview of currently available and upcoming programs that fund heat pump water heaters will be presented. Multiple programs from federal, state, PG&E (Pacific Gas & Electric) and local funding sources currently exist or are slated to come online within the next year. However, these programs geographically do not align precisely with the Bay Area (being available to northern California, PG&E (service territory, or limited cities) and fund multiple measures (induction stoves; electric panels; energy efficiency, etc.). Annualized, these programs are estimated to provide approximately \$38 million per year, while annual need for funds to cover incremental cost of zero NOx water heaters for low-income homeowners ranges between \$49 and \$83 million.

Finally, next steps will be discussed including Air District staff developing draft amendment language and presenting detailed regulatory concepts to the full Board of Directors in May 2026. Air District staff intend to bring the proposed amendments to the Board of Directors for consideration and potential adoption in 2026, ahead of the 2027 implementation date currently in Rule 9-6.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Amy Dao
Reviewed by: Wendy Goodfriend

ATTACHMENT(S):

1. Low-Income Definitions and Ranges by Household Tables
2. Owner-Occupied Household Data and Estimated Exemptions
3. Currently Available and Upcoming Incentives for Heat Pump Water Heaters
4. Rule 9-6 Options for Defining Low Income Qualified for Affordability Amendments Presentation

Low-Income Definitions and Ranges by Household

Table 1. 250% Federal Poverty Guidelines (FPG)ⁱ

Household size	Annual Income Maximum
1	\$ 39,125
2	\$52,875
3	\$ 66,625
4	\$80,375

Table 2. 50% Area Median Income (AMI) by Bay Area Countyⁱⁱ

Household size	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma
1	\$51,775	\$51,775	\$61,250	\$ 45,350	\$ 61,250	\$ 61,250	\$ 63,450	\$ 39,400	\$ 44,825
2	\$59,150	\$59,150	\$70,000	\$ 51,850	\$70,000	\$70,000	\$72,525	\$45,050	\$51,250
3	\$66,550	\$66,550	\$78,750	\$58,325	\$78,750	\$78,750	\$81,575	\$50,675	\$57,650
4	\$73,950	\$73,950	\$87,500	\$64,800	\$87,500	\$87,500	\$90,650	\$56,300	\$64,050

Table 3. 80% Area Median Income (AMI) by Bay Area Countyⁱⁱⁱ

Household size	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma
1	\$82,840	\$82,840	\$98,000	\$72,560	\$98,000	\$98,000	\$101,520	\$63,040	\$71,720
2	\$94,640	\$94,640	\$112,000	\$82,960	\$112,000	\$112,000	\$116,040	\$72,080	\$82,000
3	\$106,480	\$106,480	\$126,000	\$93,320	\$126,000	\$126,000	\$130,520	\$81,080	\$92,240
4	\$118,320	\$118,320	\$140,000	\$103,680	\$140,000	\$140,000	\$145,040	\$90,080	\$102,480

ⁱ U.S. Department of Health and Human Services. "2025 Poverty Guidelines: 48 Contiguous States" [detailed-guidelines-2025.pdf](#)

ⁱⁱ U.S. Census Bureau, U.S. Department of Commerce. "Tenure by Household Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars)." American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B25118, [https://data.census.gov/table/ACSDT5Y2023.B25118?q=California+Income+and+Poverty&t=Owner/Renter+\(Householder\)+Characteristics&g=050XX00US06001,06013,06041,06055,06075,06081,06085,06095,06097&y=2023](https://data.census.gov/table/ACSDT5Y2023.B25118?q=California+Income+and+Poverty&t=Owner/Renter+(Householder)+Characteristics&g=050XX00US06001,06013,06041,06055,06075,06081,06085,06095,06097&y=2023). Accessed on 9 Dec 2025.

ⁱⁱⁱ *ibid*

Owner-Occupied Household Data and Potential Exemption Estimates

Table 4. Estimate of Owner-Occupied Households under 80% Area Median Income (AMI)* by countyⁱ (Option B)

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano**	Sonoma**
Total Households, all incomes, incl. Renters	593,117	411,662	103,201	49,663	362,650	264,424	654,467	109,060	161,923
# Owner-Occupied Households ≤80% AMI*	107,220	104,403	24,694	12,331	54,462	56,785	129,826	23,625	40,550
% Owner-Occupied Households ≤80%AMI*	18.1%	25.4%	23.9%	24.8%	15.0%	21.5%	19.8%	21.7%	25.0%

**80% AMI: utilizing 4-person household income threshold. Note that number signifies total households in the Bay Area earning under the income threshold, but number of actual persons in each household is unknown.*

***includes fractions of county households within Bay Area Air District's jurisdiction (0.7 for Solano and 0.85 for Sonoma).ⁱⁱ*

Table 5. Estimate of Owner-Occupied Households under 250% FPG* by countyⁱⁱⁱ

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano**	Sonoma**
Total Households, all incomes, incl. Renters**	593,117	411,662	103,201	49,663	362,650	264,424	654,467	109,060	161,923
# Owner-Occupied Households ≤250% FPG*	69,273	65,263	13,965	9,548	30,716	30,807	66,688	20,377	30,092
% Owner-Occupied Households ≤250% FPG of Total Households, all incomes, incl. Renters**	11.7%	15.9%	13.5%	19.2%	8.5%	11.7%	10.2%	18.7%	18.6%

**250% FPG: utilizing 4-person household income threshold. Note that number signifies total households in the Bay Area earning under the income threshold, but number of actual persons in each household is unknown.*

***includes fractions of county households within Bay Area Air District's jurisdiction (0.7 for Solano and 0.85 for Sonoma).*

Table 6. Housing Cost Burdened (HCB) Owner-Occupied Households, all income levels, by county^{iv}**

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano**	Sonoma**
Total Households, incl. renters	593,117	411,662	103,201	49,663	362,650	264,424	654,467	109,060	161,923
# HCB** Owner Occupied Households	70,735	64,879	17,487	7,997	32,502	35,558	73,855	15,791	25,322
%HCB** Owner-Occupied Households of Total Households, incl. renters	11.9%	15.8%	16.9%	16.1%	9.0%	13.4%	11.3%	14.5%	15.6%

***Housing Cost Burdened (HCB): household paying $\geq 35\%$ income to housing costs, including mortgage, taxes, insurance and utilities.*

***includes fractions of county households within Bay Area Air District's jurisdiction (0.7 for Solano and 0.85 for Sonoma).*

Table 7. Estimated Exemptions from Housing Cost Burdened (HCB)* and 250% FPG Owner-Occupied Households^v (Option A)**

