Final Report

Proposed Rent Stabilization Ordinance Analysis

The Economics of Land Use

Prepared for:
City of Salinas

Prepared by:
Economic & Planning Systems, Inc. (EPS)

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Economic & Planning Systems, Inc.
455 Capitol Mall, Suite 701
Sacramento, CA 95814
916 649 8010 tel
916 649 2070 fax

Oakland
Sacramento
Denver
Los Angeles

www.epsys.com

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1. Introduction and Summary of Findings

Introduction

At the request of the City of Salinas' (City) City Council (Council), Economic & Planning Systems, Inc. (EPS) was retained to provide due diligence by analyzing the potential economic effects of establishing a rent stabilization policy (Study).[1]

Please note that rent stabilization **ONLY** applies to residential land uses with the following characteristics:

- Multifamily rental dwelling units (including duplexes and triplexes, unless one unit is occupied by the property owner).
- Built before February 1, 1995.
- Remodeled residential units converted from space long dedicated to residential.[2]

The following residential land uses are **EXEMPT**:

- Single-family dwelling units.
- Single-family rentals.
- Condominium units.
- Condominium rentals.
- Multifamily dwelling units built after February 1, 1995.
- Newly constructed dwelling units.[3]

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[1] The City Attorney retained the services of EPS to serve as an outside expert by conducting a Consultant's study of the proposed rent stabilization ordinance intended to inform and support the City Attorney's legal evaluation. As such, this Study is subject to evidentiary protections under the attorney work product doctrine or attorney-client privilege, and all written communications should be appropriately marked to preserve those protections.

[2] California Legislative Information Civil Code—CIV DIVISION 3. OBLIGATIONS [1427 - 3273.69] (Heading of Division 3 amended by Stats. 1988, Ch. 160, Sec. 14.) PART 4. OBLIGATIONS ARISING FROM PARTICULAR TRANSACTIONS [1738 - 3273.69] (Part 4 enacted 1872.) TITLE 5. HIRING [1925 - 1997.270] (Title 5 enacted 1872.) CHAPTER 2.7. Residential Rent Control [1954.50 - 1954.535] (Title 5 added by Stats. 1995, Ch. 331, Sec. 1.) https://leginfo.legislature.ca.gov/faces/codes_displayText.xhtml?lawCode=CIV&division=3.&title=5.&part=4.&chapter=2.7.&article (accessed May 2024).

[3] Ibid.

NOTE: Rent stabilization provides landlords with the ability to increase rent by a fixed percentage year over year. This differs from rent control, which is defined as when a municipality locks in rental rates at a specific amount. Please note that while the distinction between these methods of regulating rent is important, the terms may sometimes be used interchangeably within the literature review and other parts of this analysis.

This Study was prepared to answer the following **key questions** related to a potential rent stabilization ordinance on multifamily residential rental units in the City:

- What socioeconomic and real estate trends led City officials to consider implementing a rent stabilization policy?
- How can the experiences of cities with existing rent stabilization policies inform the elements of the proposed policy requirements in Salinas?
- What are the potential fiscal implications of a proposed rent stabilization ordinance on the City's General Fund?
- What are the estimated impacts of different rent stabilization ordinance scenarios on housing supply in the City?

It is important to note that local rental markets are complex and influenced by a variety of factors that are external to the proposed ordinance, including regional growth trends, federal and State of California (State) policies and regulations, and business cycle considerations, among others. Thus, the identified economic and fiscal impacts of the proposed ordinance are informed by available evidence and are not intended to be precise predictions but are to support discussion of potential policies and recommendations.

Study Overview

This Study includes various research methods to help examine the economic and fiscal effects of rent stabilization, including a literature review on rent stabilization, case studies of rent stabilization regulations implemented in jurisdictions in California, and a technical socioeconomic and financial analysis.

The technical analysis component of this Study comprises the following key analytic elements and addresses how they relate to and could be affected by rent stabilization:

- **Demographic and Socioeconomic Profile.** Identifies trends in population and households, age, race & ethnicity, and household income.
- **Residential Market Profile.** Examines the housing inventory and residential market trends in the City.
- **Economic and Fiscal Impacts.** Estimates the economic impacts of rent stabilization on housing supply and pricing, the City's General Fund, and on landlord returns.

The purpose of this evaluation is to develop an understanding of the dynamics of socioeconomic and residential market trends in Salinas to examine the economic and fiscal impacts of rent stabilization and address the key questions to help the City develop a rent stabilization ordinance that considers and balances the economic implications for both the tenants and building owners.

Supporting data tables underlying the findings and figures presented herein are included in appendices at the end of this Study.

Sources

This Study relies on publicly available data sources (e.g., 2012 and 2022 U.S. Census American Community Survey, California Department of Finance, Housing and Urban Development, RedFin, Zillow, Nolo) and subscription-based data (e.g., CoStar, ParcelQuest) to document and evaluate trends in the City, the State, and other jurisdictions.

Background

As the county seat, the City is both a center of agricultural production and an affordable residential center for service economy employees serving the Monterey Peninsula. The City has been making gains in its downtown, which has become a compelling and livable district. Recent years have shown Salinas' economic base growing at a modest pace, with agriculture making up the largest portion of economic activity.

Salinas' labor force is young, with a large proportion of workers lacking a high school or college education. Salinas also has a shortage of both agricultural production workers, as well as health care and educational workers.

The labor force also has a sizable number of professionals and construction workers who commute to jobs outside of the City and Monterey County. The role of Salinas as a bedroom community for those workers has put upward pressure on housing prices, and the regional shortage of agricultural workers, as well as the tourist-serving hospitality workers, is an outcome of that trend.

Salinas has a rare if not unfortunate status as an area of lower wage labor subject to very expensive land and development costs (similar to the greater Bay Area). With very little new market supply added despite several major Specific Plans on the books, these forces have combined to create a high cost of living in the City. Communities to the south of Salinas on U.S. Highway 101 are actively seeking to compete for this labor force as part of their own economic development ambitions. While every effort is being made to diversify and train the local labor force and enable citizens to gain additional skills and command higher wages, these efforts take time. In the interim, the rising costs of living, including the cost of housing, are important to understand, and efforts to help must center on stabilizing housing costs through various policies, including but not limited to rent stabilization.

California Rent Stabilization

The California Tenant Protection Act established a statewide maximum allowable rent increase and just-cause eviction protections. The statewide policy caps rent increases at the lesser of 5 percent plus the increase in the regional consumer price index (CPI) or 10 percent of the lowest rent charged over the 12 months before the increase.[4]

Cities and counties may also enact their own rent stabilization with a lower rent cap than the statewide provision. However, any local ordinance is limited by the Costa-Hawkins Rental Act, which exempts single-family homes, condominiums, and all housing built after 1995 from rent stabilization (but not just-cause eviction). State law also dictates that all units covered by rent stabilization are subject to vacancy decontrol, which allows landlords to establish market-rate rents for new tenants.[5]

There is a statewide ballot initiative set for the November 2024 ballot that would repeal Costa-Hawkins.[6] If the initiative passes, any local ordinance not explicitly written to exempt single-family homes or provide vacancy decontrol will take effect. Therefore, if Costa-Hawkins is repealed, the City's proposed rent stabilization ordinance, if approved, would apply to all rental housing, including single-family units, and rents would not reset to market rate for new tenants if these elements are not specified in the ordinance.

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[4] Rent Control Is Here: California's Tenant Protection Act of 2019 | Nolo

[5] Costa-Hawkins Act • California Apartment Association (caanet.org)

[6] California Prohibit State Limitations on Local Rent Control Initiative (2024) - Ballotpedia

Various studies on rent stabilization in California suggest that approximately 30 cities in the State have some form of rent stabilization program, or about 7 percent of the total cities (accounting for 22 percent of the State's population).[7] As illustrated in **Table 1-1** most of these cities tie rent caps to a percentage of the CPI. A smaller number of cities cap rent at an annual percentage increase, ranging from 2 percent to 10 percent, regardless of the CPI.

Rent Stabilization Concepts and Discussion

Rent stabilization and control are a controversial concept, subject to divisive opinions and concerns.

These are some of the common concerns with this regulatory policy:

- Reduced rental unit supply.
- Reduced residential mobility.
- Reduced property value.
- Decreased revenue leading to property disinvestment.
- Inflated rent as an effect of vacancy decontrol.

Conversely, these are some of the positive expectations from rent stabilization:

- Housing stability:
  - Reduced worker turnover.
  - Improved educational outcomes.
  - Reduced demand for social services.
- Increased discretionary income potentially to help boost the local economy.
- Protecting communities of color from historical housing cost burdens.
- Increase in income equality.

Many of the concerns can be alleviated through education of the proposed rent stabilization policy. For example, making sure the community understands which residential units qualify for rent stabilization and specifically clarifying it does not affect new development, as discussed in **Chapter 2**, and refuting some common misconceptions, as discussed in **Chapter 3**.

[7] California Rent Control Law | Nolo

Table 1-1. California Cities with Rent Stabilization

City	Allowable Annual Rent Increase (% of CPI)	City	Allowable Annual Rent Increase Flat %
Bell Gardens	50%	Gardena	5%
Antioch	60%	Hayward	5%
Concord	60%	Larkspur	7%
Oakland	60%	Mountain View	2% - 5%
Richmond	60%	Oxnard	4%
San Francisco	60%	Sacramento	10%
Berkeley	65%	San Jose	5%
Alameda	70%	**Average**	**6%**
Los Gatos	70%		
Fairfax	75%		
Palm Springs	75%		
Pasadena	75%		
Santa Monica	75%		
West Hollywood	75%		
East Palo Alto	80%		
Santa Ana	80%		
Baldwin Park	100%		
Beverly Hills	100%		
Cudahy	100%		
Culver City	100%		
Inglewood	100%		
Los Angeles	100%		
Pomona	100%		
Average	**78%**		

Source: Nolo; EPS.

Key Findings and Considerations

Key Question 1: What socioeconomic and real estate trends led City officials to consider implementing a rent stabilization policy?

For decades, California has faced a housing crisis related to its significant unhoused population and housing affordability related to rising housing costs and lack of supply. For renters, especially those living in poverty, high rental rates have translated into large proportions of their income allocated to housing costs, leaving little remaining for basic living expenses, let alone bolstering savings accounts to build wealth.[8] Disparities in cost burdens persist among renters, particularly affecting households from a diverse racial background. These disparities are attributed to long-standing discrimination in housing,[9] employment, and education.[10] Black, Hispanic, and multiracial households face higher rates of cost burdens compared to White renters by 5 to 10 percent.[11] Among the renters experiencing housing hardships, 4 in 10 renter households are Black and Latinx.[12] This housing crisis is exacerbated for people of color, who often face additional barriers such as lower wages and fewer housing options in desirable neighborhoods. These communities are more likely to experience housing instability and are at greater risk of eviction. The socioeconomic factors and real estate trends discussed below have prompted the City Council to consider a rent stabilization policy in the City to help protect the vulnerable renter communities by helping to alleviate the pressures of increasingly high rents.

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8 Kimberlin, Sara and Esi Hutchful, 2019. New Census Figures Show More Than 1 in 6 Californians Struggle to Afford Basic Necessities. *California Budget and Policy Center.* [online] https://calbudgetcenter.org/resources/number-of-californians-living-in-poverty-has-been-declining-but-more-than-1-in-6-residents-still-struggle-to-afford-basic-necessities/#:~:text=Approximately%207.1%20million%20Californians%20lived,Supplemental%20Poverty%20Measure%20(SPM) [Accessed January 2021].

9 CBPC, *Who is Experiencing Housing Hardship in California? May 2022; 5*.

10 JCHS of Harvard University, *America's Rental Housing, 2024*; 34-36.

11 Ibid.

12 CBPC, *Who is Experiencing Housing Hardship in California? May 2022*.

These are characteristics of renter-occupied households in Salinas:

- Overcrowding in renter-occupied households has increased by more than 24 percent over the last decade, compared to only 6 percent statewide.[13]
- About 53 percent of City renter-occupied households have 4 or more occupants, compared to 27 percent statewide.
- Mirroring a trend negatively affecting all of California, more than half of renter-occupied households in the City are considered rent-burdened and 26 percent are considered severely cost-burdened:
  - Median renter household income: $64,509/year.
  - 30 percent of median income: $1,612/month.
  - Median multifamily residential rent for units built before 1995: $1,994/month.
- Approximately 18 percent of families that are renters fall below the poverty level, compared to 6 percent of owner-occupied families in Salinas, and statewide, 16 percent of renters fall below the poverty level, compared to 4 percent of owner-occupied.[14]
- More than half (53 percent) of the City's households are renter occupied, in comparison to 44 percent statewide.
- Latinx population comprises 81 percent of the renter-occupied units in Salinas, compared to 30 percent countywide and 37 percent statewide.
- About 57 percent of renter-occupied households comprise householders ages 44 or younger, compared to 37 percent countywide and 53 percent statewide.

The multifamily rental rate increase of 86 percent over the past decade greatly exceeds the increase in renter-household incomes, which only increased by a total of 33 percent (in 2022 dollars) over the same period.[15]

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[13] An overcrowded household is defined by the U.S. Census as having 1 or more persons per room (excluding bathrooms and kitchens).

[14] The US Department of Housing and Urban Development defines a household spending more than 30 percent of their income on housing as "rent burdened." Households spending more than 50 percent of their income on housing are considered "severely rent burdened."

[15] This is based on the difference between 2012 and 2024 for multifamily rental units built before 1995.

In addition, the housing market in Salinas has become much more expensive. Home prices have increased 203 percent since 2012 (2023 average median sales price is $675,000 for for-sale units), and rents in multifamily units built before 1995 have increased by 86 percent since 2012 (2023 average asking rent was about $1,980 for all unit sizes).

The housing market is considered tight, with little room for movement. Overall low vacancy of about 3 percent, compared to Monterey County's 8 percent average, indicates the need for increased housing supply. The City's current overall vacancy rate of 3 percent falls below the 5 percent threshold that many housing experts believe to be an ideal vacancy rate.[16] Higher vacancy rates provide prospective buyers and renters with more options when searching for homes, helping to stabilize prices. Below this 5 percent rate, those looking for housing have fewer options, allowing landlords or sellers to charge higher prices. Research consistently has found that a vacancy rate below this 5 percent threshold leads to increasing rents and sales prices. The undersupply of housing most prominently affects underserved populations—including students, teachers, young families, low-income families and individuals, seniors, people with disabilities, and the unhoused population—indicating the need for focused strategies to increase access to a variety of housing types at various levels of affordability.

Key Question 2: How can the experiences of cities with existing rent stabilization policies inform the elements of the proposed policy requirements in Salinas?

A survey of rent stabilization ordinances in comparable jurisdictions was completed to examine established policy structures, as well as program fee amounts. The full survey can be found in **Chapter 3 Table 3-1**.

The rent-stabilized jurisdictions analyzed in the case study implemented varying levels of rent increase percentages, as well as different fee amounts. One of the key takeaways is the emphasis on the importance of educating the community, property owners, and developers on the types of units subject to rent stabilization, as well as the elements within the ordinance that can help both renters and landlords.

In addition, it is important to acknowledge that rent stabilization does not serve as a single "silver bullet" solution to such a pervasive problem. For it to alleviate some of the housing pressure, it must be combined with other policies that protect renters and encourage additional supply such as providing incentives

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[16] Phillips, Shane. 2020. Does the Los Angeles Region Have Too Many Vacant Homes? UCLA Lewis Center for Regional Policy Studies Working Paper Series. https://escholarship.org/uc/item/87r4543q [Accessed October 2021].

to support the development of missing housing types in the City, encouraging infill development, streamlining the permitting process, creating supportive housing-related programs for underserved populations, etc.

Key Question 3: What are the potential fiscal implications of a proposed rent stabilization ordinance on the City's General Fund?

Property Tax

There may be positive fiscal impacts on property taxes and property transfer taxes if rental units are sold in response to a rent stabilization ordinance. However, these fiscal impacts will be minor under current conditions as the ordinance only applies to multifamily units. The building would either be sold and continued to be occupied as rental units, or the property owner would have to go through the detailed process of converting to condominiums, which could then reduce the rental supply.

There is also the potential that limiting rent increases could reduce the assessed value of a rent-stabilized property. However, because of the impact of Proposition 13 on assessed values, only properties that have been sold would be eligible for a reassessment in their taxable value. In these circumstances, some new property owners ultimately may file assessment appeals if the values of their properties do not keep pace with inflation because the real rental revenue is declining over time. The impact of this effect on property taxes will depend on the portion of multifamily rental housing that was recently transacted. In the last 5 years, only 5.5 percent of the City's rental inventory that would qualify for the ordinance was sold.

In addition to property tax payments, any change in property values would impact the City's property tax in-lieu of vehicle license fee revenue received from the State. Therefore, if the proposed ordinance were to result in a decrease (or increase) in assessed values, the City would receive lower (or higher) revenue from the State.

Program Costs to the City's General Fund

Salinas will incur both one-time and ongoing costs to implement and administer a Rent Stabilization Program—costs that potentially could be covered through a per-unit fee program specified in the ordinance. Based on discussions with rent stabilization program staff in other jurisdictions, Salinas would likely need 4.2 to 11.4 full-time equivalent employees (FTEs) to manage the proposed ordinance (excluding the Rental Registry FTEs). Preliminary EPS estimates suggest ongoing program administration costs ranging from about $621,000 to $1.2 million per year, as detailed in **Chapter 4 Table 4-12**.

A combined annual per-unit fee for the Rental Registry and Rent Stabilization programs should be designed to recover the costs of the fully burdened costs of staff. An illustrative example using the estimated maximum annual costs of $1.2 million reflects a range from about $20 for partially covered units to $115 for fully covered units. The actual fees will depend on the level of staffing and will decrease over time if not escalated to keep pace with inflation. This fee does not include the initial costs to implement the program, and it provides an estimated cost of hiring third-party sources that may help with services such as legal counsel, tenant relocation assistance, and renter helpline. Actual costs of third-party services will depend on what elements are included from each service type.

Key Question 4: What are the estimated impacts of different rent stabilization ordinance scenarios on housing supply in the City?

Under current State law, the impact of the proposed ordinance on City finances and economic trajectory is likely to be relatively modest. Because of the statewide exemptions for single-family homes and multifamily units built after 1995, the rent stabilization provisions of the ordinance would only impact about 19 percent of the City's total housing stock. The most significant economic impacts are likely to be distributional, with existing renters experiencing direct financial benefits at the expense of property owners. The rent and eviction protections also may limit displacement among lower income communities who tend to disproportionately occupy rental housing.

Vacancy decontrol, which allows the rent for vacated units to be brought up to market rate, helps stabilize the potential financial effects for property owners, reflecting only a slightly decreased Internal Rate of Return (IRR) depending on the rent cap. A financial sensitivity analysis shows that a prototypical rent-stabilized building would appreciate at a slower rate compared to a market-rate building not subject to rent stabilization. In addition, rent-stabilized buildings are considered low-risk investments, requiring a stable IRR from about 8 percent to 12 percent compared to new construction, which would need to range about 2 percentage points higher. See **Chapter 4**.

Operating expenses for multifamily buildings have been somewhat volatile in recent years, largely because of increases in utility costs and particularly insurance costs. Increases in operating costs impact the net operating income for owners of multifamily rental units that are unable to pass along the total increased cost to tenants. Correspondingly, the return on investment for landlords can be negatively impacted. At the most restrictive rent control rates, the rates of investor return can potentially dip close to levels that can be achieved with far less risk and effort through an investment account. Under such a scenario, there would be increased incentive for some landlords to exit the market. **The inclusion of provisions for landlords to petition for rent increases**

to accommodate additional operating expenses is an important safety valve to prevent undue burden and potential loss of rental units.

Overall Conclusions

Rent regulations are increasingly prevalent in California. In cities like Salinas, where apartments account for about 36 percent of the housing stock, the policy could have a range of potential impacts. As discussed previously, current State law limits the impact of rent stabilization by exempting single-family units, condominiums, and properties built after February 1995 and allowing for vacancy decontrol (the ability to raise rent back to market rate after a tenant leaves).

For applicable units (19 percent of the City's housing), the proposed ordinance is likely to stabilize rents and decrease displacement risk, which is an important equity concern in the City. Thus, existing City renters would be the direct beneficiaries of the ordinance, accruing long-term financial benefits and reduced risk of eviction. This benefit would come at a cost to existing Salinas landlords who could experience reduced rental income and limitations on removing unwanted tenants. However, the effects on income appear to be relatively modest, particularly as the ordinance has policies to help protect hardships by allowing a landlord to petition for rent increase beyond the allowed rent-stabilized increase to obtain a fair and reasonable return, as well as petition to pass through to the tenant specific capital improvements. Conversely, there is a policy that allows a tenant to petition for a rent reduction if they believe that the landlord has demanded, accepted, or retained any rent in excess of the rent permitted.

However, despite the clear and direct redistribution effects of the proposed ordinance, the broader economic implications are likely to be modest absent the repeal of Costa-Hawkins, which would expand the incidence of rent control beyond the above-referenced 19 percent of the City's housing.

While 19 percent of the City's housing is not immaterial, the renter protections included in the ordinance are likely to have both positive and negative impacts on the local economy and the City's fiscal health. The positive impacts include reduced displacement, as well as increased economic stability and disposable income for renters. The negative impacts may include reduced labor mobility and housing availability for new residents, as rent stabilization is shown to decrease turnover by about 20 percent, and with vacancy in the City experiencing an extremely tight market, this exacerbates the limited housing options for new residents and the ability for existing residents to move, as discussed in **Chapter 3**.

Rent stabilization is part of a toolkit that, along with other policies and incentives, can help alleviate some housing cost pressures. Taken in combination with other policies that encourage renter protections and additional supply, it can be part of a multi-pronged effort to improve the outlook for residents struggling to afford housing.

