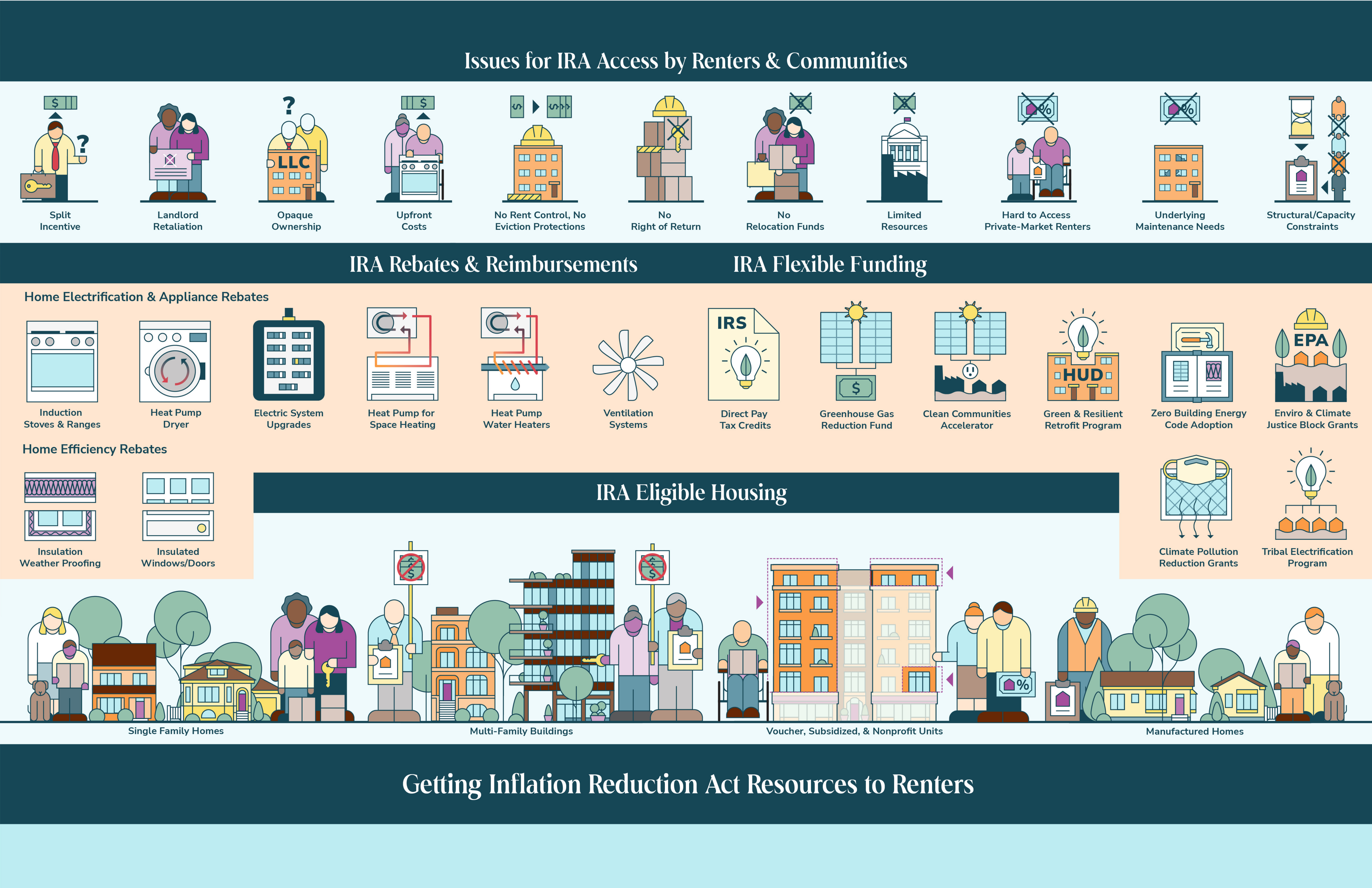
Decarbonization Without Displacement

Tenant Advocacy in the Context of Inflation Reduction Act Implementation


Issues for IRA Access by Renters & Communities
Split Incentive
Landlord Retaliation
LLC
Opaque Ownership
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The **Climate and Community Project (CCP)** is a progressive climate policy think tank developing research at the climate and inequality nexus. We mobilize a network of 40+ experts producing cutting edge scholarly research to design and win our generation's determining suite of policy interventions.

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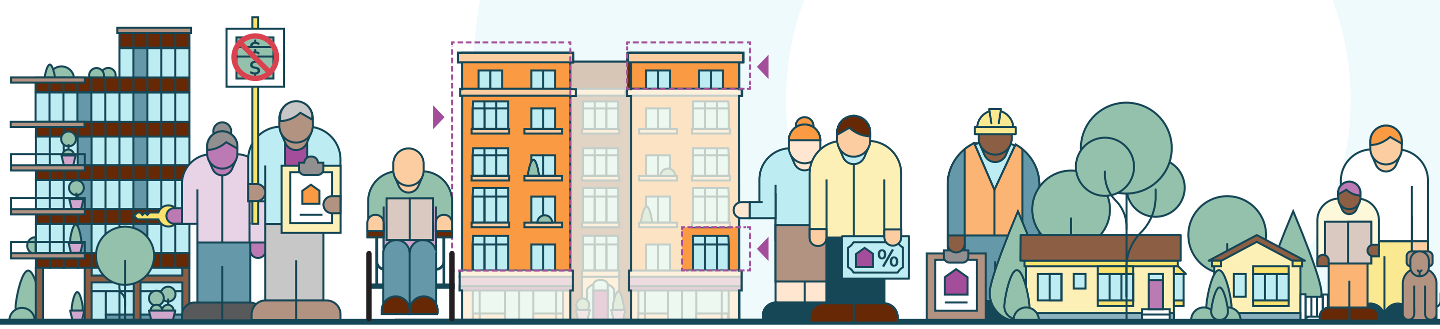


Executive Summary

Tenants in the United States are bearing the brunt of the housing and climate crises: egregious rent hikes, deferred maintenance in their units, growing utility debts, and disasters right at their front doors. Yet our climate policies are typically designed to benefit homeowners and property owners.[1] This leaves the 44 million households who rent their homes — disproportionately Black and Brown families on the frontlines of the climate crisis — with little support.

The federal Inflation Reduction Act (IRA) of 2022 set the stage for billions of dollars to flow toward electrifying and decarbonizing homes. This includes up to $9 billion for rebates for home energy efficiency and clean energy improvements, as well as new grant and tax credit programs that localities and nonprofits can use to address climate resilience in frontline communities.

However, the IRA falls woefully short of the deep and significant investments in permanently affordable rental housing and tenant protections we need to address the intertwining climate and housing crises. IRA funding pales in comparison to the scale of the need for green investments to make rental housing habitable and resilient. Advocates are also understandably worried that landlords will not use IRA funds to improve housing conditions for renters, and that even if they do, these investments will ultimately be used as an excuse to hike rents, flip properties, and displace tenants.[2]

The IRA will bring unprecedented funding opportunities to communities and capture the focus of state and local officials over the next few years, so it is important to ensure that the implementation process bolsters — rather than harms — tenants' stability. The next phase of local and state IRA implementation could bring improvements that benefit renters — or could make it even harder for funds to flow equitably. With that in mind, organizers and advocates can leverage this window of opportunity to:

- Advance state-level rebate programs that prioritize and protect renters;
- Win conditions on funding to ensure renters are not displaced;
- Ensure that local or county governments leverage grant opportunities that prioritize healthy housing upgrades;
- Hold landlords accountable to using funds to improve tenants' building conditions; and
- Advance new bold visions for tenants rights and environmental justice, such as universal rent stabilization and green social housing.

