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From the Los Angeles Times

Landlords Bullied L.A. Tenants Out to Gentrify Apartments, Suit Says

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Domingo and Esther Chan and their two children have lived for years in a rent-controlled apartment near MacArthur Park, paying $403 a month for the tiny space, dominated by a queen-size bed.

Then last year, their apartment building was sold, and the new owner immediately began pressuring the Chans to move out, they said. A man known to them simply as "Rocky" frequently came to their door, pressing them to take $2,500 to vacate the unit.

FOR THE RECORD:
Apartment rents: An article in Thursday's Section A about a lawsuit by the Los Angeles city attorney's office against a landlord for unfair business practices stated that under city law, landlords of rent-controlled apartments can increase rents by 5% each year. In fact, most landlords are limited to a 3% increase (though that number will increase to 4% on July 1). Landlords who pay for their tenants' gas or electric service are entitled to an additional 1% for each utility. —

"He told me it was my last opportunity," said Domingo, a day laborer. "He said I would end up in the street without money and without the room."

The Los Angeles city attorney's office said Wednesday that it had filed suit against a group of property owners, including the Chans' landlord, accusing them of pushing out rent-control tenants so they could upgrade the units and rent them back out at much higher rates.

The owners allegedly picked apartment buildings with care, looking in swiftly gentrifying neighborhoods that included Hollywood, downtown, Westlake and Los Feliz. They sought rent-controlled buildings, which yielded low revenue and therefore cost less to buy, authorities said. The firms purchased more than 25 properties in all, then used a variety of intimidation tactics to force the residents out, according to allegations contained in court papers.

The charges come as city officials are grappling with the fallout from the gentrification that is sweeping neighborhoods across the region.

As once-downtrodden districts become hip and desirable, rising rents leave longtime residents at risk of being squeezed out, say city officials and housing advocates.

The City Council is considering rules to slow a recent explosion in apartments being converted into condominiums, particularly in parts of the Westside and San Fernando Valley.

Since the beginning of 2001, more than 11,000 rent-controlled apartments have been taken off the rental market, according to the Los Angeles Housing Department. About 7,000 of those have disappeared in the last 18 months.

Thousands of those units were converted to condos, a perfectly legal process that has prompted protests from some longtime apartment dwellers who are being told they must buy their units or find other housing. Gentrification has also led to significantly higher rents in some newly desirable neighborhoods. In downtown, for example, lofts that five years ago went for $800 a month rent at $1,800 or more now.

"There's a real economic incentive to get these properties and transfer them to 'market rate' units," said professor Raphael Bostic of USC's Lusk Center for Real Estate. But, he added, "you do have to clear out the original tenants to do that."

The city attorney's office filed the civil charges against Van Nuys-based Landmark Equity Management; its president, Darren Stern; and seven affiliated companies. Stern and representatives from the other firms did not return several calls seeking comment.

For the first time the office, in addition to imposing fines, is seeking to seize the landlords' properties, using a statute in the state code normally applied to antitrust cases.

Authorities allege that the landlords sought to circumvent local renter-protection laws by locking tenants out of their buildings, failing to make timely repairs, making false and misleading representations that the building was being condemned and turning off utilities.

At the low-rent Huntington Hotel downtown, electricity and water were turned off for extended periods, according to court documents, and tenants were threatened with violence or the removal of their property unless they vacated their units. At the apartment building where the Chans lived, the defendants started renovation work on the building and allegedly forced tenants to walk through an area open to potentially harmful construction dust.

Ruben Diaz and Maria Hernandez, who had lived with their five children in that same building, at 721 S. Westlake Ave., said they found themselves penalized by the landlord after what they considered an innocent mistake: reversing the "to" and "from" on the money order they used to pay rent.

The company, Diaz said, returned the check with an eviction notice and followed up with an "unlawful detainer" motion.

"They were pushing us to leave," Hernandez said. The couple negotiated with the landlord to stay through the summer, but they must leave by the end of August.

