



CITY OF  
**PALO  
ALTO**

## City Council Staff Report

**From: City Manager**

**Report Type: CONSENT CALENDAR**

**Lead Department: Planning and Development Services**

**Meeting Date: April 1, 2024**

Staff Report: 2403-2709

### **TITLE**

Approval of Contract Amendment Number 1 to Contract Number S24190818 with Integrated Design 360 in the Amount of \$82,200 and Extension of the Contract Term through December 30, 2024 for development of a “One Margin” Reach Code. CEQA Status: Exempt Under CEQA Guidelines Section 15308

### **RECOMMENDATION**

Staff recommends that the City Council approve and authorize the City Manager or designee to execute Amendment No. 1 to Contract S24190818 with Integrated Design 360 (Attachment A) for development of a “One Margin” Reach Code in an amount not to exceed \$82,200 and extend the term of the contract through December 30, 2024. This amendment results in a revised total contract not-to-exceed \$132,200.

### **BACKGROUND**

On February 26, 2024, in light of the Ninth Circuit decision in California Restaurant Association v. City of Berkeley, the Council adopted a moratorium on enforcement of certain provisions in Title 16 (Building Regulations) of the Palo Alto Municipal Code requiring that new construction and substantial remodels utilize all-electric design, which had been adopted November 2022 and had been effective since January 2023.

Council also directed staff to pursue a replacement Reach Code using the “One Margin” approach, choosing a single policy approach rather than the consideration of multiple options in order to expedite development. Council directed staff to return on a timeline that would allow for ordinance adoption by the end of June 2024.

### **ANALYSIS**

Following the February 26, 2024 staff executed a \$50,000 consulting contract with Integrated Design 360 to immediately begin work on development of a “One Margin” Reach Code. The initial contract scope is insufficient to complete the entire work effort, however. The consulting work required for the project includes the following:

- Review of State cost-effectiveness studies supporting a new Reach Code and any additional cost-effectiveness analysis required
- Assisting staff evaluate design alternatives for the code
- Evaluation of example Palo Alto building types under the code
- Adaptation of model codes to Palo Alto
- Staff report and ordinance drafting
- Assisting staff submit the code to the California Energy Commission (CEC)
- Meetings and communications in support of these efforts
- Drafting of outreach material about both the moratorium and the new code proposals

Integrated Design 360 has quoted \$132,200 to complete the entire project scope, \$82,200 of which covers the proposed contract amendment. The Municipal Code generally requires a competitive solicitation process for professional services contracts valued greater than \$50,000. However, the Municipal Code provides an exemption in cases where the competitive solicitation process would result in additional costs to the City and substantial interference with a required city operation. PAMC 2.30.360(b)(2). Here, failure to adopt a replacement Reach Code on a rapid timeline will hinder the City's ability to complete its Sustainability and Climate Action Work Plan. It would also result in more new construction using natural gas lines, which will raise costs long term for both residents and the City's gas utility as more and more of the community electrifies and these leftover gas lines need to be maintained or abandoned despite declining gas system revenues. To avoid these long-term costs Council has directed staff to bring back a replacement code before the Council break, which gives staff seven to eight weeks to draft the code and route it for internal review. An exemption from solicitation is requested to get the necessary consulting resources on board quickly to meet this timeline.

Integrated Design 360 LLC is the firm best positioned to assist with this activity because they consulted for the City of San Jose in development of its Reach Code. San Jose's code is the first example of what is now being referred to as a "One Margin" code. Integrated Design 360 is also subcontracting with TRC for the analytical work. TRC is the engineering firm that completed the 2022 statewide cost-effectiveness studies that the City of San Jose relied on in developing its code and which Palo Alto intends to rely on in developing theirs. Both Integrated Design 360 and TRC were involved in the development of the City of Palo Alto's Reach Code in 2022 and are very familiar with the City's operational and regulatory history. Onboarding a different consulting firm would make it impossible for staff to meet the Council timeline.

### **FISCAL/RESOURCE IMPACT**

The professional services contract for Integrated Design 360 related to development of a "One Margin" Reach Code proposal will have a total not-to-exceed amount of \$132,200 if Council approves this amendment. These costs are being split evenly between general consulting budgets previously approved for the Planning and Development Services and Utilities departments in the FY 2024 budget.

**STAKEHOLDER ENGAGEMENT**

No stakeholder engagement was performed with respect to this contract amendment. With respect to the Reach Code amendment itself, per Council direction at its February 26, 2024 meeting, the “One Margin” Reach Code proposal should reach Council with enough time to allow Council to adopt an ordinance by the end of June 2024. Council further noted that if stakeholder engagement will delay that timeline Council would accept a proposed ordinance without prior stakeholder engagement. Staff will consider possible stakeholder engagement opportunities that do not impact that timeline and may or may not find such opportunities.

**ENVIRONMENTAL REVIEW**

Council action on this item is categorically exempt from review under the California Environmental Quality Act (CEQA) because the One Margin Reach Code would be a regulatory action taken for the protection of the environment (CEQA Guidelines section 15308).

**ATTACHMENTS**

Attachment A: Amendment to Contract S24190818 with Integrated Design 360

**APPROVED BY:**

Jonathan Lait, Director of Planning and Development Services