

ORDINANCE NO.

AN ORDINANCE OF THE COUNCIL OF THE CITY OF  
SANTA BARBARA AMENDING THE SANTA BARBARA  
MUNICIPAL CODE BY THE ADDITION OF CHAPTER  
26.90 RELATING TO RESIDENTIAL RENT  
STABILIZATION

THE CITY COUNCIL OF THE CITY OF SANTA BARBARA DOES ORDAIN AS  
FOLLOWS:

SECTION 1. Title 26 of the Santa Barbara Municipal Code is amended to add  
Chapter 26.90 as follows:

**CHAPTER 26.90. RESIDENTIAL RENT STABLIZATION**

**Section 26.90.010 Application.**

A. This Chapter applies to all residential rental units in the City except:

1. Rental units for which a certificate of occupancy was issued (or final  
inspection on a building permit application for construction of the unit was completed) on  
or after February 1, 1995

2. Rental units that are alienable separate from title to any other dwelling unit  
or are a subdivided interest in a subdivision, as specified in subdivision (b), (d), or (f) of  
Section 11004.5 of the California Business and Professions Code. This exception does  
not apply to any of the following:

a. A rental unit where the preceding tenancy has been terminated by  
the owner by notice pursuant to California Civil Code Section 1946.1 or has been  
terminated upon a change in the terms of the tenancy noticed pursuant to California Civil  
Code Section 827;

b. A condominium dwelling or unit that has not been sold separately by the subdivider to a bona fide purchaser for value.

c. The owner of the rental unit is any of the following:

i. A real estate investment trust, as defined in Section 856 of the Internal Revenue Code.

ii. A corporation.

iii. A limited liability company in which at least one member is a corporation.

3. A property containing two separate dwelling units within a single structure in which the owner occupied one of the units as the owner's principal place of residence at the beginning of the tenancy so long as the owner continues in occupancy, and neither unit is an accessory dwelling unit or a junior accessory dwelling unit.

4. Rental units in hotels, motels, inns, tourist homes, lodging and rooming houses and boarding houses, or other similar temporary lodgings provided that the occupancy is for 30 days or fewer. The computation of the 30 days shall include days in which the tenant was required to:

a. Move into a different guestroom or efficiency unit before the expiration of 30-day occupancy;

b. Check out and re-register before the expiration of 30-day occupancy to avoid application of this ordinance, or

c. Enter into successive or overlapping rental agreements, extensions, or renewals, whether for the same or a different unit, before the expiration of 30 day-occupancy.

5. Rental units in:
    - a. A hospital, convent, monastery, extended medical care facility, asylum, non-profit home for the aged;
    - b. A dormitory owned and operated by an accredited institution of higher education;
    - c. A facility that has the primary purpose of operating a treatment or recovery program, where such rental units are contingent upon a client's participation in the treatment or recovery program and where the client has been informed in writing of the temporary or transitional nature of the housing at the inception of his or her participation in the program.
  6. Rental units owned, operated, or managed by a public agency or not-for-profit organization and subject to a recorded covenant or other restriction that requires renting the unit at rents affordable to low- or moderate income households.
  7. Rental units that a government unit, agency or authority owns, operates, or manages, if an applicable federal or state law or administrative regulation specifically exempts such units from municipal rent control.
  8. Rental units within a mobilehome or permanent recreational vehicle park and subject to the provisions of Chapter 26.08 of this Code.
  9. Permitted short term vacation rentals for a rental period of 30 days or less.
- B. When a rental unit is exempt from this Chapter under paragraph 2 of subsection A, the tenants must have been provided written notice that the unit is exempt from this Section using the following statement: "This property is not subject to the rent limits imposed by Santa Barbara Municipal Code Chapter 26.20 and the owner is not any of the

following: a real estate investment trust, as defined by Section 856 of the Internal Revenue Code; a corporation; or a limited liability company in which at least one member is a corporation.” For a tenancy existing before the effective date of this ordinance, the notice required by this subsection may, but is not required to be provided in the rental agreement. For a Tenancy commenced or renewed on or after the effective date of this ordinance, the notice must be provided in the rental agreement.

**Section 26.90.020 Definitions.**

The definitions in this Section apply to the interpretation of this Chapter.

**Annual general adjustment.** Annual general adjustment means the rental adjustment described in Section 26.90.040 of this Chapter.

**Base rent.** Base rent means either: (1) the rent for a rental unit in effect on December 16, 2025, for tenancies commencing on or before December 16, 2025, or (2) the rental rate established upon initial occupancy of a rental unit for tenancies commencing after December 16, 2025, provided the rental rate is established in accordance with state law.

**Base year.** Base year for the purposes of making fair return determinations under Section 26.90.050 means the 2025 calendar year. If the rent for a covered rental unit is increased because of a general annual adjustment under Section 26.90.040 or a fair return adjustment under Section 26.90.050, then the base year for any subsequent petition under Section 26.90.050 shall be the year that was considered the "current year" in the immediately preceding petition.

**Capital Improvement.** Capital Improvement means an improvement, addition or major repair to a rental unit or common areas of the housing complex containing the rental unit,

for the benefit of tenants, that has a useful life of five years or more and that is required to be amortized over the useful life of the improvement. Capital improvement does not include normal or routine maintenance, repair, replacements. A capital improvement must be permanent/fixed in nature rather than temporary or movable and must not primarily relate to a service or amenity for which tenants separately pay a fee. Capital Improvement does not include work performed due to correct Notice of Violation by a government agency ordering repairs. Capital improvement does not include an improvement completed before December 31, 2025.

**City Administrator.** City Administrator means the person holding the office of city administrator of the City including any city employee exercising authority delegated by the City Administrator.

