



Rent Stabilization Board
Office of the Executive Director

DATE: March 20, 2025

TO: Honorable Members of the Rent Stabilization Board

FROM: Honorable Members of the Budget & Personnel Committee
By: DéSeana Williams, Executive Director
Shamika Cole, Finance Director

SUBJECT: Recommendation to set the Fiscal Year 2026 Annual Registration Fees

Recommendation

That the Board adopts the following resolutions concerning the Fiscal Year (FY) 2026 annual registration fees:

Proposed Resolution 25-03 – adopting the annual registration fee, due July 1, 2025, at \$344 per unit for fully-covered units. This fee is calculated based on the revenue necessary to cover recurring operational and capital expenses for the program's services to fully controlled rental units.

Proposed Resolution 25-04 – adopting the annual registration fee, due July 1, 2025, at \$212 per unit for partially-covered Measure MM units. This fee is calculated based on the revenue necessary to cover the expenses associated with registering and providing services for Measure MM units.

Proposed Resolution 25-05 – adopting a \$96 per unit annual registration fee, due July 1, 2025, for Summer Fraternity and Sorority units. This fee is calculated based on the revenue necessary to cover program expenses associated with registering and providing services for Summer Fraternity and Sorority Units.

The Budget & Personnel Committee reviewed this proposal at its meeting on March 11, 2025, and voted to send this proposal to the full Board.

Background and Need for Rent Stabilization Board Action

On June 20, 2024, the Board adopted a staffing model and budget for Fiscal Year (FY) 2025, establishing a total expenditure level of \$8,332,918. As part of this process, the Board approved increases to the annual registration fees, setting the fully covered unit fee at \$344 per unit and the Measure MM unit fee at \$212 per unit. Additionally, the Board adjusted the reduced registration fee for Summer Fraternity and Sorority units to \$96 per unit and increased the Affordable Partially Covered Fee for non-profit-managed projects under the City of Berkeley's Housing Trust Fund program to \$53 per unit.

Before implementing the FY 2025 fee adjustments, the Board approved a fee increase in the previous fiscal year, raising the fully covered unit fee to \$290 per unit and the partially covered fee to \$178 per unit for FY 2024. Despite rising program costs, this marked the first fee increase since FY 2019.

Legally, the Board has until the end of June to adopt a line-item budget and expenditure authorization level for FY 2026. The Budget & Personnel Committee has met two (2) times thus far in calendar year 2025 to review various aspects of the agency's budget and staffing model and agree upon the appropriate recommendation for the FY 2026 registration fee levels. At their March 10, 2025 meeting, the Budget & Personnel Committee voted to recommend the Board maintain the fully-covered registration fee at \$344 per unit and the partially-covered Measure MM unit fee at \$212 per unit. The Committee also recommends that the Board maintain the Summer Fraternity and Sorority fee at \$96.

Fiscal Year 2024 Year-End Fund Balance

The Board's year-end FY 2024 revenue was reported at \$7,361,448, and total expenditures were reported at \$6,790,832. The Revenue includes \$1,477,473 of FY 2024 registration payments that were paid early and credited to owners' accounts during FY 2023.

In summary, the Board spent \$715,628 less than anticipated by its adopted FY 2024 budget. This underspent amount was primarily due to personnel savings from several unanticipated vacancies. The Board's increased revenue also includes \$245,413, more than initially anticipated due to higher-than-expected revenue from the collection of registration penalties. This left the Board with a total year-end fund balance of \$1,515,441 (on an accrual basis) on June 30, 2024, which is the last day of the fiscal year.

The uncommitted reserve amounted to 17% of projected recurring expenditures, exceeding the Board's 16% reserve target. However, these figures are preliminary and have not yet been audited. The City of Berkeley engages an external auditor to review its financial statements, with the audit of the Board's FY 2024 financial statements expected to be completed during FY 2025.

