



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

Stationary Source Committee

February 11, 2026

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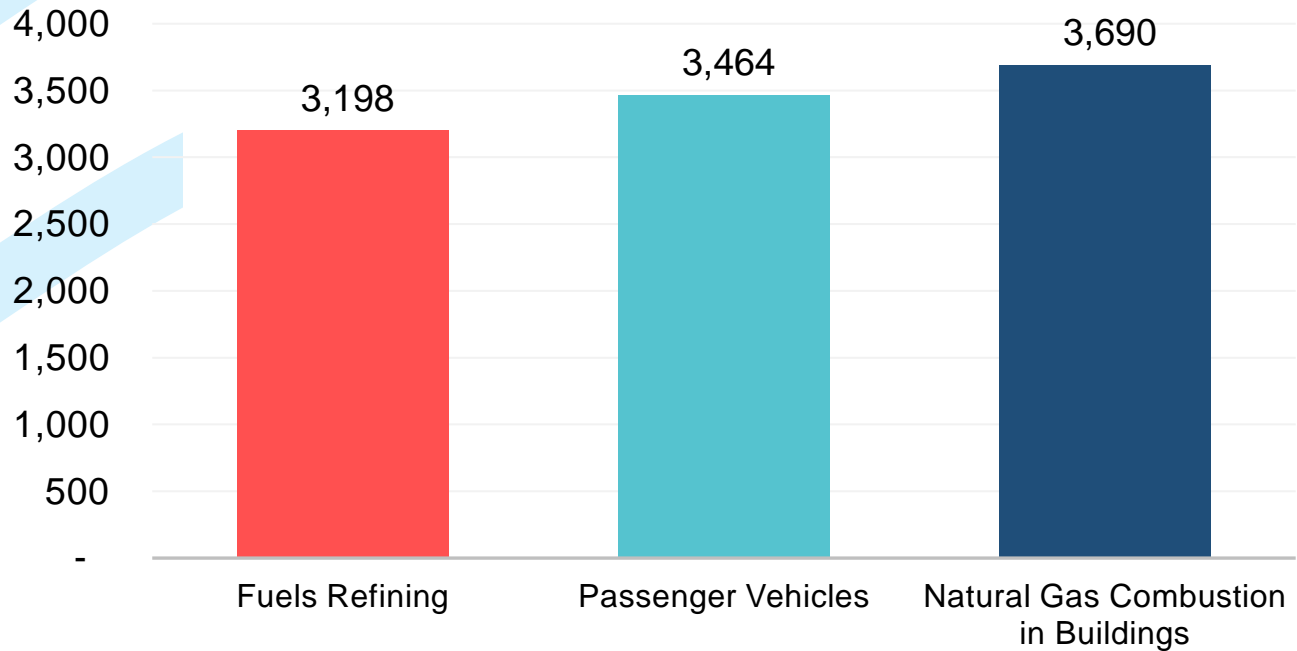


Presentation Outline

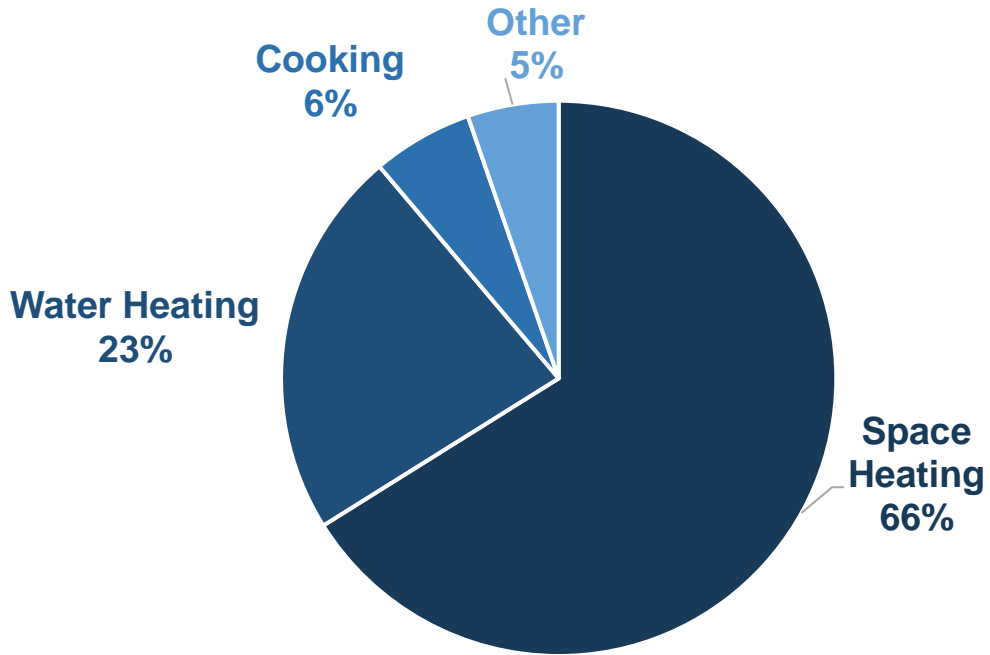
- General Background on Rules 9-4 and 9-6
- Overview of Draft Flexibility Concepts and Stationary Source Committee Request to Further Consider Low-Income Exemptions
- Low-Income, Owner-Occupied and Housing Affordability Data
- Low-Income Funding Needs and Incentives Gap
- Updated Draft Low-Income Flexibility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

