



**DATE:** June 20, 2023

**TO:** Mayor and City Council

**FROM:** Assistant City Manager

**SUBJECT:** Adopt a Resolution Authorizing the City Manager to Execute an Agreement with Project Sentinel for Fiscal Year 2024 in an Amount Not-to-Exceed \$160,000 to Provide Mediation, Arbitration, and Education Services Related to the Residential Rent Stabilization and Tenant Protection Ordinance and Mobilehome Space Rent Stabilization Ordinance

## **RECOMMENDATION**

That the Council adopts a resolution (Attachment II) to authorize the City Manager to execute an agreement with Project Sentinel to provide mediation and arbitration services, administrative support, and outreach and educational services related to the Residential Rent Stabilization and Tenant Protection Ordinance (RRSO) and Mobilehome Space Rent Stabilization Ordinance (MRSO) in an amount not-to-exceed \$160,000 for Fiscal Year 2024.

## **SUMMARY**

As part of the RRSO, the City provides a mandatory mediation program with binding arbitration to resolve rent increase disputes for tenants of covered rental units upon rent increases greater than five percent. Project Sentinel currently administers the RRSO rent dispute resolution process, including providing mediation and arbitration services, administrative support, and outreach and education support. Project Sentinel has reliably provided these services for several years and their current contract with the City will expire on June 30, 2023.

Since Council adopted the RRSO in July 2019, Project Sentinel has not increased their cost rates. At the same time, there has been an increase in volume and complexity of rent dispute resolution petitions submitted by tenants and landlords since FY 2020, resulting in a significant increase in demand on Project Sentinel without any corresponding increase to their capacity or accounting for inflation in costs since 2019. The RRSO establishes timeframes in which the City must respond to petitions and move them through the rent dispute resolution process. An increase in petition volume without an increase in organizational capacity puts the City at risk of not meeting the timelines mandated by the RRSO.

The Project Sentinel agreement is paid for using funds generated in the Rental Housing Program Fund and funded by payments from the annual Residential Rent Stabilization Fee. The

fee supports the administration of the RRSO, the Mobilehome Space Rent Stabilization Ordinance (MRSO), and the Tenant Relocation Assistance Ordinance (TRAO). On March 28, 2023, Council approved Resolution 23-072 amending the Fiscal Year 2024 Master Fee Schedule to update the fees associated with administering the RRSO.<sup>1</sup> The fee change approved by Council reflected the need to increase funding to Project Sentinel, or whichever organization is providing that same service, to enable them to meet the increasing volume of petitions within the timeframe parameters established in the RRSO and MRSO. With this increase in the fee, there are sufficient funds budgeted in the proposed FY 2024 Operating Budget to cover the cost associated with this contract with Project Sentinel. The total fiscal impact will be equal to the amount budgeted for FY 24, and there is no additional impact to the Rental Housing Program Fund.

## **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>2</sup> Included in the RRSO is 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 services when they receive a rent increase greater than five percent. The MRSO also includes an arbitration program. The City entered into agreements for FYs 2020 through 2023 with Project Sentinel to support the City in its administration of the RRSO and MRSO. Each year, staff provide a RRSO implementation update to the Homelessness-Housing Task Force (HHFT). The most recent update provides a more detailed discussion of Project Sentinel's role and the implementation of the RRSO.<sup>3</sup>

On March 28, 2023, Council approved Resolution 23-072, which authorized an increase in the fees associated with administering the RRSO. Fees are assessed based on unit type, so that units subject to the rent increase threshold (covered rental units) are assessed a higher fee than those not covered by the rent increase threshold (rental units). Council approved the following increases:

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<sup>1</sup> March 28, 2023 City Council Meeting Staff Report and Attachments:

<https://hayward.legistar.com/LegislationDetail.aspx?ID=6105685&GUID=6AF6D577-235F-4C50-B8A9-3467E792C327&Options=&Search=>

<sup>2</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>

<sup>3</sup> September 28, 2022, Homelessness-Housing Task Force Staff Report and Attachments:

<https://hayward.legistar.com/MeetingDetail.aspx?ID=1001001&GUID=F1C07F1E-04E6-47E2-9BB5-D9755229EAF6&Options=info|&Search=>

**Table 1. RRSO Fee Changes for FY 2024**

	Proposed Fee Increase		
	MH	RU	CRU
FEE PER UNIT	\$5	\$32	\$66
INCREASE FROM FY 19 FEE	\$0	\$13	\$26
PERCENT TOTAL INCREASE	0%	68%	65%

Legend: MH = Mobile Home Unit; RU = Rental Unit; CRU = Covered Rental Unit

**DISCUSSION**

As part of the RRSO, the City provides a mandatory mediation program with binding arbitration to resolve rent increase disputes for tenants of covered rental units upon rent increases greater than five percent. Project Sentinel currently administers the mediation and arbitration program, and provides educational workshops to advise tenants and landlords of their rights and responsibilities under the City’s RRSO. A key component of the work Project Sentinel does to support the City’s implementation of the RRSO is ensuring that petitions move through the workflow within the timeframes established by the RRSO and contracting with a panel of mediators and arbitration to provide services established under the RRSO and MRSO.

Since the conclusion of the Emergency Rental Assistance Program (ERAP) in 2022 and the more recent end of the County eviction moratorium in April 2023, staff has seen an increase in general inquiries regarding evictions and rent increases and a steady volume of rent review petitions from tenants of covered rental units. Staff anticipates a continued increase in both the volume and complexity of rent review petitions due to the presence of concurrent small claims cases or other litigation related to the end of the eviction moratorium and State rent relief program.

The City has been in contract with Project Sentinel since FY 2018, with their scope expanding in FY 2020 to account for the adoption of the new RRSO in July 2019. Project Sentinel has not increased their rates since FY 2020, despite the increase in petition volume and rising cost inflation. The fee change approved by Council in March 2023 reflected the need to increase funding to Project Sentinel to enable them to meet the increasing volume and complexity of petitions within the timeframe parameters established in the RRSO.

Staff recommends Council adopt a resolution authorizing the City Manager to negotiate and execute an agreement with Project Sentinel to support implementation of the RRSO and MRSO in FY 2024. With the Council-approved increase in the RRSO administration fee, there are sufficient funds budgeted in the proposed FY 2024 Operating Budget to cover the cost associated with a contract with Project Sentinel not-to-exceed \$160,000. The total fiscal impact will be equal to the amount budgeted for FY 2024, and there is no additional impact to the Rental Housing Program Fund.

## **FISCAL IMPACT**

There are sufficient funds budgeted in the proposed FY 2024 Operating Budget to cover the cost associated with this item, and there is no additional impact to the Rental Housing Program Fund.

## **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 the contract with Project Sentinel is necessary for implementing the RRSO.

## **PUBLIC CONTACT**

There has been no public comment related to this item; however, the public was given the opportunity to comment on the fee increase at the March 28, 2023, meeting and the preceding Homelessness-Housing Task Force meeting on March 2, 2023.<sup>4</sup>

## **NEXT STEPS**

If this item is approved, staff will enter into an agreement with Project Sentinel to provide the services described in this report.

*Prepared by:* Amy Cole-Bloom, Acting Community Services Division Manager

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

Approved by:



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Kelly McAdoo, City Manager

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<sup>4</sup> March 2, 2022 Homelessness-Housing Task Force Staff Report and Attachments:  
<https://hayward.legistar.com/MeetingDetail.aspx?ID=1084886&GUID=36062005-4BA8-4A03-85D8-589D2AEC9376&Options=info|&Search=>