



CITY OF SAN LEANDRO

Report for:

Fee Analysis for the Rental Registry and Rent Stabilization Programs

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Prepared by:



Corporate Headquarters
32605 Temecula Parkway, Suite 316
Temecula, CA 92592
Toll free: 800.676.7516

TABLE OF CONTENTS

1. Executive Summary	3
1.1 Findings	3
1.2 Report Format	3
2. Introduction and Fundamentals	5
2.1 Scope of Analysis	5
2.2 Methods of Analysis	5
3. Fee Analysis.....	8
3.1 Cost-of-Service Analysis	8
3.2 Fee Establishment	9
4. Conclusion.....	10

Appendix: Rental Program Fee Analysis Detail

1. EXECUTIVE SUMMARY

NBS performed a Fee Analysis for the Rental Registry and Rent Stabilization Programs for the City of San Leandro. This report presents the findings and recommendations of the fee analysis and provides the City with the information needed to establish regulatory fees for Rent Program services. Throughout the process, the Fee Analysis afforded much effort to ensure that not only are the fees and charges reasonable and equitable, but that they also meet industry standards and uphold the statutory requirements of the State of California.

The City's main reasons for conducting this Fee Analysis are as follows:

- (1) To establish Rent Program fees pertaining to the Rental Registry and Rent Stabilization ordinances.
- (2) To ensure fees recover up to, and not more than, the reasonable cost of Rent Program services.
- (3) To allow the City Council to set fee amounts in alignment with local cost recovery policies.

1.1 Findings

As shown in Table 1, two new fees are proposed to recover the costs of the new Rent Program established by City Council. The "Base Rent Program Fee" recovers the costs of the Rental Registry requirements imposed on all rentable units in the City. The "Additional Rent Stabilization Program Fee" recovers the City's costs of regulating rentable units subject to the Rent Stabilization Ordinance.

Table 1. Full Cost Recovery Fee Amounts

Fee Name	Fee Unit / Type	Cost of Service Per Activity	Estimated Volume of Activity	Annual Estimated Revenues at Full Cost Recovery Fee
Base Rent Program Fee - Rental Registration of All Units	per unit; per year	\$ 149	9,500	\$ 1,415,092
Additional Rent Stabilization Program Fee - Regulated Units	per unit; per year	\$ 109	6,500	\$ 708,198
TOTAL				\$ 2,123,290

This report provides the maximum potential fee amounts at 100% full cost recovery for the City to consider. Once the City Council has reviewed and evaluated the results of the Fee Analysis, fees can be adopted at appropriate cost recovery levels according to local policy goals and considerations.

1.2 Report Format

This report documents the analytical methods and data sources used in the Fee Analysis, presents findings regarding potential levels of cost recovery achieved from regulatory fees, and discusses recommended fee amounts. The report is organized into the following sections:

- Section 2 – Outlines the general framework, approach, and methodology of the Fee Analysis

- Section 3 – Discusses the results of the cost-of-service analysis performed for the Rent Program and resulting maximum implementable fees for services
- Section 4 – Presents the conclusions of the Fee Analysis provided in the preceding sections
- Appendix – Provides the detailed calculations for the Rent Program Fee Analysis

2. INTRODUCTION AND FUNDAMENTALS

California cities, counties, and special districts may impose user and regulatory fees for services and activities they provide through provisions set forth in the State Constitution, Article XIII C § 1(e). Under this legal framework, a fee may not exceed the reasonable cost of providing the service or performing the activity. For a fee to qualify as such, it must relate to a service or activity performed at the request of an individual or entity upon which the fee is imposed, or their actions specifically cause the local government agency to perform additional activities. In this instance, the service or underlying action causing the local agency to perform the service is either discretionary and/or is subject to regulation. As a discretionary service or regulatory activity, the fees considered in this Fee Analysis fall outside of the definition and statutory requirement to impose general taxes, special taxes, and fees as a result of property ownership.

