

OCT 21 2020

By: A. HUSTED, Deputy

**SUPERIOR COURT OF CALIFORNIA
SAN DIEGO COUNTY**

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[UNDER SEAL],

PLAINTIFF,

v.

[UNDER SEAL],

DEFENDANT.

CIVIL ACTION NO.

**FILED UNDER SEAL
PURSUANT TO
CAL. GOV'T CODE § 12652(c)(2)**

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21 **SUPERIOR COURT OF CALIFORNIA**
22 **SAN DIEGO COUNTY**

23 **CITY OF SAN DIEGO, CITY OF**
24 **SACRAMENTO, CITY OF MORENO**
25 **VALLEY, CITY OF RIVERSIDE,**
26 **CITY OF LOS ANGELES CITY OF**
27 **COMPTON, CITY OF TEMECULA,**
28 **CITY OF PALMDALE, CITY OF**
LANCASTER, CITY OF SAN
BERNARDINO, CITY OF VALLEJO,
CITY OF FONTANA, CITY OF
MURRIETA, CITY OF FAIRFIELD,
CITY OF PERRIS, CITY OF
YUCAIPA, CITY OF CORONA, CITY
OF RIALTO AND ROES 1-250, EX.
REL BLACKBIRD SPECIAL
PROJECT, LLC

PLAINTIFF-RELATORS,

v.

Case No.

37-2020-00030619-CU-MC-CTL
AMENDED COMPLAINT

FILED UNDER SEAL
PURSUANT TO
CAL. GOV'T CODE § 12652(c)(2)

ACTION DEMANDED
EXCEEDS \$10,000

JURY TRIAL DEMANDED

F I L E D
Clerk of the Superior Court

OCT 21 2020

By: A. HUSTED, Deputy

1 AMENDED COMPLAINT

2 On behalf of the Cities of San Diego, Sacramento, Moreno Valley, Riverside, Los Angeles,
3 Compton, Temecula, Palmdale, Lancaster, San Bernardino, Vallejo, Fontana, Murrieta, Fairfield,
4 Perris, Yucaipa, Corona, Rialto and Roes 1–250, Relator Blackbird Special Project, LLC files this
5 *qui tam* Complaint against Defendant Invitation Homes, Inc. (“IH”), a publicly traded corporation.
6 In support thereof, Relator alleges as follows:

7 INTRODUCTION

8 1. This is an action to recover damages and civil penalties on behalf of the Cities
9 of San Diego, Sacramento, Moreno Valley, Riverside, Los Angeles, Compton, Temecula,
10 Palmdale, Lancaster, San Bernardino, Vallejo, Fontana, Murrieta, Fairfield, Perris, Yucaipa,
11 Corona, Rialto and Roes 1–250 arising from Defendant IH’s concealment or avoidance of
12 obligations to remit money to local municipalities and counties of the State of California in
13 violation of the California False Claims Act, Cal. Gov’t Code § 12650 *et seq.* (hereinafter the
14 “CFCA”).

15 2. In California, building permits are required for substantial renovations,
16 including the erection, construction, reconstruction, installation, moving, or alteration of any
17 building or structure. Cal. Code Regs. tit. 24, § 1.8.4.1. Local agencies must adopt regulations
18 that at least meet the State’s minimum building regulations and standards, *see* Cal. Health &
19 Safety Code § 17958 *et seq.*, and some, like Los Angeles, have adopted more specific
20 standards. *See, e.g.*, Los Angeles Municipal Code (“LAMC”) § 91.106.2(1) (generally
21 requiring permits for repairs valued at over \$500).

22 3. Building permits ensure that the renovation is conducted safely and in
23 compliance with building, construction, and zoning codes. Prior to beginning most
24 construction or renovations, companies must evaluate whether a permit is required. Permit and
25 inspection fees are paid to the local cities and counties. *See* Cal. Health & Safety Code § 17951.

26 4. Invitation Homes, a single-family home rental company, began buying homes
27 in many states, prominently including California, after the financial crisis of 2007-08, and has
28 purchased over 12,000 such homes in the State. It has spent thousands of dollars on
renovations to its single-family homes in California but intentionally and systematically failed

1 to obtain building permits. IH's business model was simple: it purchased thousands of single-
2 family homes that were devalued by the financial crisis, renovated them, and then rented them
3 out at a higher valuation. It chose to ignore permitting requirements to avoid permit fees and
4 to get the properties into the rental market as quickly as possible, as well as, as explained
5 below, to avoid property tax increases.

