



Draft Residential Rent Stabilization Ordinance and Preliminary Cost Options

City Council Work Session
October 13, 2025
Community Development Department

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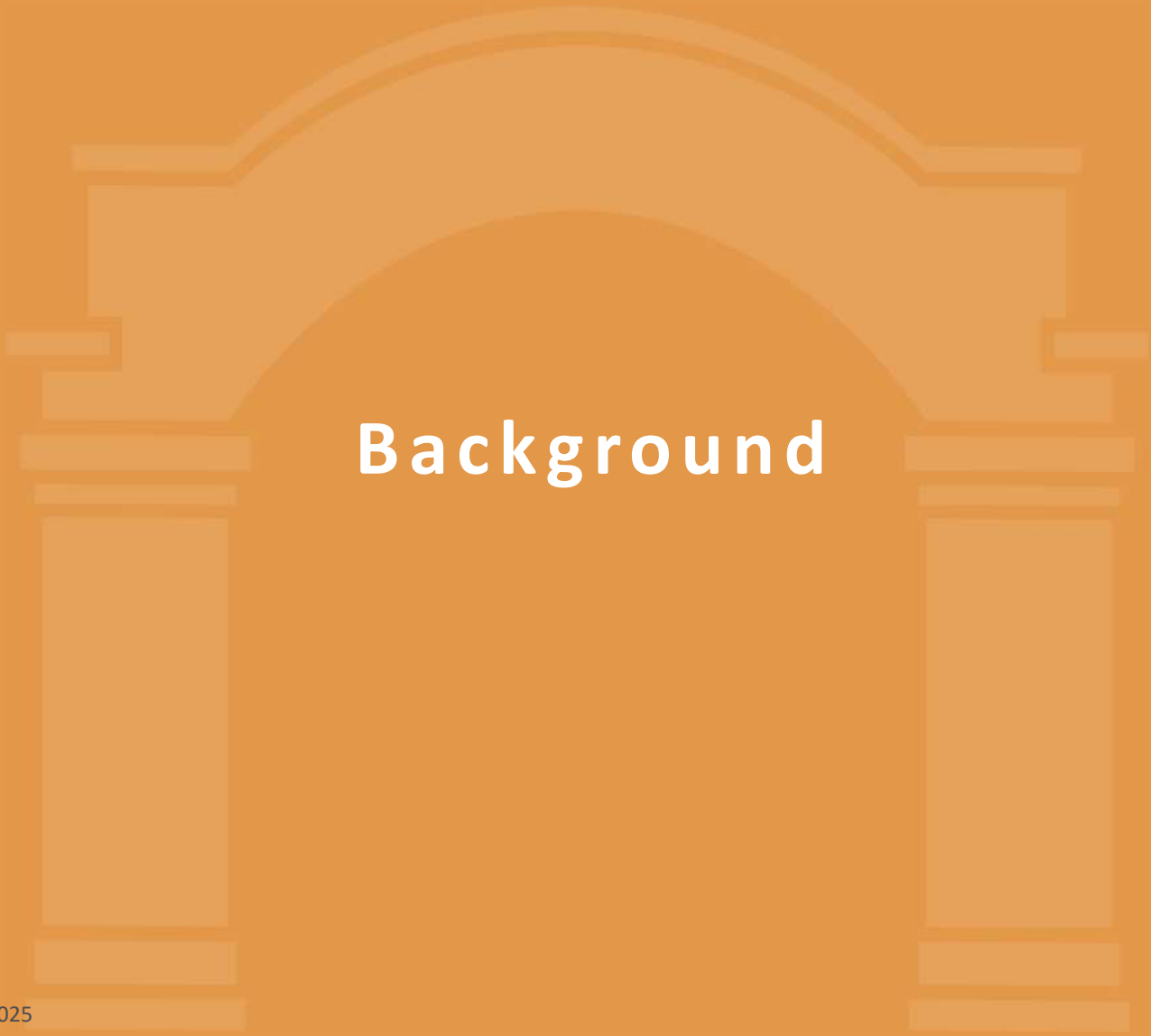
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Background



How Did We Get Here?



