



CITY OF  
**PALO  
ALTO**

## **Policy & Services Committee Staff Report**

**From: City Manager**

**Report Type: ACTION ITEMS**

**Lead Department: Planning and Development Services**

**Meeting Date: March 10, 2026**

Report #:2508-5120

### **TITLE**

Discussion of the Rental Registry Program First Year Report and Rent Stabilization Analysis, Including Recommendations to the City Council to Not Expand the Rental Registry Program to Properties with Two or Fewer Units and to Defer Further Consideration of a Possible Rent Stabilization Ordinance. CEQA: Exempt pursuant to CEQA Guidelines Section 15061(b)(3).

### **RECOMMENDATION**

Staff recommend that the Policy and Services Committee discuss and provide feedback on the findings from the first year of the rental registry program and the related rent stabilization analysis, and recommend the Council defer indefinitely:

- a) an expansion of the rental registry program to properties with two and fewer units, and
- b) further analysis or preparation of a draft ordinance related to possible implementation of a local rent stabilization policy.

### **EXECUTIVE SUMMARY**

This report presents the Rental Registry Program's first year findings and responds to Council direction to analyze the feasibility of a local rent stabilization ordinance and evaluate expanding the Rental Registry Program to properties with two or fewer units.

The Rental Registry Program registered 95.4% of covered properties and 97.9% of covered units in its inaugural year, with 414 properties and 7,653 units registered. Key findings based on landlords' self-reported data include a 5.21% vacancy rate, median monthly rents for non-discounted market rate units ranging from \$2,095 (studio) to \$4,495 (three-bedroom), and moderate rent increase activity with almost two thirds of market rate units reporting no change in rent. Detailed Program Year 1 data is provided in Attachment A.

Regarding rent stabilization, this report examines state legal protections and constraints, the effects of local rent stabilization measures in peer cities, and resource requirements. The Costa-Hawkins Rental Housing Act significantly limits which units a local ordinance could regulate, and

the Tenant Protection Act already caps rent increases for most of those units. A local program would require a conservatively estimated \$2 million annual budget, including five new full-time employees, in direct costs, which may eventually be cost recovered in part or in full through higher rental program fees. Staff do not recommend pursuing a rent stabilization ordinance at this time given the other competing priorities and the significant implementation resource needs.

Staff similarly recommend deferring expansion of the Rental Registry Program to properties with two or fewer units, pending further program maturation and improved fiscal conditions.

## **BACKGROUND**

In November 2021, City Council directed staff to bring a proposal and discussion on “expanding anti-gouging measures to address loopholes” to the Policy and Services Committee, referencing gaps in coverage from California’s Tenant Protection Act of 2019, which introduced statewide rent stabilization.<sup>1</sup> In 2024, Council directed staff to prepare an analysis for a possible anti rent-gouging policy.<sup>2</sup>

On December 9, 2024, staff held a preliminary discussion on this topic with the Housing Ad Hoc Committee. Staff reviewed state law with the Housing Ad Hoc Committee and explained the limits on local regulation imposed by the Costa-Hawkins Rental Housing Act of 1995 (Costa-Hawkins), which precludes the City from implementing the kind of expansive local rent stabilization program that would cover all units not regulated by the Tenant Protection Act. The Housing Ad Hoc Committee discussed and deferred the matter until the first year Rental Registry Program data was able to help inform the discussion. The Housing Ad Hoc has since disbanded, and Council directed staff to engage the Policy and Services Committee for additional consideration.

City Council established the Rental Registry Program (PAMC Chapter 9.65) to collect data on Palo Alto's residential rental landscape, support data-informed policy decisions, promote awareness of renter protections, and advance the City's Housing Element goals. The inaugural registration period opened October 1, 2024, and focused on rental properties with three or more units.

