

**CITY AND COUNTY OF SAN FRANCISCO  
BOARD OF SUPERVISORS  
BUDGET AND LEGISLATIVE ANALYST**

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**Policy Analysis Report**

To: Supervisor Fewer  
From: Budget and Legislative Analyst's Office  
Re: Creating a Rental Registry in San Francisco  
Date: April 16, 2019



**SUMMARY OF REQUESTED ACTION**

Your office requested that the Budget and Legislative Analyst estimate the cost of creating and maintaining a rent registry in San Francisco and assess the costs and benefits of implementing tenancy registration.

*For further information about this report, contact Fred Brousseau, Director of Policy Analysis, at the Budget and Legislative Analyst's Office.*

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**Executive Summary**

- A number of California cities adopted ordinances in the 1970s that limited allowable rent increases during tenancies. Of those, at least five cities adopted ordinances that also contained vacancy control provisions, which limited rent increases between tenancies, or when a rental unit is vacated and a new tenant occupies it. With vacancy control, these five cities had full rent control programs in place, as opposed to rent stabilization programs, which only control rent increases during tenancies. San Francisco adopted its current rent stabilization program, without vacancy control, in 1979.
- The five cities that adopted full rent control systems with vacancy control were Berkeley, Cotati, East Palo Alto, Santa Monica, and West Hollywood. To assist in enforcing their rent control laws, particularly vacancy control, these five cities established rental registries, or systems for collecting information about tenancies and rental units. Information collected included owner identification, tenant identification, rent amounts, dates of tenancies, lease terms, last rent increases, and reasons for termination of tenancies, including evictions.
- A change in State law in 1995 prohibited continuation of existing or adoption of new vacancy control laws by any local jurisdiction in California. The Costa-Hawkins Rental Housing Act (Costa-Hawkins), adopted by the State legislature in 1995, also excluded condominiums and single-family homes from rent stabilization laws and limited any rent stabilization laws to properties built after adoption of the Act in 1995, or date of adoption for cities or local jurisdictions that had adopted laws prior to 1995.

- For San Francisco, the Costa-Hawkins Act meant that the City’s rent stabilization ordinance could only apply to housing built before June 13, 1979 when it was first adopted and that single family homes or condominiums were exempt from the laws. The City and County of San Francisco had never adopted vacancy control as part of its program so Costa-Hawkins made no difference to San Francisco in that regard.
- Fifteen California cities, including San Francisco, have rent stabilization ordinances in place that limit rent increases during tenancies. Eight California cities employ an “active” approach to enforcement of their programs by collecting, monitoring, and disseminating tenancy and rent information to landlords and tenants to ensure that both are aware of whether the rent being charged is consistent with the cities’ laws.
- Other cities with rent stabilization programs employ a petition-based, or “passive” approach to enforcement, relying on tenants to determine on their own if their rent is discrepant with the amount allowed by law for their unit and to file petitions with the rent board in such instances. San Francisco’s rent stabilization enforcement employs this petition-based approach.
- Eight California cities that employ an active approach to enforcing their rent laws use registries to register individual tenancies (known as tenancy registration), collect information about the rental unit, landlord, tenant(s), and rent amounts, and to monitor and disseminate information about allowable increases in rent per rental unit to landlords and tenants. The eight cities using registries to support their active enforcement efforts are:

Berkeley	San Jose
Beverly Hills	Santa Monica
East Palo Alto	West Hollywood
Los Angeles	
Richmond	

Four of these cities created their registries before Costa-Hawkins was adopted and used them as tools for enforcing vacancy control. The registries provided them with information about allowable monthly rental amounts to monitor changes between tenancies. These four cities - Berkeley, East Palo Alto, Santa Monica, and West Hollywood - kept their registries operating after Costa-Hawkins was adopted in 1995 and continued to use them as a tool for active enforcement of their rent stabilization programs, without vacancy control. The cities of Beverly Hills, Los Angeles, Richmond, and San Jose established registries after Costa-Hawkins was adopted in 1995 to use as a tool for active enforcement of their rent stabilization programs.

- Other California cities maintain registries for reasons other than enforcement of rent ordinances. Typically these cities use them to enforce rental property inspection requirements, to detect substandard conditions, and to enforce and maintain minimum

building and housing code standards. These cities include: Fresno, Pittsburgh, Santa Cruz, and others.

- Based on costs incurred in seven of the eight cities with registries in place, startup costs to establish a rental registry in San Francisco would be approximately \$300,000 and ongoing annual staffing and related costs would be between \$1.7 and \$3.6 million.<sup>1</sup> These estimates are based on a range of an additional 15 – 31 full-time equivalent positions (FTEs) added to current Rent Board staffing of 36.5 FTEs to administer a rental registry and to engage in active enforcement activities such as outreach, education, and dissemination of maximum rent amounts and increases.
- The range in our estimated new positions and annual costs for a rental registry in San Francisco is based on whether the City adopts a more limited approach to enforcement, as found in the cities of San Jose and Los Angeles, both of which have more recently implemented rental registries, or chooses more active enforcement as employed in Berkeley and other cities that have had their registries in place for longer periods.
- The additional costs associated with creating and maintaining a rental registry in San Francisco could be covered by increasing per unit rent stabilization fees charged to landlords or increasing the current business license tax for rental property. San Francisco's current rent stabilization fee of \$45 per unit would need to be increased to \$55, or by \$10, to cover the estimated \$1.7 million per year lower costs in the range and to \$66, or by \$21 per unit, to cover the estimated \$3.6 million per year for the high end of the range of estimated costs. These estimates are based on the current 172,394 units covered by San Francisco's rent stabilization ordinance.
- Even with these increases, San Francisco's fees would still be lower than those in the eight cities with registries due to economies of scale, except for some units in Los Angeles, where the fees range from \$24 to \$250 per unit.
- As with the eight California cities that currently have registries, it is assumed that the additional Rent Board staffing in San Francisco would be used for some degree of more active enforcement of the City's current rent stabilization ordinance, as vacancy control is still not permitted in California since Proposition 10 was not passed by the voters in the November election.
- Though most cities in California with rental registries only charge a fee to owners of rent-stabilized units, the City could expand the registry to include all rental units in the City, whether rent-stabilized or not. This would add to staffing requirements and costs for the new function, with estimated new total costs for the Rent Board of \$12,442,149 (\$8,074,900 existing Rent Board budget plus \$4,367,249 for a registry covering all rental units). Spreading these total costs across all 224,960 rental units in the City (172,394 rent-

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<sup>1</sup> The BLA was unable to obtain cost estimates from the City of Beverly Hills in time for this report

stabilized units plus 52,566 units not rent-stabilized) would result in an annual fee of \$55 for all landlords (\$12,442,149/224,960). This would represent an increase of \$10 for landlords currently paying the \$45 annual fee but an entirely new cost for landlords who currently are not paying the fee.