**City Council.** City Council means the elected governing body of the City of Santa Barbara.

**Change in Consumer Price Index or CPI.** Change in consumer price index or change in CPI means the percentage change in the CPI as defined in this section calculated as follows:

A. For rent increases that take effect in any calendar year, the following shall apply:

(I) The percentage change shall be the percentage change in the CPI amount published for April of the immediately preceding calendar year and April of the year before that.

(II) If there is not an amount published in April for the area that includes the County of Santa Barbara, the percentage change shall be the percentage change in the

CPI amount published for March of the immediately preceding calendar year and March of the year before that.

(B) The percentage change shall be rounded to the nearest one-quarter of 1 percent.

**Consumer Price Index or CPI.** Consumer Price Index or CPI means the California Consumer Price Index for All Urban Consumers for All Items as published by the Department of Industrial Relations. If the United States Bureau of Labor Statistics publishes a CPI-U index for a metropolitan area that includes the County of Santa Barbara, then that CPI-U index will be used for the calendar year in which in that CPI-U, is first published and following years. ~~for the twelve-month period ending as of March of the current year.~~

**Covered rental unit.** Covered rental unit means any rental unit not specifically exempted under Section 26.90.010.

**Day.** Day means calendar day.

**Fair return.** Fair return means an economic return on property as determined by using the maintenance of net operating income (MNOI) standard outlined in Section 26.90.060.

**Hearing officer.** Hearing officer means a person appointed by the City Administrator to conduct an investigation or administrative hearing under this Chapter.

**Housing services.** Housing services include, but are not limited to, repairs, maintenance, painting, lighting, hot and cold water, elevator service, window shades and screens, storage, kitchen, bath and laundry facilities and privileges, janitor services, utility charges that are paid by the landlord, refuse removal, furnishings, telephone, parking, common areas, recreational facilities, the right to have a specified number of occupants, and any

other benefit, privilege, arrangement, or facility provided or contracted for in connection with the use or occupancy of any rental unit. Housing services to a rental unit include a proportionate part of services provided to common facilities of the building in which the rental unit is contained.

**Landlord.** Landlord means an owner, lessor, sublessor or any other person entitled to receive rent for the use and occupancy of any rental unit, including an agent, representative, predecessor, or successor of any of the foregoing.

**Program Administrator.** Program Administrator means the City employee designated by the City Administrator to enforce and administer the provisions of this Chapter.

**Property.** Property means all covered rental units under common ownership on a parcel, lot, or contiguous parcels or contiguous lots.

**Rent.** Rent means all periodic payments under a rental housing agreement concerning the use or occupancy of a rental unit, including all payments and other consideration demanded or paid for housing services. Rent does not include refundable security deposits or avoidable fees imposed by a landlord such as fees for late payment of rent or for checks returned for insufficient funds.

**Rent Stabilization Board.** The Rent Stabilization Board is the board established by this Chapter.

**Rental agreement.** Rental agreement means an agreement - oral, written, or implied - between a landlord and tenant for use or occupancy of a rental unit and for housing services. For the purpose of this Chapter, the terms “rental agreement” and “lease” are interchangeable.

**Rental registry.** Rental registry means the database of information on covered rental units in the City required by Section 26.90.100.

**Rental registry fee.** Rental registry fee means the fee described in Section 26.90.110.

**Rent Stabilization Program.** The Rent Stabilization Program means the personnel and policies that implement and enforce the provisions of this Chapter.

**Rental unit.** Rental unit means any building or structure, or part thereof, land appurtenant thereto, or any other property rented or offered for rent for residential purposes. A unit may qualify as such with or without a valid certificate of occupancy for use as rental housing, together with all housing services connected with use or occupancy of such property.

**Security deposit.** Security deposit means any payment, fee, deposit, or charge as defined in Section 1950.5 of the California Civil Code.

**Tenant.** Tenant means any tenant, subtenant, lessee, sublessee or any other person entitled under the terms of a rental agreement to occupy a rental unit.

**Section 26.90.030 Stabilization of Rents.**

A. Beginning January 1, 2027, a landlord is prohibited from charging rent for a covered rental unit in an amount that exceeds the sum of the base rent plus any lawful rent increases implemented pursuant to this Chapter.

B. Beginning January 1, 2027, a landlord is prohibited from increasing rent for a covered rental unit except in an amount permitted under Sections 26.90.040, 26.90.050, and 26.90.060.

C. Notwithstanding subsection A of this Section, a landlord may set the initial rent for a new tenancy following the lawful vacancy of a covered rental unit, subject only to limitations of California statute. After the initial rent for a covered rental unit has been set, a landlord may not increase rent except as provided in subsection B of this Section.

D. If a landlord increased the rent for a covered rental unit after December 16, 2025, but before January 1, 2027, in accordance with applicable law, then the amount of the increase will be counted in full against rent increases authorized under this Chapter until the prior increase is fully amortized.

E. No more than one rent increase per twelve-month period may be imposed on a tenant.

F. A violation of this Section occurs upon the delivery to a tenant of a notice or demand for a prohibited increase in rent.

G. As part of any notice to increase rent, introduce a new rental agreement, or renew or change any terms of an existing rental agreement, a Landlord must include:

1. Notice of the existence of this Chapter, and;
2. Notice that no rent increase shall take effect until the requirements of this

Chapter have been met.

**Section 26.90.040 Annual General Rent Adjustment.**

A. No later than October 1 each year, the Program Administrator will determine and post on the City's Rent Stabilization Program webpage the amount of the annual general adjustment, which will be effective as of January 1 of the following year.

B. The annual general adjustment will be equal to 60% of annual percentage change in the Consumer Price Index or 3%, whichever is less. If the percentage change in the Consumer Price Index is negative, the annual general adjustment will be zero.

