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TUESDAY, MARCH 4, 2008

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L.A. CITY ATTORNEY ROCKY DELGADILLO SECURES \$10 MILLION SETTLEMENT IN MAJOR SLUM HOUSING CASE

Also Bans Slumlord from L.A.'s Multi-Unit Housing Market for More than 4 Years

LOS ANGELES – Los Angeles City Attorney Rocky Delgadillo, the City's chief prosecutor, today announced his office has secured a \$10 million settlement between the People and Darren Stern (a.k.a. Henry Shalom), owner of Landmark Equity Management, Inc., following the City Attorney's 2006 civil suit alleging that Landmark engaged in a calculated scheme to drive low-income tenants out of more than 800 rent-controlled apartment units in Los Angeles.

"Today's announcement should send a powerful message that in the City of Los Angeles, we will not tolerate cynical and illegal schemes to drive poor tenants out of their homes and into the streets," said City Attorney Delgadillo, who's made the fight to protect tenants and consumers a top priority for his office. "When L.A. landlords break the law, they will be held to account for their actions."

The court judgment secured by the City Attorney requires Landmark to pay a \$1 million fixed civil penalty and establish a \$9 million restitution fund. The restitution fund will be used to pay up to 70 percent in refunds of rent tenants paid between June 2002 and the present, claims for violation of the Rent Stabilization Ordinance, and relocation assistance to tenants who were forced out of those buildings that defendants emptied to raise rent.

Landmark will also be required to pay \$105,000 to reimburse investigative costs and expert fees to the City Attorney's Office, Los Angeles Housing Department, Los Angeles Department of Building and Safety, and the Department of County Health Services. Additionally, Landmark owner Darren Stern will be banished from the residential rental market in the City of Los Angeles for 4 years and 6 months. Stern is also required to bring all of his remaining properties in the City of Los Angeles into code compliance and is forever prohibited from engaging in tenant right violations.

"The housing affordability crisis is bringing a great deal of stress and hardship to the over 60% of Angelenos who are renters," said Mercedes Marquez, General Manager of the Los Angeles Housing Department. "This case demonstrates the level of abuse of renters' rights that plagues many of our residents. The Los Angeles Housing Department (LAHD) and the City Attorney's Office worked in partnership to investigate and litigate this case. LAHD is grateful that the case has come to a just conclusion."

According to the City Attorney's June 2006 complaint, Landmark had engaged in the practice of purchasing rent-controlled buildings with a high occupancy rate and then embarking on a pattern of harassment, intimidation and failure to correct substandard living conditions to unlawfully drive out as many tenants who pay below market-rate rent as possible. The goal of the scheme was to illegally evict tenants, raise rents and sell the buildings for an inflated profit.

The City Attorney's complaint alleged that Stern and his affiliates engaged in dozens of violations of state law through a number of illegal or unfair practices, including allowing properties to fall into disrepair and failing to remedy serious and extensive code violations, illegally increasing rents and refusing to pay for relocation in violation of the Rent Stabilization Ordinance, refusing to accept rent payments, then suing tenants for failure to pay and illegally shutting off utilities, entering units without permission, and harassing tenants.

In December 2006, City Attorney Delgadillo secured a preliminary injunction which required Landmark Equity Management, Inc. to bring its buildings into compliance with habitability codes and to comply with provisions of the Rent Stabilization Ordinance and Tenant Habitability Program.

Landmark failed to bring all of these properties into code compliance and as a result, the City Attorney's Office brought civil contempt charges. Since then, Landmark has brought ten properties into code compliance and has sold ten properties to legitimate buyers. Only one residential hotel, one apartment building, and seven stock cooperative buildings require further work to remedy code violations identified by enforcement agencies.

In addition to the civil suit, City Attorney Delgadillo filed criminal charges against Stern in 2004 and 2005. Stern was charged with nearly three dozen code violations at three buildings near downtown Los Angeles. He was convicted in May 2007 and was sentenced to 150 days in county jail.

Today's settlement was reached with Darren Stern and all of his related entities. Violation of this judgment may result in the commencement of contempt proceedings or the imposition of civil penalties of up to \$6,000 for each day that each violation continues.

"We are encouraged by the City Attorney's decision to prosecute a slumlord who owns many properties in Los Angeles," said Barbara Schultz of the Legal Aid Foundation of Los Angeles (LAFLA). "This case signals that mitigation of slums in Los Angeles is a priority for the City Attorney. We look forward to his enforcement of this significant settlement to improve the lives of the tenants forced to live in deplorable conditions. "

The City Attorney's Office currently leads the Interagency Housing Task Force with representatives from the City's Housing Department (LAHD), Fire Department (LAFD) and the Department of County Health Services in prosecuting slumlords throughout the City, protecting tenants' rights to live in safe and sanitary rental housing. With this coordinated effort, criminal prosecutions and civil actions can be initiated against recalcitrant building owners in a comprehensive case rather than several separate cases brought by each agency.

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