- Had it passed, Proposition 10 on the California ballot in November 2018 would have repealed the Costa-Hawkins Act and allowed local jurisdictions to modify their rent programs to include vacancy control or to eliminate the other limitations stemming from Costa-Hawkins.
- Since the voters did not pass Proposition 10 on the November 2018 California state ballot, a rental registry in San Francisco could not be used to administer vacancy control. However, it could be used for more active enforcement of the City's rent stabilization ordinance, as is currently the practice of eight California cities with registries.
- Tenancy registration is an essential tool in the active enforcement of rent stabilization ordinances because it enables rent boards and agencies to:
  - Systematically gather information regarding current rents in rent stabilized units,
  - Monitor maximum allowable rents and just cause for eviction,
  - Notify annually or make available to tenants and landlords on request the maximum rent for any given unit and their rights and obligations under the rent ordinance, and
  - Take enforcement action when violations are discovered.

▪ *Project staff: Hampton Smith, Fred Brousseau*

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## Rent Registries and Active Enforcement of Rent Ordinances

### Rent Regulation and Registration in California

**Rent Control** limits the amount by which rent can increase between tenancies.

**Rent Stabilization** limits rent increases during a tenancy.

Beginning in the late 1970s, several California cities adopted residential rent ordinances that limited the amount by which owners could increase rent during a tenancy, called rent stabilization. In five California cities - Berkeley, Cotati, East Palo Alto, Santa Monica, and West Hollywood – rental laws also limited rent increases between tenancies, called vacancy control. By adopting vacancy control, a city establishes a full rent control system, as opposed to rent stabilization. San Francisco adopted its rent stabilization program in 1979 but has never had a full rent control program with vacancy control.

The cities that adopted full rent control systems, including vacancy control, established rental registries as a tool for enforcing their vacancy control provisions. A rental registry is a repository or database of information about individual rental units and tenancies collected by rent boards or other government entities that can include: information about the rental unit, owner, tenant(s), property manager, rent amounts, rental unit characteristics, property characteristics, rental terms and conditions, and annual registration fee information. The exact data collected in a rental registry varies depending on the specific needs and policies of the collecting jurisdiction.

A change in State law in 1995 repealed vacancy control laws adopted by local jurisdictions statewide and imposed other limitations on rent control and rent stabilization programs adopted by California cities and counties. The Costa-Hawkins Rental Housing Act (Costa-Hawkins) did not end local jurisdictions' rights to adopt rent stabilization laws but it prohibited local jurisdictions from imposing vacancy control laws or any rent stabilization or control laws on condominiums and single-family homes and properties built after adoption of the Act.<sup>2</sup>

Although rent registration, or registries, had been a key tool for enforcing vacancy control provisions of rent ordinances, cities with registries continued to use them post Costa-Hawkins to monitor compliance with rent stabilization and just cause for eviction provisions of their ordinances. These cities require registration of new tenancies including the initial rent amounts at the beginning of each tenancy (called vacancy registration or tenancy registration). This allows the cities to monitor what the rent amount should be in those units during a tenancy by calculating allowable increases to the base rent, and communicating this information to both landlords and tenants periodically during the tenancy. In instances of dispute between landlords and tenants, the city already knows what the allowable rent should be. In three cities -

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<sup>2</sup> There are very limited exceptions where a jurisdiction can impose vacancy control related to a jurisdiction's ability to monitor the basis for eviction. CC 1954.52 (a)(3)(b)

Beverly Hills, San Jose and Los Angeles - owners must register existing tenancies annually.

The City and County of San Francisco (the City) adopted its Rent Stabilization and Arbitration Ordinance in June 1979 but it did not include a vacancy control provision. The Costa-Hawkins Act thus limits rent stabilization in San Francisco to housing built before June 13, 1979 and excludes all condominiums and single-family dwellings.<sup>3</sup> It had no effect regarding rent increases between tenancies because the City never adopted vacancy control. The City's Rent Board did not establish a rental registry prior to adoption of the Costa-Hawkins Act and does not have one today.

Fifteen jurisdictions in California, including San Francisco, now have ordinances that limit annual rent increases during a tenancy for properties built before adoption of their rent stabilization ordinances.<sup>4</sup> Rent increase limits during tenancies are based on the regional consumer price index (CPI) formulae for thirteen of the cities but two cities, Hayward and San Jose, allow a flat 5 percent increase annually.

As noted, none of the fifteen jurisdictions with rent stabilization ordinances have vacancy control. Landlords are allowed to raise rent to market rate between tenancies but rents are stabilized during tenancies. These rent ordinances also contain "just cause for eviction" provisions that specify the causes for which landlords can evict tenants such as non-payment of rent, breach of rental agreement or lease, and other causes. Other cities in California besides the fifteen with rent stabilization ordinances have rent ordinances that do not cap rent increases but contain just cause for eviction provisions.

### **Proposition 10**

If Proposition 10 on the November 2018 California ballot had passed, it would have repealed the Costa-Hawkins Rental Housing Act and allowed local jurisdictions to adopt or amend their rent ordinances to expand the housing stock covered by stabilization and to impose vacancy control, limiting the amount of rent increases between tenancies. Cities and counties that had imposed vacancy control before 1995 could have reinstated it and cities such as San Francisco, that never imposed vacancy control, would have been able to do so.

### **Rent and Tenancy Registration<sup>5</sup>**

Since the Costa-Hawkins Act eliminated vacancy control statewide, cities that had established registries beforehand continued to use them to monitor and enforce maximum allowable rents (MARs) during tenancies (stabilization) and adherence to just cause for eviction requirements, to communicate with tenants to ensure that they

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<sup>3</sup> With the exception of a tenancy created before 1/1/96.

<sup>4</sup>Page 12, *Finding Common Ground on Rent Control*; A Turner Center Policy Brief; Turner Center for Housing Innovation, University of California Berkeley.; Alameda, Berkeley, Beverly Hills, East Palo Alto, Hayward, Los Angeles, Los Gatos, Mountain View, Oakland, Palm Springs, Richmond, San Francisco, San Jose, Santa Monica, and West Hollywood

<sup>5</sup>Typically called "Vacancy Registration"

are aware of their rights and have access to resources, and to educate landlords, tenants and the community about their rights and obligations in rental housing,<sup>6</sup>

Eight California cities currently maintain rental registries as a tool to enforce their rent stabilization ordinances: Berkeley, East Palo Alto, Santa Monica, and West Hollywood, all of which had vacancy control before Costa-Hawkins, and Beverly Hills, Richmond, Los Angeles, and San Jose where the registries have been more recently introduced. The purpose of the registries in all eight cities is to facilitate monitoring of maximum allowable rents and rent increases in order to prevent unpermitted rent increases and overcharging during tenancies, and to ensure that tenants and landlords understand their rights and obligations.

Three of the eight cities with registries provide tenants and landlords annual notification of the maximum allowable rents: Berkeley, Santa Monica, and Richmond. East Palo Alto provides an Annual Notice of Apparent maximum allowable rents to tenants only. The other cities provide this information to landlords and tenants upon request. The Los Angeles Housing and Community Investment Department, which has recently launched a rent registry, is planning in the future to send a letter to tenants informing them of the rent amount the landlord has reported and asking for confirmation.

