Los Angeles Building Decarbonization: Tenant Impact and Recommendations

SAJE

STRATEGIC ACTIONS FOR A JUST ECONOMY

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Many thanks to Kaitlyn Quakenbush, Joe Donlin, Cynthia Strathmann, Jennifer Ganata, Michele Hasson, Veena Singla, Pierre Delforge, Brittany Moffett, Movement Strategy Center, and the Annenberg Foundation for their feedback and investment in this work.

About SAJE

Strategic Actions for a Just Economy (SAJE) is a 501c3 nonprofit organization in South Los Angeles that builds community power and leadership for economic justice. Founded in 1996, SAJE focuses on tenant rights, healthy housing, and equitable development. SAJE runs a regular tenant clinic, helps connect residents to jobs, organizes for tenant rights, and fights for community benefits from future development through private agreements and public policies. SAJE believes that everyone, regardless of income or connections, should have a voice in creating the policies that shape our city, and that the fate of city neighborhoods should be decided by those who dwell there in a manner that is fair, replicable, and sustainable.

December 2021

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The Los Angeles Green New Deal (GND) aims to decarbonize all buildings by 2050 as part of a broader initiative tackling our climate emergency.[1] The City's building stock is responsible for over 43% of L.A.'s greenhouse gas emissions,[2] so a dramatic reduction is integral to mitigating climate change, which is affecting marginalized communities the most. Black and Latinx neighborhoods are disproportionately exposed to pollution;[3] they bear the negative health outcomes of exposure to such pollution; [4] and they are least prepared, financially and infrastructurally, to withstand and recover from extreme climate events like heat waves and flooding.[5] Therefore, decarbonization is critically important to both tackling our climate emergency and improving the health of Black, Latinx, and low-income communities.

Decarbonization is costly, however, and can lead to higher rents and energy burdens. The economic impact of Covid-19 has left many tenants on the brink of displacement, and current regulations do nothing to prevent landlords from passing on the substantial costs of decarbonization to them, which will worsen their state of crisis, especially in Black and Latinx communities. Decarbonization can ensure a healthy future for all but shouldn't come at the expense of the City's vulnerable renter community and its access to stable, adequate, and affordable housing.

This report explains how, under landlord-tenant laws, decarbonization is expected to increase rents and tenants' risk of displacement. It also shows how decarbonization can lead to less housing affordability and expanded corporate ownership of the rental market. But it doesn't need to be this way. The following policy recommendations would protect tenants from cost burdens and displacement and instead use decarbonization as an opportunity to expand social housing and affordability.

- Ban pass-through costs for decarbonization retrofits to Rent Stabilization Ordinance (RSO) tenants, tenants in covenanted affordable units, and low-income tenants in non-RSO units

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[1] Los Angeles GHG inventory (2018). https://www.lacitysan.org/san/sandocview?docname=cnt058946
[2] Garcetti. (2019). ***L.A.'s Green New Deal: Sustainable City Plan.*** https://plan.lamayor.org/sites/default/files/pLAn_2019_final.pdf
[3] The Building a Regional Voice for Environmental Justice Collaborative. (2004). ***Building a Regional Voice for Environmental Justice. Communities for a Better Environment***. https://www.cbecal.org/wp-content/uploads/2012/05/Building-a-Regional-Voice.pdf
[4] Enterprise Community Partners. (2021, Aug.5). The Link Between Historic Redlining And Current Climate Risks. https://www.enterprisecommunity.org/blog/link-between-historic-redlining-and-current-climate-risks
[5] Benz, S. A., & Burney, J. A. (2021). Widespread Race and Class Disparities in Surface Urban Heat Extremes Across the United States. Earth's Future, 9(7). https://doi.org/10.1029/2021ef002016

- Prohibit corporate landlords from receiving public assistance for decarbonization
- Target decarbonization subsidies
- Mandate holistic decarbonization retrofits that result in habitable, energy-efficient, all-electric, and climate-resilient homes
- Improve the Tenant Habitability Plan Program and require it for decarbonization
- Design a one-stop shop for retrofits
- Increase the City’s permanent relocation amounts for tenants displaced by decarbonization retrofits
- Perform decarbonization in phases, prioritizing new buildings, the largest buildings and largest emitters, and publicly owned buildings
- Amend the Tenant Anti-Harassment Ordinance to protect tenants from decarbonization-related harassment and include budget resources for enforcement
- Close the remodel eviction loophole in AB 1482 that could lead to displacement of non-RSO tenants
- Document the energy burden and bill savings potential of decarbonization
- Enact a Tenant Opportunity to Purchase Act in Los Angeles
- Focus on Covid-19 recovery for tenants

II. Introduction

Los Angeles is particularly prone to harm from climate change. The City is exposed to smoke from routine and increasing wildfires each year, with worsening air quality and power outages as a result; record-breaking summer heat; drought; and rising sea levels. Climate hazards are only projected to worsen in severity and frequency with global warming. Black, Latinx, and low-income communities will suffer the most because they get the least investment and attention from the government. In 2019, Mayor Eric Garcetti launched the Los Angeles Green New Deal (GND) to address the climate emergency. Recognizing that greenhouse gas reduction is critical to slowing climate change, the GND aspires to end carbon emissions in L.A. by 2050. Buildings are the largest single source of carbon emissions in L.A. and emit 43% of the City's GHGs. The L.A. GND specifically seeks to end carbon emissions from new buildings by 2030 and from all other buildings by 2050.

Los Angeles initiated its commitment to decarbonizing its building stock in February 2020, when Garcetti ordered all new municipal buildings to be carbon neutral.[6] Plans for tenant-occupied and privately owned buildings have not yet been announced. Most Angelenos are renters who spend a large portion of their income on housing and energy. Decarbonization has the potential to exacerbate the crisis tenants are in. This makes it all the more imperative that they be protected from higher rents and an increased risk of displacement, and that their concerns be central to any decarbonization policy the City pursues.

III. Methodology

Very little research has been done on the impact of decarbonization in Los Angeles, which is why community-based groups are rightfully concerned about what this climate effort could mean for the people they serve. This report addresses some of those concerns.

Research for this report included a review of the literature on decarbonization, decarbonization policies in other cities, an analysis of data from various City agencies, and several interviews with housing justice organizations, environmental justice organizations, nonprofit affordable-housing providers, and other justice-focused groups in Los Angeles. The interviews revealed several community concerns that are not widely understood or known because of gaps in data and research, which I try to resolve in this report.

[6] Garcetti, Eric. (2020). Executive Directive No. 25: L.A.'s Green New Deal: Leading by Example. ***City of Los Angeles.*** https://www.lamayor.org/sites/g/files/wph1781/files/page/file/20200210ExecutiveDirective25.pdf

For cost estimates of a decarbonization retrofit, SAJE consulted the report *California Building Decarbonization: Workforce Needs and Recommendations.*[7] Those estimates were used to project rent following decarbonization according to allowable rent increases and energy rates and use.

IV. Potential Decarbonization Risks to Tenants

Two million people rent[8] in Los Angeles, and nearly half are severely rent-burdened, spending over 50% of their income on rent and utilities. Low-income renters have the highest rent burden.[9] Recent reports from the Southern California Association of Nonprofit Housing show that one minimum-wage worker supporting a family would have to work 145 hours per week at the local minimum wage to afford the average-priced two-bedroom apartment.[10] Many households cut back on food and clothing to pay rent.[11]

Low-income renters also have the highest energy burden.[12] They spend an average of 6% of their income on utilities, compared with 2.2% for all households. They live in the least efficient homes, are disproportionately affected by indoor and outdoor air pollution, and are the least prepared for extreme climate events in terms of resources and capacity.[13] In L.A., almost a third of the City's Black households are energy burdened, and 15% are severely energy burdened.[14]

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[7] Jones, B., Karpman, J., Chlebnikow, M., & Goggans, A. (2019). California Building Decarbonization: Workforce Needs and Recommendations. ***UCLA Luskin Center for Innovation***. Published. https://innovation.luskin.ucla.edu/wp-content/uploads/2019/11/California_Building_Decarbonization.pdf

[8] ***Renter Population Data by City.*** (2021, April 16). Governing. https://www.governing.com/archive/city-renter-population-housing-statistics.html

[9] ***Rising Rent Burden in Los Angeles.*** (n.d.). Neighborhood Data for Social Change. Retrieved from https://usc.data.socrata.com/stories/s/Rising-Rent-Burden-in-Los-Angeles/4wjy-s7d9/; Drehobl, A., Ross, L., and Ayala, R. 2020. ***How High are Household Energy Burdens?*** Washington, D.C.: American Council for an Energy-Efficient Economy. https://www.aceee.org/research-report/u2006

[10] Southern California Association of Non Profit Housing. (2021). ***County of Los Angeles Local Housing Wage Report.*** SCANPH. https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/60417d2bf7a842588caa83cb/1614904619943/Local+Wage+Los+Angeles+County+2021.pdf

[11] Price Center for Social Innovation. (2021, Feb. 25). Rent Burden. https://socialinnovation.usc.edu/rent-burden/

[12] Ibid.

