



Date: **April 7, 2026**

Honorable Mayor and Council Members:

Author and title: Erin Brewster, Sustainability Program Manager

Title: **Building Electrification Token Program Guidelines and Municipal Code Amendments to Allow for Issuance of Tokens for Town Council Priority Programs**

Jen Callaway, Town Manager

Recommended Action: That Council:

- (1) Introduces Ordinance 2026-07 Amending Section 5.02.030 of the Truckee Municipal Code to Allow for Issuance of Town Council Priority Program Transient Occupancy Registration Certificates;
- (2) Finds the adoption of the ordinance exempt from CEQA pursuant to CEQA guidelines sections 15060, 15061, 15301, and 15378;
- (3) Approves the guidelines for the Building Electrification Token Program and directs staff to launch this program in summer 2026; and
- (4) Provides direction to staff on recommended program goal(s) and performance metrics.

Executive Summary: The proposed Building Electrification Token Program (BETP) is an innovative, new approach to encourage residential building electrification and greenhouse gas (GHG) emissions reduction in Truckee. The goal of this program is to accelerate voluntary electrification of residential space and water heating systems by leveraging a different type of incentive, a “Token” that is redeemable for a Transient Occupancy (Short-term rental) Registration Certificate. The BETP provides a supplemental incentive in addition to rebates that can provide financial value to property owners at no direct cost to the Town. Currently, the Town of Truckee Municipal Code only allows Tokens to be issued for workforce housing programs. As directed by Council in August 2025, staff have drafted Ordinance 2026-07 which would amend the Town of Truckee Municipal Code to allow the Town Council to approve use of Tokens for any Town Council priority program.

Project Goal: *Accelerate voluntary electrification of residential space and water heating systems by offering a supplemental incentive in the form of a “Token” that is redeemable for a Transient Occupancy Registration Certificate. Metrics to be used to evaluate program success include the total number of upgraded homes, number of heating and water heating systems electrified, and number of renewable energy systems installed.*

Discussion:

I. Background

On August 12, 2025, the Town Council provided feedback on a proposed Building Electrification Token Program concept and directed staff to develop a final proposal for Town Council consideration (Attachment 1- August 12, 2025 staff report). Council also directed staff to develop proposed amendments to the Town of Truckee Municipal Code (Attachment 2 – Ordinance 2026-07) to allow the Town Council to approve issuance of Tokens for a broader range of programs outside of the original focus on workforce housing. Development of this new type of “Token” program is a short-term action item

in the Existing Building Decarbonization Roadmap, approved by Council in April 2025. The BETP supports the Town's adopted greenhouse gas (GHG) emissions reduction goals by further incentivizing voluntary electrification of space and water heating systems in Truckee homes.

Residential space heating and water heating equipment is responsible for over 75% of GHG emissions from residential energy use in Truckee, primarily from use of natural gas equipment. Electrification provides significant, immediate GHG emissions reduction due to the higher efficiency of heat pumps and lower carbon intensity of the local electricity supply compared to natural gas. In addition to the short-term reductions, GHG emissions will continue to decrease over time as Truckee's electricity transitions to 100% renewable and carbon-free sources by 2045 in accordance with the requirements of California's renewable portfolio standard. Accordingly, the BETP focuses primarily on encouraging electrification of heating and water heating systems, with the program structure requiring all participating homes to electrify their heating and/or water heating equipment to qualify. Additional eligible measures include some supporting energy efficiency upgrades that reduce energy from space heating (e.g. insulation and window replacement) as well as installation of solar photovoltaic systems, though these must be completed alongside an eligible electrification measure.

Local utilities, state programs, and federal tax credits have offered financial incentives to support electrification of heating and water heating systems, but these have not been sufficient to encourage widespread implementation in Truckee. Currently, nearly all heating system replacements in Truckee are like-for-like gas furnace replacements, with only a small number of homeowners choosing to electrify their primary heating equipment. The Town Council has provided direction to staff to develop additional incentive programs to supplement those currently available through local utility and state programs through the Council Strategic Priorities Two-Year Work Plan for 2025-2027. This workplan includes development of a heat pump air conditioning rebate program (which includes a supplemental rebate for full electrification of heating systems) and the Building Electrification Token Program. These electrification incentives are also just one component of the Town's current efforts to support building decarbonization, with additional programs such as a rebate finder, contractor education, development of an equitable funding strategy, and a no-cost, income-qualified weatherization assistance program.