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### **Active vs. Petition-based Enforcement of Rent Stabilization**

Broadly speaking, there are two approaches to enforcement of rent regulation among California cities. The approach taken by most jurisdictions with rent stabilization ordinances that have never had vacancy control such as San Francisco and Oakland is complaint- or petition-based, sometimes called a “passive” approach. Enforcement of rent stabilization in these cities relies on tenant and landlord complaints (petitions) and the conduct of hearings to adjudicate disputes.

The cities with petition-based programs such as San Francisco generally do not have proactive procedures in place to monitor rents being charged for all stabilized units or to enforce just cause for eviction. Petition-based programs neither register individual rental units nor keep records of individual tenancy information such as tenant names, rent amounts, and prior tenant information. They also conduct relatively limited direct communication and outreach with tenants and landlords.

Although these cities may have information on rental property owners through business and property tax collection, if tenancies themselves are not registered, there is no information collected and maintained about the features of individual tenancies (rent amount, services, “decontrolling events” etc.) so in the event of a dispute, this information must be assembled anew and provided to the rent board.

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<sup>6</sup>Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D. (Page 23).

Some rent control board managers and others have asserted that petition-based systems “favor tenants who are more knowledgeable about the law, better educated, or have assistance from advocacy groups” since they are more likely to file petitions.<sup>7</sup>

### **Active Enforcement**

Rent ordinances in cities with active enforcement have stated policies providing such direction. For example, the City of Santa Monica’s Rent Board’s first goal is to “ensure compliance with the rent control law and take *affirmative* legal action where indicated.”<sup>8</sup> Although most closely associated with cities that had vacancy control before Costa-Hawkins, the notion of a continuum of enforcement<sup>9</sup> models ranging from “passive” to “active” has been referenced by other municipal governments as well as by think tanks, and advocacy and trade organizations including the National Association of Realtors, New York University Review of Law and Social Change, and Urban Habitat.

Tenancy registration<sup>10</sup> (including registration of initial rent amount for each tenancy and property owner information) is an important component of active enforcement of rent stabilization. Active enforcement in effect enables cities to verify that landlords are charging no more than the maximum allowable rent. Cities that actively enforce their rent ordinances regularly notify or make accessible to owners and tenants the maximum amount of rent that can be charged and the services the owner is obliged to provide. Active enforcement also requires landlords to document that they have adhered to just cause for eviction provisions.<sup>11</sup>

Managers at some cities’ rent board agencies have attributed a reduction in the number of petitions filed in disputes and the associated reduction in staff costs to the information dissemination component of active enforcement. The Berkeley Rent Board, for example, reports that the number of hearing petitions dropped from 485 in 1995 to 176 in 2016 and has been as low as 117 in the same period.<sup>i</sup>

## **Tenancy Registration Benefits and Role of Tenancy Registration in Active Enforcement**

The main purpose and benefit of a higher level of rent stabilization enforcement is the reduced likelihood of overcharging rent stabilized tenants through misunderstanding, miscalculation, or malfeasance. The active enforcement model also offers the

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<sup>7</sup> Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D. page 13.

<sup>8</sup> Santa Monica Rent Control Board 2017/18 Annual Operating Budget

<sup>9</sup> Active enforcement does not preclude petition-driven individual enforcement activities such as is the case in Santa Monica

<sup>10</sup> All active enforcement cities use a Vacancy Registration form to collect information on each new tenancy subject to the City’s rent stabilization ordinance. The forms collect a minimum of the initial rent amount, date of tenancy, services and amenities, and property owner information.

<sup>11</sup> Rent Board managers in active enforcement jurisdictions have emphasized and as is shown in Exhibits 1 and 2, active enforcement is a continuum of services and activities. Some jurisdictions that use the active enforcement model are more active in their enforcement than others.



potential for speedier landlord tenant conflict resolution as a result of easily available and accurate tenancy information. Rent Board management in cities with tenancy registration reported to the Budget and Legislative Analyst that registration enabled speedy resolution of landlord tenancy complaints because the registry was a source of accurate information which tenants and landlords did not always maintain.

The critical tasks for rent boards or agencies in cities with active enforcement systems are summarized as follows. These tasks all require tenancy registration through a registry.<sup>12</sup>

1. Gathering information and maintaining full and accurate records necessary to reset the maximum allowable rent at the beginning of each new tenancy and to inform eviction proceedings.
2. Monitoring landlord compliance with the maximum allowable rent (MAR).
3. Communicating an accurate MAR for stabilized units and annual adjustment amounts (increases) to landlords and tenants and offering them the opportunity to contest rents or rent ceilings through adjudicating individual rent adjustment petitions.<sup>13</sup>
4. Actively enforcing the law and program regulations when violations are found.

In the event of vacancy control, if it were not prohibited by State law, active enforcement would also include monitoring rent increases between tenancies.

Like passive programs, active programs calculate the Annual General Adjustment, -- the annual percentage by which rent for stabilized units that have not had a new tenant can be increased-- and processes and adjudicates individual rent adjustments and other petitions.<sup>14</sup>

**Just Cause for Eviction** is also a component of typical rent ordinances, and registries are also used to monitor compliance with just cause for eviction by:

1. Using tenant information to reach out to tenants to inform them of their rights and provide them with referrals to community legal services and tenant counseling services.
2. Using regular contact with tenants and landlords to provide them with information regarding their rights and obligations in advance of eviction proceedings.
3. Providing tenants and their representatives (legal and counseling services) with information on the landlord's historic compliance with provisions of the rent ordinance in the event that failure to comply is relevant to the eviction.

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<sup>12</sup> Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D.

<sup>13</sup> Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D. p.14

<sup>14</sup> Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D. p 14

4. Disallowing a rent increase from the previous rent amount when it is determined that the landlord improperly evicted the previous tenant or evicted a tenant legally but for reasons such as owner occupancy (also known as owner move-in eviction).
5. Disallowing increases for a period of time such as after an Ellis Act eviction.<sup>15</sup>

In some cities, Just Cause provisions require that landlords report on eviction processes. East Palo Alto's Rent Board requires landlords to provide the Rent Board with copies of notices issued to begin eviction proceedings. The Board informs tenants facing eviction of their rights and: refers them to community legal services, uses regular contact with tenants and landlords to provide them with information regarding their rights and obligations in advance of eviction proceedings, provides mediation to resolve disputes and prevent the need for eviction; and provides the tenant with information on the landlord's compliance with the Ordinance and with habitability requirements, since failure to comply may provide a defense against eviction.<sup>16</sup> In Santa Monica landlords must file a copy of the 3- or 30-day notice (except for instances of non-payment of rent) with the Rent Control Board within 3 days of serving the tenant. Failure to do so is a defense against an eviction

Rent registration facilitates the monitoring of compliance with maximum allowable rent provisions, and enables tenants to verify that their rent and services are consistent with the information the landlord has provided the city. Registration enables rent board staff to collect the information necessary for processing and adjudicating adjustments.<sup>17</sup> Move-in dates and effective dates of last rent increase recorded in a registry can be analyzed by city staff to determine if there has been an illegal rent increase.<sup>18</sup> Additionally, rent registration allows staff to analyze and report on rent levels and eviction trends within a city.