6 5. Since 2012, IH has spent approximately \$25,000 per home on renovations of its
7 California single-family homes. The vast majority of IH's renovations required permits—
8 including for demolishing and constructing sections of single-family homes, installing and
9 demolishing pools, and significantly altering the electrical work—but permits were not
10 obtained. Once the single-family homes were renovated without the required permits, IH
11 rented them to tenants who were unaware of the unpermitted and potentially unsafe
12 renovations.

13 6. Relator's analyses show that IH obtained building permits for less than 7% of
14 the single-family homes it owns. Relator has closely analyzed IH's permitting scheme in the
15 Cities of San Diego, Sacramento, Moreno Valley, Riverside, Compton, Temecula, Palmdale,
16 Lancaster, San Bernardino, Vallejo, Fontana, Murrieta, Fairfield, Perris, Yucaipa, Corona, and
17 Rialto covering Northern and Southern California, and urban rural and suburban settings.
18 Relator has confirmed IH's failure to permit in each city, and therefore believes it is a statewide
19 practice.

20 7. By its failure to pay or remit inspection, permit fees, penalties and interest IH
21 has defrauded cities and counties in California millions of dollars.¹

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24 ¹ IH has also defrauded counties of additional property taxes that it owes because of
25 the higher valuation of the property after the renovation. In California, under Proposition 13
26 revaluations are strictly limited, but can take place when a property is sold, or when renovations
27 requiring permits takes place. When IH acquired a home, a revaluation would have taken place
28 upon its purchase (but many of the properties were distressed, lowering sales prices and valuations),
and should have occurred again when IH improved the property through renovations. The
permitting process informs the county assessor of an improvement made, and thus a need for
reassessment. But when no permits were pulled, no reassessment took place, and taxes remained
fraudulently low.

1 JURISDICTION AND VENUE

2 8. This Court has subject-matter jurisdiction over this action pursuant to Cal. Gov't
3 Code § 12652(c)(2).

4 9. This Court has jurisdiction over the Defendant under California Code of Civil
5 Procedure § 410.10 because a substantial portion of the acts and omissions complained of, and
6 giving rise to the claims alleged herein, occurred in California. IH owns 82 single-family homes in
7 the City of San Diego and has failed to get required permits on those homes, defrauding the City.

8 10. Venue is proper under California Code of Civil Procedure § 395.5 because the
9 Defendant transacts business in San Diego County and many of the breaches of legal obligation
10 that give rise to Defendant's liability, as described in this Complaint, also took place in San Diego
11 County. Venue is also proper under California Code of Civil Procedure § 393 because some part
12 of this cause to recover penalties imposed by the CFCA arose in San Diego County.

13 11. This action is not based upon prior public disclosure of allegations or transactions
14 in (1) a civil suit or an administrative civil money penalty proceeding in which the State or any of
15 the political subdivisions is already a party; (2) a criminal, civil, or administrative hearing in which
16 the State or any prosecuting authority of the political subdivisions or their agents is a party; (3) a
17 report, hearing, audit, or investigation of the California Legislature, the State, or any of the political
18 subdivisions' governing bodies; or (4) the news media.

19 12. To the extent that there has been a public disclosure unknown to Relator, Relator is
20 an original source under Cal. Gov't Code § 12652(d)(3)(C). Relator has voluntarily disclosed to
21 the State the information on which this claim is based. It also has knowledge that is independent
22 of, and materially adds to, the publicly disclosed allegations or transactions, and has voluntarily
23 provided that information to the State before filing this complaint. *See id.*

24 PARTIES

25 13. Relator Blackbird Special Project, LLC ("Blackbird" or "Relator") was
26 incorporated in Delaware in March 2020 and is headquartered in San Diego. Blackbird, in
27 conjunction with a related company called Deckard Technologies, Inc., uses proprietary
28 technology, which implements aspects of artificial intelligence and machine learning, to review

1 and analyze various issues concerning real estate nationwide, including California.² Among the
2 issues that Relator has analyzed is the underpayment of property taxes in California. In looking at
3 this issue, Relator discovered that the source of much underpayment of property taxes in California
4 was the failure of large corporate purchasers, including IH, to obtain permits for renovations of
5 homes bought after the 2007 to 2008 financial crisis.

