



**DATE:** February 21, 2023

**TO:** Mayor and City Council

**FROM:** Assistant City Manager

**SUBJECT:** Adopt a Resolution 1) Appropriating \$15,000 from the Rent Stabilization Fund Balance and 2) Authorizing the City Manager to Execute an Amendment to the Professional Services Agreement with Project Sentinel for Administration of the Rent Increase Dispute Resolution Process in the Amount of \$45,000 for a Total Not-to-Exceed Contract Amount of \$120,000

## **RECOMMENDATION**

That the Council adopts a resolution (Attachment II) authorizing the City Manager to do the following:

1. Appropriate \$15,000 from the Rent Stabilization Fund Balance; and
2. Execute an amendment to the agreement with Project Sentinel to add \$45,000 for a total not-to-exceed contract amount of \$120,000 to administer the rent increase dispute resolution process stipulated in the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) and Mobile Home Space Rent Stabilization Ordinance (MRSO).

## **SUMMARY**

The Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) and Mobile Home Space Rent Stabilization Ordinance (MRSO) establish mandatory mediation programs with binding arbitration to resolve rent increase disputes for tenants of covered rental units (RRSO) and eligible mobile home units. Project Sentinel currently provides administrative support, administers the mediation and arbitration programs, and develops and facilitates educational workshops to advise tenants and landlords of their rights and responsibilities under the City's RRSO and MRSO. Project Sentinel's existing contract with the City will expire on June 30, 2023.

As tenants and landlords continue to experience economic impacts of the COVID-19 pandemic, there has been an increase in need for Project Sentinel's services. Additional funding is needed to continue providing services required by the RRSO and MRSO. Staff recommends that Council authorize the City Manager to appropriate \$15,000 from the Rent Stabilization Fund balance, which will be added to the contract along with \$30,000 that has already been appropriated and is available through delayed marketing efforts resulting from COVID-19 constraints. With the

additional \$15,000 appropriation from fund balance, there will be sufficient funds in the Rent Stabilization Fund for this contract amendment.

## **BACKGROUND**

On June 19, 2019, City Council approved adding Chapter 12 to the Hayward Municipal Code to adopt a new Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) to mitigate displacement of Hayward residents.<sup>1</sup> The revised ordinances expanded the number of covered units from approximately 1000 to 11,000 and includes a mediation and binding arbitration program in which tenants living in units covered by the residential rent threshold provision of the ordinance (Section 12-1.05) have access to free mediation and arbitration services through a petition process under the following circumstances:

- They do not receive lawful notice of a rent increase,
- They receive a rent increase greater than five percent,
- They dispute a banked rent increase or receive a banked rent increase that exceeds ten percent,
- They receive a utility cost increase of more than one percent of current rent,
- They request a reduction in rent due to a reduction in housing services,
- They contest a capital improvement pass through, or
- They request a review of rent due to unaddressed health, safety, fire, building violations, or repairs.

Project Sentinel coordinates the petition process, administers the mediation and arbitration program along with their panel of mediators and arbitrators, and conducts educational workshops to advise tenants and landlords of their rights and responsibilities under the City's RRSO. The Mobile Home Space Rent Stabilization Ordinance (MRSO) was introduced in 1980 and most recently amended in 2008. Under the MRSO, tenants can file a petition to resolve a rent increase or a housing service reduction dispute. Upon filing a petition, Project Sentinel manages the mandatory meet and confer and subsequent arbitration process.

## **DISCUSSION**

In FY 2021 and 2022, the City increased its contract amount with Project Sentinel from \$75,000 to \$150,000 to account for free mediation services being provided to tenants and landlords experiencing COVID-19-related financial hardship. Requests for free mediation declined significantly in the last half of FY 2022, so the program was ended and the FY 2023 agreement with Project Sentinel returned to \$75,000.

