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Superior Court Of California County Of Los Angeles

JUL 25 2019

Sherri R. Carter Executive Officer/Clerk

Ely Deputy

Claudia Escuivel

APPELLATE DIVISION OF THE SUPERIOR COURT STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

WILMINGTON & SERENO, LLC,

Plaintiff and Respondent,

v.

No. BV 032809

Central Trial Court

No. 18LBUD00992

JUAN SAUCEDO et al.,

Defendants and Appellants.

OPINION

INTRODUCTION

After trial in this unlawful detainer action, defendants Juan Saucedo, Liliana Saucedo, Ana Zuniga, Irving Saucedo, and Yasaret Saucedo moved for judgment notwithstanding the verdict (JNOV) on the basis that no substantial evidence supported the jury's findings related to their affirmative defenses based on plaintiff Wilmington & Sereno's failure to comply with the Los Angeles Rent Stabilization Ordinance (LARSO) (L.A. Mun. Code (LAMC §) 151.00 et seq.) and Civil Code section 1962, subdivision (c). On appeal, defendants contend the trial court erred in denying their JNOV motion because the evidence established their affirmative defenses. We agree and reverse the order denying defendants' motion for JNOV and the unlawful detainer judgment against them.

¹All further statutory references are to the Civil Code, unless otherwise indicated.

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BACKGROUND

The instant case, based on a three-day notice to pay rent or quit (Code Civ. Proc., § 1161, subd. (2)) and a three-day notice to perform lease covenant or quit (Code Civ. Proc., § 1161, subd. (3)), was filed on April 3, 2018. On April 24, 2018, defendants filed their joint answer consisting of a general denial and various affirmative defenses, including plaintiff's breach of the warranty of habitability, failure to comply with section 1962, and violations of LARSO, namely its failure to post a notice stating the premises is covered by LARSO (LAMC § 151.05.I.) and to identify witnesses in the three-day notice to perform or quit (LAMC § 151.09.C.1.). The matter proceeded to trial on May 15, 2018.²

Defendants' tenancy was governed by the written lease originally executed on May 1, 2011, by Michael Auyeung (Auyeung), as lessor, and defendant Juan Saucedo,³ as lessee (exhibit 1). Auyeung testified that in early June 2012 he transferred title to the subject property from himself to plaintiff, and that he provided notice of change of ownership (exhibit 12-2), along with a copy of the assignment of the lease (exhibit 12-2A) and a certificate of registration.

Exhibit 12-2A indicated on May 15, 2012, Auyeung assigned his interest in the lease to plaintiff. Exhibit 12-2 was dated May 17, 2012, and signed by Auyeung as "Manager." The notice of change of ownership was on Auyeung's letterhead, which contained his address ("1050 S. Mayflower Ave., Arcadia, CA 91006") and phone number. The notice gave the following instructions: "Effective June 1, 2012, . . . You are requested to write checks to WILMINGTON & SERENO LLC until further notice"; "Any questions, contact Michael Auyeung at (626) 716-0112; or Marianna Auyeung at (626) 716-2256"; and "All of the terms and conditions of the lease agreement remain unchanged."

Auyeung testified exhibit 12-2 was the only notice of change of ownership he ever provided to defendants and the information provided therein never changed and was provided

²The record on appeal regarding trial testimony is limited to that offered concerning the affirmative defenses at issue on appeal.

³Defendant is identified on the lease as "Juan Selsado."

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multiple times in other documents. He further testified that his wife, Marianna Auyeung, was also authorized to manage the property, and if defendants wanted to know who plaintiff's managing members were, "they could have searched business records" filed with the State of California. Marianna Auyeung testified that it was Auyeung who "took care of the property."