6 14. Defendant Invitation Homes, Inc. (“IH”) is a publicly traded, premier, home-leasing
7 company headquartered in Dallas, Texas and incorporated in the state of Maryland. IH has a market
8 cap over \$10 billion and had an annual revenue of \$1.72 billion in 2018. Its President and CEO is
9 Dallas B. Tanner.

10 15. IH was founded by Blackstone (formally, The Blackstone Group, Inc.) in 2012 and
11 has grown rapidly by buying single-family homes and through acquisitions of other companies
12 which had done the same. By June 30, 2016, IH had acquired nearly 50,000 single-family homes
13 through the multiple listing service (“MLS”), broker sales, and bulk portfolio sales, among others.
14 In August 2017, IH and Starwood Waypoint Homes, another owner and operator of single-family
15 homes, merged and IH’s portfolio of single-family homes increased by 34,670. IH is currently the
16 largest owner of single-family, rental homes in the United States, with most of its homes located
17 in California, Florida, Georgia, Texas and other Sun Belt states. As of December 31, 2019, IH
18 owned 79,505 single-family homes in twelve states.

19 16. In California, as of December 31, 2019, Defendant owned 12,461 single-family
20 homes in over one hundred cities. Since 2020, Relator’s analysis has shown that IH has owned 82
21 single-family homes in San Diego, 517 in Riverside, 526 in Moreno Valley, 971 in Sacramento,
22 56 in Compton, 1,693 in Los Angeles, 135 in Temecula, 135 in Temecula, 379 in Palmdale, 376 in
23 Lancaster, 348 in San Bernardino, 314 in Vallejo, 286 in Fontana, 274 in Murrieta, 217 in Fairfield,
24 183 in Perris, 181 in Yucaipa, 180 in Corona, and 176 in Rialto.³

25 _____
26 ² Prior to March 2020, the references to Relator or Blackbird should be understood to
27 encompass work done by Deckard. Post March 2020, the references to Relator or Blackbird refer
solely to Blackbird, except to the extent Blackbird used Deckard’s proprietary technology.

28 ³ The current amounts may differ depending on the amount of IH’s acquisitions and
disposals in those cities this year.

1 **REGULATORY STRUCTURE**

2 **A. The California False Claims Act.**

3 17. The California False Claims Act, Cal. Gov't Code § 12650, *et seq.*, was enacted in
4 1987 and modeled after the federal False Claims Act.

5 18. Among other things, the CFCA makes it unlawful to “knowingly conceal[] or
6 knowingly and improperly avoid[], or decrease[] an obligation to pay or transmit money or property
7 to the state or to any political subdivision.” Cal. Gov't Code § 12651(a)(7).

8 19. The CFCA also makes it unlawful to “knowingly make[], use[], or cause[] to be
9 made or used a false record or statement material to an obligation to pay or transmit money or
10 property to the state or to any political subdivision[.]” *Id.*

11 20. The CFCA defines “knowingly” as meaning that one who either has “actual
12 knowledge of the information, [a]cts in deliberate ignorance of the truth or falsity of the
13 information, or [a]cts in reckless disregard of the truth or falsity of the information.” Cal. Gov't
14 Code § 12650(b)(3). “Proof of specific intent to defraud is not required.” *Id.*

15 21. The CFCA defines “political subdivision” to include “any city, city and county,
16 county, tax or assessment district, or other legally authorized local governmental entity with
17 jurisdictional boundaries.” Cal. Gov't Code § 12650(b)(6).

18 22. The CFCA defines “obligation” as meaning “an established duty, whether or not
19 fixed, arising from . . . a fee-based or similar relationship, from statute or regulation, or from the
20 retention of any overpayment.” Cal. Gov't Code § 12650(b)(5).

21 23. The CFCA contains a *qui tam* provision permitting individuals to prosecute
22 proscribed conduct in a civil action on behalf of themselves, the State of California, and political
23 subdivisions. Cal. Gov't Code § 12652(c)(1). The complaint is to be filed in Superior Court *in*
24 *camera* and may remain under seal for 60 days, allowing the government to conduct its own
25 investigation and determine whether to join in the suit. *See* Cal. Gov't Code § 12652(c)(2).