Recommendations

Based on the findings from the literature review, a survey of comparable cities, and the technical fiscal and economic impacts analysis, **EPS recommends the City consider adopting a rent stabilization ordinance, limiting the maximum increase of rent between the following ranges to help stabilize rents and prevent displacement for the City's most vulnerable populations:**

- **The lesser of 2.5 percent or 65 percent of the CPI for All Urban Consumers in the Urban West (CPI-U West)**

  OR

- **The lesser of 2.75 percent or 75 percent of the CPI-U West**

Using a percentage of CPI to calculate allowed annual rent increases maintains a logical basis because the CPI itself includes changes in housing prices to measure inflation. As of December 2023, rent of primary residences of relative importance to the CPI-U West was 9.7 percent, while owners' equivalent rent's relative importance was 27.1 percent.[17] Thus, using CPI to calculate allowable rent increases risks of "double-counting" rent, in that exogenous rent increases in non-rent stabilized units could drive higher allowable rent increases that are larger than the increased costs of maintenance services captured in the CPI. Using either 65 percent or 75 percent of CPI to benchmark allowable rent increases helps to mitigate this potential issue.

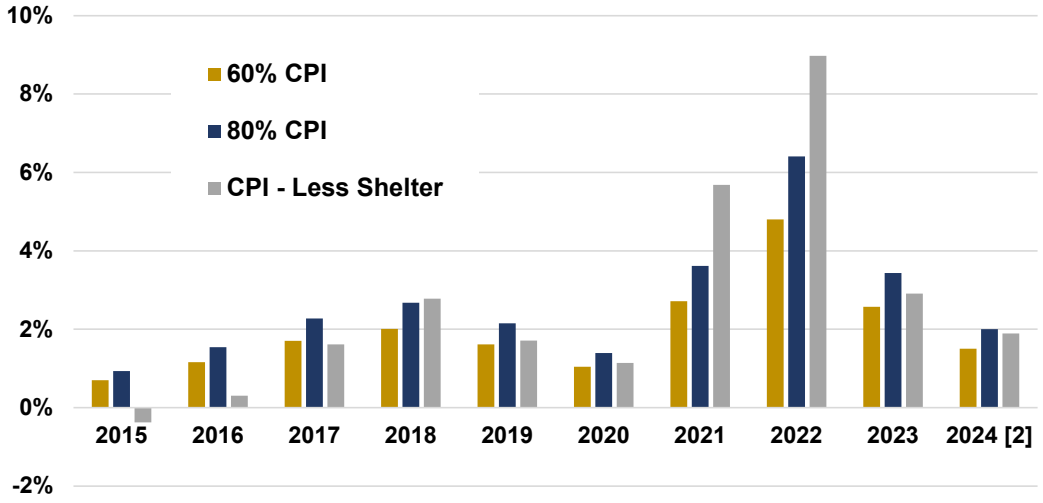
The Bureau of Labor Statistics (BLS) does publish inflation measures that exclude housing costs, titled "CPI-Less Shelter." However, this measure can be extremely volatile, as the large relative importance of shelter costs and their relative stability year-over-year mitigates more volatile consumer goods and services costs in unstable inflationary environments. For example, during the inflationary spikes of 2021 and 2022, which were driven by COVID-related supply chain issues

[17] Owners' equivalent rent is the amount that an owner-occupied home would rent for on the open market. Relative importance indicates the relative contribution of one category of items to the overall inflation measure. For example, with 9.7 percent relative importance, a 10 percent increase in rent of primary residences would increase the overall CPI by 0.97 percent, assuming all other items' prices do not change.

for consumer goods, the CPI-Less Shelter was 26 percent and 12 percent higher than the overall CPI-U West, respectively. See **Appendix A Table A-14**.

The allowed rent increases strike a balance to benefit both the tenant and the property owner, preventing exorbitant increases in rent, while still providing a reasonable rate of return for the property owner.

Figure 1. CPI Comparison



The Rent Stabilization Ordinance should include strong tenant protections. Strong tenant protections include Just-Cause eviction protections, as well as No-Fault eviction protections such as requiring landlords to pay fair relocation costs. See **Appendix A Table A-1** for no-fault eviction protections in the California cities that have rent stabilization ordinances. An additional protection the City could consider is setting a cap on the number of units that can convert to condominiums within a year and providing current tenants the right of first refusal to purchase condominium conversions.

The City should consider merging the Rent Stabilization Fee into the Rental Registry Fee and charge this fee on a per-unit basis. The fee amount should differ based on unit type: fully covered units (rental registry, tenant protections, and rent stabilization) should be higher than partially covered units (rental registry and tenant protections). The fee is to help the City recover the costs to run the program, including costs for staffing, third-party services and software, community education, and program enforcement, and should provide financial neutrality.

Based on data from other cities, **the additional staffing needed to establish, operate, and maintain the Rent Stabilization Ordinance ranges from the equivalent of 4.2 to 11.4 net new hires** (excluding the rental registry staff) or a percentage of existing employees' time. With the minimum level of only 4.2 new staff members, or 5.1 FTEs total, Salinas would likely need to contract third-party services for legal counsel, tenant relocation services, and mediation and dispute resolution. As staffing increases beyond 5.1 FTEs, the number of third-party source contracts will decrease.

The City should consider including language in the ordinance establishing periodic review elements such as the rent increase caps, the number of petitions, staffing levels, fee amounts, etc., to ensure the program operates effectively for property owners, tenants, and the City.

In addition, the City should take careful consideration to explicitly include any elements they would like to retain from Costa-Hawkins, such as exempting single-family homes, exempting new development, and providing vacancy decontrol. If these are not included in the City's ordinance and the statewide ballot initiative set for the November 2024 ballot to repeal Costa-Hawkins passes, the local ordinance would apply to all rental housing, including single-family units, and rents would not reset to market for new tenants.

2. Regulatory Context

This chapter summarizes the existing California legal context relevant to evaluating the fiscal and economic impact of the proposed ordinance and the specific provisions of the proposed ordinance in this context.

California Rent Stabilization

The California Tenant Protection Act established a statewide maximum allowable rent increase and just-cause eviction protections. The statewide policy caps rent increases at the lesser of 5 percent plus the increase in the regional CPI, or 10 percent of the lowest rent charged over the 12 months before the increase.[18]

Cities and counties also may enact their own rent stabilization with a lower rent cap than the statewide provision. However, any local ordinance is limited by the Costa-Hawkins Rental Act, which exempts single-family homes, condominiums, and all housing built after 1995 from rent stabilization (but not just-cause eviction). State law also dictates that all units covered by rent stabilization are subject to vacancy decontrol, allowing landlords to establish market-rate rents for new tenants.[19]

There is a statewide ballot initiative set for the November 2024 ballot that would repeal Costa-Hawkins.[20] If the initiative passes, any local ordinance not explicitly written to exempt single-family homes or provide vacancy decontrol will take effect, as would be the case for Salinas, as described further below. Therefore, if Costa-Hawkins is repealed, the City's proposed rent stabilization ordinance, if approved, would apply to all rental housing, including single-family units, and rents would not reset to market for new tenants.

Assorted studies on rent stabilization in California suggest that approximately 30 cities in the State currently have some form of a program, or about 7 percent of the total cities (accounting for 22 percent of the State's population).[21]

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[18] Rent Control Is Here: California's Tenant Protection Act of 2019 | Nolo

[19] Costa-Hawkins Act • California Apartment Association (caanet.org)

[20] California Prohibit State Limitations on Local Rent Control Initiative (2024) - Ballotpedia

[21] California Rent Control Law | Nolo

As illustrated in **Table 1-1**, most of these cities tie rent caps to a percentage of the CPI, similar to the approach in the proposed Salinas Ordinance. A smaller number of cities cap rent at an annual percentage increase, ranging from 2 percent to 10 percent, regardless of the CPI.

Summary of Salinas' Proposed Ordinance

The "City of Salinas Rent Stabilization and Tenant Protection Ordinance" (Ordinance) proposes to establish an annual rent increase cap of the lesser of a specified percentage or a percentage of the CPI (percentage amounts to be determined later) and establish just-cause eviction protections. As illustrated in **Table 1-1**, 60 percent of CPI threshold is the lower end (e.g., more favorable for existing tenants) than other California cities that have such ordinances (the average is 78 percent of CPI).

Like most rent stabilization programs, the proposed Ordinance applies to all covered units irrespective of household income (e.g., it is not means tested). As in Costa-Hawkins, the Ordinance exempts the following properties:

- Any residential real property with a certificate of occupancy issued after February 1, 1995.
- Rental units in hotels, motels, and inns (for a period of fewer than 30 days).
- Dormitories.
- Rental units in any hospital, convent, monastery, or extended care facility.
- A rental unit that has been the primary residence of the landlord since the beginning of the tenancy, and where the landlord shares a bathroom or kitchen with the tenant.
- Rental units fully owned, operated, and managed by a county government unit, agency, or authority, if applicable. Federal, State, or administrative regulations specifically exempt the units from local rent stabilization.
- Mobile homes located in mobile home parks.

Notably, the Ordinance does not exempt single-family or vacated units. While these units are exempt from rent stabilization under Costa-Hawkins, if voters repeal this law (as proposed in a statewide ballot measure), both single-family and vacated units would thereafter be covered by the proposed Ordinance.

In addition, the Ordinance provides the following policy stipulations to protect both tenants and property owners:

- Reasonable rate of return.
- Tenant protection for rent reduction.
- Landlord petition for rent increase.
- Petition for pass through for specific capital improvements.
- Rent increase ineffective (e.g., landlord fails to comply with the provisions of the Ordinance).
- Notice requirements.
- Violations and remedies.

If passed, the City would fund the administration of the Ordinance through the Rent Program Fee charged to landlords per non-exempt unit per year. The amount of the fee has yet to be determined. Other complaint-driven enforcement jurisdictions charge fees that range from $59 to $144 per unit.

Additional Renter Protections

Rent stabilization is a single policy tool designed to protect renters, and other rental protections and aid should be considered as well. For example, from March 2021 through the end of 2023, the City partnered with United Way to establish a funding agreement, providing the City with $15 million to assist with more than 3,800 rental payments. The program serves low-income residents throughout Monterey County who are at risk of becoming homeless. During this time, the City was able to help:

- 2,031 Rental Cases.
- 1,705 Utility Cases.
- 61 Motel Payments.

The City is working with United Way to develop a Homeless Housing Navigation and Stabilization Program (HHNSP), which includes partnering with the Housing Authority of Monterey County as a subgrantee. Funding will be used by the City's housing case navigators to provide case management, housing navigation referrals, and financial assistance with application fees, deposits, move-in fees, and storage fees to help residents obtain stable housing. These services are provided to individuals that are already a part of the City's Emergency Motel Program (EMP) or the Salinas Outreach and Response Team (SORT).

The City is not assisting with rental or utility services but helps provide referrals to outside services using the Smart Referral Network (SRN). The City is working on partnering with Monterey College of Law to assist tenants with tenant/landlord mediation services.

Potential Options for Additional Renter Protection

In addition to or in place of a rent stabilization ordinance, the following renter protection methods can be considered:

- **Assembly Bill (AB) 1482: The California Tenant Protection Act of 2019.** This law went into effect January 1, 2020, and expires on January 1, 2030. These are the two main aspects of this law:
  - Requires a landlord to have a "just cause" to terminate a tenancy.
  - Limits annual rent increases to more than 5 percent + local CPI, or 10 percent, whichever is lower.

  This law applies to units that were constructed 15 years ago or more, which differs from Costa-Hawkins, in that unit age is on a rolling basis. Another difference is it can apply to single-family homes and condominiums if those units are owned by a real estate trust, a corporation, or an LLC with at least one corporate member.
- **Additional renter protection programs** provided by other cities:
  - Just-cause eviction ordinances.
  - Tenant protection ordinances.
  - Legal assistance.
  - Fair housing services.
  - Emergency assistance programs.
  - Housing stability assistance program.

3. Literature Review and Case Study

The impact of rent stabilization ordinances on communities largely depends on the framework of the policy and the context of the local housing market. That said, there are common themes that can be gleaned from empirical and academic studies on the topic. Traditional economic analyses often focused on negative aspects of rent ***control***, a much stricter form of rent regulation originating from World War II-era price controls that are now only applicable to approximately 24,000 rental units located exclusively in New York City.[22] Under the rent control regime that was in place between 1943 and 1968 in New York City, landlords were required to apply to a rent commission for rental increases, with no allowances for automatic inflationary increases of rent.[23] Although economic theory predicts that such a hard price ceiling, coupled with no exemptions for new construction, would significantly depress new construction of rental housing and investment in maintenance and upkeep of current units, such strict policies were only in place temporarily and are not reflective of the more nuanced policies in place in most jurisdictions.[24]

Nearly all rent stabilization policies currently in place include significant allowances for automatic inflationary adjustments of rent, increases for capital improvements, vacancy decontrol, and exemptions for new construction, mitigating harmful effects on new construction and maintenance investment from the price control aspect of the policies. Most empirical studies on more moderate rent stabilization policies indicate that the policy is effective in its intended goal of reducing rent for existing tenants. However, rent stabilization policies have also been found to cause a range of other impacts on the housing market, including increased rent for new residents and reduced housing mobility/displacement. Impacts on other factors are more ambiguous. A summary of the salient findings from a variety of empirical rent stabilization studies is provided below.

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22 New York City Rent Guidelines Board, 2024. Frequently Asked Questions. https://rentguidelinesboard.cityofnewyork.us/resources/faqs/. Accessed June 18, 2024.

23 Cavadias, M., 2017. A Brief History of Rent Regulation in New York. Hypocrite Reader. https://hypocritereader.com/81/rent-regulation-nyc. Accessed June 18, 2024.

24 Jenkins, B., 2009. Rent Control: Do Economists Agree? Econ Journal Watch. Vol. 6, Issue 1.

Impacts on Renter Displacement

Almost all academic research indicates that tenants in rent-stabilized apartments have longer tenures and are less likely to move than renters in non-rent-stabilized units.[25] In other words, households that are protected from rapid rent increases appear less likely to move. In a 2019 Stanford research paper, authors Diamond, McQuade, and Qian (DMQ) examined the impacts of San Francisco's rent stabilization after a 1994 law removed an exemption for small multifamily units in the city. The paper concluded that San Francisco's rent stabilization lowered renter displacement by about 20 percent.[26] The authors note that rent stabilization had an especially significant impact in preventing the displacement of racial minorities. A summary of stabilization's impacts by PolicyLink noted that tenants living in rent-stabilized units move less frequently and are less likely to experience forced moves.[27]

The "strictness," as measured by the magnitude of rent increases allowed and the burden of proof necessary to raise rents beyond the standard allowable increases, of rent control policies is strongly correlated with longer tenancies.[28] Under extremely strict rent control regimes, such as those that existed in New York City before 1968, the impacts on tenant mobility can be extreme, with a 1992 study finding that the typical tenant in a rent-controlled unit would remain in the same unit for 18 years longer than a similar tenant in a non-rent-controlled unit.[29]

Although economic analyses of strict rent control policies have often focused on the misallocation of rent control's benefits (i.e., that most benefits accrue to upper income households), recent analysis of rapidly gentrifying neighborhoods in the San Francisco Bay Area finds that rent stabilization is uniquely effective in preventing displacement of extremely low-income households.[30]

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[25] Pastor, M.; Carter, V.; Abood, M. 2018. Rent Matters: What are the Impacts of Rent Stabilization Measures? https://dornsife.usc.edu/eri/wp-content/uploads/sites/41/2023/01/2018RentMattersPERE.pdf

[26] DMQ.pdf (stanford.edu)

[27] OurHomesOurFuture_Web_08-02-19.pdf (policylink.org)

[28] Crispell, M., 2016. Rent Control Policy Brief. University of California Berkeley Urban Displacement Project.

[29] Ault, R.l Jackson, J.; & Saba, R. 1992. The Effect of Long-Term Rent Control on Tenant Mobility.

[30] Hwang, J., et al., 2022. Who Benefits from Tenant Protections? The Effects of Rent Stabilization and Just Cause for Evictions on Residential Mobility in the Bay Area. University of California Berkeley Institute of Governmental Studies Policy Brief.

In Salinas, increasing housing stability for the City's rental community, specifically the 81 percent of renter-occupied units comprising Latinx residents, and other vulnerable residents such as farmworkers, the elderly, and low-income households, is key to ensuring quality of life for these communities and the City as a whole. Research from San Mateo County shows that displacement, whether from formal eviction or an inability to afford rent, has disastrous impacts on families' well-being. Renters displaced from their homes experienced extremely high rates of homelessness compared to other families and, on average, were forced to move to communities with worse environmental health outcomes and longer commutes.[31] Additional research from Michigan conducted during the Great Recession shows that people who move because of an inability to afford rent or mortgage are more than twice as likely to report anxiety attacks or severe depression than people who move for other reasons.

Impacts on Rental Supply

Much of the economic literature critical of rent control policies' depressive impact on new housing development examines strict rent control policies present in New York City and many European cities immediately following World War II.[32] [33] **However, empirical evidence from more moderate rent stabilization policies with exemptions for new construction find little to no effect on the supply of new housing.** An examination of the end of rent stabilization policies in Boston, where new construction was exempted, found that being in a zone of Boston exempt from rent stabilization led to an increase of only 0.2 percentage points in the quantity of new housing.[34] Similarly, analysis comparing 76 cities in New Jersey both with and without rent stabilization policies found that moderate price control policies had no statistically significant effect on new construction.[35]

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[31] Marcus, J.; Zuk, M., 2017. Displacement in San Mateo County, California: Consequences for Housing, Neighborhoods, Quality of Life, and Health. University of California Berkeley Institute of Governmental Studies Policy Brief.

[32] Glaeser, Edward L. 2002. Does Rent Control Reduce Segregation? Harvard Institute of Economic Research Discussion Paper No. 1985.

[33] Arnott, Richard. 1995. "Time for Revisionism on Rent Control?" Journal of Economic Perspectives, 9 (1): 99–120.

[34] Sims, David P. 2007. Out of Control: What Can We Learn from the End of Massachusetts Rent Control? Journal of Urban Economics 61(1).

[35] Gilderbloom, John I., and Lin Ye. 2007. "Thirty Years of Rent Control: A Survey of New Jersey Cities." Journal of Urban Affairs 29(2).

While moderate rent stabilization policies with exemptions for new construction may not depress new housing development, they may lead to the conversion of existing rental units to condominiums, **generating a shift toward for-sale housing**. Over the 36-year study period, DMQ found that impacted landlords reduced the supply of available rental housing by 15 percent by selling to owner-occupants and redeveloping buildings. As a result, rental properties made up a smaller portion of the City's housing over time, which increased the cost of rental housing. The shift toward for-sale housing and the increased price of rental housing together directed the City's housing stock toward higher income households.

Because the Ordinance would apply only to multifamily buildings, the property owners of apartment buildings that qualify for rent stabilization in Salinas would have to go through the legal process to convert the rental units to condominiums. The conversion process is complex, with many detailed steps:

1. Consult with a real estate attorney.
2. Conduct a market assessment.
3. Retain a licensed professional to examine the property.
4. Talk to a mortgage broker.
5. Understand the role of the title company.
6. Tenant notice or vacancy exemption.
7. Application process:
   - Application.
   - Tenant history and provisions.
   - Inspection.
   - CC&Rs.
   - Site plan and floor plans.
   - Utility plan.
   - Tentative parcel map.
   - Subdivision map.
   - Preliminary title report.
   - Affordable housing proposal, if applicable.
8. Recordation of applicable paperwork.
9. Post-conversion refinance and sales transactions.[36]

[36] Old Republic Title, "Understanding the Condo Conversion Process," December 14, 2022, https://www.linkedin.com/pulse/understanding-condo-conversion-process-oldrepublictitle/ (accessed May 2024).

While apartment-to-condominium conversions would reduce rental inventory, several policies exist to mitigate the threat of these conversions, including the prohibition of condominium conversions for buildings over a certain number of units, requiring that landlords pay fair relocation costs, or providing current tenants the right of first refusal to purchase condominium units in the converted building.

Impacts on Economic Inequality

Economists have made varying conclusions on how rent stabilization impacts inequality.

While rent control does not directly decrease income inequality, **the benefits of housing, rental expenditure, and neighborhood stability are much more impactful for low-income households**. Because rent stabilization is a broadly targeted policy, benefitting tenants regardless of their income levels, many economists have noted that the majority of the aggregate benefits of cheaper rent accrue to middle- and upper-income households.[37]

However, analysis of the aggregate benefits of lower rent does not consider the relative effect of stabilized rents on households of different incomes. Lower income families spend a much larger proportion of their incomes on rent—in 2017, 80 percent of low-income households spent more than 30 percent of their income on rent, compared to only 16 percent of high-income households.[38] [39] Thus, the income-saving aspect of rent stabilization policies is much more impactful for low-income households than for higher income households, even if the nominal dollar benefit is the same.

However, rent stabilization (along with the robust tenant protections that often accompany these policies) allow lower income families to remain in neighborhoods even as rental prices and neighborhood incomes rise. As noted in the DMQ study of San Francisco rent stabilization, allowing low-income families to remain in place while the average income of in-migrants rises actually increases income inequality on a citywide scale as the incomes of existing tenants and new residents diverge. However, these families, and especially young children, strongly benefit from housing stability in an improving neighborhood. As noted above, low-income families displaced from gentrifying neighborhoods are often forced to move to neighborhoods with lower opportunity and higher environmental health risks.

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[37] Ault, R. & Saba, R., 1990. The economic effects of long-term rent control: The case of New York City. The Journal of Real Estate Finance and Economics. Volume 3.

[38] Kimberlin, S., 2019. California's Housing Affordability Crisis Hits Renters and Households With the Lowest Incomes the Hardest. California Budget & Policy Center.