[13] The Building a Regional Voice for Environmental Justice Collaborative. (2004). ***Building a Regional Voice for Environmental Justice***. Communities for a Better Environment. https://www.cbecal.org/wp-content/uploads/2012/05/Building-a-Regional-Voice.pdf

[14] ACEEE. (2020). ***High Are Household Energy Burdens?*** https://www.aceee.org/sites/default/files/pdfs/u2006.pdf

The pandemic has worsened this crisis. Many households have found it impossible to pay rent because of Covid-19-related job loss. About 61% of Los Angeles residents have lost their jobs or had their wages cut. Thirty-five percent have reported spending all or most of their savings during the pandemic.[15] Although the exact amount of rent debt is unknown, the California Legislative Analyst's Office estimates the average rental debt per capita in California is $4,600. The total rent debt in the State is over $4 billion.[16]

Black and Latinx renters have been hit hardest. Sixty percent of Black households and 69% of Latinx households lost income from April 23 to July 21, 2020.[17] Nationally, Black renters receive a disproportionate share of eviction filings,[18] and in Los Angeles, tenants in Black and Latinx neighborhoods have been subject to illegal evictions more than in other areas.[19] Landlords are using harassment and other tactics to illegally displace tenants who can't pay rent.

It isn't clear how soon employment levels will recover in L.A., especially with the recent spread of the delta variant, or when tenants will be able to pay rent they owe amid the delay in distributing State rental assistance. The State promised to relieve all rent debt for low-income renters with the passage of AB 832, but it's unclear whether enough funding is available to cover all rental debt and whether the rental assistance program will reach the tenants most in need. The priorities for tenants are survival and stability, so a decarbonization policy that might worsen housing instability must be reconsidered.

Financing Decarbonization

The high cost of decarbonization, as much as $28,000 per rental unit, is the largest obstacle to decarbonizing Los Angeles' building stock. Some proponents of decarbonization expect cost sharing between building owners and tenants, citing the benefits that both parties would presumably receive: utility bill savings, health, and more comfortable living conditions for tenants; [20] and utility bill savings, increased property value, and reduced maintenance costs for property owners.

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[15] NPR. (2020, August). ***The Impact of Coronavirus on Households in Major U.S. Cities.*** https://media.npr.org/assets/img/2020/09/08/cities-report-090920-final.pdf
[16] Rent Debt Dashboard | ***National Equity Atlas.*** (2021). National Equity Atlas. https://nationalequityatlas.org/rent-debt
[17] Quakenbush, K. (2021). ***Data Brief for the Healthy LA Rent and Mortgage Cancellation Platform.*** Strategic Actions for a Just Economy. https://www.saje.net/wp-content/uploads/2021/01/20210105_Cancel-Rent-Data-Brief_FINAL.docx-2.pdf
[18] Ibid.
[19] Dillon, L., & Poston, B. (2020, June 20). Landlords seek to evict tenants in Black, Latino L.A. areas. ***Los Angeles Times.*** https://www.latimes.com/homeless-housing/story/2020-06-18/despite-protections-landlords-attempting-to-evict-tenants-in-south-l-a-black-and-latino-neighborhoods-data-shows
[20] Mast, B., Hummel, H., and Clinton, J. (2020). ***Towards an Accessible Financing Solution***. Building Decarbonization Coalition. https://www.buildingdecarb.org/uploads/3/0/7/3/30734489/bdc_junewhite-paper_designdraft.pdf

Tenants have many potential benefits, but any of these must be seen in relation to the drawbacks that decarbonization could impose. A poorly designed policy could easily harm tenants by increasing the cost of both rent and energy. In the worst case, the increased cost could cause tenants to be displaced. Higher costs could also force tenants to cut back on basic needs or limit energy use and leave them vulnerable to higher temperatures in the home.

Landlords are better positioned than tenants to afford decarbonization. With 67% of the rental housing stock owned by investment vehicles[21] with access to capital, those actors can and should absorb the cost of decarbonization. It should also be incumbent on them to pay the price of engaging in the business of real estate: Providing a healthy and habitable home, which could mean a decarbonized one, is required by law.

The Risk of Worsening the Rent Burden for Rent-Stabilized Tenants

To decarbonize Los Angeles' building stock, landlords will need to retrofit their buildings, and tenants will be affected. By how much and in what ways depend on the policy approach taken by the City. The cost of decarbonization is high. Retrofits can easily cost up to $28,000 per housing unit, with much of the cost due upfront.[22] Current regulations do nothing to prevent landlords from passing on the cost of decarbonization to tenants. One direct way for landlords to recover up to 100% of the costs from tenants is through the Primary Renovation Work Program. If tenants must pay for decarbonization, the risk of displacement will rise because of existing rental debt and rent burden.

Upfront costs of decarbonization are high

Decarbonizing a building means eliminating its carbon footprint. Many measures can reduce carbon emissions in buildings, but the path to net zero carbon in Los Angeles is narrow. It will include phasing out natural gas in favor of electrification. According to an analysis performed by Arup,[23] meeting the City's GND target requires some level of

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[21] Ferrer, A. F. (2021, March). ***Beyond Wall Street Landlords***. Strategic Actions for a Just Recovery. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

[22] Jones, B. J. J., Karpman, J. K., & Goggans, A. G. (2019, November). ***California Building Decarbonization Workforce Needs and Recommendations.*** UCLA Luskin Center for Innovation. https://innovation.luskin.ucla.edu/wp-content/uploads/2019/11/California_Building_Decarbonization.pdf

[23] ARUP. (2021). ***Zero-Carbon Collaboration: The Case for Los Angeles.*** https://www.arup.com/perspectives/publications/research/section/zero-carbon-collaboration-the-case-for-los-angeles

electrification, in which natural gas appliances are replaced with all-electric appliances. Gas appliances emit much more pollution than their electric counterparts.[24]

But the transition from gas to electric involves high upfront costs. Decarbonizing with electrification is estimated to cost $14,200 to $28,200 per unit (Figure A), making the cost for a 25-unit apartment building at least $355,000.

Costs of this kind of retrofit include those for new appliances and their installation, disconnecting gas, upgrading electrical panels to accommodate the increased electricity use if needed, and other potential energy-efficiency measures like building-envelope upgrades. Most buildings built before 1990 are likely to need both panel and building upgrades.[25] Rent-stabilized multifamily buildings built before 1978 tend to have poor carbon efficiency and will probably need several building upgrades.

Through the Tenant Habitability Program,[26] owners of rent-stabilized buildings may also need to pay temporary relocation costs for tenants if they cannot remain safely in the home during retrofit work. Depending on how long the work takes, this additional cost could be significant. Although no per diem rate exists for temporary relocation assistance in L.A., the General Services Administration uses the rate for a hotel room, which in Los Angeles is $182 a night. A weeklong retrofit would thus mean $1,274 in relocation costs.[27] This is a conservative estimate that does not account for household size and the potential need for larger accommodations.

[24] Hu, Tianchao, Singer, Brett C., & Logue, Jennifer M. Compilation of Published PM2.5 Emission Rates for Cooking, Candles and Incense for Use in Modeling of Exposures in Residences. United States. https://doi.org/10.2172/1172959

[25] Ibid.