This brief examines the current state of IRA funding for rental housing, the challenges it poses, and ideas for how to improve IRA implementation to benefit tenants.

1 Neel Dhanesha, "Climate Fixes Are All Aimed at Property Owners. What about Renters?," *Vox*, July 27, 2022, https://www.vox.com/the-highlight/23198145/renters-climate-change-solutions; Rhiana Gunn-Wright, "Our Green Transition May Leave Black People Behind," *Hammer and Hope*, Summer 2023, https://hammerandhope.org/article/climate-green-new-deal.

2 Chelsea Kirk, *Decarbonizing California Equitably: A Guide to Tenant Protections in Building Upgrades/Retrofits Throughout the State* (Los Angeles, CA: Strategic Actions for a Just Economy, 2023), https://www.saje.net/wp-content/uploads/2023/09/Decarbonizing-California-Equitably-Report-1.pdf; National Housing Law Project, "NHLP's Principles on the Inflation Reduction Act and Other Energy Investments," *NHLP*, 2023, https://www.nhlp.org/wp-content/uploads/NHLP-Inflation-Reduction-Act-Statements-and-Principles-2023.pdf.

Introduction

Tenants desperately need holistic green repairs to make their homes livable, energy-efficient, and resilient to climate change. Low-income tenants are disproportionately forced to live in uninhabitable conditions.[3] Furthermore, approximately 40 percent of the country's rental housing stock is in communities on the frontlines of the climate crisis.[4] From mobile home parks to city centers, tenants around the country are taking matters into their own hands, organizing for healthier and greener living conditions — often with little to no government support.[5] It is past time for the government to deliver the funding and protections needed to ensure safe living conditions for all.

The Inflation Reduction Act (IRA) unlocks new funding streams that will capture the focus of state and local officials for years to come. In its current form, the IRA fails to address the reality and challenges of being a tenant in the US. Instead, it prioritizes funding mechanisms that flow to property owners with few strings attached and ignores underlying deferred maintenance needs in rental housing. While landlords with properties in low-income neighborhoods and Environmental Justice (EJ) communities have access to IRA funds for clean energy upgrades, Congress did not build in conditions on funding that prevent landlords from displacing tenants during or after these upgrades. The IRA is far from the visionary regulatory and investment policies that tenant and environmental justice organizers have called for.[6]

In the next year, states and localities will be applying for funds intended to improve energy efficiency and living standards for homeowners and renters and designing plans to implement these funds. Poor implementation of the IRA could further squander the opportunity to address the intersecting housing and climate crises, leaving behind or even displacing low-income households in the process. But strong implementation could leverage these funds to set new horizons for equitable decarbonization and living conditions for renters. This presents organizers with a window of opportunity to ensure that tenants get the most from these programs, and to prevent harmful program design.

3 US Government Accountability Office, *Rental Housing: As More Households Rent, the Poorest Face Affordability and Housing Quality Challenges* (Washington, DC: US GAO, May 2020), https://www.gao.gov/products/gao-20-427.

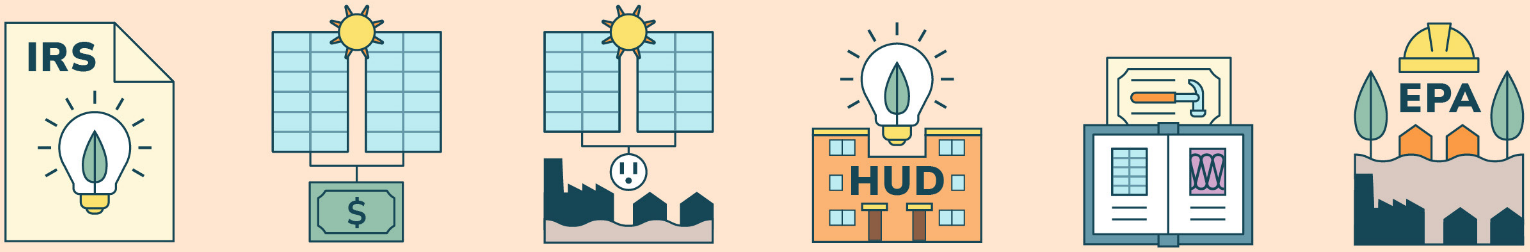
4 Maya K. Buchanan et al., "Sea Level Rise and Coastal Flooding Threaten Affordable Housing," *Environmental Research Letters* 15, no. 12 (December 2020): 124020, https://iopscience.iop.org/article/10.1088/1748-9326/abb266; National Housing Trust, "The Threat of Climate Change for Renters," news release, September 26, 2022, https://nationalhousingtrust.org/news/threat-climate-change-renters#:~:text=Recently%2C%20Harvard%20University's%20Joint%20Center,vulnerable%20to%20climate%2Denhanced%20disasters.

5 There are countless examples of tenant organizing around living conditions. For some examples, see efforts by the Cargill Tenants Union in Connecticut; efforts by renters in Memphis, Tennessee; and efforts by mobile home residents across the country.

6 For examples of environmental justice and tenant justice policy frameworks developed directly with those impacted by the joint housing, climate, and racial justice crises, see "Red, Black and Green New Deal: Climate agenda for Black Lives Matter," (Al Jazeera) A National Homes Guarantee Briefing Book (People's Action), and "17 Principles of Environmental Justice" (Center for Biological Diversity).

Part 1

Analysis of IRA Funding for Renters



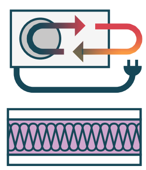
Direct Pay Tax Credits | Greenhouse Gas Reduction Fund | Clean Communities Accelerator | Green & Resilient Retrofit Program | Zero Building Energy Code Adoption | Enviro & Climate Justice Block Grants

Home Electrification & Appliance Rebates

Induction Stoves & Ranges | Heat Pump Dryer | Electric System Upgrades | Heat Pump for Space Heating | Heat Pump Water Heaters | Ventilation Systems

Analysis of IRA Funding For Renters

Most of the residential investments in the IRA take the form of rebates and tax credits, which flow to the property owner of a building as a tax write-off or reimbursement once they have invested in specific types of energy efficiency, electrification, and/or clean energy improvements. The IRA also includes other grant programs that localities can pursue for environmental justice and clean energy projects, including investments in green housing.



IRA REBATES, AND HOW THEY MIGHT HELP OR HARM TENANTS

The IRA includes a total of $8.8 billion in rebates for households with incomes less than 150 percent of the Area Median Income (AMI) to electrify their homes and increase energy efficiency (you can look up your community's AMI levels here). If a household makes less than 80 percent of the AMI, it can receive a rebate for up to 100 percent of project costs, capped at $14,000.[7] (See Appendix A for the types of projects rebates can fund). Rental housing is eligible for IRA rebates, and the IRA requires states to allocate at least 10 percent of rebate funding and rooftop solar investments to serve low-income multifamily buildings.[8]

7 "What You Need to Know about the IRA: Area Median Income," Clean Energy Resource Teams, accessed January 10, 2024, https://www.cleanenergyresourceteams.org/what-you-need-know-about-ira-area-median-income#:~:text=Rebates%20for%20efficient%20appliances%20use,aren%27t%20eligible%20for%20rebates.

8 US Department of Energy Office of State and Community Energy Programs, *Inflation Reduction Act Home Energy Rebates: Program Requirements and Application Instructions* (Washington, DC: US DOE, October 2023), https://www.energy.gov/sites/default/files/2023-10/home-energy-rebate-programs-requirements-and-application-instructions_10-13-2023.pdf.