Building Nitrogen Oxides (NOx) Emissions Overview

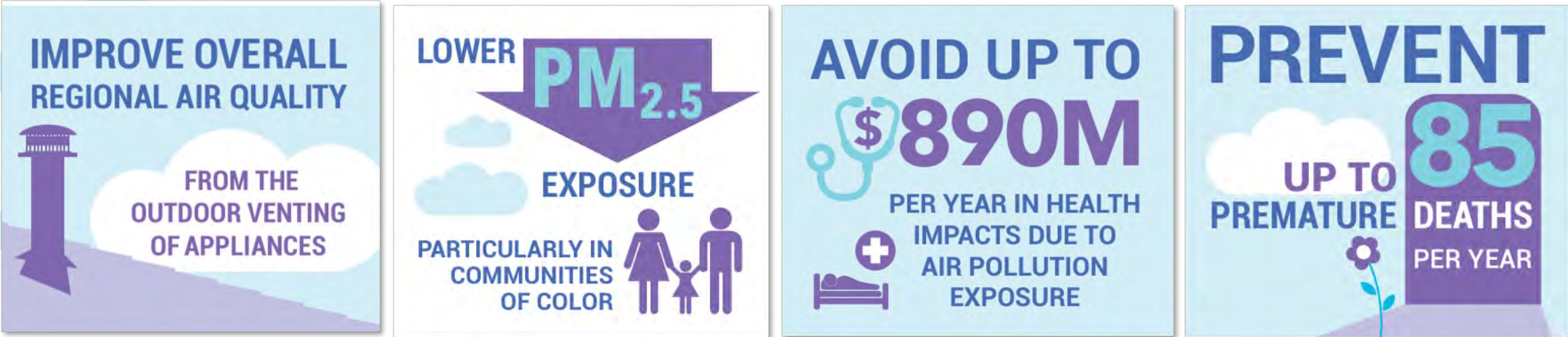
2019 Air District NOx Emissions (tons)



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

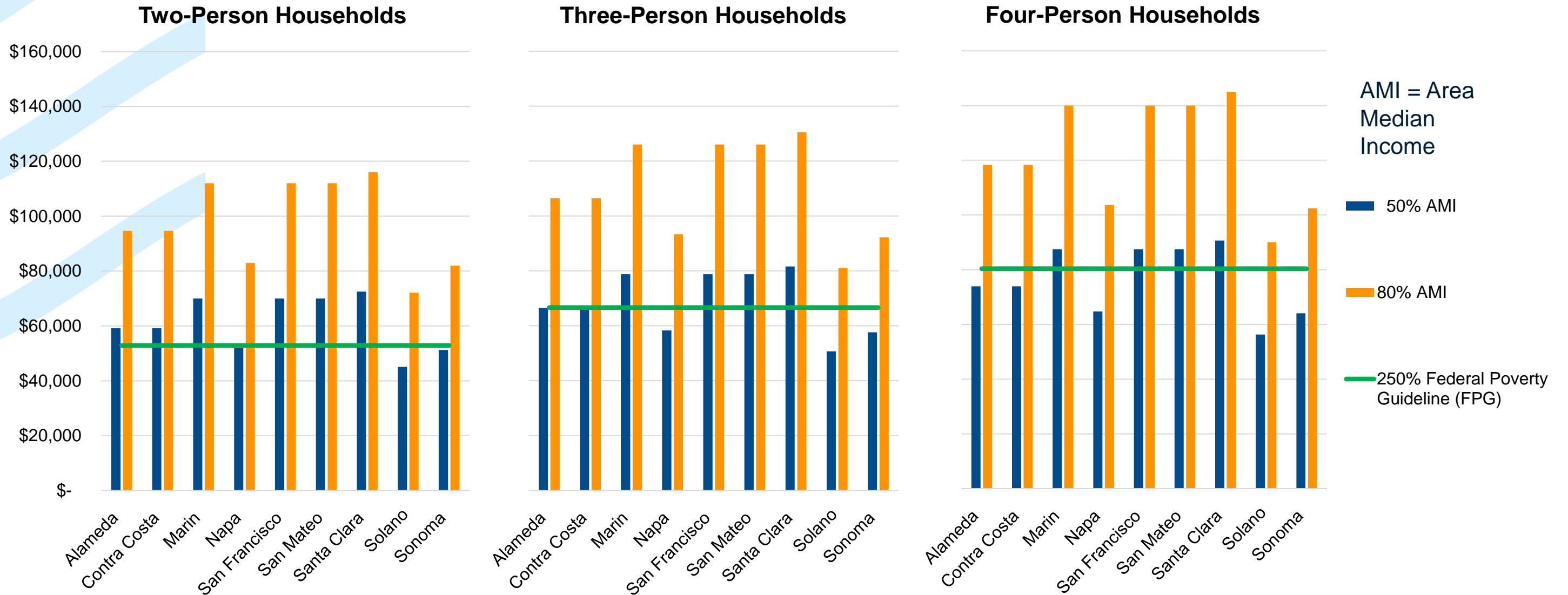
Federal Poverty Guidelines (FPG)