C. A landlord who seeks to raise rent by the annual general adjustment must do so within the 12-month period between January 1 and December 31 of the same year. A landlord who fails to implement a rent increase pursuant to the annual general adjustment during such period may not defer implementation of the annual general adjustment to a later year or from year-to-year.

D. Allowable annual general adjustment rent increases under this Section shall become effective only after the landlord provides notice to the tenant in the manner prescribed by law, with at least 30 days' advance written notice.

E. An annual general rent adjustment may not be applied to any covered rental units if the landlord has failed:

1. To maintain the rental unit in compliance with California Civil Code Sections 1941.1 et seq. and California Health and Safety Code Sections 17920.3 and 17920.10; or
2. Has failed to make repairs ordered by court or by the City Building Official.

**26.90.050 Petition for Special Adjustment – Fair Return**

A. A landlord may file a petition with the Program Administrator seeking adjustment of the rent for any given tenancy in accordance with the standards stated in this Section and using the procedures stated in Section 26.90.080 and implementing regulations. A petition must be accompanied by a declaration by the landlord that each covered rental

unit for which the petition is submitted comply with all requirements of this Chapter. The Program Administrator, with the approval of the Rent Stabilization Board, may issue regulations to further govern petitions in accordance with law and the purposes of this Chapter.

B. The intention of this Section is that individual upward rent adjustments be granted only when the landlord demonstrates that such adjustments are necessary to provide the landlord a fair return as required by the California and United States Constitutions.

C. No upward rent adjustments may be authorized under this Section if the landlord has failed to maintain the covered rental unit or units in compliance with California Civil Code Sections 1941.1 et seq. and California Health and Safety Code Sections 17920.3 and 17920.10.

D. The following presumptions apply the evaluation of petitions under this Section.

1. The net operating income received by the landlord in the base year provided a fair return.

2. The base rent for a covered rental unit provided a fair return at the time it was established.

E. A landlord has the right to obtain a net operating income equal to the base year net operating income adjusted by the change in the Consumer Price Index from the base year to the current year, which shall be presumed to be a fair rate of return. The current year CPI shall be the annual CPI for the calendar year preceding the calendar year when the application is filed. While it is presumed that the maintenance of net operating income standard under this Section provides a fair return, nothing in this Section prevents the

hearing officer or Rent Stabilization Board from granting a rent increase that is necessary to meet constitutional requirements.

F. The Landlord may present evidence to rebut the presumption of fair return under subsection E of this Section and consistent with at least one of the following findings:

1. The landlord's operating expenses in the base year were unusually high or low in the base year were unusually high or low based on a preponderance of the evidence presented by the landlord.

2. The gross income during the base year was disproportionately low due to exceptional circumstances. In such instances, adjustments may be made when calculating base year gross rental income consistent with the purposes of this Chapter.

The following factors may be considered when making such a finding:

a. If the gross income during the base year was lower than it might have been because some tenants were charged reduced rent.

b. If the gross income during the base year was significantly lower than normal because of temporary vacancy for construction or repairs.

c. The pattern of rent increases or decreases in the years prior to the base year and whether those changes reflected increases in the CPI.

d. Other exceptional circumstances.

H. Net operating income shall be calculated by subtracting operating expenses from gross rental income. For the purposes of this calculation the following principles apply:

1. Gross rental income includes:

a. Gross rents calculated as gross rental income at 100% occupancy.

b. All other income or consideration received or receivable in connection with the use or occupancy of the rental unit or units, except items excluded from gross rental income under this subsection.

2. Gross rental income excludes:

a. Utility charges for sub-metered gas, electricity or water.

b. Charges for refuse disposal, sewer service, or other similar services that are either provided solely on a cost pass-through basis or are regulated by state or local law.

c. Charges for laundry services.

d. Storage charges.

e. Additional rents imposed upon tenants that are supplementary to the primary rent, such as "pet rent."

3. Operating expenses include:

a. Reasonable costs of operation and maintenance.

b. Reasonable management expenses.

c. Cost of utilities such as water, sewage, gas, electricity, or communication systems that are provided by a public agency or private utility company and paid by the landlord.

d. Property taxes attributable to an assessment in the base year and current year. Property taxes attributable to assessments in any other year shall not be considered when calculating operating expenses.

e. License and registration fees required by law to the extent these expenses are not otherwise paid or reimbursed by tenants.

f. Landlord-performed labor compensated at reasonable hourly rates. However, no landlord-performed labor shall be included as an operating expense unless the landlord submits documentation showing the date, time, and nature of the work performed. The maximum allowed for landlord-performed labor shall not exceed 5% of gross income unless the landlord shows greater services were performed for the benefit of the residents.

g. Reasonable attorneys' fees and costs incurred in connection with successful good faith attempts to recover rents owed, successful good faith unlawful detainer actions not in derogation of applicable law, and legal expenses necessarily incurred in dealings with respect to the normal operation of the property but excluding attorneys' fees incurred with respect to a petition under this Chapter.

h. Fee paid in connection with the rental registry under Section 26.90.110 in an amount not to exceed 50%.

4. Operating expenses do not include:

a. Capital improvement expenses. Adjustments for capital improvement expenses may be obtained under Section 26.90.060.

b. Mortgage principal or interest payments or other debt service costs.

c. Any penalties, fees or interest assessed or awarded for violation of any provision of this Chapter or of any other provision of law.

d. Land lease expenses.

e. Political contributions.

f. Payments to persons or organizations that are substantially devoted to legislative lobbying purposes.