	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano***	Sonoma***
HCB* Owner-Occupied Households	70,735	64,879	17,487	7,997	32,502	35,558	73,855	15,791	25,322
Owner-Occupied Households ≤250% FPG**	69,273	65,263	13,965	9,548	30,716	30,807	66,688	20,377	30,092
HCB* Owner-Occupied Households ≤250% FPG**	(40,450)	(38,542)	(8,956)	(5,169)	(17,352)	(18,563)	(37,755)	(10,992)	(16,703)
Combined Net Total (CNT)	99,558	91,600	22,496	12,376	45,866	47,802	102,788	25,176	38,711
CNT % of Total Households, incl. renters	17%	22%	22%	25%	13%	18%	16%	23%	24%

**HCB: household paying ≥35% income to housing costs, including mortgage, taxes, insurance and utilities.*

***250% FPG: utilizing 4-person household income threshold. Note that number signifies total households in the Bay Area earning under the income threshold, but number of actual persons in each household is unknown.*

****includes fractions of county households within Bay Area Air District's jurisdiction (0.7 for Solano and 0.85 for Sonoma).*

ⁱ California Department of Housing and Community Development. "State Income Limits." [Income Limits 2023](#)

ⁱⁱ Association of Bay Area Governments (ABAG). Plan Bay Area 2050. <https://planbayarea.org/>

ⁱⁱⁱ calculated based on U.S. Census Bureau, U.S. Department of Commerce. "Tenure by Household Income in the Past 12 Months (in 2023 Inflation-Adjusted Dollars)." American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B25118, [https://data.census.gov/table/ACSDT5Y2023.B25118?q=California+Income+and+Poverty&t=Owner/Renter+\(Householder\)+Characteristics&g=050XX00US06001,06013,06041,06055,06075,06081,06085,06095,06097&y=2023](https://data.census.gov/table/ACSDT5Y2023.B25118?q=California+Income+and+Poverty&t=Owner/Renter+(Householder)+Characteristics&g=050XX00US06001,06013,06041,06055,06075,06081,06085,06095,06097&y=2023). Accessed on 9 Dec 2025.

^{iv} U.S. Census Bureau, U.S. Department of Commerce. "Household Income by Selected Monthly Owner Costs as a Percentage of Household Income in the Past 12 Months." American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B25095, https://data.census.gov/table/ACSDT5Y2023.B25095?q=ZCTA5+02131+Business+and+Economy&t=Income+and+Poverty&g=040XX00US06_050XX00US06001,06013,06041,06055,06075,06081,06085,06095,06097. Accessed on 8 Jan 2026.

^v *ibid.*

Currently Available and Upcoming Incentives for Heat Pump Water Heaters

Program Name	Description	Geographic scope	Budget Year(s)
Equitable Building Decarbonization Program	Direct Install; multiple electrification measures	Northern CA	2026-2029
Home Electrification and Appliance Rebates (HEEHRA)	Direct Install; multiple measures	Northern CA	2025-2026, with potential for funding in future years
Home Efficiency Rebates (HOMES)	Whole home energy efficiency savings	Northern CA	2026-2032
Energy Savings Assistance Program - Main (Single-Family and Multi-Family)	Weatherization and energy efficiency	PG&E Service Territory	2021-2026; then interim year; then new 5-year cycle
Golden State Rebates	thermostats; room AC; HPWHs; gas tank WHs	PG&E Service Territory	unknown
SB 1221	Electrification of all end uses; minimum 30 neighborhood wide pilots statewide	PG&E Service Territory	through 2029
Peninsula Clean Energy (PCE) incentives	HPWH rebate: \$2,500 for replacing gas water heater; \$3,500 for CARE/FERA customers. \$1,000 for electrical panel	PCE customers in San Mateo County	2025-2029
Silicon Valley Clean Power (SVCE) incentives	HPWH, HP HVAC, cooking, rewiring, and panel upgrades	SVCE customers in Campbell, Cupertino, Gilroy, Los Altos, Los Altos Hills, Los Gatos, Milpitas, Monte Sereno, Morgan Hill,	2022-2026

Program Name	Description	Geographic scope	Budget Year(s)
		Mountain View, Saratoga, Sunnyvale, Unincorporated Santa Clara County	
San Jose Clean Energy (SJCE) incentives	\$3,000 and \$2,500 for HPWH, HPHVAC	SJCE customers in San Jose	unknown
Marin Clean Energy (MCE) Emergency Water Heater Incentive	\$1,500 for heat pump water heater (HPWH) installation.	MCE customers in Contra Costa, Marin, Napa, Solano [counties].	unknown
Alameda Municipal Power incentives	\$1,5000 HPWH rebate	City of Alameda	2026
City of Palo Alto Utilities incentives	\$3500 for HPWH	Palo Alto	unknown
CleanPowerSF Water Heater Upgrade Program	up to \$1,200 in monthly bill credits (~\$50/month for two years) for switching to a HPWH, with extra benefits for CARE/FERA customers for up to three years	CleanPowerSF customers in San Francisco county	unknown



Rule 9-6: Options for Defining Low-Income Qualified for Affordability Amendments

Stationary Source Committee

February 11, 2026

Amy Dao

Acting Advanced Projects Advisor

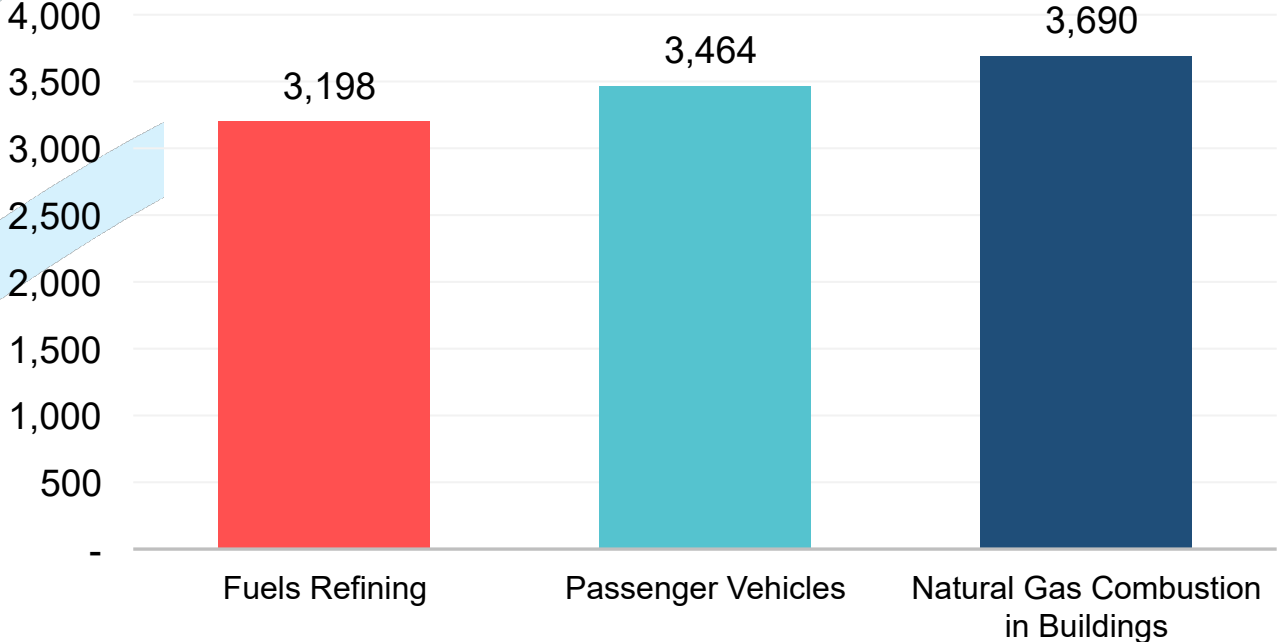
Planning and Climate Protection Division

