



City of San Leandro

City Hall
835 East 14th Street
San Leandro, California

Staff Report

File #: 26-234

Hearing to (1) Adopt a Resolution Establishing Rent Program Fees and Amending the Master Fee Schedule for the Rental Registry and Rent Stabilization Programs (Rent Program) and Approving a General Fund Loan of \$2,230,500 at 4.03% Interest and a Maximum Term of Six Years; and (2) Introduce an Ordinance Amending San Leandro Municipal Code Section 4-46-175(C) to Prohibit the Pass-Through of the Rent Stabilization Program Fee to Tenants

COUNCIL PRIORITY

- Housing and Homelessness
- Fiscal Sustainability

SUMMARY

Staff recommend the City Council: (1) adopt a Resolution establishing Rent Program fees and approving a General Fund loan to capitalize the Rent Program Special Revenue Fund; and (2) introduce an Ordinance amending SLMC Section 4-46-175(C) to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization fee to tenants.

The Rental Registry and Rent Stabilization Ordinances authorize the City Council to establish program fees by Resolution to recover the City's costs of administering each program. The City retained NBS Government Finance Group (NBS) to conduct a fee analysis ("Fee Study") for the Rental Registry and Rent Stabilization Programs, which was presented to the City Council on April 20, 2026.

On April 20, 2026, the City Council adopted Resolution No. 2026-045, which:

- Established the Rent Program Special Revenue Fund;
- Authorized six (6) full-time equivalent positions; and
- Appropriated \$2,230,433 for the Fiscal Year (FY) 2027 Rent Program budget.

On April 20, 2026, the City Council directed staff to return at a future meeting with:

- An updated General Fund loan interest rate based on U.S. Treasury return rates;
- Updated FY 2027 Rent Program fees reflecting elimination of proposed petition fees and updated penalties for non-compliance; and
- An Ordinance to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization Program Fee to tenants.

Staff recommend that the Council approve a General Fund loan of \$2,230,500 with a maximum term of six years at 4.03% interest, based on the average of daily U.S. Treasury par yield curve rates for the 5-year and 7-year maturities for April 2026. The loan would be repaid from Rent Program fee revenues collected in subsequent fiscal years.

The May 2026 NBS Fee Study (Attachment C) reflects elimination of petition processing fees for FY 2027, with associated costs absorbed into the base program fees, which have each increased by one dollar per unit.

A draft Ordinance (Attachment B) amending SLMC Section 4-46-175(C) has been prepared for Council's consideration to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization Program Fee to tenants.

RECOMMENDATIONS

Staff recommend that the City Council:

- Adopt a Resolution: (1) approving the May 2026 NBS Fee Analysis for the Rental Registry and Rent Stabilization Programs; (2) establishing FY 2027 Rent Program fees and penalties; (3) amending the City's Master Fee Schedule to include the new Rent Program fees and penalties; and (4) approving a General Fund loan of \$2,230,500 at 4.03% interest for a maximum term of six (6) years; and
- Introduce an Ordinance amending SLMC Section 4-46-175(C) to eliminate the option for property owners to prohibit the pass through of the Rent Stabilization Program Fee to tenants based on Council direction on April 20, 2026.

BACKGROUND

Rental Registry Ordinance

On April 21, 2025, the City Council adopted Ordinance No. 2025-002 establishing SLMC Chapter 4-45 (Rental Registry) with an initial registration deadline of January 31, 2026. On October 20, 2025, the City Council adopted Ordinance No. 2025-013, amending the filing deadline to July 31, 2026, to accommodate additional time for software development and program readiness. The Ordinance authorizes a program fee, established by City Council Resolution, to recover the City's costs of administering the registry, which is estimated to apply to a range of 9,000–10,000 eligible rental units.

Rent Stabilization Ordinance

On February 2, 2026, the City Council adopted Ordinance No. 2026-001 establishing Chapter 4-46 (Residential Rent Stabilization), with an effective date of January 1, 2027. The Rent Stabilization Ordinance established limits on annual rent increases for eligible residential rental units. Beginning January 1, 2027, annual rent increases for covered units are capped at the lesser of 65 percent of the annual change in the regional Consumer Price Index (CPI) or three percent. The Rent Stabilization Ordinance is estimated to apply to a range of 6,500–7,500 eligible rental units. The Ordinance also authorizes a program fee to recover the City's costs of administering the Rent Stabilization program. Property owners of units subject to the Rent Stabilization Ordinance are responsible for paying both the base Rental Registry fee and the additional Rent Stabilization fee.

Section 4-46-175(C) of the Rent Stabilization Ordinance provides that up to fifty percent of the Rent Stabilization Program Fee may be passed through to tenants, to be paid in two equal installments six months apart, and that such amounts may not be included in the calculation of the Maximum Allowable Rent.

April 20, 2026 City Council Actions

The City Council adopted Resolution No. 2026-045 on April 20, 2026, which:

- Established the Rent Program Special Revenue Fund;
- Authorized six full-time equivalent positions; and
- Appropriated \$2,230,433 for the FY 2027 Rent Program budget.

