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ORIGINAL FILE
LOS ANGELES
SUPERIOR COURT

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF LOS ANGELES, CENTRAL DISTRICT

11 THE PEOPLE OF THE STATE OF
12 CALIFORNIA,

13 Plaintiff,

14 vs.

15 LANDMARK EQUITY MANAGEMENT,
16 INC., a California corporation; DARREN
17 STERN AKA HENRY SHALOM AKA
18 HENRY OHEBSHALOM, an individual;
19 ARMEN PETROSYAN, an individual; CREST
20 ASSOCIATES, LLC, a Nevada limited liability
21 company; GBR ASSOCIATES, LLC, a Nevada
22 limited liability company; HIGHPOINT
23 ASSOCIATES II, LLC, a New York limited
24 liability company; HIGHPOINT ASSOCIATES
25 XIII, LLC, a New York limited liability
26 company; LINDA ASSOCIATES, LLC, a
27 Nevada limited liability company; MAGNOLIA
28 ASSOCIATES, LLC, a Nevada limited liability
company; REGENT ASSOCIATES, LLC, a
Nevada limited liability company; RUSSELL
ASSOCIATES, LLC, a Nevada limited liability
company; RYE ASSOCIATES, LLC, a Nevada
limited liability company; WESTDALE
HOLDINGS, LLC, a Nevada limited liability
company; WHITLEY ASSOCIATES, LLC, a
Nevada limited liability company; and DOES 1
through 50, inclusive,

Defendants.

CASE NO. BC 353962

FIRST AMENDED COMPLAINT FOR
UNFAIR COMPETITION

1
2 Plaintiff, THE PEOPLE OF THE STATE OF CALIFORNIA, complaining of the above-
3 named Defendants, alleges as follows:

4 **INTRODUCTION**

5 1. This action arises from Defendants' unlawful, unfair, and fraudulent business
6 practices relating to their ownership and operation of multi-unit residential rental properties
7 within the City of Los Angeles.

8 2. As described further below, beginning in or about July 1999, and continuing through
9 the filing of this Complaint, Defendants devised and carried out a scheme to cause tenants, most
10 of whom were low income, minority, and legally unsophisticated individuals and families, to
11 vacate as many rental units subject to rent control as possible, and in some instances entire
12 buildings, so that Defendants could renovate these units and increase their market rental rates,
13 thus increasing the resale value of their properties.

14 3. As part of this scheme, Defendants violated numerous laws and engaged in numerous
15 deceptive practices and dishonest tactics, including, but not necessarily limited to:

- 16 A. Delaying making or otherwise failing to timely make repairs to buildings and
17 units as ordered by the Los Angeles Housing Department ("LAHD"), the Los
18 Angeles Fire Department ("LAFD"), the Los Angeles Department of Building
19 and Safety ("LADBS"), and the Los Angeles County Department of Health
20 Services ("County Health Department"), or otherwise failing to maintain these
21 buildings in a condition fit for human occupation;
- 22 B. Failing to submit a plan to LAHD designed to mitigate the impact of
23 renovations on tenants, and failing to obtain LAHD's approval of such a plan,
24 before undertaking renovations on buildings;
- 25 C. Making false and misleading representations to tenants that an enforcement
26 agency had ordered tenants to vacate their units;
- 27 D. Defrauding and attempting to defraud tenants of either the right to temporary
28 relocation or the full amount of permanent relocation assistance to which they

1 were entitled under the Rent Stabilization Ordinance (“RSO”) and the Tenant
2 Habitability Program;

3 E. Charging tenants rent in excess of the amounts allowed under the RSO and the
4 Rent Escrow Account Program (“REAP”);

5 F. Demanding rent, collecting rent, issuing notices of rent increases, and issuing
6 three-day notices to pay rent or quit for untenable or substandard rental
7 units where prohibited by State law;

8 G. Maliciously and without probable cause commencing or threatening to
9 commence unlawful detainer proceedings against tenants;

10 H. Locking tenants out of their units, or removing their personal property,
11 without the tenants’ permission;

12 I. Causing utilities to be shut off, such as water and electricity, for extended
13 periods of time;

14 J. Serving excessive notices on tenants to enter their units for the sole or primary
15 purpose of harassing them;

16 K. Failing to provide an on-site manager to address tenants’ needs and concerns;

17 L. Requiring individuals to check out of residential hotel rooms on or about the
18 twenty-eighth (28th) day of occupancy to avoid conferring rights of tenancy
19 upon such individuals; and

20 M. Otherwise threatening, harassing, and intimidating tenants.

21 4. The residents of the City of Los Angeles have a legally protected interest in ensuring
22 lawful, fair, and honest business acts and practices by residential landlords. Defendants, through
23 the conduct alleged in this Complaint, violated State and local laws intended to protect tenants
24 and injured that interest. In this action, the People assert their power to remedy this injury to the
25 public interest under the Unfair Competition Law (Business and Professions Code sections
26 17200, *et seq.*) by seeking to enjoin Defendants’ future violations of law, to obtain restitution for
27 the victims of Defendants’ conduct, and to assess civil penalties against Defendants for past
28 violations of law.

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GENERAL ALLEGATIONS

The Parties

5. Plaintiff is the People of the State of California, acting through the Los Angeles City Attorney, Rockard J. Delgadillo, who brings this action pursuant to the authority granted to him by the California Unfair Competition Law (California Business and Professions Code section 17200, *et seq.*).

6. Defendant Landmark Equity Management, Inc. (“LANDMARK”) is, and at all relevant times was, a corporation duly formed and operating under the laws of the State of California, and a managing member of each limited liability company named as a Defendant in this action.

7. Defendant Darren Stern aka Henry Shalom aka Henry Ohebshalom (“STERN”) is, and at all relevant times was, an individual serving as the President of Landmark and authorized to act on behalf of, and personally responsible for the acts of, the remaining corporate Defendants.

8. Defendant Armen Petrosyan (“PETROSYAN”) is, and at all relevant times was, an individual authorized to act on behalf of, and personally responsible for the acts of, the remaining corporate Defendants.

9. Defendant Crest Associates, LLC (“CREST”) is, and at all relevant times was, a limited liability company duly formed and operating under the laws of the State of Nevada.

