



Draft Residential Rent Stabilization Ordinance (1st Reading)

City Council Work Session

January 12, 2026

Community Development Department



AGENDA

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**HOUSING &
HOMELESSNESS**

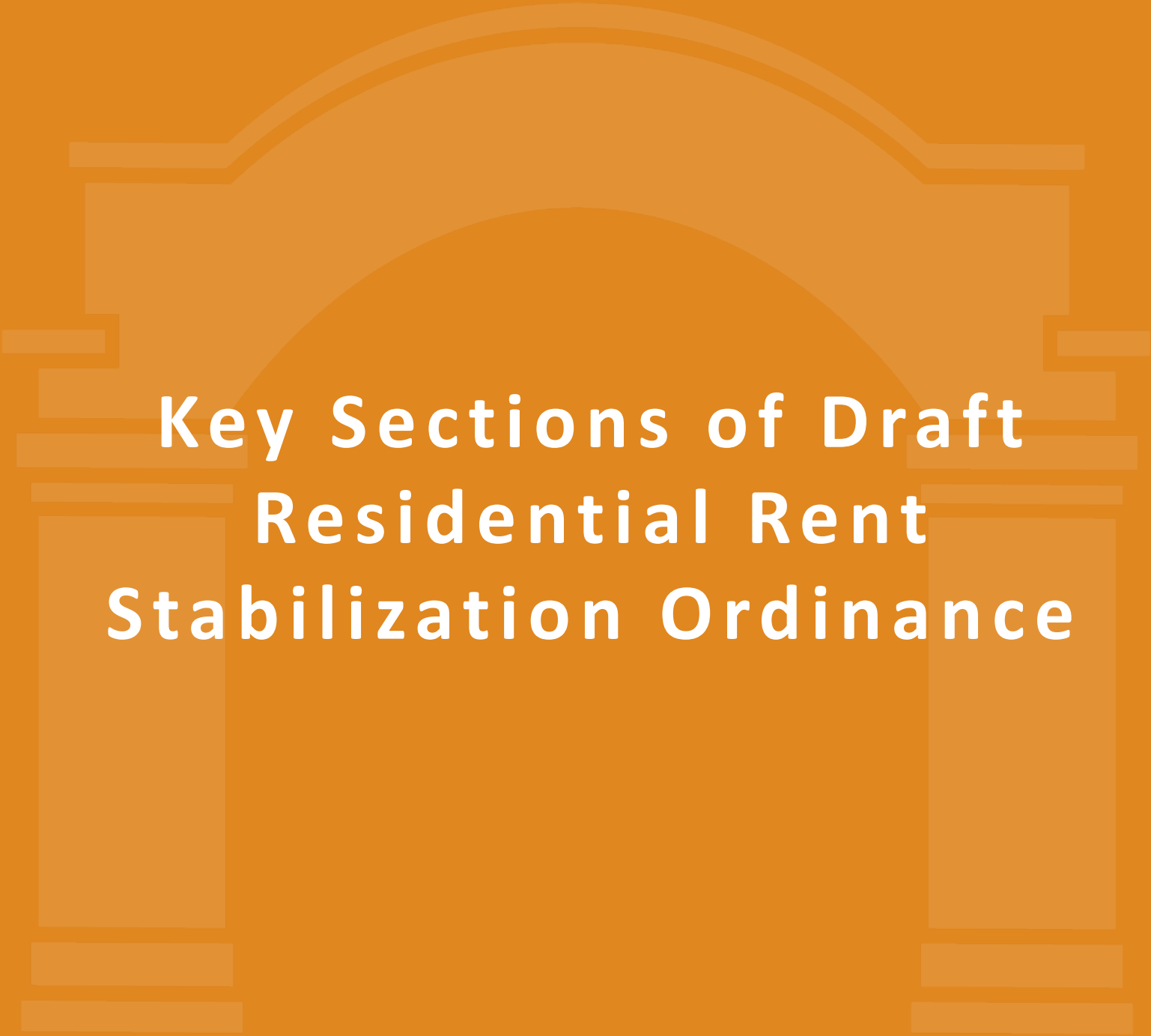


Background



Background

- **April 21, 2025:** City Council adopted Rental Registry Ordinance (*effective January 2026*)
- **June 16, 2025:** City Council adopted Biennial Budget FY 26-27
 - General Fund \$648k/annually to Rent Registry Program, including 2 new FTE staff
 - General Fund will cover program costs until program becomes cost-recoverable
- **July 17, 2025:** Rules Committee, Draft Rent Stabilization Ordinance
- **July – September 2025:** Community Outreach (60-day Public Review)
- **October 20, 2025:** City Council amended Rent Registry Ordinance (*effective July 2026*)
- **October 13, 2025:** City Council Work Session, Draft Residential Rent Stabilization Ordinance and related cost options
- **December 15, 2025:** City Council presentation on proposed Rent Registry & Rent Stabilization Budget and Updated Draft Residential Rent Stabilization Ordinance and provided the following direction:
 - Rent cap threshold to be lower of 3% or 65% Consumer Price Index (CPI)
 - Base Year = 2025
 - Support Rent Registry + Rent Stabilization (Enhanced Enforcement) Budget Program option
- **January 12, 2026:** City Council reviews Draft Residential Rent Stabilization Ordinance (1st Reading)



Key Sections of Draft Residential Rent Stabilization Ordinance



Definitions (Section 4-46-105)

- **“Base Rent”** means the Rent in effect for a Rental Unit on July 1, 2025 ... Base Rent shall be the reference point from which the Maximum Allowable Rent shall be adjusted upward or downward in accordance with this Chapter.
- **“Base Year”** shall mean the 2025 calendar year, or if a Fair Return Petition subsequently establishes a new Base Rent pursuant to this Chapter, the calendar year for which the Fair Return Petition is approved.