[39] Low-income is less than 200 percent of the federal poverty line, while high-income is 400 percent or more of the federal poverty line.

In addition, as average neighborhood incomes rise, children raised in these higher income, higher opportunity neighborhoods grow up to have significantly lower incarceration rates, much higher employment rates, and higher incomes, regardless of the household income of the family in which they were raised.[40]

In an economy such as Salinas, where many workers cannot afford to live and may struggle to afford rent and price increases and with elevated levels of overcrowding in residential units and high percentages of households that are cost burdened, rent stabilization can allow low-income households to remain in their neighborhoods even as the housing prices and average incomes rise.

Impacts on Property Values

Classical economics holds that rent stabilization potentially impacts property values by limiting the income earning potential of rental properties and potentially by reducing investment on building maintenance, leading to building deterioration. Although studies of strict rent *control* policies do show that such policies lead to significantly lower property values compared to uncontrolled rental properties, **moderate rent stabilization policies, allowing for vacancy decontrol and providing allowances for capital improvements, have been shown to have little to no effect on property values**.

The unanticipated elimination of rent stabilization in Massachusetts in 1995 provided economists with an opportunity to study the price effects on decontrolled properties. MIT researchers analyzed the elimination of rent stabilization in Cambridge and found that previously rent-controlled properties rose in assessed value by approximately 13 percent to 25 percent over the 10 years following rent decontrol. However, Cambridge's rent control policy and implementation was extremely strict, with very limited annual allowable rent increases for inflation and no vacancy decontrol.

Alameda County's experience with rent stabilization in the 1970s and 1980s also allowed for studying the effects of varying degrees of strictness. Of the 13 incorporated cities in Alameda County, 1 (Berkeley) had strict rent control, with minimal allowed rent increases and no rent control, 2 (Hayward and Oakland) had more moderate rent stabilization policies, and the remaining 10 cities had no rent control or stabilization policies during the study period (1970-88). Although property values in Berkeley were approximately 50 percent lower than would have been expected during the study period, property values in Oakland and Hayward were unaffected by their more moderate policies.[41]

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[40] Kramer, M. How the neighborhood you grow up in affects your future. https://projects.publicsource.org/pittsburgh-neighborhood-success/

[41] St. John, M., 1990. The Impact of Rent Controls on Property Value. UC Berkeley Fisher Center Working Papers. https://escholarship.org/uc/item/8c9648s1

A similar study in New Jersey examined property values in 74 cities with moderate rent stabilization polices and 87 cities without rent stabilization policies. With more than 40 years of data captured, the study found that the rent stabilization policies had no significant impact on property values, with property appreciation rates amongst the cities driven much more strongly by median household income and other demographic factors.[42]

Impacts on Building Quality

Research on rent stabilization and building quality is ambiguous, largely because of the difficulty in measuring building quality and levels of maintenance on a large scale. **However, empirical research has found that moderate rent stabilization policies, which allow landlords a return on investments in building improvements, do not depress the amount of building maintenance.** In Boston, rent stabilization regulations were found to lead to a decline in cosmetic maintenance, although the author notes that such regulations did not appear to lead to "catastrophic failures" and that the end of such policies did not lead to an increase in "functional maintenance" of building systems such as windows, plumbing, and climate control. [43] Similarly, experience in Cambridge showed that the strict rent control regime there, combined with the low likelihood that the city would approve rent increases for property improvements, reduced property owners' incentive to maintain or improve their units.[44]

Conversely, several researchers have found that the increased length of tenure allowed by rent stabilization policies increases tenants' willingness to maintain their own units.[45] [46] Importantly, a study of moderate rent stabilization policies in North American cities finds that such policies that allow for capitalization of building improvements or increase enforcement of housing codes finds that these policies do not negatively impact owner investments in property upkeep and improvements. A key finding from that study is that "allow[ing] increases in the level of housing services [i.e., building improvements] to be valued at their market price," is critical to ensuring that the price control aspect of rent

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[42] Ambrosius, J., et al., 2015. Forty years of rent control: Reexamining New Jersey's moderate local policies after the great recession. Cities. Vol. 49.

[43] 2007 Sims MA rent control study - DocumentCloud

[44] Autor, D.; Palmer, C.; and Pathak, P., 2014.

[45] Gyourko, J., and Linneman, P. 1990. Rent Controls and Rental Housing Quality: A Note on the Effects of New York City's Old Controls. Journal of Urban Economics Vol. 27, Issue 3.

[46] Moon, Choon-Geol, and Janet G. Stotsky. 1993. The Effect of Rent Control on Housing Quality Change: A Longitudinal Analysis. The Journal of Political Economy Vol. 101, Issue 6.

stabilization policies does not depress investment in building upkeep and improvement.[47]

However, when coupled with strong just-cause protections, rent stabilization has been found to provide leverage to tenants to advocate for improved conditions. A study in Washington, D.C. found that the share of physically deficient units decreased after rent stabilization because most tenants said they were more willing to insist on repairs.[48]

This discrepancy may be explained by the type of investments being examined. While tenants may have added leverage to request repairs related to basic building functionality and health and safety requirements, landlords may have less of an incentive to make more cosmetic investments or add amenities designed to appeal to new tenants.

If Salinas does implement a rent stabilization ordinance, it will be important to include strong just-cause protections and support for tenants to advocate for the health and safety of their living conditions.

Other Potential Impacts

There are many potential impacts of rent stabilization that have not been significantly studied. A few impacts have been noted by researchers but have less empirical support. One example is listed below:

- **Sales tax impacts.** Sales taxes may be impacted both positively and negatively by rent stabilization. Rent stabilization increases the discretionary income of renters, allowing households to spend money and boost the local economy.

Conversely, if rent stabilization were to limit the influx of higher income residents, it may reduce the number of households that spend the most money on local services:

- **Workforce impacts.** A lack of available housing can be a barrier to attracting and retaining employees. While the proposed Ordinance would help existing renters remain in place, it may reduce the availability of housing for people moving to Salinas. A potential spatial mismatch between employment and worker populations can limit access to jobs.[49] On the other hand, rent stabilization and subsequent housing stability may provide economic benefits

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[47] Kutty, N. 2007. The impact of rent control on housing maintenance: A dynamic analysis incorporating European and North American rent regulations. Housing Studies. Vol. 11, Issue 1.

[48] OurHomesOurFuture_Web_08-02-19.pdf

[49] Four Reasons Why Employers Should Care about Housing | Housing Matters (urban.org)

through reduced worker turnover. Displacement and housing instability lead to absenteeism from work, reduced productivity, and higher turnover—people who experience eviction are up to 22 percent more likely to be laid off.[50]

- **Improved educational outcomes.** Children who move frequently have more absences and a lower likelihood of finishing school. Reduced displacement can lead to fewer moves for students and, as a result, improved overall educational outcomes. In addition, rent stabilization may help teachers who are rent burdened to continue in their profession at their local school.
- **Demand for social services.** The benefits of improving financial stability for renters can be significant.[51] All else equal, financially stable households are less likely to need public benefits. As a result, increased housing stability can potentially decrease the need for government spending on food and housing assistance. This has the potential to reduce a city's expenditures.

Case-Study Research

A survey of the rent stabilization programs in comparative jurisdictions was completed to help examine the current requirements and fee amounts in cities with a similarly sized population or socioeconomic elements. The communities surveyed include the cities of Oxnard, Antioch, Mountain View, Oakland, and San Diego. Examining the rent stabilization elements in these communities provides insight into ordinance elements that are working well in other communities, as well as concerns from the community. **Table 3-1** provides a summary of the survey of the rent stabilization ordinances in the comparative jurisdictions.

Both Oxnard and Antioch only recently adopted their rent stabilization ordinances in 2022, and while Oxnard established a straight percentage limit of 4 percent, Antioch limits rent increases to the lesser of 3 percent or 60 percent of CPI. Oakland adopted an amendment in 2022 to their rent stabilization ordinance, which was originally passed in 1980, to the same limits as Antioch. Mountain View limits rent increases to no less than 2 percent and no more than 5 percent. As shown in **Table 1-1**, cities in California with rent stabilization ordinances have allowed increases ranging from a low of 50 percent of CPI up to a maximum 10 percent increase, which is the maximum increase per State law. The City of San Diego chose to adopt the AB 1482 rent cap, discussed in **Chapter 1**, which limits the rent increase to 5 percent plus the percentage change in CPI or 10 percent, whichever is lower.

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50 Housing and Employment Insecurity among the Working Poor | Social Problems | Oxford Academic (oup.com)

51 Thriving Residents, Thriving Cities: Family Financial Security Matters for Cities (urban.org)

Table 3-1
Case Study

Item [1]	Salinas	Oxnard	Antioch	Mountain View	Oakland	San Diego [2]	Richmond	Sacramento
Socioeconomic Factors (2023)								
Total Housing Units	43,649	54,494	36,850	35,973	175,640	531,259	39,245	197,362
Households	157,083	195,793	114,712	83,311	409,417	1,307,002	111,924	505,137
Persons per Household	3.60	3.59	3.11	2.32	2.33	2.46	2.85	2.56
Renter-Occupied Housing								
Total	22,437	22,668	13,637	20,589	96,383	264,566	96,383	941
Persons per Household	3.93	3.99	3.25	2.23	2.21	2.45	2.89	2.45
Renter Median Household Income	$64,509	$68,872	$61,411	$153,279	$68,434	$75,291	$62,537	$56,131
Median Rent	$1,795	$1,907	$2,150	$2,855	$1,849	$2,080	$1,853	$1,592
Estimated Average Rent Burden	33%	33%	42%	22%	32%	33%	36%	34%
% Rent Burden Households	52%	57%	62%	37%	48%	52%	56%	51%

Table 3-1
Case Study

Item [1]	Salinas	Oxnard	Antioch	Mountain View	Oakland	San Diego [2]	Richmond	Sacramento
Rent Stabilization Factors								
Article Name	N/A	Rent Stabilization Ordinance No.3013	Rent Stabilization Ordinance No. 2219-C-S	Community Stabilization and Fair Rent Act	Rent Adjustment Program O.M.C. Section 8.22.010 (RAP)	N/A	Richmond Fair Rent, Just Cause for Eviction and Homeowner Protection Ordinance Chapter 11.100	Sacramento Tenant Protection Act Ordinance. 2019-0025 § 2
Municipal Code	N/A		Chapter 1 of Title 11, Section 11-1.01	Part 1 Article 17	Title 8 Chapter 8.22	N/A	Chapter 11.100	Title 5 Chapter 5.156 Tenant Protection
Year Adopted	N/A	2022	2022	2016	1980 (Ordinance No. 9980 C.M.S.) but it was amended many times from 1980 to 2023. Current Ordinance is O.M.C. Section 8.22.010 et seq.)	N/A	2017	2019
Expiration Year	N/A	2030	N/A	N/A	-	N/A	N/A	2024
Increase	N/A	Limits rent increases to one rent increase per 12-month period not to exceed 4%	Limits rent increases to one rent increase per 12-month period not to exceed lesser of 3% or 60% of the most recent 12-month increase in the CPI for All Urban Consumers in the San Francisco Oakland-Hayward Area	Limits rents to no less than 2%, no more than 5%	In June 2022, the City Council has adopted an amendment to change the formula used to calculate the annual allowable rent increase to 60% of the change in CPI, or 3%, whichever is lower. (per 12-month period)	N/A	On November 8, 2022, Richmond Measure P limit rent increases for regulated units to 3% or 60% of the Consumer Price Index, whichever is less. (per 12-month period)	Evert April 1st the annual rent adjustment is 5% plus the percentage of the annual increase in the cost of living adjustment, if any, but not to exceed a combined total of 10%. A tenant may not waive this limitation on the increase in rent.
Fees	N/A	Fee amount not yet established. The City is currently performing a research study.	Fee amount not yet established.	$108 per unit	$101 per unit	N/A	$220/Controlled rental unit $125/Partially covered rental unit	$20 flat rate
Other	N/A	-	N/A	-minimum of 3+ units	The Oakland Rent Adjustment Ordinance allows an annual rent increase based on the regional Consumer Price Index (CPI) without a petition. If the owner does not give a RAP notice, the landlord cannot increase the rent until 6 months after the tenant receives the notice.	N/A	N/A	Staff can impose administrative penalties against landlords for violation of the ordinance which can range from $100 to $25,000 per violation.

Table 3-1
Case Study

Item [1]	Salinas	Oxnard	Antioch	Mountain View	Oakland	San Diego [2]	Richmond	Sacramento
Rent Stabilization Factors								
Legal Issues	N/A	Passed in a 5-2 vote. -Concern of not enough affordable housing stock. Fear that the new ordinances may exacerbate the housing shortage.	City Counsel voted 3-2 for a Rent Stabilization Ordinance. Concerns for Mom-and-Pop renters and disagreement with limit percentages. -Organizers claim renters in apartments received rent increases between $200 and $700 per month threatening to displace them. -Other speakers believe Antioch should build more homes not focus on rent control.	-Landlords protested and requested regulations that do not affect base rent. -April (2024), the Rental Housing Committee in Mountain View rejected a proposal related to rent reduction guidelines in a 2-4 vote. -Mountain View experienced an increase in the number of petitions filed by tenants and appeals from tenants and landlords challenging the decisions of hearing officers.	The City Council voted 6-1 for an ordinance to stabilize rents. -Despite amending their Rent ordinance multiple times, at the time of the most recent ordinance amendment renters were claiming to have 7% rent increases, which could force them out of their home (in 2022).	N/A	N/A	A significant number of landlords objected to the wording in the act, which was approved with a 7-to-1 vote. Low-income residents also voiced their concerns during the meeting, stating that a 10 percent cap on yearly rent increases is inadequate.
Additional Renter Protection Programs	N/A	-Mobile Home Park Rent Stabilization (MHRS) -Tenant Protection Ordinance 3012-Just Cause -No-fault Just Cause Evictions Ordinance 3042 -Urgency Ordinance Regarding No-Fault Just Cause Evictions Ordinance 3041	-Tenant Protection Ordinance No. 2232-C-S -Bay Area Legal Aid -Contra Costa Senior Legal Services -California Civil Rights Department -Tuesday Tenant Legal Clinic	-Housing Help Center for Tenants (HHC) -Fair Housing Services -Mediation Program -Emergency Assistance Program	-Just Cause for Eviction Ordinance (Measure EE) Section 8.22.300 -Tenant Protection Ordinance Section 8.22.600	-Residential Tenant Protections Ordinance 21647 N.S. -Housing Stability Assistance Program (COVID-19) -California Western Community Law Project -Legal Aid Society of San Diego Affordable Housing Advocates -San Diego Regional Alliance for Fair Housing (SDRAFFH)	-Renter Assistance Resources -Renter Relief Program -Richmond Rapid Response Fund (R3F)	-Tenant Protection Program -Emergency Rental Assistance Program
Grounds for Landlord Rent Increase Petitions		Landlord must substantiate their claim that the Ordinance has impeded their ability to achieve a fair return. Explanation of claim and accompanying evidence must satisfy the following condition: "The 4% annual limitation imposed by the City of Oxnard Rent Stabilization Ordinance has prevented the petition owner from receiving a fair and reasonable return on the [identified] property".	- Maintenance of Net-Operating Income (MNOI) - MNOI with Amortized Operating Expenses (includes Capital Improvement costs and legal expenses) - Other Grounds Applicable factors Hearing Officer may consider when determining outcome of Fair Return Petition: - Changes in CPI - Time since last Rent increase or Rent increase application - Capital Improvements (inc. materials, labor, construction interest, permit fees) amortized over period not less than 60 months - Rehab work amortized over period not less than 36 months - Changes in property taxes or other taxes related to the subject real property - Changes in utility charges - Changes in reasonable operating and maintenance expenses - Repairs caused by circumstances other than ordinary wear and tear - Amount and quality of services	- Maintenance of Net Operating Income (MNOI): "provides for rent increases if necessary to ensure that the net operating income earned in the petition year is at least equal to the inflation-adjusted net operating income earned in the base year." - Specified Capital Improvement Petitions: allows a temporary increase in rent for qualifying improvements. The maximum increased allowed under this petition is: - Capped at 5% of annual rent (not including the Annual General Adjustment) - Amortized over a specific time period for each type of improvement - Limited by the number of units on the property (associated values reflect the maximum percentage of costs that can be passed through to tenants) - 1-5 units on property: 90% - 6-20 units on property: 75% - >20 units on property: 50%	- Capital improvements: Allows a 70% cost pass-through (plus interest) to tenants, divided among affected units and amortized over the improvement's expected life. - Uninsured repair costs: Allows pass-through of costs for compliance-related repairs from natural disasters, not covered by insurance. - Increased Housing Service Costs: Permits rent increases above CPI due to rising net operating costs. Replaces CPI increase for the current year and applies to all units. - Fair Return: Allows rent increases when NOI indicates the owner is denied a fair return, replacing CPI increases for all years. - Banking: Deferred annual rent increases can be carried over ("banked) for up to 10 years without prior approval, unless combined with other petitions. - Additional Occupant(s): Allows up to a 5% rent increase for occupants exceeding the base level, excluding covered family members, legal guardians, and caretakers. - Tenant Not Residing in Unit as Principal Residence: Allows for unrestricted rent increase	For its Section 8 Housing Choice Voucher program, the San Diego Housing Commission permits landlords to increase rents if the requested amount is deemed "reasonable." The SDHC determines this by evaluating comparable units within the same complex and the broader market.	- Maintenance of Net Operating Income (MNOI) - Increase in Number of Occupants: Allows an increase of up to 15% for each additional occupant above base occupancy level, in addition to any Maximum Allowable Rent adjustment to which the Landlord is otherwise entitled. Excludes family members, legal guardians and caretakers. - Change in Space or Services: Increase in usable space or in Housing Services. Rent increase request commensurate with the cost increase associated with the change in space or service. - Restoration of Denied Annual General Adjustments: Allows landlords to recover AGAs previously denied due to code violations, non-payment of Rental Housing Fees, or failure to comply with orders from a Hearing Examiner or Rent Board (or other reasons). - Increase in Security Deposit Due to Addition of Pet(s)	Six options for valid claims: - Cap improvements (a) necessary for safety and health and are not routine maintenance/repair or (b) substantial repair outside of normal wear and tear (uninsured disaster or vandalism) - "Unavoidable" increases in operating expenses - Increases in Housing Services costs - Tenant number increase leading to operating or capital improvement expense increases - Property tax increases above standard 2% - Cost of debt service due to purchase of the rental property by new owner. Does not include refi or variable rate loan

Source: Cities of Oxnard, Antioch, Mountain View, Oakland, and San Diego; EPS.

[1] California Assembly Bill 1482 also known as the Tenant Protection Act of 2019, was signed into law in September 2019 and it was established to address the state's housing affordability crisis by imposing statewide rent control measures and provide just cause eviction protection for tenants. The bill caps annual rent increases at 5 percent plus the local rate of inflation, with a maximum limit of 10 percent. In response to AB 1482, some cities in California have established additional rent stabilization ordinances to further protect tenants. These local ordinances often provide stricter rent control measures and additional tenant protection beyond the statewide law. However, there are exceptional cities that enacted rent control ordinances before the California Assembly Bill 1482, such as City of Oakland.

[2] The City of San Diego adopted the California Assembly Bill 1482 rent cap, which the limits rent increases to 5 percent plus the percentage change of CPI or 10 percent, whichever is lower.

As discussed later in **Chapter 4**, enforcing the rent stabilization ordinance creates the need for additional staffing at a cost to the City, even if enforced on a complaint-driven basis. To help alleviate some of the financial burden, some jurisdictions opt to charge a fee to the property owners of the rent stabilized units. The cities of Oxnard and Antioch have not established their fee amounts but plan to at a later time. Mountain View charges $108 per unit, and Oakland charges $101 per unit.

These are rent stabilization concerns from the City Council and the communities:

- The Ordinance will negatively affect smaller "mom-and-pop" building owners, and it should be directed more at corporate owners.
- The City should focus on building more housing, not focus solely on rent stabilization.
- The Ordinance will drive up landlord costs, causing them to go out of business, and accelerating housing shortages or corporate owners to take over the buildings.
- California Apartment Association representatives argue that protections are already covered by State law: AB 1482.
- The question of the equity of the economic effects created by the potential policy. For example, the Ordinance will affect a landlord's income, but for tenants, the Ordinance affects both their discretionary income and their access to housing.

Literature Review and Case-Study Conclusions

The literature review and case-study findings indicate the potential for the following positive and negative outcomes.

Pros to Rent Stabilization

- Reduces renter displacement by about 20 percent and has a significant impact in preventing the displacement of racial minorities and other vulnerable renter populations.
- Increases benefits to low-income households:
  - Housing.
  - Decreased rental expenditure.
  - Neighborhood stability.

Cons to Rent Stabilization

- Very little to no negative effect on property value.
- Slight reduction in rental supply through condominium conversions, building redevelopment, and reduced tenant turnover.
- May increase rents as landlords react to the policy.
- If the policy does NOT allow for increases of housing services to be valued at their market price, it may disincentivize building improvements and maintenance.

While the jurisdictions analyzed in the case study implemented varying allowed rent income percentages and fee program amounts, one of the key takeaways is the emphasis on the importance of educating the community, property owners, and developers on rent stabilization. In addition, acknowledging that rent stabilization is not the single solution, and it is one part of a larger toolkit that, along with other policies and incentives, can help alleviate some housing cost pressures. Taken in combination with other policies that encourage additional supply, it can be part of a multi-pronged effort to improve the outlook for residents struggling to afford housing.

4. Economic and Fiscal Impacts of Rent Stabilization

This chapter describes the composition of the City's housing supply and renter population to shed light on likely fiscal and economic implications of the Ordinance, if approved, followed by discussion of the potential economic implications for property owners.