[26] Housing and Community Investment Department Los Angeles. (n.d.). ***Tenant Habitability Program***. HCIDLA. https://hcidla2.lacity.org/rental-property-owners/tenant-habitability-program

[27] ***Per Diem Rates Look-Up.*** (n.d.). U.S. General Services Administration. Retrieved from https://www.gsa.gov/travel/plan-book/per-diem-rates/

A. Cost Estimates for Decarbonization Retrofit with Electrification and Envelope Improvements Per Unit [28]

	Technology	Capital investments in new equipment	Non-capital construction costs	Low cost	High cost
Space heating/ cooling	Ductless heat pump	$1,500-$2,500	$3,800-$5,400	$5,300	$7,900
Water heating (per unit)	Heat pump water heater (50 gallons)	$1,300-$2,000	$800-$1,000	$2,100	$3,000
Dryer	Electric or heat pump dryer	$700-$1,400	$300-$400	$1,000	$1,800
Range/oven	Induction stove	$1,000-$2,300	$400-600	$1,400	$2,900
Building efficiency improvements		$0	$4,000-$6,000	$4,000	$6,000
Gas disconnection		$0	$400-$600	$400	$600
Panel/ distribution upgrades		$0	$0-$6,000	$0	$6,000
				$14,200	**$28,200**

Cost Recovery Programs

How retrofits affect tenants in Los Angeles depends on whether they live in an RSO unit. RSO tenants have some protections regarding cost recovery for building upgrades that do not apply to non-RSO tenants.

[28] Cost estimates retrieved from Jones, B. J. J., Karpman, J. K., & Goggans, A. G. (2019, November). ***California Building Decarbonization Workforce Needs and Recommendations. UCLA Luskin Center for Innovation.*** https://innovation.luskin.ucla.edu/wp-content/uploads/2019/11/California_Building_Decarbonization.pdf

Decarbonization is likely to disproportionately target RSO buildings and threaten their affordability. Multifamily buildings[29] are responsible for 16% of overall energy use in Los Angeles.[30] Eighty-two percent of these were built before 1978, when the California Energy Code mandated energy reduction in buildings. Pre-1978 buildings account for 55% of energy use among multifamily buildings and have higher gas consumption than those built after 1978.[31]

The RSO protects tenants from exorbitant rent increases and unjust evictions by capping annual rent increases to the Consumer Price Index and limiting the reasons landlords can evict tenants. The RSO covers buildings constructed before 1978, and most rental buildings in Los Angeles are covered by the policy.[32] Despite these protections,[33] landlords may increase rent beyond the cap to recoup the costs of certain retrofits. Three cost recovery programs enable landlords to pass on decarbonization costs to tenants (Figure B). Which program would regulate decarbonization depends on the policy approach taken by the City. Under the Primary Renovation Work Program, tenants would see the largest rent surcharge of all the programs.

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[29] Defined here as buildings with five or more units.

[30] Energy Efficiency for All. (2019) ***Affordable Homes First: Advancing a Green New Deal for Los Angeles Renters.*** Energy Efficiency for All. https://www.energyefficiencyforall.org/resources/advancing-a-green-new-deal-for-los-angeles-renters/

[31] Ibid.

[32] HCIDLA has identified 147,670 properties with 651,570 units that are subject to the RSO. HCIDLA. ***Report Dashboard for RSO***. HCIDLA. Retrieved from https://hcidla2.lacity.org/rso

[33] RSO tenants are protected from rent increases exceeding the annual Consumer Price Index, which rose to 3% in 2020. HCIDLA. (n.d.-a). ***RSO Rent Increase Calculator. HCIDLA***. Retrieved from https://hcidla2.lacity.org/rso

B. Cost Recovery Work Programs in the City of Los Angeles for RSO Tenants[34]

Program	Use	Percentage of cost recovery	Amortization	Maximum monthly rental increase	Duration
Primary Renovation Work Program	Construction work that requires a Tenant Habitability Plan such as insulation improvements, upgrading electrical paneling, and improving cooling and heating systems	100	180 months	10%	Permanent Phased in 50% Year 1 & 50% Year 2
Capital Improvement Program	Exterior painting, landscaping, flooring, fixtures, doors, windows, fences, security items, meter conversions, major appliances, screens, and window coverings	50	60 months	$55	Temporary 72 months, or until the total amount approved is collected
Rehabilitation Work Program	Mandated work required by a change in the building code or aftermath of natural disaster	100	60 months	$75	Temporary 60 months or until the total amount approved is collected
Seismic Retrofit Work Program	Mandated work applying to about 12,000 soft story buildings	50	120 months	$38	Temporary 120 months This time limit can be extended

[34] HCIDLA. (n.d.-a). ***Cost Recovery Programs***. HCIDLA. Retrieved from https://hcidla2.lacity.org/rental-property-owners/cost-recovery-programs

The Primary Renovation Work Program

The Primary Renovation Work program[35] allows landlords to increase an RSO tenant's monthly rent beyond the allowable increase, up to an additional 10%, to recoup the cost of approved retrofits (Figure B). The type of work includes insulation improvements, upgrading electrical paneling, and improving cooling and heating systems. The rent increase is spread over two years, 50% each year, and is amortized over 180 months. After the cost of the retrofit is paid in full, the landlord is not obligated to lower the rent to its original rate. A tenant who pays $2,182—the average two-bedroom rent in Los Angeles[36]—could see a monthly rental increase of $157 for a retrofit costing $28,200. Landlords can recover costs through the Primary Renovation Work program once every five years.[37]

The Rehabilitation Work Program

The Rehabilitation Work Program[38] is primarily used for work required by a change in the building code. It allows landlords to pass on 100% of the costs of City-mandated work to tenants using a rent surcharge of up to $75 per month until the full cost of the retrofit is paid (Figure B). If the City were to change the local building code to mandate decarbonization with electrification, this could mean the burden of costs would be fully placed on tenants.

Capital Improvement Program

The Capital Improvement Program allows landlords to charge tenants 50% of the cost of certain improvements, such as exterior painting and replacing windows and major appliances. It allows landlords to pass on 50% of the costs to tenants using a rent surcharge of up to $55 per month until the work is paid for (Figure B).

Seismic Retrofit Work

RSO tenants of soft-story and non-ductile concrete buildings in Los Angeles are already subject to additional rent increases under the City's mandatory Seismic Retrofit Work Program,[39] enacted in 2015 and which established standards for

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[35] HCIDLA. ***Primary Renovation Cost Recovery Regulations***. HCIDLA. Retrieved from https://hcidla2.lacity.org/wp-content/uploads/2020/05/rac_220_-_primary_renovation.pdf?download=1

[36] Southern California Association of Non Profit Housing. (2021). ***County of Los Angeles Local Housing Wage Report***. SCANPH. https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/60417d2bf7a842588caa83cb/1614904619943/Local+Wage+Los+Angeles+County+2021.pdf

[37] An exception to this five-year rule is made for tenants classified as low income; they cannot be subject to a rent increase over 10% during the life of their tenancy.

[38] HCIDLA. (n.d.-a). ***Rehabilitation Work Program***. HCIDLA. Retrieved from https://hcidla2.lacity.org/rental-property-owners/rehabilitation-work-program

[39] HCIDLA. (n.d.-a). ***Seismic Retrofit Work Program***. HCIDLA. Retrieved from https://hcidla2.lacity.org/rental-property-owners/the-seismic-retrofit-work-program

earthquake hazard reduction. The City Council limited the amount that landlords could pass on to their RSO tenants to 50% of the total cost of the seismic retrofit, but the cost to tenants is still high: The program allows landlords to charge tenants up to $4,560 over a 10-year period (Figure B).

Without the right protections, a decarbonization retrofit could cause an even more significant rent surcharge for tenants. A decarbonization retrofit can be nearly three times the cost of a seismic retrofit.[40] Moreover, L.A.'s seismic retrofit policy covers only about 12,000 buildings, but the City's Green New Deal targets all residential buildings for decarbonization. Some properties could have work done for both decarbonization and seismic retrofit, presenting even higher upfront costs.

Other annual costs associated with rental housing for RSO tenants

Cost recovery programs don't represent the only rent increases allowed under the RSO. In addition to pass-through costs for retrofits, landlords can raise rent based on the Consumer Price Index, pass the full cost of the annual Systematic Code Enforcement Program (SCEP) fee on to tenants,[41] and half of the cost of the annual RSO registration fee.[42] Say a landlord undergoes a decarbonization retrofit at $28,200 per rental unit. The household's rent is $2,182. The landlord applies for a rent increase under the Primary Renovation Work Program and is approved for a $157 increase, which is spread out over two years. In the first year the household is served with a PR Rent Increase

[40] Cost estimates for soft-story retrofit construction were retrieved from https://www.softstoryretrofitpros.com

[41] The SCEP fee applies to all registered RSO rental units and is paid to HCID to cover the cost of housing inspections. The SCEP fee for 2020 is $43.32. HCIDLA. (n.d.-a). ***Annual RSO/SCEP Bill. HCIDLA.*** Retrieved from https://hcidla2.lacity.org/rental-property-owners/annual-rso-scep-bill

[42] Landlords are responsible for paying an annual rental registration fee to HCID. Landlords can pass on 50% of the fee to tenants in a one-time payment in August each year. For 2020, the fee was $38.75, and landlords could charge tenants $19.37. Ibid.