Fiscal Year 2025 Revenue Collection

The Board's FY 2025 adopted budget anticipated the agency collecting \$8,293,575 in revenue. As of December 31, 2024, the agency has collected \$7,715,345. Assuming the agency collects fees owed during the remainder of this fiscal year, the agency projects to collect the majority of its projected revenue for FY 2025.

Fiscal Year 2025 Mid-Year Expenditures & Year End Projections

The FY 2025 budget was structured to better align with projected expenditures while incorporating key operational improvements. This resulted in a more balanced financial plan, including the Board's approval of a \$500,000 allocation for unanticipated operational expenses. Additionally, the adopted budget upheld the Board's policy of maintaining an uncommitted reserve level of 16%.

In recent years, the Board's uncommitted reserve balance has exceeded expectations, primarily due to staff turnover and vacancies in budgeted positions. Under its current policy, the Board requires an uncommitted reserve sufficient to cover two months of expenditures or 16% of recurring costs. While the Board has, at times, reduced the reserve below 8% to minimize fee increases, it has consistently maintained at least a two-month (16%) reserve since FY 2018. This practice aligns with the [Government Finance Officers Association](#)'s recommendation of a minimum fund reserve of 16-17%.

In FY 2025, the Board approved an increase in the fee schedule to strengthen organizational capacity and address rising expenditures. The adopted fully covered fee was set at \$344 per unit, while the partially covered fee was established at \$212 per unit, and the Summer Fraternity and Sorority Fee was set at \$96. Based on these rates, the FY 2025 budget projected \$8,293,575 in total revenue.

As of December 31, 2024, the Board has expended a total of \$4,356,949, slightly above the projected midpoint of the fiscal year budget. This indicates that actual spending has exceeded the anticipated half-year allocation established in the Board's adopted budget. The variance is primarily due to the timing of large operational expenses, including unanticipated outside legal costs and increased programmatic expenditures incurred earlier in the fiscal year.

However, personnel expenditures have been lower than anticipated in the first half of the year due to vacancies in key positions, including a **Community Services Specialist I, Digital Education and Social Media Coordinator, Accounting Office Specialist II, Assistant Management Analyst**, and a **Community Services Specialist III**. Considering these personnel savings, staff project that total expenditures for FY 2025 will remain within the authorized budget.

Legal Costs

The current fiscal year presented legal expenses stemming from a class action lawsuit that required considerably more outside legal counsel assistance than initially anticipated.

In response to the lawsuit, Board legal staff anticipate the need for approximately \$275,000 to engage outside counsel. Given the complexity and unprecedented nature of this litigation, legal staff deem it essential to bring in external expertise. It is common and best practice—employed even by well-staffed municipal legal units—to engage outside counsel for cases requiring specialized legal acumen. For instance, the City Attorney's Office maintains a dedicated fund to retain outside counsel for matters beyond in-house capacity. As the litigation progresses, these legal costs are expected to extend into the next fiscal year.

Targeting a 16% Reserve

In past years, the Board has elected to adopt annual budgets that authorize a high level of deficit spending that relies on reducing the Board's uncommitted reserve to avoid registration fee increases. In recent years, the Board has approved a reduction of the uncommitted reserve to a low level of 4%-6%, well below the Board's historical 8% to 16% reserve target. Last year, the Budget & Personnel Committee recommended targeting a 16% reserve level while also ensuring a budget allocation for unanticipated expenses and technology enhancements. Looking ahead to the FY 2026 fiscal year, Staff and the Budget & Personnel Committee anticipate the Board will start with over \$1,400,000 in uncommitted reserves, representing the targeted 16% level, which is considered best practice.

Effective financial stewardship and strategic legal engagement will be essential to ensuring the Board can continue fulfilling its mission.

A mid-year budget update attached to this report details actual expenditures by budget line item. Staff also included a comparison of the previous fiscal year-end projections, including personnel savings.

