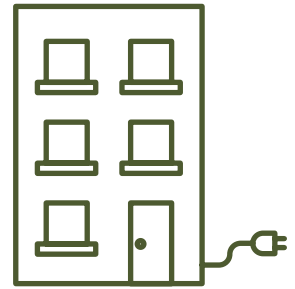


Los Angeles Building Decarbonization: Tenant Impacts and Policy Recommendations



Decarbonizing Los Angeles' existing building stock is essential for reaching the City's climate goals, as buildings are responsible for 41% of L.A.'s GHG emissions. Building decarbonization is accomplished through building retrofits and upgrades, including replacing natural gas appliances with electric appliances (i.e. "electrification"). Without careful planning, however, such measures will increase tenant displacement and harassment, increase tenants' rents and energy bills, and disproportionately impact Black, Latinx, and low-income renters. If policy is designed wisely, building decarbonization can improve renters' lives by lowering their energy burdens, eliminating the harmful health impacts of indoor air pollution from natural gas appliances, providing better resiliency to extreme weather, and improving comfort in the home.

How Poorly-Designed Building Decarbonization Can Harm Tenants

Most Angelenos are renters, and most L.A. renters are severely rent burdened (paying over half their income in rent). The impact of Covid-19 has further increased the share of tenants struggling to pay rising rents and energy bills. Black, Latinx, and low-income renters are most affected. It is imperative that decarbonization efforts not exacerbate the struggles of renters.

- **Higher Rents:** Current regulations allow landlords to pass up to 100% of the cost of decarbonization upgrades to tenants, even if they live in an RSO-unit (Rent Stabilization Ordinance, a.k.a. "rent control"). These decarbonization upgrades are estimated to cost between \$14,000-\$28,000/unit. Tenants already struggling to pay rent should not bear the costs of these upgrades, since it is landlords who will enjoy increases in property values as a result.
- **Higher Energy Bills:** Low-income renters have the highest energy burdens, spending an average of 6% of their income on utilities, compared to 2.2% for all households. Narrow decarbonization approaches that focus only on appliance swaps will likely worsen energy burdens. Fortunately, holistic approaches that incorporate energy efficiency will both lower energy burdens and cut even more emissions.
- **Increased Displacement:** Decarbonization retrofits could present another avenue for landlords to employ common harassment strategies aimed at displacing RSO-tenants in order to extract greater profits from the units. The Tenant Habitability Program (THP) requires landlords to relocate RSO-tenants during building upgrades, but landlords seeking to displace tenants will relocate them to substandard units, or homes far away from their jobs and communities, in order to get them to leave voluntarily. Additionally, non-RSO tenants currently have no protection from evictions due to "remodeling," and are thus endangered by retrofit programs. If decarbonization retrofits require temporary relocation of tenants, policy must protect tenants from eviction.
- **Corporate Consolidation of Rental Market:** Corporate Landlords already own 67% of rental units in L.A., and data shows corporations are far more likely than small landlords to have habitability code violations, and to use the Ellis Act to displace tenants. Decarbonization that treats corporate landlords and mom-and-pop landlords the same will likely see smaller landlords selling their properties due to the upfront costs, and corporate landlords buying them up, with poor results for renters. Policy should be different for these different landlord classes, and give renters and Community Land Trusts (CLTs) the first option to buy buildings put on sale.

Policy Recommendations for Pro-Tenant Building Decarbonization

1 Holistic Decarbonization

Tie Electrification to Efficiency + Health. If landlords are simply required to replace natural gas appliances with electric ones, tenants' energy burdens may go up. But if landlords pursue energy efficiency alongside electrification, tenants' energy burden will go down and their living conditions will improve. More than just emissions cuts, decarbonization is an opportunity to dramatically improve the living conditions and health of our communities. Replacing a gas furnace with an electric heat pump improves indoor air quality and also brings cooling to a unit, which is increasingly essential as temperatures rise from climate change. Building-envelope improvements likewise help protect tenants from extreme heat and cold, and lower energy bills. Retrofits can be an opportunity to evaluate units for slum conditions such as infestations, toxic mold, asbestos, and lead, which still impact tens of thousands of renters. Policymakers should consult with efficiency experts and environmental justice groups to ensure decarbonization creates healthier, safer homes.

2 Target Requirements to Large Buildings First, but Direct Financial Support to Non-profit and Smaller Properties

The largest buildings are the largest emitters, and they also have the largest owners. In L.A. 98% of buildings with more than 50 units are owned by corporations and trusts, rather than mom-and-pop owners. Targeting large buildings first for decarbonization requirements will thus achieve the largest emissions reductions, and give the city more time to create nuanced approaches to decarbonizing smaller buildings. Such an approach could also direct subsidies to affordable housing providers, Community Land Trusts (CLTs), and small mom-and-pop landlords. Larger landlords and corporations do not require subsidies, as they have the capital to invest in decarbonization, which will increase the value of their assets; capital investments are a standard and expected part of the real estate business. See NYC Local Law 97 (enacted 2019) for an example of legislation targeting large buildings first.



3 Protect RSOs and Low-Income Tenants from Pass-Through Costs

This requires explicitly excluding decarbonization retrofits from current programs that allow landlords to pass on the costs of building improvements, most notably the Primary Renovation Work Program.

4 Improve Tenant Protections Against Harassment and Displacement

There are several ways to achieve this. First, increase the Relocation Payments that RSO-tenants receive when landlords displace them through legal loopholes. These required payment amounts are based on woefully out-of-date market rates from 2006, and are insufficient to cover current relocation expenses. Second, add language specific to Decarbonization Retrofits to the current Tenant Anti-Harassment Ordinance. Third, close the "Remodel Eviction Loophole" in AB 1482, which allows tenants to be evicted during remodeling with a compensation of only one month's rent. Decarbonization retrofits would create another avenue for abusing this eviction loophole.

5 Design a One-Stop Shop for Retrofits

Decarbonization is complex and costly. Landlords' lack of expertise and their desire to cut costs could lead to poor work that fails to achieve emissions goals or benefit tenants. A City Task Force or One-Stop Shop could oversee or implement building decarbonization by providing knowledge and resources to both landlords and tenants, as well as streamlining and facilitating retrofit design and execution.

6 Enact a Tenant Opportunity to Purchase Act

The upfront costs of decarbonization could lead smaller landlords to sell their properties, which would likely be bought by corporate landlords. Rather than encourage this expansion of corporate ownership, the City should adopt an Act enabling tenants and Community Land Trusts (CLTs) to have the first option to buy the building, spurring the expansion of social housing.