The program achieved a 95.4% property registration rate (414 of 434 properties) and a 97.9% unit registration rate (7,653 of 7,821 units) by the close of the extended grace period on April 6,

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<sup>1</sup> See action minutes from November 29, 2021 Council meeting for details and other direction from Council on renter protection policies:

<https://recordsportal.paloalto.gov/WebLink/DocView.aspx?id=42829&dbid=0&repo=PaloAlto>

<sup>2</sup> See 2024 Council Objective #55: [https://www.paloalto.gov/files/assets/public/v/1/2024-council-priorities-objectives-4-30\\_final.pdf](https://www.paloalto.gov/files/assets/public/v/1/2024-council-priorities-objectives-4-30_final.pdf)

2025. Registration fees were waived for Program Year 1; the Program Year 2 fee is \$35.00 per unit, with exemptions for owner-occupied units and 100% affordable housing properties.

Key findings from registered properties include: an occupancy rate of 94.8% and a vacancy rate of 5.21%; a rental stock comprised of more studio and one-bedroom units (58.89% combined) than larger units, with units of three or more bedrooms comprising just 5.97% of inventory; and a building stock where nearly half of units (49.52%) were constructed between 1960 and 1979. Over half of current renters (53.73%) began their tenancy within the prior three years. Median monthly rents for non-discounted market rate units ranged from \$2,095 for a studio to \$4,495 for a three-bedroom unit. Almost two thirds of market rate units (62.85%) reported no change in rent, while approximately one quarter of renters (25.57%) experienced a rent increase of between 0% and 5% and one tenth of renters (10.94%) experienced a rent increase above 5%.

Detailed program data and administrative implementation notes from Program Year 1 are provided in Attachment A. Data and analysis from Program Year 2 are forthcoming.

In addition to directing the Program Year 1 focus on properties with three or more units, Council's November 27, 2023 action establishing the Rental Registry Program included direction for staff to return with an evaluation of potentially expanding the program to all rental properties, including single-family homes and properties with two or fewer rental units. The American Community Survey estimates approximately 4,305 rental units on such properties in Palo Alto, with roughly 4,116 being single-family residences<sup>3</sup>. Staff's assessment of this direction is discussed in the analysis section below.

## **ANALYSIS**

State law protects many renters from certain rent increases under the Tenant Protection Act of 2019 (TPA). At the same time, Costa-Hawkins significantly limits the City's ability to impose local rent stabilization.

For covered units, the TPA restricts annual rent increases for units to either 10% or 5% plus the percentage change in the cost of living (whichever is lower). Notable exemptions include units built in the last 15 years, units already protected by affordability restrictions, and certain single-family homes.

Costa-Hawkins places significant limitations on the scope of local rent stabilization programs. Specifically, it prevents local governments from regulating the residential rent of single-family homes, condos, or any units built after February 1, 1995.

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<sup>3</sup> U.S. Census Bureau, U.S. Department of Commerce. "Tenure by Units in Structure." *American Community Survey, ACS 5-Year Estimates Detailed Tables, Table B25032*, <https://data.census.gov/table/ACSDT5Y2023.B25032?t=Units+and+Stories+in+Structure&g=160XX00US0655282>. Accessed on 24 Feb 2026

Costa-Hawkins also requires local rent stabilization programs to include vacancy decontrol – that is, when a tenancy ends, a landlord must be allowed to set the initial rent for the next renter notwithstanding local caps.

There were three unsuccessful ballot initiative attempts (2018, 2020 and 2024) to repeal Costa-Hawkins and therefore reduce barriers to local rent stabilization policies. Meanwhile, the TPA was enacted in 2019 and expanded in 2023.

If Palo Alto were to establish a local rent stabilization program, it would be limited to following protections for rental households:

- 1) Lowering allowed annual rent increases and/or establishing a tenant-initiated rent increase petition program for units already protected under existing state law, such as:
  - Units on market-rate, multi-family properties built before February 1, 1995.
  
- 2) Expanding rent stabilization protections to units not protected by existing state law, such as:
  - Affordable housing units not covered by AB 846;
  - Duplexes built before February 1, 1995 where one unit is owner-occupied;
  - Mobile homes; and/or
  - Dorms built before February 1, 1995 (N/A in Palo Alto).

### Effects of Local Rent Stabilization Measures

Public and academic opinions on the effects of local rent stabilization measures are mixed. Furthermore, findings on the effects (positive and negative) of rent stabilization programs vary by program and by source.