- g. Depreciation.
- h. Any expenses for which the landlord has been reimbursed by any utility rebate or discount, security deposit, insurance settlement, judgment for damages, settlement or any other method or device.
- i. Unreasonable increases in expenses since the base year.
- h. Expenses associated with the provision of master-metered water, gas, or electricity services.
- j. Expenses attributable to unreasonable delays in performing necessary maintenance or repair work or the failure to complete necessary replacements.

5. Base year or current year operating expenses may be averaged or adjusted, as appropriate based on the preponderance of the evidence, to establish an expense amount that best achieves a reasonable comparison of base year and current year expenses. Grounds for such adjustments include, but are not limited to:

- a. An expense item for a particular year that is not representative.
- b. A base year expense for an item is not a reasonable reflection of average past expenses for that item in the years immediately preceding or following the base year.
- c. A current year expense for an item is not a reasonable projection of expenses for that item.
- d. A particular expense exceeds industry standards for the area.
- e. A base year expense was exceptionally low by industry standards, provided that the low expense was not caused by a reduction of service, maintenance, or amenities.

f. An increase in maintenance or management expenses that is disproportionate to the percentage change in the CPI, while the level of services has not changed significantly or the increase is not justified by special circumstances.

I. When a cost is required to be amortized, an interest allowance on the cost of amortized expenses may be considered at a rate equal to the "average rate" for the thirty-year fixed rate on home mortgages plus 2%. The "average rate" shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the Petition's initial submission date. If this rate is no longer published, the Program Administrator shall designate by regulations an index that is most comparable to the PMMS index.

J. If the period for determining the allowable rent increase pursuant to this Section exceeds 120 days the landlord may recover increases that would have been permitted if the rent increase decision had been made within 120 days. The allowance for these increases may be amortized or may be factored into the prospective allowable increase in order to avoid undue hardship on the Tenants.

K. Rent increases authorized by this subsection shall become effective only after the landlord provides the tenant written notice of such rent increase pursuant to state law.

#### **Section 26.90.060 Petition for Special Adjustment – Capital Improvements**

A. A landlord may file a capital improvement petition with the Program Administrator seeking a rent adjustment for any given tenancy and requesting a pass-through cost to the tenants to cover expenses incurred by the landlord to complete reasonable capital improvements for or attributable to the rental unit, in accordance with the standards stated

in this Section and using the procedures stated in Section 26.90.080 and any implementing regulations. A petition shall include a declaration by the landlord that the covered rental unit or units comply with all requirements of this Chapter.

B. Capital improvements eligible for pass-through cost under this Section are limited to the following:

1. A new roof covering all or substantially all of a building or a structurally independent portion of a building.

2. A significant upgrade of a foundation, including seismic retrofits, of all or substantially all of a building or a structurally independent portion of a building.

3. A new or substantially new plumbing, electrical, or heating, ventilation, and air conditioning (HVAC) system in one or more rental units.

4. Exterior painting or installation/replacement of siding or stucco on all or substantially all of a building.

5. Repairs reasonably related to correcting or preventing the spread of defects that are noted in findings in a Wood Destroying Pest and Organisms Report issued by a pest control company registered in Branch 3 of the State of California Structural Pest Control Board.

6. The installation of water conservation devices that are intended to reduce the use of water; the installation of energy efficient devices, such as a solar roof system, or converting utilities from gas to electric, that are intended to save energy or reduce greenhouse gases; replacement of single-glazed windows with dual-glazed windows.

7. Improvements or upgrades to the rental unit or the building/complex that meet or exceed disability/accessibility standards as required by law.

8. A fire sprinkler or fire alarm system covering all or substantially all of a building.

9. Replacement of stairs and/or railings in all or substantially all of a building.

10. Installation of electric vehicle charging stations.

12. Lead based paint stabilization and abatement.

C. No adjustment for a capital improvement may be authorized by a hearing officer or the Rent Stabilization Board under this Section if the landlord has failed to maintain the covered rental unit or units in compliance with California Civil Code Sections 1941.1 et seq. and California Health and Safety Code Sections 17920.3 and 17920.10, or if the capital improvement has been ordered to correct the violation of any law or regulation relating to building habitability or safety for human occupancy.

D. A capital improvement petition must be initiated by the landlord within two years of completing the capital improvement. Capital improvement, as defined in Section 26.90.020, does not include an improvement completed before or during the initial base year.

E. A capital improvement petition shall not apply to rental units or tenants for which the initial rent was established after commencement of the capital improvement for which a rent adjustment is sought;

F. A landlord may not require a tenant to pay any amount of any cost that is attributable to any period of time that the tenant was not entitled to use and occupy the rental unit;

G. A landlord may not require a tenant to pay more than the tenant's share of the cost of a capital improvement attributable to that tenant's rental unit and that is permitted to be passed through pursuant to a petition.

H. If a capital improvement benefits one or more, but less than all of the covered rental units on a property, then the rent adjustment shall be applied only to the rental units receiving the benefit, as determined by the hearing officer or Rent Stabilization Board.

I. The approved monthly pass-through adjustment costs for capital improvements shall be separately itemized on the rental statement provided to a tenant, and it shall not be included in the calculation of future rent adjustments under either Section 26.90.040 or 26.90.050.

J. Capital Improvement pass-through adjustments must be determined according to the following:

a. Capital Improvement costs may be amortized over the useful life of the capital improvement but may not result in a monthly pass through cost that exceeds 10% of the current monthly rent or \$100 whichever is less. For the purposes of such computation, the current rent for any period shall not include any capital improvement pass-through amounts;

b. For mixed-use structures and landlord-occupied rental units, only the percentage of residential square footage will be applied in the calculations;

c. If a unit is occupied by an agent of the landlord, this unit must be included when determining the average costs per rental unit; and,

d. If the landlord is reimbursed for capital improvements (i.e. through insurance, court-awarded damages, subsidies, etc.), such reimbursement must be

deducted from the capital improvements costs before the costs are amortized and allocated among the rental units.

e. When a cost is required to be amortized, an interest allowance on the cost of amortized expenses may be considered at a rate equal to the "average rate" for the thirty-year fixed rate on home mortgages plus two 2%. The "average rate" shall be the rate Freddie Mac last published in its weekly Primary Mortgage Market Survey (PMMS) as of the Petition's initial submission date. If this rate is no longer published, the Program Administrator shall designate by regulations an index that is most comparable to the PMMS index.