Relevant to defendant's LAMC § 151.05.I. affirmative defense, Auyeung testified he was not familiar with LARSO, he never posted a notice advising that LARSO applied to the premises, and he had no knowledge of any "red or yellow notices" posted on the premises. He did, however, testify that in 2015, 2016, and 2017, he served defendants with certificates of registration. Auyeung identified exhibit 20-13 as a photograph that accurately depicted the mailbox on the property and confirmed that it showed no notice posted on it.⁴ Defendant Ana Zuniga testified she entered the property from an entrance that was not near the mailboxes.

Regarding the affirmative defense based on LAMC § 151.09.C.I., Auyeung testified plaintiff's three-day notice to perform covenants or quit (exhibit 3-1) did not identify any witnesses. Exhibit 3-1 was addressed to defendants and identified various violations of the lease agreement. The notice stated that defendants had been violating paragraphs 1 and 5 of the lease by allowing more than two adults and one child to occupy the premises and by subletting the property since January 1, 2018.⁵ The notice also stated defendants had violated paragraphs 3, 7, and 10 of the lease by maintaining the premises in an unsanitary condition and by causing the water service and electrical supply service to be terminated in violation of municipal law. Plaintiff attached to the notice an order to restore utilities issued by Inspector Alan Christensen from City of Los Angeles Housing and Community Investment Department (LAHCID). The notice also stated defendants were in violation of paragraphs 4 and 7 of the lease by altering the premises for use as a car repair business.

⁴Marianna Auyeung did not testify as to the posting of the LARSO notice.

⁵Marianna Auyeung testified she saw more than two adults and one child at the premises and 6, 7, or 10 persons in the apartment, but she was not identified as a witness in the three-day notice to perform.

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Jury's Findings

Unlawful detainer based on pay or quit notice

In response to questions in the verdict form pertaining to the unlawful detainer claim based on the notice to pay or quit, the jury made the following findings: (1) plaintiff was the owner of the property; (2) plaintiff gave "proper notice of change of ownership to all tenants when they became the owners of the property"; (3) plaintiff "properly [gave]" defendants a valid three-day written notice to pay the rent or vacate the property; (4) the three-day notice to pay or quit demanded the amount of rent actually owed; (5) defendants did not comply with the notice to pay or quit; (6) defendants did not pay the rent demanded in the notice; (7) plaintiff properly served defendant with a copy of the registration statement before the three-day notice to pay or quit; (8) plaintiff posted a notice that the premises is subject to LARSO in a conspicuous location on the premises; (9) plaintiff substantially complied in good faith with LARSO; and (10) plaintiff maintained the property in a habitable condition for the time rent was not paid.

Unlawful detainer based on perform or quit notice

Regarding plaintiff's unlawful detainer claim based on the notice to perform or quit, the jury found: (1) plaintiff was the owner of the property; (2) plaintiff had a valid rental agreement with defendants; (3) plaintiff "properly [gave]" a three-day written notice to perform covenants or quit; (4) defendants violated several terms of the rental agreement; (5) the violations were substantial breaches of the lease; (6) plaintiff posted a notice that the unit is subject to LARSO in a conspicuous location on the premises; (7) plaintiff substantially complied in good faith with LARSO; and (8) plaintiff maintained the property in a habitable condition.

Motion for JNOV

Defendants argued there was no substantial evidence supporting the jury's findings that plaintiff gave proper notice of change of ownership, pursuant to section 1962, plaintiff served a valid three-day notice to perform, and plaintiff posted the notice regarding LARSO on the premises.

Opposition

Defendants maintained Auyeung testified that exhibit 12-2 was the only notice given to defendants regarding the change in ownership, and this notice failed to provide the information required by section 1962, including that plaintiff was the new owner and Auyeung was acting on its behalf for purposes of receiving service of process and notices.

Defendants also argued any violation of LARSO was an affirmative defense (LAMC § 151.09.E.) and, therefore, they were entitled to judgment because plaintiff failed to post a notice stating the property was covered by LARSO (LAMC § 151.05.I.) and to provide a notice that set forth witnesses to the purported breaches of the lease (LAMC § 151.09.C.1.).