- 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.)

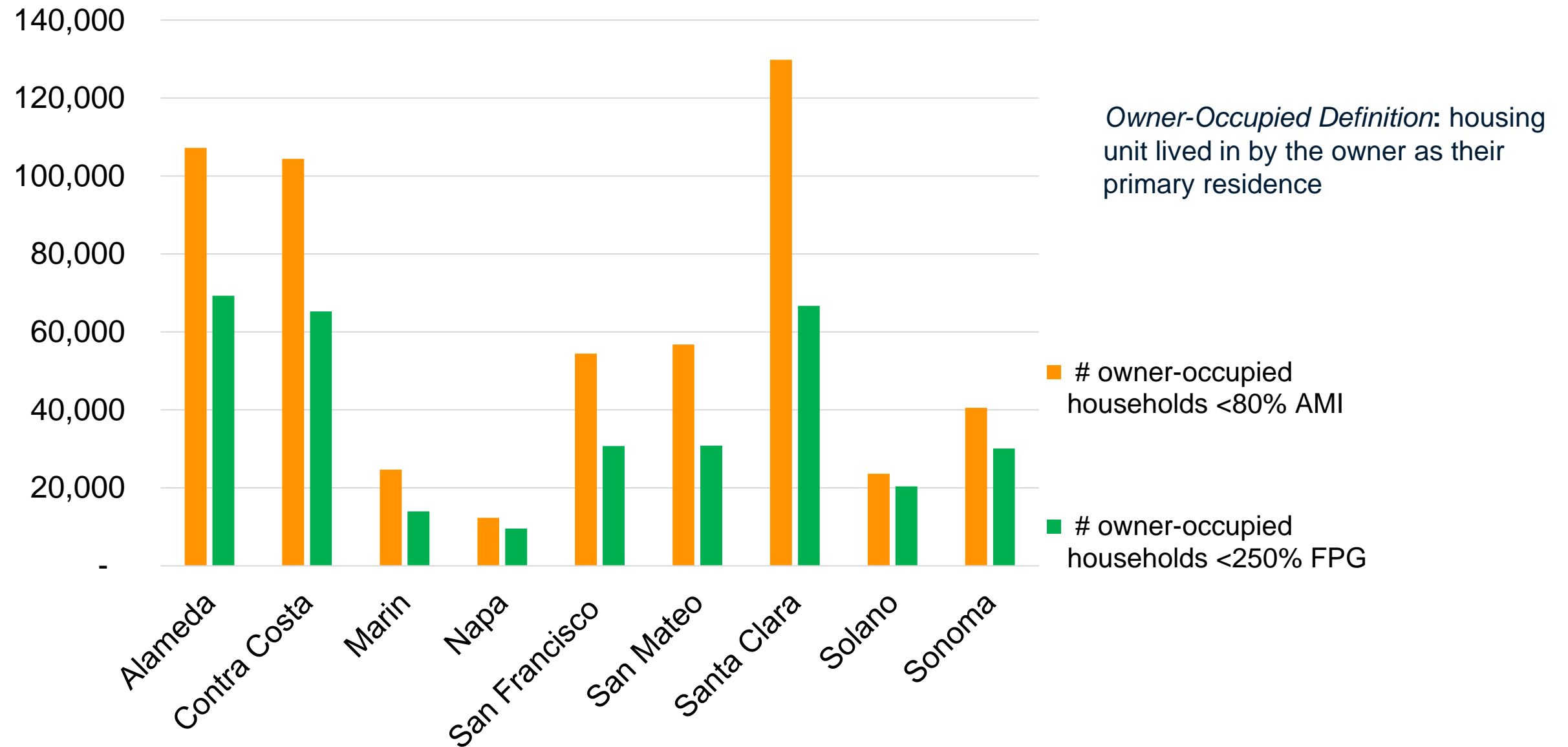
Area Median Income (AMI)

