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23CV417467
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8 *Attorneys for the People of the State of California*

10 SUPERIOR COURT OF THE STATE OF CALIFORNIA
11 COUNTY OF SANTA CLARA

14 **THE PEOPLE OF THE STATE OF CALIFORNIA,**
15
16 Plaintiff,
17 v.
18 **GREEN VALLEY CORPORATION, d/b/a SWENSON BUILDERS,**
19 Defendant.

Case No. 23CV417467

COMPLAINT FOR PERMANENT INJUNCTION, CIVIL PENALTIES, RESTITUTION, AND OTHER EQUITABLE RELIEF
(BUS. & PROF. CODE, § 17200 et seq.)

21 The People of the State of California (“People”), by Rob Bonta, Attorney General of the
22 State of California, bring this action against Green Valley Corporation (“GVC” or “Defendant”) for violating the Unfair Competition Law (Bus. & Prof. Code, § 17200 et seq.), and allege the
23 following on information and belief:
24

25 **INTRODUCTION**

26 1. The People bring this civil enforcement action against Green Valley Corporation
27 for violations of the unlawful prong of the Unfair Competition Law (“UCL”). These violations
28

1 are predicated on the Tenant Protection Act, a state law enacted in 2019 that protects most renters
2 in California by limiting annual rent increases and prohibiting eviction without just cause.

3 2. Defendant violated the Tenant Protection Act by raising rent for 19 of its tenants
4 above the annual allowable limit. Defendant also sent eviction notices to six of those tenants
5 without just cause. All of the affected tenants were employed by Defendant, which incorrectly
6 treated the tenants as exempt from the Tenant Protection Act because of their status as employees.

7 **DEFENDANT**

8 3. Defendant is a privately held real-estate development and property management
9 firm. It is a California corporation with its headquarters and principal place of business at 777 N.
10 First Street, 5th Floor, San Jose, California 95112.

11 **JURISDICTION AND VENUE**

12 4. This Court has jurisdiction over the allegations and subject matter of the People's
13 Complaint filed in this action, brought under Business and Professions Code section 17200 et seq.

14 5. Venue is proper here because Defendant is headquartered in this county and all
15 violations of law alleged in this complaint occurred in this county.

16 **THE TENANT PROTECTION ACT**

17 6. In 2019, California enacted the Tenant Protection Act, which created significant
18 new rent-increase and eviction protections for most tenants. Generally speaking, the Tenant
19 Protection Act applies to most rental units in California that were built more than 15 years ago,
20 including single family homes owned by a corporation or real estate investment trust. The Tenant
21 Protection Act does not exempt employees of a landlord. The Act applies to tenants who are also
22 employed by their landlord depending on several factors, including whether they have signed
23 leases or otherwise created tenancies, have taken possession of their units, and are required to live
24 in the rental unit for performance of their job duties. (Compare *Morris v. Iden* (1913) 23
25 Cal.App. 388, 393-95 with *Chan v. Antepencko* (1988) 203 Cal.App.3d Supp. 21.)

26 7. Recognizing the need to protect California tenants from the financial
27 destabilization and physical displacement frequently caused by large, unexpected rent increases,
28 the legislature established a statewide ceiling on annual rent increases at covered properties.

1 Specifically, the Tenant Protection Act proscribes owners from, over the course of a 12-month
2 period, “increas[ing] the gross rental rate for a [covered] dwelling or a unit more than 5 percent
3 plus the percentage change in the cost of living, or 10 percent, whichever is lower” (Civ.
4 Code, § 1947.12 subd. (a)(1).)

5 8. The Tenant Protection Act’s rent-increase provisions work in conjunction with
6 other California laws regarding rent increases. For example, landlords must issue notices of rent
7 increases in writing, delivered personally or by mail in the manner prescribed by Civil Code
8 section 827.

9 9. The legislature also recognized that placing limits on rent increases necessitated a
10 corresponding prohibition on evictions without a good reason, commonly referred to as a “just
11 cause.” Requiring a just-cause basis for eviction helps prevent landlords from easily evicting
12 tenants in order to reset unit rents at higher rates than the rent increase cap allows. As such, the
13 Tenant Protection Act permits landlords to terminate tenancies for covered tenants *only* where
14 they have a statutorily enumerated just cause. (Civ. Code, § 1946.2). For example, a landlord
15 may evict a tenant if they withdraw the unit from the rental market or if they intend to demolish
16 or substantially remodel the property. (Civ. Code, § 1946.2 subd. (b)(2).) “Withdrawal,” a term
17 used in the Ellis Act, refers specifically to a landlord going out of business and taking properties
18 off the rental market by, for example, converting a property to condominiums. (Gov. Code, §
19 7060.7 [citing *Nash v. City of Santa Monica* (1984) 37 Cal.3d 97].) A property’s sale does not
20 equate to its withdrawal from the rental market; on the contrary, units can pass from one owner to
21 the next with the same tenant in place.