Figure 1. Overview of the IRA Home Rebates

What are the types of home rebates in the IRA?

Home Efficiency Rebates: Grants for states to provide rebates to discount energy-saving retrofits in single family and multifamily buildings that are slated to save at least 20 percent of the home's energy use. Rebate amounts depend on the income of the household and amount of energy savings.

Home Electrification and Appliance Rebates Program: Rebates for discounts on high-efficiency home appliances and equipment. A dwelling unit can receive a rebate for: heat pump water heaters; heat pumps for space heating or cooling; an electric stove, cooktop, range, oven, or heat pump clothes dryer; an electric load service center; insulation, air sealing, and ventilation; and electric wiring.

What housing types are eligible?

Single family homes, multifamily homes, and manufactured homes are eligible. States must meet minimum allocation requirements to low-income households (see page 97 of the IRA Home Energy Rebates Program Requirements & Application Instructions for your state's requirement). States also must allocate at least 10 percent of their rebate funding to serve low-income tenants in multifamily buildings, defined as buildings in which more than half of households have incomes less than 80 percent of the AMI. Landlords are required to indicate the income eligibility of tenants when they apply for rebate funding.[9]

To make this process less onerous, states can instead use self attestation practices or "categorical eligibility" to identify low-income buildings, which include any public housing complex, Low-Income Housing Tax Credit (LIHTC) properties, and buildings in which over half of residents are using Housing Choice Vouchers (Section 8), Supportive Housing for the Elderly (Section 202), or Supportive Housing for People with Disabilities (Section 811) assistance.[10]

Continued Next Page...

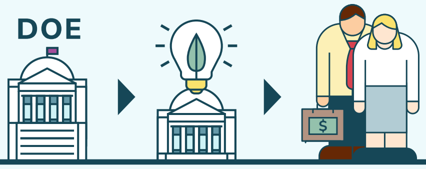
9 State allocation minimums for low-income households vary based on the low-income household population of each state. You can find the state-by-state breakdown of minimum allocations on page 98 of the US Department of Energy's State and Community Energy Programs Inflation Reduction Act Home Energy Rebates Program Requirements and Application Instructions Guide.

10 "Federal Programs Approved for Categorical Eligibility for DOE Homes Energy Rebates," State and Community Energy Programs, Department of Energy, published October 13, 2023, https://www.energy.gov/scep/articles/ira-50121-50122-home-energy-rebates-categorical-eligibility-list.

Figure 1. Overview of the IRA Home Rebates (Continued)

How does the funding flow?

States and Tribes must apply for funding from the US Department of Energy (DOE) by January 31, 2025. States will then set up their own programs to award funds to property owners — and in some cases, renters — for energy efficiency upgrades.



Can renters apply for funding directly?

In the vast majority of cases, the landlord must apply for rebate funding and oversee the rebate-funded improvement to their property. The rebate is intended for the entity that pays for the project cost, which is typically the landlord.

However, there are some cases in which the federal government permits rebates to go directly to tenants:

- If a renter wants to buy an electric heat pump clothes dryer or an electric stove, cooktop, or oven for their unit, the IRA allows renters to apply directly for rebate funding and written permission from the landlord is not required by the federal government (though permission from a landlord may be mandated in a lease agreement, or otherwise expected).
- If a renter wants rebate funding for insulation, electric heat pumps for heating and cooling, electric wiring, mechanical ventilation, and electric load service centers, they can apply if they first get approval from the property owner or authorized building manager.[11]

However, even in these cases of renters being eligible to apply for rebate funding, tenants typically cannot make improvements to properties they do not own, which will largely exclude them from applying for these benefits.[12] Below, this brief discusses additional hurdles to renters applying for funds directly — including fears of retaliation given limited tenant protections, lack of control over their unit's maintenance, and needing to be able to pay for the upfront cost of the improvement.

11 US DOE, Inflation Reduction Act Home Energy Rebates.

12 Lew Daly and Sylvia Chi, "Clean Energy Neoliberalism: Climate, Tax Credits, and Racial Justice," Roosevelt Institute, June 14 2022, https://rooseveltinstitute.org/wp-content/uploads/2022/06/RI_ClimateTaxCreditsRacialJustice_202206.pdf.

Tax credits of up to $3,200 for home energy audits, qualified energy efficiency improvements installed during the current tax year, or residential energy property expenses are also available through the IRA. The maximum credit an individual can claim annually is $2,000 per year for qualified heat pumps, biomass stoves, and biomass boilers, and $1,200 for energy efficient home improvements and other energy property costs. However, only landlords or owners who live at the property can claim the credit, which significantly limits the extent to which this tax credit is relevant to rental housing. Tenants can claim credits, but as this brief discusses below, tenants rarely have the authority needed to make these repairs within their lease contract.

WHAT TENANT PROTECTIONS are attached to the IRA rebates?

The US Department of Energy (DOE) rebate program requirements include some safeguards for low-income renters living in units with rebate-funded improvements.[13] In order to receive an IRA Home Energy Rebate, owners/landlords renting to low-income renters:

- Must ensure that units stay rented by a low-income tenant for at least two years following the receipt of the rebate;
- Must not evict tenants to obtain higher renters or increase rents as a result of energy improvements for two years;
- Must ensure protections transfer with ownership if the unit is sold within the two-year period; and
- Are required to refund the rebate in the event of noncompliance.[14]

The DOE also requires states to outline what procedures and penalties they will provide to ensure that renters are not subject to unjustified rent increases.[15] The protections and application questions together set a new precedent for mandating states to think proactively about the potential impact of decarbonization on rental prices.

However, there are shortcomings to these tenant protections, and they are unlikely to accomplish their intended purpose of keeping tenants safe and housed without additional state and local tenant protections. First, these protections are only in effect for two years, after which tenants will be left with only the patchwork of protections their localities or states provide — in many cases, next to nothing. Even if landlords are aware of and deterred by these tenant protections, they may still choose to go forward with rebate investments knowing they can hike rents in just two years. The protections are also specific to evictions and rent hikes tied to energy efficiency upgrades, but it is extremely difficult to prove that an eviction or rent hike is a result of such upgrades, since landlords are typically not required to give reasoning for rent increases or lease nonrenewals.

13 Sylvia Chi, "DOE Guidance for Home Energy Rebates Adopts Recommendations for Equity." Just Solutions Collective, August 15, 2023, https://justsolutionscollective.org/doe-guidance-for-home-energy-rebates-adopts-recommendations-for-equity/.

14 US DOE, Inflation Reduction Act Home Energy Rebates.

15 For a list of questions states have to answer as part of their applications, see https://www.energy.gov/sites/default/files/2023-12/Home-Efficiency-Rebates-Sample-Application.pdf.

Furthermore, tenant protections are only helpful if enforced, and the DOE does not include specific requirements for state-level enforcement.[16] Instead, it punts that question to states administering the rebates, which must outline how they will implement and enforce penalties that are "sufficient to act as a deterrent for owner violations and provide for damages and attorney's fees recoverable by tenants."[17] There is also no commitment to fund enforcement of these protections, which is another essential ingredient for strong enforcement practices.[18]

The DOE requires states to create an outreach and community education plan as part of their funding applications.[19] The guidance does not explicitly indicate that states have to make the tenant protections known through outreach channels, but it does give states the opportunity to put forward community engagement partnerships that will help ensure that tenants know their rights and enforce these protections.

THE CHALLENGES OF GETTING REBATE FUNDS to those who need repairs most, without triggering displacement

Inadequate investment levels mean funding will not reach much of the rental market. There are 44 million rental houses in the US, but only $8 billion in rebate funding. Simply put: this is not enough funding to address the need. What's more, the per household caps — which are based on energy savings and incomes, but do not exceed $14,000 — will not be enough to reimburse the full cost of repairs and labor in many markets when it comes to deep energy efficiency improvements (see Appendix A for details).

