COUNTY OF SANTA BARBARA

Mobilehome Rent Control Ordinance

Chapter 11A

DEL CIELO MOBILEHOME PARK

Board Hearing Supporting Documents

VOLUME 1 OF 3

Hearing Support Documents

Includes:

Document Orientation • Arbitrator’s Final Award •Management’s Appeal • Homeowner’s Response

Matter: Petition Regarding Management’s Notice of Rent Increase

Park: Del Cielo Mobilehome Park

Location: 3210 Santa Maria Way, Santa Maria, California

County Case No.: 004144

Prepared for

Santa Barbara County Board of Supervisors

Board Hearing — June 23, 2026

Prepared by

Clerk of the Mobilehome Rent Control Ordinance

County of Santa Barbara Real Property Division

Document Orientation

Terminology and Color-Coding Note

This volume contains the primary Board review materials for the Del Cielo Mobilehome Park rent increase proceeding under the Santa Barbara County Mobilehome Rent Control Ordinance, Chapter 11A.

For consistency in staff-prepared materials, the terms “Management” and “Homeowners” are used to identify the two parties to the rent increase proceeding. These terms are intended to correspond generally to the party terminology used in the Ordinance. Some source documents, including the arbitrator’s Final Award and party filings, may use different terms such as “park owner,” “owner,” “operator,” “tenants,” “residents,” “mobilehome owners,” or “affected tenants.” Those source-document terms have not been altered.

The PDF bookmarks are also color-coded to assist with navigation. The color-coding is for organizational purposes only and does not indicate the County’s position on any party, argument, filing, or issue and follows through Volume 2 and Volume 3.

Color-Coding Legend

Color	Document Category
Red	County / Clerk / Staff materials
Blue	Management materials
Green	Homeowners materials
Orange	Arbitrator materials
Gray	Ordinance / legal authority materials

Original documents are included as part of the administrative record and have not been substantively modified, except where redaction is necessary for confidentiality, privacy, or public-record purposes.

COUNTY OF SANTA BARBARA

MOBILEHOME RENT CONTROL
ORDINANCE ARBITRATION

In the Matter of:
DEL CIELO MOBILE HOME PARK
and
AFFECTED TENANTS
(Re Notice of Rent Increase Filed on August 29, 2025)

FINAL AWARD OF ARBITRATOR

I, THE UNDERSIGNED ARBITRATOR, having been designated in accordance with the procedures set forth in the Santa Barbara County Mobilehome Rent Control Ordinance and having duly heard the evidence and arguments of the parties, each represented by counsel, hereby issue this FINAL AWARD as follows:

1. Introduction and procedural history

Del Cielo Mobile Home Park is a 184-space mobilehome[1] park located in the County of Santa Barbara, and subject to the County's Mobilehome Rent Control Ordinance found at Chapter 11A, et seq.,

[1] "Mobile home" is generally written as two words. However, the ordinance at issue in this arbitration writes it as one, as does the California Mobilehome Residency Law. I will, therefore, adopt the one-word spelling in this decision.

of the County Code of Ordinances.[2] The mobilehome occupants mostly own their homes and rent the pad space from the park owner.

The current owner purchased the park in April 2024. On August 29, 2025, management[3] — following procedures laid down in the ordinance — served a Notice of Rent Increase, seeking a $39.16 rent increase effective January 1, 2026. On October 6, 2025, tenants filed a petition objecting to the proposed increase.[4] That triggered an arbitration proceeding as set forth in the ordinance and in which I

---

[2] The Santa Barbara County Mobilehome Rent Control Ordinance was originally enacted in 1979. I understand there were some updates in 1987. The ordinance is not a model of good draftsmanship. Parts of it dealing with both the process and the substance are awkward, unclear, or ambiguous.

[3] The ordinance at issue refers to the owners as "management" and to the residents as "tenants." I will adopt the same terms in this decision.

[4] The County Clerk verified and accepted the petition on October 9, 2025, and issued a Notice of Acceptance to management. However, delivery of that notice was refused on October 14, 2025. The Clerk subsequently issued a Notice of Hearing on October 17, 2025, advising management of the hearing date and its obligation to file a response and any objections to the petition. Management did not file a timely response. As stated in the Notice of Acceptance, failure to do so constitutes a waiver of any objection to the petition's validity (not that any objection has been asserted), although it does not waive anything else. In addition, as provided in the Notice of Hearing and Rule 8(b) of the Rules for Hearings that is part of Section 11A-4 of the ordinance, management's failure to file a timely response resulted in a 60-day delay in the effective date of any rent increase approved by the arbitrator. Ordinarily, the effective date would be that stated in the notice of rent increase (i.e., January 1, 2026). (See Section 11-A5 (l).) The required delay means that the increase awarded by this decision will instead be effective 60 days after that date (i.e., as of March 2, 2026). To be clear, that is not a discretionary penalty that I am choosing to impose. It is a rule written into the ordinance.

was selected as the arbitrator. Both sides were represented by counsel during all stages of the proceedings.[5]

A full-day evidentiary hearing took place on January 21, 2026. By agreement of the parties, the hearing was conducted via the Zoom videoconferencing platform with an opportunity for members of the public to watch a live screening at the County building in Santa Maria in which an in-person hearing would have been held. The hearing began at 9 AM and concluded at 5:35 PM. Both sides put on witnesses — both experts and percipients — who testified under oath, and both sides also presented various exhibits. At the conclusion of the evidentiary hearing, both sides confirmed that they had had an opportunity to put on all of their evidence. There was a segment at the end for public comment, but no members of the public chose to speak.

By agreement of the parties, both sides then submitted written closing argument, with the hearing kept open until the final written submission was received. Upon receipt of that final submission, the hearing was closed on March 13, 2026, with the ordinance requiring my decision within 30 days of that date.

To the extent that the procedural timeline of this arbitration has differed from the defaults laid out in the ordinance, that was with the agreement of the parties or at their request. There was no objection from either side at any point in the proceedings to the procedures or timing being. I held two preliminary hearings prior to the evidentiary hearing at which counsel were able to provide input

---

[5] I found the caliber of the lawyering excellent.

as to the process, and what took place was agreed to by all concerned.

2. The type of decision required

The ordinance contains the following requirement about the form of decision in this arbitration: "The Arbitrator shall prepare the written decision, which shall include a statement of the issues, the findings of facts on which the decision is based, and the rent schedule imposed. The decision shall be supported by a preponderance of the evidence…."

The level of detail required is not clear, except that the ordinance elsewhere appears to contemplate that two hours would be an adequate amount of time for an arbitrator to spend analyzing the evidence and preparing a decision. That is wholly unrealistic. However, it tends to suggest that the drafters of the ordinance had in mind something relatively concise, and that is what I will endeavor to provide. While I have carefully considered all the evidence and arguments of counsel, I will not engage here with every point made in the back-and-forth of the parties over the course of the full-day hearing and the detailed briefing that followed.

3. The form in which a rent increase should be stated

After the hearing, I emailed counsel the following statement for them to keep in mind while preparing their closing written briefs: "During the arguments and presentation of evidence I have thus far heard, the issue of any rent increase has always been expressed in terms of a per-unit amount, with all units receiving the same increase. I will assume that the parties expect me to rule in those terms unless I hear argument to the contrary with specific proposals of any alternative." In closing written arguments, both sides

continued to argue for or against rent increases on a uniform, per-unit basis. Accordingly, I am preparing this decision on that same basis.

4. Key extract from the ordinance

The ordinance is long and complex. But the following extract — which is part of section 11A-5 — is especially relevant to what is before me, as it speaks to the method by which an arbitrator should calculate an allowed rent increase:

> (f) If the hearing and/or increase is not denied pursuant to the foregoing paragraphs, the arbitrator shall consider all relevant factors to the extent evidence thereof is introduced by either party or produced by either party on request of the arbitrator.
> (1) Such relevant factors may include, but are not limited to, increases in management's ordinary and necessary maintenance and operating expenses, insurance and repairs; increases in property taxes and fees and expenses in connection with operating the park; capital improvements; capital expenses; increases in services, furnishings, living space, equipment or other amenities; and expenses incidental to the purchase of the park except that evidence as to the amounts of principal and interest on loans and depreciation shall not be considered.
> (g) The arbitrator shall automatically allow a rent increase of seventy-five percent of the CPI increase (hereinafter "automatic increase").
> (h) The arbitrator may allow an increase in excess of the automatic increase for increased costs where increases in expenses and expenditures of management justify such increase.
> (i) To determine the amount of any increase in excess of the automatic increase, the arbitrator shall:
> (1) First, grant one-half of the automatic increase to management as a just and reasonable return on investment. The arbitrator shall have no discretion to

award additional amounts as a just and reasonable return on investment;
(2) Next, grant one-half of the automatic increase to management to cover increased operating costs. The arbitrator shall have no discretion to award less than this amount for operating costs.
(3) Next, add an amount to cover operating costs, if any, in excess of one-half of the automatic increase. The arbitrator shall have discretion to add such amounts as are justified by the evidence and otherwise permitted by this chapter.

5. The positions of the parties as to the size of the increase

The parties agreed at the evidentiary hearing — and have confirmed in post-hearing briefing — that, at a minimum, the ordinance requires an increase of $17.67 based upon applying applicable consumer price index data to the ordinance formula set forth above. Half of that amount — $8.83 — is required under section 11A-5 (i)(1), and the other half under section 11A-5 (i)(2). I agree with the parties and will adopt that as a starting point without further discussion as to the basis for the minimum.

However, management requests an increase of $39.16 — the amount they had previously noticed — which is $21.49 more than the minimum. Tenants contend in closing written argument that the correct number should be $18.04, slightly higher than the minimum. Therefore, what I am called upon to decide is where on the range of dollar amounts between $18.04 and $39.16 per month, per unit the increase should lie — that is a spread of $21.12.

6. Management is not entitled to any increase over the minimum amount to achieve a fair rate of return

Management bases its request for more than the minimum on

two alternative grounds. The first is that — according to management — California's constitutional fair return requirement mandates approval of the noticed increase. Indeed, management states that as a matter of law it would be entitled to much more than the noticed increase in order to obtain a constitutionally fair rate of return, such that the requested amount is already heavily scaled back.

I reject management's argument on that issue. The amount of an increase provided under the ordinance for "a just and reasonable return on investment" is expressly that provided in section 11A-5 (i)(1). As noted above, an increase of $8.83 for that purpose under that subsection is *already* included in the minimum increase of $17.67.

Management views that as inadequate. It is, therefore, asking me to award an additional amount to reach what it contends is a legally required rate of return. However, section 11A-5 (i)(1) states in plain and unambiguous language: *"The arbitrator shall have no discretion to award additional amounts as a just and reasonable return on investment[.]"* (Emphasis added.)

My role as arbitrator — chosen by the parties from a panel appointed by the County Board of Supervisors — is to render a decision under the applicable ordinance. It would be a definitional abuse of discretion for me to award something that the ordinance *expressly* states I have no discretion to award. I am without power to do that which is expressly prohibited by the ordinance.

What management's argument effectively amounts to — although they do not quite frame it this way — is a challenge to the legality of the ordinance under state constitutional standards. But

that is an argument to take to a court. I express no view as to whether the ordinance does provide less than the constitutionally mandated rate of return and, if so, whether the ordinance is unconstitutional. Those matters are outside my role as arbitrator.

7. Management may be entitled to more than the minimum to cover increased operating costs

Management's other basis for arguing for an increase over the minimum amount concerns increases in 2024 operating costs. Both sides agree that section 11A-5 (i)(3) does, potentially, allow for such an increase. However, they disagree as to whether a factual showing has been made to support the level of increase that management seeks.

Therefore, I will address the various categories of increased expense that were the subject of evidence at the hearing and argument in closing and adjudicate which may or may not support an increase over the minimum. I will use the terms "allowable expense" and "non-allowable expense" to refer to the amounts that can, and cannot, respectively, be passed through to tenants under section 11A-5 (i)(3).

For every expense that is disallowed, there will be a pro-rata deduction from the $39.16 noticed increase calculated on a per-unit basis.[6]

---

[6] Management's closing brief explains the per-dollar effect of allowance as follows: "Each dollar of 2024 operating expense disallowed by the Arbitrator reduces the year-over-year operating cost increase by that same dollar, which in turn reduces the Section 11A-5(i)(3) excess operating cost component by: $1.00 ÷ 184 spaces ÷ 12 months = $0.000453 per space per month per dollar disallowed[.] Stated differently: to reduce the formula result by

8. The $20,000 broker commission: non-allowable

One of the largest expense items is a $20,000 broker commission that was incurred by management when it purchased the park. Management refers to language in section 11A-5 (f)(1) that allows for "expenses incidental to the purchase of the park" among those that would justify an increase under section 11A-5 (i)(3). Management contends that a broker's commission is an "archetypal" example of such an expense.

Management's position on this point is certainly arguable. But, on balance, I disagree. The New Oxford American Dictionary provides the following definitions of the word "incidental," which is the key term at issue:

- "Accompanying but not a major part of something."
- "Occurring by chance in connection with something else."
- "Liable to happen as a consequence of" something.

A broker's commission seems not quite to fall under any of those definitions (or similar ones found in other dictionaries). It is a core and deliberate expense in a real estate transaction. To me, an example of an expense that was merely "incidental" to the purchase of the park would be, say, the purchase of replacement signs if, hypothetically, the newly acquired park was being renamed. Or, perhaps, the training of new management.

Furthermore, the obligation to pay the broker's commission was incurred *prior* to the purchase. I find that, read as a whole, the ordinance only allows for passing through obligations incurred after

---

$1.00 per space per month, the Arbitrator would need to disallow $2,208 of operating expenses ($1.00 × 184 × 12)." I agree with that, as it appears do tenants.

the change in ownership (although my decision does not rely on that interpretation). To interpret the ordinance differently would be to allow a slew of other expenses to do with the purchase of a park.

I am, therefore, disallowing this item of expense. Doing so reduces the rent increase by $9.06 from the noticed amount.

9. The $7,493 litigation expenses against the County: non-allowable

There are two categories of legal expenses at issue. The first amount — $7,493 — is for litigation against the County of Santa Barbara in which management challenges an overlay passed by the County requiring the park to operate exclusively as one for seniors.

I do not consider this to be an expense incurred "in connection with operating the park." That is especially so since previously, the park has — as a practical matter, albeit not under any regulation — operated as one for seniors. The challenged overlay is not intended to change the nature of the park, but to preserve its pre-existing character.

The litigation cost is an expense incurred to maximize the value of the asset to its owners. I am not reading into the ordinance a requirement that in order to be allowable, an expense necessarily must be incurred for the benefit of tenants. I agree with management on that point. But an expense has to be *operational* in nature. I do not consider litigation of this type to fall in that category. Suing the County is not an expense to do with actually "operating the park."

The parties disagree as to whether the term "ordinary and necessary" in section 11A-5 (f)(1) refers only to "maintenance and operating expenses, insurance and repairs" (as management contends), or to all of the listed items separated by semi-colons in

that paragraph including “fees and expenses in connection with operating the park” (as tenants contend). I think management may have the better argument on that precise point, but it does not change my conclusion. I am not applying a bright-line rule that in order for an expense to be allowable, it has to be an “ordinary” one in the sense of “routinely recurring.” But, consistent with the language of section 11A-5 (i)(3) — as well as (f)(1) — it has to be an “operating cost.” Not every expense incurred with developing the business would fall in the category of “operating the park.”

I also think it fair to interpret the ordinance overall to read a “reasonably necessary” limitation into the term “operating costs.” Otherwise, management could freely pass on wholly *unnecessary* expenses, and that would surely be an absurd interpretation. Interpretations of statutes — and surely therefore also of ordinances — that result in absurd outcomes are disfavored. (See, e.g., *People v. Bell* (2015) 241 Cal.App.4th 315, 351.) Furthermore, allowing wholly *unnecessary* costs to be passed on would be contrary to the purpose of the ordinance, which — in section 11A-1 — is stated, in part, as being “to protect the owners and occupiers of mobilehomes from unreasonable rents....”

Even if the issue were a wobbler, the ordinance gives me discretion. Section 11A-5 (i)(3) states: “The arbitrator shall have *discretion* to add such amounts as are justified by the evidence and otherwise permitted by this chapter.” (Emphasis added.) Read literally, that suggests that *even if* an amount could in theory be allowable, I am given discretion as to whether to factor it into a rent increase.

Litigation can cost hundreds of thousands of dollars. If the first $7,493 is allowable, why not the next $75,000 in a following year? To allow this type of expense would be to impose on tenants an open-ended obligation to fund litigation by management against the County, which is not to do with operating the park but an attempt by the new owners to change the nature of the park. I am not prepared to do so, especially as management did not provide any evidence at the hearing speaking to whether the litigation is even reasonable under applicable legal standards.[7]

I am, therefore, disallowing this amount. Doing so reduces the noticed rent increase by $3.39 from the noticed amount.

10. The other $18,221 legal expenses: allowable

I am, however, inclined to allow the $18,221 in other legal fees, without the amortization that tenants proposed if I considered it allowable. While the evidence as to the purpose could have been more detailed, I am satisfied by the preponderance of evidence that it was for allowable operational reasons.

11. The $5,707 WMA dues: allowable in part

There was considerable argument and some evidence at the hearing concerning a $5,707 payment by management to Western Manufactured Housing Communities Association, a trade

---

[7] Management's reply brief does contain a quite detailed explanation of the litigation from its perspective. However, to the extent to which this rests on factual statements about the background to the litigation, it is untimely. That constitutes evidence. All evidence needed to be submitted by the close of the evidentiary hearing. Furthermore, argument explaining the litigation should have been included in management's initial closing brief, not in a reply, so that tenants would have an opportunity to respond.

association. That amount excluded lobbying contributions. The tenants argue this was an expense wholly for the benefit of the owners. Again, I am not applying a standard that in order for an expense to be allowable, it has to be incurred in order to benefit the tenants. However, I am concerned that membership in a trade association has a very mixed purpose — part of it can be to help with the operation of a park, but part can also be for purposes that are not operational in nature.

The tenants suggest that if it is allowable at all, I should allow 20 percent and not the remaining 80 percent. Management counters that this would be arbitrary.

Having carefully weighed the arguments and the evidence, I will allow half of it — $2,853. I think that is the fairest and least arbitrary approach based on the evidence that was put before me, which could have been clearer. It translates to a $1.29 reduction from the noticed amount.

12. The other unspecified $3,101 in other dues and subscriptions: non-allowable

At the evidentiary hearing, there was evidence of unusually high and unexplained expenditure on office supplies. During the course of the hearing and subsequent briefing, management explained that some of that amount had been inadvertently misclassified and it now shows as other "dues and subscriptions." But it is not at all clear to me *what* other dues and subscriptions those were. On the basis of what is before me, I cannot conclude that it has been shown by a preponderance of the evidence that this is an allowable amount. This amounts to a reduction of $1.40 from the noticed amount.

13. The $745 LLC fees

These are state-mandated fees to maintain the LLC through which the park is owned and operated in good standing. Tenants contend that I should not allow those. On balance, I find they are a legitimate operating expense.

14. Travel expenses

There was an issue at the hearing about whether travel expenses had been properly allocated. I found management's evidence on that subject credible and make no adjustment.

15. Other

To the extent that any other issue may have been raised at any point concerning striking other items as non-allowable, I deny those requests.

16. Conclusion

In conclusion, my final award is to allow the following increase:

Noticed amount … … … … … …	$39.16
Adjustment for commission … … …	($9.06)
Adjustment for litigation expenses … …	($3.39)
Partial adjustment for WMA dues… … …	($1.29)
Adjustment for other dues/subscriptions …	($1.40)
Allowed increase: … … … … …	**$24.02**[8]

For reasons stated in this decision, this increase may be implemented with effect from **March 2, 2026**.

---

[8] Per month, per unit.

This decision may be reviewed by the Santa Barbara County Board of Supervisors upon a petition alleging prejudicial abuse of discretion, filed with the Clerk of the Ordinance no later than the 15th judicial day following the date the Clerk mails this decision to the parties. The Board's decision is subject to judicial review pursuant to Code of Civil Procedure sections 1094.5 and 1094.6. Any petition for a writ of mandate seeking judicial review must be filed with the Santa Barbara Superior Court no later than 90 days after the date the Board's decision is mailed to the parties.

March 31, 2026

John Derrick
Arbitrator

PETITION FOR REVIEW
OF APPELLANT DEL CIELO MHC, LLC
BEFORE THE SANTA BARBARA COUNTY BOARD OF SUPERVISORS

I. INTRODUCTION AND NATURE OF THIS PROCEEDING

This Petition arises from Del Cielo MHC, LLC's ("Management" or the "Park") request for a rent increase in excess of the automatic annual adjustment permitted under Santa Barbara County Code Chapter 11A, Mobilehome Rent Control (the "Ordinance"). Under the Ordinance, annual rent increases are capped at 75% of the increase in the Consumer Price Index. Where Management seeks an increase above that amount, the Ordinance requires submission to an arbitration process governed by Section 11A-5. That is the process invoked here, which resulted in the Final Award of Arbitrator John Derrick, dated March 31, 2026 (the "Award").

The Ordinance provides that an arbitrator's decision shall be reviewed upon a petition alleging prejudicial abuse of discretion, including where the Arbitrator has failed to proceed in the manner required by law. (Ordinance § 11A-4(22)(a).) This Petition is brought on that basis.

To understand the issues presented, it is necessary to understand how the Ordinance structures increases above the automatic annual adjustment. Section 11A-5(i) divides any such increase into two components. Under Section 11A-5(i)(1), one portion is allocated to "a just and reasonable return on investment," and is fixed at one-half of the automatic adjustment, with no discretion to award more. Under Section 11A-5(i)(2), the remaining portion is attributed to operating costs, where the Arbitrator may consider evidence and determine whether additional amounts are justified.

This case presents two distinct issues corresponding to those two components.

First, whether the Ordinance, as written and applied, permits a meaningful determination of whether Management is receiving a just and reasonable return under Section 11A-5(i)(1). The Arbitrator concluded that he had no discretion to adjust that component, even if the resulting return were inadequate, and acknowledged that any challenge to that limitation would have to be addressed outside the arbitration process. As a result, the question the Ordinance is designed to answer was never reached.

Second, whether the Arbitrator properly applied the Ordinance within the operating cost component governed by Section 11A-5(i)(2), where discretion does exist. As to that portion, the Arbitrator disallowed Management's broker commission based on a narrowing construction of the Ordinance that is not supported by its text.

Because the Ordinance prevented the Arbitrator from performing the very inquiry it requires, and because the Arbitrator then misapplied the only portion where discretion exists, the Award reflects a prejudicial abuse of discretion.

II. FACTUAL AND PROCEDURAL BACKGROUND

On August 29, 2025, Management served a Notice of Rent Increase seeking an increase of $39.16[1] per space per month, effective January 1, 2026. On October 6, 2025, tenants filed a petition objecting to the proposed increase, triggering arbitration under Section 11A-5 of the Ordinance.

The parties agreed that the Ordinance required a minimum increase of $17.67[2] based on the automatic annual CPI adjustment. The dispute concerned whether an increase above that minimum was warranted. Management sought approval of the noticed increase, while tenants argued for only a marginal increase above the minimum.

As part of that process, Management presented evidence directed at the core question the Ordinance is intended to address—whether the Park is earning a fair return. Management's expert, Brian Eid, CPA, calculated that the Park's 2024 Net Operating Income was $920,854—declining from the prior year—and insufficient to support a fair return on investment. Based on a conservative 6% return applied to Management's inflation-adjusted investment, the Park was operating at an annual shortfall of approximately $344,374, equivalent to roughly $155.97 per space per month. Separately, operating costs had increased by $174,472 year-over-year, which would require an additional $79.02 per space per month if fully passed through.

In other words, the evidentiary record showed both a return shortfall and rising operating costs—conditions that would ordinarily drive the outcome of a fair return analysis. Against that backdrop, however, the Ordinance's formula produced a significantly lower baseline increase—one that does not turn on whether the Park is actually earning a fair return.

Following the evidentiary hearing, the Arbitrator issued a Final Award on March 31, 2026. The Award adhered to the framework imposed by the Ordinance, declining to award

[1] The requested increase is not derived from Management's fair return analysis. Rather, it reflects the maximum increase supportable under the Ordinance's formula as applied to updated operating costs and is capped by the noticed amount. Management separately demonstrated that the Park's actual fair return shortfall substantially exceeds the requested increase.

[2] The $17.67 minimum reflects the automatic annual adjustment under the Ordinance, calculated as 75% of the increase in the Consumer Price Index, which Section 11A-5(i) then divides between the return and operating cost components.

additional amounts beyond those permitted under that structure and disallowing certain requested expenses, including a broker's commission.

III. STANDARD OF REVIEW

Under Chapter 11A, the Board reviews the Arbitrator's decision on a petition alleging prejudicial abuse of discretion. (Ordinance § 11A-4(22)(a).) The Ordinance defines abuse of discretion to include circumstances where the Arbitrator failed to proceed in the manner required by law, where the decision lacks findings, or where those findings are not supported by substantial evidence.

This Petition concerns the first. This is not primarily about whether the Arbitrator got the numbers wrong or weighed the evidence incorrectly—it is about whether the process he was required to follow actually allowed him to answer the question the Ordinance is built around: whether Management is receiving a just and reasonable return.

If the structure of the Ordinance prevents that question from being answered, then the issue is not the outcome—it is that the required inquiry never occurred. And when that happens, it is a failure to proceed in the manner required by law.

IV. THE ORDINANCE REQUIRES A JUST AND REASONABLE RETURN BUT DOES NOT PROVIDE A WAY TO MEASURE IT

Chapter 11A starts from the right premise. It is not just about limiting rent increases; it is also intended to ensure that park owners receive a just and reasonable return on their investment. That language is not incidental. It reflects a constitutional requirement.

As the California Supreme Court explained, rent control measures are valid only if they are reasonably calculated to both address excessive rents and "at the same time provide landlords with a just and reasonable return on their property." (*Birkenfeld v. City of Berkeley* (1976) 17 Cal.3d 129, 165.) The Court further made clear that a rent control scheme may be invalid on its face where its terms do not permit those who administer it to avoid confiscatory results—meaning the problem is not just the outcome, but whether the structure allows the decisionmaker to prevent one. *Id*.

That principle is not satisfied by stating a fair return standard in the abstract. The ordinance must actually allow that standard to be applied. As the Court explained in *Kavanau v. Santa Monica Rent Control Board* (1997) 16 Cal.4th 761, 772, the constitutional inquiry turns on the economic impact of the regulation and the owner's ability to obtain a reasonable return in practice—not just in theory. A system that constrains return without allowing the decisionmaker to account for actual investment and performance prevents that inquiry from occurring at all.

That is the problem here.

Under Section 11A-5(i), once Management seeks an increase above the automatic annual adjustment, the Arbitrator is required to divide the increase into two components. The portion attributed to operating costs is flexible: the Arbitrator may consider evidence, make findings, and adjust the increase based on the record. See Section 11A-5(i)(2).

The portion attributed to return is not. Section 11A-5(i)(1) does not direct the Arbitrator to determine whether the return being provided is just and reasonable. It assigns one:

> *Grant one-half of the automatic increase to management as a just and reasonable return on investment.* ***The arbitrator shall have no discretion to award additional amounts as a just and reasonable return on investment.***

That number is not tied to the park's actual performance, its investment, or whether its return is increasing or declining. It is not the result of an analysis. It is a fixed allocation, derived from one-half of an automatic increase already capped at 75% of CPI, deemed "just and reasonable" by definition, not by determination.

That distinction matters. Adjustments to operating costs may allow an owner to recover increased expenses, but they do not answer whether the owner is earning a reasonable return. An increase that merely tracks rising costs preserves the status quo; it does not restore profitability or correct a shortfall in return. If the return component is fixed and cannot be adjusted, then even a fully supported increase in operating costs cannot bring the overall return into line with what the Ordinance requires.[3]

This constraint is not theoretical—it is reflected in the record here. Management presented evidence that the Park required approximately $155.97 per space per month to achieve a constitutionally adequate return. Yet the increase requested in the Notice of Rent Increase was $39.16, approximately a quarter of that amount, because it was limited to what the Ordinance's formula would permit and capped by the noticed increase. The result is a system in which evidence of actual return does not drive the outcome, because it cannot.

Courts have upheld structured rent control systems only where they preserve a meaningful mechanism to evaluate whether a fair return is actually being achieved. In

---

[3] By way of illustration, assume a park generates $1,000 in revenue and incurs $900 in operating costs, yielding $100 in return. If operating costs increase to $1,000 and the full increase is recovered through a rent adjustment, revenue rises to $1,100, but return remains $100. In that scenario, the owner is no better off than before—the increase merely offsets higher costs; it does not improve return or correct any existing deficiency. If the owner was already earning less than a reasonable return, that shortfall remains, and if the owner's investment has increased over time, the rate of return may decline even further, despite full cost recovery.

Colony Cove Properties, LLC v. City of Carson (2013) 220 Cal.App.4th 840, 875, the court sustained the ordinance precisely because it allowed park owners to challenge existing returns and present relevant evidence, ensuring an individualized determination based on actual conditions.

That feature is missing here. The Ordinance does not permit any inquiry into whether the assigned return is adequate, nor does it allow the Arbitrator to adjust it based on that evidence. The determination is not guided, it is foreclosed.

While the Arbitrator may evaluate costs and make findings as to one-half of the increase, the Ordinance removes that same function from the other half. When it comes to return, the very thing the Ordinance requires to be "just and reasonable," there is no baseline, no base year comparison, and no method of evaluation.

And because the Arbitrator has no authority to change that number, the question the Ordinance is built around, whether Management is receiving a just and reasonable return, is never actually asked.

V. THE ARBITRATION DECISION CONFIRMS THAT THE ORDINANCE DOES NOT PERMIT A MEANINGFUL DETERMINATION OF RETURN

The limitation imposed by the Ordinance is not theoretical. It controlled the outcome here with respect to the return component.

In addressing Management's request for an increase above the minimum, the Arbitrator explained:

> *The amount of an increase provided under the ordinance for 'a just and reasonable return on investment' is expressly that provided in section 11A-5(i)(1). … Management views that as inadequate. It is, therefore, asking me to award an additional amount to reach what it contends is a legally required rate of return. However, section 11A-5(i)(1) states in plain and unambiguous language: 'The arbitrator shall have no discretion to award additional amounts as a just and reasonable return on investment.'* (Award, p.7)

He then made clear the effect of that limitation:

> *My role as arbitrator … is to render a decision under the applicable ordinance. It would be a definitional abuse of discretion for me to award something that the ordinance expressly states I have no discretion to award. I am without power to do that which is expressly prohibited by the ordinance.* (Id.)

And finally:

What management's argument effectively amounts to … is a challenge to the legality of the ordinance under state constitutional standards. But that is an argument to take to a court. I express no view as to whether the ordinance does provide less than the constitutionally mandated rate of return … Those matters are outside my role as arbitrator.

These statements reflect a straightforward application of the Ordinance as to the return framework imposed by Section 11A-5(i)(1). The return component was fixed, and the Arbitrator expressly concluded he had no authority to adjust it, even in response to an argument that the resulting return was constitutionally inadequate.

That is not a disagreement with the Arbitrator's reasoning. It is a consequence of the framework he was required to apply.

And because that framework does not permit the return component to be evaluated or adjusted, the proceeding never reached the question the Ordinance requires: whether the return being provided is, in fact, just and reasonable.

VI. THE ARBITRATION DECISION REFLECTS A FAILURE TO PROCEED IN THE MANNER REQUIRED BY LAW

Under Section 11A-4(22)(a), an abuse of discretion is established where the Arbitrator fails to proceed in the manner required by law.

Here, the governing standard requires a determination of whether Management is receiving a just and reasonable return. But as reflected in the decision, that determination was not made—and could not be made—because the Ordinance fixes the return component and removes any discretion to evaluate or adjust it.

This is not a disagreement with the result reached, but the absence of the inquiry the Ordinance requires. It is the absence of the inquiry the Ordinance requires. Where the governing standard calls for a determination of just and reasonable return, and the structure of the proceeding prevents that determination from being made, the decision reflects a failure to proceed in the manner required by law.

This analysis addresses the return framework imposed by the Ordinance. Management separately challenges the disallowance of specific expenses below.

VII. THE DISALLOWANCE OF THE BROKER'S COMMISSION CONSTITUTES PREJUDICIAL ABUSE OF DISCRETION

Under Section 11A-4(22)(a), an abuse of discretion is established where the Arbitrator fails to proceed in the manner required by law. That occurred here.

Section 11A-5(f)(1) allows recovery of "expenses incidental to the purchase of the park," a category that includes direct costs of the transaction such as a broker's commission. Here, Management purchased the park in 2024 for approximately $21 million, and the $20,000 commission at issue is minimal in relation to that acquisition.[4]

The Arbitrator reached a different conclusion by narrowing the meaning of "incidental," relying on dictionary definitions and distinguishing between "core" and "incidental" expenses. The Ordinance does not draw that distinction. It does not limit recovery to minor or secondary costs. It covers expenses tied to the purchase itself.

That interpretation is also difficult to reconcile with how transaction costs actually arise. Due diligence costs, legal fees, and third-party reports are all incurred prior to closing and are plainly tied to the purchase. They are not minor, and they do not arise after the fact, but they are still incidental to the transaction.

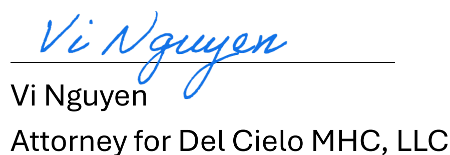
The decision also references when the obligation was incurred. The Ordinance does not. It contains no timing limitation, and nothing in its text distinguishes between costs incurred before or after closing.

The disallowance rests on a restriction the Ordinance does not impose. That is a failure to proceed in the manner required by law.

VIII. CONCLUSION

For these reasons, the Award reflects a prejudicial abuse of discretion. The Ordinance, as applied, prevented the required determination of whether Management is receiving a just and reasonable return, resulting in a failure to proceed in the manner required by law. The Arbitrator separately erred in disallowing recoverable expenses based on a construction not supported by the Ordinance's text. The Board should grant the Petition, reverse or modify the Award as appropriate, and remand the matter for further proceedings consistent with the Ordinance and governing law.

Date: April 23, 2026



Vi Nguyen
Attorney for Del Cielo MHC, LLC

[4] Management acquired the park in 2024 for a total purchase price of $20,986,398.

COUNTY OF SANTA BARBARA

MOBILEHOME RENT CONTROL ORDINANCE
CHAPTER 11A
ARBITRATION

In the Matter of:

DEL CIELO MOBILEHOME PARK

and

AFFECTED TENANTS

REPLY OF AFFECTED TENANTS TO PETITION FOR REVIEW TO THE SANTA BARBARA COUNTY BOARD OF SUPERVISORS

I

INTRODUCTION

In this matter, DEL CIELO MHC, LLC ("Owner") requested a rent increase in the amount of $39.16 per space per month for occupied spaces in Del Cielo Moblehome Park ("Park") pursuant to the County's Mobilehome Rent Control Ordinance found at Chapter 11A, et seq. ("Ordinance"). AFFECTED TENANTS ("Tenants") filed their petition opposing same, and a hearing was convened before appointed Arbitrator John Derrick ("Arbitrator") on January 21, 2026 via Zoom. The hearing lasted all day; i.e. for over 7 hours of actual hearing time, concluding at 5:35 pm. As stated by the Arbitrator in his Final Award, both parties confirmed that they had sufficient opportunity to present witnesses and evidence, and both parties submitted closing arguments in writing. Owner was permitted to submit a 23-page opening brief, followed by a 27-page reply brief.

On March 31, 2026, the Arbitrator issued his 15-page Final Award ("Award"), approving a total allowable rent increase of $24.02. Said amount included the minimum amount of $17.67 which Ordinance section 11A-5 (i) (1) and (2) allow, together with an additional $6.35 amount based upon operational expense increases. In analyzing Owner's claims for any amount above the $17.67 minimum, the Arbitrator ruled that:

-Owner was not entitled to any increase over the minimum $17.67 amount as a just and reasonable return on investment (ROI), as per Ordinance section 11A-5 (i) (1)'s explicit language.

-Owner's claimed broker commission expense of $20,000 was a "core and deliberate expense", rather than an "incidental" operational expense under Ordinance section 11A-5 (f)(1), incurred prior to the purchase of the park, and was thus disallowed as an expense increase for purposes of allowing an additional rent increase.

-Owner's claimed expense of $7,493 in connection with litigation expenses against the County was not "operational" in nature, but rather an attempt by Owner to change the nature of the park, and was not reasonable, and was thus disallowed.

-The remaining $18,221 of claimed legal expenses were allowed.

-Owner's claimed expense of $5,707 for WMA trade association dues were allowed in part; the Arbitrator allowed ½ of the expense (i.e. $2,853) due to some portion of said dues not being operational in nature (i.e. related to state-wide lobbying).

-Owner's claimed expense of $3,101 for other dues and subscriptions was disallowed, due to inadequate evidence and failure to meet the required burden of proof.

-Owner's claimed $745 expense for LLC-related fees was allowed, along with Owner's claimed travel expenses.

The allowed expenses, in combination with the $17.67 minimum, resulted in the awarded $24.02 amount. In essence, Owner prevailed on some of its expense claims, and lost on others.

Owner now brings this petition for review ("Petition") before the Board of Supervisors ("Board") pursuant to Ordinance section 11A-4 (d) (23), alleging a prejudicial abuse of discretion. That section provides that same "is established where the Arbitrator has failed to proceed in the manner required by law, the decision is not supported by findings, or the findings are not supported by substantial evidence".

II
THE APPLICABLE STANDARD OF REVIEW

Owner's Petition appears to concede that the proper standard of review as stated in the Ordinance is the "substantial evidence" test. This aligns with the prevailing judicial case law on the subject, which the Board should apply and follow here. Where, as here, a non-vested interest is affected by an administrative decision, a court in fact must review the case under the substantial evidence test. *Bixby v. Pierno (1971) 4 Cal. 3d 130.*

"Substantial evidence" means more than a "mere scintilla", but less than a preponderance, and means such evidence as a reasonable mind might accept as adequate to support a conclusion. *Drouin v. Sullivan (C.A. 9 1992) 966 F. 2d 1255; Young v. Sullivan (C.A. 9 1990) 911 F. 2d 180.* For purpose of review of administrative decisions, "substantial evidence" is that which has ponderable legal significance, is reasonable in nature, credible and of solid value, so that the trier of fact could have found as it did. *Lucas Valley Homeowners Assn. v. County of Marin (Cal. App. 1 Dist. 1991) 233 Cal. App. 3d 130; Gray v. State Personnel Bd. (Cal. App. 1 Dist. 1985) 166 Cal. App. 3d 1229.* Using the "substantial evidence" test, a court must resolve reasonable doubts in favor of the administrative decision, and uphold that decision if there is any substantial evidence to support its findings. *Security Environmental Systems, Inc. v. South Coast Air Quality Management Dist. (Cal. App. 2 Dist. 1991) 229 Cal. App. 3d 100.* Under this standard, a trial court will affirm the administrative decision if it is supported by substantial evidence from a review of the entire record, resolving all reasonable doubts in favor of the findings and decision. *Committee to Save Hollywood Specific Plan v. City of Los Angeles (2008) 161 Cal. App. 4th 1168, 1182.*

Under this "deferential" standard, a court presumes the correctness of the administrative ruling. *Patterson Flying Service v. California Dept. of Pesticide Regulation (2008) 161 Cal. App. 4th 411, 419.*

Abuse of discretion is established if the Arbitrator has not proceeded in the manner required by law, the order or decision is not supported by the findings, or the findings are not supported by the evidence. *Besaro Mobile Home Park, LLC v. City of Fremont (2912) 204 Cal. App. 4th 345, 354.*

III

THE AWARD IS WELL SUPPORTED BY THE FINDINGS AND BY "SUBSTANTIAL EVIDENCE"

In this case, the lengthy Award recited detailed and well supported findings of both fact and law to support its conclusions; i.e. much more than the threshold "mere scintilla". There was credible, solid, and "substantial" evidence to support the Arbitrator's findings in connection with each of the enumerated issues. Save for the one expense addressed below, his analysis and conclusions need not be repeated here; the Board is referred to the text of the Award, which speaks for itself.

In Headnote VII of its Petition, Owner claims that the disallowance of the $20,000 broker's commission was improper, arguing that the Arbitrator failed to proceed in the manner required by law. The law (i.e. the Ordinance) is clear: Section 11A-5 (i) (3) allows for an increase in rent "to cover operating costs, if any, in excess of one-half of the automatic increase". (emphasis added) Thus, if a cost is not deemed to be a cost of operation, it could seemingly be excluded. Section 11A-5 (f) (1) speaks to the kinds of factors to be considered when analyzing operational expenses, including "expenses incidental to the purchase of the park". These would presumably refer to increased costs of operation that occur as a result of the purchase, such as new signage, insurance, etc. This phrase cannot be separated from the over-arching requirement that the expense must be "operational" in nature, and should literally be read: "Operational expenses incidental to the purchase of the park".

This is precisely what the Arbitrator did; i.e. the Award makes clear that the commission was not an operational expense that occurred as a result of the purchase, but rather a "core, deliberate expense" incurred prior to park ownership. To allow it would enable a park purchaser to incur all sorts of pre-ownership expenses with no risk, by then increasing rents.

IV

ANY CHALLENGE TO THE ORDINANCE LANGUAGE IS NOT AN APPROPRIATE SUBJECT FOR THIS PETITION FOR REVIEW

Owner's Petition states that two issues are presented for review, the second of which has been essentially addressed above by application of the "substantial evidence" test. The statement of the first issue reveals the true nature of this Petition; i.e. a disagreement with the existing Ordinance provisions, which it is alleged prevents a meaningful determination of whether a fair return is being received. Owner states that while the Ordinance requires a just and reasonable return, it does not provide a way to measure it. Owner argues that the section 11A-5 statement that an arbitrator ***"shall have no discretion to award additional amounts as a just and reasonable return on investment"*** is essentially unconstitutional, and that its result "is a system in which evidence of actual return does not drive the outcome, because it cannot." Further, that despite having an operational expense standard, the Ordinance is missing a meaningful mechanism, and "does not permit any inquiry into whether the assigned return is adequate, nor does it allow the Arbitrator to adjust based on that evidence. The determination is not guided, it is foreclosed."

And so Owner argues that the Ordinance, as written, cannot provide it with a fair return. This is not an argument for this proceeding, but rather one for the courts or the legislature. The Arbitrator proceeded in the manner required by the Ordinance in front of him, and had no authority to depart from its provisions. Owner does not seem to dispute this, but rather argues that the Arbitrator should take it upon himself to alter or ignore the Ordinance provisions and rule based upon his own understanding of the law. To do so would clearly be beyond the Arbitrator's charge, and his authority; only the County can make such a change.

The great blind spot in Owner's argument is this: While the headnote VIII Conclusion requests that this Board reverse or modify the Award, and "remand the matter for further proceedings *consistent with the Ordinance*", this follows several pages of Owner arguing why the Ordinance as written is deficient, and if followed cannot provide a fair return. Assuming that the matter is remanded to the Arbitrator, if he was to render an Award "consistent with the Ordinance" then the objectionable clause recited above allows him to do precisely what he did in his original Award; i.e. to reject any evidence or argument regarding return on investment, other than as allowed by the Ordinance operating expense standard.

Owner is in reality asking this Board to re-write the Ordinance, or to order the Arbitrator to ignore its stated language. This is not the venue for amending the Ordinance. Such arguments are not relevant to the issue; i.e. whether the Arbitrator proceeded in the manner required by the existing Ordinance language. He clearly did so, and it is the fact that he did (which Owner essentially admits) that is the true basis for Owner's Petition.

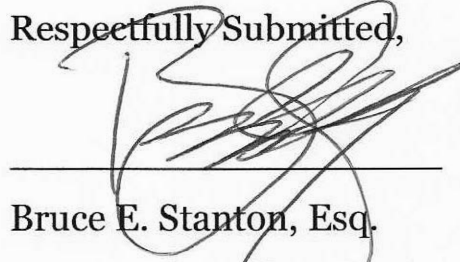
Owner's argument is with the Ordinance itself, rather than the Award. Owner should seek to have that issue agendized before the Board if desired.

V
CONCLUSION

For the foregoing reasons, and based upon the language of the Ordinance and the Award issued by the Arbitrator, Tenants request that the Board deny the Petition, affirm the Award, and refuse to remand the matter for further proceedings. Any further review should be submitted to a court pursuant to Code of Civil Procedure sections 1094.5 and 1094.6.

Dated: May 13, 2026

Respectfully Submitted,



Bruce E. Stanton, Esq.
Attorney for Affected Tenants