2.1 Scope of Analysis

The following is a summary of the fees analyzed for the City:

- Base Rent Program Fee
- Additional Rent Stabilization Program Fee

The fees examined in this report specifically exclude development impact fees, utility rates, and any special tax assessments which fall under a different set of statutory and procedural requirements from the body of regulatory fees analyzed in this Fee Analysis. The Analysis also excludes fines and penalties imposed by the City for violations of its requirements or codes.

2.2 Methods of Analysis

Three phases of analysis were completed for the City division:



2.2.1 COST-OF-SERVICE ANALYSIS

This cost-of-service analysis is a quantitative effort that compiles the full cost of providing governmental services and activities. There are two primary types of costs considered: direct and indirect costs. Direct costs are those that specifically relate to an activity or service, including the real-time provision of the service. Indirect costs are those that support the provision of services in general but cannot be directly or easily assigned to a singular activity or service.

Direct Costs:

- **Direct personnel costs** – Salary, wages and benefits expenses for personnel specifically involved in the provision of services and activities to the public.

- **Direct non-personnel costs** – Discrete expenses attributable to a specific service or activity performed, such as contractor costs, third-party charges, and materials used in the service or activity.

Indirect Costs:

- **Indirect personnel costs** – Personnel expenses supporting the provision of services and activities. This can include line supervision and departmental management, administrative support within a department, and staff involved in technical support activities related to the direct services provided to the public.
- **Indirect non-personnel costs** – Expenses other than labor involved in the provision of services. In most cases, these costs are allocated across all services provided by a department, rather than directly assigned to individual fee/rate categories.
- **Overhead costs** – These are expenses, both labor and non-labor, related to City-wide support services. Support services include general administrative services such as City Manager, Finance, Human Resources, etc. The amount of costs attributable to the departments or divisions included in this Fee Analysis were sourced from the City's Cost Allocation Plan.¹

All cost components in this Fee Analysis use annual (or annualized) figures, representing a twelve-month cycle of expenses incurred by the Rent Program in the provision of all services and activities City-wide.

All fees included in this Analysis for the Rent Program require regulatory actions on the part of City staff to implement the Rent Registry and Rent Stabilization ordinances. Since labor is the primary underlying factor in these activities, the analysis relies on estimates of City staff's time for the services and activities that will be listed in the City's fee schedule. NBS relied on interviews and questionnaires to develop the necessary data sets of estimated annual labor time for each fee type. Development of these time estimates was not a one-step process but required careful review by both NBS and Rent Program managers to assess the reasonableness of such estimates. Based on the results of this review, the City reconsidered its time estimates until all parties were comfortable that the fee models reasonably reflected the average service level provided by the City.

2.2.2 FEE ESTABLISHMENT

The analytical process also provided the City with the opportunity to propose a list of fees in the creation of a fee schedule. The selected fee categories align with similar practices in other jurisdictions that have regulatory programs for rental housing. The focus of selecting fee categories for the Rent Program is to align the fee amount to match the costs of service provided. Fee categories and fee names are structured to increase the likelihood of full cost recovery as well as to enhance the fairness of how the fee is applied to various types of fee payers.

2.2.3 COST RECOVERY EVALUATION

The Fee Analysis compares the existing fee for each service or activity to the average total cost-of-service quantified through this analysis. Because the Rent Program fees proposed in this report are new fees to the City of San Leandro, no comparison of existing fees to the total cost recovery potential of each fee is possible. All fee calculations in this report are shown at the full cost recovery rate of 100%, and the cost

¹ Source: *SanLeandro_Narrative Full Cost Allocation Plan_Final_07.07.23.pdf*

recovery rate achieved by a fee should not be greater than 100%. The amount of the fee that the City Council ultimately adopts, whether at or below the 100% full cost recovery rate, will reflect policy decisions influenced by a variety of factors, such as existing City policies and agency-wide or departmental revenue objectives, economic goals, community values, market conditions, level of demand, and others.