Supporters highlight that those living in units which can be regulated under local rent stabilization programs benefit generally from increased predictability in housing expenses, reduced displacement risk, and the promotion of lasting community connections. There is data that confirms that cities with local rent stabilization policies have lower citywide rates of residential mobility, however it remains unclear how reduced mobility may affect tenant welfare.<sup>4</sup> In some cases, it may prevent displacement, in others it may limit housing choices and/or necessitate long commutes.<sup>5</sup>

Local rent stabilization programs can also provide renters with more direct benefits and services. For example, Alameda’s rent program refunded \$125,918 in invalid rent increases to

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<sup>4</sup> Chris Alvarez Campbell, Derek Hyra & David J. Schwegman (21 Nov 2025): Evaluating Rent Control Intensity in California Cities, 2010–2019, Housing Policy Debate, DOI: 10.1080/10511482.2025.2582717

<sup>5</sup> Chris Alvarez Campbell, Derek Hyra & David J. Schwegman (21 Nov 2025): Evaluating Rent Control Intensity in California Cities, 2010–2019, Housing Policy Debate, DOI: 10.1080/10511482.2025.2582717

80 different rental households in 2024.<sup>6</sup> Similarly, Mountain View’s expansive Rent Stabilization Program reported offering free legal assistance to 51 households through their Housing and Eviction Help Center in 2022-2023.<sup>7</sup> Palo Alto could offer similar direct benefits to those in covered units, if it were to adopt a local rent stabilization program.

Opponents argue that local rental stabilization programs can have many unintended, negative consequences. A 2018 policy brief developed by the Turner Center for Housing Innovation at UC Berkeley confirmed that there is a significant body of literature showing rent controls without vacancy decontrols – such as those established before Costa-Hawkins was passed in 1995 – constrain new housing supply and lead to the removal of existing units from the market<sup>8</sup>.

However, the data related to the negative consequences of programs with vacancy decontrol is less clear. A 2025 study of multiple California cities with local rent stabilization programs with vacancy decontrol found no consistent or significant relationships between the intensity of local rent stabilizations measures and the citywide rental supply.<sup>9</sup> On the other hand, the same study did find evidence that cities with local rent stabilization policies had median rents \$39 higher than similar cities without these policies, but the relationship was not statistically significant.<sup>10</sup>

In some cases, there seems to be conflicting data around the potential negative consequences of rent stabilization. For example, opponents argue that limited income potential may disincentivize property owners from investing in maintaining or improving their rental units.<sup>11,12</sup> Findings from a recent mail survey in Berkeley seem to support this argument with 65% of renters in rent-stabilized units reporting that their unit was in the same condition as when they moved in and 62% of renters considering their unit to be in good or excellent condition.<sup>13</sup> However, a 1994 report conducted by the City of Berkeley’s Planning and Development department analyzed the number and value of permits obtained before and during a period of

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<sup>6</sup> City of Alameda, City Attorney’s Office. *Rent Program Annual Report 2024*.

2024. <https://www.alamedarentprogram.org/files/sharedassets/housingauth/v/1/resources/2024-rent-program-annual-report.pdf> (accessed February 19, 2026).

<sup>7</sup> City of Mountain View Rent Stabilization Program. *Annual Report FY 2022–23*. January 26, 2024. [https://issuu.com/mountainviewrentstabilization/docs/2024.1.26\\_annual\\_report\\_fy\\_22-23\\_pdf](https://issuu.com/mountainviewrentstabilization/docs/2024.1.26_annual_report_fy_22-23_pdf) (accessed February 19, 2026).

<sup>8</sup> “Finding Common Ground on Rent Control: A Turner Center Policy Brief.” Turner Center for Housing Innovation at UC Berkeley. May 2018. [https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/Rent\\_Control\\_Paper\\_053018.pdf](https://turnercenter.berkeley.edu/wp-content/uploads/pdfs/Rent_Control_Paper_053018.pdf) (accessed February 25, 2026).

