

City of San Pablo

Fiscal Analysis of a Rent Stabilization and Tenant Protections Ordinance

July 30, 2024

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INTRODUCTION

On December 14, 2023, Movement Legal - a 501(c)(3) non-profit organization advancing the rights and interest of tenants in California - submitted a Notice of Intent to Circulate the *San Pablo Rent Stabilization and Tenant Protections Initiative* (“Initiative”) to the City of San Pablo (“City”). The Initiative proposed adopting a Rent Stabilization and Tenant Protections Ordinance (“Ordinance”) to enact tenant protections on rental housing in the City.

Movement Legal did not collect enough certified signatures for the Initiative to be eligible for the November 2024 election (the minimum threshold is 10% of registered voters). If Movement Legal proposes a similar initiative in the future, the City anticipates it could be placed on the ballot in November 2026.

The City retained RSG, Inc. (“RSG”) in May 2024 to prepare an independent fiscal analysis of the Ordinance proposed by the Initiative. Although the Initiative will not be on the November 2024 ballot, this report will assist the City in understanding the fiscal and administrative needs to implement a rent stabilization program should one be enacted in the future. The analysis considers the level of services required by the Ordinance proposed by the Initiative as a model. It also considers the City’s housing market, demographics, and costs to administer rent stabilization ordinances in other cities in the region.

This report is structured to address impacts pursuant to California Elections Code Section 9212(a) so it may be referenced if a similar initiative qualifies as a future ballot measure.

About the Proposed Initiative

The Initiative proposed an Ordinance that places tenant protections on rental housing, generally including:

- An **annual allowable rent increase** of 60% of the change in the regional Consumer Price Index (“CPI”), but in no event will the allowable increase be less than 0% or more than 3%. The base rent is the rent as of December 14, 2023 for tenancies in place as of that date, or the initial rent for tenancies that begin after such date.
- **Eviction protection provisions** to define just cause reasons for eviction, implement enhanced eviction noticing requirements, implement Ellis Act regulations for withdrawing units from the rental market, require relocation assistance for no-fault evictions and temporary displacement, impose requirements when completing substantial rehabilitation of rental units, and regulate tenant buyout agreements.
- Data collection requirements and an annual **rental housing fee** to track compliance and fund administration.
- A landlord and tenant **petition and hearing process**.
- Other **enhanced tenant protections** such as the right for tenants to organize, anti-harassment and retaliation provisions.

The Ordinance proposed by the Initiative complies with State laws related to rent stabilization and tenant protections based on a review by the City Attorney.

Rent stabilization ordinances vary widely by jurisdiction and may be adopted by City Council or a voter initiative. If an ordinance is adopted by City Council, the City Council sets specific policies and may amend the ordinance at any time. If an ordinance is adopted by a voter-approved ballot initiative, amendments must be approved in subsequent elections. However, the City may create internal policies and regulations to implement the voter-approved ordinance as adopted.

Purpose of this Report

This report presents fiscal and administrative considerations for implementing a rent stabilization ordinance. It analyzes the Ordinance proposed by the Initiative and compares it to five Bay Area jurisdictions (Alameda, Berkeley, East Palo Alto, Hayward, and Richmond). A comparable analysis highlights the different level of services required by each program based on their specific policies. This report estimates the amount of staffing and costs required to implement the Ordinance proposed by the Initiative as a potential model. Actual costs would vary based on the scope of an adopted ordinance and number of covered rental units.

If a new initiative qualifies as a future ballot measure, the City Council may order a report pursuant to California Elections Code Section 9212(a) to examine its impact on the City. This report analyzes the following components pursuant to Elections Code Section 9212(a) and may be referenced for a future initiative if applicable:

- (1) Fiscal impact.
- (2) Effect on the internal consistency of the City's general and specific plans, including the housing element.
- (3) Effect on the use of land, the impact on the availability and location of housing, and the ability of the city to meet its regional housing needs.

Executive Summary

Fiscal Impact (Elections Code Section 9212(a)(1))

The **estimated fiscal impact** of the proposed Ordinance to the City is approximately **\$1.21 million** in ongoing annual costs, excluding adjustments for inflation. An estimated **five full-time staff** members will be required to administer the program. This is based on an approximation of staff and overhead costs to administer the services required by the Ordinance.

The approximation of staff and overhead costs needed to implement the Ordinance is informed by thorough research and interviews conducted with five peer jurisdictions that have implemented similar rent stabilization and tenant protections ordinances. These jurisdictions experience annual operational costs ranging from \$615,000 to \$7.51 million, illustrating a broad spectrum of potential financial commitments based on varying program capacities and enforcement levels.

The actual costs, necessary staffing, and resource requirements for the City's program will hinge on several variables that are detailed further within this report. These include the number of rent-stabilized units, level of services provided, the volume of landlord and tenant inquiries and

petitions, as well as compliance rates and the extent of regulatory oversight. The estimated fiscal impact for San Pablo's program assumes that it will initially operate at a moderate capacity. In the early stages, the program will likely concentrate on basic compliance due to staffing and resource limitations. However, the proposed Ordinance necessitates a high level of regulatory oversight, which will drive the program towards more comprehensive enforcement and community engagement over time.

Table 1 provides a comparison of the jurisdictions studied, summarizing the general provisions of each ordinance, total budgets, and the approximate cost per rental unit, offering a contextual benchmark for evaluating the potential financial implications of the proposed Ordinance in San Pablo. More details about the methodology for determining the estimated annual costs is included in the Fiscal Impact Analysis section of this report.

Table 1: Overview of Sample Jurisdiction Provisions and Budgets

	San Pablo	Alameda	Berkeley	Hayward	Richmond	East Palo Alto
1. Rent Stabilization Provisions						
Limits allowable rent increase	X	X	X	X	X	X
Includes Rent Banking provisions		X	X	X		
2. Eviction Protection Provisions						
Defines just cause reasons for eviction	X	X	X	X	X	X
Implements enhanced noticing requirements	X	X	X	X	X	X
Permanent relocation assistance provisions for no-fault evictions	X	X	X	X	X (separate ordinance)	X (separate ordinance)
Requires short-term relocation to tenants temporarily displaced	X	X	X	X	X (separate ordinance)	X (separate ordinance)
Implements Ellis Act regulations for withdrawal from rental market	X	X (separate resolution)	X (separate ordinance)		X	
Regulates buyout agreements	X	X	X (separate ordinance)			
Additional requirements when completing substantial rehabilitation	X	X				
3. Registration and Compliance						
Annual Program Fee required	X	X	X	X	X	X
Implements Rental Registry / Annual reporting is required	X	X	X		X	X
Imposes Administrative Penalties	X	X	X	X	X	
4. Petitions and Petition Process						
Landlord and Tenant Petition and hearing process	X	X	X	X	X	X
Establishes a Rent Stabilization Board			X		X	X
5. Enhanced Tenant Protections						
Anti-Harassment / Retaliation provisions	X	X	X	X	X (separate ordinance)	X
Includes provisions about the right for tenants to organize	X					
Annual Budget	\$1.21 M	\$1.99 M	\$7.51 M	\$642,000	\$3.00 M	\$615,000
Number of Rental Units Administered¹	5,608	16,579	25,000	11,580	18,000	2,500
Cost Per Rental Unit	\$215	\$120	\$300	\$55	\$167	\$246
<i>Rental Registry/Housing Fee per fully covered unit</i>	<i>\$120 (initial)</i>	<i>\$162</i>	<i>\$290</i>	<i>\$66</i>	<i>\$220</i>	<i>\$234</i>

¹Approximation. See Table 12 for a detailed unit of measurement for rental units by jurisdiction.

A rent stabilization ordinance would not have a direct impact on development impact fees, property tax, sales tax, business license tax, community facilities district fees, and property tax in-lieu of motor vehicle license fees revenues. **The proposed Ordinance includes a Rental Housing Fee on landlords to finance the reasonable and necessary expenses of the Ordinance** (proposed Ordinance Section 8.05.150). The initial fee would be \$120 per controlled rental unit per year (\$10 per month) until the City Council can determine a fee amount. A preliminary estimate of the cost to implement the Ordinance is \$215 per rental unit; however

actual costs would vary based on the number of controlled rental units and other factors such as salary and contract negotiations.

The City has 5,608 rental units based on 2022 U.S. Census data. The actual number of controlled units would be determined after implementing a rental registry. It would also depend on a separate statewide November 2024 ballot measure to repeal the Costa-Hawkins Rental Housing Act of 1995 (“Costa-Hawkins”), which could significantly increase the number of controlled units (see the “How California Tenant Protections Generally Work” section for more details). If a rent stabilization ordinance is enacted, the City may implement a rental registry and conduct a more thorough fee study to determine a Rental Housing Fee and the number of staff required to administer the program. This report assumes all rental units within the City would be fully or partially covered by a rent stabilization ordinance for the purposes of this fiscal analysis.

The Initiative’s proposed Ordinance was silent on whether the Rental Housing Fee could be passed through to tenants and whether the fee could be revised at the City’s discretion. The City would need to clarify this if another initiative is proposed in the future.

Effect on the Internal Consistency of City’s Plans (Elections Code Section 9212(a)(2))

A rent stabilization initiative **is consistent with the City’s Housing Element** by addressing multiple goals and policies to address affordability and housing security, striving for the provision of housing affordable to San Pablo residents, promoting fair housing practices, and informing the community on available programs to address individual housing needs. This is based on an analysis of San Pablo’s demographics and housing characteristics and a review of Housing Element goals.

Effect on the use of Land (Elections Code Section 9212(a)(3))

Rent stabilization would not have a direct impact on the use of land, such as new housing development, and the ability of the City to meet its Regional Housing Needs Allocation (“RHNA”). Rent stabilization does not directly regulate the development of new housing units. RHNA production goals will not be met by a rent stabilization ordinance because it does not construct new deed-restricted affordable rental units. It is notable that the City nearly met or exceeded its very low, low, and moderate income 2015-2023 RHNA production goals.

Under current State law, housing units constructed after 1995 are exempt from rent stabilization statewide. If Costa-Hawkins is repealed, this exemption would be removed, and new development would be subject to rent stabilization. Research on the impact of rent stabilization on new development is mixed. A 1998 analysis conducted by the City of Berkeley found rent stabilization had little to no impact on new development in the City,¹ whereas a 2019 article on the impact of rent control in San Francisco found that it reduced rental housing supply.² If Costa-Hawkins is repealed, new studies will need to be conducted about the impacts of rent stabilization on new development without exemptions for new construction, single-family homes, condominiums, and the ability to reset rents to market rates upon vacancy.

¹ Urban Habitat. (2018). Strengthening Communities Through Rent Control. Retrieved from https://urbanhabitat.org/sites/default/files/UH%202018%20Strengthening%20Communities%20Through%20Rent%20Control_0.pdf.

² Diamond, Rebecca, Tim McQuade, and Franklin Qian. (2019). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." *American Economic Review*, 109 (9): 3365–94.

About RSG

RSG has extensive experience advising on and administering rent stabilization programs and policies, including recent engagements with the cities of Carson, Corona, El Monte, Escondido, Oceanside, Palmdale, Pomona, Pico Rivera, Santa Ana, and San Jose. RSG brings a depth of knowledge and expertise to this report with over 40 years of experience in the areas of affordable housing finance and development, housing policy, and community engagement.

HOW CALIFORNIA TENANT PROTECTIONS GENERALLY WORK

Rent stabilization programs and policies have existed in California for decades.³ Many jurisdictions have established rent stabilization ordinances dating back to the 1970's with the intention of keeping current residents housed by limiting rent increases and preventing unwarranted evictions.

Rent increase limits under rent stabilization programs vary by jurisdiction and seek to balance tenant and landlord interests. While these policies provide tenants with increased housing stability and security, landlords may raise their rents above the allowed limit through petitions for fair returns or capital improvements, protecting their right to a fair return on investment.

Rent stabilization programs and policies are often, but not always, governed by a hearing officer/examiner or a board composed of community members acting as a regulatory body that adheres to non-arbitrary decision-making to protect the rights of both tenants and landlords. The proposed Ordinance designates a hearing examiner to conduct hearings on landlord and tenant petitions.

Rent stabilization programs are constrained by limitations in State law, including three key pieces of legislation:

1. Costa-Hawkins Rental Housing Act of 1995 (Civil Code Sections 1954.50-1954.535)
2. Ellis Act (Government Code Sections 7060-7060.7)
3. Tenant Protection Act (California Civil Code Section 1946.2, et seq.)

These three laws are described in more detail below, along with how they would apply with the proposed Ordinance.

Costa-Hawkins and Impact of Potential November 2024 Repeal

Costa-Hawkins limits the types of policies a local jurisdiction can impose when establishing rent restrictions. Generally, Costa-Hawkins limits rental restrictions on:

- units constructed after 1995,
- protects landlords' rights to raise the rent to market rate upon their units' vacancy, and
- exempts most single-family homes and condominiums from local rent restrictions.

The November 2024 ballot will include a statewide measure to repeal Costa-Hawkins called the *California Prohibit State Limitations on Local Rent Control Initiative*. This is separate and unrelated to the local San Pablo Initiative. Specifically, if the Costa-Hawkins repeal is passed by California voters, it would not only strike from the Civil Code the Costa-Hawkins Act as it is today, but also expressly prohibit the state from limiting any city, county, or city and county to maintain, enact, or expand residential rent control.

³ The terms "rent control" and "rent stabilization" are often used interchangeably, despite denoting distinct rental price regulation methods. Rent control involves rigid rent caps, while rent stabilization permits gradual rent increases. The distinction is also sometimes referred to as first and second generation rent control, with the latter referring to "rent stabilization."

Implications of Costa-Hawkins Repeal on the Proposed Ordinance

The Ordinance proposed by the Initiative was not conditioned upon any change to Costa-Hawkins. However, if Costa-Hawkins is repealed, under the proposed Ordinance rental units exempt from Costa-Hawkins would be exempt from its rent stabilization provisions (proposed Ordinance Sections 8.05.060 and 8.05.160) only for the first ten years after the completion of their construction (proposed Ordinance Section 8.05.040). This means units constructed after 1995, single-family homes, and condominiums would be subject to annual rent increase limits starting ten years after they were constructed. Landlords would continue to be permitted to set the initial rent for a new tenancy to the extent permitted by State law (proposed Ordinance Section 8.05.060).

If a similar Ordinance is proposed in the future, the City would need to clarify whether new development constructed after the repeal of Costa-Hawkins would be exempt from rent stabilization for ten years, and whether landlords could increase rent to market rate upon their units' vacancy.