*City Council established housing protections as a Housing/Homelessness priority in early 2023



Estimated Rent Stabilization Units (7,693)

- 7,693 units:
 - Duplex
 - Triplex
 - Fourplex
 - 5+ units
- Mobile home spaces excluded
 - Regulated under existing City Mobile Home Space Rent Stabilization Ordinance (MHRSO)

Unit Type	Eligible for Rent Stabilization	Total Units
Single-Unit		19,108
Duplex	1,288	1,298
Triplex	393	417
Fourplex	532	532
5-8 Units	815	815
9-19 Units	792	808
20+ Units	3,873	3,873
Multi-Family Restricted		2,094
Mobile Home Spaces		855
Condos/Townhomes		3,040
Total	7,693	32,840

Source: City parcel data



Public Outreach Summary



Public Outreach Process

- Outreach for August and September stakeholder/community meetings:
 - Notices printed in English, Spanish and Chinese
 - Multiple email blasts to the City's extensive email distribution list of housing providers, tenants, associations/interested organizations, general public
 - posting on City Housing websites
 - posting on social media
 - press release/[San Leandro Times](#) article
 - posting in City facilities (libraries, Senior Community Center, Marina Community Center, City Hall)
 - posting in Spanish and Asian focused locations (including grocery stores, retail, community service centers)
 - distribution to City funded public services providers



Public Outreach Process

- Community-wide meetings
 - August 28 (online): 15 attendees
 - September 9 (in person at Senior Community Center): 49 attendees
- Stakeholder meetings
 - August 26 (online) – Housing providers meeting: 13 attendees
 - September 4 (in person at Senior Community Center): Tenants meeting, 15 attendees
- All community/stakeholder meetings had Spanish and Cantonese interpreters
- 19 written comments received during 60 day public comment period (July 17 – September 17)



Summary of Stakeholder/Community Meeting Public Comments (Housing Providers)

Issue	Summary of Concern
Rapid Implementation	Ordinance is being implemented too quickly
Existing Protections in Place	Numerous state and City tenant protection laws already exist
Unnecessary New City Fees	Paying for a duplicative, burdensome, confusing, City program
Property Owner Liabilities	Rising costs including insurance, taxes, potential litigation risks
Ordinance Confusion	Confusion between Rent Review Ordinance and proposed draft Rent Stabilization Ordinance
COVID Eviction Moratorium Legacy	Impact of prior COVID tenant protections include some rental units still far below market value



Summary of Stakeholder/Community Meeting Public Comments (Tenants)

Issue	Summary of Concern
Proposed Rent Cap is High	Proposed 5% rent cap is too high
Rent Cap Adjustments	Lower the rent cap and/or add percent Consumer Price Index (CPI)
Risk of Displacement	Potential for increased homelessness due to unaffordable rent increases
Vulnerable Populations Impacted	Low-income tenants, seniors, and persons with disabilities may struggle with rent increases and pass-through costs
Capital Improvement Pass Throughs	Should be reviewed through a fair return petition to ensure compliance with ordinance intent
Exemptions for Vulnerable Populations	Determine exemptions for seniors, persons with disabilities and/or special needs



Draft Residential Rent Stabilization Ordinance Overview

(new or revised text in red)



Purpose (New)

- The purpose of this Chapter is to regulate the allowable amount of annual Rent increases for Rental Units in the City in order to prevent the displacement of individuals who are no longer able to afford their Rent due to excessive Rent increases, while ensuring that landlords receive a constitutionally required fair return.