#### **Section 26.90.070 Tenant Petition for Downward Adjustment**

A. A tenant petition may be filed under Section 26.90.080 to adjust rent downward based on a loss in rental value attributable to the landlord's failure to maintain a covered rental unit or units in habitable condition. Failure to maintain a covered rental unit in compliance with governing health and safety and building codes, including but not limited to California Civil Code Sections 1941.1 et seq. and California Health and Safety Code Sections 17920.3 and 17920.10, constitutes an increase in Rent. A tenant petition under this subsection must specify the conditions alleged to constitute the failure to maintain the rental unit or units in habitable condition and demonstrate that the Landlord was provided with reasonable notice and opportunity to correct the conditions alleged in the petition.

B. A tenant petition may be filed under Section 26.90.080 to adjust rent downward based on a loss in rental value attributable to a decrease in housing services, maintenance, or to deterioration of the rental unit. A decrease in housing services or

maintenance, or deterioration of a covered rental unit beyond ordinary wear and tear, without a corresponding reduction in rent, is considered an increase in rent. A tenant petition under this subsection must specify the conditions alleged to constitute the decrease in housing services, maintenance, or the deterioration of the rental unit and it must demonstrate that the landlord was provided with reasonable notice and opportunity to correct the conditions alleged in the petition

C A tenant petition may be filed under Section 26.90.080 to adjust rent downward to its lawful level if a landlord demands or retains rent exceeding the lawful rent permitted by this Chapter. If such a petition is granted, the landlord shall be ordered to return any excessive rent charged to the tenant. If the landlord fails to comply by returning the amount of the overcharged rent to a tenant within 30 days of the issuance of the order, the hearing officer or Rent Stabilization Board may authorize the tenant to withhold a fraction of the downward-adjusted rent until the tenant has recovered the overcharged rent amount. The withholding fraction and duration shall be determined by the hearing officer or Rent Stabilization Board. During the withholding period, the downward-adjusted rent minus the withholding amount shall be considered the lawful rent to which the landlord is legally entitled.

D. The petition order shall constitute a defense to any unlawful detainer action filed against a tenant withholding rent as authorized under this subsection. However, nothing in this subsection shall be construed to prevent a tenant from asserting previous overpayments of rent as a defense in an unlawful detainer proceeding.

E. If a tenant vacates the covered rental unit before recovering the full amount of overpayment as determined in the petition order, the landlord must pay the balance of the amount owed within two weeks of the tenant vacating the rental unit.

**Section 26.90.080 Petition Procedures.**

A. A landlord, tenant, or group of tenants may file petitions with the Program Administrator for adjustments under Sections 26.90.050, 26.90.060, or 26.90.070 as provided in this Section. For purposes of the petition process, the landlord and each tenant of a covered rental unit that is the subject of a petition shall be a "party" to the petition. The Program Administrator may issue regulations regarding procedures for petitions filed under this Section, subject to approval by the Rent Stabilization Board. Petitions shall be governed by such regulations and by the provisions of this Section. Petitions shall be available in the language that the landlord and tenant used to negotiate the terms of the rental agreement for the tenancy if the rental agreement is in a language other than English.

B. A petition must state the identity and mailing address of the person or persons filing the petition, the covered rental units affected by the petition, the nature of the rental adjustment for which the petition is filed, and a brief statement of the grounds and facts upon which the petition is based. If the petition is filed by a landlord, the petition shall be accompanied by a separate list of the names and mailing addresses, or email addresses if applicable, of the tenants of each of the covered rental units affected by the petition. The separate list will be kept confidential to the extent authorized by law and used by the Program Administrator solely for the purpose of giving notices required by this Section.

C. Within 30 days of filing a petition, the Program Administrator shall notify the petitioner of the acceptance or rejection of the petition based on the completeness of the submission. The Program Administrator shall not assess the merits of the petition and shall only refuse acceptance of a petition that does not include required information or does not comply with the requirements of this Section.

D. Landlords filing petitions shall be responsible for payment of any applicable program fees established by City Council resolution. No landlord petition shall be accepted or processed if the landlord is delinquent on any required fees under this Chapter.

E. A petition may not be accepted or processed if a decision has been made on a prior petition based on the same, or substantially the same grounds, within the previous 180 days.

F. Within 14 days after the acceptance of a petition, the Program Administrator shall provide written notice to the landlord and tenants of the rental units subject to the petition. The written notice shall inform the parties of the petition process, the right to respond, and the deadline for filing a written response, and it shall include a copy of the completed petition and supportive documents. Any written response submitted by a responding party will be made available to the petitioning party.

G. An impartial hearing officer appointed by the Program Administrator shall conduct a hearing to act upon the petition. The hearing officer has the power to approve, deny, or approve in part and deny in part a petition; to issue orders consistent with this Chapter that are necessary or convenient to conduct a fair hearing; to issue orders consistent with this Chapter to implement a decision on the petition; and to exercise any other powers

delegated by regulations promulgated by the Program Administrator and approved by the Rent Stabilization Board.

H. The Program Administrator shall schedule each petition accepted for a hearing by the hearing officer to be held on a date not more than 60 days from the date the Program Administrator accepts the petition. With the agreement of the parties, the hearing officer may hold the hearing after the 60 days. The Program Administrator will give written notice of the hearing date to all of the parties not less than 20 days before the date of the hearing. The notice will be given to the mailing address or email address provided to the Program Administrator under subsection B of this Section. Mailed notice will be given by first class mail, postage prepaid and will be deemed complete upon mailing. If notice is given by electronic mail, it will be complete on the sending date.

I. All petitions pertaining to covered rental units on the same property will be consolidated for hearing unless the Program Administrator or hearing officer finds good cause not to consolidate the petitions.

J. All parties to a hearing may have assistance in presenting evidence and developing their positions from attorneys, legal workers, or any other person designated by the parties.

K. All parties may participate in the hearing. The Program Administrator may participate in the hearing to provide interpretations of this Chapter.

L. Formal rules of evidence shall not apply to hearings on petitions. The parties may offer any documents, testimony, written declarations, or other evidence that, in the opinion of the hearing officer, is credible and relevant to the petition. The hearing officer may consider the results of inspections of the property in question and the results of any other

investigations conducted by or at the request of the hearing officer. Any relevant evidence, including hearsay evidence, may be considered. Evidence that is unduly repetitious, lacking credibility, or irrelevant evidence shall be excluded upon order by the hearing officer. The hearing officer may establish time limits for the presentation of evidence and argument. Oral testimony shall be on oath or affirmation, and the hearing officer is empowered to administer oaths or affirmations.

M. Any party may appear and offer such documents, testimony, written declarations, or other evidence as may be pertinent to the proceeding. The hearing officer may require either party to provide any books of accounts, records, or papers deemed pertinent, in addition to the information contained in the petition. The hearing officer may request the City to conduct a current building inspection if the hearing officer finds good cause to believe the current information does not reflect the current condition of the covered rental unit or units that are the subject of a petition. All documents required under this Section shall be made available to the parties involved prior to the hearing.

N. The party who files the petition shall have the burden of proof. A petition may not be granted unless supported by a preponderance of the evidence submitted at the hearing.

O. The hearing officer shall make a determination on the merits of the petition and shall provide a written statement of decision, including findings upon which the determination is based. The hearing officer's decision may be reasonably conditioned in any manner necessary to carry out the purposes of this Chapter. The hearing officer shall deliver the written statement of decision to the Program Administrator not more than 30 days after the conclusion of the hearing. The Program Administrator will promptly deliver

the decision to party by first class mail, postage prepaid. Additionally, the parties to the hearing shall be notified of their right to any appeal allowed by the board and/or to judicial review of the decision.

P. The record of the hearing shall include: the petition; any response to the petition; all exhibits, papers, and documents required to be filed or accepted into evidence during the proceedings; a list of participants present; a transcript of the testimony accepted in the proceedings; a statement of all materials officially noticed; all recommended decisions, orders and/or rulings; all final decisions, orders, or rulings; and the reasons for each final decision, order, or ruling. All hearings shall be recorded, and the Program Administrator shall arrange for a court reporter.

Q. Any party aggrieved by the decisions of the hearing officer may appeal to the Rent Stabilization Board. An appeal to the board shall be filed with the Program Administrator no later than 30 days after mailing of the written statement of decision by the Program Administrator as provided in Section 26.90.090. If no board exists at the time the appeal is filed, the decision of the hearing officer shall be final subject only to judicial review.

R. The decision of the hearing officer shall not be stayed pending appeal; however, in the event that the board on appeal reverses or modifies the decision of the hearing officer, the board shall order the appropriate party to make retroactive payments, as applicable, to restore the parties to the position they would have occupied had the hearing officer's decision been the same as that of the board.

S. The Program Administrator shall give notice of a decision on appeal of the Rent Stabilization Board. The notice will be given in the same manner as the decision of the hearing officer.

T. A final decision of the hearing officer is subject to judicial review only if there is no Rent Stabilization Board appointed at the time the final decision is issued. In such cases, the final decision of the hearing officer is subject to judicial review as provided in Chapter 1.30 of this Code, except that judicial review must be commenced in a court of competent jurisdiction not later than 30 days after the date notice of the final decision is given.

**Section 26.90.090 Rent Stabilization Board**

A. A Rent Stabilization Board to perform the functions designated in this Chapter is hereby established. The board will have seven members appointed by the City Council. Two members must be tenants of rental housing in the City. Two members must be landlords or property managers of rental housing in the City. Three members must be appointed at large with no financial interest in or ownership of rental housing in the City. All members must be residents of the City. Board members are subject to the requirements of the California Political Reform Act and the Santa Barbara Local Conflict of Interest Code. Board members shall serve for a term of four years or until their respective successors are appointed or qualified. However, the City Council may remove a board member at any time for any reason. The initial appointments of one of the tenant members, one of the landlord members, and two of the at-large members will be for terms of two years. The Program Administrator is designated as secretary of the board and will provide appropriate administrative and staff support.

B. The Rent Stabilization Board has the following powers and duties:

1. Hold regular meetings at least once each year or as otherwise established by resolution of the board, and hold special meetings as scheduled by the Program Administrator.

2. Conduct hearings, approve administrative regulations promulgated by the Program Administrator, and make recommendations to the Program Administrator or City Council regarding administration of the rent stabilization program or this Chapter.

3. Select a chair and vice chair. The chair and vice chair shall be selected every two years and may serve successive terms. The chair and vice chair serve at the pleasure of the board.

4. Establish procedures for and conduct hearings on and appeals of petitions determined by a hearing officer.

5. Make such studies, surveys, and investigations, conduct such hearings, and obtain such information as is necessary to carry out its powers and duties.