Just Cause Eviction and Ellis Act Protections

Rent stabilization ordinances are often paired with locally enacted just cause eviction provisions, collectively forming rent stabilization programs. Just cause eviction provisions typically define what causes are allowable for a property owner to seek eviction of a tenant and may include relocation assistance requirements to support tenants who are being evicted at no fault of their own in finding new housing. Studies show just cause eviction policies measurably lower eviction rates.⁴ It is important to note just cause eviction protection policies are not bound by legislation such as Costa-Hawkins.

However, the Ellis Act (1985) establishes the right of landlords to withdraw certain existing housing units from the rental market. Specifically, the Ellis Act prohibits a public entity to compel the owner of residential real property to offer or continue to offer accommodations. Further, the Ellis Act allows local jurisdictions to adopt certain regulations controlling the withdrawal process, the return of withdrawn units to the rental market (including penalties for return within two years), and the transfer of these constraints to successors in interest.

Implications of the Ellis Act Under the Proposed Ordinance

If the Ordinance were to pass, before a unit is withdrawn from the rental market, the landlord would be required to provide a minimum 120-day notice of termination of tenancy and relocation payments. Households meeting certain conditions (e.g. senior, disabled, school-age children or educator) would be eligible for extended notice and higher relocation payments.

Tenant Protection Act

Housing costs in the California continue to rise, and many tenants have experienced significant rent increases and/or evictions. Recognizing this issue, the State Legislature enacted the Tenant Protection Act (Civil Code Section 1946.2, et seq.) which will be effective through December 31,

⁴ Julieta Cuellar, "Effect of Just Cause Eviction Ordinances on Eviction in Four California Cities," Princeton University Journal of Public and International Affairs (2019), <https://jpia.princeton.edu/news/effect-just-cause-eviction-ordinances-eviction-four-california-cities>

2029, unless amended. The Tenant Protection Act established a statewide rent cap that limits annual increases to 5% plus any rise in the CPI, not to exceed a total 10% increase. In addition to limiting annual rent increases, the Tenant Protection Act also enacted statewide provisions to prevent tenant evictions without just cause when all tenants have lived in the unit for at least 12 months or at least one tenant has occupied the unit for at least 24 months.

Implications of the Tenant Protection Act Under the Proposed Ordinance

Rental units subject to the Ordinance's annual allowable rent increase would need to comply with the more restrictive limit.

RENT STABILIZATION STUDIES AND MARKET TRENDS

Rent Stabilization Literature Review

There is mixed and somewhat limited research on the impact of rent stabilization. Existing literature tends to examine the effects of rent control policies, which involve rigid rent caps, as opposed to rent stabilization policies, which allow for gradual rent increases. Due to these limitations, a nuanced understanding must be carefully considered to predict the potential impacts of rent stabilization in San Pablo.

Proponents of rent control highlight its positive impacts on tenant displacement and housing stability, while opponents argue that rent control policies can reduce housing supply and lead to deteriorating housing quality. A 2019 study published in *the American Economic Review* that examined the impact of rent control expansion in San Francisco found that rent control policies reduce tenant displacement rates and increase the likelihood that tenants remain in their homes long-term.⁵ Furthermore, a 1998 analysis conducted by the City of Berkeley found that rent control had little to no impact on new development in the City.⁶ Lastly, a 2015 study published in *Cities* expanded existing research on rent control ordinances in New Jersey communities and found that rent control did not have a significant effect on property values when compared to non-rent controlled cities.⁷

Conversely, the 2019 San Francisco study also found that rent control reduced rental housing supply by contributing to condominium conversions and other methods to exempt units from rental regulation. Additionally, a 2007 analysis of the removal of rent control in Massachusetts published in the *Journal of Urban Economics* found that rent-stabilized buildings have greater maintenance and habitability concerns, which may drive down non-controlled rents in surrounding areas.⁸ In a 2016 publication prepared by Beacon Economics for the California Apartment Association, similar outcomes were predicted in regard to property maintenance, which can affect the quality of life for tenants, and affect the surrounding neighborhood by decreasing the value of adjacent properties.⁹

A separate 2014 analysis on the removal of rent control in Massachusetts published in the *Journal of Political Economy* found that rent-controlled properties were valued at a discount of about 45 to 50% relative to never-controlled properties with comparable characteristics in the same

⁵ Diamond, Rebecca, Tim McQuade, and Franklin Qian. (2019). "The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco." *American Economic Review*, 109 (9): 3365–94.

⁶ Urban Habitat. (2018). Strengthening Communities Through Rent Control [PDF file]. Retrieved from https://urbanhabitat.org/sites/default/files/UH%202018%20Strengthening%20Communities%20Through%20Rent%20Control_0.pdf.

⁷ Ambrosius, J. D., Gilderbloom, J. I., Steele, W. J., Meares, W. L., & Keating, D. (2015). Forty years of rent control: Reexamining New Jersey's moderate local policies after the Great Recession. *Cities*, 49, 121–133. <https://doi.org/10.1016/j.cities.2015.08.001>

⁸ Sims, D. P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? *Journal of Urban Economics*, 61(1), 129–151. <https://doi.org/10.1016/j.jue.2006.06.004>

⁹ Thornberg, C., Levine, J., & Beacon Economics. (2016). An analysis of rent control ordinances in California (By California Apartment Association). https://caanet.org/u/2016/02/Jan2016_Rent_Control_Study.pdf

neighborhood.¹⁰ The same analysis found that rent-controlled properties' assessed values rose by 18 to 25% relative to never-controlled properties following rent decontrol.

Additionally, a 2003 study published in the *American Economic Review* indicated that rent regulations can lead to reduced tenant mobility and as a result, create a mismatch of housing needs to current housing situations.¹¹ For instance, in order to maintain regulated rent, a couple may continue to occupy a large family-sized apartment instead of occupying a smaller unit when housing needs decrease, which results in a misallocation of housing stock.

If Costa-Hawkins is repealed, new studies will need to be conducted about the impacts of rent stabilization on new development without exemptions for new construction, single-family homes, condominiums, and the ability to reset rents to market rates upon vacancy.

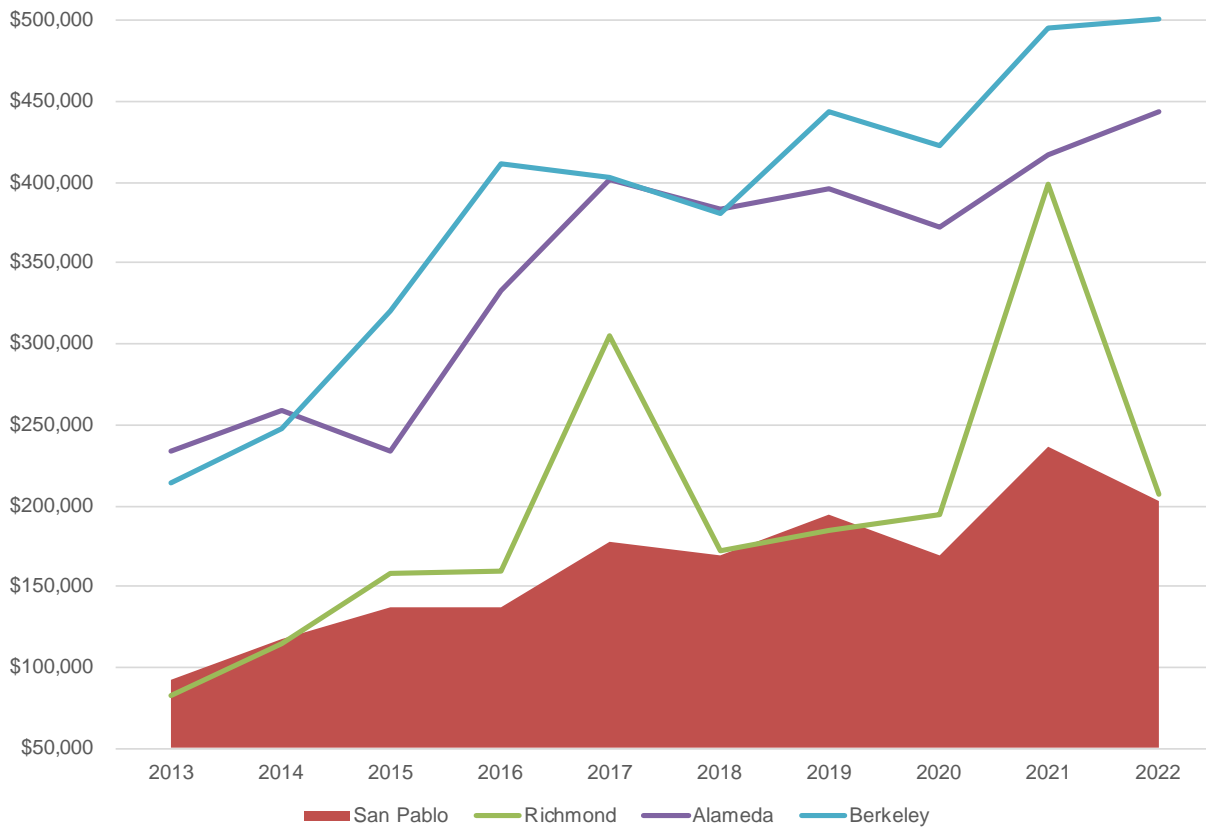
Market Trends

Historical real estate market trends can highlight the potential effects of a rent stabilization ordinance on property values. This may affect property tax revenues, housing quality, and community investment. Figure 1 provides a historical comparison of per-unit average sales prices for multi-family properties across nearby jurisdictions with rent stabilization policies, in addition to San Pablo.

¹⁰ Autor, D. H., Massachusetts Institute of Technology, Palmer, C. J., Massachusetts Institute of Technology, Pathak, P. A., & Massachusetts Institute of Technology. (2014). Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, Massachusetts. In *Journal of Political Economy* (Vols. 122–122, Issue 3, pp. 661–662). The University of Chicago. <https://economics.mit.edu/sites/default/files/publications/housing%20market%202014.pdf>

¹¹ Glaeser, Edward L., and Erzo F. P. Luttmer. (2003). "The Misallocation of Housing Under Rent Control." *American Economic Review* 93(4):1027–46.

Figure 1: Average Multi-Family Residential Per-Unit Sales Prices by Jurisdiction



Note: The City of Berkeley's RSO was adopted in 1980, while the City of Richmond and Alameda had RSOs adopted in 2016.
Source: ParcelQuest

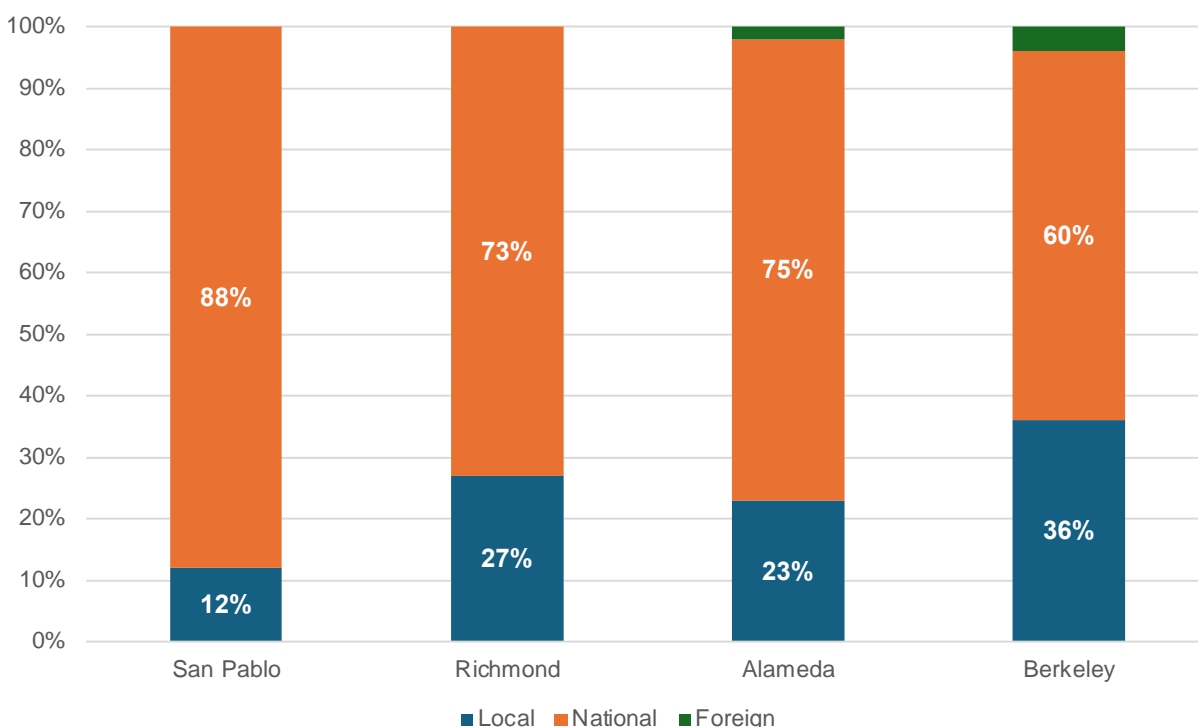
Alameda and Richmond adopted rent stabilization in 2016 and Berkeley has a long-standing ordinance adopted in 1980. Both Richmond and Alameda saw increases in multi-family sales prices from 2013 to 2016, which continued immediately following the adoption of their rent stabilization ordinances. From 2016 to 2022, all jurisdictions experienced increases in multi-family sales prices with San Pablo experiencing the highest growth (48%), followed by Alameda (33%), Richmond (30%), and Berkeley (22%). This suggests that rent stabilization policies may not hinder property values in the short-term. However, the long-term effects of recently adopted policies in Alameda and Richmond could be evaluated as more time passes. Additionally, factors such as interest rates, regional housing supply, income growth, population growth, and other local policies impact real estate market fluctuations.