Key Definitions

- **Rent:** Amount of fixed periodic **consideration** paid by a tenant to a landlord, as defined by the lease agreement. Rent shall only include additional services defined in the lease agreement (pet deposits, storage, additional parking, utilities, etc.). **Such consideration shall include, but not be limited to, money and fair value of goods or services rendered to or for the benefit of the landlord under the Rental Agreement, or in exchange for a Rental Unit or Housing Services of any kind.(REVISED)**
- **Base Rent:** Rent in effect for a unit on date determined, or the rent in effect following a change pursuant to Ordinance. Base Rent serves as the reference point for any upward or downward adjustments to the maximum allowable rent.
- **Base Year (NEW) - Calendar year 2025**
- **Capital Improvement:** An improvement or repair to a unit or property that adds value, excluding maintenance and repairs.
- **Hearing Officer:** A qualified neutral individual appointed by the City Manager to conduct an administrative hearing pursuant to the Ordinance. The Hearing Officer shall not be a tenant or landlord of any property located within the City of San Leandro.
- **Program Administrator:** An individual appointed by the City Manager to carry out the duties and responsibilities of the Program.



Exemptions Under Costa Hawkins Act (1995)

- State Law prohibits local rent control from being applied to the following types of units
 - Single Family Homes
 - Other units that can be sold separately from any other unit (like a condo or townhome)
 - All units, regardless of type, issued a certificate of occupancy after February 1, 1995
- These exemptions are each explicitly included in the draft ordinance, meaning that they will remain exemptions even if Costa Hawkins is repealed



Additional Exemptions

- Mobile homes / lots regulated under existing Mobilehome Space Rent Stabilization Ordinance
- Accessory Dwelling Units
- Golden Duplexes (owner occupied)
- Short-term rentals (Airbnb, VRBO, etc.)
- Deed restricted affordable rental housing (Marea Alta, La Vereda, etc.)
- Emergency/transitional housing (Lewelling Interim Housing, etc.)
- Shared housing (room in a house with shared kitchen/bath)



Limit on Rent Increases

- Annual rent increase capped at 5%
- Only one increase allowed per year (12 months)
- Capital improvement pass through capped at 5% of tenant's current rent
- No “banking” unused increases
- Vacancy decontrol: landlords can set new rent when a unit becomes vacant
 - Vacancy decontrol is required under State law (Costa Hawkins Act)
- Rent increases allowed only if unit is registered and fees are paid



Limitations on Revising What Is In Rent

- Landlords cannot unbundle or increase fees (e.g., utilities, parking) mid-tenancy during an existing lease
- Increases or unbundling in renewed lease shall be included in rent cap calculations
- Charges for new housing services (e.g., parking or storage space) requested by tenants and separately metered utilities are excluded from rent cap calculations



3 Types of Petitions to Increase or Decrease the Rent Cap

1. Capital Improvements Pass Through

2. Fair Return

3. Decrease in Housing Services



Capital Improvements Pass Through Petition (1/2)

Limitations

- Landlords can request to pass costs to tenants for major upgrades and must be filed within six (6) months of completion of the work
- Minimum cost thresholds apply (\$10,000)
- All Pass Throughs authorized will terminate for any Rental Unit that becomes vacant
- Pass through based on building size:
 - **4 or fewer units:** 100% of cost passed through.
 - **5–15 units:** 75% of cost passed through.
 - **16–24 units:** 50% of cost passed through.
 - **25+ units:** Fair return process



Capital Improvements Pass Through Petition (2/2)

Calculating Pass Through

- Costs must be amortized over the improvement's **useful life (based on IRS regulations) (REVISED)**
- Reimbursements (e.g., insurance) must be deducted before cost allocation
- If submitted before work is completed:
 - Final approved amount cannot be increased later.
 - Landlord must show actual costs match or exceed estimates.
- Costs due to delays or failure to maintain property are excluded
- For mixed-use or partially exempt properties:
 - Only residential portion shall be used in calculations



What is a Fair and Reasonable Return?

What is a fair and reasonable return?

Property owners are entitled to a rent increase if necessary to achieve a “fair return”. Presumed that an owner is receiving a fair return if their net operating income, adjusted for inflation, is same amount (or greater) than what they received in the year before rent stabilization was enacted.