<sup>9</sup> Campbell, C. A., Hyra, D., & Schwegman, D. J. (2025). Evaluating Rent Control Intensity in California Cities, 2010–2019. *Housing Policy Debate*, 1–25. <https://doi.org/10.1080/10511482.2025.2582717>

<sup>10</sup> Campbell, C. A., Hyra, D., & Schwegman, D. J. (2025). Evaluating Rent Control Intensity in California Cities, 2010–2019. *Housing Policy Debate*, 1–25. <https://doi.org/10.1080/10511482.2025.2582717>

<sup>11</sup> “The Effects of Rent Control Expansion on Tenants, Landlords, and Inequality: Evidence from San Francisco.” Diamond, Rebecca, McQuade, Tim, & Qian, Franklin. 4 March, 2019.

<sup>12</sup> National Apartment Association. “10 Unintended Consequences of Rent Control Policies.” <https://naahq.org/news/10-unintended-consequences-rent-control-policies> (accessed February 19, 2026).

<sup>13</sup> City of Berkeley Rent Stabilization Board. *2022 Tenant Survey: Presentation and Results*. 2022. <https://rentboard.berkeleyca.gov/sites/default/files/documents/2022%20Tenant%20Survey%20Presentation%20and%20Results.pdf> (accessed February 19, 2026).

strong rent controls from 1979 to 1991 and found that there was no evidence that rent controls reduced expenditures on repairs below pre-rent control levels.<sup>14</sup>

It is important to note that vacancy decontrol requirements under Costa-Hawkins may also create incentives that work against the goals of many rent stabilization programs. Specifically, to regain access to market rents, property owners may be incentivized to threaten or pursue evictions of long-standing tenants.<sup>15</sup> A study of San Francisco eviction filing rates from 2003 to 2013 found that living in a rent-controlled unit increases the likelihood of a tenant's eviction by approximately 127% per year.<sup>16</sup> According to this study's authors, this "finding is best understood not as an inherent characteristic of rent control policy in general, but rather as the result of specific state-wide laws, passed in the years following the adoption of rent control in San Francisco, which granted rent-controlled property owners an economic incentive to evict and the legal means to do so."<sup>17</sup> A local rent stabilization program in Palo Alto would be subject to the same state-wide laws.

In conclusion, numerous arguments exist both for and against local rent stabilization, but most lack strong, conclusive data to support them.

### Resource Requirements

Staff reviewed recent rent stabilization program operating data from a variety of cities to determine the resources required to administer different programs. Based on published data from the peer cities of San Leandro, Mountain View, Alameda and Berkeley, local rent stabilization programs required dedicated teams of anywhere from six to 29 full-time employees and total program budgets up to and over \$9 million annually. These programs provided varying levels of services to up to 40,000 units and all had program fees to offset the program costs at least partially. Staff estimates that expanding Palo Alto's Rental Registry Program to include rent stabilization would require approximately five additional full-time staff, approximately \$2 million in additional funding. Net program cost would depend on fees assessed and based on other organizations, cost recovery is estimated to ramp up over 2-6 years.

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<sup>14</sup> City of Berkeley Planning Department. *Historical Berkeley Rent Control, 1978–1994* (Planning Department report). 1998. [https://rentboard.berkeleyca.gov/sites/default/files/2022-01/Historical Berkeley Rent Control 1978-1994 1998 Planning Dept report%20%281%29.pdf](https://rentboard.berkeleyca.gov/sites/default/files/2022-01/Historical_Berkeley_Rent_Control_1978-1994_1998_Planning_Dept_report%20%281%29.pdf) (accessed February 19, 2026).

<sup>15</sup> Gardner, M., & Asquith, B. (2025). The Effect of Rent Control Status on Eviction Filing Rates: Causal Evidence From San Francisco. *Housing Policy Debate*, 35(2), 334–354. <https://doi.org/10.1080/10511482.2024.2393629>

<sup>16</sup> Gardner, M., & Asquith, B. (2025). The Effect of Rent Control Status on Eviction Filing Rates: Causal Evidence From San Francisco. *Housing Policy Debate*, 35(2), 334–354. <https://doi.org/10.1080/10511482.2024.2393629>