Defendants further argued the principle of "substantial compliance" under section 1947.7 did not excuse plaintiff's noncompliance with LARSO and section 1962 because section 1947.7, by its terms, applied to "an ordinance . . . which requires the registration of rents," and neither LARSO nor section 1962 was such an ordinance.

In its opposition to the motion for JNOV, plaintiff argued it "fully complied" with section 1962 requirements by serving exhibit 12-2 (which stated whom and how to pay the rent, who the managers were, and how to contact them). Plaintiff pointed out section 1962 required disclosure of certain information within 15 days of the change of ownership, which, in this case, occurred six years prior to the unlawful detainer proceedings, and any failure to "pristinely" comply with the disclosure requirements in 2012 "did not forever disentitle [it] from commencing its unlawful detainer in 2018."

Plaintiff also maintained section 1947.7 applied to LARSO requirements and there was ample evidence it substantially complied with the posting requirement. Plaintiff stated that, although Auyeung testified he did not post the LARSO notice on the premises, he also testified he annually served on defendants a copy of the registration, which accomplished the goal of the posting requirement. Plaintiff pointed out Marianna Auyeung was not asked whether she had posted any such notice and claimed that if she had been asked "she would have answered yes." Plaintiff also asserted there was no evidence the property was ever cited for failure to post

notices, and the testimony of Christensen and the numerous LAHCID notices admitted at trial established defendants were aware LARSO applied.

In denying defendants' JNOV motion, the court found there was substantial evidence that plaintiff complied with section 1962 and LARSO.

DISCUSSION6

Standard of Review

"A party is entitled to judgment notwithstanding the verdict only if there is no substantial evidence to support the verdict and the evidence compels a judgment in favor of the moving party as a matter of law. [Citation.] . . . On appeal, we independently determine whether substantial evidence supports the verdict and whether the moving party is entitled to judgment in its favor as a matter of law. [Citation.]" (Fassberg Construction Co. v. Housing Authority of City of Los Angeles (2007) 152 Cal.App.4th 720, 746.) "For evidence to be substantial, it must be of ponderable legal significance, reasonable, credible, and of solid value. [Citation.]" (Jorge v. Culinary Institute of America (2016) 3 Cal.App.5th 382, 396.) If an appellate court determines the denial of a JNOV motion was error, it must order the entry of judgment in favor of the moving party. (Code Civ. Proc., § 629.)

Our review of the ruling on the JNOV motion requires an interpretation of sections 1962 and 1947.7 and LARSO. We apply a de novo standard of review to the interpretation of a state statute or local ordinance, as it presents a pure question of law. (*Brookside Investments, Ltd. v. City of El Monte* (2016) 5 Cal.App.5th 540, 548, fn. 4.) We first examine the statutory language, giving the words their plain and commonsense meaning, and we interpret a provision

⁶While defendants maintain in their opening brief they are appealing the denial of their motion for nonsuit, the denial of their motion for directed verdict, and the denial of their JNOV motion, only the court's denial of the JNOV motion is separately appealable. (Code Civ. Proc., § 904.2, subd. (e).) Moreover, defendants timely filed a notice of appeal only as to the "order denying a motion for judgment notwithstanding the verdict" entered on June 26, 2018. (See Cal. Rules of Court, rules 8.823(d), 8.822.)

We note defendants made the same arguments in the three motions—that the evidence established defendants' affirmative defenses based on plaintiff's failure to comply with LARSO and section 1962. The standard of review is the same for all three motions. (See *Adams v. City of Fremont* (1998) 68 Cal.App.4th 243, 263 ["Reversal of the denial of a motion for nonsuit or directed verdict is only proper when no substantial evidence exists tending to prove each element of the plaintiff's case"].)

in the context of the statutory framework as a whole and its purpose, and we must avoid an absurd result in doing so. (*Ailanto Properties, Inc. v. City of Half Moon Bay* (2006) 142 Cal.App.4th 572, 582.) Given the summary nature of unlawful detainer actions, which involve the forfeiture of property interests, the applicable statutes and regulations must be strictly construed. (*WDT-Winchester v. Nilsson* (1994) 27 Cal.App.4th 516, 526; *Lamanna v. Vognar* (1993) 17 Cal.App.4th Supp. 4, 6.)