## Compliance and Transparency

There are indications that active enforcement involving regular communication between rent programs and landlords and tenants results in a higher rate of compliance with program requirements than found in cities such as San Francisco and Oakland which are less active and charge lower registration fees.<sup>19</sup>

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<sup>15</sup> According to the San Francisco Tenants Union: "If a building is "Ellised" (i.e., removed from the rental market), there are restrictions on re-rental of the units: For a period of five years, if the units are re-rented to anyone, the maximum rent which can be charged is the same rent the evicted tenant in that unit was paying, plus any increases which would be otherwise allowed under rent control. For a period of ten years, the evicted tenant must be offered the unit first if the unit is re-rented."

<sup>16</sup> Review of the City of East Palo Alto Rent Stabilization Program; January 28, 2015 by Stephen Barton, Ph.D. p. 4.

<sup>17</sup> Santa Monica Rent Control Charter Amendment Chapter 13 Registration

<sup>18</sup> City of Los Angeles Housing and Community Investment Department Interview

<sup>19</sup> *Review of the City of East Palo Alto Rent Stabilization Program*; January 28, 2015 by Stephen Barton, Ph.D. p.13

- A Berkeley Rent Board study found that, at most, 5 percent of tenants were paying an amount over the registered rent ceiling.<sup>20</sup>
- A 2009 report by the Los Angeles Roundtable found that more than a quarter of rent stabilized tenants in Los Angeles had been subject to rent increases over the legal limit. The report recommended that the City of Los Angeles consider requiring rent registration. The study also found that 37% of tenants in stabilized units did not know that their rents were regulated.
- The Berkeley Rent Board study found that 27 percent of tenants in stabilized units did not know they were in rent stabilized dwellings, although only 3 percent of long-term tenants reported not knowing that their rent was stabilized.<sup>21</sup> City of Berkeley representatives attributed the lack of understanding to the challenge of reaching the high-turnover university student population and stated that it was taking measures to improve outreach.

If comparable information about the extent to which tenants in San Francisco know whether they are living in rent stabilized units is available, it was not found for this report.

A profile of information collected by the eight cities that currently maintain rental registries is presented in Exhibit 1. As can be seen, not all cities collect the same information.

As shown, the cities of Beverly Hills, Los Angeles and San Jose collect rent information annually during a tenancy but, for the other cities, the information collected at the start of a tenancy allows the agencies to calculate current maximum allowable rents, using the rate of increase that was allowed each year (the annual general adjustment).

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<sup>20</sup> *Berkeley Rent Stabilization Board Report on the April-May 2009 Survey of Tenants of Registered Rental Units, March 15, 2010 pp.21-22*

<sup>21</sup> *Economic Study of the Rent Stabilization Ordinance and the Los Angeles Housing Market 2009* Prepared for the City of Los Angeles Housing Department by the Economic Roundtable RSO study team

<sup>22</sup> This works for programs that allow owners to bank general adjustments. (Owners don't lose the right to implement an annual adjustment if they don't take it in the year it's initially authorized.) Programs with a "use or lose it" general adjustment policy (i.e. if the owner doesn't take it the year it's authorized, they aren't entitled to ever take it) would likely require annual registration to know whether the owner took the AGA or not.

**Exhibit 1: Vacancy Registration Information Gathered by City**

				New Tenancy Information						Property Info				Prior Tenancy Info		
	Owner contact info.	Property Manager/ Agent/ Emergency Contact Info.	Annual Registration Including Rent Amount Required	Annual Fee	Tenant Name etc.	Move in Date	Rent \$	Rental assistance voucher	Tenant signature	Address	# Bdrms	# units	Services <sup>1</sup>	Ending Date of Tenancy	Voluntary or eviction	Charged more than MAR?
Berkeley <sup>2,10</sup>	✓	✓		\$250	✓	✓	✓			✓	✓	✓	✓	✓	✓	
Bev Hills	✓		✓	\$0.00 (no fee)		✓	✓	✓		✓	✓		✓	✓	✓	
East Palo Alto	✓	✓		\$222	✓	✓	✓ <sup>2</sup>	✓		✓	✓	✓	✓ <sup>3</sup>	✓ <sup>4</sup>	✓	✓
Los Angeles	✓	✓ <sup>5</sup>	✓	\$198		✓	✓			✓ <sup>6,7</sup>	✓	✓	✓			
Richmd	✓	✓		\$207	✓	✓	✓			✓	✓	✓	✓	✓	✓	
San Jose	✓		✓	\$100	✓	✓	✓	✓		✓ <sup>6,8</sup>	✓		✓	✓ <sup>9</sup>	✓	
Santa Monica <sup>10</sup>	✓	✓		\$50	✓	✓	✓			✓	✓	✓	✓	✓	✓	
W. Hllywd	✓	✓		\$144	✓	✓	✓		✓	✓			✓			

Sources: Vacancy Registration Forms from all Cities; Survey Responses

<sup>1</sup> includes some combination of utilities, laundry, parking, and other services

<sup>2</sup> the BLA tested the Berkeley and Santa Monica rent registry websites. The only registration information available is street address, unit number and MAR

<sup>3</sup> asks for services paid by landlord/paid by tenant

<sup>4</sup> asks for final rent

<sup>5</sup> emergency contact only

<sup>6</sup> requests occupancy status

<sup>7</sup> records if exempt from stabilization

<sup>8</sup> records year built

<sup>9</sup> records base year rent

<sup>10</sup> the BLA visited the Berkeley and Santa Monica rent registry websites; the only information available is street address, unit number and MAR.

<sup>11</sup> additional forms for: (1) initial registration statement, (2) amended registration statement, and (3) updating the Unit Status form records if discount offered

## Rent Registry Tasks and Activities

As shown in Exhibit 2, all eight cities with rental registries use them for initial registrations, new tenancy registrations, and notifications of annual adjustments. Beyond that, the cities vary in the tasks and activities performed through their registries. The tasks and services that are involved with a registry depend on how actively the city enforces the ordinance.

As seen in Exhibit 2, Berkeley, East Palo Alto, Richmond, and Santa Monica have a relatively high level of activity related to rent registration, monitoring, and disseminating information about their allowable Annual General Adjustments. The City of Berkeley performs the highest number of tasks and activities through its registry, with the cities of East Palo Alto, Richmond, Santa Monica and West Hollywood also all relatively active registry users, particularly in the areas of rent registration, monitoring, and information dissemination.

The City of West Hollywood registers initial rent but does not calculate or distribute the maximum allowable rent unless it is requested for a hearing. The cities of Los Angeles and San Jose have relatively fewer registry-related tasks and activities, but both cities have only recently launched their registration efforts and are planning to engage in additional activities over time.