[43] This figure was calculated using a California Income Tax Calculator for $62,142 in gross income. ***U.S. Census Bureau QuickFacts: Los Angeles city, California.*** (n.d.). Census Bureau QuickFacts. Retrieved from https://www.census.gov/quickfacts/fact/table/losangelescitycalifornia/INC110219

notice of $78.50, and in the second year the household is served with the 2nd PR Rent Increase notice of $78.50. With all the fees and allowable rent increases under the RSO, the household is paying $2,331.18 in Year 1 and $2,485.60 in Year 2 (Figure C).[43] If the household earns the average median income in Los Angeles, $52,220 after taxes, the household would spend 54% of its income on rent in Year 1 and 57% in Year 2. In both scenarios, the household is considered severely rent burdened (Figure C).

C. Rent Burden from Primary Renovation Work[44]

	Year 1		Year 2 and all subsequent years	
	Monthly cost	Annual cost	Monthly cost	Annual cost
Rent	$2,182	$26,184	$2331.18	$27,974.16
Annual SCEP fee	$3.61	$43.32	$3.61	$43.32
Annual RSO fee	$1.61	$19.37	$1.61	$19.37
Allowable rent increase CPI[45]	$65.46	$785.52	$70.70	$848.36
Decarbonization Retrofit[46]	**$78.50**	**$942**	**$78.50**	**$942**
Total	$2,331.18	$27,974.16	$2,485.60	$29,827.20
Median household income after taxes	$4,352	$52,220	$4,352	$52,220
Rent burden	**54% (severe)**		**57% (severe)**	

[44] For this model, assumptions are a 3% CPI rent increase, a 10% rent increase according to the Primary Renovation Work Program phased in over two years, a monthly market rate rent of $2,182, and a household income of $52,220 after taxes.

[45] The annual allowable rent increase under the RSO in 2020 was 3%.

[46] I arrived at $152.60 by applying a 7% rental increase to $2,182, which accounts for the 3% annual RSO increase. This makes the total increase 10%, which is the allowable amount under the Primary Renovation Work Program.

Decarbonization Could Lead to Displacement and Unaffordability

Despite the RSO's rent cap, the policy's vacancy decontrol provision allows rents to be reset to market rate after a tenant vacates the unit. This provision has led to landlords using harassment and other tactics to get tenants to move out against their interests so rents can be increased. The RSO maintains low rents without subsidies and keeps them below market rate, which is crucial because market-rate rents are out of reach for low-income households. As such, protecting tenants from displacement also preserves housing affordability. A decarbonization retrofit, which necessitates large upfront costs, could motivate landlords to displace tenants and therefore make housing less affordable, especially if cost recovery is prohibited, for which SAJE is advocating.

Harassment

In 2018, the Los Angeles Housing Department investigated 10,000 harassment complaints from RSO tenants.[47] Landlords commonly use harassment to illegally evict the City's most marginalized tenants so they can charge higher rents. Common tactics include shutting off utilities, changing the locks, issuing fake eviction notices, failing to make repairs, installing security cameras, performing disruptive construction work, and removing services like parking and laundry. The goal is to make tenants so uncomfortable that they voluntarily abandon their RSO rental leases, which lets landlords set higher rents. Home is supposed to be a place of sanctuary, not discomfort, and tenants leave if they feel threatened and uncomfortable, even if they have nowhere better to go. A decarbonization mandate could motivate harassment from landlords who want to quickly recover the cost of retrofit work from tenants.

Cash for Keys

Cash for keys is another tactic used by landlords to motivate tenants to move out of RSO units. If a landlord wants to evict a tenant but lacks legal justification, the landlord is required to compensate the tenant and record it with the City.[48] Landlords, or their representatives, are known to make unprompted offers of cash to tenants, telling them they have no choice but to accept the offer. Tenants do not have to accept the offer, but those who do not know their rights, or who are intimidated by the person making the offer, may accept it.

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[47] Tenant Anti-Harassment Ordinance. (2021). https://clkrep.lacity.org/onlinedocs/2014/14-0268-S13_ord_187109_8-6-21.pdf

[48] $2,182 is the average rent cost for a two-bedroom apartment in Los Angeles. Southern California Association of Non Profit Housing. (2021). County of Los Angeles Local Housing Wage Report. SCANPH. https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/60417d2bf7a842588caa83cb/1614904619943/Local+Wage+Los+Angeles+County+2021.pdf

Accepting the buyout offer is usually against their best interests, especially if the tenants had no intention of leaving the home because the compensation amount is inadequate. The assistance ranges from $8,750 to $21,900, depending on the tenant's financial status, length of tenancy, income, and how many rental units their landlord owns (Figure D).[49]

D. Los Angeles Relocation Assistance Amounts[50]

Tenants	Tenants with less than 3 years	Tenants with 3 or more years	Tenants qualifying under HUD low-income limits	Tenants in mom-and-pop properties
Eligible tenants	$8,750	$11,500	$11,500	$8,450
Qualified Tenant	$18,500	$21,900	$21,900	$17,050

The current market rate rent for a two-bedroom apartment in Los Angeles is $2,182.[51] Moving costs can easily exceed $1,600. So a security deposit of first and last month's rent and moving fees for a new place total $5,964. Some tenants would be left with only $600 to help them afford the second month's rent. It is not enough to help a tenant move with ease and security.

Tenant Habitability Program

Decarbonization could give landlords looking to evict RSO tenants an easier way to use a common harassment tactic: temporary relocations under the Tenant Habitability Program. A Tenant Habitability Plan (THP) may be required for a decarbonization retrofit. If a building needs significant work to meet emissions reduction targets beyond appliance replacement, a rent-stabilized tenant may have to move temporarily under the THP. Since 2018, 76,265 THPs for seismic retrofits have been filed,[52] which means that tenants in nearly 80,000 households have had their lives disrupted for retrofit work.

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[49] HCIDLA. Retrieved from https://hcidla2.lacity.org/wp-content/uploads/2020/06/Relocation-Assistance-English.pdf

[50] Ibid. A Low-Income Tenant's income is 80% or less of the Area Median Income. HCIDLA. ***Rent Stabilization Bulletin: Relocation Assistance***. https://housing.lacity.org/wp-content/uploads/2020/06/Relocation-Assistance-English.pdf

[51] Southern California Association of Non Profit Housing. (2021). ***County of Los Angeles Local Housing Wage Report***. SCANPH. https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/60417d2bf7a842588caa83cb/1614904619943/Local+Wage+Los+Angeles+County+2021.pdf

[52] Author analyzed data in HCIDLA's THP dashboard. HCIDLA. (n.d.-a). THP. HCIDLA. Retrieved from https://hcidla2.lacity.org/thp

The THP requires landlords to temporarily rehouse tenants if the unit becomes uninhabitable during construction. The THP has been misused by landlords to harass and permanently displace tenants in rent-stabilized housing who pay below market rate.[53] Landlords have been known to put tenants in uncomfortable and substandard housing in comparison to their homes, to send tenants to addresses that don't exist, or to place them in housing that is so far from their jobs that it creates a burden. All these situations will make a tenant want to leave, especially if the relocation lasts an extended period of time. A tenant can be legally displaced through the THP for up to a year.

Ellis Act

A decarbonization mandate could trigger use of the Ellis Act and lead to the legal eviction of thousands of tenants if small landlords react by selling their buildings. The Ellis Act allows California landlords to evict their tenants in order to convert the units to condominiums or demolish them. Since 2001, over 26,000 rent-stabilized apartments have been removed from the market through the law.[54] If a landlord does not want to pay to decarbonize their building, they may sell it, and the new owner may invoke the Ellis Act. Tenants evicted through Ellis Act are entitled to the inadequate relocation assistance amount described above and are given only 120 days to move. The property owner is barred from renting the property for five years after the Ellis Act has been invoked.

Non-RSO Tenants

Decarbonization poses higher risks for non-RSO tenants, who have only minimal protections against rent increases and displacement tied to retrofit work. Most non-RSO tenants are protected under AB 1482, the State's Tenant Protection Act, which covers buildings at least 15 years old that are not covered by the RSO, except single-family homes owned by mom-and-pop landlords. Under AB 1482, landlords can increase rents up to 10% each year and may evict a tenant for substantial remodels in exchange for relocation money in the amount of one month's rent.[55] One month's rent is inadequate to cover moving, the security deposit on a new home, and the difference in rent costs factoring in changes in market rents. Tenants in buildings constructed in the last 15 years do not have any protections (Figure E).