Fair Return Petition

- Landlords can request rent increases if not earning a fair return
- Based on net operating income (NOI) compared to a base year
- Must provide financial documentation



Decrease in Housing Services Petition

- Tenants can request rent reductions if services decline
 - Examples: deteriorated laundry facilities and common areas
- Rent may be lowered to reflect the value of lost services



Rent Adjustment Petition Process (1/4)

- Landlord or Tenant may file a petition with the Program Administrator to request a rent adjustment (increase or decrease)
- Petition must be submitted on an official City form and include all required documentation
- Fee must be paid with the petition, as set by City Council
- Advance Notice Requirements:
 - Landlord must 1) notify tenants in writing at least 30 days before filing and 2) hold a meeting at an ADA accessible location to explain the petition
 - Tenant must notify landlord in writing at least 30 days before filing to allow time to correct the claimed decrease in Housing Services
- Initial Review:
 - Program Administrator reviews petition for completeness and notifies petitioner of acceptance or denial



Rent Adjustment Petition Process (2/4)

- **Notification to Parties:**
 - Upon acceptance, written notice is sent to affected parties
 - Notice includes petition details, right to respond, and access to supporting documents
 - Responses from parties are shared with the petitioner
- **Hearing Scheduling:**
 - Hearing scheduled within 90 days of petition acceptance (may be extended by agreement)
 - For Capital Improvement Pass Through:
 - If majority of tenants consent in writing, no hearing is required
 - For 10 units or less subject to pass through, no hearing required if at least two-thirds of the tenants consent in writing
- **Mediation Option:**
 - Program Administrator may attempt mediation and may require parties to attend at least one mediation session



Rent Adjustment Petition Process (3/4)

- **Hearing Details:**
 - Notice of hearing sent at least 15 days in advance
 - Hearing Officer may administer oaths, accept all relevant evidence, and issue subpoenas
 - Hearings may be continued as needed
- **Participation & Evidence:**
 - Parties may present documents, testimony, and other evidence
 - Hearing may proceed even if a party fails to appear or provide documents
 - Hearing Officer may consider failure to provide documents in their decision



Rent Adjustment Petition Process (4/4)

- **Decision & Outcome:**
 - Petitioner has the burden of proof
 - Hearing Officer decides based on preponderance of evidence standard
 - Hearing is recorded
 - Parties may seek assistance from attorneys or tenant representatives, but not required
 - Decision issued within 30 days of hearing close, with written explanation
 - Rent adjustment takes effect immediately unless stated otherwise
- **Appeal Process:**
 - Decision is final unless judicial review is filed within 60 days
 - Judicial filing must be served to Program Administrator



Other Notable Draft Ordinance Sections (1/3)

- **Notices**
 - Landlords must:
 - Inform tenants that the unit is covered by the ordinance
 - Provide informational brochures to new tenants
 - Include ordinance details with rent increase notices to existing tenants
- **Buyout Agreements**
 - Tenants must receive disclosures before signing
 - Tenants have 30 days to cancel
 - Agreements must be filed with the City



Other Notable Draft Ordinance Sections (2/3)

- **Penalties & Remedies**
 - Any person violating any provision of this Chapter may be subject to enforcement pursuant to Chapter 1-12 [Citations-Violations] of this [Municipal] Code **[REVISED]**
 - Violations may result civil penalties up to the greater of \$2,500 per violation per day or \$10,000 per violation
 - Greater civil penalties for violations against seniors, persons with disabilities, or households with children
- **Compliance with State Law**
 - Ordinance does not override state or federal laws



Other Notable Draft Ordinance Sections (3/3)

- **Program Fee**
 - Landlords pay an annual fee to fund the program
 - If payment is thirty (30) days late, a late fee will be charged
 - Up to 50% may be passed to tenants in two installments
 - Late payments incur penalties
- **Annual Review**
 - City staff will report annually on program effectiveness