The cities of San Jose and Richmond are currently in the initial stages of creating rent registries by launching first time enrollment. The City of Los Angeles has always had registration of rental units including basic property information and assessment of a fee to fund administration of its rent stabilization program but, in 2017, it began collecting information on rent levels and services.

The cities of San Francisco and Oakland require registration of property for business tax purposes but do not register tenancies. In San Francisco, only rental buildings with 4 or more units must register with the Treasurer and Tax Collector's Office and pay an annual business tax. As with all business licenses issued by the Office, there are fines and penalties for businesses not registering, not renewing annually, and renewing late.

### **Annual Registration Required in Two Cities Only**

In 2017 and 2018 respectively, rent programs in the cities of San Jose and Los Angeles launched rent registries. These programs require annual registration, reporting rent increases each year, and payment of an annual rent program fee through their registries. Five other surveyed cities all require an initial registration, registration amendments in the event of any changes, and payment of an annual program fee. The City of East Palo Alto had required annual registration until it dropped the requirement with the 2016 amendment to its rent ordinance.<sup>23</sup> Once an initial maximum allowable rent is established,

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<sup>23</sup> The city's contractor Stephen Barton report recommended the City eliminate tracking of current rents since it already required landlords provide copies of rent increase notice

cities can determine the subsequent years' maximum allowable rents by adding the cumulative annual adjustment percentages.<sup>24</sup>

**Exhibit 2: Rent Registry Tasks and Activities by Active Enforcement City**

Task / Activity	Berkeley	Bev Hills	East Palo Alto	Richmond <sup>25</sup>	Santa Monica	West Hollywood	San Jose	Los Angeles	Total
Initial Registrations	✓	✓	✓	✓	✓ <sup>26</sup>	✓ <sup>27</sup>	✓	✓	8
New Vacancy Registrations	✓	✓	✓	✓	✓	✓	✓	✓	8
Notification of annual adjustment	✓	✓	✓	✓	✓	✓	✓	✓	8
Send rent amount/tenancy registration information to new tenants for validation	✓	✓	28	✓	✓	✓ <sup>29</sup>			5
Send annual notice of apparent lawful rent to tenants and landlords	✓		✓ <sup>30</sup>	✓	✓				4
Maximum allowable rent certificates issued to new tenants and landlords	✓ <sup>31</sup>		✓					✓ <sup>32</sup>	3
Post MAR by unit on line	✓			✓	✓				3
Change in Status	✓				✓				2

<sup>24</sup> Page 14 Barton Report

<sup>25</sup> This represents planned activity since Richmond has recently adopted a rent registry

<sup>26</sup> Landlords must attest that at the time of lease signing, they gave the new tenant the Board-produced information sheet about the Rent Control Law

<sup>27</sup> Signed by both tenant and landlord; All new owners and new tenants in rent-stabilized apartments receive an information packet introducing them to West Hollywood's rent stabilization program (Page 7 West Hollywood *Rent Stabilization and Housing Division 2016 Annual Report* )

<sup>28</sup> Although East Palo Alto does not require tenants validate registration information, it does provide tenants with copies of the Initial MAR Certificate which, by state law, is appealable.

<sup>29</sup> Both landlord and tenant must sign vacancy registration form

<sup>30</sup> Sent to tenants only, not landlords

<sup>31</sup> The Berkeley Rent Board sends the Board's calculation of the MAR ("Notice of Maximum Allowable Rent") annually to both landlord and tenant. Confirmed by Rent Board Director per emails dated August 29, 2019 and September 13, 2018.

<sup>32</sup> Registration Certificate Issued to Landlord and tenant

Task / Activity	Berkeley	Bev Hills	East Palo Alto	Richmond <sup>25</sup>	Santa Monica	West Hollywood	San Jose	Los Angeles	Total
Forms									
Process Amended Registration Forms	✓	✓	✓ <sup>33</sup>	✓	✓	✓		✓	7
New tenants may submit vacancy registration	✓			✓	✓				3
Accept Rent Increase Notification from landlords			✓						1
Accept "Notice of Ordinance at Commencement of Tenancy" from Landlords			✓ <sup>34</sup>				✓		2
Send letters of confirmation of receipt of VR <sup>1</sup> form to owners	✓ <sup>35</sup>					✓			2
Landlord submits copy of any rent increase notice to Program			✓						1
Send new landlords and tenants introduction to stabilization program	✓				✓	✓			3
<b>Total</b>	<b>12</b>	<b>5</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>7</b>	<b>4</b>	<b>4</b>	

<sup>1</sup> Vacancy Registration

<sup>33</sup> Through a petition process

<sup>34</sup> Landlords are required to demonstrate that they have given a copy of the East Palo Alto rent ordinance to each new tenant.

<sup>35</sup> A copy of the Vacancy Registration form along with a rent validation form is sent to tenant and a copy of that communication is sent to the owner

## Cost and Fees

If San Francisco were to establish a rental registry, it would need to start performing the following activities, at a minimum:

- (1) Development of Rental Unit Registration Statement and Tenancy Registration forms,
- (2) Production of paper and online forms,
- (3) Notification of property owners of the new requirements,
- (4) Mailing registration requirements to all stabilized rental property owners, and
- (5) Establishment of an information system or electronic database to collect and monitor rental information (a rental registry).

It would also require hiring new permanent staff and conducting workshops for tenants and property owners. Other City departments might be able to provide some of the additional administrative support services, possibly defraying some costs to the Rent Board and resulting in a lower registration fee than would be necessary if the Rent Board assumes all administrative tasks related to creation and maintenance of tenancy registration.

The tasks and services that are involved with a registry depend on how actively the City's rental ordinance is enforced. Generally, the cities with rent registries use them to set and/or monitor rent amounts for dwellings subject to their rent stabilization ordinance. Services and tasks to be performed are related to rent registration, verification and approval, and outreach and communication, as discussed above.

As seen in Exhibit 3 the most active enforcement systems, which are in the cities that had vacancy control before Costa-Hawkins, charge substantially higher fees to cover their higher costs. Costs appear to be related to the agency's activity level, not the number of stabilized units or population. These programs allow property owners to pass through a portion of the annual registration fee to tenants over the course of the year.

Costs to implement tenancy registration in San Francisco would depend on these factors:

- The extent of enforcement activities to be undertaken. Startup will require development of new regulations, procedures, forms, outreach documents and activities such as workshops,
- Whether the new system offers online registration and what portion of owners use it. Creating an online registration system that requires owners to opt out of the online registration process offers the potential for cost savings,
- Whether *all* residential rental owners must enroll initially including owners of non-stabilized property,
- Whether a new IT system is developed and new application development costs incurred or an existing system in another agency such as the Assessor-Recorder's Office or Planning



Department is used and enhanced. (The City of Richmond, which is in the process of implementing its registry, added its registry's features to existing city systems), and

- Rate of tenant turnover.