No single building decarbonization program is anticipated to "move the needle" on its own due to the complexity of decarbonizing the local building stock, which is why the Town's adopted Existing Building Decarbonization Roadmap includes a broad range of measures designed to collectively achieve more significant change across different building types and uses. These include education and community engagement, incentives and financing programs, upgrade and retrofit programs, policies, and planning efforts that work together with utility and state programs to support GHG emissions reduction goals. The Building Electrification Token Program is designed to work as a supplement to existing rebates, including the heat pump rebate program currently under development by Town staff. The goal of the BETP is to accelerate voluntary electrification of residential space and water heating systems by leveraging a different type of incentive, a "Token" that is redeemable for a Transient Occupancy (Short-term rental) Registration Certificate.

One of the challenging aspects of decarbonizing Truckee's residential building stock is the high percentage of homes that are not occupied full-time. While many building decarbonization measures are considered cost-effective, meaning the reduced energy costs from efficiency improvements will offset the initial investment time, traditional cost-effectiveness calculations assume full-time occupancy when determining energy savings. The largest share of Truckee housing units (44%) are vacant units that are not short-term rented, and an additional 9% are used as short-term rentals, meaning 53% of the total building stock is only occupied part-time. This makes payback periods for energy efficiency measures significantly longer, and less frequent use makes investment in upgrades less appealing to property owners. Non-primary residences account for nearly 30% of total GHG emissions from residential energy use, and the Existing Building Decarbonization Roadmap highlights the importance of developing programs that can support decarbonization of STRs and other non-primary homes to achieve Truckee's community-wide building decarbonization goals. The BETP has the potential to be more appealing to

owners of non-primary residences than traditional energy rebate programs, though this program is available to all eligible residential property owners.

II. Proposed Municipal Code Amendments

Truckee's municipal code requires that all short-term rentals (STRs) hold a valid Transient Occupancy Registration certificate and caps the number of STRs at 1,255 to reduce community impacts. There is currently a waitlist, with an average wait time of 16 months in 2025 to receive a new Transient Occupancy Registration Certificate, creating an opportunity to offer a "Token" that can expedite the process. A Token is a transferable incentive that can be redeemed for a Transient Occupancy Registration Certificate without needing to register for the wait list, giving the holder prioritized access to the STR registration as long as they meet all other program requirements. This type of incentive was first proposed as part of the Town's Short-Term Rental Workforce Housing Token Pilot Program and incorporated into the Municipal Code regulations for short-term rentals to allow Council to approve issuance of these Tokens to support workforce housing (Truckee Municipal Code Section 5.02.030(G)(2)(g)).

Currently, the municipal code only allows issuance of Tokens for "Workforce Housing Program Certificates." In order to allow for issuance of Tokens as part of the BETP or programs supporting other Council Strategic Priorities besides workforce housing, the municipal code would need to be amended to broaden the range of allowable programs. As directed by Council in August 2025, staff has drafted Ordinance 2026-07 (Attachment 2) to amend the municipal code to allow the Town Council to approve the issuance of Transient Occupancy Registration Certificates to any "Town Council priority program" instead of only workforce housing programs. Any program that proposes to use Tokens as an incentive would still need to be approved individually by the Town Council, along with the specific terms for earning and using a Token under that program.

III. Overview of Building Electrification Token Program Structure

Pursuant to Council direction in August 2025, the BETP would offer applicants a Token redeemable for a Transient Occupancy Registration Certificate in exchange for completing eligible building upgrades that reduce energy-related GHG emissions. To allow for some flexibility, applicants can choose from a list of eligible measures to achieve a minimum number of points, based on the home's building vintage. This allows applicants to choose measures best suited to their property. Eligible measures include electrification of natural gas or propane heating or water heating equipment, supporting efficiency measures that further reduce energy use from space heating, and installation of solar photovoltaic systems.

