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Honorable Mayor and Council Members:

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Title: Short-Term Rental Building Electrification Token Program

Jen Callaway, Town Manager

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**Recommended Action:**

1. Provide feedback on the proposed Building Electrification Token Program concept and direct staff to develop a final program proposal for Town Council consideration.
2. Direct staff to develop proposed amendments to the Town of Truckee Municipal Code to allow the Town Council to approve issuance of Tokens for a broader range of programs outside of the original focus on workforce housing.

**Discussion:**

**I. Background**

The Town of Truckee has committed to reducing community-wide greenhouse gas (GHG) emissions to 40% below 2008 levels by 2030 and 80% by 2040. To reach these adopted targets, the Town will need to address GHG emissions from residential energy use, which is one of the largest contributors to community-wide emissions. In April 2025, the Town Council adopted the Existing Building Decarbonization Roadmap, which outlined strategies the Town can implement to support the decarbonization of existing residential and commercial buildings. Development of this Roadmap was an action item (CAP-7.H) in Truckee’s adopted Climate Action Plan. The Roadmap included a recommended short-term action to develop a program that leverages short-term rental “Tokens” as an incentive to encourage voluntary building decarbonization, particularly high-priority electrification measures.

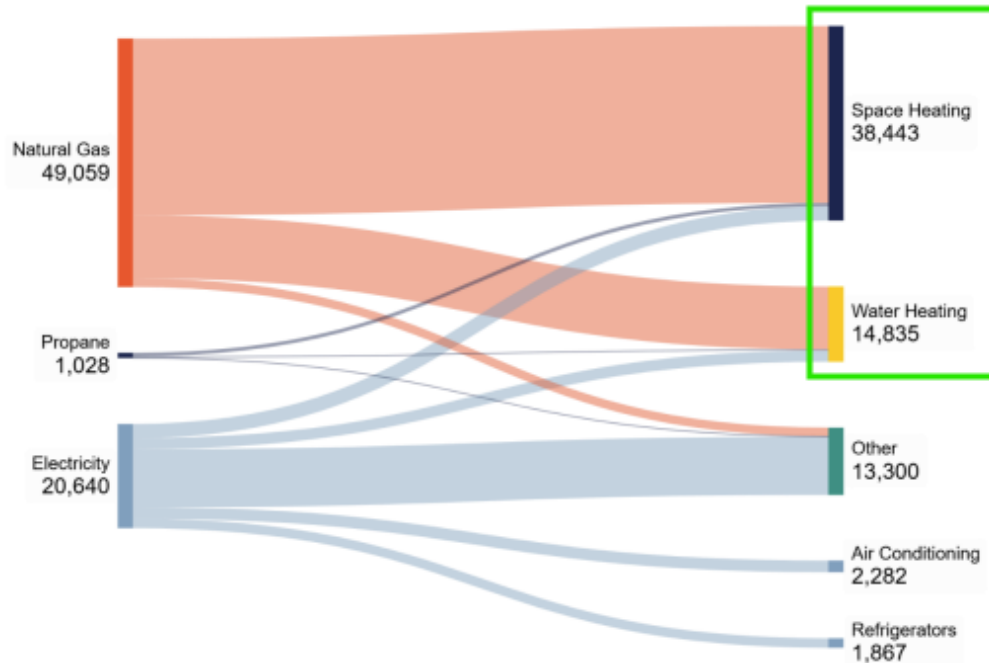


The proposed Short-Term Rental Building Electrification Token Program (BETP) is an innovative, new approach to promote residential building electrification and greenhouse gas (GHG) emissions reduction in Truckee. This program focuses on accelerating voluntary electrification of residential space and water heating systems, installation of solar photovoltaic (PV) panels, and key supporting efficiency upgrades. While local utilities, state programs, and federal tax credits already offer financial incentives to support electrification and renewable energy measures, these have not been sufficient to encourage widespread implementation in Truckee. The BETP would encourage these electrification and renewable energy measures by offering a different type of incentive in addition to existing rebates and tax credits: a “Token” that is redeemable for a Transient Occupancy (Short-term rental) Registration Certificate.