22 10. “Substantial remodel,” as defined by statute, requires certain work—specifically,
23 the replacement or substantial modification of structural, electrical, plumbing, or mechanical
24 systems that requires a government permit, or the abatement of hazardous materials—that cannot
25 reasonably be accomplished safely with the tenant in place and requires the tenant to vacate the
26 unit for 30 or more days. (Civ. Code, § 1946.2 subd. (b)(2)(D).) Substantial remodel does not
27 include cosmetic work or work that can be performed safely without requiring a tenant to vacate
28 their unit for at least 30 days. (*Ibid.*) A landlord invoking this provision should be able to show

1 that they obtained estimates from licensed contractors about the scope and duration of work,
2 sought and received permits for the work, and actually completed work that met the statutory
3 definition, including showing that the work reasonably took longer than 30 days and could not
4 have been done with the tenant in place or by relocating the tenant for a period of less than 30
5 days. Work that can be diligently performed with a tenant absent from the unit for less than 30
6 days cannot form the basis of an eviction, even if a landlord or contractor chooses to perform the
7 work at a slower pace.

8 **DEFENDANT’S BUSINESS PRACTICES**

9 11. Defendant leases a large number of properties, include single-family homes, to
10 tenants. Among those tenants are employees of Defendant who signed regular leases that
11 identified them as tenants, took possession of their units and lived in them for years, and did not
12 require housing to perform their job duties for Defendant.

13 12. Defendant was required to adhere to the Tenant Protection Act’s rent increase
14 provisions when raising rent for these and other covered tenants. In late 2021, the maximum
15 allowable percentage rent increase permitted under the Tenant Protection Act in Santa Clara
16 County was 9%.

17 13. In late July 2021, Defendant notified 19 of its employee tenants verbally or by
18 email that their rent would be increased as of September 1, 2021. The tenants’ new rates were
19 above the 9% maximum allowable percentage rate increase.

20 14. In September 2021, Defendant served eviction notices on six of the 19 employee
21 tenants. In two of the instances it cited “withdrawal” as the just cause, but put up the units for
22 sale rather than removing the units from the rental market. In the other four instances, Defendant
23 cited an “intent to demolish or substantially remodel,” but did not undertake substantial
24 remodeling work as that term is defined by the Tenant Protection Act.

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1 **FIRST CAUSE OF ACTION**

2 **VIOLATION OF BUSINESS AND PROFESSIONS CODE SECTION 17200**

3 (Unfair Competition)

4 15. Plaintiff realleges paragraphs 1 through 14 and incorporates these paragraphs by
5 reference as if fully set forth in this cause of action.

6 16. Defendant has engaged in business acts or practices that constitute unfair
7 competition as defined in the Unfair Competition Law, Business and Professions Code section
8 17200 et seq. These acts or practices include, but are not limited to, the following:

- 9 a) Raising tenants' rent in excess of the rent increase cap imposed by Civ. Code, §
10 1947.12;
- 11 b) Failing to provide adequate written notice of rent increases, as required by Civ.
12 Code, § 827 subd. (b)(1);
- 13 c) Providing fewer than 90 days' notice when imposing an increase larger than 10%,
14 as required by Civ. Code, § 827 subd. (b)(3)(A); and
- 15 d) Evicting tenants without a just-cause basis in violation of Civ. Code, § 1946.2.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, the People pray for judgment as follows:

18 1. Under Business and Professions Code section 17203, that Defendant, its affiliates,
19 subsidiaries, successors and assigns, its officers and employees, and all persons who act in
20 concert with Defendant, be permanently enjoined from committing any unlawful, unfair, or
21 fraudulent acts of unfair competition in violation of Business and Professions Code section 17200
22 as alleged in this Complaint;

23 2. That the Court make such orders or judgments as may be necessary to prevent the
24 use or employment by Defendant of any practice that constitutes unfair competition or as may be
25 necessary to restore to any person in interest any money or property that may have been acquired
26 by means of such unfair competition, under the authority of Business and Professions Code
27 section 17203;

28 3. That the Court assess a civil penalty of \$2,500 against Defendant for each

1 violation of Business and Professions Code section 17200 in an amount according to proof, under
2 the authority of Business and Professions Code section 17206;

3 4. That the People recover its costs of suit, including costs of its investigation; and

4 5. For such other and further relief that the Court deems just and proper.

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6 Dated: June 13, 2023

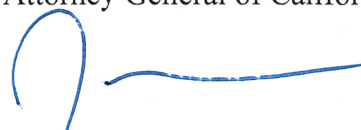
Respectfully Submitted,

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ROB BONTA
Attorney General of California

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Jason H. Tarricone
Deputy Attorney General

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