To prepare estimates of potential costs that could be incurred to establish and operate a rental registry in San Francisco, we collected key financial and operational information from the seven of the eight cities with registries. Exhibit 3 presents their current annual program fees and estimated startup or most recent system upgrade costs for their registries.

As can be seen in Exhibit 3, registry startup costs were only reported by two cities: East Palo Alto reported \$300,000 and the City of Los Angeles reported \$427,000. No other city had startup cost information available though most were able to provide cost estimates for their most rental registry system upgrades. As can be seen in Exhibit 3, such upgrades ranged from \$10,000 to \$300,000.<sup>36</sup>

We found that, after adjusting for differences in size, cities with registries have higher staffing levels and costs than San Francisco's Rent Board, reflecting the costs of operating their registries and the cities' more active approach to enforcement. Median total registry staffing in seven of the eight cities with registries is 0.18 full-time equivalent positions (FTE) for every 1,000 rental units covered.

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<sup>36</sup> Several Rent Board managers emphasized the importance of a well-designed data collection model at the start of a rent registry project in order to avoid implementation delays and on-going administration problems.

**Exhibit 3: Registration Fees, Costs and Staffing in Active Enforcement Cities**

City	# Stabilized Units	# Non-stabilized units	Development cost of registry	Annual program fee/unit	Total staffing (FTEs)	Registry staffing (FTEs)	Registry staffing per 1,000 units
Berkeley	20,000	5,000	Unknown. \$300,000 for recent upgrade	\$250	22	5.5 <sup>37</sup>	0.28
Beverly Hills	7700	N/A	\$35,000	\$0.00 <sup>38</sup>	7 <sup>39</sup>	Not Applicable	Not Applicable
East Palo Alto	2,500 <sup>40</sup>	N/A	\$300,000 <sup>41</sup>	\$222	2 <sup>42</sup>	Not Applicable	--
Sta. Monica	28,500	N/A	Unknown	\$198	26	11 <sup>43</sup>	0.39
Richmond	10,000	20,000 <sup>44</sup>	\$10,000 enhanced other systems	\$207 \$100 \$50 <sup>45</sup>	10	1 to 2 <sup>46</sup>	0.15
West Hollywood	17,000	N/A	\$150,000 for recent upgrade <sup>47</sup>	\$144	8.5	3.5	0.21
San Jose	44,300 <sup>48</sup>	N/A	\$20,000 staff time	\$55.80 <sup>49</sup>	22.6 <sup>50</sup>	6 <sup>51</sup>	0.14
Los Angeles	600,000	N/A	\$427,000 for new system	\$24.00	94	18 <sup>52</sup>	0.03
<b>Median: all</b>				<b>\$122-171<sup>53</sup></b>	<b>16</b>	<b>4.5</b>	<b>0.18</b>
<b>LA/SJ only</b>							<b>0.09</b>
San Fran	172,394			\$45	36.46	--	n.a.

Source: Survey Responses, Rent Board Budget Reports; Los Angeles Tenant Protection Working Group Presentation, Los Angeles Housing and Community Investment Department

<sup>37</sup> Not solely devoted to registration

<sup>38</sup> The City of Beverly Hills is contemplating instituting a registration fee in the future

<sup>39</sup> No staff dedicated solely to registry

<sup>40</sup> Survey Response

<sup>41</sup> Initial registry cost

<sup>42</sup> The Program only has 2 FTE that enter data among other tasks. However, the City contracts with the IT Department of Redwood City who has an IT person who maintains the system and responds to requests

<sup>43</sup> Not solely devoted to registration

<sup>44</sup> Survey response

<sup>45</sup> \$207 for fully covered units, \$100 for partially covered units and \$50 for subsidized/below market/tax credit units

<sup>46</sup> midlevel clerical staff at a minimum cost of \$101,000 annually

<sup>47</sup> Cost for recent upgrade

<sup>48</sup> The system went live in September 2018. 182 units had been registered at the time of this report

<sup>49</sup> Ibid

<sup>50</sup> San Jose Manager's Budget Addendum #9: Subject: 2018-19 Rent Stabilization Program; May 21, 2018. The memo reports that up to 8 additional FTE will be added as the registry is phased in through July 1, 2018 with additional staff to be added in 2019 to allow for evaluation of "staffing needs of program implementation"

<sup>51</sup> Ibid

<sup>52</sup> Does not include up to 10 staff in other departments that support the registry according to Director - Rent Stabilization Division Housing + Community Investment Department (HCIDLA)

<sup>53</sup> Range is due to variable range of fees charged depending on extent rental units are covered by City's rent laws

If the San Francisco Rent Board were to implement a rental registry, adopt a more active enforcement approach similar to those discussed above, and add staff for these new functions, it would need to grow substantially. The amount and timing of the increase in budget and staff will depend on the kind, complexity and number of activities the San Francisco Rent Board undertakes using a registry and the pace and timing of implementation.<sup>54</sup>

Applying the median staffing level for registration unit staffing only in the seven other cities (as opposed to all rent board staff) and adjusting for the number of rental units under each agency's jurisdictions results in a need for 0.18 FTEs for every 1,000 units in San Francisco with 172,394 covered units. This would result in an additional 31 FTEs to be added to the existing 36.5 budgeted FTEs, for a total staffing level of 67.5 FTEs for the 172,394 rental units subject to the City's rent control ordinance. This may somewhat overstate the additional staffing needed due to economies of scale that could be realized by San Francisco's Rent Board because all of the comparison cities' rent boards with registries, except Los Angeles, have significantly fewer rental units under their jurisdiction than San Francisco.

Alternatively, San Francisco could implement rent registration with less active enforcement and use its registry to a lesser extent than in most of the eight comparison cities, as exemplified by San Jose and Los Angeles. The City of Los Angeles, which has 600,000 rent stabilized units, added eight FTEs directly responsible for rent registration, with ten more FTEs supporting the registry in other City departments, for a total of 18 FTEs for 600,000 rental units covered. The City of San Jose has six FTEs administering their registry and oversees 44,300 units. This results in a median of .09 FTEs per 1,000 units for the cities of San Jose and Los Angeles.

Exhibit 4 presents the range of staff increases and associated costs that San Francisco would incur using staffing models from San Jose and Los Angeles and the median rental registration staff for all cities with registries and discrete registry staffing.