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[53] Interview with tenant attorney on March 31, 2021.

[54] Anti-Eviction Mapping Project and Coalition for Economic Survival. (2021) The Destruction of Los Angeles Affordable Housing Due to the Ellis Act. http://www.antievictionmappingproject.net/losangeles.html

[55]Bill Text - AB 1482 Tenant Protection Act of 2019: tenancy: rent caps. (n.d.). California Legislative Information. Retrieved from https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1482

E. Rent Regulations in Los Angeles

Coverage	Law	Protections
Tenants in buildings built on or before Oct. 1, 1978 with the exception of some SFH homes	The Rent Stabilization Ordinance	Rent capped at Consumer Price Index
Tenants in buildings at least 15 years old and not otherwise covered by the RSO, with the exception of single-family homes and condos owned by an investment vehicle.	AB 1482	Rent capped at a 10% increase
Building built in the last 15 years	None	No rent cap.

Decarbonization's Impact on Energy Burden

Twenty-one percent of renters in Los Angeles are highly energy burdened and 11% are severely energy burdened (Figure F),[56] with low-income households and Black households suffering the highest median energy burdens.[57] A household is considered highly energy burdened if 6% or more of its income is spent on energy. A household that spends 10% or more is considered severely energy burdened. Current energy burden rates may also be an underestimation because a household may forgo using air conditioning or space heaters because of currently high electricity costs. Decarbonization will have a direct impact on a tenant's energy bill and will either improve or worsen energy burden depending on what is mandated by the City and the measures taken by the landlord.

F. Energy Burden of the Los Angeles Renter Population[58]

Highly Energy Burdened	Severely Energy Burdened
21%	11%

[56] Drehobl, A., Ross, L., and Ayala, R. 2020. ***How High are Household Energy Burdens? Washington, DC: American Council for an Energy-Efficient Economy***. https://www.aceee.org/research-report/u2006

[57] ACEEE. (2020). ***Energy Burdens in Los Angeles.*** https://www.aceee.org/sites/default/files/pdfs/aceee-01_energy_burden_-_los_angeles.pdf

[58] Drehobl, A., Ross, L., and Ayala, R. 2020. ***How High are Household Energy Burdens?*** Washington, DC: American Council for an Energy-Efficient Economy. https://www.aceee.org/research-report/u2006

Few studies are available that analyze the impact of decarbonization on energy bills in Los Angeles. Available research shows that the bill savings are insubstantial relative to the high upfront costs of decarbonization.[59] A study by Energy and Environmental Economics Inc. shows a bill savings of less than $50 a month for low-rise apartment buildings, which make up 87.6% of L.A.'s multifamily housing stock.[60] Accounting for changes in energy rates, energy bills increase. For mid-rise apartments, which make up 7.4% of the multifamily stock in Los Angeles, Arup found bill savings of $17 to $24 per month for households (or 11% to 22% of current bills), specifically examining electrification and not broader energy-efficiency measures.[61]

Although decarbonization can reduce energy use and energy burden, this depends on factors under the landlord's control, including which energy-efficiency measures are taken to decarbonize, the efficiency of the appliances installed, and whether solar panels are installed (solar can cut energy bills up to 80%.)[62] According to experts, building electrification with minimum-efficiency appliances, no envelope efficiency upgrades, and no solar can increase bills or keep bills the same. Electrification with high-efficiency appliances and increased envelope-efficiency measures can cut bills 10-30%; adding solar has a bill savings potential from 10-80% (Figure G).[63]

G. Bill savings potential from decarbonization[64]

Decarbonization Approach	Bill savings
Electrification with minimum efficiency appliances, no energy-efficiency measures, and no solar	Could pay more in energy bills.
Electrification with efficiency appliances and envelope efficiency measures but no solar	10% to 30%
Electrification with efficiency appliances, envelope efficiency measures, and solar	10% to 80%

But landlords may carry out decarbonization work in the least expensive way, which could increase energy burden for tenants. Landlords are likely to buy the cheapest appliances and opt out of energy-efficiency measures or solar panels, especially

[59] Energy + Environmental Economics. (2019, April). ***Residential Building Electrification in California.*** E3. https://www.ethree.com/wp-content/uploads/2019/04/E3_Residential_Building_Electrification_in_California_April_2019.pdf

[60] Arup. (2021). ***Zero-Carbon Collaboration: The Case for Los Angeles.*** https://www.arup.com/perspectives/publications/research/section/zero-carbon-collaboration-the-case-for-los-angeles

[61] Ibid.

[62] Interview with Pierre Delforge, senior scientist at Natural Resources Defense Council.

[63] Ibid.

[64] Ibid.

because the cost of electricity is already passed on to the tenants in most cases. Under this scenario, bills might rise and energy burden might worsen. It's important that mandated decarbonization require deep energy-efficiency measures and the use of solar, if feasible, in addition to electrification.

This will be crucial, because as the climate changes, Angelenos' needs for cooling will increase. Households then have higher energy use because of climate change, which could significantly worsen the energy burden beyond what's projected here.[65] As California electrifies, the price of natural gas is also likely to increase. Customers who remain on natural gas will face increased rates, and the City needs to ensure low-income tenants aren't the ones left paying for higher gas rates as a result.

V. Other Potential Risks of Decarbonization to Tenants

Decarbonization Could Jeopardize Affordable Housing

The high upfront costs of decarbonization could put providers of affordable housing, i.e. low-cost, subsidized, and deed-restricted housing, in jeopardy and remove much-needed affordable units from the market. Before the pandemic, L.A. County needed

[65] M. Chen, G. Ban-Weiss, K. Sanders. (2020), Utilizing smart-meter data to project impacts of urban warming on residential electricity use for vulnerable populations in Southern California https://iopscience.iop.org/article/10.1088/1748-9326/ab6fbe/pdf

more than 500,000 affordable homes to meet the needs of its population,[66] yet only 92,127 units exist in L.A. City.[67] Already, expiring federal contracts for subsidized affordable housing threaten the current affordable housing stock. A recent report by the California Housing Partnership Corporation (CPHC) found that 10,171 affordable units will be converted to market-rate properties in the next 10 years because of expiring contracts.[68] Since the Covid-19 pandemic, the need for affordable housing has increased, and the damage to providers has been tremendous. Rental income loss has left some providers struggling to pay for mortgages, services, and other operating expenses.[69] Supporting these providers is critical to meeting the future housing needs of Los Angeles.

Decarbonization is another source of financial pressure for affordable housing providers who have limited access to funding. Several types of such housing providers serve Los Angeles: government providers, for-profit owners with some units of affordable housing within market-rate housing as a mandatory requirement, and mission-based housing providers that provide 100% affordable housing.

Mission-based housing providers generally operate on tight margins and are particularly at risk of going out of business. Because they serve low-income families and ensure that no one pays more than 30% of their income on rent and utilities, they may not generate adequate income to have excess funding for building upgrades such as decarbonization retrofits.

Since the pandemic, the financial situation of providers has worsened. Rent debt and limited rental assistance have left mission-based providers with profound debt, which restricts their ability to finance building upgrades.[70] According to a survey by Enterprise Community Partners on the impact of Covid-19 on affordable housing providers in Los Angeles County, 87% of providers reported increased expenses and reduced rental income. As of February 2021, the average cumulative rent debt from non-paying tenants was more than $300,000. Forty-eight percent of providers reported having to delay maintenance projects and construction because of Covid-19,

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[66] California Housing Partnership. (2019, May). ***Los Angeles County's Housing Emergency Update.*** SCANPH. https://static1.squarespace.com/static/58793de5f7e0abe551062b38/t/5ce2fc70af9ae10001c74987/1558379634095/Los+Angeles+HNR+2019.pdf

[67] Rodman-Alvarez, et al. (2021) 2020 ***Los Angeles County Subsidized Low Income Housing. Los Angeles. Pacific Urbanism.*** https://static1.squarespace.com/static/598dea7af14aa1a306a5498e/t/600739677b917d7fd2e12290/1611086218021/21+0119+2020+Affordable+Housing+Inventory+Book.pdf

[68] California Housing Partnership. (2021, February). ***Affordable Homes at Risk***. CHPC. https://chpc.net/wp-content/uploads/2021/02/Affordable-Homes-At-Risk-Report-2021.pdf

[69] Enterprise Community Partners. (2021, February). Covid-Impact Survey Data + Findings from Affordable Housing Providers LA County. https://www.enterprisecommunity.org/sites/default/files/2021-06/Covid_impact_survey_final_0.pdf

[70] Ibid.

which suggests affordable housing providers will not be in a state to carry out decarbonization retrofits until the pandemic ends.[71]

Refinancing is one way property owners pay for building retrofits. But to refinance a building, the property must be profitable, and during Covid-19 many haven't been. Recouping the costs of building retrofits through rental income is unlikely, because tenants of affordable housing should be paying only 30% of their income on rent. Property owners may be able to recoup some costs through equipment efficiency improvements.