A general method of selecting an appropriate cost recovery target is to consider the public and private benefits of the service or activity in question, such as:

- To what degree does the public at large benefit from the service?
- To what degree does the individual or entity requesting, requiring, or causing the service benefit?

When a service or activity benefits the public at large, there is generally little to no recommended fee amount (i.e., 0% cost recovery), reinforcing the fact that a service which truly benefits the public is best funded by general resources of the City, such as revenues from the General Fund (e.g., taxes). Conversely, when a service or activity wholly benefits an individual or entity, the cost recovery is generally closer to or equal to 100% of cost recovery from fees collected from the individual or entity.

The Fee Analysis outcomes in this report show the cost-of-service calculation based on 100% full cost recovery. It is up to the City Council to adjust the amount of cost recovery in accordance with its broader goals as they pertain to code compliance, cost recovery, economic development, and social values.

2.2.4 DATA SOURCES

The following data sources were used to support the cost-of-service analysis and fee establishment phases of this Fee Analysis:

- The City's proposed budget for the Rent Program for Fiscal Year 2026-27
- A list of the proposed staffing for the Rent Program, including salaries and benefit costs associated with each position
- Annual number of regulated units subject to the Rent Registry and Rent Stabilization ordinances

The proposed budget for the Rent Program serves as the most important source of information that affects the cost-of-service results. NBS did not audit or validate the City's financial documents and budget practices, nor was the cost information adjusted by NBS to reflect different levels of service or any specific, targeted performance benchmarks. The Fee Analysis accepts the City's proposed budget as a legislatively adopted directive describing the most appropriate and reasonable level of City spending.

3. FEE ANALYSIS

The San Leandro City Council has provided direction to proceed with a Rent Program comprised of two regulatory requirements:

Rental Registration is a mandatory annual reporting obligation for all landlords who own rental units within the City of San Leandro. Under Chapter 4-45 of the San Leandro Municipal Code, each landlord must file an annual rental registration statement for every rental unit they own, using a form prescribed by the City's Program Administrator. The registration statement must provide core property, ownership, management, and rent-related information, including the site address and Assessor Parcel Number, property characteristics, number and type of rental units, ownership and management contact details, current and prior rent levels, and tenant-paid charges, along with any additional information required by the Program Administrator.

Rent Stabilization establishes limits on annual rent increases for eligible residential rental units to promote housing stability and prevent displacement. The ordinance adds Chapter 4-46, Residential Rent Stabilization, to the San Leandro Municipal Code and applies to rental housing not exempt under California State law, consistent with the Costa-Hawkins Rental Housing Act and the California Tenant Protection Act of 2019, which exclude certain housing types such as single-family homes, condominiums, and newly constructed units. The regulation is intended to moderate rent escalation in response to rising housing costs, align rent growth with local income trends, and protect public health, safety, and welfare while allowing landlords a fair and reasonable return. The program establishes a local framework for allowable rent increases.

Implementation, monitoring, and enforcement of these programs will require creation of a new operating unit within the City's organizational and budgetary structure. The Rent Program will be managed by a new Rent Program Division in the Community Development Department. The City seeks recovery of costs required for Rent Program services through implementation of an annual program cost recovery fee.

3.1 Cost-of-Service Analysis

Table 2 summarizes the outcomes of the Cost-of-Service Analysis completed for the Rent Program.

Table 2. Cost-of-Service Analysis Results

Expenditure Type	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units	Total
Labor	\$ 360,709	\$ 240,472	\$ 601,181
Recurring Non-Labor	507,586	180,412	687,998
Department/Citywide Overhead	82,203	54,802	137,006
Program Admin	464,594	232,511	697,105
Rent Program Total	\$ 1,415,092	\$ 708,198	\$ 2,123,290

As shown, the total estimated annual cost of the Rent Program eligible for recovery in fees for services is approximately \$2.1 million for Fiscal Year 2027. Costs in Table 2 are shown as applicable to either the

Rental Registration or Rent Stabilization program. Total annual costs of each service is further translated into individual fees for services in Section 3.2, below.