RSG conducted interviews with three brokers with extensive experience in the multi-family residential market in both Contra Costa and Alameda Counties. Most brokers stated that statewide tenant protections, such as the Tenant Protection Act, are beneficial in protecting tenants against excessive rent increases. However, the benefit of local rent stabilization policies was debated as some brokers found that local policies lead to a greater prevalence of landlord-tenant issues. Additionally, nearly all brokers interviewed stated that rising costs have presented a challenge for landlords. Limited rent increases make it difficult keep up with operating and

maintenance costs and can lead to deteriorating housing quality. As a result, most brokers interviewed opined that rent stabilization policies have negative impacts on property values. Additionally, one broker spoke about a colleague's experience in the City of Concord in which several properties fell out of escrow following the adoption of a rent stabilization ordinance in April 2024. This was corroborated by other brokers who stated that rent control policies may deter buyers from purchasing rental properties in jurisdictions with these policies. Most brokers interviewed stated that if Costa-Hawkins is repealed, it may lead to buyers purchasing multi-family residential properties in other states.

There is general concern that rent stabilization ordinances may harm small “mom-and-pop” property owners by reducing potential returns on multi-family residential properties. As a result, it is important to understand the types of property owners in San Pablo and nearby jurisdictions with rent stabilization policies. Figure 2 provides a comparison of multi-family residential asset value by owner origin across nearby jurisdictions with rent stabilization policies, in addition to San Pablo.

Figure 2: Multi-Family Asset Value by Owner Origin by Jurisdiction



Source: CoStar

San Pablo's multi-family real estate ownership landscape is significantly influenced by national owners, with 88% of real estate asset value owned by entities headquartered outside the metropolitan area. In contrast, only 12% are local owners, the lowest among the jurisdictions researched. By contrast, the City of Richmond's real estate market consists of 27% local owners and 73% national owners. This suggests that San Pablo's housing market is unique from other jurisdictions who have implemented rent stabilization ordinances, where local owners constitute a greater portion of the real estate market. National owners may have a greater ability to absorb

rising operating costs with a larger real estate portfolio. Furthermore, national owners may also have a greater ability to navigate and afford fair return rent increase petitions on a regular basis compared to a local owner with a smaller portfolio.

ANALYSIS OF COMMUNITY HOUSING CHARACTERISTICS AND GOALS

Housing Characteristics

Located in western Contra Costa County, San Pablo encompasses 2.6 square miles and has a total population of approximately 31,100 residents.¹² San Pablo is accessible through Interstate 80, which connects the City to nearby metropolitan areas such as San Francisco, Berkeley, and Oakland.

Table 2 provides a demographic overview of the City of San Pablo and Contra Costa County.

Table 2: Demographic Overview of San Pablo and County

	2024 Population	Total Number of Housing Units	Average Household Size	Percentage of Renter- Occupied Households	Percentage of Rent- Burdened Households	Poverty Rate
City of San Pablo	31,088	10,161	3.33	57.6%	55.9%	11.8%
Contra Costa County	1,146,626	430,051	2.84	31.2%	53.7%	8.7%
Percentage Difference	189.4%	190.9%	15.9%	59.5%	4.0%	30.2%

Source: California Department of Finance (“DOF”) (2024), U.S. Census Bureau 5-Year Estimates (2022), ESRI (2023)

Renter-occupied households make up approximately 58% of housing units in San Pablo, which is nearly double the rate of renter-occupied housing units in Contra Costa County (31%). In addition to lower rates of home ownership when compared to the County, approximately 56% of renter households are rent-burdened, which means that gross rent exceeds 30% of household income.

The City’s housing supply includes approximately 10,100 housing units with a mix of housing types. Costa-Hawkins exempts most single-family residences from local rent restrictions. To accurately evaluate the scale and associated cost of rent stabilization programs, housing types must be examined to gain a high-level understanding of the number of potentially covered and exempt units.

Table 3 provides a breakdown of housing types in San Pablo.

¹² As of January 1, 2024 (Source: California Department of Finance)

Table 3: Housing Types (City of San Pablo)

	Number of Housing Units	Percentage of Total
Single-Family Dwelling Units	5,650	55.6%
Multi-Family Dwelling Units ¹	4,055	39.9%
Mobile Homes	405	4.0%
Boat, RV, Van, etc.	51	0.5%
Total	10,161	

¹Multi-family dwelling units refer to residential buildings with more than one dwelling unit.

Source: U.S. Census Bureau 5-Year Estimates (2022)

The majority of housing units in San Pablo are single-family residences, which make up over 55% of housing units, while multi-family housing makes up approximately 40% of housing units. A small proportion, or 4%, of housing units are mobile home spaces in San Pablo.

Year-built dates also affect the number of rental units subject to rent stabilization. Mentioned previously, Costa-Hawkins limits rental regulations on units constructed after 1995; however, the proposed Ordinance states that if Costa-Hawkins is repealed or amended, by operation of law, new Rental Units would be exempt only for the first 10 years after the completion of their construction (proposed Ordinance Section 8.05.040(A)).

Table 4 provides an overview of housing units in the City by year-built date.

Table 4: Housing Units by Year-Built Date (City of San Pablo)

	Number of Housing Units	Percentage of Total ¹
Built 2000 or later	1,004	13.2%
Built 1990 to 1999	836	8.2%
Built 1990 or before	7,985	78.7%
Total	10,161	

¹Total may not add due to rounding.

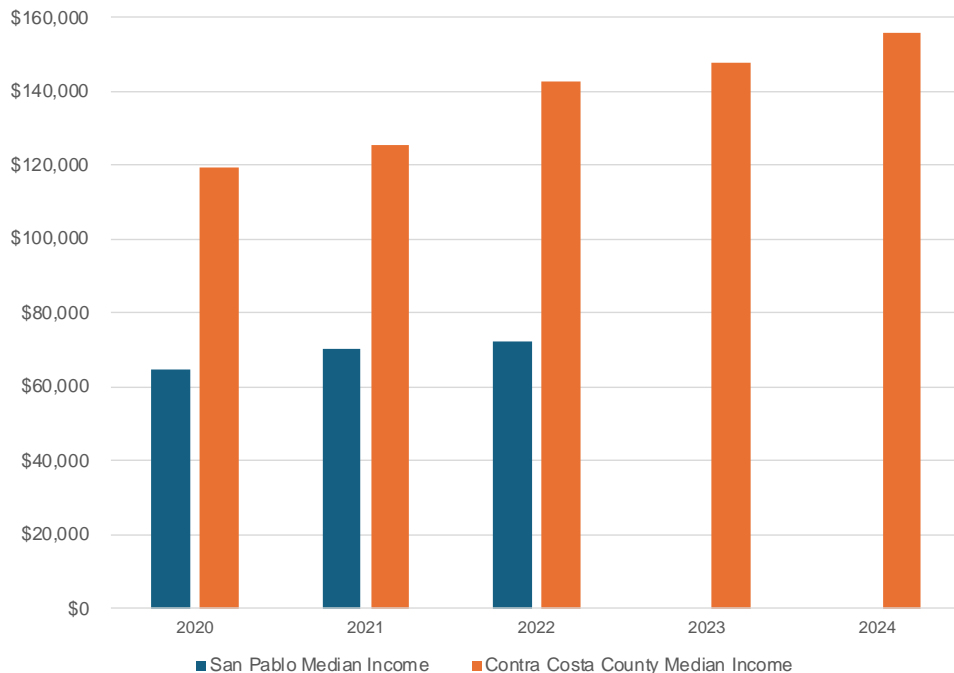
Source: U.S. Census Bureau 5-Year Estimates (2022)

The vast majority, approximately 79%, of housing units in San Pablo were built prior to the year 1990. Approximately 8% of housing units were built between 1990 and 2000, while the remaining housing units, around 13%, were built in 2000 or later. The U.S. Census Bureau does not provide the number of housing units constructed between 1995 and 2000. In order to determine the number of rental units exempt from the proposed Ordinance under Costa-Hawkins, the City will need to identify units constructed after 1995 using building permit or assessment roll data in conjunction with a rental registry.

Income Levels and Affordability

Figure 3 provides median incomes in the City and County from 2020-2024.

Figure 3: Median Income in the City and County (2020-2024)



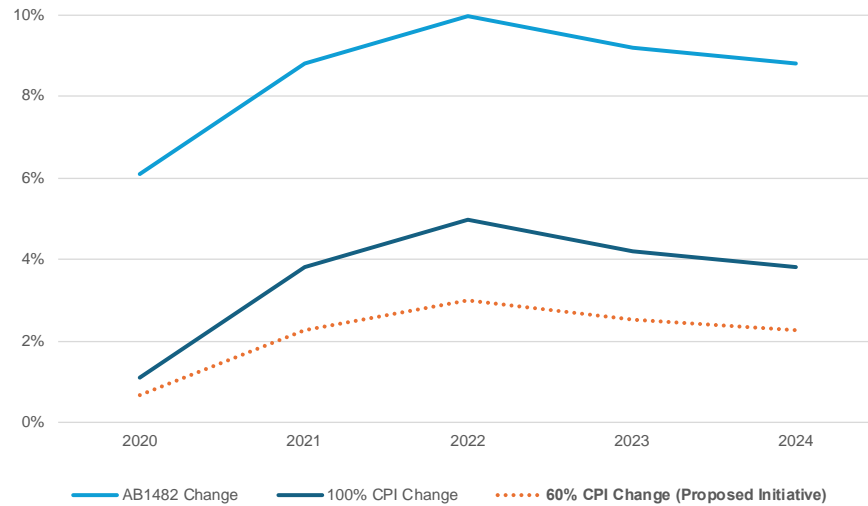
Note: Median income data for the City of San Pablo in 2022 and 2023 was unavailable at the time of this report.
Source: U.S. Census Bureau 5-Year Estimates (2022), California Department of Housing and Community Development

As noted in the City's 2023-31 Housing Element, nearly 21% of households in the City make less than 50% of the Area Median Income ("AMI") (or very low income) and 29% of households in the City make less than 30% of AMI (extremely low income). In 2022, the median income in the City of San Pablo was \$72,552, which is approximately 65% lower than the County's median income in the same year.

Two-bedroom market rents in the City have increased by almost 13% from 2020 to 2024, while the CPI increased by approximately 18% in the same period. This means that the change in market rents was approximately 72% of the change in the CPI.

Figure 4 shows a comparison of the proposed rent increase limit against other prevalent rent increase limits implemented throughout the state.

Figure 4: Comparison of Allowable Rent Increase Limits (2020-2024)

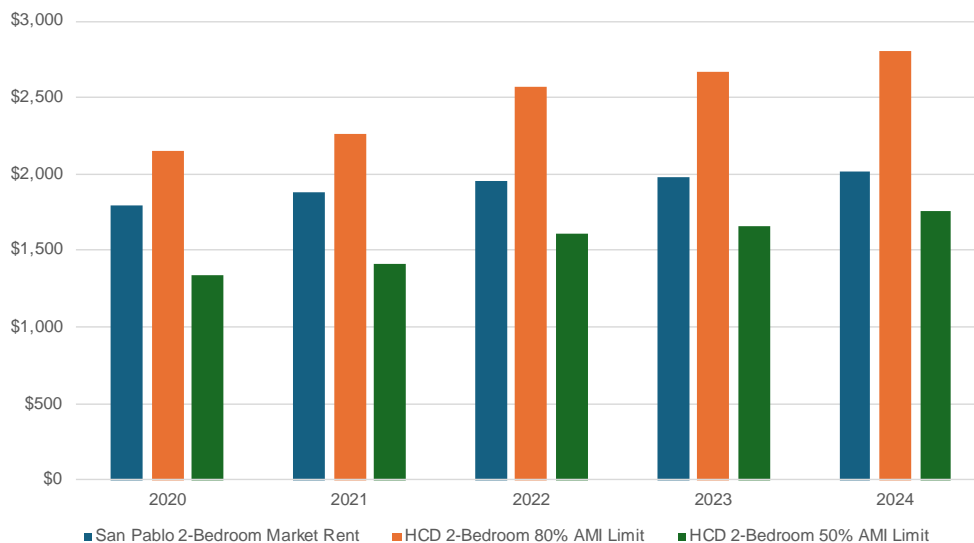


Source: US Bureau of Labor Statistics

Additionally, aside from a spike in HCD rent limits in 2022, allowable rent increases under AB1482 have consistently been the highest allowable rent increase limits. Some jurisdictions with rent stabilization ordinances apply a 100% change in the CPI rent increase limit, which are 5% lower than what is permitted under AB1482. Lastly, a 60% change in the CPI rent increase limit, which is provided in the proposed Ordinance, has resulted in the lowest rent increase limits.

Figure 5 illustrates how HCD rent limits compare to market rents in the City of San Pablo.

Figure 5: Market Rents vs. HCD Rent Limits (2020-2024)



Source: HCD Income Limits, CoStar

HCD rent limits for households that fall under the 80% AMI limit (low income) have exceeded market rents in the City in recent years while 50% AMI rent limits have consistently been under market rents. It is worth noting that HCD income limits are based on median income for the County as a whole, which are significantly higher than the median income in the City of San Pablo. Nearly half of households in the City may qualify under very low income limits based on the high proportion of extremely low and very low income households in the City.

Regional Housing Needs Allocation and Housing Element Goals

San Pablo has a total of 10,161 housing units based on U.S. Census Bureau 5-Year Estimates for 2022. According to the 2023-2031 San Pablo Housing Element, there are currently a total of 568 deed-restricted affordable housing units in the City of San Pablo. These figures will increase in the future with new development.

Every eight years, each California jurisdiction is allocated a specific number of housing units through the Regional Housing Needs Allocation (“RHNA”), a metric the State’s Housing and Community Development Department (“HCD”) uses to identify each jurisdiction’s housing production goals to meet demand from population growth. According to the 2021-2029 6th Cycle RHNA, San Pablo’s share of necessary new housing is 746 units, including 173 units affordable to very low income households, 100 units affordable to low income, 132 units affordable to moderate income, and 341 units affordable to above-moderate (“market-rate”) income households.