<sup>17</sup> Gardner, M., & Asquith, B. (2025). The Effect of Rent Control Status on Eviction Filing Rates: Causal Evidence From San Francisco. *Housing Policy Debate*, 35(2), 334–354. <https://doi.org/10.1080/10511482.2024.2393629>

The need for additional funding for a potential rent stabilization program should be balanced against the City's current fiscal constraints and its efforts to prioritize resources. While program costs could eventually be recovered, doing so comes at the expense of the landlord, who may pass these costs through to the tenant despite anticipated local efforts to limit such pass-throughs. Establishing a rent stabilization program is a significant undertaking requiring specialized functions, administrative procedures, adjudication, and enforcement. Standing up the program would require considerable staff time across several city departments, diverting resources from other priorities at a time when the City is focused on reducing rather than expanding its workforce.

A brief summary of peer jurisdiction's rent stabilization programs and commensurate resource needs are below.

#### **Summary of Peer Program Resourcing**

**San Leandro** established a new rent stabilization and registry program in February 2026. The program will have six full-time employees in addition to the City's existing five-person Rent Board.<sup>18</sup> The program requires a \$1.3 to \$2.2M General Fund loan to initiate both the rent stabilization and rent registry portions of the program.<sup>19</sup> The program will register and regulate rents for approximately 7,700 units beginning this year.<sup>20</sup> San Leandro staff anticipate the program will achieve full cost recovery through collected program fees over the next three to six years.<sup>21</sup>

**Mountain View** offers another relevant case study. The Rent Stabilization Division of the Housing Department has 8 full-time employees and supports the City's five-person Rental Housing Commission. The Division currently has an approved annual budget of approximately \$2.6M, with recent annual revenues totaling \$1.8M.<sup>22</sup> Mountain View's program registers and regulates rents for approximately 14,500 units.<sup>23</sup>

<sup>18</sup> City of San Leandro, Community Development Department, *First Reading of an Ordinance to Amend the San Leandro Municipal Code by Adding Chapter 4-46 to Establish Residential Rent Stabilization*, <https://sanleandro.legistar.com/ViewReport.ashx?M=R&N=Text&GID=191&ID=6605505&GUID=BB2A856A-77CB-4893-885E-603BADCC2F95&Title=Legislation+Text> (accessed February 19, 2026).

<sup>19</sup> *ibid*

<sup>20</sup> City of San Leandro, Community Development Department, *Draft Residential Rent Stabilization Ordinance and Preliminary Cost Options*, [https://www.sanleandro.org/DocumentCenter/View/14185/Powerpoint\\_101325\\_Draft-Rent-Stabilization-Ordinance?bidId=](https://www.sanleandro.org/DocumentCenter/View/14185/Powerpoint_101325_Draft-Rent-Stabilization-Ordinance?bidId=) (accessed February 19, 2026).

<sup>21</sup> City of San Leandro, Community Development Department, *First Reading of an Ordinance to Amend the San Leandro Municipal Code by Adding Chapter 4-46 to Establish Residential Rent Stabilization*, <https://sanleandro.legistar.com/ViewReport.ashx?M=R&N=Text&GID=191&ID=6605505&GUID=BB2A856A-77CB-4893-885E-603BADCC2F95&Title=Legislation+Text> (accessed February 19, 2026).

<sup>22</sup> City of Mountain View, City Manager, *Adopted Budget Fiscal Year 2025-26*, <https://www.mountainview.gov/home/showpublisheddocument/12247/638950076197470000> (accessed February 19, 2026).

<sup>23</sup> City of Mountain View, Rent Stabilization Division, *Activity Report Fiscal Year 2025-26*, [https://issuu.com/mountainviewrentstabilization/docs/rent\\_stabilization\\_division\\_report\\_fy\\_25-26](https://issuu.com/mountainviewrentstabilization/docs/rent_stabilization_division_report_fy_25-26) (accessed February 19, 2026).

**Alameda's** rent program registers and regulates rents for approximately 16,500 units.<sup>24</sup> The program has five full-time staff housed in the City Attorney's Office. The current annual expenses associated with the program total \$2M.<sup>25</sup> Alameda collected \$1.8M in Rent Review Fee revenue in 2022.<sup>26</sup> Petitions and similar issues are resolved by hearing officers and/or the program administrator.

