COUNCIL AGENDA: 10-30-07
ITEM: 7.1

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Lee Price, MMC
City Clerk

SUBJECT: **EXPANSION OF CLEAN AIR VEHICLE PROGRAM**

DATE: September 21, 2007

RECOMMENDATION

As recommended by the Rules and Open Government Committee on September 19, 2007 approve (1) staff to expand the Clean air Vehicle Program to include all zero emission vehicles registered in the City of San Jose; and (2) accept staff report on the workload assessment of making Zero Emissions Vehicles registered in the City of San Jose eligible to participate in the Clean Air Vehicle Parking Validation program as outlined in the attached memo previously submitted to and approved by the Rules & Open Government Committee.

RULES COMMITTEE: 09-19-07
ITEM: G1a

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

To:	Honorable Mayor and City Council	**From:**	Councilmember Pete Constant
Subject:	Expansion of Clean Air Vehicle Program	**Date:**	September 13, 2007

Approved:

RECOMMENDATION:
Direct staff to expand the Clean Air Vehicle Program to include all zero emission vehicles registered in the City of San José.

BACKGROUND:
In 2001, the City of San José implemented the Clean-Fuel Incentive Program to allow Zero Emission, Ultra Low, and Super Low Emission vehicles purchased from licensed San José auto dealerships to park for free in City parking facilities and at on-street parking meters. The intent of the two-year pilot program was to reduce emissions, while helping the economy in San José to recover. The City Council approved renewal of the program in 2003 and expanded the program to include hybrid vehicles.

Earlier this year, during the June 19, 2007 Council Meeting, the Clean Air and Hybrid Vehicle Parking Programs were combined into a Clean Air Vehicle Program and extended to June 30, 2009. In addition to extending the program, the Council approved changing the program requirements to meet the State of California Carpool Lane sticker requirements. Consequently, participation in the City's Clean Air Vehicle Program has been limited to the cleanest alternative fuel, hybrid and full electric vehicles to provide an incentive to drive clean air vehicles and improve air quality.

ANALYSIS:
The original intent of the Clean-Fuel Incentive Program (now the Clean Air Vehicle Program) was twofold: reduce emissions and to boost the economy by providing an incentive for purchasing a clean-air vehicle in San José. With approximately 1,600 vehicles participating in the program, the City can further increase the capacity of the program and strengthen our commitment to serve as a model in sustainability and environmental stewardship by expanding the program to all zero emission vehicles that are registered in San José.

RULES COMMITTEE: 09-19-07
ITEM: G 1(b)

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: RULES AND OPEN GOVERNMENT COMMITTEE

FROM: James R. Helmer

SUBJECT: **ZERO EMMISSIONS VEHICLE PARKING VALIDATION PROGRAM**

DATE: 09-14-07

Approved

Date 9/14/07

COUNCIL DISTRICT: 3

RECOMMENDATION

Accept the staff report on the workload assessment of making Zero Emissions Vehicles (ZEV) registered in the City of San Jose eligible to participate in the Clean Air Vehicle Parking Validation Program allowing free parking at specified City parking facilities and parking meters.

BACKGROUND

At the September 5, 2007 Rules Committee, Councilmember Constant requested that all Zero Emissions Vehicles registered in the City of San Jose be eligible to participate in the City's Clean Air Vehicle Parking Validation Program. The Rules Committee directed staff to conduct a workload assessment of the request and report back to the Committee on September 19, 2007. This report responds to that direction.

In April 2001, the City initiated the Clean Air Vehicle Parking Validation Program. The program was designed to encourage the purchase of clean air vehicles in San Jose to spur economic activity and sales tax, reduce auto emissions, and encourage economic activity in Downtown by providing free parking at City parking facilities and parking meters. The Hybrid Vehicle Parking Validation Program, with similar economic and environmental goals, was added to the program in April of 2003 as new Hybrid Vehicle technology was becoming more common in the marketplace.