Decarbonization Could Accelerate Corporate Consolidation of L.A.'s Rental Market

The trend toward corporate ownership of rental properties is growing in Los Angeles, and decarbonization might accelerate it. Already, 67% of rental units in Los Angeles are owned by corporate landlords (Figure H) that see housing as as an asset from which to extract profit, rather than a home. A corporate landlord is a business entity operating as an investment vehicle, such as an LLC, that exists for the sole purpose of renting properties for profit.[72]

Central to the corporate landlord business model is tenant mistreatment. In Los Angeles and nationwide, corporate landlords evict tenants frequently, neglect making repairs required by law, and participate in rent and fee gouging. Public data show that in Los Angeles, corporate landlords use the Ellis Act more frequently than small landlords and have more code violations.[73]

Covid-19 has created financial pressures that may force small landlords to sell their properties.[74] Thirty-one percent of landlords responding to an Urban Institute survey said they felt pressure to sell because of the loss of rental income during the pandemic. The high upfront costs of a decarbonization retrofit could intensify cash flow issues for smaller landlords, prompting them to sell, enabling corporations to buy their properties.

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[71] Ibid.

[72] Ferrer, A. F. (2021, March). ***Beyond Wall Street Landlords***. Strategic Actions for a Just Recovery. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

[73] Ibid.

[74] Choi, J. H., & Goodman, L. (2020, Nov. 10). ***Mounting Pressures on Mom-and-Pop Landlords Could Spell Trouble for the Affordable Rental Market.*** Urban Institute. https://www.urban.org/urban-wire/mounting-pressures-mom-and-pop-landlords-could-spell-trouble-affordable-rental-market

Corporate landlords can access capital more easily than a mom-and-pop landlord;[75] this enables them to absorb the upfront costs of decarbonization. Consider two corporate landlords: Invitation Homes, which operates nationally, and SoLa, based in South Los Angeles. In 2012, Invitation Homes spent up to $150 million per week on purchases to increase its real estate portfolio.[76] In 2018, SoLa spent $86 million on properties.[77] A mom-and-pop landlord who relies on regular rental income to generate capital does not have the same capabilities. Not only are mom-and-pop landlords likely to sell their properties, but they will also have difficulty acquiring new ones if they must decarbonize them.

H. Corporate Ownership in Los Angeles[78]

Entity type	Total properties owned	Total units owned	Distinct owners	Percentage of ownership of total units per entity type
Individuals	242,225	355,218	222,716	33%
Trusts	99,783	246,170	75,572	22%
All corporate landlords[79] (LLC, LP, LLP, and Inc./Corp.)	54,344	462,119	23,884	43%
	399,000	**1,070,880**	**310,717**	

Decarbonization provides an opportunity to slow corporate growth in the rental market and expand community ownership of housing. Because some landlords will inevitably exit the rental market when confronted with the cost of decarbonization, the City can prioritize the purchase of such buildings by tenants and Community Land Trusts (CLTs) through a Tenant Opportunity to Purchase Act. This would allow tenants and CLTs to have the first option to buy a building that's for sale.

[75] Mom-and-pop landlords are defined by HCIDLA as those who own no more than four rental units and one primary residence. Ibid.

[76] Ibid.

[77] Analysis of SoLa by SAJE.

[78] Ferrer, A. F. (2021, March). ***Beyond Wall Street Landlords.*** Strategic Actions for a Just Recovery. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

VI. Habitability and Decarbonization

One benefit of decarbonization for tenants is that it can make housing safer, less polluted, and more comfortable by addressing indoor pollution, air leakage, and deficient insulation. But these are not the only things that make housing uncomfortable and unhealthful. Slum housing conditions, such as pest infestations and mold, and hazardous conditions, including asbestos and lead, are sickening Angelenos, particularly those in low-income communities of color. Tenants of such buildings may not see decarbonization as a benefit unless it addresses broader habitability.

In 2007, the report *Shame of the City: Slum Housing and the Critical Threat to the Health of L.A. Children and Families* found that 48,000 people a year in Los Angeles live in slum housing and are developing health disorders as a result.[80] The effects include lead poisoning; rashes; cockroach bites; rat bites; fungal infections; chronic colds; upper respiratory symptoms like sore throats and sinusitis; lower respiratory symptoms like bronchitis and asthma; ear infections; and staph infections. Young children are most affected. Rather than experiencing home as a sanctuary, these tenants suffer depression and anxiety.

Beyond electrification and energy efficiency, decarbonization is an opportunity to make buildings more healthful. If done thoughtfully, decarbonization not only can eliminate unhealthful conditions but also boost comfort. Decarbonization can include envelope improvements such as insulation, air sealing, and integrated pest management measures paired with adequate ventilation, which results in both energy efficiency and more healthful housing. As buildings are retrofitted for decarbonization, they should be evaluated for mold, lead, asbestos, and any other health and safety violations in accordance with California Civil Code 1942, and local housing codes should be used to remediate violations and enhance building safety.[81]

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[79] Ibid. A corporate landlord is defined as one "employing a specifically corporate business entity as an investment vehicle. Includes limited liability entities including partnerships, corporations, and other forms eligible to elicit taxation or pass through entity."

[80] Albert Lowe and Gilda Haas, eds., (2007) ***The Shame of the City: Slum Housing and the Critical Threat to the Health of L.A. Children and Families. Strategic Actions for a Just Economy.*** https://www1.nyc.gov/site/buildings/codes/benchmarking.page

[81] Ibid. The average cost to remediate slum housing conditions is about $41,000 per apartment unit, or $400 million to remediate all L.A.'s slum housing.

VII. New York City's Local Law 97

New York is one of a few U.S. cities with a policy to reduce carbon emissions to combat climate change. Local Law 97, enacted in 2019, sets building emissions standards, requires that the largest buildings meet them first, and protects rent-controlled tenants from absorbing any costs. The law's most useful aspects could be included in L.A.'s decarbonization policy.

Building Energy Performance Standards

Local Law 97 requires significant whole-building reductions of carbon emissions.[82] In New York City, commercial and residential buildings account for 71% of greenhouse gas emissions.[83] The law requires the largest buildings to reduce carbon emissions 40% by 2030 and 80% by 2050.[84]

The law's Building Mandate is a building energy performance standard (BEPS) that sets 2024 emissions targets. The targets become more stringent every five years. BEPS is a policy approach that enables property owners to decide how to reduce carbon in their buildings.[85] They are free to mix lower-cost energy efficiency improvements with longer-term, building system upgrades. The policy uses benchmarking laws, which were enacted in 2009[86] and require property owners to disclose their buildings' energy consumption each year, to set targets and monitor compliance.

If L.A. is serious about meeting the carbon neutrality goal in the GND, it will need to mandate some electrification, but it can also stimulate electrification using a

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[82] ***Local Law 97.*** New York City Sustainable Buildings. https://www1.nyc.gov/site/sustainablebuildings/ll97/local-law-97.page

[83] ***One City Built to Last.*** (2014). Mayor's Office of Long-Term Planning and Sustainability. https://www1.nyc.gov/assets/builttolast/downloads/OneCity.pdf

[84] Local Laws of the City of New York for the Year 2019. No. 97. https://www1.nyc.gov/assets/buildings/local_laws/ll97of2019.pdf

[85] Ibid.

[86] Benchmarking. New York City Buildings. https://www1.nyc.gov/site/buildings/codes/benchmarking.page

BEPS approach that encourages property owners to do envelope improvements and other energy-efficiency measures to meet the target. Los Angeles has benchmarking laws, enacted in 2016 as part of the Los Angeles Existing Buildings Energy and Water Efficiency Program, that make this approach feasible. It might be an ideal policy design, because it moves us toward carbon neutrality while encouraging energy efficiency, which leads to safe homes and energy bill savings for tenants.