The distribution of staff between analytical and clerical roles varies among the eight cities with rent registries. Generally speaking, discussions with representatives of the seven other cities revealed that their staff distribution for registry administration is two-thirds clerical/administrative and one-third analytical and managerial. Assuming this staffing distribution, additional staffing would range from 15 to 31 FTEs added to the 36.5 FTEs that currently staff the San Francisco Rent Board and additional staffing and related costs of

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<sup>54</sup> City of Berkeley Rent Stabilization Board staff asserts that the reason for its relatively large staff per number of stabilized units and higher fee is its high level of enforcement and related activity undertaken to administer its Rent Stabilization and Just Cause for Eviction Ordinance which includes: extensive outreach to inform landlords and tenants of their rights and obligations through regular mailings, newsletters and other media, informational meetings at libraries and senior centers and workshops for landlords and tenants, workshops on eviction procedures for landlords to ensure that owners who need to engage in this process knew how to do it correctly, contacting new owners of rental property and sending information packets to new tenants, sending information on the eviction for good cause requirements to tenants who have received a three-day eviction notice, responding to thousands of inquiries/client contacts from the public, sending new tenant kits to new tenants, and assisting owners in completing necessary paperwork (Berkeley Rent Stabilization Board Response to Alameda County Civil Grand Jury 2011-12 Final Report)

between \$1,705,641 to \$3,639,649, as seen in Exhibit 4. Details of the assumed staffing classifications used are provided in the Appendix. It should be noted that the estimated new costs include a 25 percent factor applied to salaries and benefits to cover materials and supplies and other operating costs incurred as a result of new staff. Rent Board representatives have pointed out that they would need new space to house this many new employees and, given the current commercial rental market in San Francisco, rent costs may exceed that allowed for in the 25 percent “other costs” factor. We added an additional cost for rent to cover the additional staffing.

**Exhibit 4: Two Scenarios: Additional Staffing Needed at San Francisco Rent Board to Match Staffing Levels in Cities with Registries and Active Enforcement of Rent Laws**

<b>Model</b>	<b>Current SF Rent Board FTEs Staffing</b>	<b>Additional FTEs’ Needed for Registry</b>	<b>Total FTEs</b>	<b>Increased Salaries &amp; Benefits</b>	<b>Increased Materials &amp; Supplies and Rent<sup>2</sup></b>	<b>Total Additional Costs</b>
Staffing model from all Comparison Cities	36.5	31	67.5	\$2,729,959	\$905,690	\$3,639,649
Staffing model from LA & SJ only	36.5	15	51.5	\$1,278,113	\$427,528	\$1,705,641

Source: Survey and budget documents for seven cities with active enforcement of rent laws and registries: Berkeley, East Palo Alto, Los Angeles, Richmond, San Jose, Santa Monica, and West Hollywood.

<sup>1</sup> Median registry staffing at seven active enforcement cities was 0.18 FTEs per 1,000 units covered, which translates to 31 additional FTEs for the SF Rent Board (0.18 x (172,394/1000)), for a total of 67.5 FTEs. Median registry staffing for the cities of San Jose and Los Angeles only is 0.09 FTEs per 1,000 units. Using the registry staffing level from these two cities only results in the need for 15 additional FTEs at the San Francisco Rent Board (0.9 x (172,394/1,000)) for a total of 51.5 FTEs.

<sup>2</sup> Includes 25% estimated materials and supplies applied to salaries and benefits and additional rent costs of 120 square feet per FTE at \$60 per square foot.

Additionally, we estimate one-time start up IT costs of approximately \$300,000 based on the cost of recent registry system upgrades for the Berkeley Rent Board and the \$427,000 system development costs for the City of Los Angeles’s rent registry.

Another policy decision and staffing option would be to base the number of positions on the total number of rental units in San Francisco, whether they are rent-stabilized or not. The five year average from the U.S. Census Bureau’s 2017 American Community Survey reports 224,960 total rental units in San Francisco, including both those covered by the Rent Stabilization Ordinance (those built before June 13, 1979) and those not covered by the Rent Stabilization Ordinance (built on or after June 13, 1979). Applying this number of units to the staffing model described above results in a staffing need of 40 new FTEs (0.18 x (224,960/1,000)), or nine more than the 31 estimated to cover only rent-stabilized units. Units required to register in other

cities generally include only rent-stabilized rental in their registries so this approach would be an exception to common practice.

The BLA estimates that registration of all rental units in San Francisco would require nine additional classification 1404 clerical staff described in Exhibit 5 beyond the 31 FTE needed for registration of stabilized units only. These positions could be supervised and managed by the management and supervisory staff included in the 31 FTE staffing estimate for stabilized units. These additional clerical positions would require annual funding of \$585,280 in salaries and benefits, \$146,320 in materials and supplies, and 64,801 in new rent costs for a total of \$796,401 in additional cost.

Again, this estimate may overstate the number of additional FTEs and funding needed since as noted above, rental registration in San Francisco might benefit from economies of scale because the comparison cities, except Los Angeles, have significantly fewer rental units under the jurisdiction of their rent boards than San Francisco.

### **Funding Options**

There are two main options for funding creation and maintenance of a registry and more active rent ordinance enforcement in San Francisco.

- (1) Create a new or enhanced uniform annual per unit fee to cover estimated start-up costs of approximately \$300,000 and additional ongoing staffing costs of between \$1.7 million and \$3.6 million to conduct registration and enforcement activities for all 172,394 units covered by the City's Rent Stabilization Ordinance. This assumes salaries and benefits<sup>55</sup> for the addition of between 15 and 31 FTEs at the classification levels shown in the Appendix to this report.
- (2) Increase business license tax for residential rental property based on a percentage of gross receipts, with reductions or exemptions for small, low-income landlords.

San Francisco's current annual fee without a registry or active enforcement program is \$45 per unit. Based on 172,394 units covered by San Francisco's rent stabilization ordinance, the \$3.6 million in additional costs if the San Francisco Rent Board emulated the staffing and approach to registry administration in the eight comparison cities would amount to \$21 added to the existing \$45 fee for a total new fee of \$66 per rental unit ( $\$3,635,649/172,394$  covered units = \$21). If the lower cost approach employed by the cities of Los Angeles and San Jose were replicated by the San Francisco Rent Board and approximately \$1.7 million in annual costs were added, landlord fees per unit would need to be increased by \$10, or from the currently \$45 to \$55 per unit ( $\$1,705,641/172,394$  covered units = \$10). In either case, San Francisco's Rent Board fee per unit would still be below the median annual fee of between \$122 and \$171 in the eight surveyed cities with rental registries.

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<sup>55</sup> Approximately a third of salary costs

If the City chose to require all rental units to register and nine more positions were added to the new staffing need, as discussed above, the maximum total new costs would be \$4,367,249 (\$3,635,649 for rent-stabilized units + \$731,600 for units not rent-stabilized). This total cost, added to the Rent Board's existing \$8,074,900 budget for FY 2019-20, would result in total costs of \$12,442,149. Spread over 224,960 rental units (172,394 rent-stabilized and 52,566 not rent-stabilized), would result in an annual fee of \$55, or a \$10 increase over the current \$45 fee. The increase of \$10 would be for rent-stabilized units; for units that are not rent-stabilized, the \$55 fee would be a new cost as these property owners do not pay an annual fee at present.

Fees could be waived for nonprofit housing and government owned or subsidized housing including Section Eight.