Exemptions (Section 4-46-110)

Exemptions under Costa Hawkins Act (1995):

- Single Family Homes
- Other units that can be sold separately from any other unit (like a condo or townhome)
- All units, regardless of type, issued a certificate of occupancy after February 1, 1995

Additional Exemptions:

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



Limit on Rent Increases (Section 4-46-115A)

- Implementation or effective date of the Ordinance begins on January 1, 2027, whereby the annual rent increase is capped at lower of 3% or 65% Consumer Price Index (CPI) every July 1 – June 30 Fiscal Year (FY)
 - This means effective January 1, 2027, rent cannot exceed the rent in effect on July 1, 2025, adjusted by 65% of CPI up to 3% for both FY25-26 and FY26-27

Considerations:

January 1, 2027 Implementation provides time for:

- Establishing program budget
- Hiring adequate program staff to address volume of inquiries
- Developing educational materials/forms for tenants and landlords
- Conducting outreach and education workshops
- Launching rent registry software

- ✓ An earlier implementation date would impede staff's ability to launch rent registry software/platform in July 2026 and adequately outreach/educate/engage with affected housing providers and tenants



Maximum Allowable Rent Increases Under January 1, 2027 Implementation Date:

Date	Increase Calculation Description
July 1, 2025	Base Rent
August 1, 2025 – July 30, 2026	July 2025 Base Rent x AB 1482 allowed increase (6.3% for August 1, 2025 – July 31, 2026)
August 1, 2026 – December 31, 2026	July 2026 Base Rent x AB 1482 allowed increase (TBD for August 1, 2026 – July 31, 2027)
January 1, 2027 – June 30, 2027	July 2025 Base Rent x 65% CPI (0.009) ¹ FY 25-26 June 2026 Base Rent x 65% CPI (TBD) ¹ FY 26-27
July 1, 2027 – June 30, 2028	June 2027 Base Rent x 65% CPI (TBD) ¹ FY 27-28

¹ CPI is calculated in April preceding each fiscal year



Hypothetical Example

Period	Maximum Monthly Rent	Increase Calculation	Increase Calculation Description
July 1, 2025	\$2,000	N/A	Base Rent
August 1, 2025 – July 30, 2026	\$2,126	$\$2,000 \times 0.063 = \126	July 2025 Base Rent x 6.3% (AB 1482 allowed increase)
August 1, 2026 – December 31, 2026	\$2,260 ¹	$\$2,126 \times 0.063 = \134	July 2026 Base Rent x 6.3% (AB 1482 allowed increase) ¹
January 1, 2027 – June 30, 2027	\$2,036 ¹	$\$2,000 \times 0.009^1 = \18 $\$2,018 \times 0.009^1 = \18	July 2025 Base Rent x 65% CPI (0.009) ¹ FY 25-26 June 2026 Base Rent x 65% CPI (0.009) ¹ FY 26-27
July 1, 2027 – June 30, 2028	\$2,054 ¹	$\$2,036 \times 0.009^1 = \18	June 2027 Base Rent x 65% CPI (0.009) FY 27-28

¹ CPI is calculated in April preceding each fiscal year. Calculation uses current CPI of 1.3% ($0.65 \times 0.013\% = 0.00845$ or 0.009) for FY25-26, FY26-27 and FY27-28 for modeling purposes.



Limit on Rent Increases (Section 4-46-115) – Additional Requirements

- Only one increase allowed per year (12 months)
- By or before May 31, City to post the maximum percentage rent increase for eligible rental units to adjust effective on or after July 1 each year
- “Banking” of unused increases is prohibited
- Vacancy decontrol: housing providers can set new rent when a unit becomes vacant
 - Vacancy decontrol is required under State law (Costa Hawkins Act)
- Rent increases allowed only if unit is registered and fees are paid



Other Notable Ordinance Sections

- Rent Adjustment Petition Process (Sec. 4-46-125)
- Fair Return (Section 4-46-130)
- Decrease in Housing Services (Sec. 4-46-135)
- Disclosures (Sec. 4-46-140)
- Program Fee (Sec. 4-46-175)
- Annual Review (Sec. 4-46-180)
- Implementation Date (Sec. 4-46-190) – “All requirements established by this Chapter shall not become binding until January 1, 2027.” (NEW)

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Next Steps



Next Steps

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



For More Information



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