Failure to Comply with Section 1962 Disclosure Requirements

We first address the jury's finding that plaintiff gave "proper notice of change of ownership to all tenants when they became the owners of the property." Plaintiff became the owner in 2012. At that time, section 1962, subdivision (a), required "[a]ny owner of a dwelling structure . . . or party signing a rental agreement or lease on behalf of the owner" to "[d]isclose therein the name, telephone number, and usual street address at which personal service may be effected of each person who is: [¶] (A) [a]uthorized to manage the premises. [¶] (B) [a]n owner of the premises or a person who is authorized to act for and on behalf of the owner for the purpose of service of process and for the purpose of receiving and receipting for all notices and demands," and to "[d]isclose therein the name, telephone number, and address of the person or entity to whom rent payments shall be made."

Section 1962, subdivision (c), simply provided, "The information required by this section shall be kept current and this section shall extend to and be enforceable against any successor owner or manager, who shall comply with this section within 15 days of succeeding the previous manager," and it contained no penalty for failure to comply. But in 2012, subdivision (c) was amended to include a prohibition against initiating an eviction for nonpayment of rent during the period of noncompliance: "A successor owner or manager shall not serve a notice pursuant to paragraph (2) of Section 1161 of the Code of Civil Procedure or otherwise evict a tenant for nonpayment of rent that accrued during the period of noncompliance by a successor owner or manager with this subdivision."

Auyeung testified that in 2012 he served defendants with exhibit 12-2 and it was the only notice of change of ownership that he served. Plaintiff maintains that because the

Auyeungs continued to manage the property after transfer of title to plaintiff in 2012, there was no "successor manager" and, therefore, the prohibition in section 1962, subdivision (c), did not apply. But, by its express terms, subdivision (c) also applies to "successor owners," and plaintiff, as the successor owner, was still required, after 2012, to keep current the information required in subdivision (a) or it would be barred from instituting unlawful detainer proceedings based on nonpayment of rent for the period of its noncompliance. (See Stats. 2012, ch. 695, $\S 1.$)⁷

Citing Lyles v. Sangadeo-Patel (2014) 225 Cal.App.4th 759 (Lyles), plaintiff argues that, even if it did not comply with section 1962 in 2012, it should not be "forever precluded" from filing an unlawful detainer for nonpayment. In Lyles, a tenant sued her landlords for restitution for all rent paid based on the landlords' failure to serve her with the registration statement, as required by LAMC § 151.05.A. In rejecting the tenant's claim, the court held the ordinance did "not disentitle a landlord to rent for a period during which the landlord is not in compliance with [ordinance]" and that, once the landlord complies with the ordinance, the tenant becomes obligated to pay the current rent and any back rent withheld. (Id. at p. 766.) Lyles is clearly distinguishable—it did not involve section 1962. Moreover, plaintiff focuses on its failure to comply in 2012 and ignores that the facts established that it continued to be noncompliant when it did not provide the information required by section 1962, subdivision (a), in subsequent years.

In this case, the 2012 notice made no overt reference to, nor expressed mention of, a change in *ownership*—that plaintiff was the new owner of the property. The notice provided no

⁷Plaintiff also contends subdivision (c)'s prohibition, which became effective on January 1, 2013, cannot be retroactively applied to it because the change of ownership occurred in May 2012. Plaintiff's contention in this regard is not well taken for two reasons. First, a duty to comply with section 1962's disclosure requirements existed when the statute was first adopted in 1972, and the 2012 amendment did nothing to alter the disclosure requirement. Second, section 1962, subdivision (c), then only made clear that after January 1, 2013, if a landlord failed to comply with the statute, it would be prohibited from serving a notice to pay or quit, or to evict a tenant, for nonpayment of rent for a period in which the landlord had not complied with section 1962. In the instant case, plaintiff had not complied with section 1962 during the July 2017 through March 2018 period on which the three-day notice was based. Therefore, subdivision (c)'s prohibition would apply to its attempt to evict defendants.