Housing Supply

The City has more than 44,500 total residential units, with 97 percent occupancy (43,070 occupied units). Of the total inventory, 52 percent comprises rental units and 51 percent is occupied by renters, as shown in **Table 4-1** and **Appendix A Table A-1**, **Table A-2**, **Table A-3**, and **Table A-4**. All the rental properties would be subject to the just-cause portion of the proposed Ordinance; however, because of the Costa-Hawkins Rental Housing Act, single-family homes, condominiums, and all housing built after 1995 are exempt from rent stabilization. As shown in **Figure 2**, **Table 4-1**, and **Appendix A Table A-5** and **Table A-6**, these statewide exemptions would cover 35 percent of the City's rental inventory and 81 percent of total housing inventory. More than half of the City's occupied housing comprises renters (53 percent), a rental housing portion of 7 percentage points higher than the State overall (44 percent). As a result, whether Costa-Hawkins is repealed or maintained, the proposed Ordinance would have some impact on the City's housing market.

As noted in the literature review section, research indicates that rent stabilization has the potential to cause landlords to sell off units. Single-family homes are most likely to be sold in response to rent stabilization because they are the easiest to convert to for-sale housing, as opposed to shifting multifamily rentals to condominiums; however, **given that State law currently exempts single-family units from rent stabilization, the scale of conversion is likely to be relatively small**, unless California voters overturn Costa-Hawkins. Single-family attached and detached homes account for 38 percent of the City's occupied rental housing. If this portion of rental properties was sold in response to the Ordinance, it may lead to a significant reduction in rental supply. Conversely, this phenomenon would also lead to an increase in for-sale housing, which could increase home ownership opportunities. The fiscal impact of housing stock being sold in response to the proposed Ordinance could lead to a short-term gain in property transfer taxes and an increase in property taxes because of a realignment of the taxes with market value. Conversely, over the long term, this phenomenon could decrease overall affordability in the rental market by reducing rental supply.

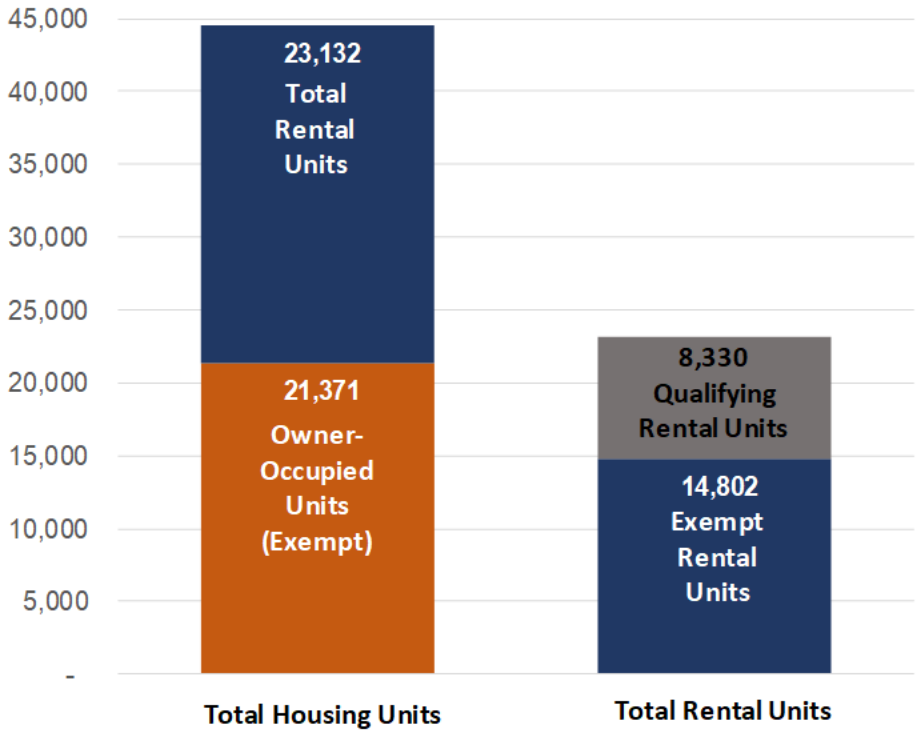
Table 4-1. Summary of Housing Inventory as it Relates to Rent Stabilization: City of Salinas (2022)

Item	City of Salinas		
	Total	% of Total Housing Inventory	Rental Housing Inventory
Residential Units [1]			
Total Units	44,503	100.0%	52.0%
Total Rental Inventory	23,132	52.0%	100.0%
Total Renter-Occupied	22,794	51.2%	98.5%
Total Exempt Units	36,173	81.3%	35.3%
Total Units Qualifying for Rent Stabilization	8,330	18.7%	36.0%

Source: American Community Survey 5-Year Estimates; CoStar; EPS.

[1] See Table A-6.

Figure 2. Housing Inventory as it Relates to Rent Stabilization: City of Salinas (2022)



Affordable Housing Supply

As shown in **Table 4-2** and **Appendix A Table A-7**, the City has approximately 3,240 deed-restricted affordable housing units, most of which were constructed after 1995. These units are essentially already rent-stabilized and likely would not be impacted by the proposed ordinance.

Table 4-2. Affordable Housing Inventory: City of Salinas

	City of Salinas		
Item	Median Year Built	Total Units	% of Rental Housing
Affordable Housing [1]			
Apartment Units	2003	2,654	11.5%
Other Afford. Units	1998	587	2.5%
Total Affordable Units	**2001**	**3,241**	**14.0%**

Source: Costar; HUD National Low Income Housing Tax Credit 1987-2022 Data; EPS.

[1] See Table A-7.

Residential Property Tax

Property tax accounts for about 21 percent of Salinas' total General Fund revenues.[52] Thus, to the extent that rent stabilization materially affects the performance of the City's housing markets, the proposed Ordinance could affect the City's fiscal outlook through property-related taxes. Rent stabilization policies can potentially impact property-related revenues in multiple ways, as described below:

- **Conversion of rental housing to ownership.** To the extent that the Ordinance incentivizes landlords to sell rental housing, these properties would be reassessed to prevailing market values. Because of Proposition 13, the assessed value of most property that has remained under the same ownership

52 https://www.cityofsalinas.org/files/sharedassets/city/v/1/finance/documents/fy_2023_adopted_operating_budget.pdf

for multiple years is typically well below its true market value.[53] This pattern is often more acute for rental property, which tends to exhibit lower market turnover rates relative to owner-occupied units. Thus, any increase in housing sales attributable to the Ordinance would likely generate at least a temporary increase in property-related tax revenues such as property tax, property transfer tax, and motor vehicle in-lieu payments.

- **Reduced assessed value of rent-stabilized properties.** By limiting rent increases to a specified percentage of the CPI, the proposed Ordinance essentially mandates a gradual decline in the real rents of affected properties over time. This effect will, in turn, limit the income-generating potential of these properties and ultimately their economic and market values. However, because of the impact of Proposition 13 on assessed values, as noted above, it is likely that only a portion of residential rental properties would be eligible for a reassessment in their taxable value. Specifically, recently transacted multifamily properties, that is, those that have been recently purchased, are most likely to have assessed values that are most closely aligned with prevailing market prices. In these circumstances, some new property owners ultimately may file assessment appeals if the values of their properties do not keep pace with inflation because real rental revenue is declining over time.

  The impact of this effect on property taxes will depend on the portion of multifamily rental housing that was recently transacted. In the last 5 years, 74 multifamily properties have been sold in Salinas, according to CoStar. Almost 96 percent of these properties (71) were built before 1995 and would therefore be subject to rent stabilization. These properties are most at risk for assessment repeals under the premise that the income stream estimated at purchase will now be restricted. The 71 properties account for 1,277 units, or 5.5 percent of the City's total rental housing inventory. The potential impact of reassessments is likely to be more pronounced if Costa-Hawkins is overturned.

In addition to property tax payments, any change in property values would impact the City's property tax in-lieu of vehicle license fee revenue received from the State. The State sends cities these funds based on the gross assessed valuation of taxable property in the jurisdiction. Therefore, if the proposed ordinance were to result in a decrease (or increase) in assessed values, the City would receive lower (or higher) revenue from the State.

The significance of the potential impacts of rent stabilization on housing values and in turn, property taxes, depends on the value makeup of Salinas' rental stock. Based on 2023 assessed value data, residential property accounted for 67 percent

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[53] California passed Proposition 13 in 1978 to limit property tax increases. Property taxes are based on a property's purchase price, each year thereafter, the property's taxable value increases by 2 percent or the rate of inflation, whichever is lower.

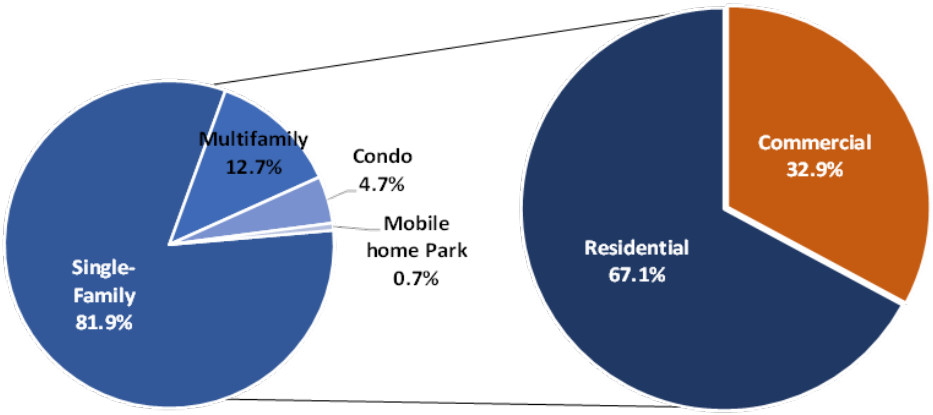
of the citywide assessed value. As shown in **Table 4-3** and **Figure 3**, single-family properties comprised almost 82 percent of the residential assessed value, while multifamily rental units, including duplexes and triplexes, accounted for about 13 percent of residential assessed value. As noted previously, under Costa-Hawkins, rent stabilization will only apply to the portion of multifamily units that were built before 1995. Therefore, any property value impacts caused by the proposed Ordinance will impact properties accounting for less than 13 percent of the City's residential assessed value.

Table 4-3. Real Estate Assessed Values: City of Salinas (2023)

Item	City of Salinas Residential Assessed Value	
	Total	% of Total
Residential Land Use		
Single-Family	$11,637,215,636	81.9%
Multifamily	$1,804,679,180	12.7%
Condo	$662,840,239	4.7%
Mobile home Park	$101,282,848	0.7%
Residential Total	**$14,206,017,903**	**100.0%**
Total Citywide Assessed Value	**$21,169,840,831**	**67.1%**

Source: ParcelQuest, Monterey County Secured Tax Roll, 2023; EPS.

Figure 3. Breakdown of the City of Salinas Assessed Value by Land Use (2023)



Rent Pressures and Displacement

Salinas' low-income households have experienced significant overcrowding and displacement pressures primarily caused by rising house prices and the influx of higher income households. Although Salinas has experienced a 23 percent increase in median income over the past decade, the growth has come from households with annual incomes above $75,000; the City experienced a net decrease in households in every income category below $75,000. The increase in household incomes may be explained by the increase in persons per household or increased income disparity.

Average rents for multifamily units have continually increased at a higher rate, compared with the increase in the median income for renter-occupied households, as shown in **Figure 4**, with the exception of 2018 and 2022, which both followed years with very large percentage increase gaps between rents and income. **Rents in multifamily buildings built before 1995 in Salinas have increased by 117 percent between 2000 and 2024**, with an average vacancy of only 3.3 percent, as shown in **Appendix A Table A-8**.

In addition, as an agriculture-based economy, Salinas has a bifurcated population, with farm workers who serve the community not being able to afford to live there. A 2018 study done for the Salinas Valley and Pajaro Valley regions indicated a farmworker housing shortage of more than 45,500 units.[54]

As a result of the disparity between increases in rents and household incomes, lack of farmworker housing, overcrowding, and displacement have become pressing issues facing the community, creating overcrowding by causing households to double up or move, redistributing demand to southern Monterey County and other locations.

In addition to the influx of higher income households, the cost of living in Salinas has remained high, in line with Monterey County overall. As shown in **Figure 4**, rents have increased an average of about 5 percent each year since 2012, with a spike in rent between 2020 and 2021, with an almost 13 percent increase, and then resuming regular increases over the past 2 years.[55] A little more than half of the City's renter-occupied households remain rent-burdened, paying 30 percent or more of their household income on housing, as shown in **Table 4-4**.

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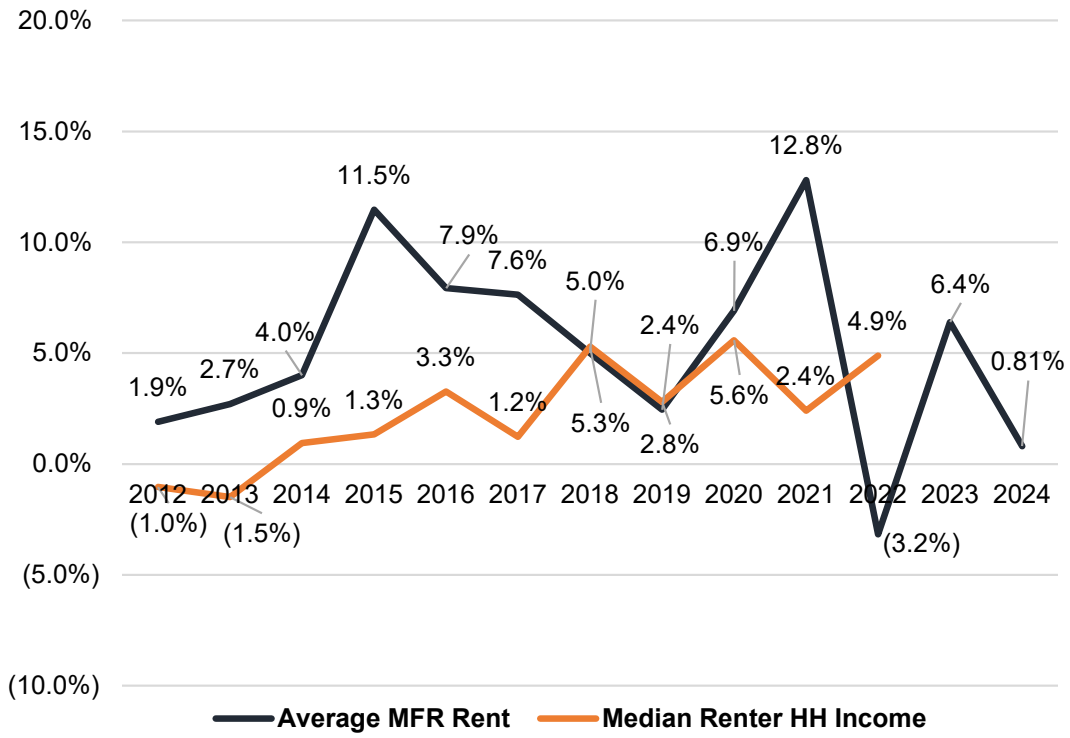
[54] Farmworker Housing Study and Action Plan for Salinas Valley and Pajaro Valley, prepared by California Institute for Rural Studies, June 2018.

[55] The years time trend between 2012 to 2022 was analyzed based on availability of ACS data at the time this Study was completed. For renter-household incomes, rents are based on CoStar, which provides more up-to-date data out to the most recently completed month of the current year.

Rent-burdened households have less money to spend on other essentials like food, transportation, healthcare, and childcare.

Figure 4. Year-Over-Year Percentage Change in Median Renter-Occupied Household Income versus Average MFR Rent for Apartments Built Before 1995: City of Salinas: 2012-2022/2024 [1]



[1] See Appendix A Table A-8 and Table A-9.

Source: CoStar; ACS 5-year Estimates Table B25119; BLS; EPS.

Table 4-4. Rent-Burdened Households: City of Salinas (2012 & 2022)

	City of Salinas			
	2012		2022	
Item	Total Renter Households	% of Total Renter Households	Total Renter Households	% of Total Renter Households
Rent as a Percentage of Household Income [1]				
Less than 30% of Income	8,908	39.4%	10,245	44.9%
30% to 50% of Income	6,934	30.6%	6,086	26.7%
More than 50% of Income	6,007	26.5%	5,837	25.6%
Total Renter Households	**22,637**	**100.0%**	**22,794**	**100.0%**

Source: American Community Survey 5-Year Estimates, Table B25070; EPS.

[1] The US Department of Housing and Urban Development defines a household spending more than 30% of their income on housing as "rent burdened." Households spending more than 50% of their income on housing are considered "severely rent burdened." Approximately 612 households were not computed.

Based on renter mobility/displacement data, it appears that other economic factors may be more significant than rent stabilization in impacting renter movement. **Table 4-5** compares the percentage of renters living in the same unit as the previous year in Salinas compared to other communities with rent stabilization. Mountain View adopted their rent stabilization in 2017 but continually shows significantly lower rates of renters staying in the same units than the State overall. This may be caused by a prevalence of students and young professionals that stay for short periods, which may also be a factor in San Diego.

Salinas and four of the comparable cities experienced an increase in renters remaining in the same unit between 2017 and 2022, likely based on two contributing factors. First, rent stabilization ordinances and amendments were approved in 2022 in Oxnard, Antioch, and Oakland and are a likely result from a State-approved rent stabilization ordinance in 2020 that limited rent increases and prevented evictions until September 2021. San Diego adopted AB 1482 in 2023, indicating that the increase in renters staying longer in San Diego and Salinas was also a likely result from the State-approved rent stabilization ordinance passed in 2020. Second, the decrease in housing movement also may be contributed by ever-rising housing costs.

Table 4-5. Renter Movement by City

Item	Salinas	Oxnard	Antioch	Mountain View	Oakland	San Diego
2022						
Renting HH's	88,229	91,491	44,663	46,179	232,184	653,750
Renters Living in the Same Unit as Previous Year	78,316	83,432	37,351	33,083	194,535	509,207
% of Renters Living in the Same Unit as Previous Year	*89%*	*91%*	*84%*	*72%*	*84%*	*78%*
2017						
Renting HH's	86,183	98,722	43,516	44,122	235,423	692,471
Renters Living in the Same Unit as Previous Year	76,550	84,213	32,785	31,914	190,430	519,901
% of Renters Living in the Same Unit as Previous Year	*89%*	*85%*	*75%*	*72%*	*81%*	*75%*
2012						
Renting HH's	83,660	87,636	37,825	41,497	211,425	624,587
Renters Living in the Same Unit as Previous Year	67,496	69,937	23,987	29,128	163,262	450,068
% of Renters Living in the Same Unit as Previous Year	*81%*	*80%*	*63%*	*70%*	*77%*	*72%*

Source: ACS 2022 5-Year estimate Table B07013; EPS.

Renter Household Socioeconomics

Literature indicates that current renting residents benefit the most from rent stabilization and eviction protections. However, because rent stabilization policies are not means-tested, a question arises about the socioeconomic status of the intended beneficiaries. As shown in **Table 4-6**, renter-occupied households in Salinas have lower incomes per capita than households who own their homes. Therefore, although the proposed Ordinance is not means-tested, it will on average benefit households with lower than median incomes.

Table 4-6. City Salinas Median Income, Average Household Size, and Income per Capita by Household Tenure: City of Salinas (2022)

	City of Salinas		
Item	Median Household Income	Average Household Size	Income per Capita
Household Tenure			
Owner-occupied	$107,679	3.32	$32,433
Renter-occupied	$64,509	3.58	$18,019
Total Households	$84,250	3.46	$24,350

Source: ACS 2022 5-Year estimate Table B25010 and Table B25119; EPS.

In addition, the affordability crisis disproportionately affects people of color because these communities are over-represented in the renter population. As shown in **Table 4-7**, Latinx residents and residents of Some Other Race in Salinas make up larger shares of the renter population than in the City overall. The pattern of disparity of affordability for people of color is not unique to Salinas; it is prevalent in most U.S. cities and is driven primarily by a history of racially restrictive housing covenants, redlining, and discriminatory lending. Because of existing racial disparities in home ownership, policies that protect renters like rent stabilization and just-cause eviction protections are most likely to benefit Salinas' Latinx residents.

Table 4-7. Householder Race: City of Salinas (2022)

	City of Salinas Housing Units		
Item	Renter-Occupied	Owner-Occupied	Citywide
Householder Race			
White	24.1%	41.0%	32.1%
Latinx (Hispanic or Latino)	80.4%	59.3%	70.5%
Asian	4.4%	9.2%	6.6%
Some Other Race	60.8%	35.4%	48.9%
Two of More Races	8.0%	11.7%	9.7%
Black	1.6%	1.3%	1.5%
Indigenous (Native American and Alaksa Native)	0.2%	0.1%	0.1%

Source: American Community Survey 5-Year Estimates Table S2502; EPS.

Salinas' renter population also skews younger than the City's population overall. As indicated in **Table 4-8**, residents above the age of 65 account for approximately 12 percent of the City's renters, compared to residents under 35, which account for almost 30 percent of the renter population. However, older renters may be one of the groups most positively impacted by rent stabilization because many seniors live on fixed incomes. Noting that not every renter lives in a unit that falls under the rent stabilization building qualifications, the effect of the proposed Ordinance will impact less than the total renter population.

Table 4-8. Householder Age: City of Salinas (2022)

	City of Salinas Housing Units					
	Renter-Occupied		Owner-Occupied		Citywide	
Item	Total	%	Total	%	Total	%
Householder Age						
Under 35 years	6,468	28.4%	1,572	7.8%	8,040	18.7%
35 to 44 years	6,576	28.8%	3,564	17.6%	10,140	23.5%
45 to 54 years	4,563	20.0%	4,664	23.0%	9,227	21.4%
55 to 64 years	2,561	11.2%	4,565	22.5%	7,126	16.5%
Over 65 years	2,626	11.5%	5,914	29.2%	8,540	19.8%
Total	**22,794**	**100.0%**	**20,279**	**100.0%**	**43,073**	**100.0%**

Source: American Community Survey 5-Year Estimates Table S2502; EPS.