Current Staffing Model

The agency's current staffing model has 30.0 Full-time Equivalent (FTE) career positions. There are currently four (5) vacancies. Staff is actively recruiting and anticipates filling these vacancies by the Fall of 2025. Other recent staff model changes include:

Public Information Unit

The Executive Director has prioritized initiatives to enhance the agency's efficiency, effectiveness, and overall performance. As a key component of this effort, the Public Information Unit (PIU) plays a vital role in supporting the agency's mission and delivering high-quality services to the public.

The PIU is now nearly fully staffed following the recent hiring of a Community Services Specialist I (CSS I) and a Community Development Program Coordinator (CDPC). Recruitment is currently underway for the Community Services Specialist III (CSS III) Manager position. The updated staffing structure for the unit is as follows:

- Community Development Program Coordinator (CDPC) – 1
- Community Services Specialist III (CSS III) – 1 (Manager) [Recruitment in Progress]
- Community Services Specialist II (CSS II) – 3 (Housing Counselors, SEIU 1021 CSU)
- Community Services Specialist I (CSS I) – 1 (Housing Counselor, SEIU 1021 CSU)

These staffing adjustments, including the addition of the CSS I and CDPC positions, align with the Rent Board's strategic goals to enhance service delivery and operational performance. The updated structure provides a more balanced team composition, strengthens the unit's capacity, and introduces an entry-level pathway for housing counseling roles, further improving public service outcomes.

Office of the Executive Director

The Executive Director has operated without dedicated administrative support for the past two years. The Rent Board has recently filled the Administrative Staff Assistant position. This role provides critical support to the Executive Director by managing schedules, organizing meetings, handling correspondence, and coordinating logistics to track key project milestones. With this additional support, executive staff can better focus on strategic decision-making and programmatic priorities, ultimately improving overall efficiency.

Administration of the Empty Homes Tax Ordinance

At the request of the City Council, the Board agreed to assist the City of Berkeley with the implementation and administration of the voter-adopted Empty Homes Tax (B.M.C. Chapter 7.54), which went into effect on January 1, 2024. The Council allocated a total of \$332,920 in Measure U1 funds to the Rent Board for its work on the Empty Homes Tax in FY 2025. These funds are being used to pay for staff to administer the Empty Homes Tax program in partnership with Berkeley's Finance Department.

Rent Board staff have created an Empty Homes Tax website, drafted forms and guidelines for the processing of exemptions, and implemented an outreach plan. All property owners with vacant units were given an April 1, 2025, deadline to submit exemption and vacancy exclusion claims for the 2024 tax year. Staff will provide the Finance Department with a list of tax-eligible properties early in the 2nd quarter of 2025.

Since funding for the Empty Homes Tax comes from the City's Measure U1 fund, Rent Board's staff work on the Empty Homes Tax program will have little impact on the Board's budget aside from a small amount of salary savings from employee salaries being partially paid from Empty Homes Tax funding. Staff anticipates requesting a similar level of funding to continue assisting the Empty Homes Tax Program's implementation and administration in FY 2026.

Recommended FY 2026 Fee Level

As of December 31, 2024, the agency has collected \$7,715,345, with additional revenue anticipated before the fiscal year concludes.¹

Following a comprehensive review of the agency's budget status and projected revenue needs for the upcoming fiscal year, Staff recognizes that our financial position remains stable, largely due to the intentional realignment of our budget development practices. Given this, staff recommends maintaining the current fee structure to sustain this stability and prevent a fee increase for a third

¹ As will be discussed more fully in the budget report presented to the Board in June, even without increasing the fees for the upcoming fiscal year, Finance Staff believe that the proposed fee structure will generate more revenue for the agency given that there will be considerably more landlords that must pay fully-covered and/or Measure MM fees for their rental units, because the Berkeley voters adopted Measure BB on November 5, 2024. Measure BB removed a number of registration exemptions and requires that many more landlords pay registration fees. While compliance is always difficult to predict when it comes to billing a new demographic, Finance Staff anticipates that revenues will increase in the 2025-2026 fiscal year.

consecutive year. The Budget & Personnel Committee proposes the following fee levels for the next fiscal year:

- Fully Covered Fee: \$344 per unit
- Partially Covered Fee: \$212 per unit
- Summer Fraternity and Sorority Fee: \$96 per unit

To sustain this fee structure while accommodating increases in operational costs, Staff and the Budget & Personnel Committee further recommends that the Board maintain its 16% reserve level—an increase from the 8% reserve level maintained during the COVID-19 pandemic. This adjustment will ensure financial stability while maintaining the agency’s ability to provide essential services.