10. Defendant GBR Associates, LLC (“GBR”) is, and at all relevant times was, a limited liability company duly formed and operating under the laws of the State of Nevada.

11. Defendant Highpoint Associates II, LLC (“HIGHPOINT II”) is, and at all relevant times was, a limited liability company duly formed and operating under the laws of the State of New York.

12. Defendant Highpoint Associates XIII, LLC (“HIGHPOINT XIII”) is, and at all relevant times was, a limited liability company duly formed and operating under the laws of the State of New York.

13. Defendant Linda Associates, LLC (“LINDA”) is, and at all relevant times was, a

1 limited liability company duly formed and operating under the laws of the State of Nevada.

2 14. Defendant Magnolia Associates, LLC (“MAGNOLIA”) is, and at all relevant times
3 was, a limited liability company duly formed and operating under the laws of the State of
4 Nevada.

5 15. Defendant Regent Associates, LLC (“REGENT”) is, and at all relevant times was, a
6 limited liability company duly formed and operating under the laws of the State of Nevada.

7 16. Defendant Russell Associates, LLC (“RUSSELL”) is, and at all relevant times was, a
8 limited liability company duly formed and operating under the laws of the State of Nevada.

9 17. Defendant Rye Associates, LLC (“RYE”) is, and at all relevant times was, a limited
10 liability company duly formed and operating under the laws of the State of Nevada.

11 18. Defendant Westdale Holdings, LLC (“WESTDALE”) is, and at all relevant times
12 was, a limited liability company duly formed and operating under the laws of the State of
13 Nevada.

14 19. Defendant Whitley Associates, LLC (“WHITLEY”) is, and at all relevant times was,
15 a limited liability company duly formed and operating under the laws of the State of Nevada.

16 20. Plaintiff is ignorant of the true names and capacities of Defendants DOES 1 through
17 50, inclusive, and therefore sues these Defendants by fictitious names. Plaintiff will amend this
18 complaint under Code of Civil Procedure section 474 to insert the true names and capacities of
19 these Defendants, when ascertained.

20 21. Each Defendant is, and at all relevant times was, the agent, partner, joint venturer,
21 representative, employee, or co-conspirator of each remaining Defendant and acting within the
22 purpose and scope of that agency, partnership, joint venture, representation, employment, or
23 conspiracy.

24 22. Defendants are, and at all relevant times were, actively engaged in the business of
25 owning and operating multi-unit residential properties within the City of Los Angeles, California
26 (“Los Angeles”). Defendants currently own more than forty parcels within Los Angeles
27 improved with apartment buildings and residential hotels (“Properties”). Each of the Properties
28

1 was constructed prior to 1978, and therefore is subject to the RSO. (Los Angeles Municipal
2 Code (“LAMC”) sections 151.00, *et seq.*)

3 23. Defendant STERN, in his capacity as President of Defendant LANDMARK, is the
4 person primarily responsible for purchasing, operating, managing, and eventually selling each of
5 the Properties. DOES 1 through 10 are also authorized to act on behalf of, and are personally
6 responsible for the acts of, the remaining corporate Defendants.

7 **The Rent Stabilization Ordinance**

8 24. Multi-unit residential properties in Los Angeles with an initial certificate of
9 occupancy issued prior to October 1, 1978 are subject to the RSO. (LAMC section 151.02.) The
10 RSO limits the amount that landlords may increase rent each year to between three and five
11 percent, depending on whether the landlord pays for utilities. (LAMC section 151.06.) The
12 RSO also restricts the grounds upon which tenants may be evicted. Tenants may currently only
13 be evicted under the RSO: (A) for failure to pay rent; (B) for breach of the lease terms; (C) for
14 committing or permitting a nuisance; (D) for using the premises for an illegal purpose; (E) for
15 refusing to execute a written renewal or extension of an expired lease; (F) for refusing to grant
16 reasonable access to the unit for the purpose of making repairs or improvements; (G) for being a
17 subtenant not approved by the landlord; (H) if the landlord seeks to recover possession for the
18 landlord’s personal use and occupancy; (I) for refusing to temporarily relocate or to honor a
19 permanent relocation agreement so that the landlord may undertake Primary Renovation Work;
20 (J) if the landlord seeks to demolish the unit or permanently remove it from rental housing use
21 (as required under the Ellis Act, Government Code sections 7060 *et seq.*); (K) if the landlord
22 seeks possession to comply with a governmental agency’s order that requires the unit to be
23 vacated; or (L) if the unit is owned by the Secretary of Housing and Urban Development and he
24 or she seeks to recover possession of it prior to selling it. (LAMC section 151.09.)

25 25. Prior to July 2002, the RSO provided that a landlord could also evict a tenant for the
26 purpose of undertaking “Major Rehabilitation Work” on a building. Renovations to a building
27 were defined as Major Rehabilitation Work if: (A) the work would cost no less than the product
28 of \$10,000 multiplied by the number of rental units upon which the work was performed; and

1 (B) the primary work would cost no less than the product of \$9,000 multiplied by the number of
2 rental units upon which the work was performed; and (C) the primary work necessitated the
3 eviction of the tenant because the work would render the rental unit uninhabitable for a period of
4 45 or more calendar days. (*See* former LAMC section 151.09 A.9.b.)

5 26. On July 16, 2002, citing an upsurge in evictions for Major Rehabilitation Work that
6 had resulted in a demonstrated loss of affordable housing, the Los Angeles City Council enacted
7 an Interim Control Ordinance that temporarily suspended the use of LAMC section 151.09
8 A.9.b. as a ground for eviction. The Interim Control Ordinance placed a moratorium on evicting
9 tenants for Major Rehabilitation Work; this moratorium lasted until the enactment of the Tenant
10 Habitability Program in May 2005.

11 **The Tenant Habitability Program**

12 27. In May 2005, the Los Angeles City Council enacted the Primary Renovation
13 Ordinance, which included the Tenant Habitability Program (LAMC sections 152.00 *et seq.*),
14 which sought to protect tenants from the hardships of displacement from rental housing while
15 simultaneously encouraging landlords to extend the useful life of the rental housing stock in Los
16 Angeles by reinvesting in the infrastructure of their properties. The Tenant Habitability Program
17 was adopted to facilitate landlord investments in renovating properties without subjecting tenants
18 to either untenable housing conditions during such renovation work or forced permanent
19 displacement. The provisions of the Tenant Habitability Program supersede the process and
20 requirements for Major Rehabilitation Work. The City Council also amended LAMC section
21 151.09 A.9.b. of the RSO to establish a new lawful ground for eviction. Pursuant to this
22 amendment, which has been in effect since May 2005, refusal of a tenant to temporarily relocate
23 or honor a permanent relocation agreement so that the landlord may undertake Primary
24 Renovation Work is a legal ground for eviction.