6. Perform other duties as are designated by resolution or motion of the City Council.

C. All business of the Rent Stabilization Board shall be conducted at meetings held according to state law and City Council policy. The board shall not create temporary or standing committees. Four members of the board constitute a quorum for the transaction of business. A decision to grant or deny a petition requires the affirmative vote of four board members. All other actions of the board require approval by a majority of the quorum at a meeting.

D. Any party aggrieved by the decisions of the hearing officer under Section 26.90.80 may appeal to the Rent Stabilization Board in accordance with Section 26.90.80. An appeal to the board shall be filed with the Program Administrator no later than 30 days after the Program Administrator mails the written statement of decision of the hearing officer. The board shall consider the appeal within 30 days after it is filed and render a

decision on the appeal within 30 days after the appellate hearing. On appeal, the board shall affirm, reverse, or modify the decision of the hearing officer. Board review of the hearing officer's decision shall be based on the hearing record without holding a new hearing, unless the Board elects to conduct a de novo hearing. The board may consider additional evidence for good cause, including evidence which did not exist at the time of the hearing by the hearing officer, or which could not be discovered using due diligence by a party. If no board exists at the time the appeal is filed, the decision of the hearing officer shall be final subject only to judicial review. The board, in consultation with the City Attorney, may establish procedures for the conduct of appeal hearings.

E. A final decision of the Rent Stabilization Board is subject to judicial review as provided in Chapter 1.30 of this Code, except that judicial review must commence in a court of competent jurisdiction not later than 30 days after notice of the final decision is given. The decision of the board shall take effect immediately, or on such other date as stated in the decision. A decision on appeal shall not be stayed pending judicial review except as otherwise ordered by a court of competent jurisdiction.

### **Section 26.90.100 Rental Registry**

A. The Program Administrator shall create a rental registry in a format determined by the Program Administrator. The Program Administrator shall make registration or registration forms available to landlords through the Rent Stabilization Program website.

B. All landlords with rental units in the City shall complete registration with the Program Administrator for each covered rental unit as follows:

1. An initial registration form for each covered rental unit must be complete not later than January 1, 2027, or within 30 days after the Program Administrator has made the registration form available whichever is later.

2. Following the initial registration period, annual registration deadlines, renewal procedures, and related administrative requirements shall be established by the Program Administrator through regulations or administrative procedures.

3. The landlord must pay the rental registry fee for each covered rental unit concurrently with the filing of the registration form. A registration form is not complete unless the rental registry fee for each covered unit is paid.

4. A landlord may submit a single form for all covered units on a property provided that the form contains all the required information for each covered unit and the rental registry fee for each covered unit is paid.

5. A landlord may file a claim of exemption under subsection C for any rental unit that is not a covered rental unit under this Chapter.

C. Any landlord that claims any exemption from this Chapter must file a claim of exemption with the Program Administrator. The claim of exemption shall be accompanied by supporting documentation and a written declaration stating the facts that support the claim of exemption. The declaration shall be signed under penalty of perjury. If a rental unit that has been exempted under the provisions of this Chapter loses its exempt status due to termination of the conditions qualifying it for exemption, the landlord of said rental unit must file a registration form for the rental unit within 30 days of the change in status.

D. When ownership of a property with rental units changes, the new owner must file an amendment to the registration or exemption form for each rental unit on the property within 30 days of the ownership change.

1. The new owner's amendment form must be accompanied by a copy of a written notification form prescribed by the Program Administrator and sent from the landlord to all tenants of each rental unit on the affected property;
2. The form should advise the tenants of the change in ownership and contain the name, address and contact information of the new owner and of the new owner's property manager or representative, if any.
3. The amendment form must also be accompanied by a declaration that the written notification was provided to all of the tenants.
4. Registration amendments also shall be required to be filed with the City within 30 days of a change of the property management or authorized agent or if the address of the owner or authorized agent changes.

E. A landlord shall re-register a covered rental unit with the City within 30 days after a vacancy has occurred and the rental unit is re-rented.

F. Rental registration shall completely and accurately provide the following information from the landlord for each covered rental unit as of the filing date:

1. Address of each rental unit including identifying number or letter.
2. Number of bedrooms and bathrooms in the rental unit.
3. Name, current address, and contact information of landlord, authorized representatives and property managers.
4. Date of assumption of ownership of property by landlord.

5. Current rent.
6. Date and amount of last rent increase.
7. Move-in date of current tenant(s).
8. Additional information required by the Program Administrator.

The Program Administrator shall not require a landlord to provide identifying information of tenants.

G. All rental registration and exemption forms must include a declaration of the landlord under penalty of perjury that the information provided in the form is true and correct.

H. Commencing January 1, 2027, or within 30 days after the Program Administrator has made registration available whichever is later, the City may commence enforcement against any landlord who fails to register or file a notice of exemption for a rental unit. No landlord shall advertise for rent, demand or accept rent for a rental unit, or evict any tenant from a rental unit, if an accurate rental registration or exemption for that unit has not been completed or amended as required by this Section. No rental adjustment under Section 26.90.040, no petition for a rent adjustment may be filed, and no rental increase under Section 26.90.050 or 26.90.060 may take effect for any covered rental unit unless the landlord has complied with the registration requirements of this Section.

#### **Section 26.90.110 Rental Registry Fee**

A. A rental registry fee shall be paid by a landlord for each covered rental unit to fund the City's cost to implement, administer, monitor, support, and enforce the provisions of this Chapter.

B. The amount of the fee shall be determined by resolution of the City Council adopted and adjusted at any time. Revenue generated from fees shall not exceed the amount found by the City Council to be necessary to administer the provisions of this Chapter.