Presentation Outline

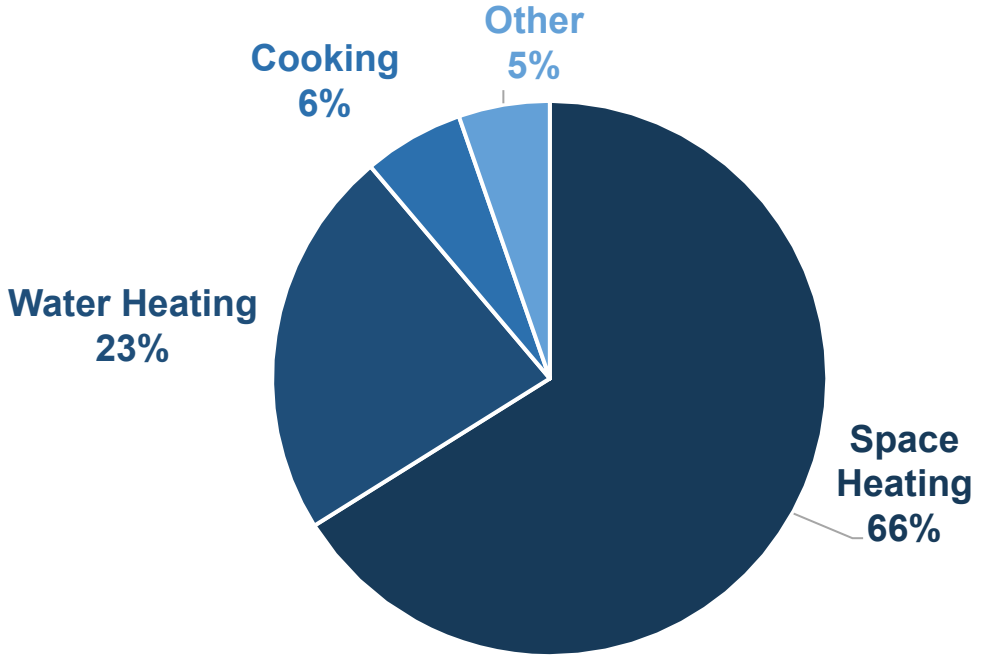
- General Background on Rules 9-4 and 9-6
- Overview of Draft Flexibility Concepts and Stationary Source Committee Request to Further Consider Low-Income Exemptions
- Low-Income, Owner-Occupied and Housing Affordability Data
- Low-Income Funding Needs and Incentives Gap
- Updated Draft Low-Income Flexibility Concept

Building Nitrogen Oxides (NOx) Emissions Overview

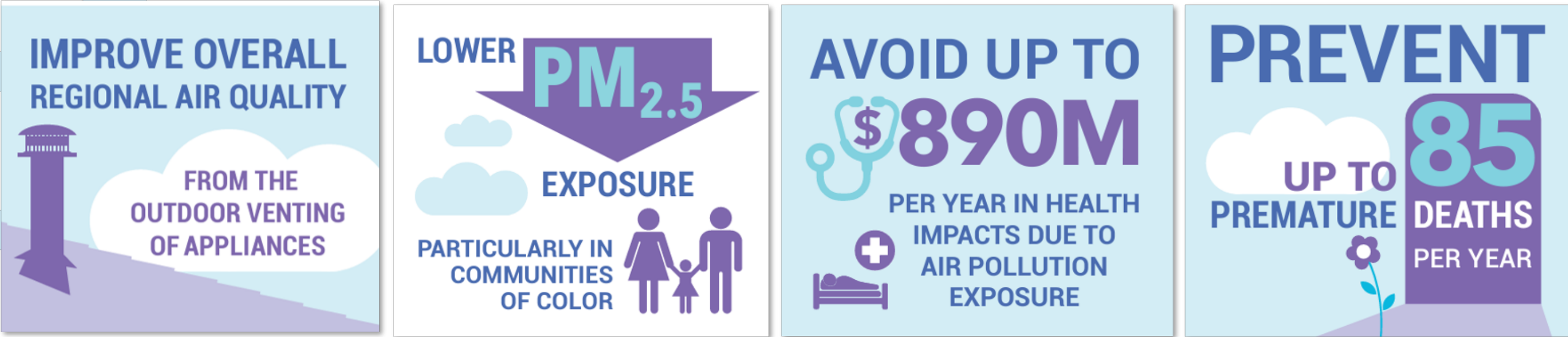
2019 Air District NOx Emissions (tons)



Air District Residential Natural Gas Combustion NOx Emissions (2019)



Health Benefits Overview



**PM_{2.5}: Particulate Matter 2.5; fine inhalable particles, with diameters that are generally 2.5 micrometers and smaller.*

***M: Million*

Upcoming Implementation Timelines

Zero-NOx amendments adopted on March 15, 2023, with future implementation dates

- ★ **Regulation 9, Rule 6: Nitrogen Oxides from Natural Gas-Fired Boilers and Water Heaters**
- Regulation 9, Rule 4: Nitrogen Oxides from Fan Type Residential Central Furnaces**

★ January 1, 2027	Rule 9-6: Water heaters less than 75,000 BTU/hr*
January 1, 2029	Rule 9-4: All applicable natural gas-fired furnaces (e.g., residential and commercial; including direct-vent units)
January 1, 2031	Rule 9-6: Water heaters 75,000 to 2 million BTU/hr

**BTU/hr = British thermal units per hour*

Overview of Draft Flexibility Concept Paper

- **October 2025 Draft Concepts on flexibilities for Rule 9-6 (Small Water Heaters)**
 1. Equipment type sales exemption
 2. Limited certified exemptions, including **low-income qualified exemptions for building owners**
- Presented at December 10, 2025 Stationary Source Committee
- Committee request to discuss further low-income qualified exemptions as well as available funding vs. need

Low-Income Definitions

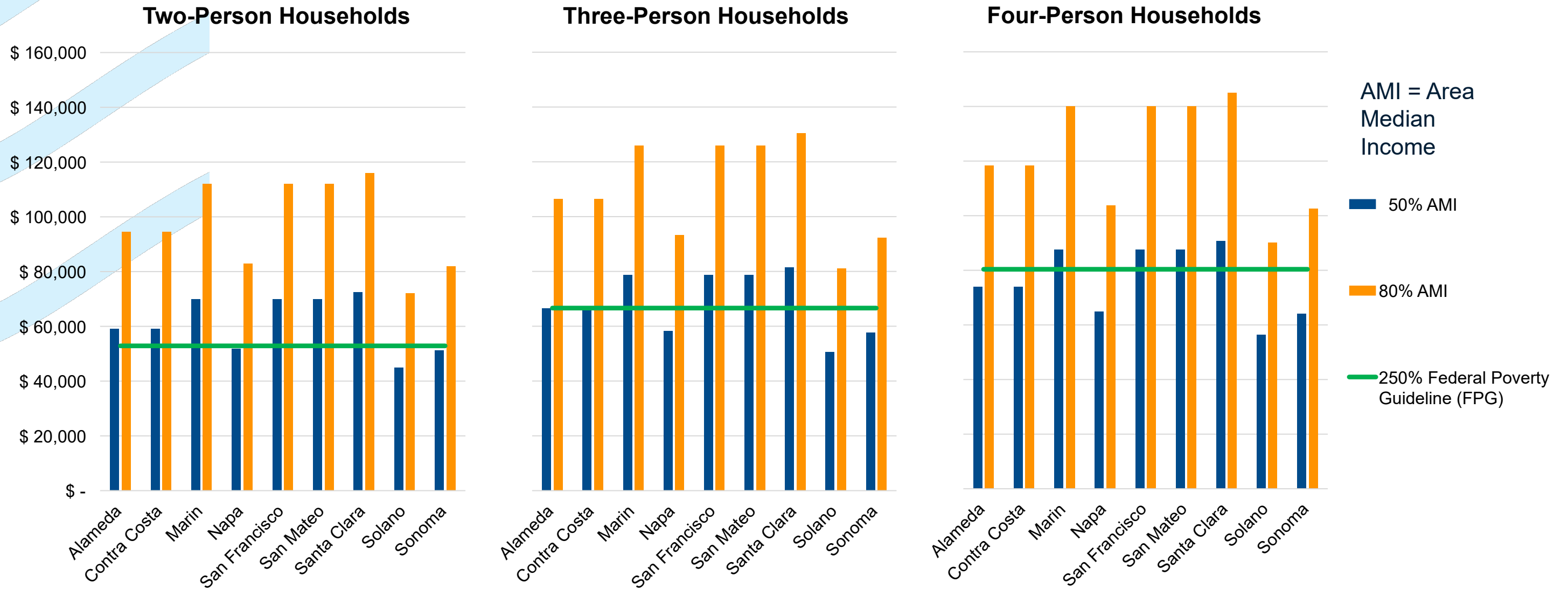
Federal Poverty Guidelines (FPG)

- National income thresholds set by the U.S. Department of Health and Human Services (HHS)
- Purpose: determines eligibility for federal programs (Medicaid, Family Electric Rate Assistance (FERA), food stamps, etc.)

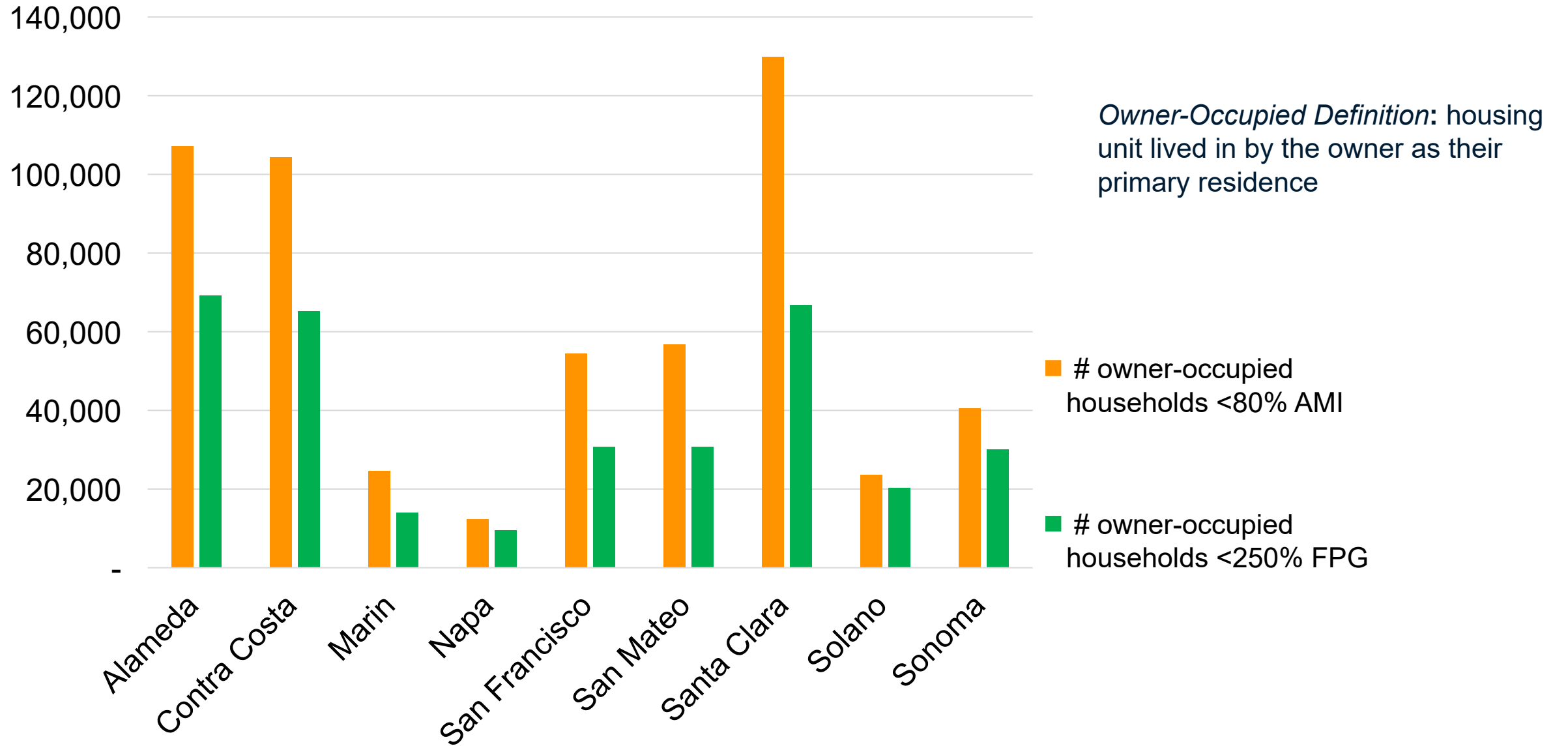
Area Median Income (AMI)

- Local midpoint of household incomes based on census data, released by the Department of Housing and Urban Development (HUD)
- Purpose: determines eligibility for housing assistance

Income Thresholds for 2, 3 and 4-Person Households



Numbers of Owner-Occupied Households by Four-Person Household Income Thresholds



Housing Cost Burden in the Bay Area

Definition: Housing affordability means how much of a family's income goes to housing (mortgage, taxes, insurance, utilities). If $\geq 35\%$, they are housing cost-burdened

Traditional mortgage lending utilizes $\geq 28\%$ for housing costs: gross income, *without* utilities

Incremental Costs and Available Incentives



Incremental Costs and Incentives Need

Heat Pump Water Heater (HPWH) Incremental Cost: \$3,496

Water heater typical life: 13 years

Bay Area Households with <75,000 Btu/hr gas water heaters: 1,558,900

Annual turnover: 119,915

Estimated annual incentives needed to cover total incremental cost for:

- Owner-Occupied Households <250% FPG: \$49.6 M
- Owner-Occupied Households <80% AMI: \$82.7 M

Incentives

Currently Available or Upcoming Programs:

- Home Electrification and Appliance Rebates (HEEHRA), Home Efficiency Rebates (HOMES)
- CEC Equitable Building Decarbonization (EBD)
- Pacific Gas & Electric (PG&E) Golden State Rebates* and Energy Savings Assistance (ESA)
- Community Choice Aggregators (CleanPowerSF*; MCE*; Peninsula Clean Energy; San Jose Clean Energy*; Silicon Valley Clean Energy)
- Public utilities (Alameda; Palo Alto)*
- Senate Bill 1221 pilots*

~\$38 M annualized, across larger and smaller geographic areas, for multiple measures and appliances

*Excluded from annualized funds

February 2026 Updated Flexibility Concept Option A: Income-Qualified Property Owners

Proposed qualifying purchase of non-compliant water heater based on:

- Enrollment in existing low-income program ($\leq 250\%$ FPG) OR
- Mortgage and property taxes $\geq 28\%$ of gross income

Challenges Addressed:

- High-cost installations, cost concerns for low-income and housing burdened homeowners

Benefits:

- Ease burden on very low-income property owners and targets affordability issue

February 2026 Updated Flexibility Concept: Option B: Income-Qualified Property Owners

Proposed qualifying purchase of non-compliant water heater based on:

- $\leq 80\%$ AMI

Challenges Addressed:

- High-cost installations, cost concerns for low-income **at higher income threshold**

Benefits:

- Eases burden on low-income property owners

Potential Exemptions Expected from Proposed Income-Qualified Property Owners Concept

Option A:

- **≤ 250% FPG*** = estimated 12% of all households
- **Housing Cost Burden** = 12.7% of all households
- **Combined net**** total = estimated **18%** of all households

Option B:

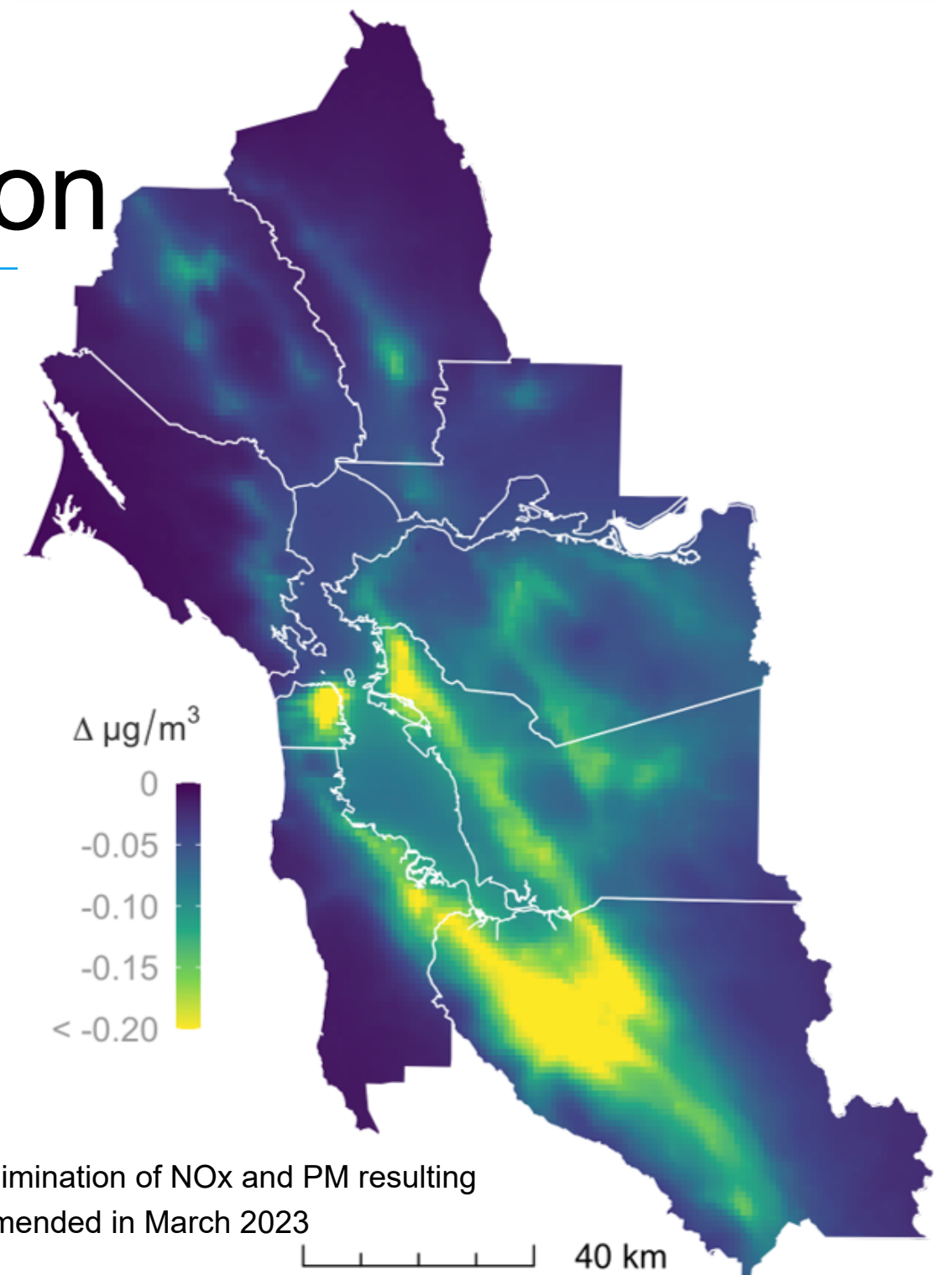
- **≤ 80% AMI*** = estimated **20%** of all households

**Utilizing 4-person household income threshold. Note that number signifies total households, including both owner-occupied and renter, in the Bay Area earning under the income threshold, but number of actual persons in each household is unknown.*

***Subtracts overlap of 250% FPG households who are also Housing Cost Burdened*

Considerations for Discussion

- Definition of low-income thresholds and housing burden
- Balance documentation with streamlining customer experience
- Balance expanding exemptions with emissions reductions, health and equity benefits



Emissions reductions from elimination of NOx and PM resulting from Rules 9-4 and 9-6 as amended in March 2023

Additional Steps



Consider Committee feedback and direction on Air District staff's potential flexibility concepts



Present detailed regulatory concepts to full Board of Directors in May 2026



Develop final regulatory proposal for public review and comment

Questions & Discussion

For more information:

ruledevelopment@baaqmd.gov

BAY AREA AIR DISTRICT
Memorandum

To: Chairperson Ken Carlson and Members
of the Stationary Source Committee

From: Philip M. Fine
Executive Officer/APCO

Date: February 11, 2026

Re: Update on Policy Development for Socioeconomic Analyses in Air District
Rulemaking

RECOMMENDED ACTION

None; the Committee will discuss this item, but no action is requested at this time.

BACKGROUND

The Air District is responsible for creating and modifying rules and regulations that cover sources of pollution that fall within the Air District's regulatory authority. California Health and Safety Code section 40728.5 requires that the Air District consider the socioeconomic impact of rules and rule amendments that will significantly affect air quality or emissions limitations. Section 40728.5 includes requirements for the Board of Directors to actively consider the socioeconomic impact of these rules and regulations and to make a good faith effort to minimize the socioeconomic impacts, and includes details on the socioeconomic impacts to be considered.

DISCUSSION

Even though the Air District already performs and presents socioeconomic analyses for the Board to consider when deliberating on proposed rules based on the framework laid out in the California Health and Safety Code, efforts recently have increased to expand analysis to better account for all costs and benefits of proposed rules.

In particular, Contra Costa Building and Construction Trades Council (CCBCTC) and others have asked for a formal Board policy directing Air District staff to consistently expand socioeconomic analysis. Based on presentations to the Stationary Source Committee and the Board of Directors in November and December 2025, Air District staff have been directed to evaluate and assess CCBCTC's policy proposal and provide and update on that assessment (a thorough review of the proposal by Air District staff is attached). Air District's staff and management met with labor representatives and their associates on December 4, 2025 and February 3, 2026, to discuss the draft policy

proposal and continue interaction with the intent to prepare a formal policy for the Board adoption.

Several areas in the submitted policy proposal are aligned with the Air District's goals, current practices, and recent improvements, such as ensuring contractors are well qualified and adhere to project schedule and cost; addressing potential conflicts of interest; expanding analysis to assess impacts by race and gender where adequate information is available; and, expanding analysis to look at indirect impacts of the rule as compliance costs impact the larger economy. In particular, an expanded analysis focusing on refineries will aim to include considerations of the economic challenges of refining in California where gasoline consumption is declining. The expanded approach will also include looking at cumulative economic impacts on subjected facilities, accounting for Air District regulations already approved or in development that may not be reflected in baseline economic data. However, further discussion in other areas is needed. For example, applicability of regulatory requirements for state "Major Regulations"; facility compliance costs data sharing; expectation for adjusting costs for local market conditions; and, allocating costs to different demographic groups.

BUDGET CONSIDERATION/FINANCIAL IMPACT

None.

Respectfully submitted,

Philip M. Fine
Executive Officer/APCO

Prepared by: Leonid Bak
Reviewed by: Gregory Nudd

ATTACHMENT(S):

1. Air District and Trades Comments
2. Update on Policy Development for Socioeconomic Analysis in Air District Rulemaking Presentation

Air District Staff Comments on Building Trade’s Socioeconomic Proposal

Proposal Language	Comments
<p>1. Purpose: This rule is intended to (a) provide the minimum standards for contractors that contract with the Board to provide Socio-Economic Impact studies in support of the Board’s compliance with California Health and Safety Code 40728.5 and (b) specify the content and style for such studies. This rule does not supersede any of the requirements for vendors in general set forth in the BAY AREA AIR QUALITY MANAGEMENT DISTRICT PROFESSIONAL SERVICES CONTRACT sample published on the Board’s website and incorporated by reference here.</p>	<p>Our understanding is that the intent of the Building Trades is for the Board to provide binding, formal, direction to the staff through a formal agency policy. The Board could adopt a formal policy that would set forth binding direction that staff would be required to follow.</p>
<p>2. Conflicts. Potential Socio-Economic Impact Study contractors are required to include a conflicts statement as part of their proposal to undertake any Socio-Economic Impact Study requested by the Board. Conflict statements shall include:</p> <ul style="list-style-type: none"> • (a) Identification of any work performed in the last five years by the vendor on behalf of any party that could potentially be impacted by the proposed rule under consideration by the Board, for which the Study is intended to support the Board’s compliance with Health and Safety Code 40728.5. • (b) Identification of any financial, personal or familial relationship of any person employed by the vendor with any Board Member or any person employed by the Board in any position listed in Appendix A of 17 CCR § 95000 or with any 	<p>Right now, the Air District has two socioeconomic consultants under contracts structured as master service agreements.</p> <p>BAE Urban Economics (bae1.com) Eastern Research Group (erg.com)</p> <p>These contractors were selected via an RFP process which followed Air District requirements on competitive procurements including addressing conflicts of interest.</p> <p>When the Air District staff have determined who will be impacted by a rule under development, and the likely implementation costs, we ask these two contractors to prepare an informal bid. We then draft a work order under the master services agreement that specifies the detailed work timeline and costs. The work order is given to the contractor offering the best value to the Air District considering</p>

<p>executive officer of any firm that is expected to be directly impacted by the proposed rule under consideration by the Board, for which the Study is intended to support the Board’s compliance with Health and Safety Code 40728.5.</p>	<p>costs, timeline, and experience and tools for the particular job.</p> <p>Given that there are a limited number of firms that can conduct the types of technical analyses we require, we routinely contract with firms that also do work for regulated industry. That is why we carefully review their work to ensure that the methodology is correct, the underlying data is the best available, and that any assumptions are reasonable and not trying to push results in a particular direction.</p> <p>Staff will consider these recommendations when developing the next competitive procurement, which we plan to conduct within the next 12 months.</p>
<p>3. Experience. Potential contractors are required to include a statement of the firm’s experience and of key staff’s expertise in conducting Socio-Economic Impact Studies, or similar studies. Experience statements shall include:</p> <p>(a) A list of work products produced by the firm within the last 5 years that are either Socio-Economic Impact Studies or substantially similar studies involving cost analysis of environmental rules or statutes and their economic and demographic impacts. The list shall include sufficient information for the Board to access the studies listed, either as links to published work or as attachments.</p> <p>(b) The curriculum vitae of the team leader and key professional team members for the study, listing their relevant expertise, education and certifications (if any).</p>	<p>This is consistent with our review of expertise and experience in our current contractor selection process.</p> <p>These contracts are typically large enough to require Board approval; so the Board will have the opportunity to assess the staff’s work in ensuring the contractors are qualified.</p>

<p>The Board reserves the right to disqualify any prospective contractor if it deems the experience and qualifications of the staff identified above to be insufficient.</p>	
<p>4. Schedule and Budget. Qualifying contractors will have provided the Board with a budget for the project and schedule of work, including a proposed date by which a draft will be provided to the Board for its review.</p>	<p>The current practice is that the Board approves the Master Services Agreement with the contractors whom staff has recommended through a competitive process which includes a review of qualifications.</p> <p>When a rule project is far enough along to initiate the socioeconomic analysis, the selected contractors are each asked for a time and dollar estimate for the particular rule. Staff selects the contractor based on the best value to the agency.</p> <p>The socioeconomic analysis is put forward in draft format for public review and comment (usually a 30-day comment period). Staff works with the contractor to make any appropriate changes based on that public comment.</p> <p>The final version of the review is presented to the Board prior to their consideration of the proposed rule.</p>
<p>5. Methodology and Completeness: The requirements itemized in California Health and Safety Code 40728.5 (b) (1), (2), (3), (4) and (5) are hereby incorporated by reference as minimum standards for contractors performing Socio-Economic Impact Studies under contract with the Board. In addition, Socio-Economic Impact Studies prepared by a private contractor under contract with the Board must explicitly identify every aspect of the methodologies they employ. Contractors shall use as guidelines the California Department of Finance’s methodological standards for state</p>	<p>Staff notes that these Department of Finance requirements only apply to “Major Regulations” which are regulations that would impose costs greater than \$50M per year. Air District regulations and amendments often do not exceed this threshold.</p> <p>One of the requirements of 1 CCR § 2002 is not appropriate and potentially duplicative of existing requirements for the Air District to conduct incremental costs analyses when developing regulations:</p> <p>“(c)(8) Identification of each regulatory alternative for addressing the stated need</p>

<p>agencies to use when preparing Standardized Regulatory Impact Assessments, as set out in: Title 1, California Code of Regulations Division 3. Department of Finance Chapter 1. Standardized Regulatory Impact Assessment for Major Regulations. The Board will not accept as a completed work product any Socio-Economic Impact Study prepared by a private contractor on proposed regulations that does not include, at a minimum, the following:</p>	<p>for the proposed major regulation, including each alternative that was provided by the public or another governmental agency and each alternative that the agency considered; all costs and all benefits of each regulatory alternative considered; and the reasons for rejecting each alternative.”</p> <p>The requirements of 1 CCR § 2003 are mostly fine, but (e)(2) and (3) are duplicative of existing requirements for the analysis of alternative regulatory strategies and incremental cost effectiveness. In addition, some of the requirements of this section are found in the staff report and not in the socioeconomic analysis. The staff report is the master document that tells the whole story of the rule and that is where things like the benefits of the rule, the cost calculations and the uncertainty analysis belong.</p>
<p>A. Social Impact Analysis. Social impact analysis must go beyond just the economic analysis identified below. The Board expects all contractors that perform Socio-Economic Impact Studies to note the disproportionate impact of a proposed rule on any racial, ethnic or gender sub-group, if any. If no such disproportionate impact is found, the contractor shall state and justify its finding of no disproportionality.</p>	<p>Gender, racial and ethnic subgroups should be limited to those groups captured in the American Community Survey conducted by the U.S. Census Bureau.</p> <p>In general, the extent of this work will be limited by available data. For example, it may be difficult to determine how costs to an industry/sector flow to different demographic groups. Staff agrees that we should require the contractors to make a good faith effort to conduct this analysis.</p>
<p>B. Econometric Analysis. In conducting its economic analysis, the contractor shall follow methodology described in Title 1, California Code of Regulations Division 3. The estimates shall include the following elements:</p>	<p>See comments above regarding 1 CCR § 2002 and 1 CCR § 2003.</p> <p>For (a), the analysis of the impact on consumers may be limited if they are not directly impacted by the regulation. Consumers may be impacted by compliance costs being passed on, but</p>

