BOARD MEETING DATE: October 2, 2026 AGENDA NO. 11

PROPOSAL: Approve Phase 2 of GO ZERO Incentive Program

SYNOPSIS: South Coast AQMD launched the GO ZERO Pilot Incentive Program on September 3, 2025, which provides rebates for zero-emission water and space heating units. Funds for the Single Family and Multifamily Homes have been exhausted. Staff is providing recommendations for expanding the program to Phase 2 with additional changes and $60,200,000 from mitigation fees collected under the alternative compliance options for residential space heating appliances maintained in the Rule 1111 and Rule 1121 Air Quality Investment Fund (27) and reimburse the General Fund up to five percent of Phase 2 funding, not to exceed $3,010,000.

COMMITTEE: Stationary Source, September 18, 2026; Recommended for Approval

RECOMMENDED ACTIONS:
Authorize the Chair (or by the Chair's designation, the Executive Officer) to:

1. Execute contracts from the Rule 1111 (in the amount of $55,350,719) and Rule 1121 (in the amount of $4,849,281) Air Quality Investment Fund (27) with:
   a. Electric & Gas Industries Association (EGIA) up to $20,000,000 to continue the single family rebate program;
   b. Willdan Energy Solutions up to $20,000,000 to continue the multifamily rebate program;
   c. Up to $20,000,000 for the single family rebate program, multifamily rebate program, small business rebate program (under the existing contract implemented by Willdan Energy Solutions), and/or outreach, dispensed in $5 million increments, upon their Phase 2 fund depletion with an allocation approved by the Executive Officer;
   d. Community Connections, LLC up to $200,000 to continue outreach in all four counties; and

2. Reimburse the General Fund from the Rule 1111 Air Quality Investment Fund (27) for administrative costs in administering the program, up to five percent of Phase 2 funding, not to exceed $3,010,000.

Wayne Nastri
Executive Officer

SR:MK:HF:YZ:EY

Background

In order to meet state and federal air quality standards, the 2022 AQMP relied on the deployment of zero-emission technologies, wherever feasible. One challenge for the widespread implementation of zero-emission residential and commercial space and water heating appliances is the cost, particularly for residents in overburdened communities. In the 2022 AQMP Resolution, the Board directed staff to work with stakeholders to develop concepts for a funding program to incentivize the transition to zero-emission technologies, with a strong emphasis on incentivizing zero-emission technologies in overburdened communities.

In August 2024, the Board approved funding GO ZERO, a $21 million pilot incentive program for single family, multifamily, and small businesses to adopt zero-NOx emission space and water heating appliances: heat pumps for Heating, Ventilation, and Air Conditioning (heat pump HVAC) and heat pumps for water heating. The pilot program launched on September 3, 2025. The multifamily rebate program was fully reserved within two weeks of launching the program.

On February 6, 2026, the single family and small business rebate programs were paused for program evaluation and assessment of the pilot program. On August 28, 2026, GO ZERO resumed accepting new applications for the single family and small business rebates. Due to high interest and the rapid depletion of available funding for the August re-opening, the GO ZERO single family rebate application portal closed on Friday, September 4, 2026. The pilot phase incentivized over 3,000 single family installations and over 700 multifamily installations. Only two applications have been received for the small business rebate program, and applications are still being accepted for this portion of the rebate program.

Proposal

Staff recommends initiating Phase 2 of the GO ZERO incentive program by funding the program with $60,200,000 from the Rule 1111 and Rule 1121 Air Quality Investment

Fund (Fund 27), with funding first allocated from Fund 27 Rule 1121, followed by funding allocated from Fund 27 Rule 1111. Phase 2 will:

1. Fund single family space and water heating appliance rebates up to $20 million;
2. Fund multifamily space and water heating appliance rebates up to $20 million;
3. Expand Community Connections, LLC's outreach to include Riverside and San Bernardino Counties up to $200 thousand;
4. Include a flexible amount for additional rebates in the single family rebate program, multifamily rebate program, small business rebate program, and/or outreach, upon their Phase 2 fund depletion with an allocation approved by the Executive Officer up to $20 million;
5. Include a five percent administrative fee, up to $3,010,000, to cover staff resources, Continue ongoing training for installers of zero-emission space and water heating appliances and ongoing outreach and application assistance (pilot funding remains, no additional Phase 2 funding); and

At least 75 percent of the rebate funding (single family and multifamily rebates) will be dedicated to those applying from overburdened communities, identified under Senate Bill 535 (De León, Statutes of 2012) (https://oehha.ca.gov/calenviroscreen/sb535).

Staff recommends adjusting the Phase 2 program as follows:

1. Expand rebate eligibility to include solar water heating (zero-emission only) at a similar rebate level as heat pump water heating;
2. Lower rebate amounts for:
    - Multifamily heat pump water heater to align with single family rebates and
    - Smaller HVAC systems including mini-split heat pumps and window heat pumps, to reflect the lower project costs;
3. Update installation eligibility date to only allow units installed after September 4, 2026 (date pilot funding was depleted);
4. Modify the multifamily reservations to:
    - Require projects to be already initiated, with signed sales agreement, which will reduce time for project completion and rebate payment;
    - Limit the number of reservations by contractor, company, or property owner, to prevent any single entity from reserving most of the funds. The reservation system would allow a contractor to apply for up to three properties every six months.

Proposed Rebate Changes

Unit	Pilot	Phase 2	
Single Family - Non-overburdened [*overburdened*]			
Heat Pump Water Heater	$1,000 [*$2,000*]	$500 [*$1,000*]	
Heat Pump HVAC	$1,500 [*$3,000*]	$500 [*$1,000*]	under 3 tons
		$1,000 [*$2,000*]	over 3 tons
Multifamily - $300,000 cap per property			
Heat Pump Water Heater	Up to $2,100	$500	
Heat Pump HVAC*	Up to $2,000	$500	under 3 tons
		$1,000	over 3 tons

* Maintain lower rebate levels for common areas.

Benefits to South Coast AQMD

Phase 2 of the GO ZERO Incentive Program will provide rebates to consumers, multifamily property owners, and small businesses replacing traditional NOx emission appliances, such as furnaces or water heaters, with zero-emission appliances and provide targeted outreach. Initiating the rebate program will help implement 2022 AQMP control measures for widespread adoption of zero-emission appliances, which is necessary to reduce NOx emissions and to meet the NAAQS ozone standards.

Resource Impacts

Sufficient funds are available in Rule 1111 and Rule 1121 Air Quality Investment Fund (27). Up to five percent of Phase 2 funding, not to exceed $3,010,000, will be reimbursed to the General Fund to recover staff costs associated with administering the GO ZERO incentive program.