Case No. B329883

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
SECOND APPELLATE DISTRICT, DIVISION SEVEN

CALIFORNIA APARTMENT ASSOCIATION, AHNI DODGE, SIMON GIBBONS, MARGARET MORGAN, DANIELLE MOSKOWITZ AND TYLER WERRIN,

Petitioners and Appellants,

v.

CITY OF PASADENA, AND PASADENA CITY COUNCIL

Defendants and Respondents,

MICHELLE WHITE, RYAN BELL, AND AFFORDABLE PASADENA,

Interveners and Respondents.

On Appeal from the Los Angeles County Superior Court
Case No. 22STCP04376
The Honorable Mary H. Strobel, Department 82

INTERVENERS' AND RESPONDENTS' PETITION FOR REHEARING

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INTRODUCTION

On December 18, 2025, the Court issued its Opinion in this appeal, affirming the Trial Court's ruling that the "Pasadena Charter Amendment Initiative Petition Measure Imposing Rent Control" (also known as Measure H) against challenges that Measure H was an unconstitutional "revision" rather than an amendment of the City of Pasadena's charter, and against various challenges to the composition of the Rental Housing Board created by the Measure. However, the Court reversed on a preemption ground, concluding that the relocation assistance payments for tenants displaced by rent gouging increases in rent is preempted by the Costa-Hawkins Act. (Opinion (Op.), pp. 52–70.)

Despite acknowledging that "the relocation assistance requirement does not directly conflict with the right to raise rents, because nothing in section 1806(b)(C) constrains landlords from setting the rent on exempt units whenever they want and at whatever rate they choose" (Op., p. 60), the Court nevertheless concluded that section 1806(b)(C) offended the *purpose* of the Costa-Hawkins Act, which the Opinion contends is to "allow[] landlords to raise the rents on exempt units to their fair market value." (Op., p. 62.) However, no parties argued, much less substantively briefed, that the purpose of the Costa-Hawkins Act is to guarantee landlords the right "to raise the rents on exempt units to their fair market value," or to prevent any impact on a

landlord's rental income after setting rent at a rate of the landlord's choosing. (Op., p. 62.) Government Code section 68081 accordingly mandates rehearing under this circumstance.

Furthermore, the Court also made an error of law in concluding that the relocation assistance "counteracts the purpose" of the Costa-Hawkins Act. (Op., p. 62.) The Opinion's depiction of the purpose of the Costa-Hawkins Act is far more sweeping than articulated in any prior published opinion, and could be relied upon in subsequent cases to preempt local ordinances beyond what the Legislature intended. In addition, the Opinion relies significantly on a definition of "purpose preemption" derived from *Chevron U.S.A. v. County of Monterey* (2021) 70 Cal.App.5th 153, 172. However, the Supreme Court granted review of that decision, and the resulting published opinion does not rely on "purpose preemption" as had been articulated in the appellate decision. (See *Chevron U.S.A. v. County of Monterey* (2023) 15 Cal.5th 135.) It was therefore error to rely on this construction of preemption, which the Supreme Court did not include in its opinion in that matter.

Rehearing should be granted to allow a full opportunity for the parties to brief the purpose of the Costa-Hawkins Act, and to allow for modification of the Opinion to reflect the state law's purpose and a proper application of state law preemption principles.

ARGUMENT

I. THE COURT'S OPINION RELIES ON SO-CALLED "PURPOSE" PREEMPTION, WHICH WAS NEVER AT ISSUE IN THIS APPEAL, IN VIOLATION OF GOVERNMENT CODE SECTION 68081.

As the Opinion makes clear, Petitioners challenged the rental relocation assistance requirement of Measure H on two grounds: "implied preemption of a fully occupied field (i.e., field preemption) and contradiction." (Op., p. 50.) The Opinion swiftly rejected Petitioners' argument on field preemption but concludes that the required rental relocation assistance nevertheless is preempted by the Costa-Hawkins Act. However, the Opinion does not rely on true "contradiction" preemption—which occurs when a local requirement "mandate[s] what state law expressly forbids, [or] forbid[s] what state law expressly mandates" (*Big Creek Lumber Co. v. County of Santa Cruz* (2006) 38 Cal.4th 1139, 1161)—but instead on the largely unbriefed issue that the relocation assistance obstructs the "purpose" of the Costa-Hawkins Act. (Op., pp. 57–62.)

Specifically, the Opinion acknowledges that the rental relocation assistance requirement "is not a direct restriction on a landlord's ability to set the rent" (Op., p. 62) and accordingly does not present "an example of a direct conflict," as was the case in *Bullard v. San Francisco Residential Rent Stabilization Bd.* (2003) 106 Cal.App.4th 488 (*Bullard*). (Op., p. 60.) Instead, the Opinion finds that the purpose of the Costa-Hawkins Act is to

allow landlords to raise the rents on exempt units to their fair market value, and that "[t]he relocation assistance requirement counteracts that purpose by protecting tenants, at landlords' expense, from the free market." (Op., p. 62.)

The problem lies here: No parties argued, much less substantively briefed, the notion that the Costa-Hawkins Act's purpose is to adopt a free market approach to all forms of relocation assistance. When, as here, the parties had no opportunity to brief an issue that an appellate court decides in an appeal, Government Code section 68081 mandates rehearing:

> Before the Supreme Court, a court of appeal, or the appellate division of a superior court renders a decision in a proceeding other than a summary denial of a petition for an extraordinary writ, based upon an issue which was not proposed or briefed by any party to the proceeding, the court shall afford the parties an opportunity to present their views on the matter through supplemental briefing. If the court fails to afford that opportunity, a rehearing shall be ordered upon timely petition of any party.

As the California Supreme Court has explained, section 68081 requires a court of appeal to grant rehearing when a party had "no reason to anticipate that the court might address" an issue because the "question was not fairly included within the issues raised by the parties." (*People v. Alice* (2007) 41 Cal.4th 668, 678; see also *Bigler-Engler v. Breg, Inc.* (2017) 7 Cal.App.5th 276, 285, fn.2 [granting rehearing under Government Code

section 68081 because the court decided an issue without affording the plaintiff the opportunity to brief it].)[1]

Neither Petitioners' Opening Brief, nor the City's and Interveners Respondents' Briefs, nor the Petitioners' Reply brief used the phrases "fair market value," or "free market." No party argued that Costa-Hawkins guarantees landlords the right to raise rents to their fair market value nor to prevent protections of tenants that implicate free market rent-setting.

Interveners and the City therefore had no reason to anticipate that the Court might create binding precedent on the purpose of the Costa-Hawkins Act, much less that it would obliquely state the law allows raising of rents on exempt units to their *"fair market value*" and to prevent local government from "protecting tenants, at landlords' expense, from the free market" (Op., p. 62, emphasis added) without providing the parties an opportunity to brief the issue.

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[1] City's Respondent's brief (p. 61) noted that "Petitioners do not explain how a one-time relocation assistance payment will necessarily undermine the 'very purpose' of the Act. After all, Costa-Hawkins was not enacted to maximize landlords' profits, but to allow certain rent increases with which Measure H does not interfere." Those brief references certainly do not establish the City or Interveners could have anticipated that the Court would conclude that the Costa-Hawkins Act was meant to allow landlords "to raise the rents on exempt units to their *fair market value*" and to eliminate tenant protections "from the free market." (Op., p. 62, emphasis added.)

Nor did the parties have an opportunity to brief whether it was appropriate for this Court to rely on the appellate opinion in *Chevron U.S.A. Inc. v. County of Monterey* (2021) 70 Cal.App.5th 153, due to the Supreme Court's opinion on review which articulated a more limited basis for preemption, relying on the existence of a direct conflict between the state and local laws. (See *Chevron U.S.A. Inc. v. County of Monterey* (2023) 15 Cal.5th 135, 145.) As noted above, this Court quoted the 2021 opinion by the Sixth Appellate District for the proposition that local regulation cannot be used to "frustrate the [state] statute's purpose." (Op., pp. 51–52), language that is conspicuously absent in the Supreme Court's *Chevron* opinion. Had Appellants cited either *Chevron* case, Interveners might have had an indication that the Court would analyze preemption based not on direct conflict but solely on interference with statutory purpose and rely on the appellate decision in *Chevron*. Lacking that notice, the parties had no opportunity to fully and fairly litigate the propriety of relying on such a broad articulation of preemption and on the appellate opinion in *Chevron*, specifically.

Accordingly, this petition for rehearing must be granted. (Gov. Code, § 68081.)

II. THE OPINION'S CONCLUSION THAT THE RELOCATION ASSISTANCE REQUIREMENT "COUNTERACTS THE PURPOSE" OF THE COSTA-HAWKINS ACT IS LEGAL ERROR.

The Court found the Act's purpose is to "rein in rent control by allowing landlords to raise the rent" on vacated units to market rates, and faults the relocation assistance for "protecting tenants, at landlord's expense, from the free market." (Op., p. 62.) The Opinion concludes that relocation assistance following a large, rent-gouging increase that results in a tenant's displacement because the tenant is unable to pay the inflated rent frustrates the purpose of the Costa-Hawkins Act, to allow rent increases to "fair market" values and permit full "free market" activity by landlords. This conclusion is legal error both because it ascribes a purpose to the Costa-Hawkins Act that is not found in other published opinions, and because it applies "conflict preemption" much more broadly than prior opinions to a circumstance where no direct conflict between state and local is presented.

A. The Opinion Articulates a New, Broader Purpose for the Costa-Hawkins Act of Ensuring a Fair Market Rent and Preventing Intrusion on the Free Market Contained in No Prior Caselaw.

The Opinion relies entirely on the idea that requiring a landlord to pay any relocation assistance to a tenant displaced by inability to pay a large rent increase is preempted because it frustrates the purpose of the Costa-Hawkins Act. But the

Opinion identifies the purpose of the Costa-Hawkins Act in novel and broader ways than any prior published opinion.

For instance, the Court observes that even though relocation assistance does not directly restrict a landlord's ability to set rent, "the money a landlord must pay in relocation assistance reduces the amount of income the landlord receives from the rental property." (Op., p. 62.) The Opinion contends that a purpose of the Costa-Hawkins Act was to "rein in rent control by allowing landlords to raise the rents on exempt units to their fair market value." (*Ibid.*) Relocation assistance defeats this purpose, the Opinion contends, because it "protect[s] tenants, at landlords' expense, from the free market." (*Ibid.*) The effect of relocation assistance is "to frustrate the purpose of the Costa-Hawkins Act." (*Ibid.*)

As set forth in Section I, no party's brief contained arguments that the purpose of the Costa-Hawkins Act was to place rent for exempted units entirely subject to the free market, or to guarantee landlords the right to fully realize an entirely market-based rent, unimpeded by payments that might "reduce the amount of income the landlord receives from the rental property." Indeed, the Opinion's language could be used to argue that any requirement that reduces the amount of income a landlord receives that the landlord is unable to recover from a tenant violates the Costa-Hawkins Act, no matter how de minimis.

The Opinion cites two decisions in support of its statements regarding the purpose of Costa-Hawkins (Op., p. 62), but neither opinion contains the full-throated embrace of the free market that is reflected in the Opinion's statement of Costa-Hawkins' purpose. *NCR Properties, LLC v. City of Berkeley* (2023) 89 Cal.App.5th 39 *(NCR Properties*) primarily focuses on the history of exemptions to Costa-Hawkins for separately alienable units. In explaining the Costa-Hawkins Act, *NCR Properties* stated that the legislative purpose of the original enactment was "to moderate what it considered the excesses of local rent control." (*Id.*, at p. 47.) It also observed that Costa-Hawkins "gives California landlords the right to set the rent on a vacant unit at whatever price they choose." (*Ibid.*) That case does not address in any way whether a local ordinance that requires payment of a fee by a landlord is impermissible if it reduces the landlord's ability to recover whatever profit it wishes from the rent of the unit.

The second case cited in the Opinion is *Apartment Assn. of Los Angeles County, Inc. v. City of Los Angeles* (2009) 173 Cal.App.4th 13 (*AALAC*), which primarily focuses on the interplay between the Ellis Act and Costa-Hawkins. That case observed that "Costa-Hawkins . . . was enacted to relieve *landlords* from some of the burdens of 'strict' and 'extreme' rent control, which the proponents of Costa-Hawkins contended unduly and unfairly interfered with the free market." (*Id.* at p. 30.) While the Opinion's focus on the free market finds some

support in this statement, reading this statement without any supporting context extends it well beyond its reasonable reach. What prior decisions have made clear is that the central purpose of Costa-Hawkins was to restore the free market dynamic to the setting of rents, allowing landlords to establish an initial rent at the start of a tenancy and as well as subsequent increases. However, no prior opinion has couched that intent in the framework of preserving the income a landlord might receive from renting a residential unit at a rent set by the landlord.

Indeed, other published decisions have emphasized Costa-Hawkins' "narrow and well-defined purpose, which is to prohibit the *strictest type* of rent control that sets the maximum rental rate for a unit and maintains that rate after vacancy." (*Mosser Companies v. San Francisco Rent Stabilization & Arbitration Bd.* (2015) 233 Cal.App.4th 505, 514, emphasis added.) Indeed, far from embracing the "free market" approach, the Supreme Court in *Action Apartment Assn., Inc. v. City of Santa Monica* (2007) 41 Cal.4th 1232 (*Action Apartment*), expressly acknowledged the legislative intent to offer tenants protection from a fully free-market approach to landlord-tenant transactions. The Court explained that Costa-Hawkins established "'vacancy decontrol,' declaring that '[n]otwithstanding any other provision of law,' all residential landlords may, except in specified situations, 'establish the initial rental rate for a dwelling or unit.'" (41 Cal.4th at p. 1237.) While "[t]he effect of this provision was to

permit landlords 'to impose whatever rent they choose at the commencement of a tenancy'," (*ibid.*, quoting *Cobb v. San Francisco Residential Rent Stabilization and Arbitration Bd.* (2002) 98 Cal.App.4th 345, 351), the Legislature did not intend to leave tenants entirely subject to the forces of the free market. "The Legislature was well aware, however, that such vacancy decontrol gave landlords an incentive to evict tenants that were paying rents below market rates. Accordingly, the statute expressly preserves the authority of local governments 'to regulate or monitor the grounds for eviction.'" (*Action Apartment*, 41 Cal.4th at pp. 1237–1238.)

When the statement in *AALAC* that Costa-Hawkins was intended to remove interference with the free market is viewed in the context of prior precedent, it is clear that this statement applies to establishment of a rental price — a process that section 1806(b)(C) does not interfere with, as the Opinion acknowledges. (Op., p. 60.) The courts have consistently explained that the Legislature's intent in enacting Costa-Hawkins was to allow freedom in establishing initial rent levels at all units, but did not go so far as to require an entirely market-based approach to landlord tenant relations. Where a tenant is truly displaced by a rent increase that well exceeds what the Legislature has determined is a threshold that enables "a favorable return for a property owner," (see Interveners' September 24, 2025 Supplemental Letter Brief, p. 9), including on properties that are

not subject to the Tenant Protection Act, Measure H's relocation assistance functions in the same way as other regulations, approved by the courts as consistent with the Costa-Hawkins Act. (See, e.g., *San Francisco Apartment Assoc. v. City and County of San Francisco* (2022) 74 Cal.App.5th 288; *Mak v. City of Berkeley Rent Stabilization Bd.* (2015) 240 Cal.App.4th 60.)

B. Laws That Interfere with the Purpose of a State Statute Have Been Held Preempted Only Where There is a Direct Conflict With a Statutory Purpose.

The Opinion acknowledges that relocation assistance payments do not "directly conflict with the right to raise rents." (Op., p. 60.) For this reason, the Opinion rejected Appellants' reliance on *Bullard* because the relocation payments of 1806(b)(C) are not in direct conflict with the exercise of any landlord's rights under Costa-Hawkins. The Opinion's analysis should have ended here, as this approach would be consistent with the way that other courts have applied conflict preemption.

Instead, the Opinion relies on *Palmer/Sixth Street Properties, L.P. v. City of Los Angeles* (2009) 175 Cal.App.4th 1396 (*Palmer/Sixth*), specifically focusing on that opinion's rejection of an "in lieu" fee for affordable housing — but the

Opinion takes that discussion entirely out of context.[2] It then relies upon an expansive interpretation of the case law discussing "purpose" preemption to conclude that relocation assistance payments frustrate the purpose of the Costa-Hawkins Act, which as set forth in Section II (A) above, the Opinion improperly broadens to a fully free-market approach to landlord-tenant transactions in which a landlord's profit margins cannot be reduced, even by a dollar.

Because the Opinion recognizes that section 1806(b)(C) does not present a direct conflict with any provision of the Costa-Hawkins Act, it relies not on a standard form of conflict

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[2] The Court's analogy to the in-lieu fees in *Palmer/Sixth* mixes that opinion's conclusion that the requirement to offer newly-constructed units at affordable rents was preempted because it "den[ied] Palmer the right to establish the initial rental rates for the affordable housing units that are required to be built under [the ordinance]." (Op., p. 61, quoting *Palmer/Sixth*, 175 Cal.App.4th at p. 1410.) *Palmer/Sixth* went on to hold that the in-lieu fee alternative was preempted because it was "inextricably intertwined" with the preempted affordable housing requirements; indeed, the in-lieu fee was based on the number of affordable units normally required. (175 Cal.App.4th at p. 1411.) *Palmer/Sixth* notably did not conclude, like the Opinion implies, that the in lieu fees were "financially penaliz[ing] landlords for exercising their rights." (Op., p. 62.) Nor does the relocation assistance payment "operate similarly" to an in-lieu fee that existed *solely* in connection with a pre-empted scheme that regulated the initial rental rate of a newly-constructed unit. (*Ibid.*)

preemption, but rather on variant of conflict preemption that focuses on whether a local law obstructs or frustrates the purpose of a state law. Not only does the Opinion utilize a broader purpose for the Costa-Hawkins Act than other decisions, the Opinion also applies the obstruction form of conflict preemption more expansively than the precedents on which it relies.

The Opinion relies on several precedents for its preemption analysis, but all of these cases embrace the Supreme Court's holding in *Great Western Shows, Inc. v. County of Los Angeles* (2002) 27 Cal.4th 853, 866 (*Great Western*), that a local law is not preempted unless it "mandate[s] what state law expressly forbids, [or] forbid[s] what state law expressly mandates." (See also *Big Creek Lumber Co. v. County of Santa Cruz* (2006) 38 Cal.4th 1139, 1161 [relying on *Great Western* to conclude that unless there is a direct conflict between the commands of a state and local law, there is no preemption]; *Sherwin-Williams Co. v. City of Los Angeles* (1993) 4 Cal.4th 893, 902 [preemption not demonstrated if ordinance "does not prohibit what the statute commands or command what it prohibits."].) Indeed, in *Great Western*, the Supreme Court found a local ordinance prohibiting the sale of firearms on county property was not preempted by state law regulating gun shows, because there was no direct conflict with the purpose of any state law regulating gun sale activity. (27 Cal.4th at p. 868.)

Moreover, the Opinion cites *Chevron U.S.A. Inc. v. County of Monterey* (2021) 70 Cal.App.5th 153 several times for the proposition that "when a statute or statutory scheme seeks to promote a certain activity, and, at the same time, permits more stringent local regulation of that activity, local regulation cannot be used to . . . frustrate the statute's purpose." (See Op., pp. 51–52; 62.) However, the Supreme Court's opinion in *Chevron U.S.A Inc. v. County of Monterey* (2023) 15 Cal.5th 135, while affirming the appellate court's judgment, does not rely in any way on the local law's "frustration" of the state's law purpose. Indeed, the words "frustrate" and "obstruct" do not appear anywhere in the Supreme Court opinion. Instead, the Supreme Court followed long-standing precedent to conclude that a local regulation prohibiting certain petroleum extraction technologies was preempted because it directly conflicted with a state law allowing operators of wells to use all methods approved by a state official. (15 Cal.5th at p. 145.) The opinion emphasized that a local law could be preempted by state law both if the local law required conduct that the state law prohibited, *and* if the local law prohibited conduct that the state allowed, addressing an issue raised in a prior concurrence. (*Id.*, 15 Cal.5th at pp. 148–149.) However, the opinion does *not* rely on any obstruction of "purpose" of the state law, and instead relies on a direct conflict between the state and local provisions.

For this reason, it was legal error for the Court to rely on the "frustration of purpose" rationale in the appellate opinion in *Chevron*, because the Supreme Court subsequently granted review of that opinion and articulated a much more limited rule for conflict preemption, which does not look to the purpose of the state law. Specifically, California Rule of Court Rule 8.115, subdivision (e)(2) limits the precedential effect of a public court of appeal decision when that decision is "inconsistent with the decision of the Supreme Court or is disapproved by that court."[3] This is precisely what occurred here: the appellate opinion's preemption analysis relied in part on an assessment of the purpose of a state statutory scheme and the degree to which a local law interfered with that purpose (70 Cal.App.5th at pp. 165, 170–171) and the Supreme Court's opinion reflects none of that discussion. In fact, the Supreme Court expressly and intentionally did not reach or resolve the parties' views on the applicability on "whether and how to apply the federal 'obstacle preemption' doctrine." (15 Cal.5th at p. 150, fn. 9.) "Obstacle preemption" permits courts to strike down state law that "stands as 'an obstacle to the accomplishment and execution of the full purposes and objectives of Congress'" (*Quesada v. Herb Thyme*

[3] Indeed, the Opinion is the only case to have cited the appellate opinion since the Supreme Court issued its ruling in 2023.

Farms, Inc. (2015) 62 Cal. 4th 298, 312, quoting *Hines v. Davidowitz* (1941) 312 U.S. 52, 67), which is analogous (if not indistinguishable from) the type of "purpose" preemption this Court relied on to strike down the rental relocation assistance requirement. Thus, it was clear legal error to embrace that aspect of the appellate opinion in *Chevron*.[4]

The final source for the Opinion's statement on preemption is *AIDS Healthcare Foundation v. Bonta* (2024) 101 Cal.App.5th 73 (*AHF*). In *AHF*, the court of appeal determined that a state law validly preempted local land use laws restricting density, because "'the local [ordinance] prohibits . . . what the [state] statute permits or authorizes.'" (*Id.*, p. 87, quoting *Chevron U.S.A. Inc. v. County of Monterey*, 15 Cal.5th at p. 149.) While *AHF* also quotes the language from *Great Western* that local regulation cannot, when a state law "seeks to promote a certain activity," be "used to completely ban the activity or otherwise frustrate the statute's purpose," (*AHF*, 101 Cal.App.5th at p. 88, quoting *Great Western*, 27 Cal.4h at pp. 867–868), it relies on the

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[4] While the Comment on Subdivision (e)(2) of Rule 8.1115 explains that the fact that a Supreme Court decision does not discuss an issue is not an expression of the Court's opinion concerning the correctness of the decision on that issue, the Supreme Court was not silent on the issue and expressly declined to adopt a ruling embracing "obstacle preemption" or relying on interference with the purpose of a law to preempt a local ordinance.

existence of a direct conflict between what state law allows and what local law authorizes.

And as discussed above, the purpose of Costa-Hawkins has never been deemed to be preserving landlord's full profit-making ability. Costa-Hawkins allows landlords freely to raise rents on non-rent-controlled units. Nothing in section 1806(b)(C) prevents such an increase. To conclude, as the Opinion does, that requiring payment of a relocation fee to tenants displaced after a large rent increase, conflicts with the purpose of the Costa-Hawkins Act requires that one read into the purpose that landlord's financial gains from their rental apartments go unimpeded. No court has ever articulated this point.

For that reason, the Court should not rely upon the "purpose" of Costa-Hawkins and should instead address conflict preemption via the conventional inquiry. Indeed, the Supreme Court in *Chevron* explained the crux of the inquiry was that "we cannot say it is 'reasonably possible' for well operators 'to comply with both the state and local laws' by requiring them to curb their conduct in a way that conforms to a local ban, without regard to what the state law permits." (15 Cal.5th at p. 150.) Here, there is no such concern because it is reasonably possible for landlords to comply with both state and local law, enjoying their right to set initial rent at market levels and simultaneously provide rental assistance when massive rent hikes force tenants to vacate.

The Opinion also analogizes the relocation assistance payment to *Coyne v. City and County of San Francisco* (2017) 9 Cal.App.5th 1215*,* an Ellis Act case, where the court held that "[a] property owner's lawful decision to withdraw from the rental market may not be frustrated by burdensome monetary exactions from the owners to fund the City's policy goals." (*Id.*, at p. 1231.) *Coyne* concluded relocation payments triggered by landlords leaving the rental market conflicted with the Ellis Act's allowing property owners to leave the rental market.[5] Here, the Opinion concludes that relocation fees triggered by rent-gouging frustrates the purpose of the Costa-Hawkins Act— but as other published opinions have held, the purpose of Costa-Hawkins is to allow landlords to set rent on *vacated* units. Relocation fees only *indirectly* impact the Costa-Hawkins Act — while a relocation fee could cause a reduction in a landlord's income from raising the rent for a new tenant, it would not directly frustrate the landlord's ability to raise rent to the desired level. Civil Code section 1954.52 was intended to create vacancy decontrol and eliminate "strict" rent control that regulated initial rental rates. Requiring relocation payments to tenants who are

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[5] The Opinion does not acknowledge that the "prohibitive price" analysis in *Coyne* is expressly used *only* as "the appropriate standard to determine conflict preemption under the Ellis Act." (9 Cal.App.5th 1215, 1226.) The prohibitive price standard involves a unique inquiry that the Opinion does not purport to apply.

forced to vacate their units after a rent-gouging increase does not prevent the landlord from seeking that rent from a new tenant or impede the purpose of the Costa-Hawkins Act to allow rent to be freely set when a unit is rented. Relocation fees do not frustrate the purpose of the Costa-Hawkins Act, and section 1806(b)(C) is not preempted by state law.

CONCLUSION

Because the Court's Opinion sets forth a novel and broader interpretation of the purpose of the Costa-Hawkins Act that was not briefed by any party, and relies on a broad form of conflict preemption based upon that newly-articulated purpose, rehearing must be granted. The Opinion's conclusion that the relocation assistance provision in section 1806(b)(C) is preempted because it conflicts with the purpose of the Costa-Hawkins Act should be revised because there is no conflict with the purpose of the Costa-Hawkins Act as other courts have articulated that purpose.

Date: January 2, 2026

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE WITH RULE 8.204(C)(1)

I certify that, pursuant to California Rules of Court, rule 8.204(c)(1), the attached **INTERVENERS' AND RESPONDENTS' PETITION FOR REHEARING** is proportionally spaced, has a typeface of 13 points or more, and contains 5,258 words, as determined by a computer word count.

Date: January 2, 2026

Respectfully submitted,

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PROOF OF SERVICE

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

Re: *California Apartment Association, et al. v. City of Pasadena, et al.*, 2DCA No. B329883, L.A.S.C. Case No. 22STCP04376

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 1250 Sixth Street, Suite 205, Santa Monica, California 90401. My electronic mail address is jthomson@strumwooch.com.

On **January 2, 2026**, I served the foregoing document(s) described as **INTERVENERS' AND RESPONDENTS' PETITION FOR REHEARING** on all appropriate parties in this action, as listed on the attached Service List, by the method stated:

☒ If Electronic Filing Service (EFS) is indicated, I electronically filed the document(s) with the Clerk of the Court by causing the documents to be sent to Truefiling, the Court's Electronic Filing Services Provider for electronic filing and service. Electronic service will be effected by Truefiling's case-filing system at the electronic mail addresses indicated on the attached Service List.

□ If U.S. Mail service is indicated, by placing this date for collection for mailing true copies in sealed envelopes, first-class postage prepaid, addressed to each person as indicated, pursuant to Code of Civil Procedure section 1013a(3). I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice, it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing contained in the affidavit. I am a resident or employed in the count where the mailing occurred. The envelope or package was placed in the mail at Los Angeles, California.

I declare under penalty of perjury under the laws of the State of California that the above is true and correct and that this is executed on **January 2, 2026**, at Los Angeles, California.

Jeff Thomson

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California Apartment Association, et al. v. City of Pasadena, et al.,
2DCA No. B329883, L.A.S.C. Case No. 22STCP04376

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