Large Buildings First

Local Law 97 prioritizes the highest-emitting buildings. Residential and commercial buildings larger than 25,000 square feet must meet emissions caps beginning in 2024. The largest buildings in NYC are the worst emitters. Buildings over 50,000 square feet make up only 2% of the City's stock but represent 45% of its energy use. The largest buildings are typically owned and operated by corporate landlords with the capital to carry out decarbonization goals without needing considerable support from the government.[87]

Although the building stock in Los Angeles is vastly different from New York City's, L.A.'s largest buildings are also the largest emitters. Buildings of 20,000 square feet or more represent only 3% of its building stock but 29% of the City's energy use.[88]

Corporations and trusts own nearly 98% of L.A.'s largest buildings (those with more than 50 units).[89] Building owners of this type typically have more capital to carry out decarbonization than other market segments do. These buildings are also required to comply with L.A.'s benchmarking laws, which require buildings 20,000 square feet or larger to report their energy use annually.

The benchmarking laws also demonstrate that larger buildings are more likely to comply with such policies. In its first year, buildings 100,000 square feet or larger and municipal buildings 7,500 square feet or more had to report. In its third year, privately owned buildings 20,000 square feet or larger and municipal buildings 7,500 square feet or more had to report. Data show that compliance is much higher for larger buildings: 88% in the first year when the largest buildings complied, and 63% in the third year. This is probably because they are better-funded and are more easily able to track and monitor energy use.[90]

[87] Pete Sikora, Climate & Inequality Campaigns Director at New York Communities for Change, Interview, 2021.

[88] Megan Ross, Climate Advisor at Natural Resources Defense Council, Interview, 2021. Building and Housing Stock Analysis, City of Los Angeles (June 2021). Building Electrification Institute.

[89] Ferrer, A. F. (2021, March). ***Beyond Wall Street Landlords. Strategic Actions for a Just Recovery***. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

[90] Megan Ross, Climate Advisor at Natural Resources Defense Council, Interview, 2021. Analysis of Existing Buildings Energy & Water Efficiency (EBEWE) Program Data. Los Angeles City's OpenData. https://data.lacity.org/City-Infrastructure-Service-Requests/Existing-Buildings-Energy-Water-Efficiency-EBEWE-P/9yda-i4ya

Los Angeles should consider requiring the largest buildings to decarbonize first to target the largest emitters and those with the capital to decarbonize, while carefully designing a policy that will help owners of smaller buildings comply and get technical assistance.

Tenant Protections

Tenants were heavily considered in the designing of Local Law 97. Originally the law intentionally excluded rent-regulated buildings[91] out of concern that landlords would use it as an excuse to raise rents using the City's Major Capital Improvement Program (MCI), which allows them to increase rents for retrofit work. But in June 2019, New York State passed the Housing Stability and Tenant Protection Act, which limited how much landlords can increase rents via the Major Capital Improvement Program for buildings that are rent-regulated.[92] This led NYC to amend Local Law 97 to require buildings that were initially excluded to comply by 2026. In short, the City required certain rent-regulated buildings to decarbonize only after policy changes at the State level ensured protection for rent-regulated tenants from any pass-through costs. Los Angeles policymakers must also include strong safeguards for vulnerable tenants in any decarbonization effort.

Affordable Housing Provisions

The affordable housing market is not exempt from Local Law 97 but does have different requirements. For example, income-restricted buildings owned by mission-based providers are exempt from the emissions reduction targets until 2035 rather than 2024. Cooperatives, houses of worship, city-owned buildings, and those that participate in project-based federal housing programs are not subject to emissions limits. Instead, these buildings must implement 60 low-cost prescriptive energy conservation measures, including repairing system leaks, installing temperature controls, upgrading lighting, weatherizing and air sealing where appropriate, and improving insulation. Alternatively, they can choose to meet their 2035 cap by 2024.[93] In Los Angeles, the affordable housing market could be at jeopardy if faced with high upfront decarbonization costs. Alternative paths for this market segment should be considered.

[91] A housing unit is rent-regulated if it is "required by law or by an agreement with a governmental entity to be regulated in accordance with the emergency tenant protection act of 1974, the rent stabilization law of 1969, or the local emergency housing rent control act of 1962." Local Laws of the City of New York For the Year 2020. No. 116. https://www1.nyc.gov/assets/buildings/local_laws/ll116of2020.pdf
[92] Senate Bill S6458. (2019) The New York State Senate. https://www.nysenate.gov/legislation/bills/2019/s6458
[93] Local Laws of the City of New York for the Year 2019. No. 97. https://www1.nyc.gov/assets/buildings/local_laws/ll97of2019.pdf

VIII. Recommendations

1. Ban pass-through costs for decarbonization retrofits to RSO tenants, tenants in covenanted affordable units, and low-income tenants in non-RSO units

Tenants cannot afford to absorb the costs of decarbonization retrofits. Pass-through costs or fees for tenants for decarbonization retrofits should be prohibited, and property owners should pay the full cost of decarbonization.

If public subsidies are made available to property owners, the onus to apply should be on them.

Many of the challenges that tenants experience with City and State rental assistance programs involve difficulties in applying. Tenants who are most in need of assistance, like the elderly, low-income, and non-native english speakers, must navigate language barriers, a lack of digital literacy, or a lack of computer and Wi-Fi access. Landlords, on the other hand, are in the business of real estate and have the resources and capacity to do paperwork. They should be the ones to apply for rental assistance.

2. Prohibit corporate landlords from receiving public assistance for decarbonization

Funding is the largest obstacle to decarbonizing Los Angeles, and because it is limited, it should be reserved for those who need it. Two-thirds of Los Angeles' rental units are owned by corporate landlords who can afford the cost of decarbonization.[94] These landlords have access to large amounts of capital, are better able to comply with a decarbonization mandate, and should understand decarbonization as part of the practice of engaging in the real estate business. They should not be allowed to access public subsidies. Instead, subsidies should be reserved for landlords who keep rents affordable. By excluding corporate landlords from subsidies, public funding can be focused on landlords who will need it most.

3. Target decarbonization subsidies

Public subsidies for decarbonization should be made available to providers of affordable housing. This includes mission-based affordable housing providers, CLTs, and certain mom-and-pop landlords, defined by the housing department as those who own no more than four residential rental units and one primary residence.

[94] Ferrer, A. F. (2021, March). ***Beyond Wall Street Landlords. Strategic Actions for a Just Recovery***. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

Mom-and-pop landlords who are in violation of the Tenant Anti-Harassment Ordinance, who have a history of noncompliance with code enforcement agencies, or who have any outstanding violations, should not be allowed to receive public subsidy.

4. Mandate holistic decarbonization retrofits that result in habitable, energy-efficient, all-electric, and climate-resilient homes

Decarbonization should make tenants more comfortable and healthy, save them money on energy bills, reduce their carbon footprint, and make them resilient to climate change. A decarbonization retrofit should not simply replace all natural gas appliances with electric appliances, while leaving habitability issues like lead paint unaddressed. A decarbonization mandate should establish a minimum scope of work that property owners are expected to carry out, including electrification, deep energy efficiency, remediation of uninhabitable conditions, and climate resiliency measures. The following principles should guide the development of this scope of work. SAJE recognizes this is a non-exhaustive list and recommends that the City consult with energy-efficiency experts and environmental justice groups, and take best practices from groups such as Enterprise Green Communities.[95]

Retrofits:

- should never increase energy burden but reduce it
- should require appliances that are energy efficient
- should provide an adequate ventilation system with filtration that will help protect residents from smoke during wildfires
- should provide or maintain a cooling service in recognition of increasingly hotter temperatures and climate change
- should remediate all housing, health and safety code violations, hazardous materials like lead and asbestos, and any other conditions that threaten health and safety
- should include deep energy-efficiency measures
- should include site specific measures such as the installation of solar panels or tree-planting if feasible
- should integrate climate resiliency measures such as having on-site renewables and high-performance envelope improvements that protect against extreme heat and cold
- should improve indoor environmental quality

[95] Enterprise Green Communities Criteria. (2020). Enterprise. https://www.enterprisecommunity.org/solutions-and-innovation/green-communities

5. Improve the Tenant Habitability Plan Program and require it for decarbonization

The purpose of a Tenant Habitability Plan is to mitigate any negative impact on health and safety that construction will have on a tenant. Although a THP has the potential to protect a tenant while a home is being upgraded, it also has potential to harm if a landlord uses it to harass and displace tenants, as described in this report. A THP should be required for decarbonization work, but loopholes that allow it to be used as a tool to harm tenants should be closed. The following is how a THP can be improved and should be used.