Ordinance Does Not Include Means-Testing Due to Legal Risk

- Means-testing would apply Ordinance only to low-income or senior tenants
- Staff is not aware of any jurisdiction that has a means-tested rent stabilization ordinance
- Means testing creates significant legal risk because rather than regulate rent increases on a market-wide basis, it regulates certain landlords based solely on the characteristics of their individual tenants, which is outside of the landlord's control.
- Human Services Department is rolling out a rental assistance program through State grant funding to the City for extremely tenants at or below 30% area median income



Preliminary Cost Options (to Implement the Ordinance)



Comparison Cities in Bay Area

City	Population	Number of Rent Stabilized Units	Elements of Rent Stabilization Programs	Program Budget FY 25	Number of Program FTE	Ratio of Units per FTE
Alameda	78,280	13,114	Rent Stabilization Rent Registry Just Cause Anti-Retaliation	\$1,985,543	6	2,185
Oakland	438,072	63,981	Rent Stabilization Rent Registry Just Cause	\$9,763,795	40.9	1,564
Berkeley	124,321	29,025	Rent Stabilization Rent Registry Just Cause Anti-Retaliation	\$8,048,595	26	1,116
Mountain View	82,376	22,373	Rent Stabilization Rent Registry Just Cause Anti-Retaliation	\$2,322,636	7	3,196
Concord	37,000	9,200	Rent Stabilization Rent Registry Just Cause Anti-Retaliation	\$1,172,693	4.90	1,877
San Leandro Option 1 (Benchmark)	85,784	7,693	Rent Stabilization Rent Registry	\$1,390,000 (estimated)	4** (see Notes)	1,923
San Leandro Option 2 (Enhanced)	85,784	7,693	Rent Stabilization Rent Registry	\$1,606,000 (estimated)	5** (see Notes)	1.539

Notes:
 *Number of Program FTE" for City Options 1 & 2 include approved 2 FTE (Management Analyst II and Specialist II for existing City Rent Registry Program)

Sources: Bakertilly; US Census



Rent Stabilization Program Cost Option 1 (Benchmark Services)

Total FTE Staff (RR + Proposed RS)	Existing FTE Staff (RR)	Proposed FTE Staff (RS)
4	2	2

Total Budget* (RR + Proposed RS)	Approved FY27 Budget (RR)	Proposed FY27 Budget (RS)
\$1,390,000 (estimate)	\$650,000	\$740,000 (estimate)

Level of Service Assessment	Service Types
Satisfactory	- Effective service delivery & response to inquiries - Proactive enforcement efforts - Manageable staff workload

RR = Rent Registry Program; RS = Proposed Rent Stabilization Program

**Rent Stabilization costs exclude one-time capital outlay for rental registry software estimated at \$350K*

Source: Bakertilly



Rent Stabilization Program Cost Option 2 (Enhanced Services)

Total FTE Staff (RR + Proposed RS)	Existing FTE Staff (RR)	Proposed FTE Staff (RS)
5	2	3

Total Budget* (RR + Proposed RS)	Approved FY27 Budget (RR)	Proposed FY27 Budget (RS)
\$1,606,000 (estimate)	\$650,000	\$956,000 (estimate)

Level of Service Assessment	Service Types
Excellent	• 125% higher staffing and operating budget than Option 1 • Well resourced program • Very manageable staff workload to allow for <u>more</u> 1) effective/efficient service delivery and response to inquiries and 2) proactive enforcement efforts

RR = Rent Registry Program; RS = Proposed Rent Stabilization Program

*Rent Stabilization costs exclude one-time capital outlay for rental registry software estimated at \$350K.

Source: Bakertilly



Typical Rent Stabilization Program Costs Covered By Fees

- Personnel (staff salaries/benefits) directly administering program
- Consulting/Professional Services (e.g., administration, reporting)
- Legal (hearing officers, enforcement including City Attorney involvement)
- Outreach/translation/education
- Indirect costs (insurance, information technology)



Implementation Challenges

- Achieving substantial compliance is projected to take 3–5 years
 - Cost recovery will not occur until substantial (85%) or full compliance is achieved and full staffing is in place
- Effective public outreach takes time to implement
- Increased administrative burden on existing Housing staff while staffing up
- Unanticipated issues integrating with existing City software (such as rent registry, HDL business licensing)
- City's current and immediate future fiscal situation



City Council Direction



Policy Question #1 – Rent Cap Threshold

1) Should the rent cap threshold a) remain at 5% and b) add a Consumer Price Index (CPI) threshold?