**Berkeley's** Rent Board is supported by 29 full-time employees.<sup>27</sup> The program registers and regulates rents for 40,000 units<sup>28</sup> with a FY 2025-2026 annual budget of just over \$9M.<sup>29</sup> The Rent Board reported revenue of just under \$7M in FY 2023-2024.<sup>30</sup> Berkeley's Rent Board is made up of nine elected commissioners.<sup>31</sup>

### Program Considerations

By law, any rent stabilization program must allow a landlord to make a fair return on their investment. The following program components ensure landlords can make a fair return, as required:

- Annual general adjustments: Automatically allowed increases in rent based on a formula determined by ordinance or rent board.

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<sup>24</sup> City of Alameda, City Attorney's Office. *Rent Program Annual Report 2024*. 2024. <https://www.alamedarentprogram.org/files/sharedassets/housingauth/v/1/resources/2024-rent-program-annual-report.pdf> (accessed February 19, 2026).

<sup>25</sup> City of Alameda, City Attorney, "FY 2023-25 Biennial Budget", <https://stories.opengov.com/alamedaca/published/KHkeRFzR4J> (accessed February 19, 2026).

<sup>26</sup> City of Alameda, "FY 23-25 Budget Summaries: Rent Review Fee", [https://alamedaca.opengov.com/transparency#/69813/accountType=revenues&embed=n&breakdown=types&currentYearAmount=cumulative&currentYearPeriod=years&graph=bar&legendSort=desc&proration=true&saved\\_view=255143&selection=BD4055BF9DE56E9E99F25064297A4AB0&projections=null&projectionType=null&highlighting=g=null&highlightingVariance=null&year=2025&selectedDataSetIndex=null&fiscal\\_start=earliest&fiscal\\_end=latest](https://alamedaca.opengov.com/transparency#/69813/accountType=revenues&embed=n&breakdown=types&currentYearAmount=cumulative&currentYearPeriod=years&graph=bar&legendSort=desc&proration=true&saved_view=255143&selection=BD4055BF9DE56E9E99F25064297A4AB0&projections=null&projectionType=null&highlighting=g=null&highlightingVariance=null&year=2025&selectedDataSetIndex=null&fiscal_start=earliest&fiscal_end=latest) (accessed February 19, 2026).

<sup>27</sup> City of Berkeley, Rent Stabilization Board, *Recommendation to Board on FY 2025/26 Line-Item Budget, Staffing Model & Expenditure Level*, [https://rentboard.berkeleyca.gov/sites/default/files/documents/Budget\\_Rent\\_Board\\_Staff\\_Report.pdf](https://rentboard.berkeleyca.gov/sites/default/files/documents/Budget_Rent_Board_Staff_Report.pdf) (accessed February 19, 2026).

<sup>28</sup> City of Berkeley Rent Stabilization Board. "About/Contact Us." <https://rentboard.berkeleyca.gov/services/aboutcontact-us> (accessed February 19, 2026).

<sup>29</sup> City of Berkeley, Rent Stabilization Board, *Recommendation to Board on FY 2025/26 Line-Item Budget, Staffing Model & Expenditure Level*, [https://rentboard.berkeleyca.gov/sites/default/files/documents/Budget\\_Rent\\_Board\\_Staff\\_Report.pdf](https://rentboard.berkeleyca.gov/sites/default/files/documents/Budget_Rent_Board_Staff_Report.pdf) (accessed February 19, 2026).

<sup>30</sup> *ibid*

<sup>31</sup> City of Berkeley Rent Stabilization Board. "Elected Rent Board." <https://rentboard.berkeleyca.gov/elected-rent-board> (accessed February 19, 2026).

- Landlord-Initiated Petitions: Ability to petition for a greater increase if landlord is unable to make fair return on their investment from the annual general adjustment.

Programs may optionally include tenant-initiated petitions to help tenants resolve concerns such as an unlawful rent increase, failure to maintain a habitable premise, or a reduction in housing services.