Since the start of FY 2023, the number of petitions for review of rent have increased substantially and are on track to exceed pre-pandemic rates of petition requests. As shown in Figure 1, the City received 35 petitions in FY 2020. Through the first half of FY 2023, the City has received 26 petitions, which puts the City on pace for an almost 50% increase in petitions

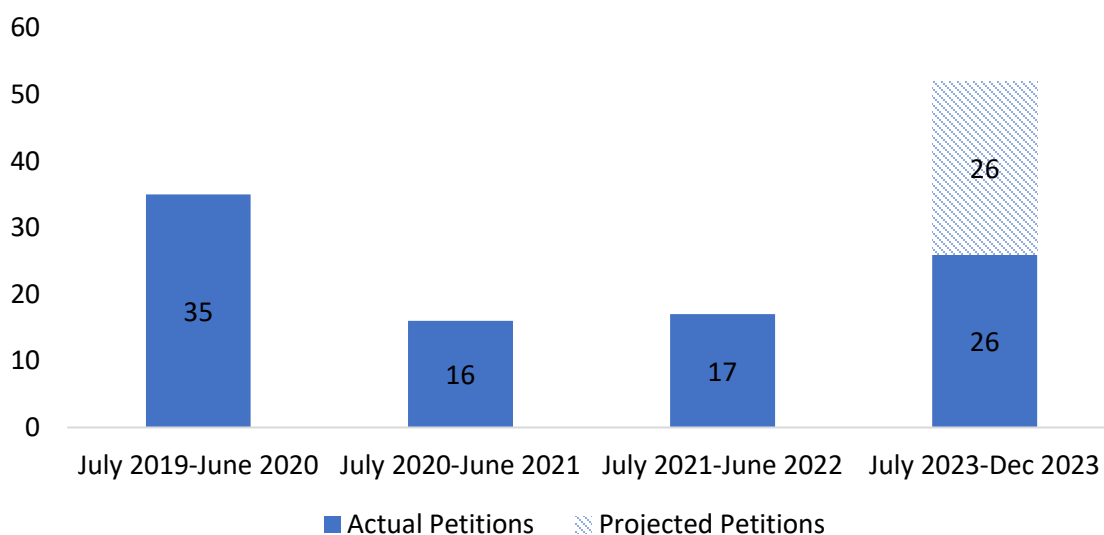
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<sup>1</sup> June 19, 2019 City Council Meeting Staff Report and Attachments:  
<https://hayward.legistar.com/LegislationDetail.aspx?ID=3985848&GUID=52D1B678-D6BB-401A-AB3C-8990885C0CDD&Options=ID|Text|&Search=rent+stabilization>

compared to the year before the pandemic. Importantly, both the RRSO and MRSO include clear timeframe requirements that stipulate maximum time limits for the City to receive, notice, and advance petitions through the mediation and arbitration process. Therefore, slowing or reducing the timeframe in which petitions are processed is not an option under either ordinance.

The increase in petition volume results in additional expenses for Project Sentinel's administrative, arbitration, and mediation staff. City staff have worked closely with Project Sentinel to estimate the remaining expenses for FY 2023. An additional \$45,000 will cover the increased costs resulting from the increase in petitions without having to make cuts to educational and administrative services.

**Figure 1. RRSO & MRSO Tenant Petition Outcomes, as of March 31, 2021**



Staff proposes funding this amendment through the following Council actions:

1. Appropriation of \$15,000 from available Rent Stabilization Fund balance and addition to the contract
2. Approving the addition of \$30,000 in unspent marketing funds to the contract

The above actions would bring the total not-to-exceed amount for the FY 2023 agreement with Project Sentinel to \$120,000 (\$45,000 increase) and would allow the City to continue to provide services required by the RRSO and MRSO.

## FISCAL IMPACT

The FY 2023 operating budget does not include sufficient funds to cover the costs associated with this professional services agreement amendment. The total fiscal impact exceeds the amount budgeted and requires an additional appropriation in the amount of \$15,000 to the Rent Stabilization Fund (Fund 286). Currently, there is sufficient funding in the fund balance of the Rent Stabilization Fund to cover the increased appropriation.

## **STRATEGIC ROADMAP**

This agenda item supports the Strategic Priority of Preserve, Protect, and Produce Housing. This item is not specifically related to a project identified in the Strategic Roadmap. Staff is bringing forth this item because amending the contract with Project Sentinel is necessary to maintain required implementation provisions of the RRSO.

## **PUBLIC CONTACT**

This is an administrative item and there has been no public comment related to this item.

## **NEXT STEPS**

If this item is approved, staff will prepare and execute an amendment to the agreement with Project Sentinel to provide the services described in this report.

*Prepared by:* Amy Cole-Bloom, Management Analyst

*Recommended by:* Dustin Claussen, Assistant City Manager  
Christina Morales, Housing Division Manager

Approved by:



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Kelly McAdoo, City Manager