Challenges with getting funds to renters:

The IRA rebate program does not account for the split incentive problem, which occurs when the benefit of an investment does not accrue for the person who pays for the investment.[20] Landlords may feel they will not directly benefit from the cost savings or health upgrades associated with energy efficiency investments when tenants pay utility bills

16 Mihir Zaveri, "Discrimination Weakens Tool for Reducing N.Y. Homelessness, Lawsuit Says," *New York Times*, May 25, 2022, https://www.nytimes.com/2022/05/25/nyregion/ny-vouchers-homeless-discrimination.html.

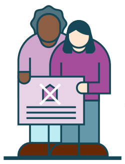
17 Zaveri, ""Discrimination Weakens Tool for Reducing N.Y. Homelessness, Lawsuit Says."

18 Jacqueline Waggoner, "Local Laws Against Income Discrimination Aren't Enough to Protect Residents," *Next City*, April 27, 2023, https://nextcity.org/urbanist-news/local-laws-against-income-discrimination-arent-enough-to-protect-residents.

19 Chi, "DOE Guidance for Home Energy Rebates Adopts Recommendations for Equity."

20 Jesse Melvin, "The Split Incentives Energy Efficiency Problem: Evidence of Underinvestment by Landlords," *Energy Policy* 115 (April 2018): 342–352, https://www.sciencedirect.com/science/article/abs/pii/S0301421517308157.

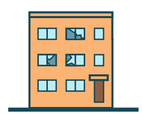
and occupy the unit. However, IRA funds flow to the landlords, who have control and legal authority over if, when, and how to invest in energy efficiency repairs.[21] The IRA leaves this split incentive problem unresolved, which could create a bottleneck that prevents tenants from benefiting from this funding.



Fears of landlords retaliating against tenants who ask for repairs — through harassment, lease nonrenewals, or evictions — can dissuade tenants from requesting repairs or organizing with their neighbors for better conditions.[22] While many states have anti-retaliation laws, it can be extremely difficult to prove retaliation in court and ensure tenants have the protections they need to safely retain their unit.

The onus is on tenants to ask their landlords for repairs. In cases where tenants can apply for rebates directly, requiring tenants to ask for written permission from their landlord creates an additional hurdle, since landlords can ignore or decline tenants' requests. What's more, it is increasingly hard for a tenant to know who owns their property (and therefore know who to ask for permission) because of increasingly complex, opaque, and speculative ownership models.[23]

Rebates and tax credits make it more difficult for funds to flow to low-income communities, and landlords could still pass on costs to tenants. The rebate format requires an individual to be able to use their own money up front for repairs or upgrades. In cases in which renters can access funds directly, the rebate structure will further limit renters' ability to use this program. Further, energy efficiency upgrades and the associated labor costs can far exceed the rebate amounts provided through the IRA, and landlords could try to pass remaining costs on to tenants in the absence of protections.



Deferred maintenance leaves many rental homes unprepared for energy efficiency upgrades: Lower-income tenants are disproportionately saddled with significant repair needs and uninhabitable living conditions. These deferred maintenance needs may need to be addressed before other upgrades can happen, and in some cases, make properties ineligible for energy upgrades. In the event that rebate-funded upgrades can still technically happen, it might be only a band-aid solution to underlying habitability problems.

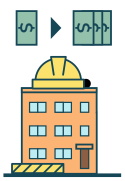
21 Gunn-Wright, "Our Green Transition May Leave Black People Behind."

22 Camila Vallejo, "'I Regret It': How Asking for Healthy Housing Ended in an Eviction Record for One New Haven Family," *Connecticut Public Radio*, June 23, 2023, https://www.ctpublic.org/news/2023-06-23/i-regret-it-how-asking-for-healthy-housing-ended-in-an-eviction-record-for-one-new-haven-family.

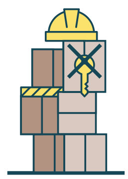
23 Brian Mykulyn and Elora Raymond, "When Landlords Hide Behind LLCs," *Shelterforce*, August 23, 2022, https://shelterforce.org/2022/08/23/when-landlords-hide-behind-llcs/.

Requiring income verifications and means testing makes it harder for funding to flow equitably: To ensure rebates reach low-income households, states will have to set up income verification processes. The DOE allows some streamlined processes for income verifications that aim to minimize barriers, such as mandating use of categorical eligibility to verify resident incomes (e.g., in public housing developments or for SNAP recipients), and encouraging self-attestation processes. This can help ensure that rebate funds can benefit households regardless of immigration status and reduce the administrative burden when applying for funds. Nonetheless, states may still choose to adopt income verification processes for dispersing funding that create new barriers.

A lack of guardrails on funding could also lead to the displacement of Black, Brown, and lower-income tenants:



Minimal rent regulations, affordability requirements, and anti-displacement guardrails could harm tenants. Without broad-sweeping rent regulations, tenants could face situations in which landlords leverage important energy efficiency upgrades as an excuse to flip properties and hike rents.[24] For most low-income renters, a rent hike is tantamount to an eviction.[25] While policies to regulate rents are becoming increasingly popular in the US,[26] there are still over 30 states that preempt local jurisdictions from regulating rents, and in most jurisdictions, landlords raise rents even beyond the pace of inflation.[27] Furthermore, a lack of eviction protections means that landlords can still evict tenants after upgrades happen or choose to not renew a tenant's lease, instead flipping the property.



Tenants might not have a right to return to their property — or might be burdened with new costs — after rehabilitation or improvements take place. Without requiring that rebates come with temporary relocation fees for all tenants and a mandated right to return to the rental unit following any deep retrofits that make the home temporarily uninhabitable, renters may be permanently displaced. Furthermore, in the event that a landlord converts their building from a master metering system to individual metering, tenants could become newly responsible for utility costs, making their bills too expensive for them to be able to return.

Part 2 of this brief addresses organizing opportunities to stem displacement and address these challenges.

24 Chelsea Kirk, *Los Angeles Building Decarbonization: Tenant Impact and Recommendations* (Los Angeles, CA: Strategic Actions for a Just Economy, December 2021), https://www.saje.net/wp-content/uploads/2021/12/LA-Building-Decarb_Tenant-Impact-and-Recommendations_SAJE_December-2021-1.pdf.

25 Claire Thornton, "'A Lot of Fear': Rent Hikes across the Country Mean Eviction Notices for Many Americans," *USA Today*, July 5, 2023, https://www.usatoday.com/story/news/nation/2023/07/05/rising-rents-eviction-notices-across-us/70349779007/.

26 Tram Hoang, "A Rallying Cry for National Rent Control," *The Hill*, August 9, 2023, https://thehill.com/opinion/civil-rights/4144103-a-rallying-cry-for-national-rent-control/.

27 Katherine Schaeffer, "Key Facts about Housing Affordability in the U.S." Pew Research Center, March 23, 2022, https://www.pewresearch.org/short-reads/2022/03/23/key-facts-about-housing-affordability-in-the-u-s/.

Just Decarbonization in Los Angeles

Want to learn more about how tenant advocates are evaluating how climate investments in their own communities could impact tenants?

Check out Strategic Action for a Just Recovery's (SAJE's) report on equitable building decarbonization in California.