The implementation of a rent stabilization program would not contribute towards the City’s RHNA allocation since it does not result in the development of new deed-restricted affordable housing units. However, rent stabilization could support other goals in the City’s 2023-2031 Housing Element such as:

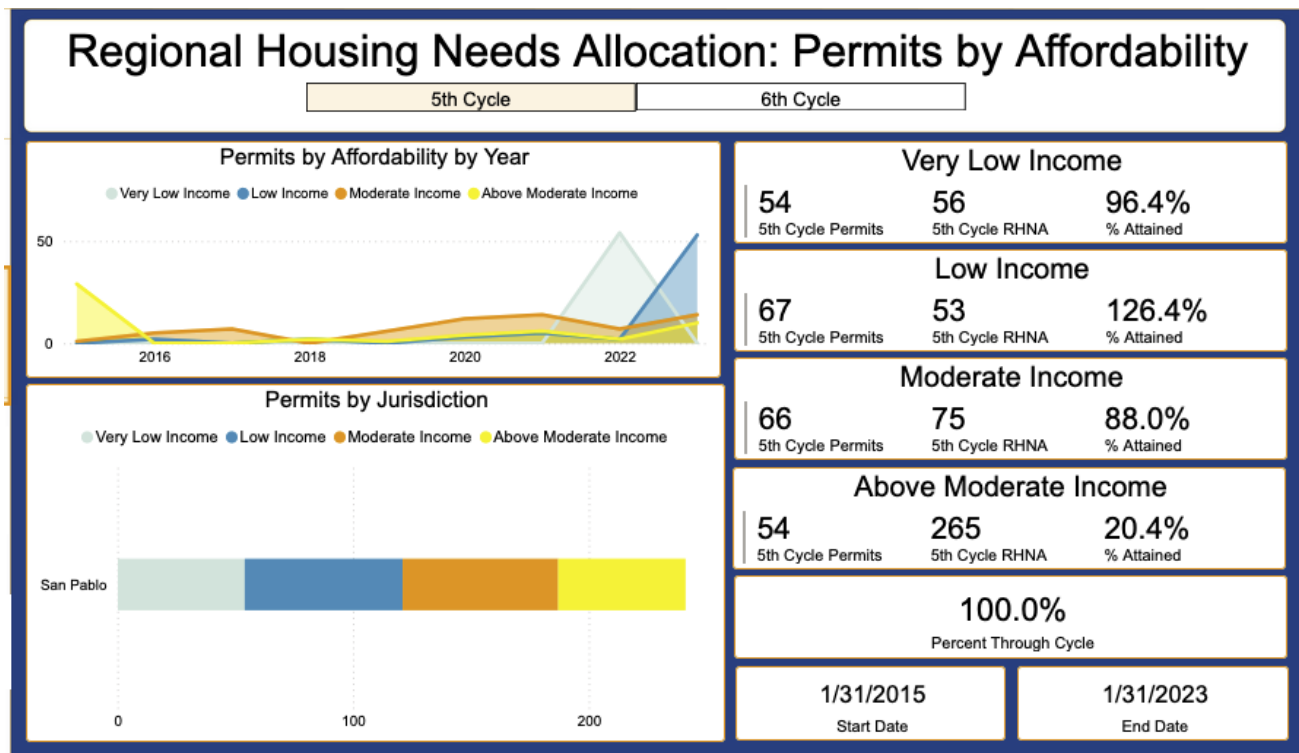
- Housing Goal #2. Take action to address affordability and housing security for all income groups and family types in San Pablo.
 - Policy 2-1: Continue to promote and support the development of affordable housing units for lower income households and strive for the provision of housing that is affordable to, and meets the needs of, current and future residents of San Pablo.
- Housing Goal #3. Equal housing opportunity for all residents of San Pablo, regardless of race, religion, sex, marital status, ancestry, national origin, color, or ability.
 - Policy 3-2: Collaborative Fair Housing Efforts. Work collaboratively with local non-profit, public and private sector partners to raise awareness and achieve implementation of fair housing practices.
- Housing Goal #6: Strengthen local government institutional capacity, provide information to the community and monitor accomplishments to respond effectively to housing needs.
 - Policy 6-1: The City recognizes that housing that is safe, healthy, and affordable is an important City priority, and the City will take a proactive leadership role in

following through on identified Housing Element implementation actions in a timely manner.

- Policy 6-3: The City will provide outreach and information to the community on the availability of programs to address individual housing needs, and will actively involve the community through information, outreach, and review.

Figure 6 displays the City's progress in the 5th Cycle RHNA, which concluded on January 31, 2023.

Figure 6: 5th Cycle RHNA Progress (City of San Pablo)

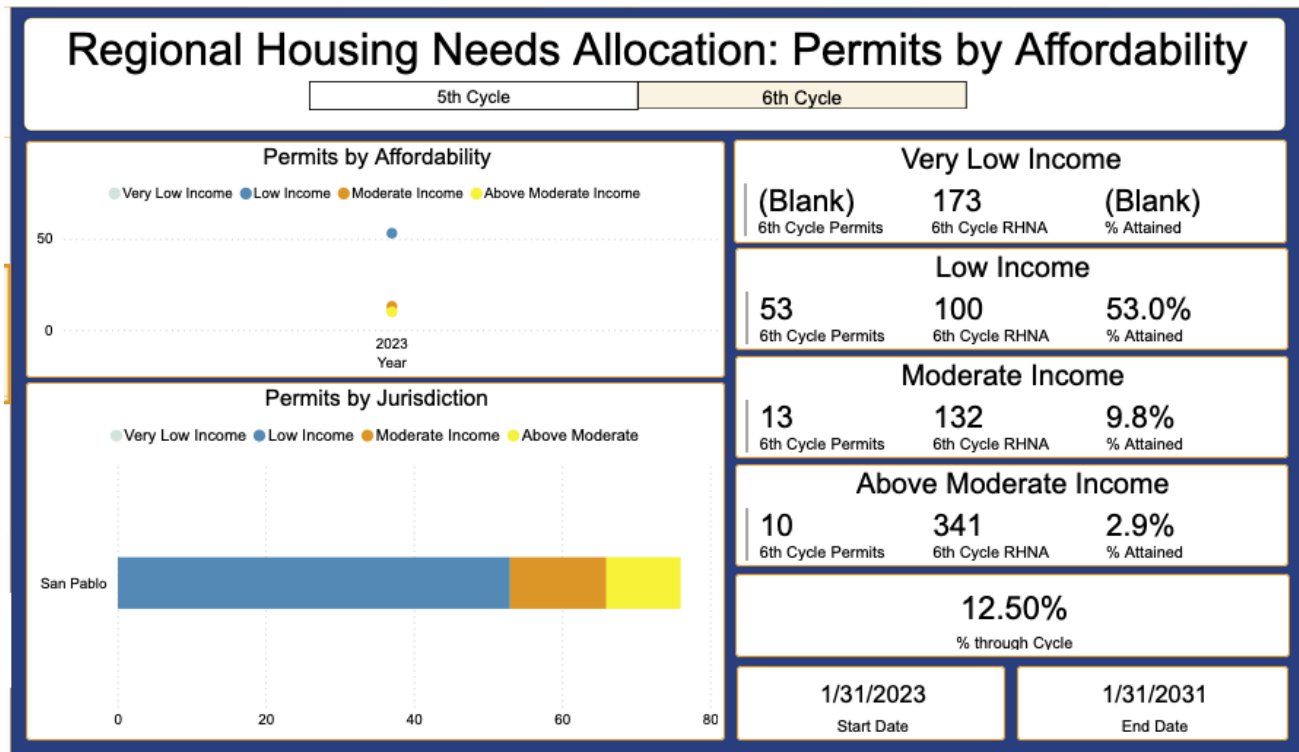


Source: HCD

The City of San Pablo's progress in the 5th Cycle RHNA demonstrates that the City achieved, or was close to achieving, its housing unit allocation for three of four income levels. The City had the lowest attainment rate for the above moderate income category, in which the City attained approximately 20% of its 5th Cycle RHNA allocation.

Figure 7 displays the City's progress in the 6th Cycle RHNA, which began on January 31, 2023.

Figure 7: 6th Cycle RHNA Progress (City of San Pablo)



Source: HCD

The City of San Pablo's 6th Cycle RHNA concludes on January 31st, 2031. At the time of this report, the City has achieved over 50% of its low income RHNA allocation. However, the City has attained less than 10% for each of the remaining three income levels.

Costa-Hawkins prohibits rental regulations on units constructed after 1995. This exempts new developments from local rent restrictions and allows housing developers to set rental prices based on current market conditions. As a result, the Ordinance would not affect the development of new housing units in the City if Costa-Hawkins remains in place. If Costa-Hawkins is repealed, new studies will need to be conducted about impacts of rent stabilization on new development without exemptions for new construction, single-family homes, condominiums, and the ability to reset rents to market rates upon vacancy.

COMPARATIVE ANALYSIS OF PEER JURISDICTIONS

In California, over 25 jurisdictions have enacted citywide rent stabilization or just cause eviction policies. In May 2024, RSG researched and interviewed representatives from two California jurisdictions (Concord and East Palo Alto) that have rent stabilization and just cause eviction programs. The goal was to understand their program components, administrative structure and resources, program budgeting factors, and best practices, which will help the City estimate the fiscal impact of the proposed Ordinance. RSG also leveraged our database and prior interviews with representatives from four additional local jurisdictions (Alameda, Berkeley, Hayward, and Richmond). We selected these jurisdictions because they represent a mix of new and long-standing programs, are primarily voter-approved initiatives, are located in the Bay Area, and have well-established programs with readily accessible information. For this report, we reference Alameda, Berkeley, Hayward, Richmond, and East Palo Alto as the sample jurisdictions. We also include information from an interview with Concord, who adopted a rent stabilization ordinance in April 2024 and is in the implementation process. Table 5 provides an overview of the sample jurisdictions.

Table 5: Overview of Sample Jurisdictions

Jurisdiction	Approved By	Year Adopted	Population	Rental Units	% Rent Burdened	Poverty Rate
San Pablo	Voter Proposed	N/A	31,088	~5,608	56%	11.8%
Alameda	Voter	2016	34,391	16,579	42%	7.1%
Berkeley	Voter	1980	54,438	25,000	52%	17.7%
Hayward	City Council	2019	53,997	11,580	51%	9.6%
Richmond	Voter	2016	40,950	18,000	56%	14.3%
East Palo Alto	Voter	2010	8,270	2,500	56%	12.2%

Source: City Ordinances and US Bureau of Labor Statistics (2022)

The rent stabilization programs in these sample jurisdictions are unique and contain differing provisions and complexities. These variations reflect the diverse needs and priorities of each community. For instance, some jurisdictions have implemented more intricate systems with multiple layers of regulation and oversight, while others have adopted simpler, more streamlined approaches. This diversity in program design allows us to compare a wide range of administrative practices with the proposed Ordinance in San Pablo. Table 6 provides an overview of the general provisions contained in each sample jurisdiction ordinance.

Table 6: Comparison of Ordinance Provisions

	San Pablo	Alameda	Berkeley	Hayward	Richmond	East Palo Alto
1. Rent Stabilization Provisions						
Limits allowable rent increase	X	X	X	X	X	X
Includes Rent Banking provisions		X	X	X		
2. Eviction Protection Provisions						
Defines just cause reasons for eviction	X	X	X	X	X	X
Implements enhanced noticing requirements	X	X	X	X	X	X
Permanent relocation assistance provisions for no-fault evictions	X	X	X	X	X (separate ordinance)	X (separate ordinance)
Requires short-term relocation to tenants temporarily displaced	X	X	X	X	X (separate ordinance)	X (separate ordinance)
Implements Ellis Act regulations for withdrawal from rental market	X	X (separate resolution)	X (separate ordinance)		X	
Regulates buyout agreements	X	X	X (separate ordinance)			
Additional requirements when completing substantial rehabilitation	X	X				
3. Registration and Compliance						
Annual Program Fee required	X	X	X	X	X	X
Implements Rental Registry / Annual reporting is required	X	X	X		X	X
Imposes Administrative Penalties	X	X	X	X	X	
4. Petitions and Petition Process						
Landlord and Tenant Petition and hearing process	X	X	X	X	X	X
Establishes a Rent Stabilization Board			X		X	X
5. Enhanced Tenant Protections						
Anti-Harassment / Retaliation provisions	X	X	X	X	X (separate ordinance)	X
Includes provisions about the right for tenants to organize	X					

RSG has analyzed the administrative components of these rent stabilization programs to inform the potential impacts of establishing and maintaining such a program in San Pablo. Our analysis includes an in-depth look at the structures and resources necessary for effective program administration as it relates to the following categories:

1. Rent Stabilization Provisions
2. Eviction Protection Provisions
3. Registration and Compliance
4. Petitions and Petition Process
5. Enhanced Tenant Protections

By leveraging the experiences of sample jurisdictions, we can anticipate the administrative demands and financial considerations to better understand the impacts of the proposed

Ordinance in San Pablo. Notably, the Ordinance proposed by the Initiative may require a higher level of oversight and regulation compared to the sample jurisdictions that we researched. As shown in Table 6, it has more comprehensive measures designed to regulate landlord-tenant relationships, resulting in more provisions requiring administration. Consequently, San Pablo's higher level of oversight could require added staff to handle specific administrative procedures compared to jurisdictions with less provisions. From a fiscal impact perspective, implementing and managing the increased regulatory framework will likely necessitate substantial resources, as further detailed in later sections.

Rent Stabilization Provisions

Rent stabilization provisions form the foundation of local rent stabilization programs. Typically, a jurisdiction implements a “rent limit” or maximum percentage by which landlords are allowed to increase tenants' rents, usually within a 12-month period. Some jurisdictions explicitly cap and floor their rent increase limits, ensuring that the rent increase limit does not exceed or fall below a specified percentage. Additionally, some jurisdictions include rent banking provisions that allow landlords to defer rent increases and apply them in the future. Table 7 summarizes the rent limit provisions in the proposed Ordinance compared to each of the sample jurisdictions.

Table 7: Comparison of Rent Stabilization Provisions

Jurisdiction	Rent Increase Limit	Minimum Rent Increase	Maximum Rent Increase	Banking Limits
San Pablo (Proposed)	60% of change in CPI	0%	3%	None stated
Alameda	70% of change in CPI	1%	5%	<p>Regardless of how much they have banked, a landlord can never impose a rent increase of more than the allowable rent increase percentage for that year plus 3.0% (not to exceed a total of 8%)</p> <p>Can only impose banked increases up to 3 times during any tenancy and not more than once in a 24-month period</p> <p>Banked increases are not transferrable to a successor landlord</p>
Berkeley	65% of change in CPI	0%	7%	Banked increases are permitted without limitations until the amount charged for rent reaches the rent ceiling
Hayward	5%	N/A	N/A	<p>Banked rent increase + current year's allowable increase cannot exceed 10%</p> <p>Unused banked amounts expire after 10 years</p> <p>Banked increases are transferrable to a successor landlord</p>
Richmond	60% of change in CPI	0%	3%	<p>Landlords may bank no more than 5% plus the current year's allowable increase (3% or less) - not to exceed 8%</p> <p>Banked increases are transferrable to a successor landlord</p>
East Palo Alto	80% of change in CPI	0%	10%	None Stated

Rent Increase Limits

Rent increase limits—sometimes referred to as “annual general adjustments”—vary by jurisdiction but are typically tied to a certain percentage of the change in the CPI for the jurisdiction's region or are established as a flat rate. The Ordinance proposes a rent increase limit of 60% of change in CPI, not to exceed 3%. The proposed rent increase limit aligns with Richmond, representing the most restrictive of the sample jurisdictions surveyed.