Space heating accounts for over half of all GHG emissions from residential energy use in Truckee, with over 90% of these emissions coming from natural gas heating equipment. Water heating is the second largest contributor to residential energy GHG emissions, again from primarily natural gas equipment. Supporting electrification of residential space heating is the most impactful action the Town can take to

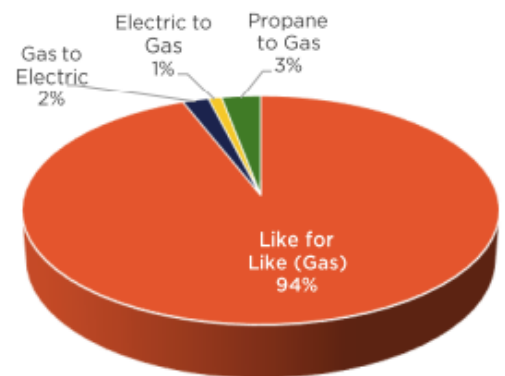
reduce energy-related GHG emissions, as it switches these key energy-using systems from fossil fuels such as natural gas and propane to a more renewable energy source. While electrification provides immediate GHG emissions reduction, emissions will continue to decrease over time as Truckee’s electricity transitions to 100% renewable and carbon-free sources by 2045.

Figure 1: Residential GHG Emissions by End Use and Fuel Type (Metric Tons of Carbon Dioxide Equivalent)



Surveys by the Truckee Doner Public Utility District indicate that most of the residential heating equipment in Truckee is reaching its end-of-life (usually 15-30 years) and will likely need replacement in the next decade. This represents a time-sensitive opportunity to replace gas and propane systems with electric alternatives and address this large source of community-wide GHG emissions. Nearly all installations of residential heating system replacements from 2021-2023 in Truckee were like-for-like gas furnaces (94%) with only a small number of system electrifications (2%). While the current rate of heating system electrification is very low, 20% of respondents to a 2024 community survey indicated they would definitely consider replacing their gas furnace with a heat pump. The proposed BETP is intended to address this gap between interest in electrification and actual system installation by leveraging a different kind of incentive.

Figure 2: Residential Heating System Replacements by Fuel Type, 2021-2023



A preliminary concept for a Building Electrification Token Program is outlined below. Staff are seeking Council input on the key proposed program criteria detailed in this report, as well as direction to develop a full program proposal for Council consideration.

## II. Short-Term Rental “Tokens”

A Token is a transferable incentive that can be redeemed for a Transient Occupancy Registration Certificate, giving the holder prioritized access to the Short-Term Rental (STR) registration process. This type of incentive was first proposed as part of the Town’s Short-Term Rental Workforce Housing Token

Pilot Program, often referred to simply as the “Token Program.” 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 of over a year to receive a new Transient Occupancy Registration Certificate, creating an opportunity to offer a “Token” that can expedite the registration process as an incentive for programs that accomplish the Town’s goals in areas such as workforce housing, as allowed by Truckee Municipal Code Section 5.02.030 (E)(2)(g). A Token is immediately redeemable for a Transient Occupancy Certificate for properties that meet all other criteria required for STRs, allowing the token holder to bypass the standard waitlist process, but does not exempt these properties from any other STR requirements.

The Town Council has previously approved guidelines for how Tokens may be used as part of the Short-Term Rental Workforce Housing Token Pilot Program. These guidelines allow Token holders to utilize their Tokens in the following ways:

- 1) *Redeem Token:* A Token can be redeemed for a Transient Occupancy Registration Certificate for an STR-eligible property that the certificate holder owns or operates by contacting the Town of Truckee STR division and demonstrating compliance with all other STR program requirements. Tokens must be redeemed within 36 months of initial issuance, or they will be voided by the Town.
- 2) *Transfer Token:* A Token holder can choose to sell or otherwise transfer their Token to another party who is interested in operating a STR. Staff have established a process to transfer ownership of a Token as part of the existing Token program.
- 3) *Retrieve Token:* Once a Token has been redeemed, it can be retrieved by deregistering the STR and relinquishing the Transient Occupancy Registration Certificate at any point during the valid term of the Token. The Token can then be used to obtain a Transient Occupancy Registration Certificate for up to two different eligible short-term rental properties per calendar year. Properties that have received a Transient Occupancy Registration Certificate through use of a Token can also register for the standard waitlist, and once they receive a Certificate through the standard process, can retrieve their Token to use on another property or for transfer/sale.

While different Token programs can have different criteria for how to earn a Token, it would be challenging to have the fundamental aspects of how Tokens work vary between programs. Therefore, staff recommend aligning the proposed Building Electrification Token Program with these already approved criteria. The one exception is that Tokens issued by different programs may have different terms/expiration dates, which are relatively easy for staff to track.

Currently, the Municipal Code specifies that Transient Occupancy Registration Certificates may be issued outside of the standard STR registration process specifically for workforce housing programs. In order to allow for the issuance of Tokens as part of the proposed Building Electrification Program, staff is seeking direction from Council to propose amendments to the Municipal Code to allow the Town Council to approve use of Tokens for programs supporting other Council priorities (including GHG emissions reduction). If Council approves this recommendation, staff will draft an ordinance with these recommended amendments for Town Council consideration in conjunction with the proposed BETP program guidelines.

### **III. Building Electrification Token Program Components**

This report proposes an initial concept for the Building Electrification Token Program. At this time, staff are seeking input from Council on the following program components. Pending direction from Council, staff will incorporate this input into the final proposed program criteria and return to Council for approval.

### Earning a Token

To earn a Token under the proposed BETP, applicants would need to complete eligible electrification and renewable energy upgrades. As proposed, staff recommends granting a Token to property owners in exchange for implementing upgrades resulting in a set amount of GHG emissions reduction. This ensures Tokens are awarded in exchange for a roughly equivalent community benefit (GHG emissions reduction) despite differences between buildings.

To accomplish this goal, staff have proposed a system where applicants can choose from a list of eligible measures to achieve a minimum score. Points for each measure are based on the relative GHG emissions reduction for each measure, as evaluated in a 2024 study on single-family residential retrofits in Truckee.<sup>1</sup> The points values assigned to each measure are the estimated annual GHG emissions reductions in metrics tons of carbon dioxide equivalent (MT CO<sub>2</sub>e) multiplied by a factor of three and rounded to the nearest half a point. The GHG emissions reduction impact of certain electrification and efficiency measures increases significantly with building age due to differences in building and equipment efficiency, which is reflected in the calculated GHG emissions/points values. Other measures, such as installation of solar photovoltaic panels, do not vary. Due to these natural differences in existing building and equipment efficiency, newer buildings would need to complete more eligible upgrades to achieve the same amount of GHG emissions reduction and earn a Token. The minimum score would be easier to meet for older buildings, which have greater GHG emissions reduction potential and are more likely to have heating systems in need of replacement.

*Table 1: Proposed Eligible Measures and Points*

ENERGY MEASURE	BUILDING VINTAGE		
	Pre-1978	1978-1991	1992-2010
Replace gas furnace with Heat Pump Space Heater	16	13	9
Replace gas water heater with Heat Pump Water Heater	3	3	3
New Ducts (R-6 minimum) OR Duct Insulation (10%)	2	1.5	0.5
Attic Insulation (R-38 minimum)	1	0.5	-
Floor Insulation (R-19 minimum)	2.5	2.5	-
Window Upgrade: 0.28 vs 0.35 U-factor	1.5	1.5	1
Solar Photovoltaic (minimum 3kW)	0.5	0.5	0.5
Solar Photovoltaic (minimum 6kW)	1	1	1