26 24. The CFCA provides that anyone who engages in proscribed conduct “shall be liable
27 to the state or to the political subdivision for three times the amount of damages that the state or
28 political subdivision sustains,” plus a civil penalty of not less than \$5,500 and not more than
\$11,000 for each violation, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of

1 1990, Public Law 101–410 Section 5, 104 Stat. 891, note following 28 U.S.C. Section 2461. Cal.
Gov’t Code § 12651(a).

2 25. The CFCA “shall be liberally construed and applied to promote the public interest.”
3 Cal. Gov’t Code § 12655(c).

4 **B. California Building Permits Requirements, Fees, and Penalties.**

5 **i. Mandatory Permits and Fees Prior to Renovating Homes.**

6 26. Under the California State Building Code, a written permit is required prior to
7 “erection, construction, reconstruction, installation, moving or alteration of any building or
8 structure.” Cal. Code Regs. tit. 24, § 1.8.4.1; *see also* Cal. Code Regs. tit. 24, § 105.1 (“Any owner
9 . . . who intends to construct, enlarge, alter, repair, move, demolish or change the occupancy of a
10 building or structure, or to erect, install, enlarge, alter, repair, remove, convert or replace any
11 electrical, gas, mechanical or plumbing system . . . shall first make application to the [local]
12 building official and obtain the required permit.”).

13 27. The State Building Code is deemed adopted in its entirety by all California cities
14 and counties unless a given locality expressly indicates which provisions it declines to adopt, and
15 local authorities can only deviate from the State Building Code if they expressly find “that such
16 modifications or changes are reasonably necessary because of local climatic, geological or
17 topographical conditions.” Cal. Health & Safety Code §§ 17958, 17958.7. Thus, cities either have
18 the same permitting requirements as the state or slight differences through local substitution, not
19 relevant to the substance of this Complaint.

20 28. Local governments are authorized to prescribe fees for building and renovation
21 permits. Cal. Health & Safety Code § 17951; *see also* Cal. Code Regs. tit. 24, § 1.8.4.2.

22 29. For example, in the City of Los Angeles, “[n]o person shall erect, construct, alter,
23 repair, demolish, remove or move any building or structure . . . unless said person has obtained a
24 permit.” LAMC 91.106.1.1; *see also* LAMC 91.101.1.1 (adopting portions of the State Building
25 Code by reference).⁴ Permits require advance payment of a fee, the amount of which is calculated
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27 ⁴ Available at [http://library.amlegal.com/nxt/gateway.dll/California/lamc/municipalcode/
chapterixbuildingregulations/article1buildingsbuildingcode?f=templates\\$fn=default.htm\\$3.0\\$vid
28 =amlegal:losangeles_ca_mc\\$anc=JD_91.106.1.1](http://library.amlegal.com/nxt/gateway.dll/California/lamc/municipalcode/chapterixbuildingregulations/article1buildingsbuildingcode?f=templates$fn=default.htm$3.0$vid=amlegal:losangeles_ca_mc$anc=JD_91.106.1.1).

1 based on “the total value of all construction work for which the building permit is issued.” *Id.* at
2 91.107.2.1. Renovations valued between \$20,000 and \$50,000 are subject to a minimum permit fee
3 of \$170, *id.* at 91.113, Table 1-A, in addition to any applicable line-item fees, such as to replace a
4 garbage disposal (\$10) or water heater (\$28). *See* Los Angeles Department of Building and Safety,
5 Fee Schedules for Plumbing Permits, <https://www.ladbs.org/faq/fee-schedules>. There is also a
6 mandatory plan check fee, the amount of which “shall be equal to 90% of the building permit fee.”
7 LAMC 91.107.3.1.1.