Fully-Covered Registration Fee as Percentage of Average (Mean) Rent

During recommendation discussions with the Budget and Personnel Committee, staff informed that the current fully covered fee at \$344, would result in just 1.26% of the current average rent in Berkeley.

The following table shows the fully covered registration fee as a percentage of the rent, which is the most relevant measure of the impact of the fee.

Fully Covered Registration Fee as a percentage of rent			
Year	Fee	Mean Monthly Rent	% Annual Rent
1984	\$60	\$267	1.87%
1987	\$80	\$293	2.28%
1989	\$100	\$328	2.54%
1991	\$136	\$361	3.14%
1998	\$112	\$720	1.30%
2000	\$124	\$865	1.19%
2005	\$154	\$1,062	1.21%
2010	\$194	\$1,274	1.27%
2014	\$194	\$1,498	1.08%
2015	\$213	\$1,606	1.11%
2016	\$234	\$1,637	1.12%
2017	\$270	\$1,710	1.32%
2018	\$250	\$1,816	1.15%
2019	\$250	\$1,956	1.07%
2020	\$250	\$2,039	1.02%
2021	\$250	\$2,100	0.99%
2022	\$250	\$2,138	0.97%
2023	\$290	\$2,154	1.12%
2024	\$344`	\$2,203	1.27%
2025*	\$344`	\$2,298	1.26%

* A fully covered fee maintained at \$344 is necessary to cover existing recurring expenditures

The shaded area reflects a pre-vacancy decontrol program, while 1998 transitioned from full rent control to decontrol. Mean monthly rent is calculated from the preceding calendar year, meaning the 2024 registration fee compares the fee with the average (mean) monthly rent in 2023. The 2025 (mean) monthly rent data is the average (mean) monthly rent from January – December 2024.

Since 1998, the beginning of vacancy decontrol, the registration fees have primarily been in a range of 1%-1.32%, and the proposed fee, \$344 would fall well within the range of being historically proportionate to the average annual rent.

Moreover, maintaining the fee would still enable the Board to align its revenue with rising program costs while also ensuring compliance with the targeted 16% reserve level.

Conclusion

Staff and the Budget & Personnel Committee recommend that the Board adopt resolutions to maintain the fee for fully covered units at \$344 and for partially covered units subject to Measure MM at \$212 per unit. The Committee also recommends that the Board maintain a \$96 fee for Summer Fraternity and Sorority.

Name and Telephone Number of Contact Person

DéSeana Williams, Executive Director (510) 981-7368
Shamika Cole, Finance Director (510) 981-7368

Attachments:

1. FY 2024 Year-End and FY 2025 Mid-Year Budget Update Spreadsheet

Rent Stabilization Program FUND 801 FY 2024 Year End and FY 2025 Mid Year Budget Update				
Description	Adopted FY 2024	Year End FY 2024	Adopted FY FY 2025	Mid Year Update FY 2025
Monthly Employees	3,265,000	2,831,000	3,820,000	1,443,460
Hourly Employees	0	0	0	
Overtime	1,000	12,000	10,000	329
Benefits	2,225,000	1,800,000	2,640,000	927,000
Stipends	164,000	160,000	169,000	81,226
Technology Stipend	5,000	0	15,000	0
Professional Services - Legal Outside			0	275,000
Misc. Legal Expenses	20,000	54,000	90,000	93,500
Temp. Agency Employees	10,000	31,000	10,000	0
Misc. Professional Services	402,800	593,000	393,000	433,382
Office Equip. Mtc. Svcs. / Furniture	25,000	14,000	25,000	11,722
Property Repairs/ Mtc Svcs	500	365	500	0
Bank Credit Card Charges	20,000	14,000	20,000	19,040
Professional Dues & Intern Fees	2,000	2,040	4,200	4,200
Telephones	9,000	8,100	9,000	7,120
Printing and Binding	30,000	68,000	45,000	32,730
Meals & Lodging	7,000	1,100	5,000	0
Registration Fees/Training	13,000	7,200	78,000	30,000
Transportation & Commercial Travel	4,000	4,600	4,000	19,040
Advertising/public access	99,100	37,000	80,000	40,900
Books & Publications	13,000	19,000	55,000	24,500
Rental of Land / Buildings	528,405	335,000	374,000	128,537
Postage	35,000	3,100	42,000	3,400
Messenger / Delivery	500	600	500	0
Office Supplies	13,500	14,100	13,500	15,000
Food and Water	2,500	4,500	5,000	885
Supplies - Clothing		3,000	1,500	3,300
Cap Office Equipment and Furniture	5,000	363,300	50,000	17,300
Non Cap Office Furniture				16,000
Non Cap Computers and Software				0
Furniture				
Computers, Printers, Software	10,000	24,000	20,000	3,300
PC Replacement/City Software Licenses	74,305	74,305	74,305	49,500
Mail Services	3,600	3,600	3,600	2,400
City Vehicle / Fuel & Maint./Prkg	7,500	4,500	19,500	11,000
Displacement Reimbursement Offset	0	0		4,500
Unallocated	233,000	1,000	0	402,365
Recurring Expenditure Subtotal**	7,228,710	6,487,410	8,076,605	4,100,636
Capital Reserve (incl. 3Di, evaluations, training)	277,750	303,422	256,313	256,313
	Adopted FY 2024	Year End FY 2024	Adopted FY FY 2025	Mid Year Update FY 2025
Total Authorized Fund Expenditures*	7,506,460	6,790,832	8,332,918	4,356,949
Fully-covered Unit Revenue	5,725,000	4,283,524	6,880,000	6,268,833
Measure MM Revenue	946,600	1,018,000	1,120,000	1,020,507
Registration Penalties	250,000	495,413	250,000	382,430
Fair Chance Ord. Administration	41,575	41,575	41,575	41,575
Misc. (Project review, Settlements, Admin. Fees)	2,000	2,000	2,000	2,000
Total Authorized Fund Revenue*	6,965,175	5,840,512	8,293,575	7,715,345
<i>FY 24 Registration Revenue***</i>		1,477,473		
<i>Registration Year Revenue</i>		7,317,985		
Annual Surplus/Shortfall	(541,285)	527,153	(39,343)	
<i>Previous FY Carryover Expenditures</i>				
FUND BALANCE (cash basis)	988,288	1,515,441	1,476,098	1,476,098
FUND BALANCE (accrual basis)	988,288	2,056,726	2,017,383	2,017,383
TOTAL UNCOMMITTED OPERATIONAL	975,125	1,515,441	1,515,441	1,476,098
TOTAL CAPITAL RESERVE FUND BALANCE			500,000	500,000

* Note: this report only reflects charges & revenues against the Rent Board Fund (Fund 440 and Fund 801) and does not include services charged to or received from other funds

** Note: variance in actual expenditures and total fund balance reflects remaining balance in reimbursement offset escrow

*** Note: \$1,477,473 in FY24 registration revenue was collected as FY23 revenue.

RESOLUTION 25-03

SETTING THE FISCAL YEAR 2025/2026 ANNUAL REGISTRATION FEE FOR FULLY-COVERED UNITS; DUE JULY 1, 2025

BE IT RESOLVED by the Rent Stabilization Board of the City of Berkeley as follows:

WHEREAS, the Rent Stabilization Board operates based on a fiscal year and each year adopts an operational budget after public review and input; and