Building age is divided into the three state-defined categories included in the 2024 retrofit study on single-family homes: Pre-1978, 1978-1991, and 1992-2010. The estimated GHG emissions reduction for each measure is based on a “typical” building and equipment for each timeframe as defined by the retrofit study. While there is some variation in existing conditions and sizes of buildings of the same age that may not conform exactly to the “typical” building type, this study still provides a good estimate of the relative GHG emissions reduction associated with each measure for buildings of different ages. Buildings built after 2010 were not included in the statewide retrofit studies, as they were built to much stricter energy efficiency standards than older vintages and should not yet have equipment in need of replacement. While staff does not have data on the specific GHG emissions reduction potential for eligible

<sup>1</sup> Frontier Energy Inc., 2022 Single Family Custom Cost Effectiveness Analysis: Town of Truckee

measures in post-2010 buildings, it would be much lower than older building vintages given the significant change in both building and equipment efficiency standards.

The minimum score under the proposed points-based qualification criteria is set to require electrification of space heating and/or water heating in all eligible building vintages. Newer buildings do not achieve the same GHG emissions reduction from electrification of space heating equipment (because their baseline condition is already more efficient), so some supplemental efficiency measures have been included to allow buildings in the 1992-2010 a pathway to meet the proposed initial minimum points threshold.

*Table 1: Minimum Points Required for Token*

<b>Year of BETP Program Operation</b>	<b>Minimum Points Required</b>
1-2	10
3-4	13
5+	15

Staff recommend launching the program with a lower initial minimum points value and increasing the minimum score required to earn a Token overtime. The intent is to encourage early participation and allow for a wider range of building vintages to be able to participate in the initial years of the program. To set a minimum points threshold that is achievable for newer building vintages, pre-1978 buildings could meet the same score and achieve the same GHG emission reduction without electrifying their space heating but would need to electrify their water heating equipment. However, since the goal of the program is to address the primary contributor to residential GHG emissions (space heating), staff recommend increasing the minimum points required over time, so that electrification of space heating is a requirement in all eligible vintages. This means that eventually, even buildings built between 1992-2010 would not be able to implement enough eligible measures to earn a Token under the proposed system. While this would exclude property owners of newer buildings from directly earning a Token, they could still benefit from this program by purchasing a Token from another property owner.

Awarding Tokens based on a minimum amount of GHG emissions reduction, which naturally focuses the program on older buildings, provides the greatest environmental benefit to the Town. If Council would prefer to allow all building vintages to participate in the BETP, staff could pursue an alternative program design where a Token is awarded based on completion of the same upgrade measure(s) regardless of building vintage. However, this would result in lower overall GHG emission reductions and mean that Tokens are not being awarded for a similar level of community benefit.

*Applicant Eligibility*

Staff recommends aligning the applicant eligibility criteria with those of the Short-Term Rental Workforce Housing Token Pilot Program. As proposed, this program would be open to owners of existing single-family residences, including detached single-family homes, townhomes, and condominiums. Although condominiums and townhomes, along with deed-restricted properties, are not eligible for use as short-term rentals under the Town’s ordinance, owners of these properties would still be eligible to apply and receive a Token if they meet the BETP program criteria. Tokens can only be redeemed for properties that are eligible for a Transient Occupancy Registration Certificate, so some property owners may need to transfer or sell their Token in order for it to be redeemed.

Under the current proposed guidelines, manufactured and mobile homes would not be eligible for the BETP. The eligible measures and calculated GHG emissions reductions are based on a study of single-family homes and would not be applicable to manufactured and mobile homes due to significant differences in construction standards, energy systems, and equipment. 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 calculate the associated GHG emissions reduction. If Council is interested in making Tokens available to owners of manufactured and mobile homes, this could be explored as a separate workplan item at a future date. However, staff believe other types of building decarbonization programs may be more appropriate for this building type, particularly because they are ineligible for use as STRs and therefore owners would need to sell the Token to receive any value. 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.