SAJE is a Los Angeles–based tenant rights organization fighting for building decarbonization and tenant rights to go hand in hand.[28] SAJE's work is a model for how tenants and advocates can organize around the equitable implementation of decarbonization funds and robust policies that would keep tenants housing in the long term. This includes fighting for:

- *Good cause eviction standards;*
- *Rent caps;*
- *Temporary relocation fees;*
- *A mandated right to return after construction/rehabilitation is completed; and*
- *A landlord-tenant contract that ensures compliance.*[29]

In SAJE's words,

"Decarbonization is a necessary step in making California healthier and more resilient for everyone. But tenants — millions of whom are already struggling to pay their rent — should not have to shoulder the costs of decarbonizing housing. If we don't have good policies in place to protect tenants, we will see rents rise, affordable units shrink, and families displaced." [30]

28 Iris M. Crawford, "Protecting Tenants as Los Angeles Decarbonizes," Nonprofit Quarterly, April 13, 2023, https://nonprofitquarterly.org/protecting-tenants-as-los-angeles-decarbonizes/.

29 Kirk, "Los Angeles Building Decarbonization: Tenant Impact and Recommendations."

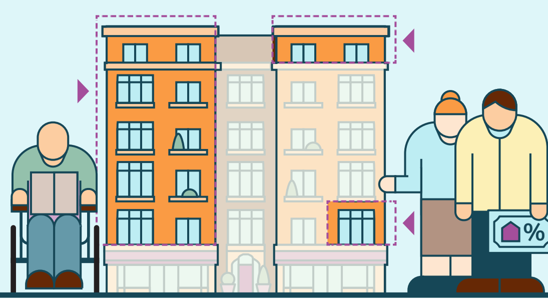
30 SAJE Staff, "Decarbonizing California Equitably: New SAJE Report Looks at the Effects of Decarbonization on Tenants Across the State," *Strategic Actions for a Just Economy* (blog), September 28, 2023, https://www.saje.net/decarbcaliforniaequitably/; Chelsea Kirk, "Decarbonizing California Equitably."

FLEXIBLE IRA FUNDING THAT COULD IMPACT RENTAL HOUSING CONDITIONS

Some of the more innovative and transformational opportunities for IRA implementation are in other pots of grant funding that, in many cases, include set-asides for disadvantaged communities and allow localities and nonprofits to be more responsive to community needs. Habitability improvements could happen through these funding channels. For example, the Direct Pay Tax Credits for Clean Energy program would allow localities and tax-exempt organizations to get tax-free payments from the IRS for certain clean energy projects. This means a city government could pay for deep energy retrofits of public housing and get reimbursed for up to 70 percent of project costs.[31] Similarly, the Greenhouse Gas Reduction Fund could be used to implement neighborhood-level clean energy systems that can reduce utility costs across several blocks in neighborhoods with renters.[32]

Figure 2. Grant programs in the IRA that could be applied to rental housing

	Program Name	Funding Flow & Eligibility
	Green and Resilient Retrofit Program: Grants for multifamily, US Department of Housing and Urban Development (HUD)–assisted property owners to reduce carbon emissions, make utility efficiency improvements, incorporate renewable energy sources, and make resilience upgrades.	Funding is only for HUD-assisted housing, including properties receiving assistance through Sections 8, 202, 811, and 236. Funding flows directly from the federal government to property owners via a competitive grant application.



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31 "Direct Pay: Building Jobs and Sustainable Public Energy in Local Communities / FAQs for Local Governments," Explainer, Congressional Progressive Caucus Center, accessed January 3, 2023, https://www.progressivecaucuscenter.org/direct-pay-faqs-for-local-governments.

32 Sylvia Chi, "Greenhouse Gas Reduction Fund: Best Practices for Equity and Governance," Just Solutions Collective, May 9, 2023, https://justsolutionscollective.org/greenhouse-gas-reduction-fund-best-practices-for-equity-and-governance/.

Figure 2. Grant programs in the IRA that could be applied to rental housing (Continued)

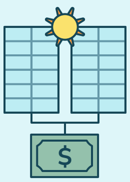
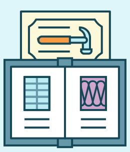
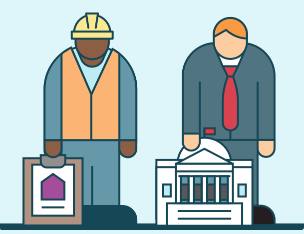
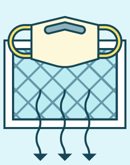
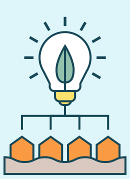
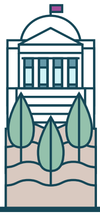
	Program Name	Funding Flow & Eligibility
 **$27** billion budgeted	**Greenhouse Gas Reduction Fund (GGRF)**: Financial and technical assistance grants to states, localities, Tribal governments, and nonprofits to help deploy clean energy technologies and solar energy initiatives. Forty percent of funds are specifically dedicated to low-income and disadvantaged Environmental Justice communities. The Clean Communities Investment Accelerator is specifically charged with financing clean energy projects in low-income and disadvantaged communities.	For the first portion of funds (called Solar for All funding), communities could apply directly for solar energy projects. The deadline for the Notice of Intent has now passed. For the second portion of funds (the National Clean Investment Fund and the Clean Communities Investment Accelerator), funding will flow from the federal government to nonprofit "hubs," which can then regrant funds to localities and nonprofits. GGRF funds can, in theory, be used for any type of housing in a low-income or disadvantaged Environmental Justice community, regardless of ownership structure.
 **$1** billion budgeted	**Zero Building Energy Code Adoption**: Funding for states and localities to adopt, implement, or enforce zero-energy codes with the goal of improving residential and decarbonization efforts through new construction and retrofits. Includes technical assistance support. Funds could be used, for example, for initiatives specifically targeted at clean energy improvements in rental housing.	Only states and local governments with code-making authority to adopt updated building energy codes can receive these funds. Individual tenants, landlords, or nonprofit organizations working on behalf of tenants cannot apply for funding. 
 **$5** billion budgeted	**Climate Pollution Reduction Grants**: Funding to state and local governments to develop and implement plans for reducing harmful air pollution. Continued Next Page...	Funds flow from the EPA to states, localities, and Tribes. Planning grants have already been allocated, and you can view recipients in your state here. Implementation grant applications are due April 1, 2024, and will include awards between $2 and $500 million.

Figure 2. Grant programs in the IRA that could be applied to rental housing (Continued)

	Program Name	Funding Flow & Eligibility
	**Direct Pay Tax Credits for Clean Energy:** Allows cities, states, and other tax-exempt organizations to receive tax-free, cash payments from the IRS for clean energy projects if certain requirements are met. There are multiple tax credits within the IRA that allow for Direct (or "Elective") pay.	Cities, states, counties, and tax-exempt organizations (including nonprofit entities) are eligible for "reimbursement" directly from the IRS. Direct Pay funds can be used for publicly owned housing and nonprofit-owned housing. Many advocates, elected officials, and policymakers are exploring how cities can use Direct Pay to support tenants in privately owned housing, but those pathways are less obvious.
 **$3** billion budgeted	**Environmental and Climate Justice Block Grants**: Block grants to disadvantaged communities that can be spent on pollution monitoring, prevention, and remediation; mitigating climate health impacts; climate resilience and adaptation needs; reducing indoor air pollution; and improving engagement of Environmental Justice communities in public processes.	Funds flow from the Environmental Protection Agency (EPA) to nonprofit organizations that serve disadvantaged communities through a competitive grant program. You can view projects funded through this grant program here. 
 **$145.5** billion budgeted	**Tribal Electrification Program**: Funding for clean energy household electrification projects that benefit Tribal communities. Funding opportunities can range from early planning stages to implementation. Funds are also available for technical assistance, procurement assistance, and utility system assistance.	Funds flow from the federal government to Tribes and Tribal organizations through competitive grants. 



