



Proposed Rent Stabilization Program Budget and Draft Residential Rent Stabilization Ordinance

City Council Work Session

December 15, 2025

Community Development Department

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**HOUSING &
HOMELESSNESS**



Background



Background

- **April 21, 2025:** City Council adopted Rental Registry Ordinance (*effective January 2026*)
- **June 16, 2025:** City Council adopted Biennial Budget FY 26-27
 - General Fund \$648k/annually to Rent Registry Program, including 2 new FTE staff
 - General Fund will cover program costs until program becomes cost-recoverable
- **July 17, 2025:** Rules Committee, Draft Rent Stabilization Ordinance
- **July – September 2025:** Community Outreach (60-day Public Review)
- **October 20, 2025:** City Council amended Rent Registry Ordinance (*effective July 2026*)
- **October 13, 2025:** City Council Work Session, Draft Residential Rent Stabilization Ordinance and related cost options
- **December 15, 2025:** City Council presentation
 - Proposed Rent Registry & Rent Stabilization (Rent Program) Budget
 - Updated Draft Residential Rent Stabilization Ordinance



City Council Direction: Oct. 13 Work Session

1. Maximum allowable annual rent increase: 65% of CPI, with a cap of 3% - 3.75%
2. No capital improvements pass through process; property owners may use fair return petition process
3. No banking
4. No exemptions for smaller rental properties
5. Maintain exemption for “Golden Duplexes”



Proposed Rent Registry & Rent Stabilization (Rent Program) Budget



Challenges: Budget and Implications for New Rent Program

Biennial Budget FY 26-27 (*adopted June 2025*)

- General Fund revenues have not kept pace with rising expenditures
- General Fund is in deficit and reliant on reserves
- Council provided direction to return with a balanced budget for FY 27
- City Departments are preparing for a \$15 million mid-cycle budget cut

Implications for New Rent Program

- Any new program requiring General Fund support must be weighed against ongoing deficit pressures
- Council will need to evaluate budget implications of new program costs
- General Fund loan to fund program until it is cost recoverable (approx. 3-6 years)



Rent Program Service Level & Estimated Budget

Program Option	Staffing	Rent Registry	Rent Stabilization	Eligible Units	Proposed Implementation Timeline	One-Time Startup Funding Need (approximate)
Rent Registry + Rent Stabilization (Enhanced Enforcement)	6 FTE	All Rental Units	Rent Stabilization + Enhanced Outreach & Enforcement	9,000-10,000	January 1, 2027	\$1.3 - \$2.2M

Additional Program Options

Rent Stabilization (Passive Enforcement)	0-2 FTE	Repeal Rent Registry	Rent Stabilization + Passive Enforcement	6,500-7,500	July 1, 2026	\$500 - \$750K
Focused Rent Registry + Rent Stabilization (Basic Enforcement)	4 FTE	Amend Rent Registry Rent-Stabilized Units Only / Additional Units	Rent Stabilization + Basic Outreach & Enforcement	6,500-7,500	January 1, 2027	\$1-\$1.5M



Assumptions for Full Cost-Recovery Program

- **Initial General Fund Loan to Newly Established Special Revenue Fund:**
 - ~\$1.3 - \$2.2M loan repaid with interest in approx. 3-6 years
- **Eligible Units (per County parcel data):**
 - Partially Regulated: 2,500 – 3,500
 - Fully Regulated: 6,500 – 7,600
- **Tiered Annual Fee Structure Estimate (fee study pending):**
 - Partially Regulated Units: \$125 - \$175 / unit
 - Fully Regulated Units: \$250- \$300 / unit
- **Enforcement:**
 - Late Penalty: 60-100%
 - Annual Special Assessments imposed for fully regulated unit fees not collected
- **Staffing and Program Cost Considerations:**
 - Salaries, benefits, and indirect service costs
 - Services and supplies (outreach, legal, tenant/landlord services)
 - Lease and furnishing of new office space



General Fund Loan Pay Back Scenarios

Payback Scenarios	Variables Impacting Loan Payback Timeline
Short-term (3 years)	Late penalty – 100% of annual fee First year lien rate – 100% enforcement
Medium-term (4 years)	Late penalty – 75% of annual fee First year lien rate – 75% enforcement
Longer-term (5-6 years)	Late penalty – 60% of annual fee First year lien rate – 60% enforcement



Staff recommendation for full cost-recovery framework:

- Program would be full cost recovery after initial General Fund loan (approx. 3-6 years)
- Full cost recovery assumes:
 - Estimated \$1.3 - \$2.2M General Fund loan
 - Payback period dependent on fee level, compliance rate, and enforcement

Considerations

- Service and staffing levels drive program budget
- Cost of initial program launch occurs before fee revenue stabilizes
- Compliance and fee revenue increase over time
- Education and enforcement are staff-intensive
- Collection of late and missed payments is critical to cost recovery



Updated DRAFT Residential Rent Stabilization Ordinance



DRAFT Residential Rent Stabilization Key Changes

1. Removed "Capital Improvements" pass through section
2. Added definition of "Landlord"
3. Ordinance implementation date: January 1, 2027
 - Base Rent: in effect on January 1, 2027, rent increases on/after that date will be regulated by Ordinance
 - Base Year: 2026
 - AB 1482 rent cap remains in place in meantime for tenants



City Council Direction on Rent Cap

Question - Confirm direction to set rent cap as the lower of:

- 3 – 3.75% or
- 65% of CPI

***Note: 65% of CPI exceeded 3% only once (2022)
in the last 30 years due to high inflation***

YEAR	CPI	65% CPI	AB 1482 5% + CPI, Max: 10%
2020	1.10	0.72	6.10
2021	3.80	2.47	8.80
2022	5.00	3.25	10.00
2023	4.20	2.73	9.20
2024	3.80	2.47	8.80
2025	1.30	0.85	6.30



City Council Direction



City Council Direction

- **Confirm direction to set rent cap as the lower of:**
 - A specific number between 3 – 3.75%

or

 - 65% of CPI
- **Confirm staff recommendation on full cost recovery model:**
 - Rent Registry + Rent Stabilization/Enhanced Enforcement Option (estimated \$1.3 - \$2.2M General Fund loan)
 - Approx. 3-6 year payback period
 - Program budget estimates to be refined and presented with finalized fee study in early 2026

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Next Steps



Next Steps

January 12, 2026	Residential Rent Stabilization Ordinance (1st Reading)
January 20, 2026	Rent Registry Software Vendor Contract for Council Approval
February 2, 2026	Residential Rent Stabilization Ordinance (2nd Reading)
February - March 2026	Fee Study for City Council review/adoption including Rent Registry and Rent Stabilization Ordinance fees, program budget appropriation, and General Fund loan



For More Information



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