The City Council also introduced Ordinance No. 2026-002 amending SLMC Section 4-45-120(a) to revise the Rental Registry annual registration filing deadline from July 31 to January 31, beginning January 31, 2027. On May 4, 2026, the City Council adopted Ordinance No. 2026-002 at second reading.

On April 20, 2026 the City Council also directed Staff to return at a future meeting with:

- An updated General Fund loan interest rate based on U.S. Treasury return rates;
- Updated FY 2027 Rent Program fees reflecting elimination of proposed petition fees and updated penalties for non-compliance; and
- An Ordinance to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization Program Fee to tenants.

ANALYSIS

General Fund Loan Interest Rate Methodology

The Rent Program Special Revenue Fund, established by Resolution No. 2026-045, will initially be capitalized by a General Fund loan of \$2,230,500. The full loan amount will be disbursed to the Rent Program Special Revenue Fund on July 1, 2026 to ensure adequate fund balance to cover all FY 2027 expenditures and encumbrances at program launch. The loan will accrue interest at 4.03% per year. Interest accrued in FY 2027 would be \$89,889. The Rent Program would repay the loan from program fee revenues collected in subsequent fiscal years, with a maximum term of six years and is anticipated to generate \$280,000 - \$487,000 in aggregated interest over the life of the loan.

Staff recommend the City Council approve a General Fund loan of \$2,230,500 at an annual interest rate of 4.03%. The rate was established by calculating the simple average of the daily U.S. Treasury par yield curve rates for the 5-year and 7-year constant maturity securities for each business day in April 2026, as published by the U.S. Department of the Treasury. The resulting average rates were 4.04% (5-year) and 4.02% (7-year), yielding a blended rate of 4.03%. This methodology was selected because it reflects current market borrowing costs and uses a full calendar month of data, smoothing short-term volatility.

Proposed Rent Program Fees

The City retained NBS to conduct a cost-of-service analysis and Fee Study for the Rental Registry and Rent Stabilization Programs, which was presented to the City Council on April 20, 2026. The updated May 2026 Fee Study compiles the full cost of providing Rent Program services for FY 2027, including direct and indirect labor, recurring non-labor costs, department and Citywide overhead, and allocated program administration costs. The fee study reflects three updates from the March 2026 version:

1. Adjusted budget details reflecting the updated General Fund loan interest rate of 4.03%;

2. Eliminated petition processing fees for FY 2027
3. Associated costs redistributed into the base program fees. The total FY 2027 Rent Program budget remains \$2,230,433.

NBS calculates the following annual program fees to fully recover the costs of the Rent Program in FY 2027. Fair Return Rent Increase Petition and Petition for Rent Decrease fees are not included in the FY 2027 fee schedule per City Council direction and associated costs have been redistributed into the base program fees with each increased by \$1 per unit per year from what was presented on April 20, 2026.

Fee Name	Unit / Type	Fee Per Unit (FY 2027)	Est. Volume	Est. Annual Revenue
Base Rent Program Fee – Rental Registry (All Units) per SLMC Chapter 4-45	Per unit; per year	\$149	9,500	\$1,415,092
Additional Rent Stabilization Program Fee – Rent Stabilized Units Only per SLMC Chapter 4-46	Per unit; per year	\$109	6,500	\$708,198
Combined Fee – Rent Stabilized Units	Per unit; per year	\$258	6,500	--
TOTAL				\$2,123,290

Both proposed fees would be charged annually per unit and would be payable by property owners at the time of annual Rent Program registration submission. The first fee payment is due January 31, 2027.

The Fee Study recommends annual fee adjustments, at minimum by CPI, and a comprehensive fee review one to two years after program operations stabilize, which has been included in the program budget.

Late Registration Penalties

The Rental Registry Ordinance (Chapter 4-45) and the Rent Stabilization Ordinance (Chapter 4-46) authorize the City to impose penalties on property owners who fail to timely submit annual registration statements and fee payments. The proposed tiered late penalty schedule includes a new Tier 4, as shown below:

- Tier 1 (1–30 days late): 25% of the applicable annual per-unit fee
- Tier 2 (31–89 days late): 50% of the applicable annual per-unit fee
- Tier 3 (90–119 days late): 100% of the applicable annual per-unit fee; authority to file a lien activates pursuant to SLMC Section 1-12-600
- Tier 4 (120 or more days late): 150% of the applicable annual per-unit fee

For the first registration cycle (due January 31, 2027) only, the Program Administrator could administratively waive penalties at their discretion.

Elimination of Rent Stabilization Fee Pass-Through

On April 20, 2026, the City Council directed Staff to return with an Ordinance amendment to SLMC Section 4-46-175(C) to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization Program Fee to tenants.

A draft Ordinance (Attachment B) amending SLMC Section 4-46-175(C) is prepared for Council's consideration to eliminate the option for property owners to pass through fifty percent of the Rent Stabilization Program Fee to tenants. The amended section would require property owners to pay the full cost of the Rent Stabilization fee.

