


# Steering Committee





A well-designed decarbonization policy could help to address existing environmental, economic and social disparities, but a poorly-designed policy could exacerbate these persistent inequities.



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# Building Decarbonization Benefits

## Individual

- Improved indoor air quality
- Energy bill savings
- Improved habitability and reduced health risks (e.g. cooling)

## Societal

- Reduced emissions
- Grid resiliency and reliability
- Good jobs (?)
- Housing affordability and quality (??)

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# Homeowners benefit, and tenants...?

The benefits of building decarbonization are structured to accrue to higher-income homeowners

- Those who can afford upfront costs can benefit from energy savings, property value increases, etc.

What about tenants?

- ~46% of homes are occupied by tenants in California
- Landlords are not incentivized to invest in building decarbonization and energy efficiency technologies (“split incentive” problem)

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# Risks for renters

Decarbonization investments without tenant protections run major risks of harming renters through:

- Greater rent burden, via pass through costs
- Surge in evictions (legal and illegal)
  - Legal: renoviction (“substantial remodel”)
  - Illegal: harassment, evasion of eviction protections
- Loss of affordable units

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# Recognized by CPUC

From CPUC proceeding on San Joaquin Valley pilot projects:

“Parties identified ‘split incentives’ for tenants and property owners to participate in the pilots, with tenants experiencing lower energy bills and property owners receiving home improvements. As a result, there was concern that tenants may be displaced or have their rents raised due to an increase in property values.”

- Landlords said they were motivated to participate in the pilots primarily to improve the value of their property.

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## Confirmed in CEMO report

“The most common concern voiced by residents throughout the city is the potential for building decarbonization to lead to increased housing costs for tenants, thereby exacerbating rent and energy burdens and potentially leading to displacement and houselessness.”



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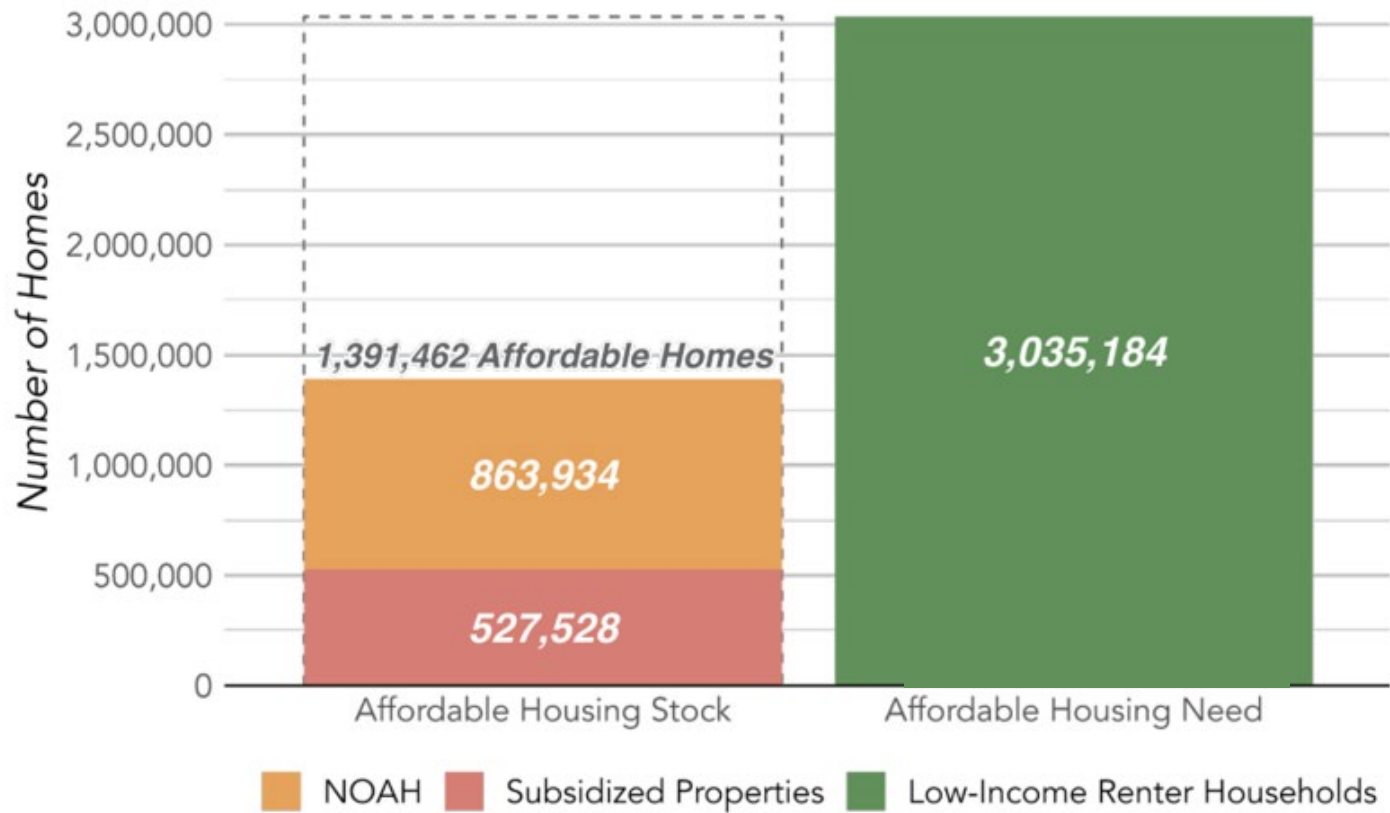
# Focus Groups from CEMO report