- 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:

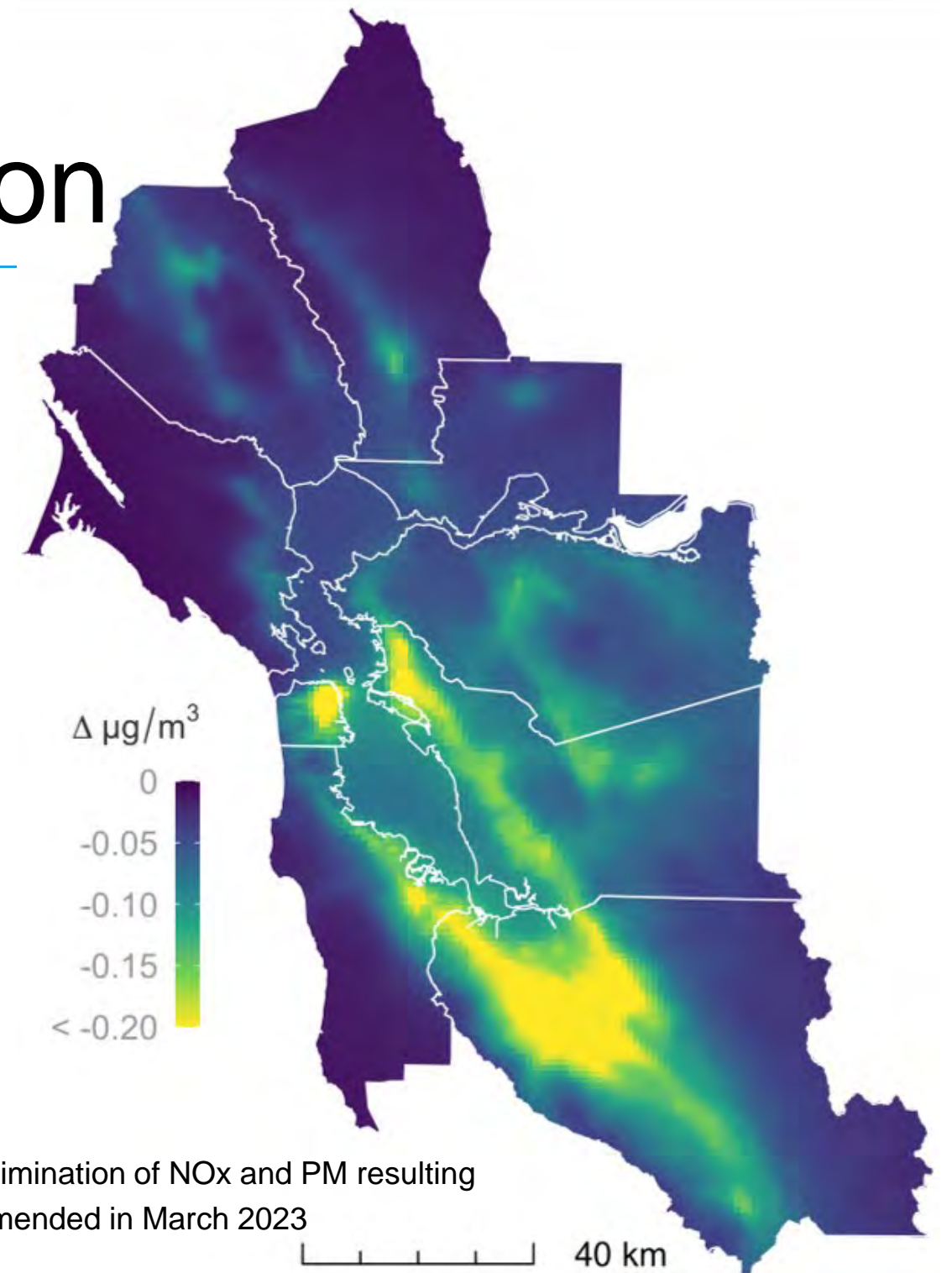
- **≤ 80% AMI*** = estimated **20%** of all households

**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:

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Update on Policy Development for Socioeconomic Analyses in Air District Rulemaking Stationary Source Committee

February 11, 2026

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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 (CCBCCTC) 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 CCBCCTC’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:

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