8 30. In the City of Sacramento, which has adopted the State Building Code permitting
9 provisions, Sacramento City Code 15.04.050, 15.08.010, and 15.20.010 (adopting the State
10 Building Code without altering the permitting requirement),⁵ permit fees cover “all aspects of
11 administration of the building permit program,” including plan review and inspection, and are
12 calculated based on either “the estimated value of the work to be done” or “an hourly rate to be
13 charged for actual time expended performing plan review or inspections.” *Id.* at 15.08.050.
14 Renovations valued above \$20,000, for example, are charged a mandatory fee of at least \$429. *See*
15 Sacramento Community Development Department, Fee Tables, Table A.⁶ Flat permit fees also
16 apply, such as for kitchen remodels (\$287), roof replacements (\$175), and custom patios (\$300 for
17 the permit and \$152 for the plan check). *Id.*

18 31. In the City of Riverside, which has adopted the State Building Code permit
19 requirement, Riverside Municipal Code 16.08.020 and 16.08.030 (adopting the State Building
20 Code without altering the permitting provision),⁷ fees for permits and plan checks are calculated
21 based on the square footage of the property. Renovations valued between \$25,000 to \$50,000 are
22 charged a mandatory fee of at least \$267. Riverside Building & Safety Division, Building Permit
23 and Plan Check Fees.⁸ For more minor electrical, plumbing, and mechanical renovations, there is
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25 ⁵ Available at <http://www.qcode.us/codes/sacramento/>.

26 ⁶ Available at [http://www.cityofsacramento.org/Online-Services/FeeChargeSearch.aspx?
cu_fee_id=28](http://www.cityofsacramento.org/Online-Services/FeeChargeSearch.aspx?cu_fee_id=28).

27 ⁷ Available at [https://library.municode.com/ca/riverside/codes/code_of_ordinances?node
Id=PTIICOOR_TIT16BUCO_CH16.08BUCO_16.08.020CABUCOADILBUOF](https://library.municode.com/ca/riverside/codes/code_of_ordinances?nodeId=PTIICOOR_TIT16BUCO_CH16.08BUCO_16.08.020CABUCOADILBUOF).

28 ⁸ Available at <https://www.riversideca.gov/cedd/sites/riversideca.gov.icedd/files/pdf/buil>

1 generally a \$25 permit fee on top of more tailored fees, such as garbage disposal replacement (\$5)
2 or water heater replacement (\$9 to \$56.50 based on energy efficiency). *Id.*

3 32. In the City of Moreno Valley, which has adopted the State Building Code permit
4 requirement, Moreno Valley Municipal Code 8.20.010 (as amended via Ordinance No. 962,
5 adopted Nov. 5, 2019) (adopting the California Building Code without altering the permitting
6 provision),⁹ renovation permit fees are calculated based on square footage, with a minimum plan
7 check fee of \$615 and inspection fee of \$770. City of Moreno Valley, Schedule of City Fees,
8 Charges and Rates, Fiscal Year 2019-20.¹⁰ There are also miscellaneous permit fees for such
9 improvements as water heater replacement (\$60), adding new windows (\$305 for the plan check
10 and \$576 for the inspection), and re-roofing (\$41 for the plan check and at least \$155 for the
11 inspection). *Id.*

12 33. In the City of San Diego, “[n]o structure regulated by the Land Development Code
13 shall be erected, constructed, enlarged, altered, repaired, improved, converted, permanently
14 relocated or partially demolished unless a Building Permit has first been obtained from the Building
15 Official.” San Diego Municipal Code §129.0202. Permit fees for remodeling of residential units
16 are calculated based on the unit’s square footage, with a minimum plan check fee of \$485.19 and
17 inspection fee of \$1,339.15 for minor remodels, and a minimum plan check fee of \$1,305.09 for
18 non-minor remodels. San Diego Development Services Department, Information Bulletin 501:
19 Construction Permits – Structures, Table 501A.¹¹ Building permits that require plan review and
20 inspection cost a flat “General Plan Maintenance Fee” of \$451 on top of any item-specific fees,
21 such as for roof re-sheathing (\$325.62 for inspection), *id.* at Table 501C, or replacement of water
22 heaters (\$151.79 for first unit) or HVAC condenser units (\$121.95 for first unit). San Diego
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25 [ding/BLDG-PERMIT-PLANCHECK-FEES.pdf](#).

26 ⁹ Available at <http://www.moreno-valley.ca.us/cdd/pdfs/Ordinance962.pdf>.

27 ¹⁰ Available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10>.

28 ¹¹ Available at <https://www.sandiego.gov/sites/default/files/dsdib501.pdf>.