To ensure that a Token is exchanged for an approximately equivalent amount of GHG emissions reduction, the associated points value for each eligible measure may vary based on building vintage (year built). This variance reflects the average differences in energy and building code requirements over time, which impacts the energy efficiency of the Town's existing building stock. Due to these natural differences in existing building and equipment efficiency, newer buildings will need to complete more eligible upgrades to meet the minimum points required to earn a Token. Staff received input from Council in August 2025 supporting this program structure.

The minimum points value required to earn a Token is designed to require all participating buildings to complete at least one electrification upgrade (either space or water heating). The minimum required points threshold will increase over time from 10 to 15 to encourage early participation in the program and allow for a wider range of building vintages to participate in the initial years. As the points value increases, this will eventually limit eligibility to buildings built prior to 1992. While property owners of newer buildings will be unable to earn a Token directly through the BETP, they can still benefit from the program by purchasing a Token from another property owner.

Detailed program guidelines are included in Attachment 3, and a summary of key program criteria is provided below. Staff have made the following changes to the program guidelines since the August 2025 presentation to the Town Council:

- The insulation R-values were changed to match the TDPUD weatherization rebate program, to increase the energy efficiency benefits of this upgrade and better align requirements with existing decarbonization programs.
- More detail was added about the eligible measures, including equipment specifications. Upgrade requirements and equipment specifications have been aligned with local utility rebate criteria to the extent feasible to streamline the documentation process for applicants and make it easier for applicants to leverage these rebates to offset the cost of implementing measures.
- Accessory dwelling units were added as an eligible building type for the BETP, though this does not change their eligibility for use as short-term rentals.

Tokens issued through the BETP will be valid for 5 years from the date they are issued. Staff propose making up to 15 Tokens available for reservation/issuance under the BETP each calendar year. Rather than reserving a certain number of Transient Occupancy Registration Certificates for the BETP, staff recommends allowing these Tokens to be redeemed to temporarily exceed the cap of 1,255 active Transient Occupancy Registration Certificates. The number of active certificates would then be reconciled during the year-end renewal period to bring the total number back to the 1,255 limit. Since Token holders may not immediately redeem their Tokens, particularly if they plan to sell or transfer them, this will allow for flexibility for Token holders to redeem their tokens at any point during the year while minimizing impacts on the standard STR registration process.

Example: Four BETP Tokens are redeemed in a year, temporarily bringing the total number of active Certificates to 1,259. At the end of the year, 50 properties with registration certificates change ownership and exit the STR program. The Town releases only 46 of the 50 returned registration certificates to the waitlist, such that the total number of STRs returns to the cap of 1,255.

Eligibility Criteria

Applicants must be the owner of the property on which eligible upgrades are completed. Eligible applicants may apply to receive a Token for eligible upgrades completed in the following building types:

- Single-family detached homes
- Townhomes
- Condominiums
- Detached accessory dwelling units

A maximum of one Token may be issued per application/dwelling unit, but properties with more than one eligible dwelling unit (such as a single-family home and detached accessory dwelling unit) may submit more than one application for the program. Attached accessory dwelling units such as junior accessory dwelling units (JADUs) are not eligible to apply separately from the primary dwelling unit.

All other building types not listed above, including commercial buildings, multifamily residential buildings, manufactured and mobile housing, and recreational vehicles, are ineligible to participate in the BETP. As detailed in the August 2025 staff report, manufactured and mobile homes are excluded from this program because many of the eligible measures are not applicable to these building types due to differences in construction standards, energy systems, and equipment when compared to permanently constructed single-family homes. Extending the program to mobile and manufactured housing would require further technical analysis to identify feasible and recommended electrification and efficiency measures for this type of building and to calculate the associated GHG emissions reduction. However, staff do not recommend extending this type of program to manufactured housing and instead finding other building decarbonization programs more appropriate for this building type, particularly because they are ineligible

for use as STRs, meaning the owner would need to sell the Token in order to receive a benefit. Because this program requires significant upfront investment in the cost of upgrades in exchange for a Token of unknown financial value, it is not well-suited for most lower-income households.