Pros for 5% Rent Cap

- Straightforward and predictable for all
- Simpler to administer
- Lowering rent cap below 5% may further cost burden housing providers

Pros for CPI Threshold

- Rent cap should be tied to CPI (or percent of CPI) to better reflect cost of living increases/decreases for tenants

Cons for 5% Rent Cap

- 5% rent cap is too high for cost burdened tenants

Cons for CPI Threshold

- CPI is based on a specific bundle of goods and services that don't necessarily reflect the costs of actually owning residential rental property
- Tying to CPI or percent of CPI may further cost burden housing providers facing higher annual maintenance and operating costs



Policy Question #2 – Exempting Smaller Rental Properties

2) Should small ("mom and pop") rental unit property types be excluded from the proposed Ordinance?

Pros

- Small or "mom & pop" housing providers typically face greater cost/administrative burdens (e.g., smaller profit margin, self-managed)
- Many small providers made public comments opposing rent stabilization due to cost/administrative burdens

Note: "Mom & pop" housing providers have been defined as owning 8 or fewer units per City of Oakland

Cons

- Tenants in small rental properties would only be rent protected under current State rent cap law (AB 1452) and not proposed City Ordinance
- Small housing providers may not truly be individual "mom and pop" owners as they may own other rental properties in San Leandro and/or other jurisdictions
- All rental property owners and tenants should be treated equally regardless of size. Most City regulations apply equally, regardless of business size.



Policy Question #3 – Capital Improvement Pass Through

3) Should the proposed capital improvement pass through allocation by rental property size in the draft Ordinance remain or be changed:

- 4 or fewer units: 100% of cost passed through
- 5–15 units: 75% of cost passed through
- 16–24 units: 50% of cost passed through
- 25+ units: Fair return process

Pros

- Adjusts for small housing provider who may face greater cost/administrative burdens than larger provider

Cons

- If pass through percent is high, it may burden tenants; if too low, housing providers may be unable/unwilling to undertake capital improvements
- All housing providers and tenants should be treated equally regardless of property size. Most City regulations apply equally, regardless of business size.
- Simpler, fairer to administer one standard for all eligible rental property types under 25 units



