

Capitola City Council

Agenda Report

Meeting: May 8, 2025

From: Community Development

Subject: Contract for Arbitration Services



Recommended Action: Adopt a resolution authorizing the City Manager to execute a professional services agreement with California Hearing Officers, LLP to provide arbitration services for mobile home rent increase petitions pursuant to Capitola Municipal Code Chapter 2.18 and amending the FY 24-25 budget in an amount not to exceed \$120,000.

Background: In 2023, the Capitola City Council adopted Ordinance No. 1060, enacting Chapter 2.18 of the Capitola Municipal Code (CMC), which establishes regulations governing rent stabilization in mobile home parks. The ordinance outlines a dispute resolution process that requires an impartial arbitrator to evaluate and decide petitions filed by residents in response to proposed rent increases.

On March 17, 2025, Cabrillo Mobile Home Estates, located at 930 Rosedale Avenue, issued a notice of rent increase to its residents. In accordance with CMC Section 2.18.090, the City subsequently received petitions from affected homeowners requesting review of the proposed rent increase.

Because a petition has been filed and accepted, the ordinance requires the City assign a qualified arbitrator to conduct a hearing and issue a decision on the matter.

Discussion: To implement the rent stabilization ordinance and respond to the petition received from residents of Cabrillo Mobile Home Estates, City staff issued a Request for Qualifications (RFQ) on April 8, 2025, to solicit qualified individuals or firms to serve as arbitrators for mobile home rent disputes.

The City received one response to the RFQ by the deadline of April 24, 2025. Following a review of qualifications, experience, references, and proposed fees, staff recommends contracting with California Hearing Officers, LLP.

California Hearing Officers, LLP meets all minimum qualifications outlined in the RFQ and demonstrates substantial experience in arbitration, rent control matters, and housing law. Their approach to neutrality, thorough understanding of the Municipal Code requirements, and commitment to timely hearings and decisions position them well to support the City's mobile home rent stabilization goals.

Under the agreement, the arbitrator will complete the following scope of work:

- Conduct hearings and issue binding decisions on rent dispute petitions pursuant to CMC §2.18.090;
- Evaluate proposed rent increases for compliance with standards outlined in CMC §2.18.110, including just and reasonable return, net operating income, and mitigating factors;
- Provide written statements of decision within 30 days of hearings; and
- Coordinate with City staff on hearing schedules, document review, and compliance with established procedures.

Fiscal Impact: Costs associated with arbitration services will be funded by the Housing Trust Fund (\$50,000) and General Fund (\$70,000). Based on staff research of similar cases, the cost for arbitration for similar cases is on average \$120,000. The contract will be billed on a time-and-materials basis according to the rates provided in the proposal. The contract agreement is proposed at for up to \$120,000. The total amount included in the proposed budget amendment is \$120,000.

Attachments:

1. Resolution
2. Budget Amendment
3. Contract

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk; Jim Malberg, Finance Director; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager