

RESOLUTION NO. _____ (N.C.S.)

A RESOLUTION ESTABLISHING THE FY 24-25 RESIDENTIAL RENTAL REGISTRATION AND RENT STABILIZATION PROGRAM REVENUE AND EXPENSE BUDGET OF \$655,250 UNDER FUND 2530; AUTHORIZING A GENERAL FUND LOAN TRANSFER AND APPROPRIATION OF \$205,203 TO FUND 2530; AND APPROVING A WORKFORCE ALLOCATION MODIFICATION TO ADD TWO LIMITED TERM ADMINISTRATIVE POSITIONS TO THE COMMUNITY DEVELOPMENT DEPARTMENT

WHEREAS, on April 4, 2023, the City of Salinas adopted and codified Ordinance Number 2663 (N.C.S.) establishing Residential Rental Registration fees in Chapter 17, Article I of the Salinas Municipal Code.

WHEREAS, Ordinance No. 2663 went into effect May 4, 2023, and became operative on July 1, 2023; and

WHEREAS, Section 17-01.14 of the Ordinance provides that for the sole purpose of reimbursing the City for the costs of administering the Ordinance, a Residential Registration Program Fee is imposed on Residential Rental Units subject to the Ordinance to cover the costs of the City to provide and administer the programs created by the Ordinance in such amount as the City Council may establish by resolution from time-to-time; and

WHEREAS, on April 4, 2023, the City of Salinas adopted Resolution No. 22622 amending the City of Salinas Schedule of Fees and Charges for City Services to incorporate applicable Residential Rental Registration Fees, establish a corresponding fund and budget, and the appropriation of fees collected to the fund; and

WHEREAS, on September 24, 2024, the Salinas City Council adopted a Rent Stabilization Ordinance (Ordinance No. 2681) to protect local tenants from the rapidly increasing cost of rental housing that is the result of rising rents and a tight rental market; and

WHEREAS, Ordinance No. 2681 went into effect October 25, 2024, and becomes operative on January 1, 2025; and

WHEREAS, Section 17-02.13 of the Ordinance provides that for the sole purpose of reimbursing the City for the costs of administering the Ordinance, a Rent Stabilization Program Fee is imposed on each Controlled Rental Unit subject to the Ordinance to cover the costs of the City to provide and administer the programs created by the Ordinance in such amount as the City Council may establish by resolution from time-to-time; and

WHEREAS, in 2024 the City retained Economic Planning Systems, Inc. (“EPS”) to prepare an analysis of the City’s costs to provide and administer the programs created and to establish Program Registration Fee amounts (“Fee Study”) which Fee Study is attached to this Resolution as Attachment A; and

WHEREAS, the Fee Study recommended that Residential Rental Registration Program be merged with the Rent Stabilization Program; and

WHEREAS, in preparing the Fee Study, EPS worked closely with the City's Community Development and Finance Departments to understand all the administrative and enforcement procedures and other program activities necessary to administer the Ordinances; and

WHEREAS, the Fee Study determined the costs attributable to the combined Rental Registration and Rent Stabilization Program are estimated to be approximately \$1 million dollars; and

WHEREAS, if Program Fees were not imposed on rental property owners, the City's General Fund would absorb the cost to administer the various programs created by the Ordinance which would be an unfair burden on taxpayers of the city who neither own rental property nor are renters; and

WHEREAS, on November 19, 2024, the Salinas City Council considered and adopted Resolutions to establish a Rent Stabilization Program Fee (Resolution No. XXXX) and amend the Residential Rental Registration Program fees established under Resolution 22662 (Resolution No. XXXX); and

WHEREAS, implementation of the Rental Registration and Rent Stabilization Program (Program) also requires the appropriation of FY 2024-25 budget including revenues and expenses, modification of Workforce Allocation to hire additional administrative staff, and authorization to a General Fund loan transfer to cover Program start-up costs prior to collecting sufficient Program fee revenue to cover Program expenses; and

WHEREAS, Program implementation is intended to be cost-neutral and self-funded through the collection of annual fee revenues and with no impact to the General Fund; and

WHEREAS, total Program costs include staffing, software, and education and outreach total Program costs though FY 2024-25 are estimated to be \$655,250; and

WHEREAS, based upon perspective obtained from other jurisdictions, initial implementation of similar programs has often resulted in lower than anticipated revenues and the need for additional sources of funding, including the General Fund; and.

WHEREAS, at this time, based on a conservative projection of a thirty percent (30%) fee collection rate, an estimated amount of approximately \$205,203 will need to be transferred from the General Fund in the form of a loan in FY 2024-25 to contract for Program portal and data base development, hire administrative staff, develop education and marketing materials, and provide Program supportive services; and

WHEREAS, a Workforce Allocation modification is required to add a limited term Administrative Analyst and a limited term Administrative Aide to the Community Development Department's workforce to assist with implementation of the Program; and

WHEREAS, adoption of this Resolution is not a project under the California Environmental Quality Act (CEQA Guidelines Section 15061(b)(3)) because it would not have a significant effect on the environment. Additionally, the City’s approval of this Resolution is exempt because it does not meet the definition of a “project” under CEQA, pursuant to CEQA Guidelines sections 15060(c)(1) and 15378(a), because it has no potential to result in a direct or reasonably foreseeable physical change in the environment; and

WHEREAS, pursuant to Article XI, §7 of the California Constitution, the City of Salinas intends to exercise its police power by adopting a regulatory fee, which does not exceed the reasonable cost of providing services necessary to carry out the purposes and provisions of Ordinances Nos 2663 and 2681 and any related policies related thereto hereinafter established by the City.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SALINAS AS FOLLOWS:

1. A FY 2024-25 Residential Rental Registration and Rent Stabilization Program revenue and expense budget is established under Fund 2530 in the amount of six hundred fifty-five thousand and two hundred and fifty dollars (\$655,250).
2. The appropriation of two hundred and five thousand two hundred and three dollars (\$205,203) to the Residential Rental Registration and Rent Stabilization Program (Fund 2530) in the form of a General Fund loan transfer is authorized.
3. The City’s Workforce Allocation is modified to add two limited term administrative positions to the Community Development Department’s workforce to staff the Program.
4. Program Budget, General Fund Loan Transfers and Workforce Allocation shall be periodically evaluated at the discretion of the Community Development Department to ensure that they reflect the budget and staffing needs of the City to administer the various programs and services established under the Residential Rental Registration and Rent Stabilization Program and any policies related thereto hereinafter established by the City.

PASSED AND APPROVED this 19th day of November by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED

Anthony Rocha, Mayor Pro Tempore

ATTEST:

Patricia M. Barajas, City Clerk