Section 2.2, *Methods of Analysis*, further describes the types of expenditures and allocated costs considered in the Cost-of-Service Analysis. The Appendix to this report provides the full analytical detail behind the Cost-of-Service Analysis and resulting fee calculations, which can be summarized into the following steps:

1. **Staffing Allocation:** The annual proposed costs of each Rent Program staff member are allocated according to their estimated amount of direct “hands-on” time to be spent in the Rental Registration and Rent Stabilization programs, as well as their Program Administration responsibilities such as training, administrative meetings, management and supervisory duties, and clerical roles, that are not directly attributable to either Rental Registration or Rent Stabilization activities, but rather support the Rent Program as a whole.
2. **Annual Cost-of-Service Analysis:** Fiscal Year 2027 proposed budgeted costs for the Rent Program are either allocated to all service categories pro-rata by labor effort, or directly identified to Program Administration, Rental Registration, or Rent Stabilization activities. Costs are categorized as Labor, Non-Labor, Citywide Overhead, or Program Administration related. The analysis results in the Fully Burdened Cost-of-Service as shown in Table 2.
3. **100% Cost Recovery Fee Calculation Outcome:** The annual Cost of Service Analysis from Step 2 are translated into a fee per regulated housing unit. The “Base Rent Program Fee” recovers the costs of the Rental Registry requirements imposed on all rentable units in the City, whether they are subject to the stipulations of the Rent Stabilization Ordinance. The “Additional Rent Stabilization Program Fee” recovers the City’s costs of regulating rentable units subject to the Rent Stabilization Ordinance.

3.2 Fee Establishment

In the Appendix and Table 3 below, the “Cost of Service Per Activity” column establishes the maximum adoptable fee amount for the corresponding service identified in the “Fee Name” list. The Cost of Service per Activity is established by dividing the annual cost of service outcomes in Table 2 by the number of housing units subject to each rent program regulation. Rental Registration applies to all rentable units in the City, while Rent Stabilization applies only to rentable housing units subject to limits on rent increases.

Table 3. Maximum Fee per Unit

Fee Name	Fee Unit / Type	Cost of Service Per Activity	Estimated Volume of Activity	Annual Estimated Revenues at Full Cost Recovery Fee
Base Rent Program Fee - Rental Registration of All Units	per unit; per year	\$ 149	9,500	\$ 1,415,092
Additional Rent Stabilization Program Fee - Regulated Units	per unit; per year	\$ 109	6,500	\$ 708,198
TOTAL				\$ 2,123,290

4. CONCLUSION

Based on the outcomes of this Fee Analysis for the City's Rent Program, a proposed fee schedule will be prepared for implementation and included in the City's Staff Report to City Council for consideration and adoption. This report provides the full cost-of-service evaluation and the framework for considering fees, while the City's Staff Report may initially recommend cost recovery levels at or below the full cost amounts.

As discussed throughout this report, the intent of the proposed fee schedule is to recover the City's costs incurred to provide Rent Program services. However, predicting the amount to which any adopted fee will affect City revenues is difficult to quantify with absolute accuracy. For the near-term, the City should not count on increased revenues to meet any specific expenditure plan. However, unless there is some significant, long-term change in activity levels at the City in terms of the number of rentable units subject to regulation, the proposed fee program should enhance the City's cost recovery performance over time, providing it the ability to stretch other resources further for the benefit of the public at-large.

The City should consider adjusting these regulatory fees at a minimum on an annual basis to keep pace with cost inflation. For example, the City could use a Consumer Price Index adjustment that is applied annually to the new fee schedule. Additionally, because this is a new regulatory fee program established because of two recent ordinances, it is recommended to revisit the fee calculations between one and two years after program operations are running and stabilized. Conducting a comprehensive Fee Analysis is not an annual requirement but is useful periodically over time as shifts in organization, local practices, legislative values, or legal requirements result in significant change.