All but one of the sample jurisdictions (Hayward) tie their rent increase limit or annual general adjustment to a percentage of the change in CPI for the preceding twelve-month period. All five jurisdictions have maximum amounts for their rent increase limits, which range from 3 to 10%. Four of the five jurisdictions have minimum amounts for their rent increase limits which range from 0 to 1%. This “floor” acts as a safeguard to prevent rents from falling below a certain level.

Rent Banking

Some jurisdictions allow rent banking, which allow landlords to accrue rent increases they chose not to implement in prior years to the future. When rent banking is allowed, landlords can add a portion of what they "banked" to a subsequent year's rent increase. Some jurisdictions include noticing requirements when applying banked amounts. Others do not allow banking at all. When rent banking is allowed, ordinance may establish certain limits to prevent large and sudden rent increases for tenants. A majority (four) of the sample jurisdictions allow for rent banking and contain regulations on banking rents. The proposed Ordinance in San Pablo is silent on rent banking.

Administrative Considerations

Implementing rent increase limits involves a comprehensive set of administrative tasks. Initially, staff will need to educate landlords and tenants about the new regulations, provide guidance on allowable rent increases, and monitor compliance. This educational phase is crucial for ensuring that all parties understand their rights and responsibilities pursuant to the rent limit policies, which may involve conducting workshops, distributing informational materials, and offering one-on-one assistance.

Ongoing tasks include calculating annual allowable rent limits by reviewing market trends, assessing inflation rates or economic indicators, and applying the designated formula or percentage. Staff must communicate these limits clearly to landlords and tenants for accurate and fair implementation across all rental units.

Additionally, staff will collect and analyze data on rent levels using tools like surveys, rental market reports, and database analysis. This data collection effort is essential for evaluating the effectiveness of rent limits, monitoring changes in rental prices, and identifying any areas of concern or potential non-compliance.

Eviction Protection Provisions

Rent stabilization ordinances are often supplemented by eviction protection provisions designed to enhance tenant safeguards and prevent arbitrary evictions. These provisions specify the allowable grounds for a property owner to evict a tenant, categorizing them into at-fault and no-fault reasons. Additionally, these ordinances frequently mandate relocation assistance to help tenants displaced through no fault of their own in securing new housing. Enhanced eviction protections may also include stricter notice requirements, regulation of evictions under the Ellis Act, and oversight of tenant buyout agreements to ensure fair treatment and transparency. These measures collectively aim to provide a more secure and stable housing environment for tenants.

Just Cause Reasons for Eviction

Just cause reasons for eviction are specific grounds that a landlord must cite to legally evict a tenant. The Tenant Protection Act of 2019, also known as AB 1482, outlines these just cause reasons, separating them into two main categories: at-fault and no-fault evictions. At-fault evictions occur due to the tenant's actions or behaviors that violate the terms of the lease or rental agreement. Common at-fault reasons include failure to pay rent or breaching significant lease terms. No-fault evictions occur for reasons unrelated to the tenant's behavior. Examples of a no-fault eviction are situations where the property owner, or their immediate family member, intends to move into the rental unit as their primary residence or if significant repairs or renovations are necessary and cannot be completed while the tenant remains in the unit.

All five of the sample jurisdictions—Alameda, Berkeley, Hayward, Richmond, and East Palo Alto—include provisions in their ordinances that define just cause reasons for eviction at varying levels of specificity. These jurisdictions tailor their just cause eviction rules to reflect local housing needs and policy goals. The proposed Ordinance in San Pablo defines at-fault and no-fault reasons for eviction and introduces additional protections, including requirements for landlords to provide tenants with an opportunity to rectify any lease violations before proceeding with an eviction. Additionally, specific safeguards are proposed for elderly, disabled, and terminally ill tenants to prevent their displacement. The Ordinance also includes protections for educators and students to avoid evictions during the academic year, as well as protections for families when additional household members are added.

Noticing Requirements

All five of the sample jurisdictions incorporate additional noticing requirements at varying levels to enhance tenant protections when serving an eviction notice. These requirements may mandate that eviction notices include specific language outlining the reasons for eviction in clear and understandable terms, and that notices inform tenants of their rights under the local rent stabilization ordinance, such as the right to dispute the eviction or seek legal assistance. Furthermore, landlords may be required to provide a copy of the eviction notice to the City or relevant housing authority after service to a tenant. This allows for program oversight into the eviction process and can help to monitor eviction activities, verify compliance with rent stabilization regulations, and offer support to affected tenants.

The Ordinance proposed by the Initiative requires landlords to state the cause for termination and ensure that any notice of eviction includes specific language regarding the status of the rental unit and the local laws governing the unit. Furthermore, the Ordinance requires that any notice of termination of tenancy be provided to the City within three days of service to the tenant. Under the proposed Initiative, failure to comply with any part of the Ordinance can be used by the tenant as an affirmative defense in an eviction action brought by the landlord to recover possession of the rental unit.

Additionally, a unique aspect of San Pablo's proposed Ordinance is the requirement for landlords to obtain approval of a Tenant Safety Plan before undertaking repairs, construction, or substantial renovation of occupied rental properties. This measure aims to mitigate temporary untenable

conditions. The Tenant Safety Plan must include details such as the identities of the landlord, tenants, and contractors involved, point of contact information, a description of the scope of the work, the impact of the renovation on the habitability and personal property of the affected tenants, and appropriate mitigation measures. Program staff must review the Tenant Safety Plan within five working days of its submission, and after approval, a copy must be provided to the affected tenants along with a Notice of Substantial Renovation.

Relocation Assistance

Relocation assistance refers to guidelines and provisions established by a local jurisdiction requiring landlords to pay a defined amount to support tenants who are being evicted at no fault of their own. Relocation assistance payment amounts vary widely by jurisdiction and tenant qualifications, such as age or disability, and are intended to support tenants in finding new housing accommodations. Table 8 provides a summary of relocation assistance in each of the jurisdictions that were interviewed.

Table 8: Comparison of Relocation Assistance

Jurisdiction	Permanent Relocation	Temporary Relocation
San Pablo (Proposed)	Amount would be equal to four times the monthly Fair Market Rent for the rental unit being vacated, per tenant household, or \$8,000, whichever is more. Additional \$4,000 if any tenant is 62+, disabled, or terminally ill	Amounts would be \$150 per household for hotel expenses, \$30 per day per person for meal expenses
Alameda	Amount ranges from \$6,004 for studio apartments to \$15,900 for qualified tenants living in 4+ bedroom units	Amounts are \$228 per household for hotel expenses, \$66 per day per person for meal expenses, \$1 per day per household for laundry expenses, \$36 per day per cat and \$67 per day per dog
Berkeley	Amount ranges from \$18,011 for eligible households and an additional \$6,003 for qualifying households Amounts increase annually in accordance with the CPI adjustment	Amounts are \$120 to \$166 per day up to three people, and \$15 for each additional person per day. Per diem rates for cats and dogs are \$20 and \$50, respectively, per day per pet
Hayward	One month of rent, or waiver of the final month of rent	Amounts are \$161 per day per household for hotel/motel, \$32 per day per person for meal expenses, \$1 per day per household for laundry, \$31 per day per cat and \$56 per day per dog
Richmond	Amount ranges from \$4,177.01 to \$20,147.05 depending on bedroom count, qualified status, and reason for termination of tenancy	Amounts are \$178.24 per day per household for hotel/motel, \$35.88 per day per person for meal expenses, \$1.19 per day per household for laundry, \$34.69 per day per cat and \$62.21 per day per dog
East Palo Alto	Relocation assistance is not established specifically in the RSO. However, other Housing policies require landlords to pay to tenants residing on property for less than two years an amount of \$7,500 OR residing on property for two years or longer an amount of \$10,000 Additional qualified tenants are entitled to an additional \$2,500	Relocation assistance is not established specifically in the RSO. However, other Housing policies require landlords to waive or pay Tenant's rent during the period of temporary relocation, pay actual costs of moving and storage, and pay the actual costs for daily boarding of all pets lawfully occupying the unit.

All five jurisdictions interviewed require landlords to provide permanent relocation assistance in the event of no-fault terminations such as owner move-in or withdrawal from the rental market. The range of relocation assistance across these jurisdictions spans from one month's rent in Hayward to over \$20,000 in Richmond, contingent upon factors such as bedroom size and special circumstances.

All five jurisdictions also require that landlords provide temporary relocation assistance to tenants when they are required to temporarily leave their residences for reasons such as temporary displacement due to code compliance or government order. Temporary relocation assistance amounts vary and are often based on actual and reasonable temporary housing expenses. Provisions are often included that require landlords to allow tenants to move back in once repairs are complete.

It is important to note that in some jurisdictions, relocation assistance requirements are established through separate ordinances, distinct from the rent stabilization ordinance, and may be administered by different housing staff. This is the case in two of the five jurisdictions studied (Richmond and East Palo Alto).

Withdrawal from Rental Market

The Ellis Act (1985) allows landlords to exit the rental housing market and withdraw their units from rental use, permitting eviction of all tenants for purposes like converting units into condominiums or other ownership forms. Under the Ellis Act, local entities may impose various restrictions on landlords going out of business, such as requiring a notice of intent to withdraw, providing information about tenancies, offering relocation assistance, and imposing limits on future rental use of the property, including offering units to displaced tenants at former rental rates within specific timeframes. Three of the five sample jurisdictions include provisions in their ordinance or have a separate ordinance that regulates the withdrawal of rental units from the housing market.

The proposed Ordinance in San Pablo would implement regulations for landlords who wish to exit the rental business or demolish rental units. Landlords would be required to notify the City of their intent to withdraw or demolish and record a memorandum summarizing these provisions with the County Recorder. Landlords must provide tenants with a minimum 120-day notice of termination, or a one-year notice if the tenant is 62 or older, or disabled, along with other noticing requirements. If landlords re-rent the units after withdrawal, they would be liable to any displaced tenants and must offer the unit back to the tenant who was displaced. The rent that can be charged if the unit is re-rented to the displaced tenant would also be regulated. Additionally, the City would be responsible for maintaining a register of all units withdrawn from rent or lease and recording the applicable rent at the time of withdrawal.

Buyout Agreements

Some cities with rent stabilization ordinances include guidelines or provisions for tenant buyout agreements, where a landlord offers a financial incentive for a tenant to voluntarily vacate a rental unit. Among the sample jurisdictions surveyed, two of the five include provisions in their ordinance

or have a separate ordinance that regulates buyout agreements to ensure that tenants are well-informed about their rights in these situations. These provisions often require landlords to provide a written disclosure document outlining tenants' rights before making an offer and may specify the timeframe within which the tenant can rescind the agreement, typically ranging from 25 to 45 days.

The proposed Ordinance in San Pablo would require landlords to use a City-authorized form for written disclosures related to buyout agreements, informing tenants of their rights and their opportunity to rescind the agreement within 30 days after signing. Additionally, the City would be responsible for maintaining confidential records of buyout agreements and collecting and publishing data on all filed buyout agreements.

Administrative Considerations

Implementing robust eviction protection provisions such as those included in the proposed Ordinance may require a high level of staff oversight. Staff will collect and review eviction notices submitted by landlords to ensure they comply with the ordinance, verifying that all required documentation is included and that the reasons for eviction meet the criteria set forth in the Ordinance. Additionally, staff will review and approve Tenant Safety Plans within five working days, requiring a thorough understanding of the requirements and the ability to assess the adequacy of submitted plans. Maintaining and analyzing records for withdrawals from the rental market and tenant buyout agreements will also be a key responsibility, involving data entry into a secure database, monitoring trends, and generating reports to identify potential issues or patterns of non-compliance.

These tasks involve extensive education and outreach efforts. Staff will develop and distribute informational materials to landlords and tenants, conduct workshops and training sessions, and provide ongoing support to ensure all parties understand their rights and responsibilities under the new regulations. Tracking and documentation will be critical, necessitating the establishment and maintenance of comprehensive records of all eviction notices, Tenant Safety Plans, market withdrawals, and buyout agreements. Tenant support services will also be significant, with staff assisting tenants facing eviction in understanding their rights, navigating the process, and accessing available resources. Finally, compliance and enforcement efforts will involve regular audits of landlord submissions, investigating complaints, and taking necessary enforcement actions to address non-compliance, potentially including issuing warnings, fines, or other penalties, and coordinating with the City Attorney's Office for legal action if necessary.

Registration and Compliance

To achieve the intended goals of a rent stabilization policy, it is essential to establish clear procedures to monitor and enforce compliance. Effective compliance tools are crucial for ensuring that landlords and tenants adhere to a policy's provisions. Compliance tools may include the implementation of a rental registry and a rental registry fee and imposing administrative penalties and fines.

Annual Registration and Fee

A rental registry is a centralized database that contains information about rental properties within a particular jurisdiction. The registry typically includes details about the properties, landlords, and current tenancies. The primary purpose of a rental registry is to provide transparency, facilitate effective regulation, and ensure compliance with local housing laws. Typically, landlords incur a fee when enrolling their unit(s) in a rental registry software system. The rental registry fee is collected to cover costs associated with administering the program, including maintaining the registry, administering the program, responding to inquiries, processing petitions, coordinating public awareness efforts, and conducting compliance and enforcement activities. Table 9 provides a summary of rental registries and fees in each of the jurisdictions that were interviewed.

