SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

NINSI CASTELAN, an individual,

Plaintiff,

vs.

716 YALE TERRACE, L.P., a California limited partnership; TRIUMPH RESIDENTIAL SERVICES, INC., a California stock corporation; GRCLA - AFFORDABLE HOLDING, LLC, a California limited liability corporation; JK AFFORDABLE HOLDINGS, LLC, a California limited liability corporation; and DOES 1 to 25,

Defendants.

CASE NO.: 25STCV05369

~~[TENTATIVE]~~ ORDER RE: PLAINTIFF'S MOTION FOR A PRELIMINARY INJUNCTION

Dept. 73
8:30 a.m.
April 16, 2025

I. INTRODUCTION

On February 26, 2025, Plaintiff Ninsi Castelan ("Plaintiff") filed a complaint against Defendants 716 Yale Terrace, L.P. ("Yale Terrace"), Triumph Residential Services, Inc. ("Triumph"), GRCLA-Affordable Holding, LLC ("GRCLA"), and JK Affordable Holdings, LLC ("JK") (collectively, "Defendants"), alleging causes of action for (1) Breach of Contract and Recorded Covenant, (2) Unlawful and Unfair Business Practices or Acts, and (3) Collection and Retention of Excess Rent.

The complaint alleges as follows:

The Yale Terrace Apartments, located at 716 Yale Terrace, Los Angeles, CA 90012, were built with funds provided by the City of Los Angeles ("the City") and others in exchange for limits on allowable rent as provided for in a recorded Affordability Covenant between Yale Terrace and the City restricting both to whom units can be rented, how much rent can be charged, and how much the rent can be increased. The City sold the land for the construction of Yale Terrace Apartment for a price $550,000 below appraised fair market value to assist in the viability of the project. (Compl., ¶ 9.)

On October 4, 2005, an entity named Yale Terrace Apartments, L.P., received two loans from the Community Redevelopment Agency of the City of Los Angeles for $3.05 million and $1.945 million—approximately $5 million. Both loans are subject to the Amended and Restated Agreement Containing Covenants Affecting Real Property (Including Rental Restrictions), dated August 25, 2020 and bearing Control No. 20211081518 (the "Affordability Covenant"). (Compl., ¶ 10, Ex. A.) The City provided these loans on favorable terms for the purpose of constructing affordable housing. In exchange, Defendants agreed that rents would be subject to important restrictions for the next 55 years to serve lower income residents. (*Id.* ¶ 11.)

The Affordability Covenant requires that all rental units in Yale Terrace be reserved for low-income households. (*Id.* ¶ 12.) For each of these units, the Affordability Covenant limits the rent that can be charged to the maximum rent levels set out in the CRA-HCD (Post-1991) Rent Schedule, which is published by LAHD. (*Id.* ¶ 13, Ex. B.) Plaintiff alleges that Defendants are overcharging Plaintiff and other tenants and threatening eviction if the unlawful higher rents are not paid, in violation of the Affordability Covenant. (*Id.* ¶ 14.)

According to the complaint, Plaintiff was paying $1,999 a month in rent, which is the maximum rent that Yale Terrace is permitted to charge. (*Id.* ¶ 17.) However on July 31, 2024, tenants at Yale Terrace, including Plaintiff, received 90-day rent increase notices of 16.4%, effective November 1, 2024, which raised Plaintiff's rent to $2,328. (*Id.* ¶¶ 17, 21, Ex. C) On

December 13, 2024, Yale Terrace rescinded the increase, even after Plaintiff paid the increased rent in November and December 2024. (*Id.* ¶¶ 17, 23.) However, Yale Terrace then announced that it would increase Plaintiff's rent by 9.9% to $2,198 effective February 1, 2025. (*Id.* ¶¶ 17, 26.) Since the filing of the complaint, Plaintiff has been paying this increased rent. (*Id.* ¶ 17.)

On March 4, 2025, Plaintiff filed the instant motion for a preliminary injunction.

On April 4, 2025, Yale Terrace, GRCLA and JK filed an opposition ("Moving Parties").

Also on April 4, 2025, Triumph filed a notice of joinder in the opposition.

On April 9, 2025, Plaintiff filed a reply.

II. LEGAL STANDARD

The purpose of a preliminary injunction is to preserve the status quo pending final resolution upon a trial. (See *Scaringe v. J.C.C. Enterprises, Inc.* (1988) 205 Cal.App.3d 1536.) The status quo has been defined to mean the last actual peaceable, uncontested status which preceded the pending controversy. (*14859 Moorpark Homeowner's Assn. v. VRT Corp.* (1998) 63 Cal.App.4th 1396. 1402.) Preliminary injunctive relief requires the use of competent evidence to create a sufficient factual showing on the grounds for relief. (See, e.g., *ReadyLink Healthcare v. Cotton* (2005) 126 Cal.App.4th 1006, 1016; *Ancora-Citronelle Corp. v. Green* (1974) 41 Cal.App.3d 146, 150.) Injunctive relief may be granted based on a verified complaint only if it contains sufficient evidentiary, not ultimate, facts. (See Code Civ. Proc. § 527(a).) For this reason, a pleading alone rarely suffices. (Weil & Brown, California Procedure Before Trial, 9:579, 9(ll)-21 (The Rutter Group 2007).) The burden of proof is on the plaintiff as moving party. (*O'Connell v. Superior Court* (2006) 141 Cal.App.4th 1452, 1481.) A plaintiff seeking injunctive relief must show the absence of an adequate damages remedy at law. (Code Civ. Proc. § 526(4); *Thayer Plymouth Center, Inc. v. Chrysler Motors* (1967) 255 Cal.App.2d 300, 307.)

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The trial court considers two factors in determining whether to issue a preliminary injunction: (1) the likelihood the plaintiff will prevail on the merits of its case at trial, and (2) the interim harm the plaintiff is likely to sustain if the injunction is denied as compared to the harm the defendant is likely to suffer if the court grants a preliminary injunction. (Code Civ. Proc. § 526(a); *Husain v. McDonald's Corp.* (2012) 205 Cal.App.4th 860, 866-67.) The balancing of harm between the parties "involves consideration of such things as the inadequacy of other remedies, the degree of irreparable harm, and the necessity of preserving the status quo." (*Husain*, supra, 205 Cal.App.4th at 867.) These two showings operate on a sliding scale: "[T]he more likely it is that [the party seeking the injunction] will ultimately prevail, the less severe must be the harm that they allege will occur if the injunction does not issue." (*King v. Meese* (1987) 43 Cal.3d 1217, 1227.) Thus, a preliminary injunction may not issue without some showing of potential entitlement to such relief. (*Doe v. Wilson* (1997) 57 Cal.App.4th 296, 304.) The decision to grant a preliminary injunction generally lies within the sound discretion of the trial court and will not be disturbed on appeal absent an abuse of discretion. (*Thornton v. Carlson* (1992) 4 Cal.App.4th 1249, 1255.)

III. DISCUSSION

According to Plaintiff, after the complaint was served, Defendants rescinded the February 1, 2025 rent increase claiming it was "issued in error" and again rolled back rents to the status quo levels charged in 2024 (through October) and promising to refund the February 2025 overcharge. (Fang Decl., ¶¶ 4–8.) At the same time that Defendants rescinded the February 1, 2025 rent increase, they announced an April 1, 2025 rent increase of 8.8%, to $2,176. (*Id.* ¶ 12.)

Plaintiff moves to enjoin Defendants from (1) charging rent to tenants at 716 Yale Street, Los Angeles, CA 90012 that is higher than the amount charged for March 2025, which is the current rental amount as of the date of this filing; (2) threatening eviction, serving a notice to pay or quit, or filing an unlawful detainer for nonpayment of rent on any tenants at 716 Yale Street, Los Angeles, CA 90012 who pay a monthly rent equal to the rent charged in March 2025; (3) refusing to accept rent payment from tenants at 716 Yale Street, Los Angeles, CA 90012 who offer to pay a monthly rent equal to the rent charged in March 2025; and (4) refusing to refund in full the erroneous rent increases that were imposed for November 2024, December 2024, and February 2025 that Defendants have already agreed to refund.

A. ***Mootness***

Firstly, Moving Parties contend that the instant motion is moot because on March 21, 2025, Defendants issued a notice to all tenants of the Yale Terrace Apartments that the 8.9% rent increase meant to take effect on April 1, 2025 has been suspended. (Kim Decl., ¶ 21, Ex. 10.) Thus, Moving Parties contend that the motion is moot as there is no actual controversy. The Court disagrees.

"Voluntary cessation of allegedly wrongful conduct" renders an action moot only when there is no "reasonable expectation the allegedly wrongful conduct will be repeated." (*Ctr. for Local Gov't Accountability v. City of San Diego* (2016) 247 Cal.App.4th 1146, 1157.)

Here, Triumph, its Notice of Joinder stated that it "believes the owner intends to increase the rent during the pendency of these proceedings," and that the suspension of the rent increase "was intended only until the resolution of this Motion, and not indefinitely." Moving Parties also "clarif[ied] that the suspension of the increase in rent was until the decision from the Court on the merits of this preliminary injunction." (Notice of Errata Re Def.'s Opp.). Further, Defendants have confirmed that Defendants attempted to increase the rent by 16.4% on July 31, 2024 and

8.9% on February 26, 2025. Thus, there is clearly a justiciable controversy that the Court must resolve.

B. *Likelihood of Prevailing on the Merits*

Plaintiff has shown a likelihood of prevailing on the merits, as Plaintiff has sufficiently shown that Defendants' attempted rent increases are improper.

Plaintiff provides evidence of a 2005 memo from the Chief Legislative Analyst for the City, which indicated that the City facilitated the construction of Yale Terrace as affordable housing by providing 55-year loans totaling about $5 million and transferring the Property, which was owned by the City, to the original developer of Yale Terrace for no cash. (Fang Decl., ¶ 2.) Plaintiff then provides the Affordability Covenant, which was recorded against the Property in exchange for the land acquired with no cash and for the loans. (Fang Decl., ¶ 2, Ex. F.) Section 2(c)(2) of the Affordability Covenant entitled "Rent Restrictions" states that "[t]he maximum allowable rent that may be charged for an Affordable Unit may change from time to time when there are changes, by a percentage equal to any percentage change in the Area Median Income [("AMI")] for Los Angeles County as determined by the California Department of Housing and Community Development (HCD)." (*Id.* Ex. F.) Under the Affordability Covenant, Defendants are not allowed to increase rents on April 1, 2025 because there has been no increase in Area Median Income ("AMI") from 2023 to 2024. (*Id.* ¶ 2, Ex. G.)

Additionally, Plaintiff has shown that Defendants are charging rents at rates exceeding the maximum rent levels set out in the CRA-HCD Rent Schedule. (*Id.* Ex. F, Section 2(b).) The Affordability Covenant limits the rent that can be charged to the maximum rent levels set out in the CRA-HCD (Post-1991) Rent Schedule, which is published by LAHD. (*Ibid.; Id.* Ex. G.) The Affordability Covenant states that "[t]he Affordable Rent applicable to the Affordable Units by

Unit-types shall be as determined by HCD as set forth in the Maximum Rents and Occupancy Income Limits for New Projects attached to this Agreement as Attachment No. 2. The maximum incomes of residential tenants eligible to rent the Affordable Units shall be determined on the basis of the area median income for Los Angeles, determined annually by the U.S. Department of Housing and Urban Development and published by the California Department of Housing and Community Development ("HCD"). (*Id.* Ex. F.) Rather than prescribing specific maximums, Attachment No. 2. uses the meaning of Affordable Rent as "set forth in California Health and Safety Code Section 50053(b)." (*Id.* at Attachment 2.) Applying those formulas leads to the same maximum rent levels contained in the CRA-HCD (Post-1991) Rent Schedule, confirming that it is the correct rent schedule. Thus, Plaintiff has shown that Plaintiff should be paying a monthly rent of $1,326, not $2,328 (the 16.4% increase), $2,198 (the 9.9% increase), $2,176 (the 8.8% increase), or even $1,999 (the March 2025 status quo rent).

In opposition, Defendants argue that the contention that the Property is governed by the CRA-HCD Schedule (HCD Post-1991) is erroneous because the original loan documents reference HUD. Defendants contend that the Property is governed by the CRA-HUD rent schedule and that the Affordability Covenant that Plaintiff references improperly changed the applicable rent schedule from CRA-HUD to CRA-HCD. Defendants assert that the Affordability Covenant, an amended covenant, is invalid in that it contradicts the HUD schedule and "only the Secretary has the authority to adjust the qualifying rent." (Opposition, p. 9.)

Defendants do not contest that Section 2(c)(2) of the Amended Covenant prohibits annual rent increases exceeding the annual percentage increase in Area Median Income (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, as explained above, rent increases are not allowed under any rent schedule, whether it be pursuant to HUD or HCD. This alone is sufficient to demonstrate that Plaintiff has a likelihood of succeeding on the merits.

C. ***Irreparable Harm***

"'The extraordinary remedy of injunction' cannot be invoked without showing the likelihood of irreparable harm." (*Intel Corp. v. Hamidi* (2003) 30 Cal.4th 1342, 1352; accord, *E.H. Renzel Co. v. Warehousemen's Union I.L.A. 38–44* (1940) 16 Cal.2d 369, 372–373.) "Irreparable harm" does not mean "injury beyond the possibility of repair or beyond possible compensation in damages." (*Wind v. Herbert* (1960) 186 Cal.App.2d 276, 285.) "'[T]he word "irreparable" is a very unhappily chosen one, used in expressing the rule that an injunction may issue to prevent wrongs of a repeated and continuing character, or which occasion damages estimable only by conjecture and not by any accurate standard....'" (*Ibid.*)

Plaintiff has shown that she will be irreparably harmed if the injunction is not granted. The possibility that Defendants will raise Plaintiff's rent is sufficient to show that Plaintiff will irreparably harmed, given that after the series of Defendants' rent increases, Plaintiff's family spends approximately 42% of the month household income toward rent. (Castelan Decl., ¶ 14.) Without the security of immediate injunctive relief, Plaintiff may have to forego certain necessities and may lose her home due to the likely inability that Plaintiff cannot afford the proposed rent increases. (*Id.* at ¶ 15.) Additionally, Plaintiff's home is located in China and the home is located a short distance from her mother's health care facility that she must visit regularly to receive treatment for her chronic illness. (*Id.* ¶ 16.) Thus, if Plaintiff does lose her home, the likelihood of finding a new home for her family that she is able to afford is, in the Court's view, slim, and Plaintiff would likely have to leave Chinatown and its access. (See *Park*

Vill. Apartment Tenants Ass'n v. Mortimer Howard Trust (9^{th} Cir. 2011) 636 F.3d 1150, 1159 ["It is well-established that the loss of an interest in real property constitutes an irreparable injury."]; *La Raza Unida v. Volpe* (C.D. Cal. 1971) 337 F. Supp. 221, 233 ["One who is forced to vacate his chosen neighborhood or city, to sever long-standing friendships, to confront a tight and possibly discriminatory housing market, and to incur other indignities that are likely to be present here suffers severe and irreparable injury."].) Any increase in rent will further deplete Plaintiff's household's limited income until such a time as the merits of the case can be resolved. Thus, legal damages at the conclusion of potential years of litigation is inadequate. Plaintiff seeks only to preserve, not alter, the status quo until the Court can resolve the dispute.

Lastly, the Court notes that 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. (See *Bank of Stockton v. Church of Soldiers* (1996) 44 Cal.App.4th 1623, 1631["The other prerequisite for a preliminary injunction involves balancing the harm to the plaintiff and defendant if a preliminary injunction is granted or denied."].) Regardless, Defendants will still be able to collect rent, albeit at a rate before any proposed increase. Thus, Plaintiff has shown that the balance of equities tilt in her favor.

Given that Plaintiff has shown that she will likely succeed on the merits of her claims and that she will suffer irreparable harm absent an injunction, the Court finds that imposing a preliminary injunction upon Defendants to be appropriate.

D. ***No Undertaking Required***

Defendants argue that if the Court orders an injunction, the Court must order Plaintiff to post bond.

"On granting an injunction, the court or judge must require an undertaking on the part of the applicant to the effect that the applicant will pay to the party enjoined any damages, not exceeding an amount to be specified, the party may sustain by reason of the injunction, if the court finally decides that the applicant was not entitled to the injunction." (Code Civ. Proc., § 529.)

However, "the court may, in its discretion, waive a provision for a bond in an action or proceeding and make such orders as may be appropriate as if the bond were given, if the court determines that the principal is unable to give the bond because the principal is indigent and is unable to obtain sufficient sureties, whether personal or admitted surety insurers. In exercising its discretion the court shall take into consideration all factors it deems relevant, including but not limited to the character of the action or proceeding, the nature of the beneficiary, whether public or private, and the potential harm to the beneficiary if the provision for the bond is waived." (Code Civ. Proc., § 995.240.)

Plaintiff has sufficiently declared to her low-income status, and Defendants themselves have certified Plaintiff's low-income status by establishing her eligibility to live at Yale Terrace in the first place. Thus, the Court exercises its discretion in not requiring Plaintiff to post bond.

IV. CONCLUSION

Based on the foregoing, Plaintiff's motion for a preliminary injunction is GRANTED in its entirety. Defendants are hereby enjoined from:

1. Charging rent to tenants at 716 Yale Street, Los Angeles, CA 90012 that is higher than the amount charged in March 2025;

2. Threatening eviction, serving a notice to pay or quit, or filing an unlawful detainer for nonpayment of rent on any tenants at 716 Yale Street, Los Angeles, CA 90012 who pay a monthly rent equal to the rent charged in March 2025;

3. Refusing to accept rent payment from tenants at 716 Yale Street, Los Angeles, CA 90012 who offer to pay a monthly rent equal to the rent charged in March 2025; and

4. Refusing to refund in full all sums collected for the improper rent increases, which were issued in error, for November 2024, December 2024, and February 2025.

Dated this 16th day of April 2025

Hon. Gary D. Roberts
Judge of the Superior Court