Disclaimer: In preparing this report and the opinions and recommendations included herein, NBS has relied on a number of principal assumptions and considerations with regard to financial matters, conditions and events that may occur in the future. This information and assumptions, including the City's budgets, time estimate data, and workload information from City staff, were provided by sources we believe to be reliable; however, NBS has not independently verified such information and assumptions. While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

APPENDIX

City of San Leandro

Community Development - Housing Services Division - Rent Program Fee Analysis Detail

City of San Leandro
Community Development- Housing Services Division - Rental Program Fee Study FY 2026
Staffing Allocation Detail

Rent Program										
Individual Staff Positions [1]	FY 2027 Salary and Benefits		Annual Time Allocation				Annual Labor Cost Allocation			
Title	Total ¹	FTE	Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units	Total	Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units	Total
PROGRAM MANAGER	\$ 297,886	1.00	100%	0%	0%	100%	\$ 297,886	\$ -	\$ -	\$ 297,886
MANAGEMENT ANALYST II	222,344	1.00	30%	42%	28%	100%	66,703	93,384	62,256	222,344
PROGRAM SPECIALIST II	443,982	2.00	10%	54%	36%	100%	44,398	239,750	159,834	443,982
ADMINISTRATIVE ASSISTANT II	91,912	0.50	50%	30%	20%	100%	45,956	27,574	18,382	91,912
Subtotal Rent Program	\$ 1,056,124	4.50					\$ 454,943	\$ 360,708	\$ 240,472	\$ 1,056,124
Adjustments [2]										
Department Total	\$ 1,056,124	4.50					\$ 454,943	\$ 360,708	\$ 240,472	\$ 1,056,124
							43.08%	34.15%	22.77%	100.00%
Labor Cost Distribution										

Notes

[1] Sourced from: "Draft Rent Program Budget for Finance Review 6 FTE.xlsx"

LABOR EXPENDITURES AND STATISTICS

Expenditure or Statistic	2027 Proposed Budget [1]	Adjustments	Net Divisional Expenditures to be Considered	Allocated or Direct Assignment of Cost to Functional Activity		
				Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units
<i>Labor Cost Allocation Distribution</i>			100%	43.08%	34.15%	22.77%
Housing Services - 41-004						
4100 REGULAR SALARIES	\$ 668,569	-	\$ 668,569	\$ 287,997	\$ 228,343	\$ 152,229
4100 BENEFITS	387,556	-	387,556	166,946	132,366	88,244
Subtotal	\$ 1,056,125	\$ -	\$ 1,056,125	\$ 454,944	\$ 360,709	\$ 240,472
TOTAL LABOR EXPENDITURES AND STATISTICS	\$ 1,056,125	\$ -	\$ 1,056,125	\$ 454,944	\$ 360,709	\$ 240,472
Functional "Productive" Labor Hours	7,750		7,750	2,965	2,871	1,914

City of San Leandro

Community Development- Housing Services Division - Rental Program Fee Study FY 2026