POOR IMPLEMENTATION

could squander the promise of these green investments for low-income households

The ways that local communities choose to use these IRA grant programs will vary widely, as will the unique challenges and concerns presented by each project. But some of the main challenges in program implementation will likely include:

1. **Prioritizing rental housing investments in larger, flexible IRA funding pots.** Programs like the Greenhouse Gas Reduction Fund and Direct Pay can be used for a wide variety of investments, and there are no requirements that localities or nonprofits use them to improve living conditions for renters. There is therefore a concern that communities will pass by an opportunity to make meaningful progress on addressing the intersecting housing and climate crises.

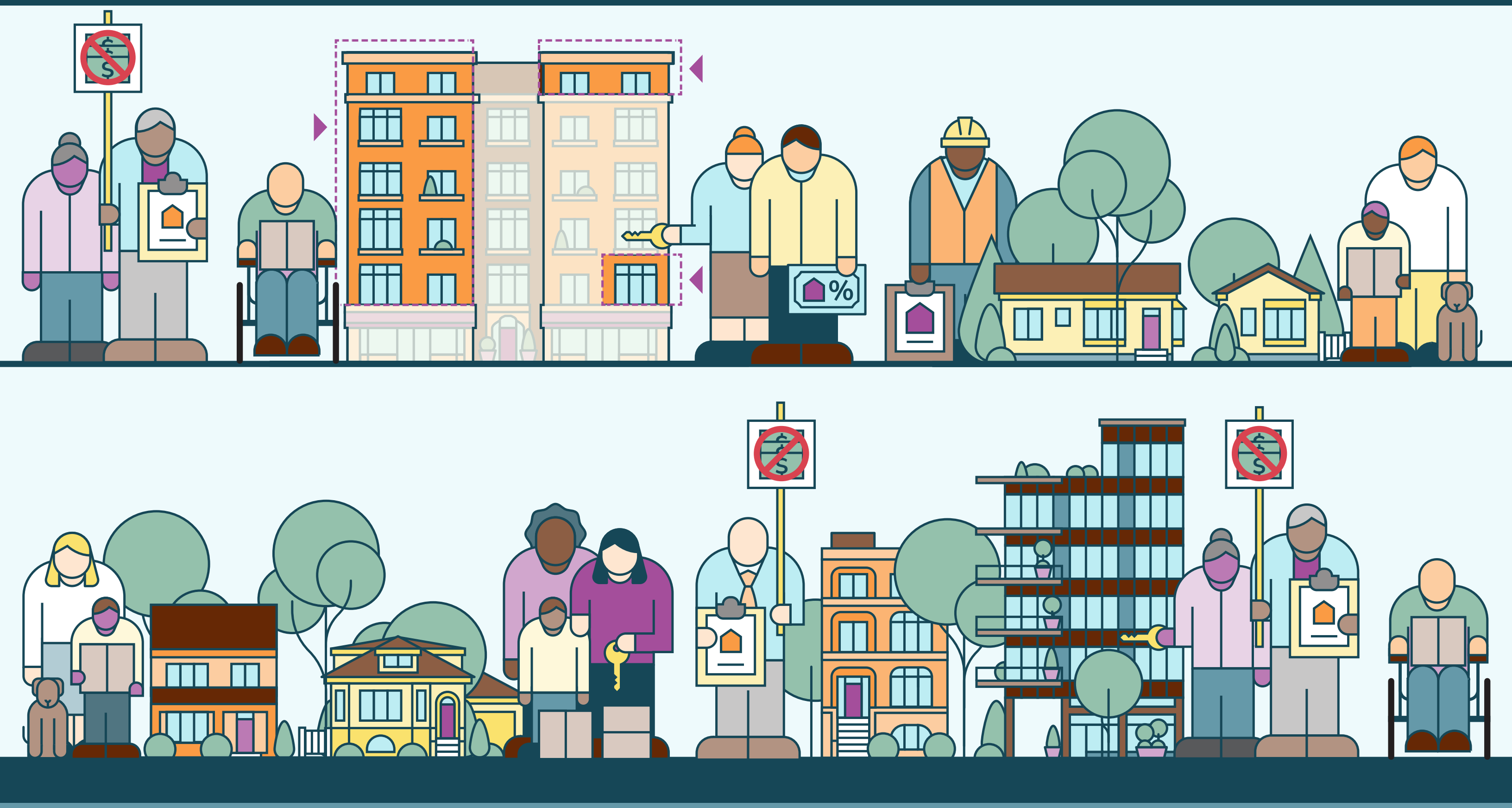
2. **Getting funding to tenants in private-market rental housing.** The vast majority of renters in the US live in unsubsidized housing. Typically, the nonprofit housing providers and localities that will be eligible to apply for grant funding do not own the majority of rental housing within a neighborhood, and will therefore have to navigate the complex web of private ownership to make an impact. Furthermore, landlords may have deferred maintenance needs that have to be addressed before other upgrades can happen, and in some contexts, make properties ineligible for energy upgrades.

3. **Preventing displacement in Environmental Justice communities.** While low-income neighborhoods and Environmental Justice communities are prioritized in several of these IRA funding streams, Congress did not build in conditions on funding that would bar displacement practices. Without tenant protections in place, large-scale investments in low-income communities could lead to mass displacement in the form of rent hikes, evictions, lease nonrenewals, or decarbonization policies that fail to mandate a right to return after large repairs that require tenants to vacate a property. Funding flowing through competitive grants also tends to disadvantage poorer, capacity-constrained localities, which could in turn disadvantage renters.[33] While many of these grant programs require that funding flows to low-income communities, there are still a myriad of structural challenges that will make this more difficult — such as community-level capacity constraints to learning about and applying for funding.

33 Jared Brey, "Measuring Equity in Federal Infrastructure Spending," *Governing*, October 26, 2023, https://www.governing.com/policy/measuring-equity-in-federal-infrastructure-spending.

Part 2

Opportunities For Organizing & Advocacy



Opportunities For Organizing & Advocacy

IRA implementation is underway, and the coming months and years present organizers, advocates, and policymakers with a key window of opportunity to influence implementation, direct money toward tenants who most need repairs and retrofits, and ensure that the safeguards tenants need are in place.

Home Rebate Programs | **Greenhouse Gas Reduction Fund**

July 2023 (Home Rebate Programs)
Application window opened for states to apply for rebate funds

March 2024 (Greenhouse Gas Reduction Fund)
The EPA plans to select the two to three national nonprofit institutions that will administer these programs

July 2024 (Greenhouse Gas Reduction Fund)
Funded nonprofits begin program implementation

August 16, 2024 (Home Rebate Programs)
Deadline for states to notify US Department of Energy of intent to participate in home rebate programs

January 31, 2025 (Home Rebate Programs)
State applications due for home rebate program, which need to include details of how states will administer programs

September 2031 (Home Rebate Programs)
Rebates are available until this date, or until a state depletes its funds

Figure 3. Key Milestones

ADVOCACY IDEAS TO STRENGTHEN IRA IMPLEMENTATION FOR RENTERS

Idea 1:

Advocate for State Energy Offices to design implementation plans that will protect renters and direct IRA rebates to those most in need. Throughout 2024, State Energy Offices will apply to administer state-level rebate programs (you can find your State Energy Office here). The DOE has made it clear that these agencies can add additional layers of direction that promote the equitable distribution of funding.[34] This could include:

- **Conditions on rebate funds to ensure long-term rent stabilization, just cause eviction protections, and enforced anti-retaliation measures.** In state applications for rebate funding, the DOE requires that State Energy Offices explain how renters will not be adversely affected by upgrades. This is an opportunity for State Energy Offices to set new standards that bar displacement. This could include new rent stabilization laws and just cause eviction protections. Advocates can also push for any tenant protections to come with clear enforcement mechanisms and funding. Lastly, since many energy upgrades cannot take place until underlying habitability issues have been addressed, advocates can help ensure that rebate funds are tied to more holistic home repairs that tenants need to address deferred maintenance.

- **Require relocation fees and a right to return after rebate-funded upgrades.** State Energy Offices could require temporary relocation fees and a mandated right to return to the rental unit following any deep retrofits that make the home temporarily uninhabitable.

- **Prioritize rental housing in rebate dissemination.** The DOE has set requirements that 40 percent of funding goes toward low-income housing, but states can create policies to surpass that minimum threshold and set new standards for rental housing. Organizers can also help ensure that State Energy Offices do not place any further restrictions on means testing funds or limiting resources based on tenants' immigration status.

- **Work with tenant organizers, labor unions, and community organizations to proactively determine where rebate funds will most benefit vulnerable tenants.** The DOE requires that states develop a community engagement plan. This presents an opportunity to ensure that State Energy Offices are working directly with tenants and allied organizations. This is also an opportunity to ensure that states include "Know Your Rights" communications in a variety of languages so that tenants are aware of the federal and local tenant protections associated with rebate-funded developments.

34 US DOE, *Inflation Reduction Act Home Energy Rebates.*

Idea 2:

Push for state and/or local legislation that creates new guardrails and directives for IRA funding to better support tenants. In the coming year, state and local budget cycles will include opportunities to advance further requirements on funding. Advocates can use budget and legislative cycles in their communities to advance new requirements on IRA funding that better serve the needs of renters.

- This could include pushing for local ordinances conditioning all IRA funding to buildings and place-based investments on a set of tenant protections — like good cause eviction protections and anti–rent gouging measures — that will ensure tenants can stay housed.
- It could also include pushing for state legislation requiring "Know Your Rights" communications and enforcement plans for the federal tenant protections guidelines.

Idea 3:

Advocate to local or county governments for Direct Pay initiatives that prioritize healthy housing upgrades for renters. The Direct Pay provisions in the IRA allow local governments to get reimbursed for climate resilience upgrades, including within the residential building sector. These funds are broad in nature, giving localities the flexibility to leverage them for local priorities.

- Advocates can push for localities to prioritize healthy housing and clean energy upgrades for renters and program design provisions that safeguard against tenant exploitation.
- Advocates can also organize to prioritize Direct Pay projects in lower-income communities and communities of color. This has the potential to lower utility bills and limit pollution for renters who are disproportionately harmed.

Idea 4:

Hold landlords accountable to using IRA rebate funds to improve tenants' building conditions. Landlords have the power to leverage rebate funding or ignore it. If local landlords have been citing a lack of funds as a reason to not make repairs — or suggesting that rent hikes are the only way for repairs to work financially — there is now other funding available that they can use to make repairs without needing to pass costs onto tenants. Given fears around landlord retaliation, it is important for coalitions of housing advocates to join in solidarity with tenants to demand repairs and get these important needs into the public eye as a form of accountability.

Idea 5:

Engage with state or local green banks on questions around equitable building decarbonization. As of 2021, there are 21 Green Banks across 16 states and Washington, DC (you can find a Green Bank that serves your community here). Many green banks are receiving funding through pots of IRA funding that can in turn be used to further housing justice. Green banks' priorities and willingness to work with advocates varies significantly by state. Green banks could funnel money into a sustainable affordable housing fund to do retrofits in low- and moderate-income households, instead of having them do household-level financing.

Idea 6:

Leverage the context of and roadblocks to the IRA to set new horizons and shift the window of opportunity for housing and environmental justice. This could include:

- Pushing for green social housing outside of the speculative real estate market;
- Universal rent stabilization measures that prevent the rising costs of the climate crisis from being passed on to vulnerable renters;
- Good cause eviction protections that limit the risk of displacement and eviction following green investments;
- A tenants' bill of rights that includes habitability and healthy living standards that landlords must follow, with strong enforcement hooks; and
- Advancing state climate plans that center the needs of renters.

Decarbonization with Tenant Protections

Example: Whole-Home Repair Act, Pennsylvania

In 2022, Pennsylvania passed the Whole-Home Repair Act with bipartisan support, providing grants and loans to make housing more habitable, energy efficient, and accessible. The law conditions funding on a strong set of tenant protections:

- Landlords who receive funds must renew their tenants' leases for at least three years following the repairs; and
- Landlords who receive funds must commit to only modest (at most 3 percent) rent increases for the term of the loan, which is typically 15 years.

This bill passed with bipartisan support in a politically divided state, and sets an important precedent for the future of equitable decarbonization efforts in the rental market.

Conclusion

MOBILIZING FOR A BROADER TENANTS RIGHTS AGENDA BEYOND THE IRA

Attempting to invest in climate resilience in a real estate market that prioritizes profit over people's safety will not provide the racially just, healthy, and affordable living situations that everyone deserves. Without tenant protections, rent control, and community-controlled housing, getting the resources for deep retrofits into the hands of renters so that they can improve their living conditions is challenging.

This brief outlines steps that can be taken within current market and funding conditions to get us closer to a system in which rental housing is safe, healthy, and permanently affordable. Digging into the IRA home decarbonization programs demonstrates the need for a broader tenant rights agenda in the face of increasing climate threats and the capricious, arbitrary outcomes of the for-profit housing market.

Campaigns and coalitions that unite environmental justice and tenant organizers are becoming increasingly common and successful. From Pennsylvania to Hawaii, we are seeing the impact that unified coalitions can have in stemming displacement while communities rebuild from disasters or invest in rehabbing hazardous living situations. This includes campaigns to save our public housing stock, pass good cause eviction policies that keep renters housed, ban egregious rent hikes, and include a tenants' bill of rights in climate plans.

The shortcomings of current federal decarbonization funding also underscores the importance of tenant organizing as a direct path to winning building condition improvements outside the policy or legislative realm. The lack of ambition in the IRA to meaningfully push housing justice forward, as well as the discrepancies between the reality of how renters experience housing conditions compared to how the federal government allocates funding, require that we bring our attention to supporting local struggles for tenant power and justice. Across the country, we have seen the value of tenants organizing with their neighbors to demand building improvements from their landlords. As the model of tenant organizing continues to spread, organizers can consider incorporating more healthy housing and climate justice demands into their collective bargaining fights.