A comparison of the median renter income compared with average monthly rents between 2012 and 2022 for the comparable cities reflect a large disparity between the increases in rent compared to the increases in income for the cities with recent adoptions or no rent stabilization in place. See **Table 4-9**. The cities with recent or no rent stabilization in place—including Salinas, Oxnard, Antioch, and San Diego—experienced high increases in average rent, ranging from about 38 percent up to almost 50 percent, compared to proportionally lower increases in renter median household income from 18 percent to 33 percent. Both Mountain View and Oakland have had rent stabilization policies in place and both cities experienced higher increases in rental household incomes compared to increases in average rent. This indicates rent stabilization policies actually do help control increases in rent, helping maintain a balance in inflation.

Table 4-9. Median Renter Household Income compared to Average Monthly Rent (2012 and 2022)

	Comparable Cities					
Item	Salinas	Oxnard	Antioch	Mountain View	Oakland	San Diego
Year RSO Adopted	--	2022	2022	2016	1980	AB 1482 as of 2023
Median Renter Household Income (2022$)						
2012 [1]	$48,547	$55,058	$52,256	$100,070	$45,906	$60,767
2022	$64,509	$68,872	$61,411	$153,279	$68,434	$75,291
% Change	**32.9%**	**25.1%**	**17.5%**	**53.2%**	**49.1%**	**23.9%**
Average Monthly Effective Rent [2]						
2012	$1,070	$1,193	$994	$2,050	$1,318	$1,289
2022	$1,859	$1,942	$1,647	$2,675	$1,701	$2,093
% Change	**73.7%**	**62.8%**	**65.7%**	**30.5%**	**29.1%**	**62.4%**
Percentage Point Difference Rent Inc. to Income	**40.9%**	**37.7%**	**48.2%**	**(22.68%)**	**(20.02%)**	**38.5%**

Source: U.S. Census Bureau ACS 2012 & 2022, Table S1901; CoStar; EPS.

[1] The median household incomes reported by ACS are inflation-adjusted to constant dollars.
[2] This data reflects market rate multifamily apartment units built before 1995 from CoStar.

Economic Impact on Property Owner

The proposed Ordinance also needs to consider the implications of reduced rents for the property owners resulting from rent stabilization. While a rent stabilization policy restricts annual rent adjustments, costs of operating and maintaining residential properties to their current standard will continue to increase. However, with vacancy decontrol, vacated units revert to the current market rate, helping to offset some of reduction in rental revenue to landlords.

Rental Revenue Impact

Each year, a share of units in rent-stabilized buildings/complexes will be vacated by existing tenants and replaced by new tenants. As noted above, with vacancy decontrol, the vacated units will be eligible for rental at current market rates. It has been found that the average length of tenure in units, or turnover, decreases with rent stabilization by about 20 percent. For Salinas, a 20 percent reduction in turnover translates to an average turnover of 11 percent.

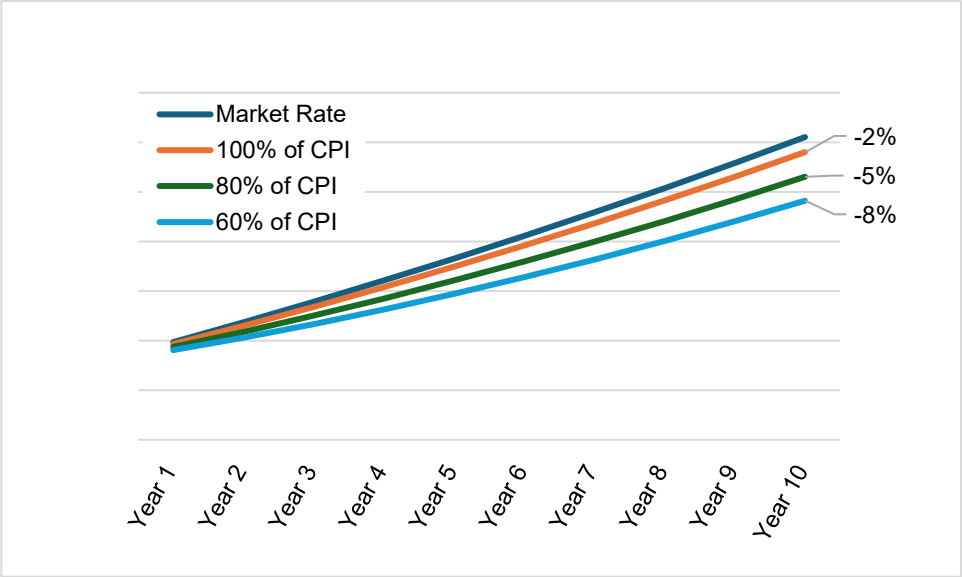
For purposes of analyzing the effects of rent stabilization on property owners, EPS modeled rental revenue and operating expenses for a hypothetical 100-unit existing apartment complex, occupied at the current market average occupancy rate of 97 percent, with current rents at the market average for pre-1995 apartments.

Several scenarios were modeled to compare the impact of different rent stabilization thresholds: Base Case, using the recent market rent growth rate of 3.35 percent; 100 percent of CPI (currently 3 percent); 80 percent of CPI; and 60 percent of CPI. Estimated rent rolls were developed for each scenario, assuming each year 11 percent of units are vacated, re-rented at current market rents under the vacancy decontrol provision, and escalated annually according to the assumed rate for that scenario.

The effect of the vacancy decontrol provision is a lessening of the overall reduction in potential rental revenues collected by landlords, while maintaining rent stabilization for existing tenants and for future tenants after occupancy.

The overall effect on rental income for the 4 scenarios described above is shown in **Figure 5**.

Figure 5. Rental Revenue Differential: Market Rate vs Stabilization Alternatives



As shown in the figure above, after factoring in vacancy decontrol, the estimated reduction in rental revenue by the tenth year of rent stabilization ranges from a 2 percent reduction with a rent growth cap at 100 percent of CPI to an 8 percent reduction with a rent growth cap at 60 percent of CPI.[56]

[56] Assumes annual turnover of 11 percent (20 percent lower than current turnover without rent stabilization) and annual market-rate rent growth of 3.35 percent.

Figure 6 provides a summary of the estimated effective annual growth rate in rental revenue for different rent stabilization rates, after factoring in vacancy decontrol.

Figure 6. Effective Rent Roll Growth with Vacancy Decontrol by Rent Stabilization Rate

	Rent Stabilization Rate - % CPI								
Measure	60%	65%	70%	75%	80%	85%	90%	95%	100%
Effective Rent Roll Growth Rate [1][2]	2.50%	2.58%	2.66%	2.74%	2.83%	2.91%	2.99%	3.07%	3.16%

Source: US Census; Costar; EPS.

[1] Assumes 11% turnover (20% reduction from current state due to rent stabilization), average CPI of 3%, and vacancy decontrol market-based annual rent growth of 3.35% (based on recent historic average).
[2] Compound Annual Growth Rate (CAGR).

In low or moderate inflation years, stabilized rents typically will increase based on the adopted percentage of CPI growth. However, in years with higher inflation, the adopted maximum rate of rent growth provides a cap on the rent increases that would otherwise be allowed based on the percentage of CPI. **Figure 7** provides a comparison of the allowable rent increases at different rates of inflation (CPI) under alternative rent stabilization rates (65 percent to 75 percent of CPI) to illustrate at what level of inflation the adopted flat rates would take effect. The proposed flat rate caps would take effect at about 3.5 to 4.0 percent inflation (CPI).

Figure 7. Inflation and Corresponding Allowable Rental Increases

Consumer Price Index	**2.0%**	**2.5%**	**3.0%**	**3.5%**	**3.75%**	**4.0%**	**4.5%**	**5.0%**
Allowable Rent Increases at Alternative Stabilization Rates								
65% of CPI	1.3%	1.6%	2.0%	2.3%	2.4%	2.6%	2.9%	3.3%
70% of CPI	1.4%	1.8%	2.1%	2.5%	2.6%	2.8%	3.2%	3.5%
75% of CPI	1.5%	1.9%	2.3%	2.6%	2.8%	3.0%	3.4%	3.8%

Source: EPS.

Financial Feasibility Summary

The financial feasibility analysis uses multi-year cash flows to compare investment returns of the hypothetical 100-unit apartment complex under a market-rate base case scenario and 3 alternative rent stabilization scenarios.

The metric used to compare the alternative scenarios is the IRR. IRR is a standard measure used in real estate analysis that evaluates the potential project return over time against the investment required, accounting for risk and the time-value of money. Technically, the IRR is the discount rate that equates the present value of the future cash inflows with the initial cash outflow.[57] IRRs typically include an initial investment (acquisition), ongoing revenues and expenses, and reversion (sale) in the final year of analysis. For this Study, acquisition of a hypothetical, existing, occupied 100-unit building was assumed, with resale after 10 years of operation.

IRRs can be categorized as either "leveraged" (also referred to as "levered") or "unleveraged" (also referred to as "unlevered"). A leveraged IRR measures return on equity and compares initial equity investment and debt service, while an unleveraged IRR, sometimes referred to as a project IRR, compares the costs with the anticipated future revenues, without regard to the financing structure.

While most of buildings in question in Salinas are not necessarily changing ownership, the IRR requires some form of initial investment to be compared to the following cash flow, so in the hypothetical scenarios, a cap rate was applied to the net operating income (NOI) to estimate the initial investment (building purchase).

[57] Brueggeman & Fisher, Real Estate Finance and Investments, Tenth Edition, 1997, page 321.

Net Operating Income Sensitivity Analysis

Figure 8 illustrates the leveraged and unleveraged IRRs for the hypothetical 100-unit apartment under the market-rate base case scenario and 3 rent stabilization scenarios.

Figure 8. Internal Rate of Return Differential: Market-Rate Base Case vs. Alternative Rent Stabilization Scenarios

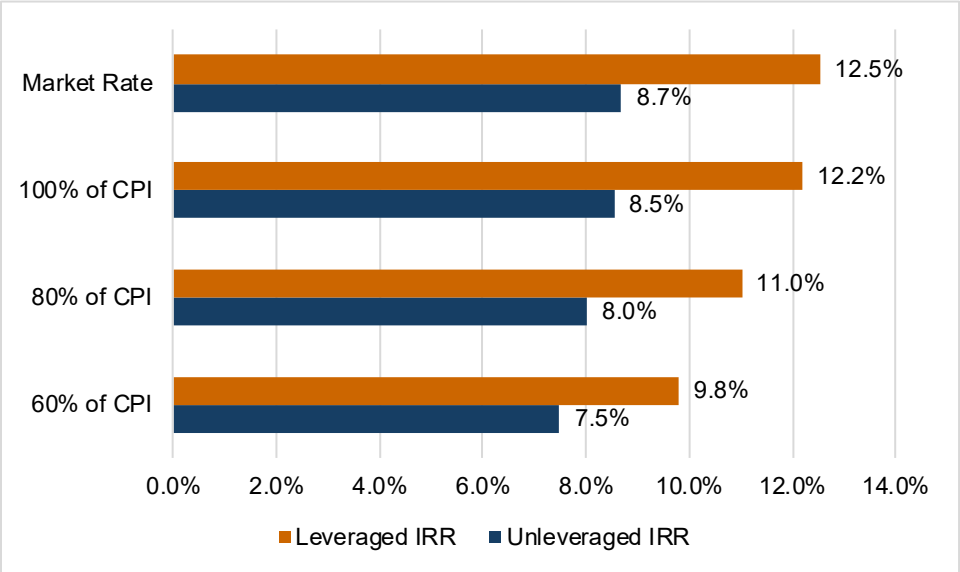


Table 4-10 presents the same IRR sensitivity results illustrated above in tabular form, along with a comparison of the average annual growth rate in property value for the hypothetical apartment complex under the different scenarios. Note that for each rent stabilization scenario, operating expenses are assumed to increase at the same rate as CPI.

Table 4-10. IRR and Property Value Growth Sensitivity Analysis

	Value Comparison		
	Property Value Annual	Internal Rate of Return (IRR)	
Item	Growth Rate	*Unleveraged*	*Leveraged*
Scenario			
Market Rate Building	3.4%	8.7%	12.5%
Rent Stabilized Building [1]			
60% of CPI	2.3%	7.5%	9.8%
80% of CPI	2.8%	8.0%	11.0%
100% of CPI	3.2%	8.5%	12.2%

Source: EPS.

[1] Includes 20% lower tenant turnover.

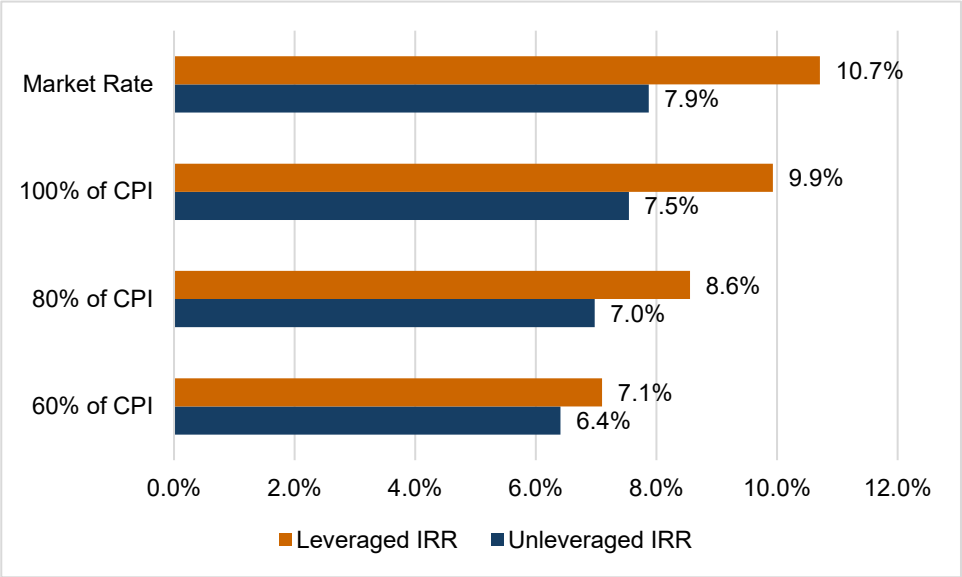
Detailed cash flow analyses, including assumptions and prototype characteristics, can be found in **Appendix B**. The rent stabilization allowed increases based on a percentage of CPI options that were chosen based on the average low and high of the rent stabilization requirements in other jurisdictions, as shown in **Table 1-1**. In addition, as discussed in **Chapter 3**, rent stabilization impacts renter turnover, with estimates of turnover rates decreasing by about 20 percent.

The rates of return in the sensitivity analysis would be considered low for a new construction project, but for a relatively low-risk investment in an existing, tenanted asset, the returns for scenarios with rent stabilization at 80 percent of CPI and 100 percent of CPI appear adequate and are not too dissimilar to the market-rate base case returns. Projects entailing substantial new development or upgrades to existing product entail speculative market risk, suggesting higher rates of return needed (e.g., 10 to 15 percent leveraged; 15 to 20 percent unleveraged). The hypothetical scenarios included in this Study assume the purchase, operation, and sale of a stabilized and operating asset, where acceptable returns may be much lower in the absence of development risk. A strong IRR for a lower risk, stable property is estimated to range from around 8 percent to 12 percent.

Impact of Operating Expense Growth

Operating expenses have been somewhat volatile in recent years, largely because of increases in utility costs and particularly insurance costs. Increases in operating costs impact the net operating income for multifamily rental units that are unable to pass along the total increased cost to tenants. Correspondingly, the return on investment for landlords can be negatively impacted. **Figure 9** summarizes the effect higher operating expense growth has on the potential investment return at different rent stabilization rates (modeled using a 5 percent average growth in costs).

Figure 9. Internal Rate of Return Differential: Impact of 5 Percent Annual Operating Expense Growth



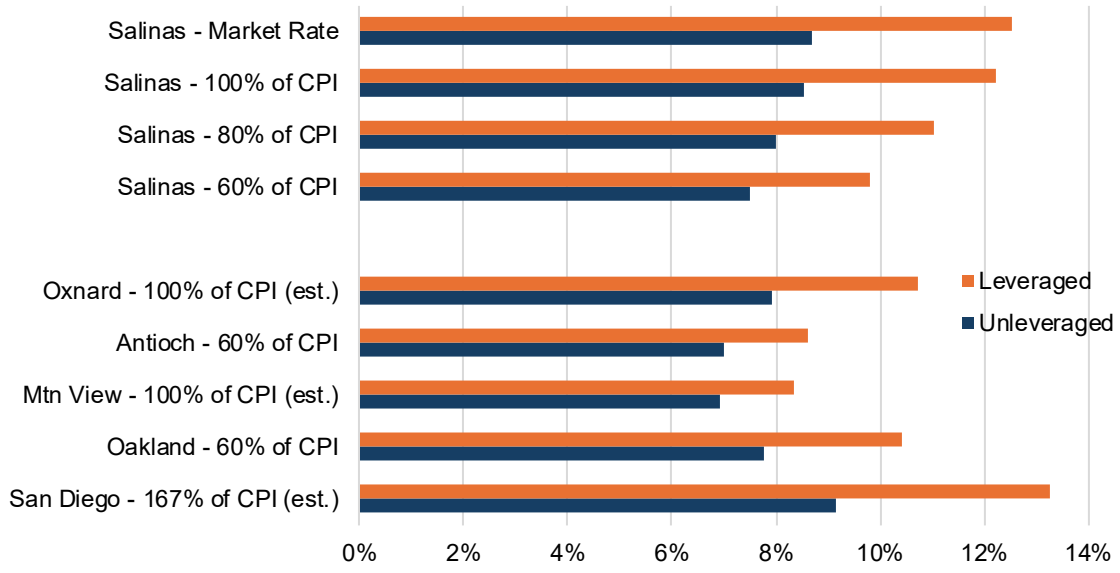
Compared to **Figure 8**, with operating expenses increasing at the overall rate of inflation, **Figure 9** illustrates the lower rates of return resulting from higher operating expenses under different rent stabilization rates. At the more restrictive rent control rates, the rates of investor return are not significantly higher than what can be achieved with far less risk and effort through an investment account. Under such a scenario, there may be increased incentive for landlords to exit the market. The inclusion of provisions for landlords to petition for rent increases to accommodate additional operating expenses is an important safety valve to prevent undue burden and potential loss of rental units. See **Appendix A Table A-15** and **Table A-16**.

Peer Cities Feasibility Comparison

To compare the scenarios discussed above to the identified peer cities, EPS developed similar investment and operating pro formas, using the adopted rent stabilization rates and actual local market data for hypothetical 100-unit apartment complexes in each city.

The results of the peer city rent stabilization financial feasibility comparison are illustrated in **Figure 10**.

Figure 10. Peer Cities Hypothetical IRR Comparison



Note: Based on purchase, 10-year operation, and resale of prototypical existing, occupied 100-unit building/complex using current local market variables. Leveraged analysis assumes 30% equity, 25-year loan at 6%.

Antioch and Oakland both have rent stabilization rates at 60 percent of CPI. Both Oxnard (4 percent maximum) and Mountain View (2 to 5 percent) were estimated to be roughly equivalent to CPI, while San Diego, based on AB 1482 allowing 5 percent plus the rate of inflation, was assumed to be the equivalent of 167 percent of CPI.

San Diego's much higher allowable annual rent increase, combined with relatively high rents and high turnover, results in the highest rate of return of the peer cities. Mountain View's high acquisition cost and currently low rate of market rent growth results in the lowest rate of return, along with Antioch, which limits rent growth to 60 percent of CPI and has the lowest market rent among the peer cities.

Program Implementation Costs to the City

EPS conducted research to help estimate the costs of implementing and administering rent stabilization programs. EPS reviewed financial information from other city programs and interviewed staff from 3 jurisdictions with varying levels of rent stabilization: Mountain View, Hayward, and Richmond. This research confirmed that implementing and administering these programs requires full-time staff and associated equipment and office space. However, costs can vary significantly based on the level of enforcement and complimentary support services. The City envisions that, if adopted, the Rent Stabilization Program would consolidate with the existing Rental Registry Program, combining the existing costs with the estimated costs to implement the Rent Stabilization Program.

The estimated implementation costs for Salinas depend on the level of enforcement and subsequent staffing. The City estimates that their Rent Stabilization Program will be a complaint-driven enforcement program. To illustrate this range, EPS estimated staff at a minimum, average, and maximum level of complaint-based enforcement, as shown in **Table 4-11**. Please note that these totals exclude the Rental Registry FTEs. The ratio of units per staff is based on a staffing level analysis of rent stabilization jurisdictions completed by Mountain View in 2021.

Table 4-11. Estimate Range of Required Staff

	Complaint-Driven Rest Stabilization Enforcement			
		Estimated City of Salinas FTEs Equivalent by Unit Type (Excluding the Rental Registry)		
Item	**Required Staff per 1,000 Units [1]**	Fully Covered Units	Covered Units	Total
Staffing Level				
Minimum	0.13	1.1	1.9	3.0
Average	0.20	1.7	3.0	4.7
Maximum	0.50	4.2	7.2	11.4
Salinas Rental Units		**8,330**	**14,464**	**22,794**

Source: City of Mountain View Memorandum to the Rental Housing Committee, dated January 25, 2(

[1] Based on varying fee levels for complaint-driven rent stabilization jurisdictions across California, sourced

Based on data from other cities, the required staff for Salinas would range from the equivalent of 4.2 to 11.4 net new hires (excluding the Rental Registry staff) or a percentage of existing employees' time. At these levels, the primary role of the City employees would be to monitor the Rental Registry and Rent Stabilization Program, educate the community, manage third-party services and software, and manage the petition process. Education occupies the most core part of the program.