Annual Cost of Service Analysis and Fully Burdened Hourly Rate

RECURRING NON-LABOR EXPENDITURES

				Allocated or Direct Assignment of Cost to Functional Activity		
Operating Expenditures By Budget Unit	2027 Proposed Budget [1]	Adjustments	Net Divisional Expenditures to be Considered	Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units
Housing Services - 41-004						
5110 LEGAL (ADMINISTRATIVE SUPPORT)	\$ 35,000	-	\$ 35,000	\$ 15,077	\$ 11,954	\$ 7,969
5110 LEGAL (ENFORCEMENT EFFORTS)	112,500	-	112,500	-	-	112,500
5120 CONSULTING						
Community Outreach	43,978	-	43,978	-	43,978	-
Fee Study	10,000	-	10,000	10,000	-	-
Program Development	50,000	-	50,000	-	50,000	-
Mediation	50,000	-	50,000	-	50,000	-
5120 SOFTWARE	100,850	-	100,850	-	100,850	-
5121 TRANSLATION	15,000	-	15,000	-	15,000	-
5510 TRANSPORTATION/TRAINING	11,000	-	11,000	-	11,000	-
5540 SUBSCRIPTIONS	10,000	-	10,000	-	10,000	-
6310 POSTAGE & DELIVERY	35,000	-	35,000	-	35,000	-
6320 GENERAL OFFICE SUPPLIES	10,000	-	10,000	4,308	3,415	2,277
6330 FORMS/BUSINESS CARDS	10,000	-	10,000	4,308	3,415	2,277
7410 FURN & FIXT (\$5000 OR GREATER)	125,000	(107,143)	17,857	7,692	6,099	4,066
83xx INTERNAL SERVICE FUND						
Computer Services	135,774	-	135,774	58,487	46,372	30,915
Buildings, Repair & Maintenance	16,619	-	16,619	7,159	5,676	3,784
Insurance Services	73,013	-	73,013	31,452	24,937	16,625
LOAN INTEREST	89,889	-	89,889	-	89,889	-
TOTAL RECURRING NON-LABOR EXPENDITURE	\$ 933,623	\$ (107,143)	\$ 826,480	\$ 138,482	\$ 507,586	\$ 180,412

CITYWIDE OVERHEAD COSTS

				Cost Allocation to Each Function / Activity		
Allocated Indirect/Support Services	2027 Proposed Budget [1]	Adjustments	Net Divisional Expenditures to be Considered	Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units
Indirect Service Cost	\$ 240,685	\$ -	\$ 240,685	\$ 103,679	\$ 82,203	\$ 54,802
TOTAL CITYWIDE OVERHEAD COSTS	\$ 240,685	\$ -	\$ 240,685	\$ 103,679	\$ 82,203	\$ 54,802

SUMMARY OF LABOR, NON-LABOR, & OVERHEAD COSTS

		Cost Allocation to Each Function / Activity		
Cost Element	Established Cost	Program Admin	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units
Labor	\$ 1,056,125	\$ 454,944	\$ 360,709	\$ 240,472
Recurring Non-Labor	826,480	138,482	507,586	180,412
Department/Citywide Overhead	240,685	103,679	82,203	54,802
TOTAL LABOR, NON-LABOR, & OVERHEAD COST	\$ 2,123,290	\$ 697,105	\$ 950,498	\$ 475,687

ALLOCATION OF PROGRAM ADMINISTRATION COSTS

		Cost Allocation to Each Function / Activity	
Cost Element	Established Cost	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units
Program Admin	\$ 697,105	\$ 464,594	\$ 232,511
TOTAL LABOR, NON-LABOR, & OVERHEAD COST	\$ 697,105	\$ 464,594	\$ 232,511

FULLY-BURDENED COST OF SERVICE

Expenditure Type	Rental Registration - All Rental Units	Rent Stabilization - Regulated Units	Total
Labor	\$ 360,709	\$ 240,472	\$ 601,181
Recurring Non-Labor	507,586	180,412	687,998
Department/Citywide Overhead	82,203	54,802	137,006
Program Admin	464,594	232,511	697,105
Rent Program Total	\$ 1,415,092	\$ 708,198	\$ 2,123,290

Notes

[1] Sourced from "Draft Rent Program Budget for Finance Review 6 FTE - Updated.xlsx"

[2] Amortization of Building related fixed assets included in Indirect services cost

[3] Indirect Cost Rate of 36% applied to Salary cost; Sourced from Citywide Full Cost Allocation Plan prepared by NBS.

City of San Leandro

Community Development- Housing Services Division - Rental Program Fee Study FY 2026

100% Cost Recovery Fee Calculation Outcome

Fee Name	Fee Unit / Type	Cost of Service Per Activity	Estimated Volume of Activity	Annual Estimated Revenues at Full Cost Recovery Fee
Base Rent Program Fee - Rental Registration of All Units	per unit; per year	\$ 149	9,500	\$ 1,415,092
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