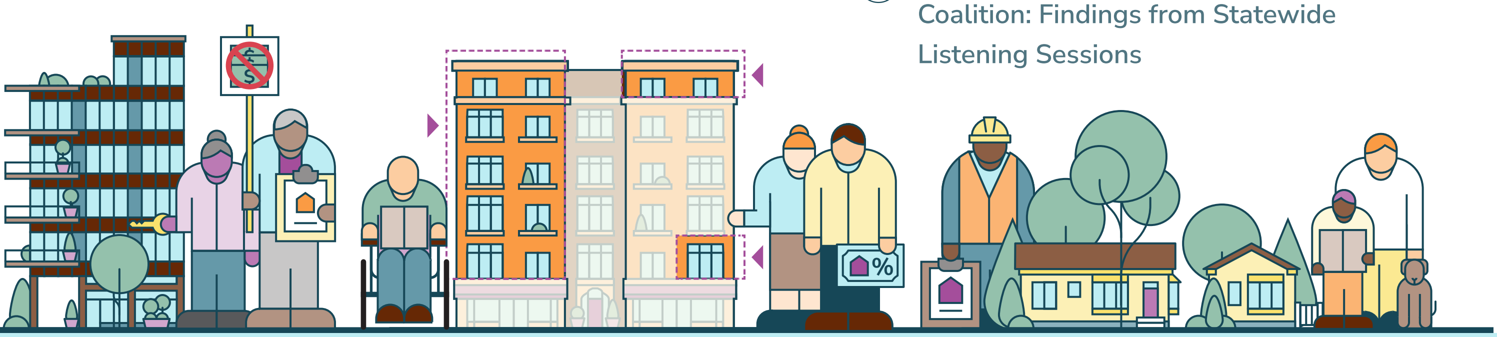
Additional Resources

ABOUT THE INFLATION REDUCTION ACT:

- Inflation Reduction Act: The Good, The Bad, The Ugly (a Climate and Community Project primer on the IRA)
- NHLP's Principles on the Inflation Reduction Act and Other Energy Investments (National Housing Law Project)
- Inflation Reduction Act: Campaign Opportunities for State Coalitions to Advance a Green New Deal (Green New Deal Network)
- How to Decarbonize Your Home with the Inflation Reduction Act (Heatmap)

ABOUT EQUITABLE DECARBONIZATION AND TENANT JUSTICE:

- Los Angeles Building Decarbonization: Tenant Impact and Recommendations (Strategic Actions for a Just Economy)
- Out of Gas, in with Justice (WE ACT for Environmental Justice)
- Building Energy, Equity & Power (BEEP) Coalition: Findings from Statewide Listening Sessions



Appendix A.

Table 1. Examples of home improvements that are reimbursed through the Inflation Reduction Act

Upgrade Type	Costs & Rebate Amounts
Insulation to lower utility bills and make homes warmer and safer during extreme weather events.[35]	***Average cost range:*** Costs vary widely based on insulation needs, building age, and condition. In 2023, the typical cost to insulate a unit was $3,000 to $10,000. ***Maximum reimbursement:*** $1,200 in tax credits.
Door improvements to lower utility bills and make homes less drafty. New doors can also make units safer and minimize rodents.	***Average cost range:*** The average cost of a new exterior door is $600 to $1,500.[36] ***Maximum reimbursement:*** $500 in tax credits.
Window improvements to better protect renters from extreme weather events and improve insulation. New windows can also make units safer and minimize rodents.	***Average cost range:*** $325 to $850 per insulated thermal window.[37] ***Maximum reimbursement:*** $600 in tax credits.
Electric stove/cooktop to cook without exposing tenants to gas, which can have negative health impacts.	***Average cost:*** $1,300.[38] ***Maximum reimbursement:*** $840, plus up to $1,200 via tax credits.

Continued Next Page...

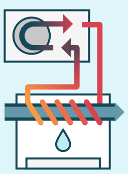
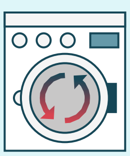
35 Scott Minos, "Reduce your Heating Bills with Better Insulation," *Energy Saver* (blog), US Department of Energy, January 6, 2023, https://www.energy.gov/energysaver/articles/reduce-your-heating-bills-better-insulation.

36 Lawrence Bonk, "How Much Does Front Door Installation and Replacement Cost?" *Forbes*, June 12, 2023, https://www.forbes.com/home-improvement/doors/front-door-installation-replacement-cost/.

37 "Thermal Windows Buying Guide," Modernize Home Services, accessed November 17, 2023, https://modernize.com/windows/energy-efficient/thermal-windows#:~:text=To%20install%20an%20energy%2Defficient,with%20higher%20Energy%20Star%20ratings.

38 Rewiring America, "Watts the Deal with Induction?" *Rewiring America* (newsletter), July 28, 2023, https://www.rewiringamerica.org/newsletter/watts-the-deal-with-induction.

Table 1. Examples of home improvements that are reimbursed through the Inflation Reduction Act (Continued)

	Upgrade Type	Costs & Rebate Amounts
	**Heat pumps** to heat and cool a building without relying on fossil fuels. Window-unit heat pumps can provide similar benefits to renters in multifamily properties. Heat pumps can also reduce utility bills.[39]	***Average cost range:*** Prices vary significantly, but current average price for installation is $5,500.[40] ***Maximum reimbursement:*** $8,000 in rebates, plus $2,000 via tax credits
	**Heat pump water heaters** to heat and cool water for cooking and showering. Heat pump water heaters are two to three times more efficient than traditional water heaters and work in all climates.[41]	***Average cost range:*** Typically ranges from $1,500 to $3,000, but can cost significantly more in a multifamily setting.[42] ***Maximum reimbursement:*** $1,750 via rebates, plus $2,000 via tax credits.
	**Heat pump clothes dryer** to make it easier to wash clothes in-unit without increasing utility costs.	***Average cost range:*** $1,000.[43] ***Maximum reimbursement:*** $840, plus up to $1,200 via tax credits.

Continued Next Page...

39 "3 Ways Heat Pumps Save You Money," *Rewiring America*, accessed November 17, 2023, https://www.rewiringamerica.org/my-home/heating-and-cooling/heat-pumps-save-money.

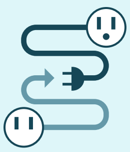
40 Timothy Moore and Corinne Tynan, "How Much Does Heat Pump Installation Cost?," *Forbes Home*, updated January 10, 2024, https://www.forbes.com/home-improvement/hvac/heat-pump-installation-cost/.

41 "Heat Pump Water Heater," *Rewiring America*, accessed November 17, 2023, https://www.rewiringamerica.org/app/ira-calculator/information/heat-pump-water-heater.

42 "What Goes into the Cost of Installing a Heat Pump Water Heater?" ENERGY STAR, accessed November 17, 2023, https://www.energystar.gov/products/ask-the-experts/what-goes-into-the-cost-of-installing-a-heat-pump-water-heater#:~:text=If%20you%20are%20replacing%20a,which%20become%20a%20consideration%20if.

43 Jeanne Huber, "Are You Ready for a Heat-Pump Dryer?" *Washington Post*, June 21, 2021, https://www.washingtonpost.com/lifestyle/home/are-you-ready-for-a-heat-pump-dryer/2021/06/19/caa6e5d2-c7a8-11eb-a11b-6c6191ccd599_story.html.

Table 1. Examples of home improvements that are reimbursed through the Inflation Reduction Act (Continued)

	Upgrade Type	Costs & Rebate Amounts
	**Breaker box** upgrades to allow for higher electrical loads and minimize outages.	***Average cost:*** $1,280 to $2,700.[44] ***Maximum reimbursement:*** $4,000 in rebates.
	**Electric wiring** changes to increase safety and resilience during disasters and improve home energy efficiency.	***Average cost range:*** $7,000.[45] ***Maximum reimbursement:*** $2,500 in rebates.

Note: For low-income households, up to 100 percent of costs can be covered, including installation. For moderate-income households, up to 50 percent of costs can be covered. Rebates also include contractor rebates of up to $500 per project. This is not an exhaustive list of eligible unit- or building-level upgrades possible through the Inflation Reduction Act.

Source: Adapted from Rewiring America's Fact Sheets on Residential Energy Efficiency Tax Credits and Electrification Rebates.

44 Aliza Vigderman and Corinne Tynan. "What Is the Cost to Replace an Electrical Panel in 2023?" *Forbes Home*, September 13, 2023, https://www.forbes.com/home-improvement/electrical/electrical-panel-replacement-cost/.

45 Allie Ogletree, "How Much Does It Cost to Rewire a House in 2023?" *Forbes Home*, September 11, 2023, https://www.forbes.com/home-improvement/electrical/cost-to-rewire-a-house/.