### **Initial Data Gathering for Rental and Tenancy Registration and Location of Rent Registration Function and Data**

Start-up costs could be contained by adopting or modifying systems already in place such as the Assessor's property information database and the Planning Department's Planning Information Management system. This approach is being utilized in cities that have recently begun tenancy registration (Beverly Hills, San Jose and Los Angeles) and will likely be used in cities that are researching the possibility of acquiring new data management systems (Beverly Hills, Berkeley, and Santa Monica) or are evaluating the possibility of modifying systems currently in place at the Assessor's, Tax Collector's, and Planning departments in their jurisdictions.

San Francisco City government does not have a single repository of data that includes the location and ownership of all *rent stabilized* units in San Francisco. However, the Assessor-Recorder collects information on multiunit residential buildings by size category (e.g. 5 to 14 units), year of construction, and number of units. Whether a building falls under the rent stabilization provision of the City's Rent Ordinance can be deduced from this information, but cannot be confirmed conclusively. This system would be a useful place to start in compiling a rental registry but information in it would need to be confirmed and enhanced.

The Planning Department's Property Information Management database contains zoning information, building size and type, height, and other characteristics but not rental status. The Treasurer and Tax Collector's business registration data is incomplete for the purposes of determining the number and location of rental units because small landlords (those with four or fewer units in their buildings) are exempt from business tax registration requirements. Collaborating with the departments to create a rental registry should help contain startup costs, though no one system has complete baseline rental information that would be needed for a rental registry.

Gathering the information necessary to launch tenancy registration will require the Rent Board to collaborate with these City departments to compile information on the location and ownership of at least all rent stabilized units in San Francisco to either be entered into a new

database or appended to an existing one. The Budget and Legislative Analyst has estimated approximately \$300,000 for the cost of this undertaking a new system based on the costs incurred in other cities that have established rental registries in recent years.

Because the Rent Board is responsible for enforcement of the Rent Ordinance, and creation of a rental registry and mandatory rent registration represents an increase in active enforcement, we conclude that rent and tenancy registration and associated data should reside at the Rent Board. Although the initial creation of a database should involve collaboration among various City departments, and the recorded data itself may ultimately be made available through various portals to multiple departments, the most efficient and most public serving approach to active enforcement through rent and tenancy registration would involve the housing and maintenance of the new function and associated database at the San Francisco Rent Board. Active enforcement of the City's rent ordinance and creation of a rental registry are most consistent with the mission of the Rent Board than with the missions of other departments. Rent Board and Planning Department management concur with this approach.

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## Conclusion

Tenancy registration is an essential tool in the active enforcement of rent stabilization ordinances because it enables rent boards and agencies to

- Systematically gather information regarding current rents in rent stabilized units,
- Monitor maximum allowable rents and just cause for eviction,
- Notify annually or make available to tenants and landlords on request the maximum rent for any given unit and their rights and obligations under the rent ordinance,
- Take enforcement action when violations are discovered.

Active enforcement may result in lower rates of overcharging in California residential rental markets but it increases administration costs. On the other hand, there is some evidence that information dissemination to landlords and tenants that registration facilitates can reduce workload and costs associated with landlord – tenant disputes.

Had California Proposition 10 been passed by the voters in November 2018, implementation of vacancy control in San Francisco could have occurred if the City amended its rent stabilization ordinance. Vacancy control would create additional risk for overcharging because it would limit rent increases between tenancies in addition to the current stabilization of rent during tenancies, and would apply to 172,394 rent stabilized units.

When vacancy control was allowed in California, before the adoption of the Costa-Hawkins Rental Act by the California State legislature in 1995, the purpose of registries was primarily to

regulate rental units without regard to tenancy. If San Francisco were able to implement vacancy control, a registry would be required to make the system effective since the Rent Board would need to regulate *rental units not tenancies*. Under vacancy control the base rent and services must be registered since all future rent increases are based on this point of reference. Without registration of the base rent, no one will know what the maximum allowable rent is for any unit. Although annual registration would still not be required, it would continue to be an option. As is the case with rent stabilization, it would only be when there is a new tenancy that a new registration would be required.

Implementing active enforcement and tenancy registration in San Francisco for rent stabilization would be beneficial as eight other California cities have found.<sup>56</sup> A more active approach to enforcement of the City's Rent Ordinance appears to be within the Rent Board's purpose of "providing for the orderly and efficient administration of the Rent Ordinance and by protecting tenants from unreasonable rent increases and displacement while assuring that landlords receive fair rents consistent with the ordinance"<sup>57</sup>

However, it would require either a new or upgraded information system at the Rent Board or another City Department at a minimum cost of \$300,000 and additional annual staff costs of between \$1,705,641 and \$3,635,649 depending on the extent of registration and enforcement activities. Cost increases could be offset by passing them through to landlords by increasing the annual fees charged landlords and limiting the amount of the free increase that landlords could pass on to tenants.

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<sup>56</sup> Los Angeles County adopted a temporary rent stabilization measure for unincorporated parts of the County in December 2018. The BLA has been informed that the County is considering permanent rent stabilization and rental and tenancy registration.

<sup>57</sup> San Francisco Administrative Code Chapter 37A



## Appendix

Our staffing estimates for a rent registry assume staffing distribution that is 2/3 admin and clerical and 1/3 management/analytical and uses the City of San Francisco Department of Human Resources classifications shown in Exhibit 5. These costs assume salaries at the lowest step and may therefore slightly understate total salaries and benefits.

### Exhibit 5: Estimated Rental Staffing Costs for Additional Positions for Rental Registry at SF Rent Board

Classification	Annual Salary and Benefits	FTE Needed for Median Staffing of all 7 Cities	Costs for Median Staffing of all 7 Cities	FTE Needed for LA & San Jose Staffing	Costs for Median Staffing in LA & San Jose Only
1827 Administrative Services Manager	\$123,843	1	\$123,843	1	\$123,843
1820 Junior Administrative Analyst	\$79,971	3	\$239,913	2	\$159,942
1822 Admin Analyst	\$105,186	3	\$315,558	1	\$105,186
1823 sr. admin analyst	\$122,593	3	\$367,779	1	\$122,593
Subtotal mgt./analyst staff		10	\$1,047,093	5	\$511,564
1404 Clerk	\$65,031	6	\$390,186	3	\$195,093
1406 Senior Clerk	\$67,431	5	\$337,155	3	\$202,293
1408 Principal Clerk	\$89,029	5	\$445,145	3	\$267,087
1410 Chief Clerk	\$102,076	5	\$510,380	1	\$102,076
Subtotal admin. staff		21	\$1,682,866	10	\$766,549
Total Salaries and Benefits			\$2,729,959		\$1,278,113
Estimated Materials and Supplies @25%			\$682,490		\$319,528
Rent @ 120 sf/FTE & \$60/sf			\$223,200		\$108,000
<b>Total</b>		<b>31</b>	<b>\$3,635,649</b>	<b>15</b>	<b>\$1,705,641</b>

<sup>i</sup> Berkeley Rent Board Executive Director notes that some of the changes in the numbers of petitions filed are associated with rise and fall of rental prices in the rental housing market, but there is a general downward trend related to the Rent Board's efforts to communicate and provide information to landlords about the Rent Ordinance.