Another key consideration in the setting of eligibility criteria is the potential impact on long-term rental housing. While this program is unlikely to incentivize property owners to convert long-term rental housing to short-term rentals if they were not already considering such a change, it could accelerate that conversion for individual homes by offering an expedited path to receiving a Transient Occupancy Registration Certificate. However, the Town-wide cap on the total number of short-term rentals will prevent this program from impacting the overall availability of housing for use as long-term rentals.

Even if a property owner transfers the Token to a different property, completing eligible upgrades on a long-term rental property may still negatively impact tenants. This is due to limited control over project timing, communication, and potential impacts to habitability, particularly if critical systems like heating are included. Additionally, some electrification measures can result in higher utility costs, and property owners can recover upgrade costs through increased rent. To reduce the impacts on long-term rental housing, particularly residents participating in the Town's rental housing programs, staff recommends prohibiting property owners currently participating in Lease to Locals or Rooted Renters from participating in the program until the end of their program term. Additionally, staff proposes to require property owners applying to the BETP to disclose current or recent use of their property for a long-term rental to assist the Town in tracking potential impacts on rental housing.

#### BETP Token Criteria

Staff propose issuing up to 15 Tokens per calendar year for the proposed BETP. Pre-applications will be recommended to ensure eligibility and "reserve" a Token for a limited period of time while upgrade measures are completed. Rather than reserving a separate pool of Tokens within the overall cap for the BETP, staff recommend allowing redemption of Tokens throughout the year, even if this temporarily exceeds the cap of 1,255 active Transient Occupancy Registration Certificates and then reconciling 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 transfer or sell 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 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, fifty properties with registration certificates change ownership and exit the STR program. The Town releases only forty-six of the fifty returned registration certificates to the waitlist, such that the total number of STRs returns to the cap of 1,255.

Staff recommends Tokens issued through the BETP be valid for 5 years.

#### **IV. Ongoing Program Monitoring**

In order to ensure that GHG emissions reduction will be maintained for the 5-year Token term, the original program applicant (who installed the home energy upgrades) could be required to enter into a contractual agreement with the Town to prohibit replacement with fossil fuel-based equipment within the 5-year Token term even if they have sold or transferred the Token. Staff may periodically check permit data to

determine if participating properties continue to use electric space heating and/or water heating systems after the current equipment reaches the end of its useful life (10-15 years), or if these systems are eventually converted back to natural gas. This will help staff evaluate the long-term impacts of the program well past the timeframe of any contractual obligation participants have. Additionally, rental disclosures and other program information may be analyzed to help staff assess any impacts on long-term rental housing.

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

**V. Next Steps**

Pending Council feedback on the proposed BETP concept and approval of staff’s recommended actions, staff will move forward with developing a full program proposal for Council consideration. This includes drafting administrative procedures, refining eligibility documentation requirements, and designing public-facing application materials. Staff will also continue building out the infrastructure necessary to implement and track Tokens in coordination with the Town’s Housing Program, including Token issuance and transfer protocols, enforcement mechanisms, and integration with existing STR permitting workflows.

Staff will also draft proposed amendments to the Truckee Municipal Code to allow the Town Council to approve use of Tokens for a broader range of programs, since current language restricts these to workforce housing programs. This would allow for development of programs like the BETP that support other Council priorities such as GHG emissions reduction.

Stakeholder engagement will be an important part of program development. Staff have already met with Visit Truckee-Tahoe and received some valuable initial input on the basic program concept and outreach strategies. Staff anticipate additional engagement with Visit Truckee-Tahoe, the Contractor’s Association of Truckee Tahoe, and other key local stakeholders to further develop and refine the proposed program criteria.

If Council approves staff’s recommendations to move forward with program development, staff anticipate returning to Council later this year with finalized program documents with the goal of opening the application process in early 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 develop and implement the proposed Building Electrification Token Program.

**Public Communication:** Agenda posting and emails sent to community members who signed up to receive updates about the Town’s building decarbonization initiatives. Additionally, Town staff held an initial meeting with Visit Truckee-Tahoe to receive initial feedback on the program concept.

**Attachments:** None.