- “What concerns me is that the owners will take advantage of this and kick us out. They’ll use the excuse of having to construct the apartments to raise our rents. It’s beautiful, all of this. But the cost is concerning. It’s going to affect us.”
- “If [the landlord] is going to install an appliance in the house, and it’s worth \$5,000, he is going to want me to pay \$2,500, which is not feasible for me. This is what they did here. They installed pipes underneath and each tenant had to pay \$500 and there are 30 tenants here.”

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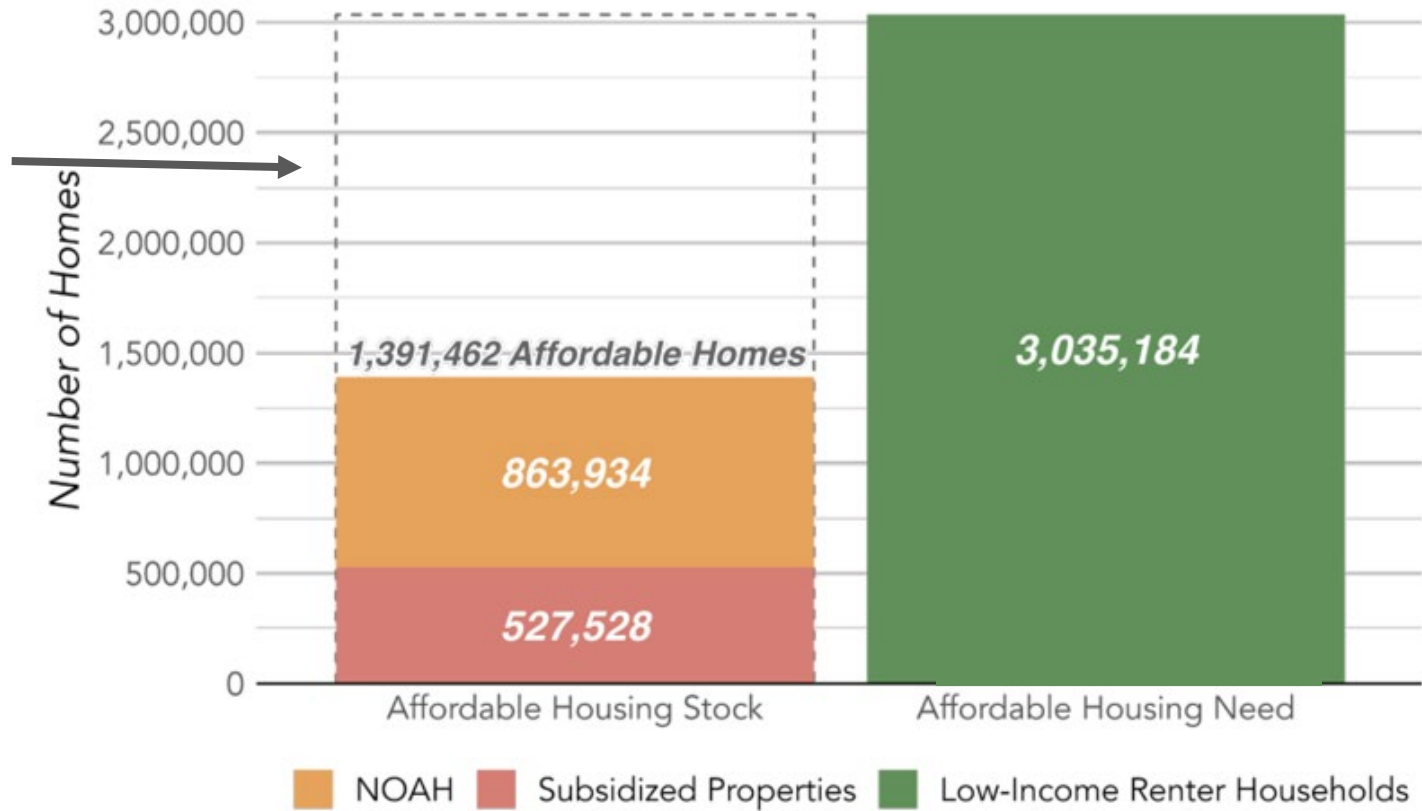
# Recommendations and need for further work:

- Building decarbonization policies, programs, and investments must be embedded with **comprehensive, enforceable tenant protections**
- Develop incentives for landlords that drive uptake without sacrificing tenant protections
- Consider ways to prioritize permanently affordable housing solutions
- Consider different strategies for targeting deed-restricted affordable housing vs. NOAH

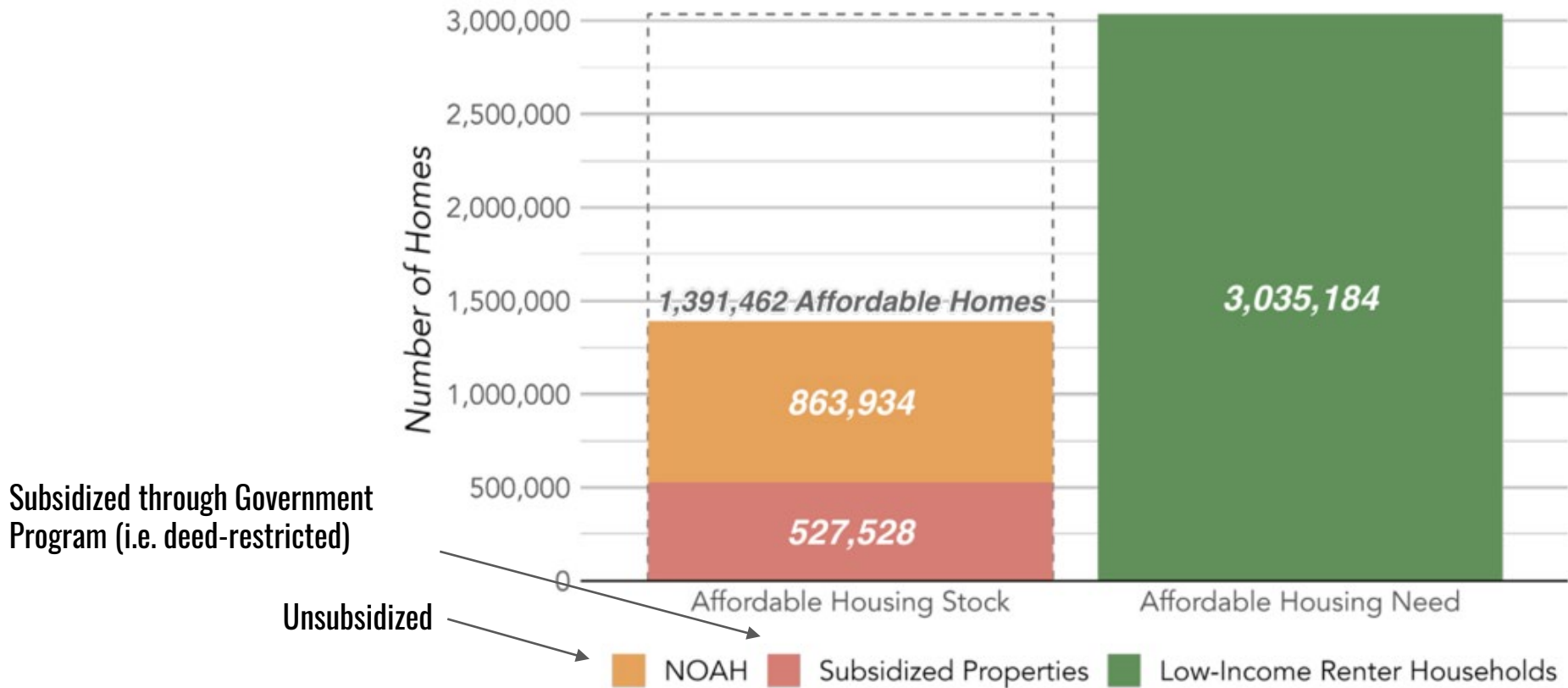


**This is California's Affordable Rental Housing**

Majority of low-income tenants are currently living in unaffordable housing



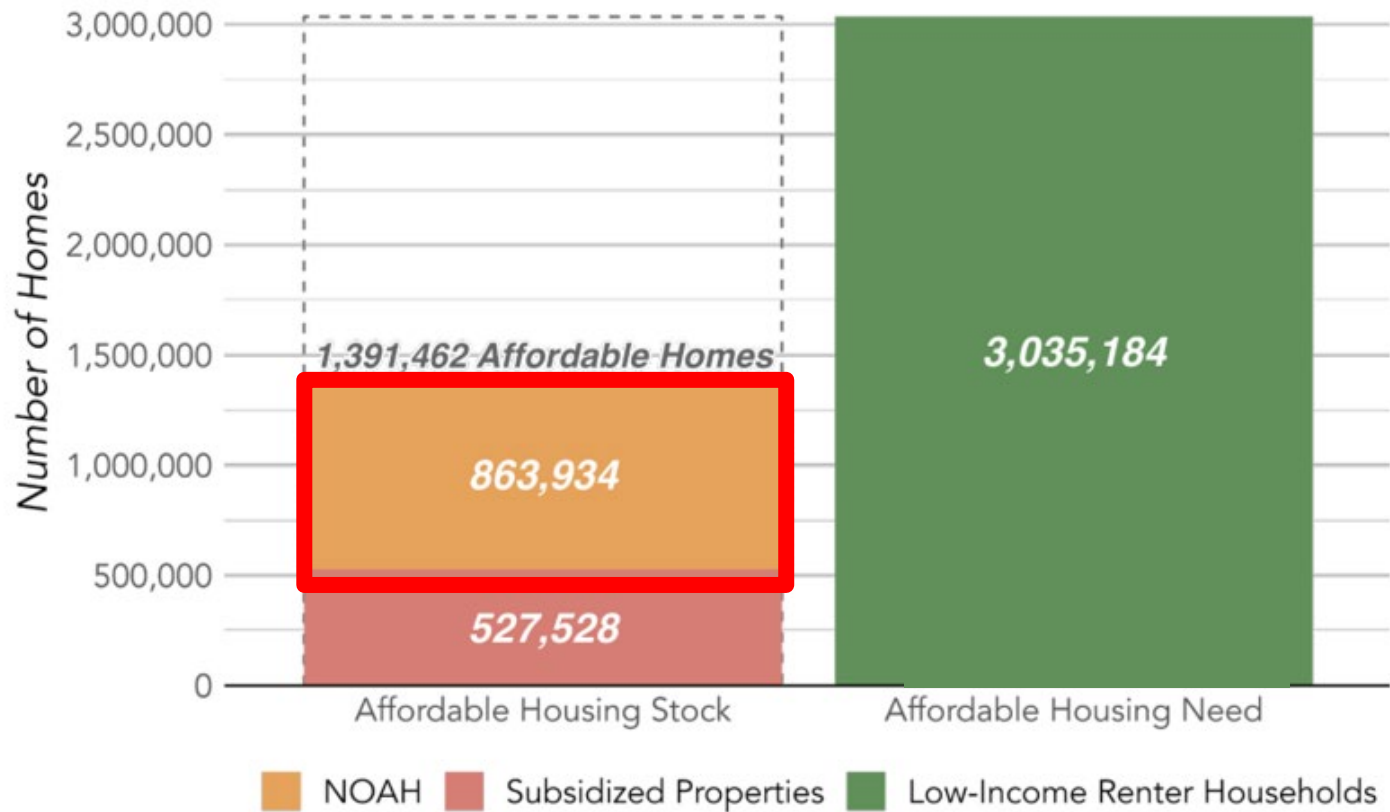
**California Doesn't Have Nearly Enough Affordable Housing**



**Most Affordable Housing is Unsubsidized (i.e. Market Rate)**



# California's Affordable Rental Housing Stock is Old and Low Quality



**As a Result, Housing Affordability is Often at Expense of Housing Quality**

We must not sacrifice housing affordability by improving housing quality





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# Zooming out: Decommissioning Gas

- Building decarbonization is treated primarily as an appliance swapping project. This misses systemic nature of the reduction of natural gas demand explicit in the swap: *drawing down demand is ultimately a natural gas pipeline network decommissioning project.*
- There are significant equity considerations that merit further investigation:
  - Who bears the cost?
  - Which pipelines should be targeted, and in what sequence?
  - “Obligation to serve” in transition to electricity service

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# Use Building Decarbonization to simultaneously address public policy goals

“A well-designed decarbonization policy could help to address existing environmental, economic and social disparities”

- Must think of these as investments that advance equity, affordability, labor, and climate goals – not just appliance switching
- Requires additional capacity and expertise for administering agencies