COURT OF APPEAL – SECOND DIST.
FILED
Aug 26, 2026
EVA McCLINTOCK, Clerk
DGuzman Deputy Clerk

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA
SECOND APPELLATE DISTRICT
DIVISION FOUR

NINSI CASTELAN,

Plaintiff and Respondent,

v.

716 YALE TERRACE, L.P., et al.,

Defendants and Appellants.

B346210

(Los Angeles County Super. Ct. No. 25STCV05369)

APPEAL from an order of the Superior Court of Los Angeles County, Gary D. Roberts, Judge. Affirmed.

Park & Lim, S. Young Lim and Jessie Y. Kim for Defendants and Appellants.

Irell & Manella, Morgan Chu, Bruce Wessel, Eli Levinson, Woongki Park, Jennifer Keute, Ke Yang; Public Counsel, Raymond Fang, Ritu Mahajan, Alisa Randell, Lucas Oppenheim and Kaho Maeda for Plaintiff and Respondent.

Plaintiff and respondent Ninsi Castelan is a tenant in an apartment building for low-income individuals and families in Los Angeles. The building was developed with government financial assistance in exchange for the recordation of a covenant limiting the rents that can be charged. Defendant and appellant 716 Yale Terrace, L.P. owns the apartment building; defendant and respondent GRCLA-Affordable Holding, LLC is the administrative general partner of the owner. We shall refer to these two parties collectively as "defendants."

After defendants increased plaintiff's rent, she sued them and others for allegedly charging excessive rents in breach of the covenant. In March of 2025, plaintiff sought a preliminary injunction prohibiting defendants from charging rents higher than they charged in early 2024 pending resolution of the litigation. The trial court granted the motion, and defendants appealed.

On appeal, defendants advance five arguments in favor of reversal: (1) circumstances have changed since the issuance of the preliminary injunction; (2) plaintiff failed to establish a likelihood of success on the merits; (3) plaintiff failed to establish irreparable harm sufficient to justify injunctive relief; (4) the balance of harms and equities does not support the injunction; and (5) the preliminary injunction improperly extends relief to nonparty tenants. We reject these contentions and affirm.

BACKGROUND

Since 2012, plaintiff has been a tenant at the Yale Terrace Apartments, located in the Chinatown neighborhood of Los Angeles. She lives there with her mother and two adult brothers.

The Yale Terrace apartment building was developed as affordable housing. In 2005, the City of Los Angeles sold the land on which the building was built to the original developer for "no cash." To finance the project, the Community Redevelopment Agency of the City of Los Angeles issued two 55-year loans totaling about $5 million. In exchange for the favorable loan terms, the original developer agreed to an affordability covenant which required all rental units at the property be reserved for low-income households and each unit was subject to limits on the maximum rent levels based on median incomes published by the U.S. Department of Housing and Urban Development (HUD) (the Original Affordability Covenant).

The covenant was amended and re-recorded in 2021 (the Amended Affordability Covenant). Like the original covenant, the amended covenant requires all units in Yale Terrace be reserved for low-income households. For each of these units, the Amended Affordability Covenant limits the rents that can be charged to the maximum rent levels set out in the CRA-HCD (1991) Rent Schedule, which is published by the Los Angeles Housing Department (LAHD) (the CRA-HCD Rent Schedule). The Amended Affordability Covenant also provides, in section 2(c)(2), that annual rent increases exceeding the annual percentage increase in Area Median Income (AMI) for Los Angeles County are prohibited.

In early 2024, plaintiff was paying $1,999 in rent per month. In July 2024, tenants of Yale Terrace Apartments received a rent increase notice of 16.4%, effective November 2024. Plaintiff's rent increased to $2,328, which she paid in November and December 2024. This rent increase was later rescinded by defendants in December 2024 and replaced with a new 9.9% increase, effective February 2025. Plaintiff paid the new rent of $2,198 in February 2025. At the end of February, defendants again rescinded the 9.9% increase to be replaced by a new 8.9% increase, effective April 2025.[1]

On February 26, 2025, plaintiff filed a complaint against defendants for breach of contract and recorded covenant, unlawful and unfair business practices or acts, and collection and retention of excess rents.[2] The following month, plaintiff moved for a preliminary injunction to enjoin defendants from charging rents higher than the pre-increase early 2024 status quo rents pending resolution of the litigation.[3] Plaintiff argued that: (1) any increase in her rent in 2024 was prohibited by section 2(c)(2) of the Amended Affordability Covenant because there was no increase in AMI that year; and (2) both the status quo rent and the proposed new rent were above the maximum rent levels allowed by the CRA-HCD Rent Schedule. Defendants opposed the motion, arguing that the property is governed by the federal rent schedule (CRA-HUD) because the amended covenant improperly changed the applicable rent schedule from CRA-HUD to the state rent schedule (CRA-HCD). According to defendants, under the CRA-HUD Rent Schedule, a 10% rent increase for the year was permitted beginning on July 1, 2024.

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[1] According to plaintiff, defendants "promised to refund the overpayments and ultimately did so for all tenants."

[2] The complaint also named Triumph Residential Services, Inc. (the property manager) and JK Affordable Holdings, LLC (a limited partner of 716 Yale Terrace, L.P.) as defendants, but they are not parties to this appeal.

[3] On March 21, 2025, while the preliminary injunction motion was pending, defendants suspended the 8.9% rent increase that was scheduled for April.

After a hearing, the trial court granted the motion. The court found plaintiff demonstrated a likelihood of success on the merits. First, the court noted defendants "are charging rents at rates exceeding the maximum rent levels set out in the CRA-HCD Rent Schedule." It then acknowledged defendants' contention that the property is governed by the CRA-HUD Rent Schedule, not the CRA-HCD Rent Schedule, because the original loan documents referenced HUD and the Amended Affordability Covenant "improperly changed the applicable rent schedule from CRA-HUD to CRA-HCD." The court did not need to squarely address this contention, however, based on its conclusion that section 2(c)(2) of the Amended Affordability Covenant prohibited *any* rent increase in 2024.

The trial court explained: "Section 2(c)(2) of the [Amended Affordability Covenant] prohibits annual rent increases exceeding the annual percentage increase in [AMI] for Los Angeles County. This rent increase limit is completely independent of any rent schedule because it is linked only to the change in County AMI. Because there was no AMI change in Los Angeles County in 2024 . . . , rent increases are not allowed under any rent schedule, whether it be pursuant to HUD or HCD. This alone is sufficient to demonstrate that [p]laintiff has a likelihood of succeeding on the merits." The court further found the balance of equities tilts in plaintiff's favor because plaintiff "has shown that she will be irreparably harmed if the injunction is not granted" and defendants "have not asserted whether they will be irreparably harmed if an injunction is issued."

The court entered the preliminary injunction on April 16, 2025. Defendants timely appealed.

DISCUSSION

I. General Principles and Standard of Review

The grant or denial of a preliminary injunction is not an adjudication of the ultimate rights in controversy. (*Law School Admission Council, Inc. v. State of California* (2014) 222 Cal.App.4th 1265, 1280.) Rather, " '[t]he general purpose of a preliminary injunction is to preserve the status quo pending a determination on the merits of the action.' " (*Ibid.*) The "status quo" is defined as " ' " ' "the last actual peaceable, uncontested status which preceded the pending controversy." ' " ' " (*Integrated Dynamic Solutions, Inc. v. VitaVet Labs, Inc.* (2016) 6 Cal.App.5th 1178, 1184 (*Integrated Dynamic Solutions*).)

"[W]hether a preliminary injunction should be granted involves two interrelated factors: (1) the likelihood that the plaintiff will prevail on the merits, and (2) the relative balance of harms that is likely to result from the granting or denial of interim injunctive relief." (*White v. Davis* (2003) 30 Cal.4th 528, 554.) " 'The more likely it is that plaintiffs will ultimately prevail, the less severe must be the harm that they allege will occur if the injunction does not issue. This is especially true when the requested injunction maintains, rather than alters, the status quo.' " (*Right Site Coalition v. Los Angeles Unified School District* (2008) 160 Cal.App.4th 336, 342.)

We review a trial court's issuance of a preliminary injunction for an abuse of discretion. (*Integrated Dynamic Solutions, supra*, 6 Cal.App.5th at p. 1184.) The trial court's underlying factual determinations must be accepted if supported by substantial evidence, but questions of law are considered de novo. (*People ex rel. Feuer v. FXS Management, Inc.* (2016) 2 Cal.App.5th 1154, 1159.)

II. The Trial Court Did Not Abuse Its Discretion By Issuing a Preliminary Injunction

A. Changed Circumstances

Defendants contend the preliminary injunction order must be reversed because the premise of the court's ruling—that AMI did not increase from 2023 to 2024 and thus, any increase in rent was improper—no longer exists. In support of their argument, defendants request we take judicial notice of information on AMI published by LAHD effective July 1, 2025, that indicates AMI increased from 2024 to 2025 by 8.55%. These documents, however, were never presented to the trial court. While we acknowledge the documents did not exist until a few months after the trial court's ruling, defendants could have moved the trial court to modify or dissolve the injunction under Code of Civil Procedure section 533.[4] They did not do so. We therefore decline defendants' invitation to review new evidence on appeal that is irrelevant to the issue before us, namely whether the trial court abused its discretion by issuing the preliminary injunction based on the record before it. (See *Ojjeh v. Brown* (2018) 43 Cal.App.5th 1027, 1037, fn. 3 ["It has long been the general rule that an appellate court reviews the correctness of the decision at the time of its rendition"].) Defendants may submit this new evidence to the trial court in support of a motion to modify or dissolve the injunction. We express no opinion, however, on the merits of such a motion.

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[4] Code of Civil Procedure section 533 provides, in relevant part: "[T]he court may on notice modify or dissolve an injunction . . . upon a showing that there has been a material change in the facts upon which the injunction . . . was granted."

B. Likelihood of Prevailing on the Merits

Next, defendants contend plaintiff failed to establish a likelihood of success on the merits. They argue the trial court granted preliminary injunctive relief based on its incorrect conclusion that section 2(c)(2) of the Amended Affordability Covenant prohibits any rent increase in a year where AMI did not increase. Section 2(c)(2), governing rent restrictions, provides: "No qualified tenant in the Eligible Household shall have an annual rent increase in excess of the percentage increase in the county median income for the applicable year in which the rent increase is being considered, nor shall there be an accumulation of rental increases from year to year for those years in which the Owner chooses not to increase rents by the percentage allowed herein."

As a preliminary matter, we note that defendants forfeited their argument that an increase in rent in 2024, a flat-AMI year, was not prohibited by section 2(c)(2). Despite plaintiff's argument in their papers below regarding section 2(c)(2), defendants' opposition to the motion fails to even mention that section. Rather, defendants focused solely on the applicable rent schedule. Defendants, therefore, forfeited this argument on appeal by not raising it below. (See *Ochoa v. Pacific Gas & Electric Co.* (1998) 61 Cal.App.4th 1480, 1488, fn. 3 [arguments not asserted below are forfeited on appeal].)

Even if not forfeited, we are unpersuaded by defendants' new theory. Defendants argue, in general terms, that section 2(c)(2) "read in context, does not purport to override the remainder of the Covenant or independently resolve every question concerning when rent may increase." They fail to explain, however, why in *this* case, the plain language of section

2(c)(2) prohibiting rent increases in flat-AMI years would not apply. Rather, in support of their argument that the Amended Affordability Covenant expressly contemplates circumstances in which rent may be adjusted for reasons other than a change in AMI, they point to section 2(e)(i), which indisputably does not apply here. That section provides that when a household ceases to qualify as an "Eligible Household" (i.e., no longer low-income tenants), rent may be adjusted to 30% of household income. Defendants do not contend plaintiff or any other tenant of the building is no longer a low-income tenant. Nor do defendants point to any other provision in the Amended Affordability Covenant that would permit them to raise plaintiff's rent in a flat-AMI year. They merely argue, again in general terms, that "regulatory frameworks may require recalculation or correction of rents to ensure ongoing compliance, even where AMI itself has not increased." On this record, we conclude the trial court correctly determined that plaintiff has a likelihood of succeeding on the merits based on its conclusion that section 2(c)(2) prohibited defendants from increasing plaintiff's rent in 2024 when there was no change in AMI in Los Angeles County that year.

C. Irreparable Harm

Defendants argue plaintiff failed to establish irreparable harm sufficient to justify injunctive relief. We disagree.

Defendants first contend that, at the time of the hearing on the motion, they had suspended the challenged rent increase and, therefore, plaintiff faced no imminent eviction, rent increase, or any concrete injury that could not be addressed through monetary damages. This argument is simply a variation of defendants' mootness argument made below, which the trial court correctly rejected.

"Voluntary cessation of allegedly wrongful conduct" renders an action moot only when there is no "reasonable expectation the allegedly wrongful conduct will be repeated." (*Center for Local Government Accountability v. City of San Diego* (2016) 247 Cal.App.4th 1146, 1157.) Plaintiff's position that defendants will attempt to raise her rent absent a preliminary injunction is reasonable. Indeed, defendants clarified in the trial court that "the suspension of the increase in rent was until the decision from the [trial court] on the merits of this preliminary injunction." Thus, the temporary suspension of the challenged rent increase neither renders this action moot, nor supports a finding of no harm.

Defendants next argue that "subsequent events" demonstrate the injunction restrains conduct based on the speculative possibility of future harm. Defendants again rely on the LAHD 2025 Rent Schedules. But as discussed above, we decline to take judicial notice of this information that has not been presented to the trial court. (See e.g. *Lent v. California Coastal Com.* (2021) 62 Cal.App.5th 812, 854 [an appellate court may properly decline to take judicial notice of a matter which should have been presented to the trial court for its consideration in the first instance].)

We also reject defendants' assertion that any rent overcharges are readily calculable and refundable and, therefore, money damages are an adequate remedy. Substantial evidence supports the trial court's finding that plaintiff demonstrated she would be irreparably harmed if the preliminary injunction was not granted. Plaintiff submitted a declaration in support of her motion in which she declared that after the series of rent increases, her family spends "approximately 42% of [their] monthly household income towards rent" and they have had to "forgo paying for certain necessities and choose between paying for food and paying for rent in order to make the increased rent payments." She further declared that if she is priced out of her home because of rent increases, "it will be difficult or impossible" to find comparable housing that she can afford. She elaborated that her apartment is located in Chinatown, which is "located a short distance from [her] mother's health care facility that she must visit regularly to receive treatment for her chronic illness" and if she has to move, she will be "forced to leave Chinatown and will lose access" to key medical, employment, and public transit resources. Thus, the record demonstrates the trial court's finding that "damages at the conclusion of potential years of litigation is inadequate" is not, as defendants contend, based only on speculative or hypothetical harm.

D. Balance of Harms and Equities

Defendants argue the trial court failed to properly weigh the comparative harms to the parties. Without citation to the record, defendants claim they face "substantial operational and financial constraints" because the preliminary injunction applies to the entire property. Once again, defendants forfeited this argument by not raising it below. As noted in the trial court's order, "Defendants have not asserted whether they will be irreparably harmed if an injunction is issued but rather only argue that Plaintiff *will not* be irreparably harmed if an injunction is not issued." Accordingly, defendants cannot raise this argument based on disputed facts for the first time on appeal. (See *In re H.D.* (2024) 99 Cal.App.5th 814, 818 [a reviewing court has discretion to consider forfeited claims only when those claims "do not involve disputed facts as such a claim could reoccur"]; see also *People v. Uber Technologies, Inc.* (2020) 56 Cal.App.5th 266, 273 [balancing the respective equities of the parties rests in the sound discretion of the trial court].)

E. Scope of the Preliminary Injunction

Defendants lastly argue the injunction is "independently defective" because it grants relief to nonparty tenants who were not certified as part of a class. This argument ignores sections 9 and 11 of the Amended Affordability Covenant.

Plaintiff sued under sections 9 and 11 of the Affordability Covenant, which expressly grant plaintiff the right to enforce the Covenant's terms. Specifically, section 9 provides that "[a]ll conditions, covenants and restrictions contained in this Agreement shall be running with the land and shall be enforceable against Owner or any subsequent Owner . . . [¶] [by a] resident of any of the Affordable Units." Section 11 states that the "City and those listed in Section 9 shall have the right, in the event of any breach of any such agreement or covenant, to exercise all the rights and remedies, and to maintain any actions at law or suit in equity . . . to enforce the curing of such breach of agreement or covenant." Pursuant to those sections, plaintiff properly sought injunctive relief against defendants to enforce the Covenant's terms regarding permitted rent increases for tenants of the building.

Defendants' insistence that plaintiff was required to seek class certification before obtaining injunctive relief that applies to all tenants at the building is unavailing. The Amended Affordability Covenant does not require class certification before a tenant can enforce the Covenant's terms applicable to all tenants. Instead, it gives the City and current, former, and prospective tenants the right to sue and enforce the rent restrictions, which apply to all tenants. Thus, the trial court properly issued a preliminary injunction enjoining defendants from charging rents to any of the low-income tenants that is higher than the pre-increase early 2024 status quo rents pending resolution of the litigation.

DISPOSITION

The order is affirmed. Plaintiff Ninsi Castelan is awarded her costs on appeal.

NOT TO BE PUBLISHED IN THE OFFICIAL REPORTS

TAMZARIAN, J.

We concur:

ZUKIN, P.J.

DAUM, J.