instruction or information regarding service of process on the new owner or who was authorized to act on behalf of the new owner for purpose of service of process. Indeed, in informing defendants that they were "requested to write checks to WILMINGTON & SERENO LLC until further notice," the notice only appeared to pertain to the remittance of rent payment. No other notice was provided to defendants, and thus it was established that plaintiff, as the successor owner, failed to keep current the required information pursuant to section 1962, subdivision (a). As a consequence, plaintiff was barred from bringing this action on the basis of nonpayment of rent (§ 1962, subd. (c)).

Failure to Comply with LAMC § 151.05.I. Requirement to Post LARSO Notice

LAMC § 151.05.I. requires "the landlord shall post a notice on a form prescribed by the Department, providing information about the Rent Stabilization Ordinance and Department contact information. Notices must be posted in a conspicuous location in the lobby of the property, near a mailbox used by all residents on the property, or in or near a public entrance to the property." The jury found that plaintiff "post[ed] a notice that the premises is subject to [LARSO] in a conspicuous location on the premises." LAMC § 151.09.E. provides, "[i]n any action by a landlord to recover possession of a rental unit, the tenant may raise as an affirmative defense *any* violation of the provisions of this chapter." In the instant case, defendants raised as an affirmative defense plaintiff's failure to comply with the requirement to post a notice stating the property was subject to LARSO, and "[o]f course, at trial, [the] defendant raising an affirmative defense has the burden of proving it." (*Consumer Cause, Inc. v. SmileCare* (2001) 91 Cal.App.4th 454, 469.)

We conclude there was insufficient evidence to support the jury's finding of plaintiff's compliance with LAMC § 151.05.I. As manager of the property, Auyeung testified he was not familiar with LARSO or the kind of notice it required to be posted. Plaintiff argues it could be reasonably inferred that Marianna Auyeung, who was authorized to manage the property, posted the required notice. However, Marianna Auyeung's testimony was that it was Auyeung who "took care of the property," and Auyeung specifically testified that he never posted a LARSO notice on the property.

Inapplicability of section 1947.7 (substantial compliance) to LARSO

We note that the jury also found plaintiff "substantially compl[ied] in good faith with [LARSO]." Because nothing in LARSO provides for substantial compliance and LAMC § 151.09.E. plainly and expressly provides that "any violation" of LARSO is an affirmative defense to an unlawful detainer action, plaintiff relied on section 1947.7 as a vehicle to overcome the affirmative defense permitted by LAMC § 151.09.E. and to argue it complied with the posting requirement.

Section 1947.7, subdivision (b), provides, "An owner of a residential rental unit who is in substantial compliance with an ordinance or charter that controls or establishes a system of controls on the price at which residential rental units may be offered for rent or lease and which requires the registration of rents, or any regulation adopted pursuant thereto, shall not be assessed a penalty or any other sanction for noncompliance with the ordinance, charter, or regulation."

We agree with defendants that section 1947.7 does not apply to the instant case.

Section 1947.7 is part of the Petris Act. (§§ 1947.7-1947.8; see *Sego v. Santa Monica Rent Control Bd.* (1997) 57 Cal.App.4th 250, 256.) "The purpose of the [Petris] Act is to exempt landlords who attempt good faith compliance with a rent control law from fines and penalties.' [Citation.] The statute [in subdivision (a)] explicitly sets forth 'the intent of the Legislature to limit the imposition of penalties and sanctions against an owner of residential rental units where that person has attempted in good faith to fully comply with the regulatory processes.' [Citation.] The cited 'regulatory processes' appear to be those related to the registration of rents and to the establishment of rent levels. [Citations.] The act thus protects landlords who inadvertently make registration mistakes or who innocently establish rents at improper levels. [Citations.]" (*People ex rel. Kennedy v. Beaumont Investment, Ltd.* (2003) 111 Cal.App.4th 102, 122-123; see also LAMC § 151.05.J.) The instant case does not involve an assessment of a penalty or sanctions, nor does it involve an error in registration or establishment of rent levels.

Moreover, "substantial compliance" is defined in section 1947.7, subdivision (b), in terms of a residential landlord who "has made a good faith attempt to comply with the

ordinance . . . but is not in full compliance, and has, after receiving notice of a deficiency from the local agency, cured the defect in a timely manner . . . " (§ 1947.7, subd. (b).) Even if section 1947.7 applied to LARSO's posting requirement, plaintiff could not benefit from it here because there was no indication in the record that plaintiff was cited for a posting violation or that it cured such violation.

Failure to Comply with LAMC § 151.09.C.1. Requirement to Identify Witnesses

The jury found plaintiff "properly" gave defendants three days' notice to perform or quit, and defendants contend there was no substantial evidence that plaintiff's notice to perform complied with LAMC § 151.09.C.1.'s requirement to identify witnesses.

LAMC § 151.09.C.1. provides that "[w]hen the termination of tenancy is based on [a violation of a lawful obligation or covenant of the tenancy and a failure to cure the violation after having received written notice], the termination notice must set forth specific facts to permit a determination of the date, place, witnesses and circumstances concerning the eviction reason."

In its three-day notice, plaintiff identified three distinct breaches: unauthorized occupancy and/or subletting, failure to comply with municipal law, and unauthorized use of the premises for a commercial enterprise. While any one of the breaches above would have supported an unlawful detainer, the jury found all three had been proven.

But, as pointed out by defendants, the three-day notice did not identify any witnesses to the three separate breaches. This is specifically true with respect to the claims concerning defendants' unauthorized occupancy and unauthorized use of the premises for a commercial enterprise. As for the breach of the lease covenants to maintain the property in a clean and sanitary condition and to comply with applicable law, however, in the three-day notice plaintiff referenced, and attached to it, an order to restore utilities, wherein defendants were cited by the city for violations of the Municipal Code and ordered to restore water and electrical power service.

Although no witnesses were identified in the notice to perform itself, in the attached order to restore utilities it was noted that the property had been inspected on March 21, 2018,

by Christensen, and that inspection revealed the property lacked one or more utilities required for habitability. By referencing and attaching the order to restore utilities in which Christensen was identified, plaintiff did "set forth specific facts to permit a determination of the . . . witnesses . . . concerning the eviction reason." (LAMC § 151.09.C.1.)

Thus, we reject defendants' argument that there was no substantial evidence to support a finding that plaintiff properly served a notice to perform or quit that complied with LAMC § 151.09.C.1. Nevertheless, because we have determined *ante* that defendants established their affirmative defense based on plaintiff's failure to post the LARSO notice (LAMC § 151.05.I.), a defense that applied to *both* plaintiff's unlawful detainer claim based on the notice to pay or quit and the claim based on the notice to perform or quit, defendants are entitled to reversal of the order denying JNOV.

DISPOSITION

The order denying defendants' motion for JNOV and the judgment are reversed. The trial court is directed to enter an order granting the motion. Defendants to recover costs on appeal.

Richardson, J.

We concur:

P. McKay, P. J.

Kumar, J.

CERTIFICATE OF TRANSMITTAL

L.A. Superior Court Central

Appellate

WILMINGTON & SEREENO LLC	
VS.	вv032809
SAUCEDO, ET AL	

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() Order Appointing Counsel () Order Dismissing Appeal	<pre>(V) Opinion () Order Denying Rehearing/Certification () Order RE Continuance () Remittitur () Notice Setting Cause for Hearing</pre>
has been transmitted to above named Dated:	parties (V) and trial court appeal clerk. By Deputy

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