Table 9: Comparison of Rental Registry and Fee

Jurisdiction	Fee	Pass Through Fee	Penalties for Nonpayment
San Pablo (Proposed)	Controlled Rental Unit: \$120/unit Partially Exempt: \$84/unit	Not allowed	Tenant may withhold all or a portion of the Rent for the Rental Unit until such time as the Rental Housing Fee is paid or proper notice is filed Complete defense to an unlawful detainer
Alameda	Fully Covered: \$162/unit Partially Covered: \$109/unit	50% pass through to tenants	Cannot increase rent 10% late penalty with additional 10% added each successive month up to 60%
Berkeley	Fully Covered: \$290/unit Partially Covered: \$178/unit	Not allowed	Cannot increase rent or evict tenant 100% penalty
Hayward	Covered Rental Units: \$66/unit Non-Covered Rental Units: \$32/unit	50% pass through to tenants	Cannot increase rent
Richmond	Fully Covered: \$220/unit Partially Covered & Subsidized Units: \$125/unit	Not allowed	Late penalties ranging from 10% - 50% depending on length of time past-due Tenant may withhold all or a portion of the Rent for the Rental Unit until such time as the Rental Housing Fee is paid or proper notice is filed Complete defense to an unlawful detainer
East Palo Alto	Fully Covered: \$234/unit	Not allowed	Late penalties ranging from 15% - 100% depending on length of time past-due Cannot increase rent

Each of the five jurisdictions surveyed require landlords to register their rental units on an annual basis. All but one jurisdiction (East Palo Alto) implemented a rental registry for this annual requirement. The City of East Palo Alto indicated that they keep manual records and are in the process of establishing a rental registry, noting that they recommend avoiding manual record keeping if possible due to the administrative burden on staff.

The proposed Ordinance does not specifically mandate the establishment of a rental registry. However, several provisions of the Ordinance suggest that the City may need to develop a centralized database to collect fees and maintain records. For instance, the proposed Ordinance requires the Program to:

- Maintain a register of all Rental Units withdrawn from rent or lease, along with the rent applicable to each unit at the time of withdrawal.
- Collect data from filed Buyout Agreements, including the compensation paid for the Buyout Agreement and the neighborhood of the affected Rental Unit, and make that data public without revealing personally identifying information.
- Collect and maintain a database of unlawful detainer filings and termination, rent increase, and change in terms notices received.
- Charge and collect the Rental Housing Fee, including penalties for late payments.

Each of the five jurisdictions also impose fees for registering residential rental properties, with fee amounts varying from \$32 to \$290 annually per unit. Some jurisdictions establish separate registration fees for fully and partially covered units and/or make certain units exempt from paying a registration fee, such as units with rent-subsidized tenants. Generally, a fully covered unit refers to rental units where both rent stabilization and just cause eviction protections apply, and partially covered units refer to units where only the just cause eviction protections apply. Four of the five jurisdictions charge fees depending on whether the property is fully covered or partially covered. Two of the jurisdictions allow landlords to pass through up to 50% of the registration fee to tenants as a rent surcharge prorated over 12 months to balance the interests of landlords and tenants since registration benefits both parties.

The proposed Ordinance requires an annual Rental Housing Fee to cover the costs to administer, enforce, and enact the Ordinance, which will be determined by the City Council after the Program provides a recommendation. Until the fee is established by the City Council, the Ordinance calls for a fee amount of \$120 per Controlled Rental Unit per year and \$84 for Units that are partially exempt, with no mention of an allowable pass-through cost to tenants.

Administrative Penalties and Fines

To discourage noncompliance with the law, jurisdictions may grant authorities the power to impose punitive measures on landlords and their representatives in the event of violations. These measures, comprised of administrative fines and penalties, are managed by the department overseeing the program and are categorized as either civil or judicial penalties, with the latter

involving court proceedings and often requiring legal representation. It is important to note that jurisdictions typically offer appeal mechanisms, allowing those issued citations or suspected of violations to contest the allegations and seek a fair resolution. Table 10 provides a summary of administrative penalties and fines in the Ordinance and comparison jurisdictions.

Table 10: Comparison of Administrative Penalties and Fines

Jurisdiction	Type(s) of Penalties	Limits on Penalties
San Pablo (Proposed)	Damages for relocation payments, wrongful eviction, excess rent, harassment	Damages not less than three times actual damages Additional fines ranging from \$1,000 - \$5,000 for harassment damages
Alameda	Fines Misdemeanor and/or jail time Public nuisance designation	\$250 to \$1,000 depending on number of offenses in a year Misdemeanor may include fine up to \$1,000, jail time not to exceed six (6) months Designation may apply to any rental business
Berkeley	Tenant may file suit for damages with the city Misdemeanor and/or jail time	\$750 in addition to any damages \$500 fine and/or 90 days in jail for the first offense and \$1,000 fine and/or six (6) months jail time
Hayward	Administrative citation Misdemeanor and/or jail time	Liable for tenant damages and attorneys' fees Liable for civil penalty that is the greater of \$500 or three times the amount of money more than the maximum rent \$100 to \$500 depending on number of offenses in a year. After four offenses, misdemeanor and fine of no more than \$1,000 and/or six (6) months jail time
Richmond	Administrative hearing	All rent received, demanded, retained, or accepted more than the maximum allowable rent plus damages and being found guilty of a misdemeanor
East Palo Alto	None stated	None stated

Four of the five jurisdictions surveyed have some type of administrative hearing or direct citation, with maximum fines per violation ranging from \$500 to \$1,000. Some jurisdictions implement penalties and fines based on the existing administrative citation process set forth in the municipal code, while others adopt tailored fines for violations of the ordinance. These jurisdictions emphasize that robust penalties provide authorities with effective enforcement tools to address violations swiftly and decisively, and to help protect the rights and interests of the community.

The proposed Ordinance includes robust remedies for non-compliance, including damages for relocation payments, wrongful eviction, excess rent, and harassment in an amount equal to at least three times actual damages.

Administrative Considerations

Implementing a rental registry and collecting an annual fee requires careful administrative planning and coordination. Initially, staff will develop and set up a secure database to manage rental registry data and create both online and physical forms for landlord registration. The creation of a rental registry may be contracted out to a third party but will require staff oversight and collaboration. Staff will also conduct outreach and education for landlords, providing guidance on registration requirements, processing applications, verifying submitted information, and addressing any discrepancies.

Ongoing responsibilities include maintaining accurate and up-to-date records by entering and updating rental unit information, including changes in tenancy and ownership. To achieve high compliance rates, staff will develop and implement enforcement procedures, such as issuing notices of non-compliance and taking necessary enforcement actions. Additionally, staff will handle the fee collection process, which involves generating and distributing invoices, receiving and processing payments, and issuing receipts to landlords.

Implementing these administrative structures may require coordination with other City departments, such as Finance, IT, and the City Attorney's Office. The Finance Department may assist with streamlining the fee collection process with other fees collected at the City. The IT Department will be needed to implement robust IT infrastructure and security measures for data collection. Lastly, close coordination with the City Attorney's Office is essential to ensure that enforcement mechanisms are implemented, and the Program operates in compliance with the Ordinance.

Petitions and Petition Process

Petitions in rent stabilization programs serve as a formal mechanism through which landlords and tenants can seek redress or request adjustments based on specific circumstances. In rent stabilization programs that impose rent increase limits that are more restrictive than the limits set by State law, petitions are a required component of due process, ensuring that legal and procedural rights are upheld, conflicts are addressed fairly, and decisions are based on thorough evaluations of relevant factors. Each type of petition plays a vital role in maintaining a balanced relationship between tenants and landlords and promoting stability and fairness within the rental market. Table 11 provides a summary of petition types and fees in the Proposed Ordinance compared to each of the jurisdictions studied.

Table 11: Comparison of Petition Provisions

Jurisdiction	Tenant Petitions Received in the Past Year	Capital Improvement Petitions Received in the Past Year	Fair Return Petitions Received in the Past Year	Separate Petition Fee	Party Conducting Hearing	Party Overseeing Appeals
San Pablo (Proposed)	N/A	N/A	N/A	None	Hearing Examiner	City Council
Alameda¹	18	2	1	None	Hearing Officer	Court of appropriate jurisdiction
Berkeley	100-130	0	0	None	Hearing Examiner	Board
Hayward	31	24	0	None	Rent Review Officer	Court of appropriate jurisdiction
Richmond	228	50		None	Hearing Examiner	Board
East Palo Alto	7	N/A	0	\$25 per application, may waive for tenant if qualified	Hearing Examiner	Board

¹The City of Alameda received one additional type of Petition in the past year.

Petition Types and Fee

Generally, there are three types of petitions that a jurisdiction may include in their program: 1) fair return petitions, 2) tenant petitions, and 3) capital improvement petitions. Some jurisdictions include additional types of petitions depending on the community need. Depending on the type of petition, they may be submitted by the tenant or the landlord to a program administrator or decision-making body for consideration and approval.

1) Fair Return Petitions

A landlord is entitled under the law to receive a fair return on their rental property. If a landlord believes that the maximum allowable rent increase under the ordinance does not constitute a fair return, they have the right to file a fair return petition requesting an increase greater than what the ordinance provides. This is a legal requirement and as such, the proposed Ordinance and all comparison jurisdictions have a fair return petition available to landlords.

2) Tenant Petitions

All five jurisdictions have provisions in their ordinance that allow a tenant to file a petition asserting various types of claims against a landlord. Examples include requesting a rent decrease due to a substantial decrease in housing services, failure to repair or maintain a unit, or rent increases in excess of the allowable amount.

3) Capital Improvement Petitions

Four of the five jurisdictions studied allow for a petition to request a capital improvement pass-through to the current tenants. A capital improvement is one that materially adds to the value of the property (this is often detailed as a specific amount in the ordinance) or appreciably prolongs its useful life or adapts it to new uses. The improvement is typically amortized over the useful life. As such, these rent increases are temporary. In general, a capital improvement petition would allow a landlord to recover the cost of capital improvements when the improvements benefit the units in question and the improvements were not necessitated by the current landlord's neglect or failure to maintain the property. Examples of capital improvements include new windows, a roof replacement, and exterior painting to the entire building.

4) Other

Although less common, some jurisdictions have developed additional petitions to allow for tailoring policies to community needs. Examples include petitions to determine exempt status, petitions for a rent increase for additional occupants, and petitions to determine occupancy status.

In some programs, a petition fee is required by the governing authority or agency overseeing the petition process. The purpose of the fee is to cover administrative costs associated with processing the petition, conducting analysis, and organizing hearings or other proceedings. This fee is typically levied on landlords or tenants who wish to file a petition related to rent stabilization. The specific purpose and amount of the petition fee can vary depending on the jurisdiction and the provisions of the ordinance. Only one of the comparison jurisdictions, East Palo Alto, imposes a petition fee of \$25, however, a low income waiver is available for tenants that may be unable to pay the associated fee. The proposed Ordinance does not implement a fee to submit or process petitions.

Petition Review and Hearings

Petitions are submitted to provide a ruling or decision over disputed matters, which typically takes place during a hearing. Hearings are formal procedures where landlords and tenants present evidence and testimony before a hearing officer, board, or designated arbitrator. The party who files the petition bears the burden of proof of all relevant factors in the petition.

It can take several months from the time a petition is submitted to reach a decision from a hearing officer. The duration is attributed to the time needed to review the submitted petition and supporting documents, obtain any necessary additional documentation, provide noticing, schedule a hearing with both parties and/or their representatives, and if applicable, administer appeals of decisions. The general steps involved in the hearing process are as follows:

1. Landlord or tenant submits a petition
2. Staff reviews petition for completeness
3. Notice of and scheduling for the hearing is provided to all parties
4. Petitioner and responding party gather and submit evidence
5. Hearing takes place
6. Petition authority makes a legally binding decision

7. Appeals process (if applicable)

Petition authority refers to a designated entity or governing body responsible for overseeing and managing the process of receiving, reviewing, and addressing petitions related to rent stabilization. Program staff, an elected or appointed board, a third-party hearing officer/examiner, or some combination of these typically serve the function of petition authorities. The primary role of a petition authority is to provide a formal ruling on submitted petitions regarding rent stabilization matters. The petition authority typically has the responsibility to review and evaluate each petition, ensuring they comply with the established guidelines and requirements, as well as to conduct hearings on contested matters and provide a determination to resolve the dispute. All five of the jurisdictions interviewed designate a hearing officer or examiner to make decisions on petitions, which is in alignment with the proposed Ordinance.

Appeals

Appeals allow a landlord or tenant to challenge a decision on a petition. While any decision may be appealed in a court, specific ordinances may permit an appeal to a hearing officer, board, or arbitrator. Conversely, in some cases, the initial ruling is deemed final within the City's jurisdiction, requiring an appeal to be escalated to a court of local jurisdiction for further review.

Among the five jurisdictions examined, three permit the appeal of a petition decision within their respective programs, which is entrusted, either entirely or partially, to their rent board or commission. The formation of a board or commission allows city councils to maintain a more hands-off role while fostering community involvement and garnering support. Rent stabilization boards offer a forum for diverse stakeholder representation, including landlords, tenants, and other community members without financial interests in real estate. These boards are typically supported by dedicated program staff to carry out their various duties. In lieu of a board hearing appeals to the hearing examiner's decisions, the proposed Ordinance states that appeals will be heard by the City Council to affirm, reverse or modify the decision of the hearing examiner.

Administrative Considerations

When implementing a rent stabilization program, city staff will need to handle a range of administrative tasks to ensure the smooth processing of petitions, hearings, and appeals. At the onset, staff will create standardized petition forms and enact rules and regulations to govern the hearing and appeals process. This foundational work ensures clarity and consistency for all parties involved. Additionally, a qualified hearing officer will be identified to preside over the hearings, ensuring impartiality and adherence to legal standards. The hearing officer is typically an attorney from a law firm contracted by the City for that specific purpose.

Once the program becomes operational, staff will be responsible for reviewing petitions submitted by tenants or landlords and verifying all required documentation and evidence. This process involves checking the completeness and accuracy of petitions, serving as a point of contact for the petitioner and responding party, and preparing documentation for further action. Staff will assist with scheduling hearings, coordinating dates, times, and venues, and notifying all involved parties. Additionally, staff will prepare and distribute hearing notices, including detailed information about the hearing procedures, the issues at stake, and any pre-hearing requirements. Staff may

also need to prepare detailed reports that summarize the petitioner's claims and analyze the relevant evidence. The City may contract out petition review and analysis to a third-party consultant if needed, however staff will need to provide oversight and collaboration.

During the hearings, staff will support the hearing officer by managing logistics, recording proceedings, and handling any administrative tasks that arise. They will compile and organize all submitted evidence, testimonies, and relevant documents into a comprehensive case record. In cases where appeals arise, staff may assist with reviewing the appeal submissions for compliance with procedural requirements, preparing the appeal case files, and coordinating the scheduling of appeal hearings before the City Council. Throughout the process, staff must maintain meticulous records, provide regular updates to involved parties, and ensure compliance with applicable laws, regulations, and city policies.

Enhanced Tenant Protections

In addition to tenant protections previously detailed that are commonly included in rent stabilization ordinances, some jurisdictions incorporate additional tenant protections into their ordinances. Enhanced tenant protections may include granting tenants the right to organize and implementing robust anti-harassment measures.