Even in a complaint-driven enforced rent stabilization program, staff communicated that education is key to keeping people informed of their rights. Education includes preparing materials in multiple languages, direct mailing, and speaking at community events. With the minimum level of only 4.2 new staff members, or 5.1 FTEs total, Salinas would likely need to contract third-party services for legal counsel, tenant relocation services, and mediation and dispute resolution. These services along with third-party software are estimated to cost approximately $360,000 annually.

In each increasing staffing-level scenario estimated below, there is the potential that fewer services would be contracted out, with City in-house staff completing all tasks in the maximum staffing level scenario. Under maximum staff, Salinas would actively oversee the rental registry, which would involve reviewing every rent increase submitted by landlords. The City of Richmond demonstrates a staffing level of full enforcement, and the City of Mountain View is approaching this level by adding additional staff. Both cities, however, did not start their programs at full capacity; rather, they began by contracting portions of the program and hiring full-time staff over time. Richmond staff noted that the first 6 months of the program cost about $1.1 million.

The program fee should be designed to recover costs of all budgeted operations:

- Personnel costs of staff, benefits, and overtime.
- Risk management of general and supplemental liability insurance.
- Charges allocated to City departments to reimburse the General Fund for administrative services by central service departments (i.e., City Council, City Manager, City Attorney, City Clerk, Finance, Human Resources, etc.).
- Information Technology expenses associated with a property and rent-tracking database and maintenance of computer hardware and software.
- Legal costs to support enforcement and defense of legal challenges to the Ordinance.

- Cost of education and outreach, including printing and distributing materials and hosting community workshops and seminars.
- Contracts for translation and other professional services.
- An operating reserve to fund unanticipated costs and variations in collection of the fee.[58]

Table 4-12 estimates the range of staff when combined with the Rental Registry Program and the associated costs.[59] The Rental Registry Program is budgeted for 2.1 FTEs, with a total estimated staffing cost of about $290,000 plus $110,000 for other costs, totaling almost $400,000. Combined with the estimated range of required Rent Stabilization staff increases and third-party services and software, the FTEs from 5.1 up to 13.4 total costs from $1.1 million up to $1.8 million.

Table 4-13 illustrates the potential fee amount for all rental units, including fully covered units (rent stabilization, tenant protections, and rental registry) and partially covered units (tenant protections and rental registry), which are exempt from Rent Stabilization. These fees are calculated to allow the City to essentially "break even" in covering the estimated costs of the required staff needed for the administration of the proposed Ordinance, combined with the Rental Registry Program, as well as third-party services and software.

Looking at each program separately, the fee ranges from $28 per unit for the 14,464 exempt residential units to be part of the existing Rental Registry Program, $135 per fully covered unit for the minimum of 5.1 staff members, up to about $220 per fully covered unit for 13.4 staff members. The fully burdened cost of staff shown includes salaries, taxes, and benefits. These fees are higher than what would likely be charged because this calculation is examining each program separately. **Table 4-14** provides an estimate of the fees with the rental registry, tenant protections, and rent stabilization in a combined program. Please note that the fee for partially covered units should be less than the fully covered unit fee. Other cities have fees ranging from about $60 for all units in San Francisco up to $344 per fully covered unit and $212 for partially covered units in Berkeley, as shown in **Appendix A Table A-13**.

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[58] City of Richmond Rent Program, Adopted May 31, 2002, Fiscal Year 2022-23 Budget and Rental Housing Fee Study.

[59] Estimated staff and staff costs are based on the proposed budget amounts for the rental registry program per the Residential Registry Community Development Council Staff Report, dated April 4, 2023.

Table 4-12. Estimated Staffing and Annual Costs Rental Registry and Rent Stabilization Program

Item	Assumptions	Rental Registry Program	Rental Registry + Rent Stabilization Program Level of Enforcement Range [1]		
			Minimum	Average	Maximum
CITY COST					
Number of Staff		----------	FTEs	----------	
Planning Manager	-	0.1	0.1	0.2	0.5
Community Development Analyst	-	1.0	0.5	0.5	1.7
Administrative Analyst - Housing	-	1.0	0.5	1.0	2.0
Subtotal	-	**2.1**	**3.0**	**4.7**	**11.4**
Total Combined with Rental Registry			**5.1**	**6.7**	**13.4**
Total Staffing Costs	*Cost per FTE [2]*	----------	Cost by Staff Level [3]	----------	
Planning Manager	$229,947	$11,497	$34,492	$57,487	$126,471
Community Development Analyst	$158,720	$158,720	$238,080	$238,080	$428,545
Administrative Analyst - Housing	$119,489	$119,489	$179,233	$238,977	$358,466
Subtotal Staffing Costs	-	**$289,706**	**$451,805**	**$534,544**	**$913,481**
Other Costs		----------	Other Costs by Staff Level [3]	----------	
Software & Systems Supporters	-	$10,000	$24,825	$32,715	$65,595
Tenant/Landlord Services and Resourc	-	$100,000	$248,254	$327,147	$655,951
Subtotal Other Costs	-	**$110,000**	**$273,079**	**$359,862**	**$721,546**
Subtotal Staff Cost		**$399,706**	**$724,884**	**$894,406**	**$1,635,027**
Third-Party Software + Services Estimate		-	$400,000	$300,000	$200,000
Total Cost		**$399,706**	**$1,124,884**	**$1,194,406**	**$1,835,027**

Source: City of Salinas; EPS.

[1] See Table 4-11
[2] Staff costs are based on the proposed budget amounts for the rental registry program per the Residential Registry Community Development Council Staff Report dated April 4, 2023.
[3] Total Rent Stabilization Program costs include the total for the Rental Registry Program.

Table 4-13. Estimated Annual Cost Variations: Rental Registry and Rent Stabilization Program

Item	Assumption	Existing Rental Registry (No Tenant Protections)	Rental Registry + Rent Stabilization Program Level of Enforcement Range		
			Minimum	Average	Maximum
Residential Units [1]					
Fully Covered Units (Qualify for Rent Stabilization)	8,330 Units				
Partially Covered Units (Qualify for Just Cause Protecti	14,464 Units				
Total Rental Residential Units	**22,794 Units**				
Total Staff		2.1	5.1	6.7	13.4
City Cost Staffing and Third Party Software + Services		$399,706	$1,124,884	$1,194,406	$1,835,027
Estimated Fee Revenue					
Rent Program Fee Amount to Break Even based on Level of Staff and Third Party Services + Software	per unit/per year	$28	$135	$143	$220
Total Revenue	annually	$399,706	$1,124,884	$1,194,406	$1,835,027
Program Surplus/Deficit		**$0**	**$0**	**$0**	**$0**

Source: EPS.

[1] See Table 4-1.Total includes single family rentals.

Table 4-14. Current Rental Registry Fee Comparison

Item	Estimated Salinas Rental Residential [1]			Current Rental Registry Fee		Estimated Revenue of a Rental Registry + Rent Stabilization Combined Fee on a Per Unit Basis [3]			Difference between Current Estimate Revenue and Updated Fee
	Buildings	Units	%	Annual Registration Fee [2]	Estimated Total Revenue	Partially Covered Units	Fully Covered Units	Total	
Estimated per Unit Fee [3]						$20	$115		
Number of Units [4]						14,464	8,330		
Number of Units per Parcel									
1	8,691	8,691	38.1%	$20	$173,820	$110,296	NA	$110,296	-$63,524
2-4	11	3,192	14.0%	$35	$385	$40,509	NA	$40,509	$40,124
5-9	168	1,455	6.4%	$60	$10,080	$18,468	$499,416	$517,884	$507,804
10-24	118	2,151	9.4%	$75	$8,850	$27,293	$90,386	$117,679	$108,829
25-49	30	1,344	5.9%	$120	$3,600	$17,062	$56,505	$73,567	$69,967
50-99	13	1,132	5.0%	$225	$2,925	$14,369	$47,586	$61,955	$59,030
100+	20	4,829	21.2%	$350	$7,000	$61,278	$202,934	$264,212	$257,212
Total	**9,051**	**22,794**	**100.0%**		**$206,660**	**$289,276**	**$896,827**	**$1,186,103**	**$979,443**

Source: ACS; CoStar; City of Salinas; EPS.

[1] Estimated based on data from ACS and CoStar.
[2] Registration fees for the rental registry program per the Residential Registry Community Development Council Staff Report dated April 4, 2023.
[3] The annual fee for partially covered units should be less than that for fully covered units. For illustrative purposes, EPS is estimating the fees based on the minimum total annual cost of about $1.1 million.
[4] See Table 4-13.

For the Rental Registry Program fee, the City currently charges a fee based on the number of units within a range per parcel. The initial goal was to not overcharge owners of smaller buildings; however, this fee structure actually provides a monetary discount for larger developments and creates a financial loss to the City. As shown in **Table 4-14**, the total estimated revenue based on the City's current Rental Registry fee structure is about $207,000, compared to if the City charged a fee on a per-unit basis. For illustrative purposes, EPS used the estimated minimum cost of about $1.1 million to estimate a fee for the 14,464 partially covered units of $20 per unit per year and $115 for the 8,330 fully covered units, which would create a cost recovery of about $1.2 million.

5. Conclusions and Recommendations

Conclusions

Rent regulations are increasingly prevalent in California. In cities like Salinas, where apartments account for about 36 percent of the housing stock, the policy could have a range of potential impacts. As discussed previously, current State law limits the impact of rent stabilization by exempting single-family units, condominiums, and properties built after 1995 and allowing for vacancy decontrol (the ability to raise rent back to market rate after a tenant leaves).

For applicable units (19 percent of the City's housing), the proposed Ordinance is likely to stabilize rents and decrease displacement risk, which is an important equity concern in the City. Thus, existing City renters would be the direct beneficiaries of the Ordinance, accruing long-term financial benefits and reduced risk of eviction. This benefit would come at a cost to existing Salinas landlords who could experience reduced rental income and limitations on removing unwanted tenants. However, the effects on income appear to be relatively modest, particularly as the Ordinance has policies to help protect hardships by allowing a landlord to petition for rent increase beyond the allowed rent-stabilized increase to obtain a fair and reasonable return, as well as petition to pass through to the tenant specific capital improvements. Conversely there is a policy that allows a tenant to petition for a rent reduction if they believe that the landlord has demanded, accepted, or retained any rent in excess of the rent permitted.

However, despite the clear and direct redistribution effects of the proposed Ordinance, the broader economic implications are likely to be modest absent the repeal of Costa-Hawkins, which would expand the incidence of rent control beyond the above-referenced 19 percent of the City's housing.

While 19 percent of the City's housing is not immaterial, the renter protections included in the Ordinance are likely to have both positive and negative impacts on the local economy and the City's fiscal health. The positive impacts include reduced displacement, as well as increased economic stability and disposable income for renters. The negative impacts may include reduced labor mobility and housing availability for new residents, as rent stabilization is shown to decrease turnover by about 20 percent, and with vacancy in the City already extremely tight, this exacerbates the limited housing options for new residents and the ability for existing residents to move, as discussed in **Chapter 3**.

Rent stabilization is part of a toolkit that, along with other policies and incentives, can help alleviate some housing cost pressures. Taken in combination with other policies that encourage additional supply, it can be part of a multi-pronged effort to improve the outlook for residents struggling to afford housing.

Recommendations

Based on the findings from the literature review and economic impacts analysis, EPS recommends the City consider adopting a rent stabilization ordinance limiting the maximum increase of rent to the lesser of **2.5 percent** or **65 percent of the CPI-U West** or **2.75 percent** or **75 percent of the CPI-U West**.

The Rent Stabilization Ordinance should include strong tenant protections, as well as clear guidance on the types of units that would qualify in the event Costa-Hawkins is repealed. Strong tenant protections include Just-Cause eviction protections, as well as No-Fault eviction protections such as requiring landlords to pay fair relocation costs. See **Appendix A Table A-1** for no-fault eviction in the California cities that have rent stabilization ordinances. An additional protection the City could consider is setting a cap on the number of units that can convert to condominiums within a year and providing current tenants the right of first refusal to purchase condominium conversions.

The City should consider merging the Rent Stabilization Fee into the Rental Registry Fee and charge this fee on a per-unit basis. The fee amount should differ based on unit type: fully covered units (rental registry, tenant protections, and rent stabilization) should be higher than partially covered units (rental registry and tenant protections). The fee is to help the City recover the costs to run the program, including staffing, third-party services and software, community education, and program enforcement and should provide financial neutrality. Based on data from other cities, the additional staffing needed to establish, run, and maintain the Rent Stabilization Ordinance ranges from the equivalent of 4.2 to 11.4 net new hires (excluding the rental registry staff) or a percentage of existing employees' time. With the minimum level of only 4.2 new staff members, or 5.1 FTEs total, Salinas would likely need to contract third-party services for legal counsel, tenant relocation services, and mediation and dispute resolution. As staffing increases beyond the 5.1 FTEs, the amount of third-party source contracts will decrease.

The City should consider including language in the Ordinance establishing periodic review elements such as the rent increase caps, the number of petitions, staffing levels, fee amounts, etc., to ensure the program operates effectively for property owners, tenants, and the City.

In addition, the City should take careful consideration to explicitly include any elements they would like to retain from Costa-Hawkins, such as exempting single-family homes, exempting new development, and providing vacancy decontrol. If these are not included in the City's Ordinance, and the statewide ballot initiative set for the November 2024 ballot to repeal Costa-Hawkins passes, the local Ordinance would apply to all rental housing—including single-family units—and rents would not reset to market for new tenants.

APPENDICES:

Appendix A: Demographic and Socioeconomic Analysis Support Tables

Appendix B: Financial Analysis Support Tables

APPENDIX A:

Demographic and Socioeconomic Analysis Support Tables

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Table A-1
City of Salinas
Rent Stabilization Analysis
Units in Structure: City of Salinas (2022)

Item	2022 Units	2022 % of Total
Type of Unit		
Single Detached Units	25,252	56.7%
Single Attached Units	2,517	5.7%
2-4 Units	3,602	8.1%
5+ Units	11,019	24.8%
Mobile Homes	2,113	4.7%
Total Housing Units	**44,503**	**100.0%**

Source: ACS; EPS.

Table A-2
City of Salinas
Rent Stabilization Analysis
Vacant Housing Units by Usage Category (2022)

	2022 VACANT HOUSING UNITS			
	City of Salinas		Monterey County	
Item	Units	% of Total	Units	% of Total
Vacant Housing Units				
For Rent	265	18.5%	1,589	12.4%
Unoccupied Rentals	73	5.1%	302	2.4%
For-Sale	162	11.3%	565	4.4%
Unoccupied Sold Units	165	11.5%	501	3.9%
Seasonal, Recreational, or Occasional Use	123	8.6%	6,290	49.3%
For Migrant Workers	-	-	95	0.7%
Other	642	44.9%	3,428	26.8%
Total Vacant	**1,430**	**100.0%**	**12,770**	**100.0%**

Source: American Community Survey 5-Year Estimates Tables B25004; EPS.

Table A-3
City of Salinas
Rent Stabilization Analysis
Total Vacancy Rate (2010-2023)

Item	Total Residential Vacancy Rate	
	City of Salinas	Monterey County
Year		
2010	5.3%	9.4%
2011	5.3%	9.6%
2012	5.3%	9.6%
2013	5.5%	9.9%
2014	5.5%	10.0%
2015	5.5%	10.0%
2016	5.6%	10.3%
2017	5.6%	10.3%
2018	5.6%	10.5%
2019	5.7%	10.6%
2020	2.8%	8.2%
2021	2.9%	8.2%
2022	2.9%	8.1%
2023	2.9%	8.1%

Source: California Department of Finance E-5; EPS.

Table A-4
City of Salinas
Rent Stabilization Analysis
Tenure by Units In Structure (2012-2022)

	City of Salinas								2021-2022 Change			
	2012				2022				Owner-Occupied		Renter Occupied	
Item	Owner-Occupied	Renter Occupied	Share Renter Occupied	% of Unit Type	Owner-Occupied	Renter Occupied	Share Renter Occupied	% of Unit Type	Total	%	Total	%
Unit Type												
Detached Single-Family	15,409	6,834	30.7%	55.2%	17,392	7,234	29.4%	57.2%	1,983	12.9%	400	5.9%
Attached Single-Family	1,140	1,456	56.1%	6.4%	1,031	1,457	58.6%	5.8%	(109)	(9.6%)	1	0.1%
Duplex	38	815	95.5%	2.1%	-	891	100.0%	2.1%	(38)	(100.0%)	76	9.3%
3 to 4 unit building	116	2,654	95.8%	6.9%	255	2,301	90.0%	5.9%	139	119.8%	(353)	(13.3%)
5 + unit building	200	10,368	98.1%	26.2%	124	10,288	98.8%	24.2%	(76)	(38.0%)	(80)	(0.8%)
Other	752	510	40.4%	3.1%	1,477	623	29.7%	4.9%	725	96.4%	113	22.2%
Total	**17,655**	**22,637**	**56.2%**	**100.0%**	**20,279**	**22,794**	**52.9%**	**100.0%**	**2,624**	**14.9%**	**157**	**0.7%**

Source: American Community Survey 2018-2022 5-Year Estimates, Table B25032; EPS.

Table A-5
City of Salinas
Rent Stabilization Analysis
Tenure by Age of Structure: City of Salinas (2022)

	CITY OF SALINAS AGE OF RESIDENTIAL STRUCTURE							
	Tenure of Occupied Housing Units							
	Owner-Occupied		Renter-Occupied		Total		Total Housing Units	
Item	Total	%	Total	%	Total	%	Total	%
Year								
Built 2020 or later	22	0.1%	13	0.1%	35	0.1%	35	0.1%
Built 2010 to 2019	216	1.1%	621	2.7%	837	1.9%	845	1.9%
Built 2000 to 2009	2,499	12.3%	1,921	8.4%	4,420	10.3%	4,645	10.4%
Built 1990 to 1999	3,344	16.5%	3,753	16.5%	7,097	16.5%	7,258	16.3%
Est. of units built between 1990 and 1994	*751*	*3.7%*	*843*	*3.7%*	*1,593*	*3.7%*	*3,187*	*7.2%*
Built 1980 to 1989	2,147	10.6%	3,803	16.7%	5,950	13.8%	6,221	14.0%
Built 1970 to 1979	3,384	16.7%	4,636	20.3%	8,020	18.6%	8,213	18.5%
Built 1960 to 1969	3,005	14.8%	2,860	12.5%	5,865	13.6%	6,074	13.6%
Built 1950 to 1959	2,607	12.9%	2,387	10.5%	4,994	11.6%	5,231	11.8%
Built 1940 to 1949	1,553	7.7%	1,657	7.3%	3,210	7.5%	3,257	7.3%
Built 1939 or earlier	1,502	7.4%	1,143	5.0%	2,645	6.1%	2,724	6.1%
Total	**20,279**	**100.0%**	**22,794**	**100.0%**	**43,073**	**100.0%**	**44,503**	**100.0%**
Built Before 1995	**14,949**	**73.7%**	**17,329**	**76.0%**	**32,277**	**74.9%**	**34,907**	**78.4%**
Built 1995 or Later	**5,330**	**26.3%**	**5,465**	**24.0%**	**10,796**	**25.1%**	**9,596**	**21.6%**

Source: American Community Survey 2018-2022 5-Year Estimates, Table B25034; EPS.

[1] ACS data only provides data within 10-year timeframes; the number of units estimated to be built between 1990 and 1994 is based on the average percentage of permits pulled between those years within the 1990 to 1999 time period. See Table A-12.

Table A-6
City of Salinas
Rent Stabilization Analysis
Residential Inventory Characteristics: City of Salinas (2022)

Item	Source/Table	Formula	City of Salinas Total	% of Total Housing	% that is Rental Housing
Housing Inventory					
Total Single Family Residential (SFR) Detached	Table A-1	A	25,252	56.7%	28.6%
Total Multifamily (MFR) and Other	Table A-1	B	19,251	43.3%	82.6%
Total Units			**44,503**	**100.0%**	**52.0%**
Total Occupied Units					
Owner-Occupied SFR	Table A-4	C	17,392	39.1%	-
Owner-Occupied MFR	Table A-4	D	2,887	6.5%	-
Renter-Occupied SFR	Table A-4	E	7,234	16.3%	31.3%
Renter-Occupied MFR	Table A-4	F	15,560	35.0%	67.3%
Total Occupied Units		**G = C + D + E + F**	**43,073**	**96.8%**	**-**
Vacant Units					
Owner/For-Sale	Table A-2	H	327	0.7%	-
Rental/For Rent	Table A-2	I	338	0.8%	1.5%
Seasonal, Rec. Use, Migrant Workers, Other	Table A-2	J	765	1.7%	-
Total Vacant Units		**K = H + I + J**	**1,430**	**3.2%**	**-**
Total Rental Unit Inventory		**L = E + F + I**	**23,132**	**52.0%**	**100.0%**
Units Exempt from Rent Stabilization					
Built 1995 or Later					
Total Owner-Occupied		M = C + D + H	20,606	46.3%	-
Renter-Occupied Built 1995 or Later	Table A-5	N	5,465	12.3%	23.6%
Multifamily Built 1995 or Later [1]	CoStar	O	2,022	4.5%	8.7%
SFR Renter-Occupied		E	7,234	16.3%	31.3%
Seasonal, Rec. Use, Migrant Workers, Other [2]		J	765	1.7%	-
Built 1995 or Later	*Table A-5*	*P*	*24%*	-	-
Rental/For Rent [3]		Q = I * P	81	0.2%	0.4%
Total Exempt Units		**R = M + N + O + E + J + Q**	**36,173**	**81.3%**	**54.9%**
Units Qualifying for Rent Stabilization					
Renter-Occupied Built Prior to 1995	Table A-5	S	17,329	38.9%	74.9%
Built Prior to 1995	Table A-5	T	*76%*	-	-
Rental/For Rent [3]		U = I * T	257	0.6%	1.1%
Less Renter-Occupied SFR		*E*	*(7,234)*	(16.3%)	(31.3%)
Less Multifamily Built 1995 or Later		*O*	*(2,022)*	(4.5%)	(8.7%)
Total Units Qualifying for Rent Stabilization		**V = S + U - E - O**	**8,330**	**18.7%**	**36.0%**

Source: American Community Survey 5-Year Estimates Table S2502; EPS.

[1] Per CoStar.
[2] To remain conservative, EPS assumes seasonal, recreational, occasional use, migrant worker housing, and other are exempt from rent stabili
[3] To estimate the year built for vacant rentals, EPS applied the percentage breakdown for renter-occupied units from Table A-5.

Table A-7
City of Salinas
Rent Stabilization Analysis
Subsidized Affordable Housing Units (April 2024)

	City of Salinas								
Item	Address	Type	Year Built	Total Units	Studio	One-Bedroom	Two-Bedrooms	Three-Bedrooms	Four Bed-Rooms
Apartment Units									
Moon Gate Plaza	21 Soledad Street	Apartments	2017	90	81	4	5	-	-
Haciendas 3	40, 50, 60 East Rossi Street	Apartments	2016	50	-	19	16	15	-
Gabilan Plaza	736 Williams Rd.	Apartments	2013	200	-	36	74	90	-
Harden Ranch Apts	1907 Dartmouth Way	Apartments	2013	100	-	16	20	48	16
Haciendas Apartments II	275 Calle Cebu	Apartments	2012	46	-	6	20	17	3
One Haciendas	233 Calle Cebu	Apartments	2011	52	-	9	27	14	3
Salinas Gateway Apts	25 Lincoln Ave	Apartments	2011	52	25	21	6	-	-
Tresor Apts	1041 Buckhorn Dr	Apartments	2009	81	-	-	24	41	16
La Gloria Senior Apts	539 E Market St	Apartments	2009	23	-	23	-	-	-
Sherwood Village	808 N Main St	Apartments	2006	124	-	102	22	-	-
Jardines Del Monte Apartments	1259 Del Monte Ave	Apartments	2004	28	-	-	-	-	-
Salinas Pointe Apts	1260 John St	Apartments	2003	219	3	91	61	8	-
Salinas Bay Apts	920 Larkin St	Apartments	2002	95	-	-	25	60	10
Plaza Grande	50 E Market St	Apartments	2002	92	91	1	-	-	-
Montecito at Williams Ranch	1598 Mesquite Dr	Apartments	2000	132	-	107	25	-	-
Steinbeck Commons Apts	10 Lincoln Ave	Apartments	2000	100	-	99	-	-	-
Nantucket Bay Apts	950 Nantucket Blvd	Apartments	1999	160	-	-	70	70	20
Plaza Club Apts	100 Harden Pkwy	Apartments	1997	208	-	7	28	8	-
Shadowbrook Apartments	1115-1118 Alamo Way	Apartments	1988	88	-	20	38	30	-
Vista De La Terraza	165-177 Carr Ave	Apartments	1984	40	-	-	15	10	15
Las Casas de Madera	510 E Market St	Apartments	1982	75	-	-	22	28	25
Lakeview	58 Natividad Rd	Apartments	1982	50	-	-	28	9	13
Parkside Manor	1112-1115 Parkside St	Apartments	1971	48	-	-	-	-	-
Tynan Village	323 Front St	Apartments	-	172	-	65	60	35	12
Santanna Apartments	1235 Garner Ave	Apartments	-	160	-	-	-	-	-
Tesoros del Campos	42 La Posada Dr	Apartments	-	57	-	-	8	43	6
Del Monte Plaza	1415 Del Monte Ave	Apartments	-	44	-	-	-	-	-
Ocean View Apartments	44 Natividad Rd	Apartments	-	40	-	8	19	13	-
Mariposa Apartments	300 Casentini St	Apartments	-	21	-	-	-	-	-
-	775 Elkington Ave	Apartments	-	7	-	-	-	-	-
Subtotal Multifamily Units				**2,654**					
Other Affordable									
East Salinas Family Rad	Scattered Sites	Townhomes	2016	202	-	35	86	63	18
Los Abuelitos Senior Apts	528 E Market St	Senior	2004	25	-	25	-	-	-
Mountain View Townhomes	1580 Falcon Dr	Townhomes	2000	68	-	-	20	40	8
Addington Way Homes	288 Addington Ln	Special Needs	1999	2	-	-	-	2	-
Roosevelt Street Townhomes II	504 Roosevelt St	Townhomes	1998	22	-	-	-	22	-
Regency Court Senior	472 Regency Cir	Senior	1997	119	-	96	24	-	-
Gabilan Hills Townhomes	1051-1057 Paseo Grande	Townhomes	1995	100	-	-	32	34	34
Roosevelt Townhomes	522 Roosevelt St	Townhomes	1995	22	-	-	-	-	-
Plaza Hotel	30 E Market St	SRO	1992	27	-	-	-	-	-
Subtotal Other Units				**587**					
Total				**3,241**	**200**	**626**	**594**	**526**	**139**

Source: Costar; HUD National Low Income Housing Tax Credit 1987-2022 Data; EPS.

[1] Some properties do not include the number of rooms as Costar and the Department of Housing and Urban Development (HUD) do not provide this information. The absence of data may occur due to various reasons, such as privacy policies, incomplete records, or the nature of the reporting systems of these organizations.

Table A-8
City of Salinas
Rent Stabilization Analysis
Multifamily Housing Market Summary (2012-2024)

Item	City of Salinas Multifamily Housing [1]		
	Monthly Effective Rent	% Change, Rent Asked	Vacancy Rate
Year			
2000	$920	-	2.4%
2001	$963	4.7%	3.3%
2002	$955	(0.8%)	4.0%
2003	$947	(0.8%)	4.3%
2004	$948	0.1%	4.3%
2005	$979	3.3%	4.0%
2006	$1,015	3.7%	3.9%
2007	$1,046	3.1%	3.4%
2008	$1,068	2.1%	3.7%
2009	$1,027	(3.8%)	4.1%
2010	$1,041	1.4%	4.1%
2011	$1,050	0.9%	4.5%
2012	$1,070	1.9%	4.1%
2013	$1,099	2.7%	3.7%
2014	$1,143	4.0%	3.1%
2015	$1,274	11.5%	2.8%
2016	$1,375	7.9%	3.0%
2017	$1,480	7.6%	2.4%
2018	$1,554	5.0%	2.1%
2019	$1,592	2.4%	2.7%
2020	$1,702	6.9%	2.4%
2021	$1,920	12.8%	2.4%
2022	$1,859	(3.2%)	2.8%
2023	$1,978	6.4%	2.8%
2024	$1,994	0.8%	2.7%
Average/ Total Change	**$1,280**	**3.4%**	**3.3%**

Source: CoStar; EPS.

[1] This data reflects market rate multifamily apartment units built before 1995 in the City of Salinas.

Table A-9
City of Salinas
Rent Stabilization Analysis
Household Income by Range (2012 & 2022)

	City of Salinas					Monterey County				
Item	2012 [1]	%	2022	%	% Change	2012 [1]	%	2022	%	% Change
Income Range										
<$15,000	3,981	9.9%	2,550	5.9%	(35.9%)	10,761	8.6%	6,915	5.3%	(35.7%)
$15,000 - $24,999	4,992	12.4%	2,718	6.3%	(45.6%)	12,012	9.6%	6,667	5.1%	(44.5%)
$25,000 - $34,999	4,831	12.0%	2,589	6.0%	(46.4%)	12,012	9.6%	8,369	6.4%	(30.3%)
$35,000 - $49,999	6,080	15.1%	4,355	10.1%	(28.4%)	16,766	13.4%	12,560	9.6%	(25.1%)
$50,000 - $74,999	7,974	19.8%	7,111	16.5%	(10.8%)	24,524	19.6%	19,240	14.7%	(21.5%)
$75,000 - $99,999	4,871	12.1%	6,638	15.4%	36.3%	15,891	12.7%	18,454	14.1%	16.1%
$100,000 - $149,999	5,153	12.8%	8,963	20.8%	73.9%	19,394	15.5%	25,658	19.6%	32.3%
$150,000 - $199,999	1,527	3.8%	3,924	9.1%	157.0%	6,882	5.5%	13,739	10.5%	99.6%
$200,000+	882	2.2%	4,225	9.8%	378.9%	6,882	5.5%	19,371	14.8%	181.5%
Total	**40,292**	**100.0%**	**43,073**	**100.0%**	**6.9%**	**125,123**	**100.0%**	**130,973**	**100.0%**	4.7%
Median Household Income in 2022$	**$68,364**		**$84,250**		**23.2%**	**$81,279**		**$91,043**		**12.0%**

Source: U.S. Census Bureau ACS 2012 & 2022, Table S1901; EPS.

[1] The median household incomes reported by ACS are inflation-adjusted to constant dollars.

Table A-10
City of Salinas
Rent Stabilization Analysis
Household Size and Tenure (2012 and 2022)

	City of Salinas				
	2012		2022		Change
Item	Total	%	Total	%	(2012-2022)
Renter-Occupied Households					
1-person	3,973	17.6%	3,821	16.8%	(3.83%)
2-person	3,721	16.4%	3,773	16.6%	1.40%
3-person	3,750	16.6%	3,093	13.6%	(17.52%)
4+ -person	11,193	49.4%	12,107	53.1%	8.17%
Total	**22,637**	**100.0%**	**22,794**	**100.0%**	**0.69%**
Owner-Occupied					
1-person	2,648	15.0%	3,082	15.2%	16.39%
2-person	4,645	26.3%	5,112	25.2%	10.05%
3-person	3,011	17.1%	3,211	15.8%	6.64%
4+ -person	7,351	41.6%	8,874	43.8%	20.72%
Total	**17,655**	**100.0%**	**20,279**	**100.0%**	**14.86%**

Source: American Community Survey 5-Year Estimates Table B25009; EPS.

Table A-11
City of Salinas
Rent Stabilization Analysis
Year Householder Moved into Unit

Item	Years Lived in Unit				City of Salinas Households			
					Renter-Occupied		Owner-Occupied	
	Min		Max	Avg.	Total	%	Total	%
Year Householder Moved Into Unit								
Moved in 2021 or later	0	-	1	0.5	5,141	20.4%	472	2.3%
Moved in 2018 to 2020	2	-	4	3	7,406	29.3%	2,254	11.0%
Moved in 2010 to 2017	5	-	12	8.5	7,775	30.8%	6,036	29.3%
Moved in 2000 to 2009	13	-	22	17.5	3,641	14.4%	5,867	28.5%
Moved in 1990 to 1999	23	-	32	27.5	918	3.6%	3,211	15.6%
Moved in 1989 or earlier	33	+		33	358	1.4%	2,736	13.3%
Total					**25,239**	**100.0%**	**20,576**	**100.0%**
Weighted Average Years Lived in Unit						**7.6**		**16.5**

Source: ACS 2022 5-Year estimates Table B25038; EPS.

Table A-12
City of Salinas
Rent Stabilization Analysis
Units Permitted by Year (2000-2022)

Item	City of Salinas				
	1-Unit	2-Unit	3- and 4-Unit	5-Unit +	Total
Year					
1990	194	8	3	-	205
1991	160	8	3	-	171
1992	197	10	-	16	223
1993	275	-	7	27	309
1994	585	10	46	6	647
1995	431	4	9	98	542
1996	413	2	11	253	679
1997	628	-	-	207	835
1998	500	-	-	-	500
1999	809	22	-	531	1,362
2000	579	4	18	50	651
2001	268	-	-	160	428
2002	442	14	9	92	557
2003	257	-	14	273	544
2004	231	-	6	25	262
2005	224	-	-	21	245
2006	119	-	-	-	119
2007	72	2	-	170	244
2008	24	2	8	58	92
2009	19	-	-	18	37
2010	35	-	16	88	139
2011	7	-	8	10	25
2012	11	2	-	-	13
2013	3	2	3	51	59
2014	30	-	-	36	66
2015	46	2	-	46	94
2016	2	2	-	48	52
2017	26	-	-	-	26
2018	57	-	-	106	163
2019	80	4	-	12	96
2020	96	-	-	109	205
2021	64	4	-	130	198
2022	59	2	-	-	61
Total 1990-2022	**6,943**	**104**	**161**	**2,641**	**9,849**
Average per Year (1990-2022)	*217*	*3*	*5*	*83*	*308*
Total 1995-2022	**5,532**	**68**	**102**	**2,592**	**8,294**
Average per Year (1995-2022)	*205*	*3*	*4*	*96*	*307*

Source: United States Department of Housing and Urban Development State of the Cities Database; EPS.

Table A-13
City of Salinas
Rent Stabilization Analysis
Comparable Rent Stabilization Programs Staffing and Fees

Item	Number of Qualifying Units	Staffing FTEs	Number of Units per Staff	Staff per 1,000 Units	Current Rental Housing Fees per Fully Covered Unit		Portion of the Fee Passed Through to Tenants
					Fully Covered Unit	Partially Covered Unit	
JURISDICTION							
Actively Enforced Rent Programs							
East Palo Alto	2,500	2	1,250	0.80	$234	NA	50%
Berkeley	20,000	22	909	1.10	$344	$212	50%
Oakland	65,000	11	5,909	0.17	$101	NA	50%
Richmond	18,000	13	1,385	0.72	$238	$135	0%
Santa Monica	28,000	26	1,077	0.93	$228	NA	50%
Total/Weighted Avg.	**133,500**	**74**	**3,449**	**0.83**	**$185**	-	-
Complaint Driven Rent Programs							
Mountain View	15,000	5	3,000	0.33	$120	NA	NA
West Hollywood	17,000	9	2,000	0.50	$144	$144	50%
San Jose	39,000	16	2,438	0.41	$106	$34	NA
San Francisco	173,000	31	5,581	0.18	$59	$59	50%
Los Angeles	600,000	80	7,500	0.13	$39	NA	50%
Total/Weighted Avg.	**844,000**	**141**	**6,682**	**0.20**	**$50**	-	-

Source: City of Mountain View Memorandum to the Rental Housing Committee, dated January 25, 2021; City Web Sites; EPS.

Table A-14
City of Salinas
Rent Stabilization Analysis
Inflation Method Comparison

	CPI [1]			CPI - Less Shelter	
		Annual Change			
Year	**Total**	**60% CPI**	**80% CPI**	Total	Change
2014	240.215			226.976	
2015	243.015	0.70%	0.93%	226.12	-0.38%
2016	247.705	1.16%	1.54%	226.814	0.31%
2017	254.738	1.70%	2.27%	230.467	1.61%
2018	263.263	2.01%	2.68%	236.871	2.78%
2019	270.350	1.62%	2.15%	240.92	1.71%
2020	275.057	1.04%	1.39%	243.674	1.14%
2021	287.494	2.71%	3.62%	257.523	5.68%
2022	310.509	4.80%	6.40%	280.63	8.97%
2023	323.834	2.57%	3.43%	288.792	2.91%
2024 [2]	331.933	1.50%	2.00%	294.262	1.89%
Total Change (2014-2024)		22.91%	30.55%		29.64%

Source: Bureau of Labor Statistics; and EPS.

[1] Consumer Price Index for All Urban Consumers (CPI-U), West Region.
[2] Values for 2024 indicate calendar year average through June.

Table A-15
City of Salinas
Rent Stabilization Analysis
Household Operations and Furnishings Price Index Change

Year	Index Change from Previous Year		
	HIOC	COICOP 05	CPI
2014	-1.38%	-1.45%	-0.86%
2015	-0.43%	-0.74%	0.48%
2016	-0.86%	-1.16%	-0.18%
2017	-0.77%	-0.90%	-0.53%
2018	0.72%	0.55%	1.25%
2019	1.75%	1.75%	2.30%
2020	1.50%	1.75%	3.08%
2021	4.49%	4.41%	3.29%
2022	9.03%	9.16%	8.82%
2023	2.93%	2.63%	2.86%
Total Change (2014-2023)	**19.47%**	**18.38%**	**23.16%**
CAGR (2014-2023)	**1.63%**	**1.55%**	**1.98%**

Source: Bureau of Labor Statistics; and EPS.

[1] Consumer Price Index for All Urban Consumers (CPI-U), West Region.
[2] Values for 2024 indicate calendar year average through June.

Table A-16
City of Salinas
Rent Stabilization Analysis
Median Operating Expenses by Property Type (2011-2022)

Item	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Mid Rise												
Administration	$668	$647	$643	$602	$627	$720	$688	$813	$836	$785	$855	$887
Repairs and Maintenance	$1,067	$1,042	$1,031	$1,135	$1,106	$1,259	$1,263	$1,349	$1,480	$1,481	$1,741	$1,829
Utilities	$833	$782	$838	$923	$871	$919	$928	$927	$1,022	$1,103	$1,020	$1,202
Payroll	$1,298	$1,347	$1,360	$1,380	$1,299	$1,471	$1,429	$1,455	$1,553	$1,658	$1,655	$1,837
Management Fee	$485	$460	$491	$497	$422	$535	$523	$629	$708	$764	$778	$695
Property Insurance	$288	$298	$306	$286	$262	$239	$224	$332	$324	$421	$560	$739
Total Mid Rise [1]	**$4,639**	**$4,576**	**$4,669**	**$4,823**	**$4,587**	**$5,143**	**$5,055**	**$5,505**	**$5,923**	**$6,212**	**$6,609**	**$7,189**
Low Rise												
Administration	$557	$620	$594	$580	$631	$612	$588	$711	$744	$755	$741	$852
Repairs and Maintenance	$839	$838	$917	$964	$974	$1,037	$1,075	$1,103	$1,236	$1,202	$1,308	$1,650
Utilities	$694	$725	$775	$811	$793	$804	$793	$844	$876	$946	$966	$1,043
Payroll	$1,075	$1,101	$1,132	$1,172	$1,239	$1,228	$1,274	$1,336	$1,423	$1,482	$1,489	$1,639
Management Fee	$392	$406	$421	$431	$420	$436	$443	$519	$589	$673	$707	$672
Property Insurance	$229	$250	$265	$275	$272	$281	$282	$311	$346	$395	$515	$528
Total Low Rise [1]	**$3,786**	**$3,940**	**$4,104**	**$4,233**	**$4,329**	**$4,398**	**$4,455**	**$4,824**	**$5,214**	**$5,453**	**$5,726**	**$6,384**
Single-family. Duplex and Townhomes												
Administration	$505	$525	$575	$552	$595	$659	$657	$681	$769	$753	$737	$787
Repairs and Maintenance	$840	$908	$961	$1,000	$1,022	$1,119	$1,145	$1,131	$1,243	$1,253	$1,375	$1,554
Utiiities	$669	$694	$749	$758	$800	$780	$750	$891	$912	$995	$872	$972
Payroll	$1,006	$1,074	$1,116	$1,091	$1,280	$1,203	$1,376	$1,416	$1,473	$1,625	$1,461	$1,605
Management Fee	$364	$335	$330	$328	$454	$438	$481	$679	$729	$762	$705	$683
Property Insurance	$258	$293	$329	$309	$262	$258	$243	$265	$348	$318	$497	$542
Total Single-family. Duplex and Townhomes [1	**$3,642**	**$3,829**	**$4,060**	**$4,038**	**$4,413**	**$4,457**	**$4,652**	**$5,063**	**$5,474**	**$5,706**	**$5,647**	**$6,143**
Average All												
Administration	$577	$597	$604	$578	$618	$664	$644	$735	$783	$764	$778	$842
Repairs and Maintenance	$915	$929	$970	$1,033	$1,034	$1,138	$1,161	$1,194	$1,320	$1,312	$1,475	$1,678
Utiiities	$732	$734	$787	$831	$821	$834	$824	$887	$937	$1,015	$953	$1,072
Payroll	$1,126	$1,174	$1,203	$1,214	$1,273	$1,301	$1,360	$1,402	$1,483	$1,588	$1,535	$1,694
Management Fee	$414	$400	$414	$419	$432	$470	$482	$609	$675	$733	$730	$683
Property Insurance	$258	$280	$300	$290	$265	$259	$250	$303	$339	$378	$524	$603
Total Average All	**$4,022**	**$4,115**	**$4,278**	**$4,365**	**$4,443**	**$4,666**	**$4,721**	**$5,131**	**$5,537**	**$5,790**	**$5,994**	**$6,572**
Year-Over-Year Change (Average All Types)												
Administration		3.58%	1.12%	(4.30%)	6.86%	7.45%	(2.91%)	14.07%	6.53%	(2.38%)	1.74%	8.27%
Repairs and Maintenance		1.53%	4.34%	6.53%	0.10%	10.09%	1.99%	2.87%	10.49%	(0.58%)	12.40%	13.77%
Utiiities		0.23%	7.31%	5.50%	(1.12%)	1.58%	(1.28%)	7.73%	5.56%	8.33%	(6.11%)	12.56%
Payroll		4.23%	2.44%	0.97%	4.80%	2.20%	4.54%	3.14%	5.75%	7.10%	(3.36%)	10.34%
Management Fee		(3.22%)	3.41%	1.13%	3.18%	8.72%	2.70%	26.26%	10.89%	8.54%	(0.41%)	(6.39%)
Property Insurance		8.52%	7.02%	(3.33%)	(8.51%)	(2.26%)	(3.73%)	21.23%	12.11%	11.39%	38.62%	15.08%
Total Year Over Year Change		**2.30%**	**3.95%**	**2.03%**	**1.79%**	**5.02%**	**1.17%**	**8.69%**	**7.92%**	**4.58%**	**3.52%**	**9.64%**
Compound Annual Growth Rate (2014-2020)												
Administration	3.50%											
Repairs and Maintenance	5.66%											
Utiiities	3.53%											
Payroll	3.78%											
Management Fee	4.67%											
Property Insurance	8.01%											
Total	**4.56%**											

Source: Novogradac, 2023. Low-Income Housing Tax Credit Income and Operating Expenses Report.