To administer these various program components, some cities primarily used their own staff while others engaged consultants to provide customer support, legal services, administer hearings, conduct mediations and/or complete property inspections. Some cities used either an appointed or elected rent board with staff support to hear cases instead of hearing officers.

The City currently offers tenants and landlords (and all community members) access to free, confidential and impartial mediation services through the Palo Alto Mediation Program to resolve disputes.<sup>32</sup> The Palo Alto Mediation Program is administered by Project Sentinel, a local nonprofit, on behalf of the City. Chapter 9.72 of the Palo Alto Municipal Code requires landlords to register with the City and requires parties to respond in many types of disputes involving rental housing properties.<sup>33</sup> Funding from the City is provided annually to support Project Sentinel.

#### Rental Registry Program Data Considerations

Viewed alongside the preceding analysis of state law, the effects of rent stabilization measures, and the resource implications of program administration, the Program Year 1 data offers additional context. Ultimately, none of the below findings are intended to suggest that affordability pressures do not exist for Palo Alto renters. Pressures clearly exist in a market at these price points. Staff's interpretation of the data in aggregate does not appear to demonstrate a pattern of widespread, acute rent increases that would warrant standing up a new local regulatory program.

When considered alongside Palo Alto's limitations under California's Costa-Hawkins Rental Housing Act, the protections already afforded to many renters through the TPA and expanded local just cause eviction protections beyond those required by state law under the TPA, and the relatively narrow universe of units a local ordinance could reach, the practical impact of a rent stabilization program would be limited. Paired with the significant resource requirements of establishing such a program and the budgetary constraints currently projected for FY 2026 and beyond, staff recommend indefinitely deferring implementation of a rent stabilization program at this time.

*Current Data Considerations Summary:* Of the 5,174 units included in the rent increase analysis, approximately one quarter of units (1,323 units; 25.57%) were reported with a rent increase of

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<sup>32</sup> Palo Alto Mediation. "Home." <https://www.paloaltomediation.com/home> (accessed February 19, 2026).

<sup>33</sup> City of Palo Alto. "Landlord Resources". <https://www.paloalto.gov/City-Hall/Housing/Tenant-Landlord-Resources/Landlord-Resources> (accessed February 19, 2026).

between 0% and 5% and one tenth of units (566 units; 10.94%) were reported with a rent increase above 5%. Nearly two-thirds of units (62.85%) were reported with no change in rent.<sup>34</sup> A very small percentage (3 units in total) reported a rent decrease. See Exhibit 1 Figure 9 and Table 7 in Attachment A for more information.

Arguably, these findings suggest that existing state protections aimed at keeping rent increases below 10% (or 5% plus the percentage change in cost of living, if that's lower) for covered units are functioning largely as intended for the majority of Palo Alto's registered rental units. Further analysis would be needed to determine what percentage of units that reported a most-recent rent increase over 5% may have violated state law.<sup>35</sup>

A meaningful share of the rental stock already operates with some form of market adjustment based on the self-reported data. About 26% of renter-occupied units carry deed restrictions, rental assistance, or informal rent discounts, which may reduce the practical reach of additional rent regulation on the units most in need of affordability protections.

The age of the housing stock is also a relevant consideration. With 74% of registered units in buildings constructed before 1980, property owners face rising maintenance and potential retrofit costs. Staff has heard directly from property owners that the market is price-sensitive and that even modest cost increases are difficult to absorb. Constraints on rent adjustments could, over time, affect the capacity to maintain these aging properties, a concern that takes on added significance as the City explores mandatory retrofitting requirements for seismically vulnerable buildings, which may represent a substantial additional cost obligation for many of these same property owners.

Palo Alto renters also benefit from existing local protections beyond TPA. The City's ordinance requiring landlords to offer one-year leases provides tenants with 12 months of rent predictability at each lease term, addressing one of the more common concerns that rent stabilization is designed to resolve.

