



For Immediate Release:

Contact: Jim Shore 650-833-3838
Don Fields 916-448-3395

EPA Drops Lawsuit Challenging Page Mill Properties Rent Hikes:

So-called "Illegal" Rent Increases, Weren't Illegal After All

Palo Alto California: After five consecutive court defeats, the City of East Palo Alto has agreed that rent increases initiated earlier this year by a major property owner are legal after all.

Lawyers for East Palo Alto say the City will permanently dismiss claims against Page Mill Properties, which represents the investors and property owners of more than 1700 rental units in the Woodland Park neighborhood west of Highway 101 in East Palo Alto.

"I'm pleased that these false allegations of 'illegal' rent increases have been finally resolved," said Jim Shore, General Counsel of Page Mill Properties. "It's been confusing for tenants and the public and it's never nice to be accused of engaging in 'illegal' acts."

Pushed by lawyers from the Stanford Legal Clinic, East Palo Alto made its accusations in a lawsuit filed in late July, 2008, when it asked for temporary restraining orders to prevent the owners from enforcing the rent increases. Several judges rebuffed the requests for temporary restraining orders. And on October 9, 2008, the City's motion for a preliminary injunction was also denied. Now, under an agreement between the Page Mill owners group and the city, attorneys for the city acknowledge that the rent hikes weren't illegal and have chosen to simply give up and dismiss the case.

These were not the first losses for East Palo Alto in its attack on the Page Mill owners and investors. Five times, the owners have succeeded in cases where they argued their rights under the local rent control ordinance, state law and the California and United States Constitutions had been violated. East Palo Alto has been ordered to pay attorney's fees in one of those cases, and motions for fees will soon be filed in the others. The cost to the city for following the advice of the Stanford tenant lawyers could run into the hundreds of thousands of dollars.

At the heart of the dispute is a cumbersome, out-of-date, and poorly worded rent control ordinance with a provision that allows owners to increase rents in line with increases in the cost of living index. However, the process was so complex that many previous property owners chose not to even try for the allowable rent

increases. Some were forced into bankruptcy and the properties deteriorated.

“What many in the public didn’t realize is that hundreds of these units hadn’t had a rent increase allowed by the local ordinance in years,” Shore explained. “We bought these properties and have set out to rehabilitate units that were deteriorating and had in some cases had become uninhabitable because of landlord neglect.”

Prior to the purchase, city officials had confirmed to the Page Mill owners group its ability to recapture unused annual rent increases. Had the City held to its initial position, a great deal of confusion and litigation could have been avoided, since the courts have now affirmed the ability of the owners to pass-through the increases. However, the city recanted under pressure from the tenants’ lawyers and the Rent Stabilization Board, setting off the court battles.

“So-called tenant advocates exaggerated the rent increases from the beginning,” Shore said. “Those rent hikes of rent-controlled units ranged from \$32 to \$336, or from an average of about 2% to 38%. The mean rent hike was \$107.31 a month or about 12%. The median was \$94.60 a month. About 62 percent of the over 1700 units experienced rent increases.”

Meantime, the smoke of the legal battle has obscured the genuine improvements already made to the Page Mill properties.

“All of the more than \$1 million in recent rent hikes have been poured into property improvements,” Shore explained. “Another \$10 or \$11 million in investor money have gone into improved security lighting, seismic retrofit of all soft story buildings, 24 hour security, video surveillance systems at larger sites, gated access to most properties and extensive upgrades to the landscaping. In addition we have painted, repaired elevators and pools, upgraded parking, paved alleys, re-roofed and provided extensive improvement to the interior of the units. And by the way, we employ more than 40 tenants and residents of East Palo Alto.”

It is Page Mill’s position that these buildings now represent a valuable and quality housing stock for the area. Page Mill will continue to urge improvements as necessary to preserve and enhance the properties.