Initially, when the two programs were developed, the State of California issued High Occupancy Vehicle Stickers only to Electric and Compressed Natural Gas Vehicles, while the City issued permits only to Hybrid Vehicles. Changes in the technologies and subsequent revisions to the State's Clean Air Program expanded the criteria to include Hybrid Vehicles.

The City's Clean Air Vehicle Parking Validation Program amended by the City Council on June 19, 2007 included the following key provisions:

- Vehicles must meet the State of California clean air vehicle requirements, with the exception of Neighborhood Electric Vehicles.
- Clean Air Vehicles must be purchased after January 1, 2000 from a licensed auto dealership in the City of San Jose.
- Eligible vehicles receive free validated parking at specified City parking facilities and at parking meters.
- Extension of the Clean Air Vehicle program through June 30, 2009.
- Add a fee of $30 for new and replacement stickers to cover the cost of permit issuance and program administration.

ANALYSIS

Councilmember Constant's request is to make Zero Emissions Vehicles (ZEV) registered in the City of San Jose, but not purchased from a licensed San Jose auto dealership, eligible to participate in the Clean Air Vehicle Parking Validation Program. The current program requires that all Clean Air Vehicles, including ZEVs, be purchased at a licensed auto dealership in the City of San Jose. The purpose behind that provision was to direct the economic and tax benefits to the City of San Jose and its local businesses.

Staff met with Councilmember Constant to discuss the current program and to better understand the specifics of his proposal including the primary reasons for his request. The original program was initially developed with two goals in mind: 1) Derive economic and tax benefits in San Jose 2) Reduce vehicle emissions and environmental impact. Since the original program was initially developed, environmental awareness, and the impact that vehicle emissions have on global warming, has become more widespread in our community. ZEVs have the least environmental impact of all the clean air vehicles. Staff estimates that ZEVs registered in San Jose would represent the smallest class of clean air vehicles, in terms of numbers, if they were included in the program. Hybrid technology has grown substantially in the years since the original program was developed and represents a far larger segment of the clean air vehicle industry than ZEVs.

Fiscal and Administrative Impact

The total value of the validated parking for the Clean Air Vehicle Program averaged $7,750 per month between July 2006 and February 2007 at all participating parking facilities. Approximately 10% of the validated parking resulted from ZEVs. Staff estimates that the financial impact to the Parking Fund would be minimal if ZEVs registered in San Jose, but not purchased from a licensed San Jose auto dealership, would be eligible to participate in the program. Also relevant is the requirement that vehicles purchased used from private parties require the buyer to pay a use tax, at a rate identical to the jurisdictions sales tax rate where the vehicle is to be registered. Use taxes on used vehicle registrations are distributed to cities by a formula based upon the percentage of the total vehicles registered in the county. ZEVs purchased from a private owner outside of San Jose, but that are registered in San Jose would result in use taxes accruing to San Jose based upon the county pool formula. However, ZEVs

purchased new or used from a licensed auto dealership outside of San Jose would have the sales tax accrue to the jurisdiction at the point of sale. Currently, the potential loss of sales tax that might occur on ZEVs purchased outside of San Jose for this program can not be determined. However, it is not believed to be a large estimate given that ZEVs are a relatively small segment of the Clean Air Vehicle industry.

From an administrative workload standpoint, staff can absorb the inclusion of ZEVs into the current program with existing resources with negligible impact. The processing of permits would be cost recovery based upon the current sticker fee of $30 matching the cost to issue a sticker and administer the program.

The Downtown Parking Board has been charged to advise the City Council on matters related to the Downtown parking system and typically reviews items of this nature. When the City Council last amended the Clean Air Vehicle Validation Program on June 19, 2007, staff's recommendation had been reviewed by the Downtown Parking Board and recommended for approval. The Downtown Parking Board's next regularly scheduled meeting is October 3, 2007.

COORDINATION

This report has been coordinated with the Office of Economic Development, Finance Department, and the City Attorney's Office.

for James H Helmer
James R. Helmer
Director of Transportation

For questions please contact Joe Garcia, Division Manager, at 535-3833.