A Tenant Habitability Plan should be required

Landlords should be required to submit a Tenant Habitability Plan for decarbonization retrofits. The formality of this process can provide needed oversight to prevent tenant harm.

Limit the period a tenant can be displaced under a THP

The THP allows for tenants to be displaced for up to one year, a very long time for them to be without access to the things they need that temporary housing cannot provide. A decarbonization retrofit should take no longer than 90 days. The THP should be amended to limit the time tenants can be displaced to 90 days, and it should require permission for any time extension, but no more than one year.

Tenant approval should be required for a THP

Tenants should be able to decline a THP and related renovation work if the work is not necessary and will cause more of a burden than a benefit. Tenants won't benefit from THP renovation if it's to be used as a harassment tool. Therefore, they should be required to sign off on a THP and corroborate that the work will benefit them, unless the renovation work is in response to a mandate by the government or code enforcement. This can prevent the THP from being used as a harassment tool.

Tenants subject to a THP should get a caseworker

Tenants whose landlords have submitted a THP should be assigned a caseworker who can help educate them on their rights, support them during any THP hearings or an appeal, and ensure that they are rehoused in adequate and comparable housing close to their home or adequately compensated.

Establish an adequate per diem rate for rehousing

For retrofit work that is 30 days or less, tenants should have the option to find their own housing rather than rely on the landlord to put them up in a hotel that might not meet their needs. The City should set a per diem rate that reflects market-rate apartment and hotel rates for tenants to rehouse themselves, and it should be based on household size.

6. Design a one-stop shop for retrofits

Decarbonization is complicated and expensive, and a property owner's lack of technical expertise or desire to cut corners to reduce costs could result in work being done improperly and harming tenants. Decarbonization should be overseen by a government task force that can ensure tenants are educated about the process and expedite the retrofit by leveraging a network of contractors. The City should develop a one-stop shop for property owners to get support with decarbonization retrofits. Ideas on how this could work:

- The City creates a task force that includes energy engineers, housing inspectors, tenant advocates, and other experts trained to evaluate buildings
- The task force conducts energy audits and retro-commissioning, identifies efficiency needs, inspects homes for code violations, assesses suitability for solar paneling, and identifies opportunities for climate resiliency
- It includes members from the LAHD, or works with the LAHD, to oversee the THP process
- It educates tenants on the process and informs them of their rights
- It develops an individualized plan for each building
- It provides a cost estimate to property owners
- It has a network of union contractors to perform the retrofit
- It oversees the coordination and execution of the work
- It coordinates the sale of the property to tenants or a Community Land Trust if the property owner cannot pay for the retrofit

7. Increase the City's permanent relocation amounts for residential tenants displaced by retrofits

Decarbonization could cause the permanent relocation of tenants. Under the Rent Stabilization Ordinance, they are entitled to an inadequate amount of relocation assistance when displaced because of retrofit work, the Ellis Act, or cash-for-keys. Assistance ranges from $8,750 to $21,900, depending on the tenant's financial status, length of tenancy, income, and how many rental units their landlord owns (Figure I).[96]

Relocation assistance should cover the cost of moving, any costs associated with house hunting, temporary relocation, and travel needed to move. Displaced tenants

[96] Housing and Community Investment Department Los Angeles. Rent Stabilization Bulletin: Relocation Assistance. https://housing.lacity.org/wp-content/uploads/2020/06/Relocation-Assistance-English.pdf

should be able to afford the new rent for at least a year, or longer if they were at their previous home for more than 10 years. The current relocation assistance amounts don't cover this, partly because the LAHD's formula for calculating the assistance amount is based on the difference between average RSO rents and market rents in 2006 (Figure I).[97] Rent has increased every year since 2006, rendering this amount severly out of date and insufficient for today's renters.

The City should develop a formula using these compensation principles:

- **Consider current market conditions**
- **Consider out-of-pocket moving expenses**
- **Consider duration of tenancy, perhaps by tailoring relocation amount to the differential between the tenant's current rent payment and the market rent for a comparable home**
- **Consider basing relocation assistance on the portfolio size of the property owner, perhaps by making those with more properties pay more than those with fewer properties.**

[97] Council Rule 38 Comments (2007). Los Angeles City Clerk. https://clkrep.lacity.org/onlinedocs/2006/06-1325_rpt_lahd_3-15-07.pdf

I. Formulas for Relocation Assistance (2006)[98]

	Regular tenant with less than 5 years' tenancy	Qualified tenant with less than 5 years' tenancy	Regular tenant with at least 5 years' tenancy or low-income	Qualified tenant with at least 5 years' tenancy or low-income
Moving cost (average cost of moving per MAHD survey)			$1,000	$1,000
First month's rent	$1,430	$1,430		
Last month's rent	$1,430	$1,430		
Average rent ($1,430)				
Average RSO rent ($760)				
Difference in rent ($670)				
Difference in rent for 6, 18, 12, and 24 months	$4,020	$12,060	$8,040	$16,080
Relocation payment	**$6,880**	**$14,920**	**$9,040**	**$17,080**

8. Perform decarbonization in phases, prioritizing new buildings, the largest buildings and largest emitters, and publicly owned buildings

The largest buildings in L.A. are the worst emitters. Buildings 20,000 square feet or more represent 3% of the City's building stock but 29% of its energy use.[99] Trusts and corporations own nearly 98% of residential buildings with more than 50 units.[100] Owners of large buildings are typically better able to comply with a decarbonization mandate. Therefore, decarbonization should be rolled out in phases. It should target all new construction, privately owned buildings 20,000 square feet or larger, and City-owned buildings larger than 7,500 square feet (commercial and residential) first.

98 Ibid.

99 Megan Ross, Climate Advisor at Natural Resources Defense Council, Interview, 2021. Building and Housing Stock Analysis, City of Los Angeles (June 2021). Building Electrification Institute.

100 Ferrer, A. F. (2021, March). Beyond Wall Street Landlords. Strategic Actions for a Just Recovery. https://www.saje.net/wp-content/uploads/2021/03/Final_A-Just-Recovery-Series_Beyond_Wall_Street.pdf

By targeting City-owned buildings, there is no expectation of landlord harassment of tenants. By prioritizing the largest buildings, policymakers will have more time to identify funding and technical assistance for smaller landlords and subsidized housing providers who may need the most support.

The City already monitors energy consumption of buildings 20,000 square feet or larger through the Los Angeles Existing Buildings Energy and Water Efficiency Program, making it feasible to begin with this segment.

9. Amend the Tenant Anti-Harassment Ordinance to protect tenants from decarbonization-related harassment and include budget resources for enforcement

The Tenant Anti-Harassment Ordinance, passed this year, defines harassing conduct and makes it illegal. If and when decarbonization is mandated, the ordinance should be amended to include language that defines harassment in the context of decarbonization, including telling tenants they have to move out because of decarbonization, misusing the Tenant Habitability Plan, and removing and failing to replace appliances. The City should also provide additional resources for enforcement of these new anti-harassment rules.

10. Close the remodel eviction loophole in AB 1482 that could lead to displacement of non-RSO tenants

Tenants protected under AB 1482 are still at risk of eviction during substantial remodeling if they're compensated with one month's rent. AB 1482 should be amended to remove substantial renovation work as a just cause for eviction, and the relocation assistance amount that AB 1482 tenants are entitled to should be increased to match the amount under the RSO.

11. Document the energy burden and bill savings potential of decarbonization

Decarbonization can improve or worsen tenants' energy burden, depending on the type of retrofit. Understanding the scope of work required to yield maximum bill savings is crucial to designing a decarbonization policy that protects tenants from increased energy burden. The City should conduct a study to identify this scope of work.

12. Enact a Tenant Opportunity to Purchase Act in Los Angeles

The high upfront costs of decarbonization and the financial pressures created by Covid-19 may cause landlords to sell. The City should give tenants the first opportunity to buy their buildings rather than create more opportunities for corporate landlords to expand their portfolios. The City should adopt a Tenant Opportunity to Purchase Act enabling tenants to buy the building if the owner decides to sell. This would create more opportunities for social housing and fewer opportunities for corporate acquisition of L.A.'s rental market.

13. Focus on Covid-19 recovery for tenants

Covid-19 has created a crisis for tenants, leaving many on the brink of displacement. A decarbonization policy is needed to ensure a healthy future for our communities, but it cannot come at the expense of the City's vulnerable renters and their access to stable, adequate, and affordable housing. The policy priorities should be to keep renters housed, resolve rental debt, and give tenants more protections.

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STRATEGIC ACTIONS FOR A JUST ECONOMY