As introduced, the Ordinance would be effective 30 days following adoption. Staff anticipate second reading and adoption at the June 15, 2026 City Council meeting, with an effective date of July 15, 2026. Because the first Rent Stabilization fee payment is due January 31, 2027, the amended section will be in effect before any fees are collected.

PREVIOUS ACTIONS

- February 2023: City Council included housing protections under its Housing/Homeless Priority
- July 2023: City Council requested an assessment of housing protections not currently in San Leandro (stricter rent control, just cause & tenant anti-harassment, plus rental registry), existing housing protection programs & cost impacts to the City; directed the matter to the City Council Rules Committee
- February 1, 2025: City Council affirmed housing protections prioritization under Housing/Homeless Priority at its annual planning session
- March-April 2025: City Council adopted Rental Registry Ordinance
- March 17, 2025: City Council directed staff to proceed with exploring a rent stabilization ordinance as the top priority from other renter housing protections and Council introduced a Rental Registry Ordinance (first reading)
- October 13, 2025: City Council reviewed and provided guidance on the Draft Residential Rent Stabilization (RRS) Ordinance and reviewed the preliminary cost options to implement a Rental Housing Protection Program (Rent Registry Ordinance and draft RRS Ordinance).
- December 15, 2025: City Council held a special meeting to review the most updated 1) proposed budget options for a combined Rent Registry and proposed RRS Program and 2) Draft RRS Ordinance.
- January 12, 2026: City Council held a public hearing for the first reading and adoption of the Rent Stabilization Ordinance.
- Feb 2, 2026: City Council conducted the second reading and adopted the Rent Stabilization Ordinance.

COMMITTEE REVIEW AND ACTIONS

- January 2025: City Council Rules Committee approved draft Rental Registry Ordinance to forward to City Council and reviewed other housing protection priorities including rent stabilization
- March 2025: Staff presented rent stabilization and policy cost impacts to City Council Rules Committee
- May 2025: Staff presented rent cap and capital improvement pass through considerations for City Council Rules Committee direction and a proposed rent stabilization ordinance timeline

- July 2025: City Council Rules Committee reviewed preliminary draft Rent Stabilization Ordinance and opened a 60-day public comment period from July 17 through September 17.

APPLICABLE GENERAL PLAN POLICIES

- **Housing Element P.4.1 Minimize Displacement of Vulnerable Residents.** The City shall make all neighborhoods places of opportunity while minimizing the involuntary displacement of vulnerable populations, such as low-income households, seniors on fixed incomes, and people with disabilities, due to increased housing costs.
- **Housing Element P.4.2 Strengthen Tenant Protections.** The City shall explore options to strengthen measures for eviction prevention, limits on sudden or annual rent increases, and tenant relocation assistance.

ENVIRONMENTAL REVIEW

These actions are exempt from CEQA under the general rule in CEQA Guidelines Section 15061(b)(3), as adoption of a regulatory fee schedule does not authorize any development project or change any rules regarding development, and it can be seen with certainty that there is no possibility that the action will have a significant effect on the environment. Additionally, these actions qualify for the statutory exemption under CEQA Guidelines Section 15273(a)(1), which applies to the establishment of charges by public agencies to fund ongoing operations.

SUMMARY OF PUBLIC OUTREACH EFFORTS

Since Fall 2025, Staff undertook wide public outreach through City Council meetings, including for tonight's City Council meeting, involving presentations and discussions on rental registry and rent stabilization costs and fees. Outreach methods by City staff included emailed notices/flyers in English, Chinese and Spanish to its extensive Housing Protections stakeholders database containing housing providers, tenants and related advocacy organizations, posted noticing on the City website and posted information on social media.

FINANCIAL IMPACTS

On April 20, 2026, the City Council adopted Resolution No. 2026-045, which:

- Established the Rent Program Special Revenue Fund;
- Authorized six full-time equivalent positions; and
- Appropriated \$2,230,433 for the FY 2027 Rent Program budget.

With approval of the General Fund loan interest rate of 4.03% per year, annual interest in FY 2027 would be \$89,889. The Rent Program would repay the loan from program fee revenues collected in subsequent fiscal years, with a maximum term of six years and is anticipated to generate \$280,000 - \$487,000 in aggregated interest over the life of the loan.

Actual fee revenues in FY 2027 will depend on registration compliance rates, which are expected to ramp up over the first one to two registration cycles. The three-to-six-year General Fund loan structure is designed to absorb this startup risk. The Finance Director will include the outstanding General Fund loan balance, accrued interest, and repayment progress in the City's annual comprehensive financial report.

ATTACHMENTS

- A. Draft Resolution Establishing Rent Program Fees, Amending the Master Fee Schedule, and Approving a General Fund Loan
- B. Draft Ordinance Amending San Leandro Municipal Code Section 4-46-175(C) to Eliminate the Option to Pass Through Fifty Percent of the Rent Stabilization Program Fee to Tenants
- C. NBS Fee Analysis for the Rental Registry and Rent Stabilization Programs (May 2026)

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