Right to Organize

The right to organize in the context of tenant protections refers to the ability of tenants to gather to act on shared collective interests as tenants. This may include, but is not limited to, engaging with other tenants for the purpose of mutual aid and protection, convening meetings in a space accessible to tenants, informing other tenants of their rights, and advocating for government action or legislation addressing tenant issues.

The proposed Ordinance includes provisions regarding a landlord's non-interference in organizing activities, the right for tenants to establish a tenant association, a requirement for landlords and tenant associations to confer in good faith, the right to tenant representation, and establishes a requirement for landlords, at the request of a tenant association, to attend association meetings once per calendar quarter. It should be noted that none of the sample jurisdictions include provisions regarding a tenant's right to organize.

Anti-Harassment / Retaliation provisions

Anti-harassment and retaliation protections refer to provisions that prevent landlords from engaging in harassing and retaliatory behaviors towards tenants. California state law includes a number of anti-harassment and retaliation provisions, most notably Civil Code Section 1942.5, which prohibits a landlord from raising rent, reducing housing services, forcing a tenant to move out involuntarily, or attempting to evict a tenant because the tenant has exercised any legal rights, such as raising habitability concerns or being involved in a tenants' rights organization.¹³ However,

¹³ California state law also provides additional tenant protections, including but not limited to, outlining only specific reasons a landlord may enter a dwelling unit, establishing the requirement for landlords to provide reasonable notice in writing of the intent to enter the dwelling unit, preventing the interruption or termination of utility services, prohibiting landlords from preventing the tenant to gain reasonable access to the property, and preventing landlords from removing tenant personal property without prior written consent (Source: CA Civil Code Sections 789.3, 1940.2, and 1954).

some jurisdictions implement additional provisions that protect a tenant's right to quiet enjoyment of the premises.

All five sample jurisdictions include provisions regarding harassment and/or retaliation at varying levels of detail. The proposed Ordinance takes a comprehensive approach to regulating harassment by prohibiting landlords, as well as their agents, from engaging in actions that are either negligent or in bad faith. The Ordinance details 28 specific acts that constitute bad faith, while also providing for the creation of regulations to further define and guide the identification of bad faith conduct.

Administrative Considerations

Adopting additional tenant protections such as the right to organize and anti-harassment provisions within a rent stabilization framework requires thorough planning and coordination. Initially, city staff must educate both landlords and tenants about the new regulations to clarify the legal nuances of organizing rights and assist the community in understanding harassment. Additionally, staff may need to establish clear policies and procedures for enforcing these protections, which involves setting up standardized complaint reception processes, including a dedicated email and phone line.

On an ongoing basis, staff may investigate complaints, which involves collecting evidence and maintaining records of all complaints and investigations to identify patterns that may require regulatory adjustments or additional educational efforts. Furthermore, staff may collaborate with other city departments or external legal experts to handle complex cases or prosecute persistent offenders, ensuring that the protections are enforceable and effectively enhance tenant security in the community.

FISCAL IMPACT ANALYSIS

RSG has conducted a detailed fiscal impact analysis on the implementation of a rent stabilization program, including an in-depth review of key factors such as program staffing and budgeting, as well as start-up and ongoing costs associated with such initiatives. These factors are crucial in shaping the administrative and financial demands of the program and play a significant role in determining the resources needed for its effective management at the local level.

Program Staffing and Budget

There are several critical factors that must be considered to effectively estimate the required budget and staffing levels necessary to support a rent stabilization program. These factors include the total number of covered rental units within the City, the scope of regulatory oversight, and the City's existing staffing framework.

Table 12 provides an overview of the program staffing and budgets of each of the five sample jurisdictions and includes an estimate of the budget required to effectively manage the demands of a rent stabilization program in San Pablo. RSG estimates **San Pablo would require an annual budget of approximately \$1.21 million** to implement the Ordinance proposed by the Initiative. The estimated fiscal impact for San Pablo's program assumes that it will initially operate at a moderate capacity. In the early stages, the program will likely concentrate on basic compliance due to staffing and resource limitations. However, the proposed Ordinance necessitates a high level of regulatory oversight, which will drive the program towards more comprehensive enforcement and community engagement over time. Assumptions are detailed in Table 13 and the subsequent sections.

Table 12: Comparison of Program Staffing and Budget

Jurisdiction	FTE	Annual Budget Allocation ¹	Number of Rental Units	Registry Fee per Unit	Cost Per Rental Unit ²	Division of Work ³
Low-Capacity³						
East Palo Alto	2 + Temp Staff as needed	\$615,000	2,500 Rent Stabilized Units	Covered Rental Units: \$234	\$246	Administration, Compliance, Hearings, Petitions, Public Information, Registration, Termination of Tenancy
Hayward	3.5	\$642,000	Fully Covered Units: 11,580	Covered Rental Units: \$66/unit Non-Covered Rental Units: \$32/unit	\$55	Administration, Hearings, Mediation, Petitions, Termination of Tenancy

Jurisdiction	FTE	Annual Budget Allocation ¹	Number of Rental Units	Registry Fee per Unit	Cost Per Rental Unit ²	Division of Work ³
Moderate-Capacity						
San Pablo	5	\$1.21M	~5,608 Rental Units	Fully Covered: \$120⁴ Partially Covered: - \$84⁵ <i>(Preliminary)</i>	\$215	Administration, Compliance, Hearings, Petitions, Public Information, Data Collection, Termination of Tenancy
Alameda	7.5	\$1.99M	Fully Covered Units: 13,741 Partially Covered Units: 2,838	Fully Covered: \$162/unit Partially Covered: \$109/unit	\$120	Compliance, Hearings, Petitions, Public Information, Registration, Termination of Tenancy
High-Capacity						
Berkeley	26	\$7.51M	Approx. 25,000 Registered Units	Fully Covered: \$290/unit Partially Covered: \$178/unit	\$300	Administration, Compliance, Counseling, Hearings, Housing, Mediation, Petitions, Public Information, Termination of Tenancy
Richmond	14	\$3.00M	Approx. 18,000 Registered Units	Fully Covered: \$220/unit Partially Covered & Subsidized Units: \$125/unit	\$167	Compliance, Counseling, Hearings, Housing, Legal Assistance, Petitions, Public Information, Registration, Termination of Tenancy

¹ Based on 2023-24 program annual budgets. Amounts are rounded. Cost per total units shown in the "Number of Rental Units" column.

² Division of work refers to the allocation of responsibilities and tasks among staff and the various parties engaged in the implementation, maintenance, and oversight of the program.

³ See the “Scope of Regulatory Oversight” section for a description of Low-, Moderate-, and High-Capacity classifications.

^{4,5} Proposed Rental Housing Fee that would go in effect until the Rental Housing Fee is determined by the Council.

Table 12 provides data on program costs per rental unit, calculated by dividing each jurisdiction's annual budget allocation by the estimated number of rental units covered under their rent stabilization provisions. This figure varies greatly between jurisdictions, ranging from \$55 to \$300, and demonstrates the amount of funds ‘allocated’ to each rental unit from a program’s annual budget. A lower cost per rental unit may be due to a lower level of services required by an ordinance, but it may also point to programs with limited financial resources and program capacity. For instance, the City of Hayward, with the lowest cost per rental unit at \$55, is a largely complaint-based program with minimal enforcement procedures.

Higher costs per rental unit may correlate to higher complexity and operational demands of the program, but it may also point to a baseline level of resources required to administer a program regardless of the number of covered units. The City of East Palo Alto, for example, is considered a low-capacity program, however, costs per rental unit are relatively high. This suggests that regardless of the jurisdiction, certain fundamental costs are inherently associated with operating these programs, even with limited staffing and constrained resources.

It should be noted that although the cost per unit offers a general overview of financial allocation across the jurisdictions surveyed, it is not a definitive metric for evaluating the budgetary adequacy or financial management of a rent stabilization program. The following sections will explore the key factors influencing the administrative and financial requirements of program implementation. Additionally, after adopting a rent stabilization ordinance, a formal fee study may offer more precise insights into the operational costs tied to the ordinance as adopted, enhancing understanding and enabling more accurate budget planning.

Number of Rental Units

The number of rental units in a city plays a critical role in determining the budget and staffing needs of a rent stabilization program. As the number of rental units increases, the scope and complexity of managing the program also grows. This expansion requires more staff to handle a variety of tasks such as processing registration and petitions, managing data, conducting enforcement, and engaging with the community. Each of these tasks demands dedicated personnel to ensure the program operates smoothly and complies with legal standards. Accordingly, a larger rental market necessitates a correspondingly larger administrative structure, which, in turn, increases the budget for salaries, benefits, and operational costs to support the additional staff.

The size of the rental market affects the resources needed for effective program implementation. A city with a larger number of rental units might also see more disputes and a greater number of submitted petitions, requiring specialized staff and third-party hearing officers or legal experts. On the other hand, in cities with fewer rental units, the program might operate with fewer staff and lower budgetary allocations. Thus, city officials must carefully analyze the rental housing market's size to tailor the rent stabilization program's staffing and budget, ensuring it is both effective in its enforcement and efficient in its use of public funds.

Scope of Regulatory Oversight

The scope of regulatory oversight in a rent stabilization program significantly impacts its budget, primarily by defining the breadth and depth of required staffing activities. A comprehensive set of regulations demands a robust budget to support detailed compliance checks, diverse tenant-landlord services, and extensive documentation collection and monitoring. This necessitates increased staffing, robust training, and technology resources. Additionally, an assertive enforcement strategy requires more resources for legal support, enforcement officers, and ongoing training to handle complex legal issues effectively. Furthermore, extensive regulatory oversight often involves significant community outreach and education efforts to ensure landlords and tenants understand their rights and responsibilities. This includes funding public workshops, informational campaigns, and dedicated support lines, which all require substantial investment in materials, event coordination, and personnel.

Table 12 summarizes program staffing and budget in each of the sample jurisdictions. To better understand the implementation of rent stabilization across different jurisdictions, we have classified sample jurisdictions into three distinct levels of regulatory oversight based on their capacity and approach to enforcement and outreach. These classifications help identify how different cities allocate resources and prioritize rent stabilization within their administrative frameworks.

Low-capacity programs are characterized by limited staffing and constrained resources. These jurisdictions typically exhibit less proactive enforcement and minimal outreach efforts, focusing primarily on basic compliance and reactive measures. Moderate-capacity programs possess sufficient staffing levels and resources to conduct moderately proactive enforcement and outreach. These programs balance reactive measures with preventive actions and maintain a moderate level of community engagement. Finally, high-capacity programs represent jurisdictions with the most extensive resources and staffing levels, characterized by high levels of proactive enforcement and comprehensive outreach efforts. These jurisdictions prioritize rent stabilization highly within their policy agendas and invest significantly in ensuring broad compliance and active community involvement.

For the purposes of this report, San Pablo is classified as a moderate capacity program because, despite having a lower number of rental units, the proposed Ordinance outlines a high level of regulatory oversight. This classification assumes that a moderate level of operation will need to be established initially to address provisions of the ordinance such as collecting and reviewing eviction notices, approving Tenant Safety Plans, maintaining and analyzing records for rental market withdrawals and tenant buyout agreements, conducting education and outreach efforts, developing and setting up a secure database, monitoring compliance, and processing petitions.

Existing Staffing Framework and Efficiency

When determining the staffing needs and budget for a rent stabilization program, the existing staffing framework and efficiencies within the local jurisdiction are crucial factors to consider. The City does not currently have the staffing required to manage and enforce a rent stabilization program and would need to hire new staff or reallocate existing personnel to support the program. Without an adequate staffing framework already in place, the City must invest in training new hires or existing staff to ensure they understand the complexities of rent stabilization laws and can

effectively implement and enforce the program. This initial investment in staffing and training can significantly impact the program's start-up and ongoing budget. The City must ensure the team is well-equipped to manage the program's demands efficiently and effectively.

The existing administrative efficiency within the local jurisdiction also plays a significant role in determining program staffing. Cities that already have streamlined and efficient administrative processes in place may require fewer staff for the rent stabilization program, as their existing frameworks can more easily adapt to the new regulatory demands. In contrast, cities with less efficient systems might find that more personnel are necessary to handle the administrative load effectively. This difference can lead to variations in how resources are allocated. For example, when RSG interviewed the City of East Palo Alto, their staff expressed that many of the City's processes, including annual registration, tracking complaints and inquiries, and collecting fees, are tracked manually, which consumes a significant amount of staff time. Staff indicated that this lack of program efficiencies means that a significant portion of staff time is devoted to administrative tasks and noted that implementing automated processes would reduce the time spent on routine tasks and allow staff to focus on other critical aspects of the program. Therefore, enhancing administrative efficiency is crucial for optimizing staffing levels and ensuring that the program operates smoothly within the available budget.

Estimated Staffing Needs

RSG estimates that the City would need to hire five full-time equivalent staff members to efficiently administer the rent stabilization program proposed by the Initiative. This is based on a thorough analysis of the size of the rental market, the scope of regulatory oversight in the proposed Ordinance, and the existing staffing framework within the City. The suggested team composition includes a Rent Stabilization Manager, who would oversee the program's overall operations, policy enforcement, and strategic planning. Two Management Analysts would support the manager and handle a variety of essential functions, including data and policy analysis, processing applications and petitions, monitoring compliance, coordinating outreach efforts, and collecting program fees. Lastly, two Administrative Clerks would be responsible for public correspondence to address queries and concerns about the program, maintaining accurate records, coordinating meetings and preparing minutes, and providing general administrative support to ensure the smooth operation of the rent stabilization program.

The inclusion of these roles is crucial for managing the complex demands of a rent stabilization program, which requires not only ongoing monitoring and regulation of rental units but also effective communication with both landlords and tenants to ensure compliance and address issues. The Rent Stabilization Manager's strategic oversight ensures that the program aligns with city policies and goals while adapting to evolving housing market conditions. Meanwhile, the Management Analysts provide the necessary support to implement policies, analyze program data, and engage with the community, thereby facilitating the smooth operation of the program. The Administrative Clerks play a crucial role in facilitating communication and ensuring all program-related activities are documented and managed efficiently. This staffing plan, derived from our detailed assessment of the City's needs and current capabilities, ensures that the program has the dedicated and specialized resources it requires to be successful. The costs associated with these five positions are further detailed in the following section.