Some property types are eligible for the BETP program but not eligible to receive a Transient Occupancy Registration Certificate for use as a short-term rental. The BETP does not expand the eligible building types to be used as short-term rentals. In order to redeem a Token for a Transient Occupancy Registration Certificate, a property must meet all other requirements of the Town's Short Term Rental program. Owners of buildings that are not eligible for use as short-term rentals (including but not limited to townhomes, condos, accessory dwelling units, and deed-restricted workforce housing) can still apply to the BETP and receive a Token if they qualify, but will need to transfer the Token to a property that is eligible for a Transient Occupancy Registration Certificate in order for the Token to be redeemed. This will be clearly stated on all program documents to avoid any confusion.

Application Process

The application process for the BETP will occur in two phases, an optional "pre-application" process before a property owner begins upgrades, and an application form submitted after completion of all upgrades. While the pre-application is not required, it is strongly recommended that applicants complete an interest form prior to beginning any upgrades to confirm eligibility of their property and the planned upgrades, review documentation that will need to be submitted with their application form, and, once approved, to reserve a Token for a limited period of time. Town staff will review completed interest forms and notify the applicant if they are eligible to reserve a Token (subject to availability). Once the applicant is ready to proceed with upgrades, they can sign a Token reservation form and reserve one of the 15 Tokens available to the BETP each year.

Tokens reservations will be valid for 90 days. The intent is to ensure that applicants are reserving Tokens only when they are ready to move forward with upgrades and avoid having Tokens reserved by property owners who are interested but do not end up moving forward with the program. Town staff will advise applicants who have submitted an Interest Form that they should take steps to prepare for upgrades before reserving a Token, such as obtaining an estimate from a contractor, to help avoid having their reservation expire. Reservations will be extended upon request by 90 days if the applicant or their contractor has applied for a building permit for any upgrade measures.

Once all upgrade measures have been completed, applicants will submit their application form with supplemental documentation to verify completion of all upgrades. This will include documentation of existing conditions and equipment prior to upgrades as well as detail of any equipment or materials installed. More information about the application and required supplemental documentation is included in Attachment 3.

Use of a Token

The Town will issue a Token to an applicant following final approval of their BETP application, pending availability within the 15 allocated to the program each year. Applicants who have an active reservation are guaranteed a Token as long as they continue to follow all program requirements and their application is complete and approved. Each Token will be issued a unique identification number and expiration date. Tokens issued under the BETP will be valid for five years from the date they are issued.

The applicant can redeem their Token for a Transient Occupancy Registration Certificate to be used on an eligible short-term rental property of their own or they can sell, trade, or transfer the Token to another recipient who becomes the Token holder. To transfer a Token, both the original and new Token holders must sign and submit a form to the Town. Only the registered Token holder may redeem a Token for a Transient Occupancy Registration Certificate, to ensure that use of a Token is authorized. Each Token can be transferred between Token holders one time per calendar year.

Once redeemed for an active Certificate, the Token is no longer active and cannot be transferred, sold, traded, or redeemed for another property unless it is retrieved under one of the following circumstances:

1. The Token holder cancels the Certificate obtained by redeeming their Token associated with a short-term rental property to retrieve their Token at any time before the Token expires.
2. The Certificate associated with a Token is not renewed as part of the annual renewal process at some point during the valid Token term.
3. The Token holder obtains a Transient Occupancy Registration Certificate for the same property through the standard waitlist process.

IV. Ongoing Program Monitoring and Metrics

To ensure that GHG emissions reduction will be maintained while the Token is valid, the program applicant will need to agree not to replace any equipment installed with fossil-fuel equipment within the five-year Token term, even if they have sold or transferred the Token. This will be verified by monitoring building permits for the property completing upgrades under the BETP. Additionally, staff will monitor permits for participating properties over the long term to determine if these properties continue to use electric space- and/or water-heating systems or are eventually converted back to natural gas, particularly after the newly installed equipment reaches the end of its useful life. This will help staff evaluate the long-term impacts of the program on the Town's building decarbonization and GHG emissions reduction goals.

Program Metrics

Metrics that will be used to track success of this program include:

- Number of homes completing energy upgrades
- Number of heat pump space heaters and heat pump water heaters installed
- Number of renewable energy systems installed

These metrics will be assessed not only for this program, but collectively across all the Town's building decarbonization programs. Currently, the Town has only one active building decarbonization program, the weatherization rebate partnership with Truckee Donner Public Utility District. A second program offering no-cost, income qualified weatherization upgrades (Weatherize Truckee) is expected to launch in Spring 2026. The Existing Building Decarbonization Roadmap also recommends development of specific targets for building decarbonization as part of future climate action plan updates. Once this occurs, program metrics for the BETP and other building decarbonization programs will be re-assessed and aligned to track progress towards these targets to the extent feasible.

Staff do not recommend using estimated GHG emissions reduction as a program metric for two reasons. First, this program will not collect sufficient data to allow for accurate estimation of GHG emissions reduced, particularly in homes that are not occupied full-time, and Town staff do not have the expertise required to perform the energy modelling calculations needed to develop these estimates. Second, attempting to estimate GHG emissions reduction at the program level runs the risk of double-counting emissions reductions due to the overlap between different building decarbonization programs. For example, the measures included in this program overlap with the current weatherization rebate partnership with TDPUD and the Town's upcoming heat pump rebate program, which will be presented to Council for approval in spring 2026. The collective impact of the Town's GHG emissions reduction efforts can be assessed by continuing to track community-wide measured energy use metrics and conducting periodic community-wide GHG emissions inventories.

In addition to tracking building decarbonization metrics, staff will track certain details related to use of Tokens, as this is still a relatively untested concept. These include:

- How applicants are using Tokens (redeeming it themselves, transferring or selling it, etc.)
- Number of transfers per Token

- Number of redemptions per Token
- Sale value of Tokens

As the BETP program concept is unique and untested, staff may recommend program changes based on initial program outcomes.

Impact of Future Changes to the Short-term Rental Program

As long as there is a waitlist for Transient Occupancy Registration Certificates, a Token will have some value to property owners interested in short-term renting their property. The Town does not guarantee any financial value for a Token, which will be clearly specified in the program documents. Ultimately, the value of a Token to an individual property owner will vary, as both the number of nights rented per year and the per-night rental price can differ substantially between STR properties.

Town Council has directed staff to bring back to Council potential options for STR “permit optimization,” but staff do not anticipate that such measures are likely to result in elimination of an STR waitlist. If the Town Council approves future changes to the Town’s short-term rental regulations that have the effect of significantly decreasing the waittime to obtain a Transient Occupancy Registration Certificate, this may reduce the value of a Token. Should this occur, staff will evaluate impacts on the BETP (and any other active Token programs) to determine if there are any recommended changes for Council considerations. There are potential changes to the BETP that could be considered to either lower the threshold to earn a Token (e.g. reducing the minimum points value) or to increase the value of a Token (e.g. extending the lifetime/expiration date) to offset any impacts.

V. Next Steps and Program Launch

If Council approves Staff recommendations, Ordinance 2026-07 will return to Council for adoption on April 28, 2026. Staff will finalize program documents for the BETP including the Interest Form, Token Reservation form, and Application form. The Short-term Rental Division will also make minor changes necessary to the registration process to allow for tracking and redemption of Tokens. Staff anticipates being prepared to launch this program in summer 2026.

Priority:

<input type="checkbox"/> Enhanced Communication	<input checked="" type="checkbox"/> Climate and Greenhouse Gas Reduction	<input type="checkbox"/> Housing
<input type="checkbox"/> Infrastructure Investment	<input type="checkbox"/> Emergency and Wildfire Preparedness	<input type="checkbox"/> Core Service

Fiscal Impact: Staff time will be required to implement the proposed Building Electrification Token Program, including reviewing and approving application documents and tracking Token reservations on an ongoing basis, but there is not anticipated to be any additional direct cost.

Public Communication: Agenda posting, a presentation to Visit Truckee-Tahoe in 2025 to discuss initial program ideas, and emails sent to community members who signed up to receive updates about the Town’s building decarbonization initiatives.

Attachments:

1. August 12, 2025, Staff Report available at: <https://portal.laserfiche.com/Portal/DocView.aspx?id=59868446&repo=r-6a91ddbc>
2. Ordinance 2026-07
3. Building Electrification Token Program Guidelines