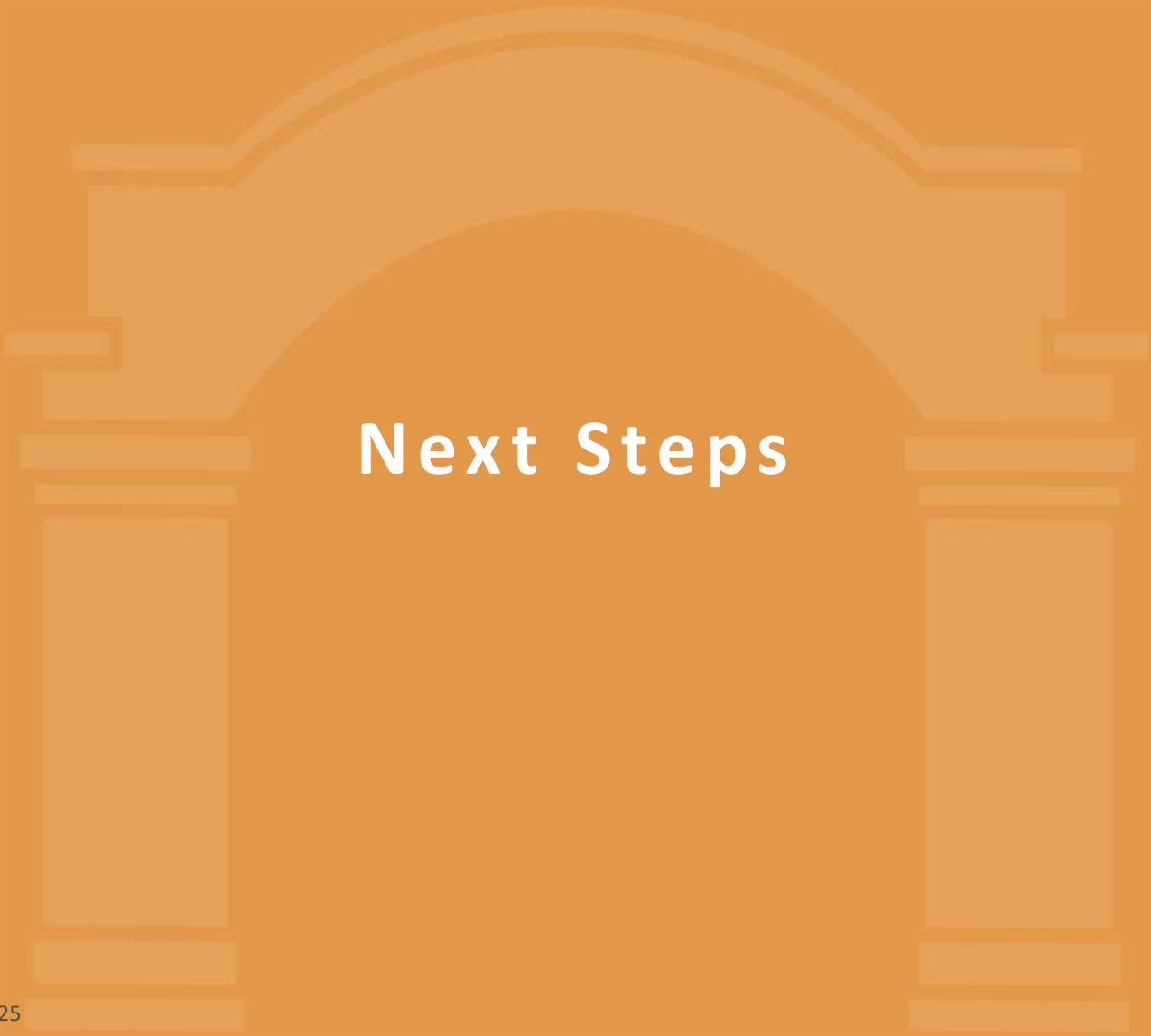
Impacts of Rent Stabilization in San Leandro

Intended Impacts

- Protects tenants from excessive rent increases
- Reduces tenant displacement especially in high demand/gentrifying areas
- Reduces tenant turnover
- Causes housing market segmentation (unregulated/higher rent units and regulated/lower rent units)
- Retains local and regional workforce at all income levels
- Creates/enhances economic diversity
- Prevent unscrupulous buyers from "fixing and flipping" rental properties and forcibly displacing existing tenants

Unintended Impacts

- Disincentivizes reinvestment/improvements to affected rental housing inventory (e.g., defer or forego improvements)
- Leads to loss of rental units from the market
- Reduces tenant mobility due to limited availability of rental housing for new residents from reduced tenant turnover
- Discourages acquisition of rent stabilized properties due to lower returns, lack of reinvestment, inheriting rent stabilized tenants and more regulation
- Decreases property values on affected rental buildings (due to lower income returns) and may lower property tax revenues



Next Steps



Council Housing/Homelessness Priority Work Plan (approved by City Council on 7/14/2025)

Tenant Protections and Support - Rent Stabilization Ordinance	Due Date
Rules Committee - Draft Ordinance	7/17/2025
Public Review Period / Community-Stakeholder meetings	10/1/2025
Evaluation of program cost feasibility (staffing, budget)	10/27/2025
 City Council - Work Session (October 13)	10/27/2025
<i>Pending advancement and identified funding:</i>	
<i>City Council - Ordinance (1st and 2nd Reading)</i>	Spring 2026*

*revised from original work plan due date of January 31, 2026



For More Information



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