Cost Breakdown and Considerations

The consideration of start-up and ongoing costs is essential in projecting the budget required to implement a rent stabilization program. This report considers the annual budgets of sample jurisdictions that currently administer rent stabilization programs, offering a broader perspective on varying cost structures. It also considers the City of Concord's budget, which is currently in its first year of program implementation. The insights from Concord are particularly valuable as they provide real-time data and practical experiences related to launching a rent stabilization program. These combined sources provide a detailed overview of both initial and recurring financial commitments necessary to sustain such a program effectively.

Proposed Ordinance Cost Estimate

Implementing a new program or division requires an initial investment to establish the infrastructure, resources, and personnel necessary to support the program's objectives. Understanding these start-up costs is essential to ensure that the program is adequately funded and equipped to meet its regulatory responsibilities from the outset.

When planning the budget for a rent stabilization program, it is crucial to account for various start-up and ongoing cost categories to ensure a comprehensive and functional implementation. The major expense categories can be broadly classified into salaries and benefits, city department charges, professional and administrative services, and miscellaneous costs.

Table 13 details cost estimates to implement the Ordinance proposed by the Initiative as a potential model. These estimates are derived from data from other jurisdictions and a review of the City budget. Start-up costs include one-time costs to implement the program, such as the creation of a rental registry, setting up a City webpage, drafting program documents, and outreach to educate landlords and tenants. Additional expenses in the first year of program implementation should also be accounted for, including legal consultation fees, staff training, office setup, public awareness campaigns, professional services, printing and distribution of materials, software licensing, community workshops, and translation services. Ongoing costs include maintaining the rental registry and fees, reviewing tenant petitions, holding hearings, and monitoring compliance. Ongoing costs are subject to change based on the volume of public inquiries, complaints, and petitions, as well as salary and professional service contract negotiations.

Ongoing costs are typically higher than start-up costs based on a review of peer jurisdictions that implemented rent stabilization in the last ten years. For example, Richmond expended \$2.0 million in fiscal years 2016-17 (partial) and 2017-18 and \$2.0 to \$2.5 million annually in each of the next five years. Alameda expended approximately \$611,000 in fiscal year 2016-17, \$958,000 in 2017-18, and \$1.5 million in each of the next two years. Concord anticipates \$700,000 in start-up costs and \$850,000 annually thereafter, excluding inflation. These figures underscore the importance of prioritizing sustainable funding for ongoing operations to ensure the effectiveness and stability of rent stabilization programs.

If rent stabilization is enacted in the future, RSG recommends conducting a more detailed fee study to accurately determine costs that are specifically tailored to the scope and requirements of the program as adopted.

Table 13: Estimated Annual Costs and Start-Up Considerations

Category	Estimated Annual Budget	Assumptions	Start-Up Cost Considerations
Salaries and Benefits			
Program Manager (1 FTE)	\$173,113	Community Services Manager position with Step C classification and 35% benefit allocation as indicated on City's Salary Schedule (FY 2023-24)	There may be more personnel involved in year one to establish frameworks, integrate systems, and handle the increased administrative workload associated with launching new operational processes. Initial costs may be higher to provide comprehensive training to staff
Management Analyst (1 FTE)	\$146,286	Management Analyst position (confidential employee criteria) with Step C classification and 35% benefit allocation as indicated on City's Salary Schedule (FY 2023-24)	Same as above
Management Analyst (1 FTE)	\$146,286	Same as above	Same as above
Administrative Clerk (1 FTE)	\$78,991	Administrative Clerk I position with Step C classification and 35% benefit allocation as indicated on City's Salary Schedule (FY 2023-24)	Same as above
Administrative Clerk (1 FTE)	\$78,991	Same as above	Same as above
<i>Salaries and Benefits Subtotal</i>		\$623,667	
City Department Charges¹			

Category	Estimated Annual Budget	Assumptions	Start-Up Cost Considerations
City Attorney	\$73,502	Assumes 0.25 FTE of City Attorney position staff time at Step E hourly classification as indicated on City's Salary Schedule (FY 2023-24)	Increased time in year one to develop policies and procedures and ensure program and messaging is legally sound
Paralegal	\$39,394	Assumes 0.25 FTE of Paralegal II position staff time at Step C hourly classification and 35% benefit allocation as indicated on City's Salary Schedule (FY 2023-24)	Same as above
Finance Department	\$66,355	Assumes 0.5 FTE of Accountant position staff time at Step C classification and 35% benefits allocation as indicated on City's Salary Schedule (FY 2023-24)	Increased time in year one to integrate financial processes specific to the new rent stabilization program (e.g. collection of fees, budget development)
<i>City Department Charges Subtotal</i>	<i>\$179,251</i>		
Professional and Administrative Services			
Rental Registry Contract	\$140,000 to set up in first year, \$80,000 thereafter	Based on City of Concord annual contract costs. Aligns with costs in other jurisdictions. Actual cost will vary based on unit volume, scope of services, degree of customization and automation, and the chosen management firm (e.g. 3di, Tolemi, etc.). Costs may increase if integration with other municipal systems of data migration from older systems is necessary.	Significant initial costs in year one, including software acquisition, system integration, staff training, and outreach efforts Although San Pablo will have a rental registry in place, the City will likely require a new registry with more features to effectively administer the provisions outlined in the proposed Ordinance

Category	Estimated Annual Budget	Assumptions	Start-Up Cost Considerations
Hearing Officer Fees	\$40,000	<p>Based on the City of Alameda Fee Study Update (FY 2020-21) that assumes \$200 fully burdened hourly rate at 200 annual billable hours</p> <p>Actual costs will vary depending on the number and type of petitions received</p>	Costs may be lower in year one, particularly if the rollout of the petition process is phased over an extended period
Consultant Fees	\$200,000	<p>Depending on the volume of inquiries and petitions received, external consultants may be contracted if workload cannot be addressed by in-house staff. Estimate assumes creation of program documents, 3 public workshops, responding to public inquiries, and reviewing up to 25 tenant petitions.</p> <p>Actual costs will vary depending on scope of services and volume of inquiries and petitions. Landlord fair return petitions are more time intensive and therefore more costly than tenant petitions.</p>	Year one costs may be greater due to higher volume of inquiries with initial program implementation
Translation Services	\$4,000	<p>Based on City of Alameda Fee Study Update (FY 2020-21); reflects the City of Alameda's anticipated cost per covered unit times the number of rental units in San Pablo</p> <p>Services include translation services for public inquiries, cases, meetings, and written materials</p> <p>Actual costs will vary depending on number of public inquiries, petitions received, and level of community outreach efforts</p>	Increased costs in year one due to the need for translating newly developed forms and outreach materials, along with increased community outreach initiatives that may require translation

Category	Estimated Annual Budget	Assumptions	Start-Up Cost Considerations
<i>Professional and Administrative Services Subtotal</i>	\$384,000		
Miscellaneous			
Office Supplies	\$3,000	Based on average office supplies costs from City of Alameda Fee Study Update (FY 2020-21), Richmond Rent Program budget (FY 2023-24), and Berkeley Rent Stabilization Program Budget (FY 2024) times the number of rental units in San Pablo	Increased costs in year one due to the setup of new offices and the procurement of essential equipment and materials necessary for program operations
Outreach / Mail Services	\$13,000	Based on average outreach and mail services costs from City of Alameda Fee Study Update (FY 2020-21), Richmond Rent Program budget (FY 2023-24), and Berkeley Rent Stabilization Program Budget (FY 2024) times the number of rental units in San Pablo	Increased costs in year one due to the need to establish awareness of the program (e.g. extensive mailing campaigns, production of informational materials, and hosting community meetings)
Phone/Fax/Internet	\$6,000	Based on average phone/fax/internet services costs from City of Alameda Fee Study Update (FY 2020-21), Richmond Rent Program budget (FY 2023-24), and Berkeley Rent Stabilization Program Budget (FY 2024)	Increased costs in year one to establish new communication lines and support increased inquiries and operational demands
<i>Miscellaneous Subtotal</i>	\$22,000		
Total	\$1,208,918		

¹Other central City departments (City Clerk, Information Technology, and Human Resources) may be involved periodically in administering the program but RSG does not believe these staff requirements will impact staffing levels.

First-Year Implementation

As cities plan to implement rent stabilization programs, understanding the financial and administrative demands in the first year is crucial for effective program roll-out. This is highlighted by an interview with the City of Concord, which is implementing its own rent stabilization program after adopting an ordinance in April 2024. The information provided by Concord is summarized in Table 14 and provides insights on anticipated and actual expenses, staffing configurations, and the challenges and strategies of starting such a program.

Concord's experience highlights that the first year of implementing a rent stabilization program requires substantial start-up costs and careful consideration of staffing needs. The City has budgeted approximately \$700,000 in start-up expenses for the initial year. Expenditures include, but are not limited to, rental registry software administration, hearing officer fees, and community outreach and education. Concord has contracted with a third-party to set up a rental registry and is in the process of identifying a contracted hearing officer. Concord is planning an extensive public outreach campaign to ensure that both landlords and tenants are well-informed about the new regulations. Notably, Concord has budgeted for increased costs in subsequent years, estimating approximately \$850,000 annually to administer petition hearings.

Concord's strategy includes critical timing decisions, such as delaying the acceptance of petitions until October 2024 to allow city staff ample time to fully understand the ordinance and put necessary systems in place. This approach ensures that systems and staff are adequately prepared to effectively handle the program's requirements. The City of Concord's experience emphasizes the importance of strategic planning in budgeting and staff allocation to manage the workload and meet the program's goals in its formative phase.

Table 14: City of Concord Program Implementation Costs

FTE		Start-Up Budget Allocation	Annual Budget Allocation	Number of Rental Units	Registry Fee per Unit	Cost per Rental Unit ¹	Division of Work
Concord	3	\$700,000	\$850,000 (anticipated)	Fully Covered Units: 9,200	Fully Covered Units: \$47	\$47	Administration, Hearings, Petitions, Public Information, Registration
				Partially Covered Units: 8,900	Partially Covered Units: \$29		

¹Amounts are rounded to the nearest whole dollar.

Reasons for Potential Deficits

The goal of rent stabilization programs is to adopt an annual fee structure to cover all administrative costs associated with the program. However, achieving this balance can be challenging. Factors such as non-compliance with annual fee payments directly impact the program's primary revenue stream, leading to budget shortfalls. Additionally, incorrect assumptions about the number of rental units or underestimating the demand for services, such as petition processing, can result in unanticipated expenses. An increase in public records requests, legal challenges, and the need for extensive community outreach can further strain a

program's budget. In cases where shortfalls persist, it may be necessary to cover program deficits from the City's general fund or other sources.

Strategies for Managing Ongoing Costs

Several strategies can be implemented to effectively manage ongoing costs of a rent stabilization program. Regular financial reviews are crucial as they enable program administrators to modify the budget in response to actual expenditures and compliance rates. This flexibility ensures the program remains responsive to changing financial landscapes. Additionally, building in the ability to adjust the fee structure annually allows the program to adapt based on actual costs, maintaining operational effectiveness without jeopardizing its goals, even amidst financial unpredictability. Such adaptability not only stabilizes funding but also secures the long-term sustainability of the rent stabilization program. Lastly, investing in technology to streamline administrative processes can significantly cut labor costs and improve service delivery. By implementing these strategies, the City can maintain the financial health of the rent stabilization program to effectively serve the community.

WORK PROGRAM

This section presents key considerations and a comprehensive list of steps with corresponding timelines to implement rent stabilization. This approach is designed to encourage a smooth rollout and effective management of a rent stabilization program.

Key Considerations

To ensure the successful implementation and sustainability of a rent stabilization program, RSG presents the following key considerations derived from our research and analysis of similar programs in other jurisdictions:

1. **Establish Clear Priorities:** Identify and prioritize the community's key concerns through community engagement such as enforcement of annual rent increase limits and landlord ability to make a fair return on investment.
2. **Create a Comprehensive Staffing Plan:** Develop a staffing plan that not only covers the initial implementation phase but also considers long-term needs for program maintenance and expansion.
3. **Conduct a Thorough Fee Study:** If a rent stabilization program is adopted, carry out a detailed fee study based on the scope of the adopted ordinance. Analyze Citywide staffing, supply, and overhead costs to ensure the program's rental registry fees are accurately aligned with operational costs and community economic conditions. Regularly prepare updated fee studies to refine budgets and rental registry fees based on actual rent registry and petition data.

Implementation Steps and Timelines

The implementation process can be strategically segmented into five key phases:

1. **Preparation and Planning (2-6 months):** Develop detailed project plans that define the roles and responsibilities for all involved personnel. Conduct a comprehensive fee study to determine the appropriate fee structure.
2. **Recruitment and Training (2-4 months):** Hire the necessary staff and provide them with specialized training on rent stabilization policies and administrative procedures.
3. **System Development and Testing (3-6 months):** Build or procure necessary IT systems for registration, complaint management, and enforcement tracking. Ensure thorough testing of these systems to prevent potential disruptions.
4. **Public Outreach and Education (Ongoing with emphasis at launch):** Begin outreach efforts to inform landlords and tenants about the new regulations. Implement continuous educational programs to maintain awareness and compliance.
5. **Program Launch and Initial Operations (6-12 months):** Officially launch the program. Start the registration process, begin collecting program fees, accept and process petitions.

Implementation of a rent stabilization program is a significant and multifaceted undertaking that requires careful planning, significant resources, and ongoing management to ensure its success and sustainability. The report's recommendations for administrative practices, financial planning, and community engagement offer a roadmap for effective implementation. It is crucial to engage with stakeholders, refine strategies based on emerging needs, and monitoring outcomes to adapt and evolve a rent stabilization program.

APPENDIX A – DEFINED TERMS

City	City of San Pablo
Costa-Hawkins	Costa-Hawkins Rental Housing Act of 1995 (Civil Code Sections 1954.50-1954.535)
CPI	Consumer Price Index established by the U.S. Bureau of Labor Statistics
DOF	California Department of Finance
HCD	California Department of Housing and Community Development
Initiative	<i>San Pablo Rent Stabilization and Tenant Protections Initiative</i> proposed by Movement Legal in a Notice of Intent to Circulate dated December 14, 2023
Ordinance	Rent Stabilization and Tenant Protections Ordinance proposed by the San Pablo Rent Stabilization and Tenant Protections Initiative
RSG	RSG, Inc., a community development consulting firm retained by the City to prepare this independent fiscal analysis report
RHNA	Regional Housing Needs Allocation as determined by the California Department of Housing and Community Development and Association of Bay Area Governments