<ul style="list-style-type: none"> a. A baseline estimate of costs, revenues, income, and other relevant economic factors absent the proposed rule, for businesses and consumers affected by the proposal. b. The assumptions behind the baseline estimate shall be clearly identified, and shall be based on conditions specific to the local region affected by the proposed rule. The baseline estimate, as well as the estimated impacts of a proposed rule, shall take into account all current economic and regulatory factors, including relevant regulations that have been enacted or are under active consideration. c. An estimate of the proposed rule’s impacts on the baseline estimates. These impacts shall take into account: <ul style="list-style-type: none"> i. The direct cost of the proposed rule on the entities impacted. The estimate shall separately identify the costs for permitting, planning, purchase, installation and ongoing operations associated with any major investment needed to comply with the proposed rule. The contractor shall identify the basis for each component of the cost estimate. The 	<p>that will be uncertain as sometimes those costs are absorbed.</p> <p>For (b) it would be feasible for the Air District to take into account the impacts of Air District rules that have been approved but whose costs are not reflected in baseline economic data. We would need for the regulated community to share their actual compliance costs, though, which is something that they have not done routinely in the past. For rules under active development, for which costs have been estimated, those costs could be included. Some rules under “active consideration” may not be far enough along in the development process to reasonably estimate costs.</p> <p>Staff develops cost estimates for regulatory compliance by looking at several data sets and by getting cost estimates from impacted facilities. This work is not done by our socioeconomic contractors. We take impacted facilities’ input into account, but it’s not the only data we consider when developing these estimates.</p> <p>Most of (ii) and (iii) are consistent with current practices in conducting our socioeconomic analyses. The analyses estimated the costs of financing using transparent methods. Staff would like more clarity on the intent of the analysis considering the “source” of financing.</p> <p>Regarding (iv), local market conditions should be taken into account if adequate data is available. But there will always be uncertainties in costs. With respect to price elasticity and demand, that is usually addressed by presenting different scenarios depending on business</p>
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<p>estimates shall consider input from the affected entities, and shall reflect local market conditions. Where there is uncertainty regarding cost estimates, the contractor shall indicate the basis for the assumptions used, a reasonable range surrounding the estimate, and the impacts of the range on costs and benefits.</p> <p>ii. In the case where the rule will require significant expenditures by an affected business, the estimates shall include impacts of the rule on affected entities' profits and cash-flows. Estimates should be made over a multiple-year period, as necessary, to capture the proposal's varying impacts over time. The analysis shall include information regarding sources and costs of financing for needed investments. The contractor shall also consider whether installation of equipment will significantly disrupt output of the affected businesses, and if so,</p>	<p>decisions by the regulated entity. For example, in the case of refineries having to make significant investments, we typically present one scenario where the cost is passed on to consumers and another where job cuts are needed to absorb costs.</p> <p>Regarding (v.), staff presumes this would be included in the results of a model like REMI or IMPLAN. Our contractors are able to run models like these, and we could add this to the analysis where the compliance costs are expected to be large enough to have an economy-wide impact.</p>
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<p>the impacts of disruptions on the marketplace.</p> <ul style="list-style-type: none">iii. The likely behavioral changes by businesses and/or individuals in response to the proposed rule. This analysis shall include assessments of the extent to which costs or benefits are retained within the business and/or by individuals, or are passed on to others, including customers, employees, suppliers and owners.iv. The estimates shall explicitly take into account the specific market conditions present for the industry and location where the rule will have an impact. Consideration of market conditions shall include the degree of competition from outside suppliers, the price elasticity of demand for products and services provided by the affected businesses, and labor market conditions specific to the types of occupations that would be impacted by	
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<p>job cutbacks/increases.</p> <p>v. The contractor shall estimate direct, indirect, and induced impacts within the relevant region of both the cost of the regulation on affected entities and, if relevant, cost-shifting that is assumed to occur. The analysis shall include impacts on consumer prices, employment, wages, household discretionary income of employees and consumers (by income level), consumer spending, and output the affected region.</p>	
<p>C. Governmental Impact Analysis. The contractor shall provide an estimate of the impact that the rule and its economic impacts will have on state and local revenues, including corporate, personal, sales and property tax revenues.</p>	<p>Seems like this should be something that could be determined from the analysis above and would be appropriate for rules with significant compliance costs.</p>
<p>8. Documentation. Socio-Economic Impact Studies prepared by a private contractor under contract with the Board must document each data source and provide a hyperlink or other citation sufficient for Board staff to review the original source. Key assumptions and inputs into models prepared by the consultants, including assumptions regarding responsiveness of labor supply to changes in wage rates, and responsiveness of consumer spending to changes in product or service prices,</p>	<p>This is consistent with current practice.</p>

<p>should be identified along with the authoritative sources for the estimates. Any manipulation, calculation, interpolation or extrapolation of original source data must be documented in detail such that Board staff would be able to reproduce the same estimates as presented in the Study. Complex calculations using generally accepted and publicly available Input-Output econometric models (e.g, the Regional Industry Modeling System [REMI model] published by the Bureau of Economic Analysis and the proprietary Economic Impact Analysis for Planning [IMPLAN model]), are exempt from this requirement as long as all the inputs are fully documented.</p>	
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Update on Policy Development for Socioeconomic Analyses in Air District Rulemaking

Stationary Source Committee

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Leonid Bak

Economist / Senior Advanced Projects Advisor

Regulatory Development Division

Background and Purpose

- The Air District already performs and presents socioeconomic analyses for the Board to consider when deliberating on proposed rules
- We currently follow the California Health and Safety Code requirements for these analyses and expand where appropriate, depending on the rule
- Contra Costa Building and Construction Trades Council (CCBCTC) and others have asked for a formal Board policy directing Air District staff to consistently expand socioeconomic analysis to better account for all costs and benefits of proposed rules

Background and Purpose (cont.)

- Presentations on “Overview of Socioeconomic Analyses for Air District Rulemaking” at:
 - Stationary Source Committee meeting on November 12, 2025
 - Board of Directors meeting on December 3, 2025
- Stationary Source Committee directed Air District staff to evaluate and assess CCBCTC’s policy proposal and provide and update on that assessment
- Air District’s staff and management met with industry and labor representatives on Dec. 4, 2025 and Feb. 3, 2026 to discuss draft policy proposal

Areas and Topics of Alignment

Several areas in the submitted policy proposal are aligned with the Air District's goals, current practices, and recent improvements:

- Ensure contractors are well qualified
 - Adhere to project schedule and cost
 - Address potential conflicts of interest
- Expand analysis to assess impacts by race and gender where adequate information is available
- Expand analysis to look at indirect impacts of the rule as compliance costs impact the larger economy

Areas of Alignment – Refineries

One specific focus of alignment concerns special additions in analysis for regulations of refineries. As explained the California Energy Commission June 27, 2025 letter¹ to the Governor, that sector faces systemic challenges due to the transition away from fossil transportation fuels:

- Context regarding the challenges in securing capital given declining demand
- Consideration of compliance costs for Air District regulations that may not be captured in baseline data on refinery expenses and income

¹ [CEC's Response to Governor Newsom's Letter June-27-2025](#)

Areas and Topics for Further Discussion

- Applicability of regulatory requirements for state “Major Regulations” (i.e. \$50 million/year compliance costs)
 - Requirements to evaluate the costs and benefits of any regulatory alternative suggested by stakeholders or the public
 - Potential duplication/conflict with existing statutory requirements for incremental cost analysis
- Facility compliance cost data
 - Expectations for facilities to share transparent cost data
 - Deference to regulated industry regarding estimated costs

Areas and Topics for Further Discussion (cont.)

- Expectations on how to adjust expected costs to account for local market conditions
 - Uncertainty and availability of adequate data
 - Assumptions on conditions of elasticity and competition
- Expectations on calculating how costs flow down to different demographic groups
 - More complex analysis often has less reliable outcomes because of greater number of variables

Next Steps

- Develop a draft of a policy directive from the Board to Air District staff on how to conduct socioeconomic analysis
- Publish draft policy for public review and comment (anticipated March)
- Update Stationary Source Committee on public comments received and revisions (anticipated July)
- Proposed policy and Board consideration
- After Board adoption:
 - Future rulemakings to adhere to new policy
 - Report out to Stationary Source Committee after year 1 of implementation: Update, assessment, and recommendations for future policy changes

Questions & Discussion

For more information:

Leonid Bak | Economist / Sr. Advanced Projects Advisor | lbak@baaqmd.gov