C. Any landlord who fails to file a registration form or an amendment to a registration form will be assessed additional late charges and penalties as determined by resolution of the City Council. Any required but unpaid rental registry fee and any penalty imposed by the provisions of this Section shall be deemed a debt to the City.

D. After timely payment of the rental registry fee, but not a late charge or penalty, the landlord may pass through up to 50% of the fee for a rental unit to the tenant of the applicable rental unit, to be paid by the tenant in 12 equal monthly installments. If a portion of the fee is pass-through to tenants, the amount must be separately itemized and shall not be considered part of the rent in calculating any rent increase. Any pass-through unpaid by a tenant upon termination of a tenancy shall be absorbed by the landlord and not assessed to the tenant. No portion of the registration fee may be passed through to tenants who reside in housing restricted by a deed, regulatory restriction contained in an agreement with a government agency, or by any other recorded document as affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code, or by an agreement that provides housing subsidies for affordable housing for persons and families of very low, low, or moderate income, as defined in Section 50093 of the Health and Safety Code or comparable federal statutes.

**Section 26.90.120 Remedies Enforcement**

A. The violation of any provision of this Chapter is a punishable offense as provided in Chapter 1.28 of this Code.

B. The City Attorney is authorized to enforce this Chapter through civil or criminal action. The City Attorney is further authorized to bring actions for injunctive relief on behalf of the City. The City Attorney shall seek recovery of costs, expenses, and attorney's fees as allowed by law.

C. Any aggrieved person may bring a civil action for damages for any violation of this Chapter or the final orders and decisions of a hearing officer or Rent Stabilization Board. The burden of proof in such cases shall be by a preponderance of the evidence. No administrative remedy need be exhausted prior to filing a civil suit pursuant to this Section.

D. Any person who commits an act, proposes to commit an act, or engages in any pattern and practice that violates this Chapter may be enjoined therefrom by any court of competent jurisdiction. An injunction action under this Section may be brought forward by any aggrieved person, including the City and People of the State of California. No administrative remedy is required to be exhausted before filing an action for injunctive relief pursuant to this Section.

E. A landlord's failure to comply with any requirement of this Chapter may be asserted as a complete affirmative defense in an unlawful detainer or any other action brought by the landlord to recover possession of a covered rental unit. Additionally, any attempt to recover possession of a covered rental unit in violation of this Chapter shall render the landlord liable to the tenant for damages in a civil action for wrongful eviction. The

prevailing party in an action for wrongful eviction shall recover costs and reasonable attorneys' fees.

F. The remedies provided in this Chapter are not exclusive, and nothing in this Section shall preclude any person from seeking any other remedies, penalties or procedures provided by law, nor is exhaustion of remedies under this Section a prerequisite to the assertion of any other such right.

### **Section 26.90.130 Hearing Officers**

A. The City Administrator may retain hearing officers for the purposes of this Chapter using any or all of the following methods:

1. Hiring as a City employee.
2. Appointing a panel of not less than five volunteer active or retired attorneys-at-law or retired judge or other judicial officer, who shall serve a term of years as specified in this Section.
3. Contracting with an active or retired attorneys-at-law or retired judge or other judicial officer on an ad hoc basis for one or more matters or cases.
4. Contracting with a business entity that provides arbitration, mediation, or similar dispute resolution services

B. If a panel has been appointed, a vacancy in any one of the hearing officer panel positions shall be filled in the same manner in which the position that has become vacant was filled, and the person appointed to such vacancy shall serve the remainder of the unexpired term of the person who left office or was removed from office.

- C. A hearing officer, who is not a City employee, shall be an independent contractor. To avoid conflicts of interest, including the appearance of conflicts, a hearing officer shall provide no services to the City other than those of a hearing officer.
- D. The City Administrator is authorized to execute service agreements as necessary to implement this Section and subject to approval of the form of the contract by the City Attorney. Hearing officers, except volunteer panel members, shall be compensated for their services on an hourly or flat rate basis, and all hearing officers will be reimbursed for their actual and necessary expenses, without regard to the outcome of any decision.
- E. If a panel of hearing officers is established, the term of office of each hearing officer appointed through the panel appointment method shall be four years and shall commence on the day of his or her appointment, provided that each such hearing officer shall continue to serve until his or her successor has been duly appointed and qualified. A hearing officer who is in the process of hearing a matter when the hearing officer's term expires, however, shall continue to discharge his or her duties as a hearing officer until the matter is completed. A hearing officer may be appointed to successive terms.
- F. An employee appointed as a hearing officer shall not have a term of office but shall serve as an at-will employee of the City. An attorney contracted for an individual matter shall not have a term of office but shall serve as an independent contractor.
- G. The appointment, selection, employment, performance evaluation, compensation, and benefits of a hearing officer shall not be directly or indirectly conditioned upon the outcome of hearings conducted under this Chapter.

SECTION 2. If any Section, subsection, subdivision, paragraph, sentence, clause or phrase of this Chapter or any part hereof is for any reason held to be unconstitutional, such decision shall not affect the validity of the remaining portions of this Chapter or any part hereof. The City Council declares that it would have passed each Section, subsection, paragraph, sentence, clause or phrase hereof, irrespective of the fact that any one or more Sections, subsections, subdivisions, paragraphs, sentences, clauses or phrases be declared unconstitutional.

SECTION 3. The City Council finds that, on the basis of the whole record and by exercising its independent judgment, this Ordinance is not subject to environmental review pursuant to the State Guidelines for Implementation of the California Environmental Quality Act Sections 15060(c)(3) pertaining to activities that will not result in a direct or reasonably foreseeable indirect change to the environment and Section 15061 (b)(3) because this Ordinance has no potential for resulting in physical change to the environment directly or indirectly as it merely regulates existing physical development.