APPENDIX B:

Financial Analysis Support Tables

Table B-1 Rent Stabilized Annual Cash Flow Estimate—Market Rate Base Case B-1

Table B-2 Rent Stabilized Annual Cash Flow Estimate—100% of CPI B-2

Table B-3 Hypothetical Rent Stabilized Gross Rent Roll Estimate—100% of CPI B-3

Table B-4 Rent Stabilized Annual Cash Flow Estimate—100% of CPI B-4

Table B-5 Hypothetical Rent Stabilized Gross Rent Roll Estimate—80% of CPI B-5

Table B-6 Rent Stabilized Annual Cash Flow Estimate—60% of CPI B-6

Table B-7 Hypothetical Rent Stabilized Gross Rent Roll Estimate—60% of CPI B-7

Appendix Table B-1
City of Salinas
Rent Stabilization Analysis
Rent Stabilized Annual Cash Flow Estimate - Market Rate Base Case

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Market Rent Increase	3.35%							
Allowed Rent Increase (% of CPI)	na							
CPI (Inflation)	3.00%							
Operating Expense Growth	3.00%							
Gross Rental Revenue		$2,388,000	$2,468,043	$2,550,768	$2,636,267	$2,724,631	$2,815,957	$3,320,609
Less Vacancy Loss	@ 3.00%	($71,640)	($74,041)	($76,523)	($79,088)	($81,739)	($84,479)	($99,618)
Net Rental Revenue	**-**	**$2,316,360**	**$2,394,001**	**$2,474,245**	**$2,557,179**	**$2,642,892**	**$2,731,478**	**$3,220,991**
Less Operations & Maintenance [1]	@ 30.00%	($694,908)	($715,755)	($737,228)	($759,345)	($782,125)	($805,589)	($933,898)
Net Operating Income (NOI)	**-**	**$1,621,452**	**$1,678,246**	**$1,737,017**	**$1,797,834**	**$1,860,767**	**$1,925,890**	**$2,287,092**
Capitalization Rate	6.00%							
Building Value		**$27,024,200**	**$27,970,769**	**$28,950,289**	**$29,963,899**	**$31,012,782**	**$32,098,158**	**$38,118,207**
Annual Change in Value			3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
10-Year Average Annual Appreciation Rate	**3.50%**							
Return on Investment (ROI)	**10-yr = 41.05%**		3.50%	7.13%	10.88%	14.76%	18.78%	41.05%
Hypothetical Acquisition (Plus Acq. Cost)	@ 4.00%	($28,105,168)						
Net Operating Income			$1,678,246	$1,737,017	$1,797,834	$1,860,767	$1,925,890	$2,287,092
Reversion Value (Less Marketing Cost)	@ 4.00%							$36,593,478
Net Cash Flow		**($28,105,168)**	**$1,678,246**	**$1,737,017**	**$1,797,834**	**$1,860,767**	**$1,925,890**	**$38,880,571**
Unleveraged IRR	**8.84%**							
Leveraged IRR								
Initial Equity Investment @	30%	-$8,431,550						
Net Operating Income			$1,678,246	$1,737,017	$1,797,834	$1,860,767	$1,925,890	$2,287,092
Debt Service - Principal (25-yr) @	6.00%		-$358,585	-$380,101	-$402,907	-$427,081	-$452,706	-$605,823
Debt Service - Interest (25-yr) @	6.00%		-$1,180,417	-$1,158,902	-$1,136,096	-$1,111,921	-$1,086,297	-$933,180
Reversion								$36,593,478
Less Remaining Principal								-$14,947,176
Net Proceeds to Developer Equity		**($8,431,550)**	**$139,244**	**$198,015**	**$258,831**	**$321,764**	**$386,887**	**$22,394,392**
Leveraged IRR	**12.88%**							

Source: CoStar; EPS.

[1] For market-rate base case example, op ex as percentage of rental income applied across all years.

Appendix Table B-2
City of Salinas
Rent Stabilization Analysis
Rent Stabilized Annual Cash Flow Estimate - 100% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Market Rent Increase	3.35%							
Allowed Rent Increase (% of CPI)	100.00%							
CPI (Inflation)	3.00%							
Operating Expense Growth	3.00%							
Gross Rental Revenue		$2,388,000	$2,460,562	$2,536,178	$2,614,897	$2,696,778	$2,781,881	$3,258,336
Less Vacancy Loss	@ 3.00%	($71,640)	($73,817)	($76,085)	($78,447)	($80,903)	($83,456)	($97,750)
Net Rental Revenue	**-**	**$2,316,360**	**$2,386,745**	**$2,460,092**	**$2,536,450**	**$2,615,874**	**$2,698,425**	**$3,160,586**
Less Operations & Maintenance [1]	Yr 0 @ 30.00%	($694,908)	($715,755)	($737,228)	($759,345)	($782,125)	($805,589)	($933,898)
Net Operating Income (NOI)	**-**	**$1,621,452**	**$1,670,990**	**$1,722,864**	**$1,777,106**	**$1,833,749**	**$1,892,836**	**$2,226,688**
Capitalization Rate	6.00%							
Building Value		**$27,024,200**	**$27,849,834**	**$28,714,406**	**$29,618,425**	**$30,562,487**	**$31,547,270**	**$37,111,462**
Annual Change in Value			3.06%	3.10%	3.15%	3.19%	3.22%	3.35%
10-Year Average Annual Appreciation Rate	**3.22%**							
Return on Investment (ROI)	**10-yr = 37.33%**		3.06%	6.25%	9.60%	13.09%	16.74%	37.33%
Hypothetical Acquisition (Plus Acq. Cost)	@ 4.00%	($28,105,168)						
Net Operating Income			$1,670,990	$1,722,864	$1,777,106	$1,833,749	$1,892,836	$2,226,688
Reversion Value (Less Marketing Cost)	@ 4.00%							$35,627,003
Net Cash Flow		**($28,105,168)**	**$1,670,990**	**$1,722,864**	**$1,777,106**	**$1,833,749**	**$1,892,836**	**$37,853,691**
Unleveraged IRR	**8.54%**							
Leveraged IRR								
Initial Equity Investment @	30%	-$8,431,550						
Net Operating Income			$1,670,990	$1,722,864	$1,777,106	$1,833,749	$1,892,836	$2,226,688
Debt Service - Principal (25-yr) @	6.00%		-$358,585	-$380,101	-$402,907	-$427,081	-$452,706	-$605,823
Debt Service - Interest (25-yr) @	6.00%		-$1,180,417	-$1,158,902	-$1,136,096	-$1,111,921	-$1,086,297	-$933,180
Reversion								$35,627,003
Less Remaining Principal								-$14,947,176
Net Proceeds to Developer Equity		**($8,431,550)**	**$131,987**	**$183,862**	**$238,103**	**$294,747**	**$353,834**	**$21,367,513**
Leveraged IRR	**12.20%**							

Source: CoStar; EPS.

[1] After Year 0 for rent stabilization examples, operations and maintenance expenses increase at the rate of CPI.

Appendix Table B-3
City of Salinas
Rent Stabilization Analysis
Hypothetical Rent Stabilized Gross Rent Roll Estimate - 100% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumed Units	100											
Year 0 Average Rent	$1,990											
Year 0 Vacancy Decontrol Rent	$1,990											
Average Number Years in Unit	9.11											
Turnover	11.0%											
Market Rent Increase	3.35%											
Allowed Rent Increase (% CPI)	100.00%											
CPI Inflation	3.00%											
Gross Units by Occupancy Date												
Year 0 (or before)		100.0	89.0	79.3	70.6	62.8	55.9	49.8	44.3	39.5	35.1	31.3
Year 1		-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3	3.9
Year 2		-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3
Year 3		-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9
Year 4		-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5
Year 5		-	-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1
Year 6		-	-	-	-	-	-	11.0	9.8	8.7	7.7	6.9
Year 7		-	-	-	-	-	-	-	11.0	9.8	8.7	7.7
Year 8		-	-	-	-	-	-	-	-	11.0	9.8	8.7
Year 9		-	-	-	-	-	-	-	-	-	11.0	9.8
Year 10		-	-	-	-	-	-	-	-	-	-	11.0
Total Units		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average Rent by Occupancy Date												
Year 0 (or before)		$1,990	$2,050	$2,111	$2,175	$2,240	$2,307	$2,376	$2,447	$2,521	$2,596	$2,674
Year 1		-	$2,057	$2,118	$2,182	$2,247	$2,315	$2,384	$2,456	$2,529	$2,605	$2,684
Year 2		-	-	$2,126	$2,189	$2,255	$2,323	$2,392	$2,464	$2,538	$2,614	$2,693
Year 3		-	-	-	$2,197	$2,263	$2,331	$2,401	$2,473	$2,547	$2,623	$2,702
Year 4		-	-	-	-	$2,271	$2,339	$2,409	$2,481	$2,555	$2,632	$2,711
Year 5		-	-	-	-	-	$2,347	$2,417	$2,490	$2,564	$2,641	$2,720
Year 6		-	-	-	-	-	-	$2,425	$2,498	$2,573	$2,650	$2,730
Year 7		-	-	-	-	-	-	-	$2,507	$2,582	$2,659	$2,739
Year 8		-	-	-	-	-	-	-	-	$2,591	$2,668	$2,748
Year 9		-	-	-	-	-	-	-	-	-	$2,677	$2,758
Year 10		-	-	-	-	-	-	-	-	-	-	$2,767
Gross Rent		**$2,388,000**	**$2,460,562**	**$2,536,178**	**$2,614,897**	**$2,696,778**	**$2,781,881**	**$2,870,277**	**$2,962,038**	**$3,057,244**	**$3,155,980**	**$3,258,336**

Source: US Census; Costar; EPS.

Appendix Table B-4
City of Salinas
Rent Stabilization Analysis
Rent Stabilized Annual Cash Flow Estimate - 80% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Market Rent Increase	3.35%							
Allowed Rent Increase (% of CPI)	80.00%							
CPI (Inflation)	3.00%							
Operating Expense Growth	3.00%							
Gross Rental Revenue		$2,388,000	$2,447,807	$2,511,406	$2,578,768	$2,649,874	$2,724,718	$3,155,573
Less Vacancy Loss	@ 3.00%	($71,640)	($73,434)	($75,342)	($77,363)	($79,496)	($81,742)	($94,667)
Net Rental Revenue	**-**	**$2,316,360**	**$2,374,372**	**$2,436,064**	**$2,501,405**	**$2,570,377**	**$2,642,976**	**$3,060,905**
Less Operations & Maintenance [1]	Yr 0 @ 30.00%	($694,908)	($715,755)	($737,228)	($759,345)	($782,125)	($805,589)	($933,898)
Net Operating Income (NOI)	**-**	**$1,621,452**	**$1,658,617**	**$1,698,836**	**$1,742,060**	**$1,788,252**	**$1,837,387**	**$2,127,007**
Capitalization Rate	6.00%							
Building Value		**$27,024,200**	**$27,643,618**	**$28,313,934**	**$29,034,334**	**$29,804,206**	**$30,623,123**	**$35,450,120**
Annual Change in Value			2.29%	2.42%	2.54%	2.65%	2.75%	3.09%
10-Year Average Annual Appreciation Rate	**2.75%**							
Return on Investment (ROI)	**10-yr = 31.18%**		2.29%	4.77%	7.44%	10.29%	13.32%	31.18%
Hypothetical Acquisition (Plus Acq. Cost)	@ 4.00%	($28,105,168)						
Net Operating Income			$1,658,617	$1,698,836	$1,742,060	$1,788,252	$1,837,387	$2,127,007
Reversion Value (Less Marketing Cost)	@ 4.00%							$34,032,115
Net Cash Flow		**($28,105,168)**	**$1,658,617**	**$1,698,836**	**$1,742,060**	**$1,788,252**	**$1,837,387**	**$36,159,122**
Unleveraged IRR	**8.01%**							
Leveraged IRR								
Initial Equity Investment @	30%	-$8,431,550						
Net Operating Income			$1,658,617	$1,698,836	$1,742,060	$1,788,252	$1,837,387	$2,127,007
Debt Service - Principal (25-yr) @	6.00%		-$358,585	-$380,101	-$402,907	-$427,081	-$452,706	-$605,823
Debt Service - Interest (25-yr) @	6.00%		-$1,180,417	-$1,158,902	-$1,136,096	-$1,111,921	-$1,086,297	-$933,180
Reversion								$34,032,115
Less Remaining Principal								-$14,947,176
Net Proceeds to Developer Equity		**($8,431,550)**	**$119,615**	**$159,833**	**$203,057**	**$249,250**	**$298,385**	**$19,672,944**
Leveraged IRR	**11.02%**							

Source: CoStar; EPS.

[1] After Year 0 for rent stabilization examples, operations and maintenance expenses increase at the rate of CPI.

Appendix Table B-5
City of Salinas
Rent Stabilization Analysis
Hypothetical Rent Stabilized Gross Rent Roll Estimate - 80% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumed Units	100											
Year 0 Average Rent	$1,990											
Year 0 Vacancy Decontrol Rent	$1,990											
Average Number Years in Unit	9.11											
Turnover	11.0%											
Market Rent Increase	3.35%											
Allowed Rent Increase (% CPI)	80.00%											
CPI Inflation	3.00%											
Gross Units by Occupancy Date												
Year 0 (or before)		100.0	89.0	79.3	70.6	62.8	55.9	49.8	44.3	39.5	35.1	31.3
Year 1		-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3	3.9
Year 2		-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3
Year 3		-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9
Year 4		-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5
Year 5		-	-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1
Year 6		-	-	-	-	-	-	11.0	9.8	8.7	7.7	6.9
Year 7		-	-	-	-	-	-	-	11.0	9.8	8.7	7.7
Year 8		-	-	-	-	-	-	-	-	11.0	9.8	8.7
Year 9		-	-	-	-	-	-	-	-	-	11.0	9.8
Year 10		-	-	-	-	-	-	-	-	-	-	11.0
Total Units		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average Rent by Occupancy Date												
Year 0 (or before)		$1,990	$2,038	$2,087	$2,137	$2,188	$2,241	$2,294	$2,349	$2,406	$2,464	$2,523
Year 1		-	$2,057	$2,106	$2,157	$2,208	$2,261	$2,316	$2,371	$2,428	$2,486	$2,546
Year 2		-	-	$2,126	$2,177	$2,229	$2,282	$2,337	$2,393	$2,451	$2,510	$2,570
Year 3		-	-	-	$2,197	$2,250	$2,304	$2,359	$2,416	$2,473	$2,533	$2,594
Year 4		-	-	-	-	$2,271	$2,325	$2,381	$2,438	$2,496	$2,556	$2,618
Year 5		-	-	-	-	-	$2,347	$2,403	$2,461	$2,520	$2,580	$2,642
Year 6		-	-	-	-	-	-	$2,425	$2,483	$2,543	$2,604	$2,667
Year 7		-	-	-	-	-	-	-	$2,507	$2,567	$2,628	$2,691
Year 8		-	-	-	-	-	-	-	-	$2,591	$2,653	$2,716
Year 9		-	-	-	-	-	-	-	-	-	$2,677	$2,742
Year 10		-	-	-	-	-	-	-	-	-	-	$2,767
Gross Rent		**$2,388,000**	**$2,447,807**	**$2,511,406**	**$2,578,768**	**$2,649,874**	**$2,724,718**	**$2,803,306**	**$2,885,654**	**$2,971,789**	**$3,061,747**	**$3,155,573**

Source: US Census; Costar; EPS.

Appendix Table B-6
City of Salinas
Rent Stabilization Analysis
Rent Stabilized Annual Cash Flow Estimate - 60% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10
Market Rent Increase	3.35%							
Allowed Rent Increase (% of CPI)	60.00%							
CPI (Inflation)	3.00%							
Operating Expense Growth	3.00%							
Gross Rental Revenue		$2,388,000	$2,435,051	$2,486,771	$2,543,027	$2,603,707	$2,668,724	$3,056,973
Less Vacancy Loss	@ 3.00%	($71,640)	($73,052)	($74,603)	($76,291)	($78,111)	($80,062)	($91,709)
Net Rental Revenue	**-**	**$2,316,360**	**$2,361,999**	**$2,412,168**	**$2,466,736**	**$2,525,596**	**$2,588,662**	**$2,965,264**
Less Operations & Maintenance [1]	Yr 0 @ 30.00%	($694,908)	($715,755)	($737,228)	($759,345)	($782,125)	($805,589)	($933,898)
Net Operating Income (NOI)	**-**	**$1,621,452**	**$1,646,244**	**$1,674,940**	**$1,707,391**	**$1,743,471**	**$1,783,073**	**$2,031,366**
Capitalization Rate	6.00%							
Building Value		**$27,024,200**	**$27,437,403**	**$27,915,664**	**$28,456,517**	**$29,057,852**	**$29,717,886**	**$33,856,095**
Annual Change in Value			1.53%	1.74%	1.94%	2.11%	2.27%	2.85%
10-Year Average Annual Appreciation Rate	**2.28%**							
Return on Investment (ROI)	**10-yr = 25.28%**		1.53%	3.30%	5.30%	7.53%	9.97%	25.28%
Hypothetical Acquisition (Plus Acq. Cost)	@ 4.00%	($28,105,168)						
Net Operating Income			$1,646,244	$1,674,940	$1,707,391	$1,743,471	$1,783,073	$2,031,366
Reversion Value (Less Marketing Cost)	@ 4.00%							$32,501,852
Net Cash Flow		**($28,105,168)**	**$1,646,244**	**$1,674,940**	**$1,707,391**	**$1,743,471**	**$1,783,073**	**$34,533,217**
Unleveraged IRR	**7.49%**							
Leveraged IRR								
Initial Equity Investment @	30%	-$8,431,550						
Net Operating Income			$1,646,244	$1,674,940	$1,707,391	$1,743,471	$1,783,073	$2,031,366
Debt Service - Principal (25-yr) @	6.00%		-$358,585	-$380,101	-$402,907	-$427,081	-$452,706	-$605,823
Debt Service - Interest (25-yr) @	6.00%		-$1,180,417	-$1,158,902	-$1,136,096	-$1,111,921	-$1,086,297	-$933,180
Reversion								$32,501,852
Less Remaining Principal								-$14,947,176
Net Proceeds to Developer Equity		**($8,431,550)**	**$107,242**	**$135,937**	**$168,388**	**$204,469**	**$244,071**	**$18,047,039**
Leveraged IRR	**9.79%**							

Source: CoStar; EPS.

[1] After Year 0 for rent stabilization examples, operations and maintenance expenses increase at the rate of CPI.

Appendix Table B-7
City of Salinas
Rent Stabilization Analysis
Hypothetical Rent Stabilized Gross Rent Roll Estimate - 60% of CPI

Item	Assumptions	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Assumed Units	100											
Year 0 Average Rent	$1,990											
Year 0 Vacancy Decontrol Rent	$1,990											
Average Number Years in Unit	9.11											
Turnover	11.0%											
Market Rent Increase	3.35%											
Allowed Rent Increase (% CPI)	60.00%											
CPI Inflation	3.00%											
Gross Units by Occupancy Date												
Year 0 (or before)		100.0	89.0	79.3	70.6	62.8	55.9	49.8	44.3	39.5	35.1	31.3
Year 1		-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3	3.9
Year 2		-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9	4.3
Year 3		-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5	4.9
Year 4		-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1	5.5
Year 5		-	-	-	-	-	11.0	9.8	8.7	7.7	6.9	6.1
Year 6		-	-	-	-	-	-	11.0	9.8	8.7	7.7	6.9
Year 7		-	-	-	-	-	-	-	11.0	9.8	8.7	7.7
Year 8		-	-	-	-	-	-	-	-	11.0	9.8	8.7
Year 9		-	-	-	-	-	-	-	-	-	11.0	9.8
Year 10		-	-	-	-	-	-	-	-	-	-	11.0
Total Units		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Average Rent by Occupancy Date												
Year 0 (or before)		$1,990	$2,026	$2,062	$2,099	$2,137	$2,176	$2,215	$2,255	$2,295	$2,337	$2,379
Year 1		-	$2,057	$2,094	$2,131	$2,170	$2,209	$2,249	$2,289	$2,330	$2,372	$2,415
Year 2		-	-	$2,126	$2,164	$2,203	$2,243	$2,283	$2,324	$2,366	$2,408	$2,452
Year 3		-	-	-	$2,197	$2,236	$2,277	$2,318	$2,359	$2,402	$2,445	$2,489
Year 4		-	-	-	-	$2,271	$2,311	$2,353	$2,395	$2,438	$2,482	$2,527
Year 5		-	-	-	-	-	$2,347	$2,389	$2,432	$2,476	$2,520	$2,566
Year 6		-	-	-	-	-	-	$2,425	$2,469	$2,513	$2,559	$2,605
Year 7		-	-	-	-	-	-	-	$2,507	$2,552	$2,598	$2,644
Year 8		-	-	-	-	-	-	-	-	$2,591	$2,637	$2,685
Year 9		-	-	-	-	-	-	-	-	-	$2,677	$2,726
Year 10		-	-	-	-	-	-	-	-	-	-	$2,767
Gross Rent		**$2,388,000**	**$2,435,051**	**$2,486,771**	**$2,543,027**	**$2,603,707**	**$2,668,724**	**$2,738,005**	**$2,811,499**	**$2,889,170**	**$2,970,997**	**$3,056,973**

Source: US Census; Costar; EPS.