WHEREAS, Section 123 of Article XVII of the Charter of the City of Berkeley provides that the Rent Stabilization Board shall finance its reasonable expenses by charging landlords annual registration fees in an amount deemed reasonable by the Board; and

WHEREAS, the Executive Director and Rent Stabilization Board believe that new recurring annual revenues of at least \$8,462,000 in FY 2026 will be necessary to meet the Program's operating needs; and

WHEREAS, the Board believes that, to the extent possible, the Program should continue to meet the needs of owners and tenants requesting our services and maintain a staffing level to allow that to happen; and

WHEREAS, since 2009, the base annual registration fee has only been increased four times; and

WHEREAS, in FY 2019 the Board adopted a fee of \$250, \$245 to cover necessary operational costs and \$5 dedicated to capital needs; and

WHEREAS, in FY 2020 the Board again adopted a fee of \$250, \$245 to cover necessary operational costs and \$5 dedicated to capital needs; and

WHEREAS, in FY 2021, FY 2022, and FY 2023 the Board adopted a fee of \$250 to cover only necessary operational costs; and

WHEREAS, in FY 2023/24 to reach the revenue targets, an annual registration fee of \$290 per unit fee for fully covered units was necessary; and

WHEREAS, because of salary-related savings and higher-than-expected revenue in FY 2024/25, the Board had an operational reserve balance of approximately 17% of annual operational expenditures; and

WHEREAS, in recent years, the Board has targeted a higher operational reserve balance of 16% of annual operational expenditures; and

RESOLUTION 25-03

SETTING THE FISCAL YEAR 2025/2026 ANNUAL REGISTRATION FEE FOR FULLY-COVERED UNITS; DUE JULY 1, 2025 (Page 2)

WHEREAS, Measure BB, which was placed on the general election ballot by the Berkeley City Council and subsequently passed by the voters on November 5, 2024, eliminates many previously-established exemptions and requires landlords to register a number of rental units that were previously exempt from registration fees, including, but not limited to: Section 8 and other government-subsidized units; and

WHEREAS, the Rent Ordinance amendments established by Measure BB became law on December 20, 2024; and

WHEREAS, registration fees became due and owing at the time Measure BB was certified as law; and

WHEREAS, the Board made the decision not to begin to bill landlords affected by Measure BB until the upcoming fiscal year registration fees are established so as to not create two billing cycles for these landlords; and

WHEREAS, landlords affected by Measure BB will receive a bill that covers half of the Fiscal Year 2024-2025 given that their units became subject to registration requirements in late December 2024 and all of Fiscal Year 2025-2026; and

WHEREAS, in FY 2025/26 to reach the recurring revenue target, address increased staffing needs and anticipated legal costs, an annual registration fee of \$344 per unit fee for fully covered units is required; and

WHEREAS, there will be no increase in the registration fee from the previous fiscal year; the Board also adopted a registration fee of \$344 for FY 2024/2025; and

WHEREAS, the proposed fee of \$344 represents 1.26% of the average (mean) monthly rent for rental units regulated by the Berkeley Rent Stabilization Program; and

WHEREAS, the Board will meet to consider and adopt a final budget document detailing the revenues, line-item expenditures, and staffing model in June 2025.

THEREFORE, BE IT RESOLVED that the annual FY 2025/26 registration fee for fully covered rental units, due July 1, 2025, is hereby set at \$344 per unit; and

BE IT FURTHER RESOLVED that Rent Stabilization Program staff will continue to collect information on the impacts and expenses associated with registering and providing services for fully covered units in FY 2026.

RESOLUTION 25-03

SETTING THE FISCAL YEAR 2025/2026 ANNUAL REGISTRATION FEE FOR FULLY-COVERED UNITS; DUE JULY 1, 2025 (Page 3)

Dated: March 20, 2025

Adopted by the Rent Stabilization Board of the City of Berkeley by the following vote:

YES:

NO:

ABSTAIN:

ABSENT:

Soli Alpert, Chairperson
Rent Stabilization Board

Attest: _____
DéSeana Williams, Executive Director