25 28. Primary Renovation Work is defined by LAMC section 151.02 as work performed
26 either on a rental unit or on the building containing the rental unit that improves the property by
27 prolonging its useful life or adding value, and involves either or both of the following:
28

1 (A) replacement or substantial modification of any structural, electrical, plumbing, or mechanical
2 system that requires a permit under the LAMC; or (B) abatement of hazardous materials, such as
3 lead-based paint and asbestos, in accordance with applicable federal, state, and local laws.

4 29. Pursuant to LAMC section 152.03, property owners are required to submit a “Tenant
5 Habitability Plan” to the LAHD, and to obtain the LAHD’s approval of the plan, prior to
6 commencing any Primary Renovation Work. A Tenant Habitability Plan is defined in LAMC
7 section 152.03.B. as a plan designed to “ensure that the impact of Primary Renovation Work . . .
8 upon affected tenants is adequately mitigated [and] . . . that tenants are not required to occupy an
9 untenable dwelling . . . and are not exposed at any time to toxic or hazardous materials
10 including, but not limited to, lead-based paint and asbestos. Such measures may include the
11 adoption of work procedures that allow a tenant to remain on-site and/or the temporary
12 relocation of tenants.”

13 30. The Tenant Habitability Program provides at LAMC sections 152.05 and 152.06 that
14 tenants who are required to vacate a unit for an owner to perform Primary Renovation Work are
15 entitled exercise the option to accept either temporary relocation to another unit or permanent
16 relocation assistance. Tenants who are 62 years of age or older, are disabled, or have minor
17 dependent children are entitled to permanent relocation assistance in the fixed amount of \$8,200
18 under LAMC section 151.09 G . Tenants who are younger than 62 years of age, are not disabled,
19 and do not have minor dependent children are entitled to receive permanent relocation assistance
20 in the fixed amount of \$3,300 per unit. Any agreements between landlords and tenants waiving
21 the right to receive either temporary relocation to another unit or permanent relocation
22 assistance, in the fixed amount of either \$3,300 or \$8,200, is void as contrary to public policy
23 pursuant to LAMC section 152.07 F.

24 **The Slum Housing Task Force**

25 31. An extensive regulatory framework of various City, County, and State building, fire,
26 health and safety codes governs the condition and operation of multi-unit residential buildings in
27 the City of Los Angeles. Owners who fail to comply with those codes may be cited by the
28 relevant agencies, and if they fail to comply, may be subject to criminal prosecution.

1 “substandard building” set forth in Health and Safety Code section 17920.3, or if it contains lead
2 hazards as set forth in Health and Safety Code section 17920.10.

3 37. Owners and operators of buildings intended for the residential occupation of human
4 beings are also required under Civil Code section 1941.4 to install at least one usable telephone
5 jack and to place and maintain the inside telephone wiring in good working order. Pursuant to
6 Civil Code section 1941.3, subdivision (a), owners and operators of residential properties must
7 also install and maintain in operable condition deadbolts on dwelling doors and other locking and
8 security devices on windows and doors.

9 38. Owners and operators of rental units are prohibited under Civil Code section 1942.4
10 from demanding rent, collecting rent, issuing a notice of a rent increase, or issuing a three-day
11 notice to pay rent or quit where the following conditions exist prior to the owner’s demand or
12 notice: (A) the rental unit is untenable as defined in Civil Code section 1941.1 or violates
13 Health and Safety Code section 17920.10 or is substandard under Health and Safety Code
14 section 17920.3; (B) an enforcement agency has issued a notice or order requiring the abatement
15 of the nuisance or the repair of the substandard condition; (C) the conditions have existed and not
16 been abated thirty-five (35) days beyond the date the notice or order was served and the delay is
17 without good cause; and (D) the conditions were not caused by the tenant.

18 39. An owner or operator of a rental unit may not retaliate against a tenant who exercises
19 any rights under Civil Code sections 1940, *et seq.*, regarding the tenantability of a the rental unit.
20 To prevent such retaliation, Civil Code section 1942.5, subdivision (a), provides that the owner
21 or operator may not recover possession of such a rental unit in any action or proceeding, cause
22 the tenant to quit involuntarily, increase the rent, or decrease any services within 180 days of the
23 following: (A) the date any tenant gives notice of an intent to repair untenable conditions
24 under Civil Code section 1942 or orally complains to the owner or operator regarding
25 tenantability; (B) the date upon which the tenant complains to an appropriate agency of which
26 the owner or operator has notice; (C) the date of an inspection or issuance of a citation resulting
27 from a tenant complaint regarding tenantability of which the owner or operator did not have
28 notice; (D) the date any appropriate document commencing a judicial or arbitration proceeding

1 involving the issue of tenantability is filed; or (E) the entry of judgment or the signing of an
2 arbitration award where the issue of tenantability is determined adversely to an owner or
3 operator. An owner or operator is also prohibited under Civil Code section 1942.5, subdivision
4 (c), from increasing rent, decreasing services, causing a tenant to vacate a unit involuntarily,
5 bringing an action to recover possession, or threatening to do any of those acts for the purpose of
6 retaliating against a tenant because the tenant has lawfully organized or participated in a tenants'
7 association or an organization advocating tenants' rights or has exercised any rights under the
8 law.

9 **Tenants' Rights Under the Implied Warranty of Habitability**

10 40. A warranty of habitability is implied in connection with residential leases in
11 California. An owner must maintain a dwelling in substantial compliance with those applicable
12 building and housing code standards that materially affect health and safety to meet the
13 obligations under the common law implied warranty of habitability. An owner's breach of the
14 warranty of habitability is considered a breach of the lease. Tenants are entitled to monetary
15 damages for breach of the warranty of habitability. Such damages are generally measured by the
16 difference between the fair rental value of the premises if they had been as warranted and the fair
17 rental value of the premise as they were during a tenant's occupancy in the unsafe and unsanitary
18 condition in which they were maintained. Breach of the warranty of habitability may also be
19 raised as an affirmative defense in an unlawful detainer proceeding for non-payment of rent on
20 the ground that no rent was actually due as a result of the unsafe and unsanitary conditions.