The landlord would regularly "intimidate, harass and threaten the tenant until they leave," Deputy City Atty. Janet Karnaken said in an interview.

The suit, filed in Los Angeles Superior Court, alleges that the defendants' actions were part of a larger pattern and that, ultimately, the property owners would try to sell the buildings at much higher prices because of the elevated rents.

"At several properties," the city attorney's office alleges in court documents, "defendants have caused tenants to vacate the entire building, a feat that is virtually impossible to legally accomplish in Los Angeles."

Under city law, landlords of multi-unit residential properties can increase rents 5% a year and may evict tenants only under certain stringent circumstances. Once a tenant moves out, landlords can reset the rent as high as they want — whether they refurbish the unit or not. But after a new resident moves in, the limit of a 5% yearly increase is reapplied.

It used to be that landlords could evict tenants when they wanted to undertake major rehabilitations of their properties. But four years ago, citing statistics that an upsurge in evictions for that purpose had resulted in a loss of affordable housing, the city suspended the use of rehabbing as grounds for eviction.

Today, property owners wishing to rehab their buildings must submit a detailed plan to the city Housing Department explaining how they will accommodate tenants during the construction work. The law permits landlords to either temporarily relocate them or offer them relocation assistance of $3,300 to $8,200 a unit — depending on the tenant's circumstances — if the department approves the plan.

The city attorney's office has traditionally focused its attention on slumlords, because of the dangerous living conditions their tenants face. But recently, it has gotten involved in cases of landlords who allegedly break the law when trying to gentrify their properties.

Earlier this year, the office filed suit against two of downtown's biggest single-room-occupancy hotels, accusing operators of regularly shuffling transients in and out of their properties to prevent them from becoming legal tenants and receiving certain rights under state law. Some housing advocates suspect that hotel owners ultimately want to convert some of the single-room units into luxury lofts.

City Hall is also getting involved in the issue of gentrification, holding hearings throughout Los Angeles to discuss the implications of the rising number of condo conversions. Last month, the council passed a moratorium on the conversion or demolition of low-cost residential hotels in response to concerns that upscale developments downtown were pushing those hotels out.

And city officials hope that the lawsuit against Landmark marks the beginning of a more aggressive look at gentrification issues.

City Atty. Rocky Delgadillo said he considers the charges against the firm a turning point, because the city is using the "unfair competition" law. He said it makes sense to apply the law because those landlords "have an unfair advantage over honest businessmen." If a judge rules in the city's favor, the courts could place all the properties owned by Landmark and its affiliates, including buildings they had sold at a large profit, into receivership.

That strategy, said Bostic of USC, "is a huge move. If it works, that's a real shot across the bow to every landlord in the city."

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(INFOBOX BELOW)

Buildings targeted

Here is a list of the apartment buildings owned by Landmark Equity and its affiliates. The city charged Landmark and seven affiliates with pushing out rent-control tenants so they could upgrade the units and rent them back out at much higher rates.

2408 N. Beachwood Drive

1001-1005 N. Berendo St.

14612-14626 Blythe St.

7907 Brimfield Ave.

1937 N. Bronson Ave.

3330 Chapman St.

3715-3717 Los Feliz Blvd.

752 S. Main St. (Huntington Hotel)

1801-1803 Malcolm Ave.

732 S. Mariposa Ave.

1015-1021 N. Mariposa Ave.

217 N. Saratoga St.

1000 N. Serrano Ave.

5849 W. Sunset Blvd. (St. Moritz Hotel)

5036-5038 Vineland Ave.

5075 W. Washington Blvd.

240 S. Western Ave.

445 S. Western Ave.

721 S. Westlake Ave.

1944 Whitley Ave.

7609 Whitsett Ave.

4538-4552 Willow Brook Ave.

4705 Willow Brook Ave.

7031-7321 Woodman Ave.

7934 Woodman Ave.

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Source: L.A. city attorney's office