### Rental Registry Program Expansion

With respect to Council's direction to evaluate expanding the Rental Registry Program to include single-family homes and properties with two or fewer rental units, staff recommend deferring this expansion indefinitely. Program Year 1 was the City's first year administering the registry, and the process surfaced a number of operational refinements, including unit count

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<sup>36</sup> Rental Registry Program participants were asked to report both the date and amount of the last rent increase for each unit. Many participants reported a "\$0.00" rent increase for a unit and a corresponding date in the past, confirming that the unit had not experienced rent increases since that date. For example, reporting of "\$0.00" for a rent increase frequently coincided with known tenancy start dates, meaning that there was no change in rent since initial occupancy. However, some renters have tenure lengths longer than the date of last rent increase reported as "\$0.00," so it is unknown if those renters had a rent increase at some point earlier in their tenure.

<sup>35</sup> In order to complete this analysis, staff would need to compare the rent increase amount to the TPA rent cap at the time the rent was increased and then determine that the rent increase occurred in a covered building and was not associated with any tenancy changes.

verification against Santa Clara County Assessor data, registration notification challenges associated with property sales, clarifications around senior housing and condominium registration requirements, and the deployment of new reporting and payment functionality.

Program Year 2 is the first year in which returning participants are updating existing registrations, paying the newly adopted registration fee, and using improved event-based reporting tools. Staff believe it is prudent to allow these processes to mature and stabilize before introducing a significantly larger population of property owners into the program. Indeed, the estimated 4,305 units on properties with two or fewer units, predominantly single-family residences, would require coordination with a substantially larger number of individual property owners, many of whom may be owner-occupiers who would be exempt from registration fees and/or would be navigating the program for the first time. Staff have previously identified that expansion at this scale would require at least one additional full-time employee.

### **FISCAL/RESOURCE IMPACT**

The recommendation in this report does not have any budget or fiscal impact. However, if Palo Alto were to pursue a local rent stabilization program or expand the Rental Registry Program (RRP), it would need to be resourced. Because rental registries are often tied to rent stabilization programs, many cities fund their rent stabilization program partially or entirely through rental registry fees. The City's current Rental Registry Program fee of \$35 per unit in Palo Alto supports approximately one full-time employee and specialized contract work needed to run the rental registry program at its existing scale. The RRP is currently focused on establishing and maintaining a multi-family rental unit inventory and does not regulate rents.

This program's fee for covered units would need to be significantly increased if it were to be the sole funding source to develop, implement and enforce a local rent stabilization program. Based on a rough analysis, staff estimate that covered units may need to pay a fee up to or above \$300.00 per unit<sup>36</sup> in order to achieve full cost recovery for an expanded program. While staff estimate that approximately five additional staff may be needed to run a rent stabilization program in Palo Alto, the final size of the team needed would be based upon the number of registered units (which would increase if the program were to be expanded to one- and two-unit properties), the complexity of the program, the level of customer support provided to both renters and landlords, the potential use of contracted services, enforcement procedures, and other factors.

### **STAKEHOLDER ENGAGEMENT**

This agenda item was publicly noticed as part of the March 10, 2026, Policy and Services Committee meeting. City staff maintains a list of groups and individuals interested in renter

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<sup>36</sup> For reference, Berkeley currently charges \$344 per fully covered unit, Richmond charges \$267 per fully covered unit and Alameda currently charges \$170 per fully covered unit.

protection policy development and the implementation of the rental registry program; an email advertising the March 10, 2026 Policy and Services Committee meeting and discussion on this topic was sent to this list after publication of this report. Staff also sent targeted emails to representatives at the California Apartment Association, Alliance of Californians for Community Empowerment, Public Advocates, Tenants Together, Palo Alto Forward and Silicon Valley at Home after publication of this report. Lastly, staff sent an email after the publication of this report to all property owners and/or representatives who have participated in the Rental Registry Program to date, upon the publication of this staff report to inform them of this upcoming policy discussion.

#### **ENVIRONMENTAL REVIEW**

Committee action on this item is exempt from review under the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines Section 15061(b)(3), as it can be seen with certainty that discussion and direction regarding regulation of residential rental units will not have a significant effect on the environment.

#### **ATTACHMENTS**

Attachment A: Program Year 1 (FY 2024-2025) Summary Report

#### **APPROVED BY:**

Jonathan Lait, Planning and Development Services Director