21 **Tenants' Rights Against Wrongful Evictions**

22 41. An owner or operator of a rental unit may not cause a tenant to vacate a unit by force
23 or by menaces and threats of violence. Nor may an owner or operator lock a tenant out of a
24 rental unit in their absence or remove their personal property without the tenant's permission.
25 Such actions constitute a forcible detainer within the meaning of Code of Civil Procedure section
26 1160 and a violation of Civil Code section 789.3, subdivision (b). Owners and operators of a
27 rental unit are further prohibited under Civil Code section 789.3, subdivision (a) from causing
28 the interruption or termination of any utility service furnished to the tenant including, but not

1 limited to, water, heat, light, electricity, gas, telephone, elevator, or refrigeration.

2 42. Tenants may only be evicted through the proper judicial process of commencing an
3 unlawful detainer proceeding under Code of Civil Procedure section 1161. Enforcement of any
4 judgment entered against a tenant for possession of a rental unit in any unlawful detainer
5 proceeding must comply with the requirements of Code of Civil Procedure sections 712.010, *et*
6 *seq.* Pursuant to Sections 712.020, *et seq.*, possession of the rental unit may only be recovered
7 from the tenant and delivered to the owner or operator by an authorized levying officer pursuant
8 to a writ of possession duly issued by the Superior Court.

9 43. An owner or operator of a rental unit who wrongfully commences an unlawful
10 detainer proceeding against a tenant is also guilty of malicious prosecution where: (A) the tenant
11 prevails in the proceeding; (B) the owner or operator lacked probable cause to commence the
12 proceeding; and (C) the owner or operator acted with malice in instituting the proceedings.

13 44. In every lease for a residential unit, there is a common law implied covenant of quiet
14 enjoyment and possession for the term of the tenancy. Any disturbance of the tenant's
15 possession by which the premises are rendered unfit or unsuitable for occupancy in whole or in
16 substantial part for the purposes for which they were leased, or any interference with the
17 beneficial enjoyment of the premises, amounts to a constructive eviction if the tenant vacates the
18 unit within a reasonable time.

19 **Tenants' Rights Against Unauthorized Entry Into Rental Units**

20 45. Owners and operators of residential leased premises may only enter a rental unit
21 pursuant to Civil Code section 1954 under the following circumstances: (A) in case of
22 emergency; (B) to make necessary or agreed upon repairs, decorations, alterations, or
23 improvements; (C) to supply necessary or agreed services; (D) to exhibit the dwelling unit to
24 prospective or actual purchasers, mortgagees, tenants, workers, or contractors; (E) to perform an
25 inspection under Civil Code section 1950.5 to determine the disposition of the tenant's security
26 deposit upon the termination of the tenancy; (F) when the tenant has abandoned or surrendered
27 the premises; or (G) under a court order.

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1 49. California Civil Code section 1940.1, subdivision (a), provides, in relevant part, that:
2 “No person may require an occupant of a residential hotel . . . to move, or to check out and
3 reregister, before the expiration of 30 days occupancy if the purpose is to have that occupant
4 maintain a transient occupancy status” The legislative history of this provision describes
5 the necessity for its enactment as follows:

6 Many residential hotels are reportedly forcing occupants to move
7 out before tenancy can be established by 30 days of occupancy.
8 These occupants are then allowed to move back in by re-
9 registering as a new occupant. This practice, the so-called “28-day
10 shuffle,” is then repeated month after month after month, with the
11 occupant being dislodged three or four days of each month so as to
12 prevent the occupant from acquiring tenancy status.

11 Violation of Civil Code section 1940.1 is further prohibited and punishable as a misdemeanor
12 pursuant to LAMC section 151.10 C.

13 **Defendants’ Unlawful, Unfair, and Fraudulent Business Acts and Practices**

14 50. To circumvent the restrictions placed on evicting tenants under the RSO, the Tenant
15 Habitability Program, and state law, and to accomplish their unlawful goals, Defendants have
16 resorted to unlawful, unfair, and fraudulent means to cause tenants to vacate a substantial number
17 of rental units at the Properties. At several Properties, Defendants have caused tenants to vacate
18 the entire building, a feat that is virtually impossible to legally accomplish in Los Angeles.

19 51. Beginning in or about July 1999 and continuing until the date of this Complaint,
20 Defendants have been engaged in a scheme to: (A) purchase occupied Properties in Los Angeles
21 at relatively low prices based on an existing rental income stream limited by the provisions of the
22 RSO; (B) allow each Property to fall into disrepair to encourage long-term tenants subject to rent
23 control to voluntarily terminate their tenancies; (C) systematically cause tenants to vacate as
24 many units remaining occupied at each Property as possible through various unlawful, unfair,
25 and fraudulent means; (D) perform construction work in the vacated units to add more bedrooms
26 wherever possible to allow for more tenants; (E) make other renovations to improve the vacated
27 units; (F) relet the reconfigured and improved units at much higher rental rates; and (G)
28 eventually resell each Property at a price based upon the much higher rental income stream

1 generated by new tenants paying market rates for improved rental units.

2 52. In causing and attempting to cause tenants to vacate their rental units as part of the
3 scheme described above, Defendants engaged in the activities described in paragraph 3 of this
4 Complaint. Defendants patterned this scheme and conspiracy on similar and successful
5 unlawful, unfair, and fraudulent business practices of family members, business associates, and
6 related corporate entities in New York. Because both Los Angeles and New York have long
7 experienced severe housing shortages and have enacted local ordinances establishing rent
8 control, these two cities are particularly vulnerable to unscrupulous property owners, such as
9 Defendants, who are willing to engage in unlawful, unethical, and oppressive conduct to generate
10 inflated profits at the expense of their tenants. The victims of such practices are not only
11 Defendants' tenants, but also other property owners who operate their properties lawfully, within
12 the restrictions of State and local laws, and as a result cannot adequately compete with
13 Defendants.

14 **Particular Examples**

15 ***721 South Westlake Avenue***

16 53. In July 2005, Defendant RUSSELL purchased an occupied 35-unit apartment
17 building commonly known as 721 South Westlake Avenue, Los Angeles, California (the
18 "Westlake Property").

19 54. In December 2005, LAHD issued a Notice and Order to Comply requiring
20 Defendants RUSSELL, LANDMARK, STERN, PETROSYAN, and DOES 1 through 10 ("the
21 Westlake Defendants") to remedy code violations to address serious habitability issues at the
22 Westlake Property. In November and December 2005, the County Health Department and the
23 LAFD also issued Notices and Orders to Comply requiring the Westlake Defendants to remedy
24 fire, health and safety code violations.

25 55. In response to the Notices and Orders to Comply issued in November and December
26 2005, the Westlake Defendants commenced Primary Renovation Work at the Westlake Property
27 in January 2006. The Westlake Defendants caused tenants to vacate all but five of the units on
28 the first floor in January 2006, and then completely gutted the vacant units for the purpose of

1 installing all new electrical and plumbing systems, constructing all new kitchens and bathrooms,
2 and installing all new flooring and other fixtures. The Westlake Defendants, however, failed to
3 submit the requisite Tenant Habitability Plan to the LAHD in violation of LAMC section 152.03.

4 56. Five units on the first floor, and several other units on the second and third floors,
5 remained occupied during the course of this Primary Renovation Work. Tenants occupying
6 these units could not enter or exit the building without walking through the dust and debris
7 created by this Primary Renovation Work because the Westlake Defendants failed to hang plastic
8 sheeting to contain the dust as required under the building code to abate lead and asbestos
9 present in older buildings such as the Westlake Property.

10 57. On February 2, 2006, the LAHD posted a Stop Work Order at the Westlake Property
11 due to the Westlake Defendants' failure to comply with lead and asbestos abatement procedures
12 while gutting the first floor units. On March 3, 2006, the LAHD posted a Stop Work Order at
13 the Westlake Property requiring the Westlake Defendants to submit and obtain approval of a
14 Tenant Habitability Plan before recommencing any Primary Renovation Work. On March 15,
15 2006, a LAHD inspector observed individuals performing work in violation of the March 3rd
16 Stop Work Order. The Westlake Defendants failed to submit a proposed Tenant Habitability
17 Plan to LAHD and to serve the proposed plan on the tenants of the Westlake Property until
18 May 22, 2006. Tenants have objected to the terms of the proposed Tenant Habitability Plan. The
19 LAHD has scheduled a hearing regarding the matter for July 5, 2006.

20 58. Prior to commencing the Primary Renovation Work, the Westlake Defendants
21 attempted to cause tenants to vacate the entire building. The Westlake Defendants held several
22 meetings with the tenants in January 2006, at which their representatives made false and
23 misleading statements to tenants that were likely to deceive tenants that the County Health
24 Department had ordered the building to be completely vacated and that tenants would be
25 required to leave by the end of February 2006. In truth, no enforcement agency had issued any
26 orders to vacate the building. The representatives of the Westlake Defendants conducting the
27 meetings further told tenants that the Westlake Defendants would pay them \$2,500 per unit to
28 vacate the building and nothing more. In fact, the tenants were entitled to exercise the option to

1 accept either temporary relocation to another unit or building during renovations of the Westlake
2 Property or to receive permanent relocation assistance in the fixed sum of either \$3,300 or
3 \$8,200 as required under the RSO and the Tenant Habitability Program.

4 59. In January and February 2006, representatives of the Westlake Defendants knocked
5 on the doors of each occupied unit at the Westlake Property and asked whether the tenants
6 intended to accept an offer of \$2,500 plus one month's free rent to move out. These individuals
7 told the tenants that because the County Health Department had ordered the building to be
8 vacated the tenants would have to take the money and move out voluntarily, or they would be
9 forced out in a month by the County Health Department and receive no payment. Once again,
10 these statements to tenants were false and misleading.

11 60. In reliance on these false and misleading statements, several tenants accepted the
12 Westlake Defendants' offer, were paid \$2,500 in cash, and vacated their units. Other tenants
13 initially accepted the offer, but after obtaining the advice of legal counsel and learning of their
14 actual rights to receive either temporary relocation to another unit or building or permanent
15 relocation assistance in the amount of either \$3,300 or \$8,200, later rescinded their acceptance of
16 the \$2,500 and remained tenants in the Westlake Property.

17 61. In offering tenants \$2,500 to vacate their units, the Westlake Defendants violated the
18 RSO and the Tenant Habitability Program (LAMC sections 151.09 G, 152.05, 152.06, and
19 152.07 F) because these offers for permanent relocation assistance were not in the fixed amounts
20 of either \$3,300 or \$8,200 as required under the RSO, nor were these offers pursuant to the
21 provisions of any Tenant Habitability Plan approved by the LAHD.

22 62. In April 2006, the Westlake Property was accepted into REAP as a result of the
23 Westlake Defendants' failure to timely comply with Notices and Orders to Comply issued in
24 November and December 2005 issued by the LAHD, the LAFD, and the County Health
25 Department. Although the Westlake Defendants were actively pursuing Primary Renovation
26 Work in vacated units, they had failed to timely remedy serious habitability issues in units that
27 remained occupied, including, but not limited, to a non-functioning fire alarm system, rodent and
28 cockroach infestations, and inoperable plumbing and electrical systems.

1 Huntington Hotel. The Huntington Defendants nonetheless continued to: (A) demand rent,
2 collect rent, issue notices of rent increases, and issue three-day notices to pay rent or quit all in
3 violation of Civil Code section 1942.4; (B) charge some tenants rent amounts in excess of those
4 allowed under REAP in violation of LAMC section 162.04; (C) threaten to evict tenants who
5 elect to pay rent into REAP, instead of paying their rent directly to the Huntington Defendants, in
6 violation of LAMC sections 151.09 and 162.09.

7 69. In March 2005, the LAFD reported that a fire had occurred at the Huntington Hotel.
8 At that time, some but not all of the numerous code violations had been remedied. In July 2005,
9 and again in September 2005, the LAHD issued Notices and Orders to Comply requiring the
10 Huntington Defendants to remedy additional code violations involving serious habitability issues
11 at the Huntington Hotel including, but not limited to, extensive rodent and cockroach infestations
12 and inoperable plumbing. The Huntington Defendants' continuous failure to timely correct all
13 building, fire, health and safety code violations is a violation of Civil Code section 1941.1 and
14 the implied warranty of habitability.

15 70. In response to the Notices and Orders to Comply, acceptance into REAP, and the
16 criminal prosecution commenced against them, the Huntington Defendants commenced Primary
17 Renovation Work at the Huntington Hotel in or about October 2005. The Huntington
18 Defendants caused the tenants to vacate all units on the fourth floor and completely gutted the
19 vacant units for the purpose of installing all new electrical and plumbing systems, bathrooms,
20 flooring, and other fixtures. The Huntington Defendants commenced this work without first
21 submitting the requisite Tenant Habitability Plan to the LAHD in violation of LAMC section
22 152.03. Units on the first, second, and third floors remained occupied during the course of this
23 Primary Renovation Work.

24 71. On March 6, 2006, the LAHD posted a Stop Work Order at the Huntington Hotel
25 requiring the Huntington Defendants to submit and obtain approval of a Tenant Habitability Plan
26 before recommencing any Primary Renovation Work. The Huntington Defendants failed to
27 submit a proposed Tenant Habitability Plan to LAHD and to serve the plan on the tenants of the
28 Huntington Hotel until May 24, 2006. Tenants have objected to the terms of the proposed

1 Tenant Habitability Plan. The LAHD has scheduled a hearing regarding the matter for July 5,
2 2006.

3 72. To cause tenants to vacate their units, the Huntington Defendants engaged in various
4 unlawful acts and practices including: (A) threatening tenants with violence, locking tenants out
5 of their units, or removing tenants' personal property, all in violation of Code of Civil Procedure
6 section 1160 and Civil Code section 789.3, subdivision (b); (B) turning off the electricity and
7 water for extended periods of time in violation of Civil Code section 789.3, subdivision (a);
8 (C) allowing criminal activity, such as narcotic sales, assaults, and the firing of weapons, to
9 occur unchecked, rendering units unfit or unsuitable for occupancy in whole or in substantial part
10 for the purposes for which they were leased to the tenants and interfering with the tenants'
11 beneficial enjoyment of such units in violation of the covenant of quiet enjoyment; and (D)
12 refusing to allow some tenants to occupy a room for more than 28 days in violation of California
13 Civil Code section 1940.1.

14 *3715-3717 Los Feliz Boulevard*

15 73. In July 2001, Defendant RYE purchased a 33-unit apartment building commonly
16 known as 3715-3717 Los Feliz Boulevard, Los Angeles, California (the "Los Feliz Property").

17 74. Between September 2001 and August 2005, the LAHD issued two separate Two-Day
18 Orders to Repair and nine separate Notices and Orders to Comply requiring Defendants RYE,
19 LANDMARK, STERN, PETROSYAN, and DOES 1 through 10 (the "Los Feliz Defendants") to
20 remedy building code violations involving serious habitability issues at the Los Feliz Property.
21 The Los Feliz Defendants' failure to timely correct several building code violations resulted in
22 the LAHD placing the Los Feliz Property in REAP between September 2003 and January 2004.
23 As recently as February 2006, the County Health Department issued a Notice and Order to
24 Comply to remedy unabated mold in several units resulting from major plumbing problems.

25 75. In April 2002, the Los Feliz Defendants commenced unlawful detainer proceedings
26 against ten long-term tenants subject to rent control claiming non-payment of rent. Four of the
27 tenants contested the complaints and prevailed at trial. The Court entered judgment against the
28 Los Feliz Defendants in those four cases. The Los Feliz Defendants thereafter dismissed another

1 case pending against another tenant. The other five tenants decided to vacate their units rather
2 than further endure the aggravation and expense of defending against the pending unlawful
3 detainer proceedings. The Los Feliz Defendants are guilty of malicious prosecution in relation to
4 the four unlawful detainer proceedings in which the tenants prevailed at trial because they lacked
5 probable cause to commence the unlawful detainer proceedings and acted with malice.

6 76. To cause tenants to vacate additional units, the Los Feliz Defendants engaged in
7 various other unlawful acts and practices including: (A) failing to timely correct various
8 building, health and safety code violations, which also is a violation of Civil Code section 1941.1
9 and the implied warranty of habitability; (B) frequently posting notices to enter for purposes of
10 harassing tenants, which constituted an abuse of the right of access in violation of Civil Code
11 section 1954, subdivision (c); (C) charging tenants rents in excess of the amounts allowed under
12 REAP in violation of LAMC section 162.09 B; (D) placing a trash bin behind several cars
13 parked in the garage so that tenants could not move them for two days, rendering the leased
14 parking spaces unfit or unsuitable for occupancy in whole or in substantial part for the purposes
15 for which they were leased to the tenants and interfering with the tenants' beneficial enjoyment
16 of such parking spaces in violation of the covenant of quiet enjoyment; and (F) failing to provide
17 an on-site manager in violation of LAMC section 57.112.04.

18 77. Between July 2003 and August 2004, the Los Feliz Defendants added additional
19 bedrooms in eight separate units tenants vacated as a result of the unlawful, unfair, and
20 fraudulent business practices described above. The Los Feliz Defendants have relet some of
21 these units and are currently offering the other units for rent at rates substantially higher than
22 those paid by the tenants who were victims of the Los Feliz Defendants' scheme.

23 ***240 South Western Avenue***

24 78. In July 2003, Defendants HIGHPOINT II and RYE purchased a 54-unit, mixed-use
25 building commonly known as 240 South Western Avenue, Los Angeles, California (the
26 "Western Property").

27 79. In September 2003, the LAHD issued a Notice and Order to Comply requiring
28 Defendants HIGHPOINT II, RYE, LANDMARK, STERN, PETROSYAN, and DOES 1 through

1 10 (the “Western Defendants”) to remedy building code violations involving serious habitability
2 issues at the Western Property including, among other things, failure to provide trash removal
3 services which caused enormous amounts of trash to pile up around the trash dumpster and along
4 the side of the building. The criminal prosecution that the Slum Task Force commenced in
5 November 2004 against the Huntington Defendants in relation to code violations at the
6 Huntington Hotel (described in paragraph 62 above) also included counts against the Western
7 Defendants for code violations at the Western Property.

8 80. In or about September 2003, the Western Defendants decided to cause tenants to
9 completely vacate the Western Property so that the Western Defendants could renovate the
10 building. Because the Los Angeles City Council had enacted the Interim Control Ordinance
11 temporarily placing a moratorium on evicting tenants for Major Rehabilitation Work, the
12 Western Defendants had no legal basis for evicting all the tenants of the Western Property.

13 81. To cause tenants to vacate all the units at the Western Property, the Western
14 Defendants engaged in various unlawful acts and practices, including: (A) increasing the rent of
15 all units at the Western Property by 10% in violation of LAMC section 151.06; (B) failing to
16 timely correct various building, health and safety code violations, which also is a violation of
17 Civil Code section 1941.1 and the implied warranty of habitability; (C) commencing retaliatory
18 eviction actions against several tenants who complained about the poor habitability conditions in
19 violation of Civil Code section 1942.5; and (D) terminating the employment of the on-site
20 manager and failing to provide a replacement on-site manager in violation of LAMC section
21 57.112.04.

22 82. By July 2004, the entire Western Property was vacant. All tenants had either left,
23 been evicted, or moved out pursuant to settlements reached with the Western Defendants.

24 ***Only Examples***

25 83. Defendants’ actions described above in relation to specific Properties are merely
26 examples. Defendants have engaged in the unlawful, unfair, and fraudulent business acts and
27 practices described in this Complaint in connection with numerous other Properties they
28 currently own and operate, or have owned and operated in the past, including, but not limited to:

1 (A) 732 South Mariposa Avenue, a 24-unit apartment building; (B) 1001-1005 North Berendo
2 Street and 4705 Willow Brook Avenue, an 18-unit apartment complex; (C) 5849 West Sunset
3 Boulevard, a 70-unit residential hotel known as the St. Moritz; (D) 5075 West Washington
4 Boulevard, a 17-unit apartment building; (E) 1937 North Bronson Avenue, a 12-unit apartment
5 building; (F) 1000 North Serrano Avenue, a 24-unit apartment building; (G) 445 South Western
6 Avenue, a 104-unit apartment building; and (H) 1944 Whitley Avenue, a 34-unit apartment
7 building.

8 84. In fact, Defendants' unlawful, unfair, and fraudulent business acts and practices
9 caused tenants to vacate entire buildings at the following Properties, among others: (A) 732
10 South Mariposa Avenue (completely vacated twice); (B) 1001-1005 North Berendo Street and
11 4705 Willow Brook Avenue; and (C) 1000 North Serrano Avenue.

12 **FIRST CAUSE OF ACTION**

13 **(Unfair Competition - Against All Defendants)**

14 85. Plaintiff incorporates paragraphs 1 through 84 in this First Cause of Action.

15 86. Within the four years preceding the filing of this Complaint, Defendants, and each of
16 them, violated Business and Professions Code section 17200 by engaging in the following
17 unlawful business acts and practices, among others:

- 18 A. Failing to timely comply with orders issued by the LADBS, the LAHD, the
19 LAFD, or the County Health Department to remedy code violations in
20 violation of various building, fire, health and safety codes.
- 21 B. Failing to ensure that rental units are habitable in violation of Civil Code
22 section 1941.
- 23 C. Breaching the warranty of habitability implied in all rental agreements by
24 failing to maintain rental units in substantial compliance with those
25 applicable building and housing codes standards that materially affect health
26 and safety.
- 27 D. Failing to submit a Tenant Habitability Plan to LAHD and failing to obtain
28 LAHD's approval of such plan before undertaking Primary Renovation

1 Work as required under the Tenant Habitability Program in violation of
2 LAMC section 152.03.

3 E. Paying or offering tenants less permanent relocation assistance to vacate a
4 unit than they are entitled to receive under the RSO and the Tenant
5 Habitability Program in violation of LAMC sections 151.09 G, 152.05,
6 152.06, and 152.07 F.

7 F. Demanding rent, collecting rent, issuing notices of rent increases, or issuing
8 three-day notices to pay rent or quit where all the conditions set forth in Civil
9 Code section 1942.4 exist in violation of Civil Code section 1942.4;

10 G. Charging tenants rents in excess of the amounts allowed under the RSO in
11 violation of LAMC sections 151.06.

12 H. Improperly charging rents in excess of the amounts allowed under the
13 provisions of REAP in violation of LAMC sections 162.04 and 162.09 B.

14 I. Wrongfully threatening tenants with evictions for paying rent into REAP in
15 violation of LAMC section 162.09 B.

16 J. Engaging in malicious prosecution by commencing unlawful detainer
17 proceedings in which the tenant prevailed in the proceedings, the Defendants
18 lacked probable cause to commence the proceeding, and the Defendants
19 acted with malice.

20 K. Engaging in retaliatory evictions in violation of Civil Code section 1942.5

21 L. Committing forcible detainers against tenants by causing them to vacate their
22 units by force, or by menaces and threats of violence, in violation of Code of
23 Civil Procedure section 1160.

24 M. Locking tenants out of rental units in their absence or removing their
25 personal property without tenants' permission in violation of Code of Civil
26 Procedure section 1160 and Civil Code section 789.3 subdivision (b).

27 N. Breaching the covenant of quiet enjoyment implied in all rental agreements
28 by rendering rental units unfit or unsuitable for occupancy in whole or in

substantial part for the purposes for which they were leased or interfering with tenants' beneficial enjoyment of the premises.

- O. Requiring individuals to check out of residential hotel rooms on the 28th day of occupancy to avoid conferring rights of tenancy upon such individuals in violation of Civil Code section 1940.1 and LAMC section 151.10 C.
- P. Posting excessive Notices to Enter rental units for the purpose of harassing tenants in violation of Civil Code section 1954(c).
- Q. Failing to provide an on-site manager as required at apartments with more than 16 units and hotels with more than 20 guest rooms in violation of LAMC section 57.112.05.

87. Within the four years preceding the filing of this Complaint, Defendants, and each of them, further violated Business and Professions Code section 17200 by engaging in the following unfair business acts and practices, among others:

- A. Defendants threatened incipient violations of State and local laws that protected tenants from having to reside in uninhabitable rental units, illegal rent increases, wrongful evictions, unauthorized entry into rental units, retaliation for exercising their tenant rights, and requiring individuals to check out of residential hotel rooms on or about the twenty-eighth (28th) day of occupancy for the purpose of denying them tenant status and rights.
- B. Defendants violated the public policy and spirit embodied in State and local laws described in this Complaint that require owners and operators of residential properties to: maintain rental units in a habitable condition, make timely repairs to such rental units, evict tenants only when probable cause exists to do so and only through the appropriate judicial process, charge lawful rental rates, enter units only for lawful purposes, not retaliate against tenants for exercising their rights, and not require individuals to check out of residential hotel rooms on or about the twenty-eighth (28th) day of occupancy for the purpose of denying them tenant status and rights.

1 C. Defendants violated the established public policy of the State of California
2 and the City of Los Angeles, which public policy seeks, among other things:
3 to protect tenants from having to reside in uninhabitable rental units, illegal
4 rent increases, wrongful evictions, unauthorized entry into rental units,
5 retaliation for exercising their tenant rights, and requiring individuals to check
6 out of residential hotel rooms on or about the twenty-eighth (28th) day of
7 occupancy for the purpose of denying them tenant status and rights; and which
8 public policy seeks to maintain the stock of affordable housing in the City of
9 Los Angeles.

10 D. Defendants' conduct as described in this Complaint has been immoral,
11 unethical, oppressive, and unscrupulous in that Defendants have, among other
12 things: willfully and intentionally failed to maintain rental units in habitable
13 conditions; willfully and intentionally violated tenants' rights established by
14 State and local law; and used these tactics to cause tenants who are primarily
15 low income, minority, and legally unsophisticated individuals and families to
16 vacate their rented residences. Furthermore, Defendants have engaged in this
17 conduct for the purpose of increasing their market rental rates, thus increasing
18 the resale value of their Properties.

19 E. Applying and balancing the factors of Section 5 of the Federal Trade
20 Commission Act (United States Code, title 15, section 45, subdivision (n)):
21 (i) the injury to tenants at the Properties has been substantial, as hundreds of
22 tenants have been forced to live in uninhabitable rental units; forced to vacate
23 rental units subject to rent control; and forced to endure Defendants' violation
24 of their rights; (ii) this injury is not outweighed by any countervailing benefits
25 to such tenants in that Defendants could have renovated the Properties without
26 causing tenants to live in uninhabitable units or violating their rights; and
27 (iii) the injury to tenants from living in uninhabitable rental units and being
28 subjected to violations of their rights is not one these tenants could have

1 reasonably avoided, as they had no ability to control the condition of the
2 buildings in which they resided or the actions of Defendants in violating their
3 rights.

4 88. Within the four years preceding the filing of this Complaint, Defendants, and each of
5 them, further violated Business and Professions Code section 17200 by engaging in the
6 following fraudulent business acts and practices, among others:

7 A. Defendants made false and misleading statements to tenants, including the
8 following, among others: (i) in January 2006, representatives of the Westlake
9 Defendants told tenants of the Westlake Property that the County Health
10 Department had ordered the Westlake Property to be completely vacated and
11 that tenants would be required to leave by the end of February 2006; and
12 (ii) in January and February 2006, representatives of the Westlake Defendants
13 told tenants of the Westlake Property that because the County Health
14 Department had ordered the building to be vacated the tenants would have to
15 accept a \$2,500 payment from the Westlake Defendants and move out
16 voluntarily, or they would be forced out in a month by the County Health
17 Department and receive no payments.

18 B. The statements Defendants made to tenants described above were false or
19 misleading in that the truth is: (i) no enforcement agency had issued any
20 orders to vacate any units in the building, and (ii) if tenants were required to
21 vacate the building, they would be entitled to received the fixed amount of
22 either \$3,300 or \$8,200 pursuant to the RSO and the Tenant Habitability
23 Program. (LAMC sections 151.09 G, 152.05, and 152.06.)

24 89. Defendants' acts of unfair competition present a continuing threat to the public
25 welfare. Plaintiff has no adequate remedy at law, and unless Defendants, and each of them, are
26 enjoined and restrained by order of this Court, Defendants will continue to commit acts of unfair
27 competition, thereby causing irreparable injury and harm to the public welfare.

PRAYER

Plaintiff prays for relief as follows:

1. Pursuant to Business and Professions Code section 17203 and the equitable powers of the Court, Plaintiff prays that Defendants, their successor or assigns, and all persons acting on their behalf or in concert with them, be preliminarily and permanently enjoined from: (1) failing to timely comply with orders issued by the LAHD, the LAFD, the LADBS, or the County Health Department; (2) failing to comply with the provisions of the RSO (LAMC sections 151.00, *et seq.*); (3) failing to comply with the provisions of the Tenant Habitability Program (LAMC sections 152.00, *et seq.*); and (4) engaging in all other acts of unfair competition as described in this Complaint.

2. Pursuant to Business and Professions Code section 17203 and the equitable powers of the Court, Plaintiff prays that a receiver be appointed to take possession and control of all properties within Los Angeles at which Defendants are continuing to engage in unfair competition as described in this Complaint.

3. Pursuant to Business and Professions Code section 17203 and the equitable powers of the Court, Plaintiff prays that Defendants be ordered to make restitution to restore to all persons all money or property acquired by means of any unfair competition.

4. Pursuant to Business and Professions Code section 17203 and the equitable powers of the Court, Plaintiff prays that Defendants be ordered to disgorge all profits acquired by means of any unfair competition.

5. Pursuant to Business and Professions Code section 17206, Plaintiff prays that Defendants be assessed, jointly and severally, a civil penalty of \$2,500 for each violation of Business and Professions Code section 17200.

6. Pursuant to Business and Professions Code section 17206.1, Plaintiff prays that Defendants be assessed, jointly and severally, an additional civil penalty of \$2,500 for each violation of Business and Professions Code section 17200, perpetrated against one or more “senior citizens” or “disabled persons,” as those terms are defined in Business and Professions Code section 17206.1, subdivisions (b)(1) and (b)(2).