1 Development Services Department, Information Bulletin 103: Fee Schedule for Mechanical,
2 Electrical, Plumbing/Gas Permits, Tables 1B and 3B.¹²

3 34. In the City of Temecula, which has adopted the State Building Code permit
4 requirement, Temecula Municipal Code 15.04.010 (adopting the California Building Code without
5 altering the permitting provision),¹³ permit fees for residential remodeling are based on square
6 footage, with a minimum fee of \$241. City of Temecula, 2020-21 User Fee Schedule, Appendix
7 1.¹⁴ There are also flat fees for individual renovations, such as re-roofing (at least \$210) or
8 replacing water heaters (\$23.70) and air conditioners (at least \$23.70, depending on efficiency). *Id.*

9 35. Other communities in California with significant numbers of IH properties have
10 adopted similar provisions regarding mandatory permitting and fees. *See, e.g.*, Lancaster Municipal
11 Code 15.04.010 and 15.04.080 (adopting the State Building Code without altering the permit
12 requirement);¹⁵ Vallejo Municipal Code 12.04.010 (same);¹⁶ Code of the City of Fontana,
13 California Sec. Sec. 5-61 and Sec. 5-62 (same).¹⁷

14 **ii. Mandatory Penalties for Renovating Homes without Obtaining Permits.**

15 36. Under the California State Building Code, there is a mandatory penalty for
16 renovating buildings without first obtaining a permit: “Any person who commences any work on
17 a building, structure, electrical, gas, mechanical or plumbing system before obtaining the necessary
18 permits shall be subject to a fee established by the building official that shall be in addition to the
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21 ¹² Available at <https://www.sandiego.gov/sites/default/files/dsdib103.pdf>.

22 ¹³ Available at http://www.qcode.us/codes/temecula/view.php?topic=15-15_04&showAll=1&frames=off.

23 ¹⁴ Available at <https://temeculaca.gov/DocumentCenter/View/892/2020-21-User-Fee-Study-Handbook-PDF?bidId=>.

24 ¹⁵ Available at https://library.municode.com/ca/lancaster/codes/code_of_ordinances?nodeId=TIT15BUCO_CH15.04ADCO_15.04.080FE.

25 ¹⁶ Available at https://library.municode.com/ca/vallejo/ordinances/code_of_ordinances?nodeId=1005409.

26 ¹⁷ Available at https://library.municode.com/ca/fontana/codes/code_of_ordinances?nodeId=CO_CH5BUBURE_ARTIIICABUCO.

1 required fees.” Cal. Code Regs. tit. 24, § 109.4; *see also id.* at § 114.4 (establishing penalties for
2 code violations).

3 37. As with the permitting requirement, many localities have adopted the State Building
4 Code without substantively amending the penalty provisions. *See, e.g.,* Murrieta Municipal Code
5 15.08.010 (adopting State Building Code without amending the penalties provision)¹⁸ and Perris
6 Municipal Code 16.08.050, 16.08.051 (same).¹⁹

7 38. Other cities have amended the State Building Code by setting the amount of the
8 amount penalty.

9 39. For example, in the City of Los Angeles, whenever construction commences
10 without the proper permit, the building department must impose a minimum “investigation fee” of
11 \$400. LAMC 98.0402.²⁰

12 40. Similarly, in Los Angeles County, the minimum investigation fee for unpermitted
13 work is generally \$396.10. Los Angeles County Code 107.13.²¹ Even if it is determined that an
14 owner was unaware that permits were necessary, the investigation fee may not be less than \$198.00.
15 *Id.*

16 41. In the City of Sacramento, when work commences without a required permit, the
17 city building official “shall charge up to four times all applicable plan review and permit
18 (inspection) fees related to the required permit(s), including, but not limited to, building permits,
19 sign permits and demolition permits.” Sacramento City Code 15.08.080.²² Additionally, all
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21 ¹⁸ Available at https://codelibrary.amlegal.com/codes/murrieta/latest/murrieta_ca/0-0-0-22732#JD_Chapter15.08; https://codelibrary.amlegal.com/codes/murrieta/latest/murrieta_ca/0-0-0-36602.

23 ¹⁹ Available at https://library.municode.com/ca/perris/codes/code_of_ordinances?nodeId=COOR_TIT16BUCO_CH16.08BUPLOTCOAD_ARTIINGE_S16.08.050AD2019CABUCO.

24 ²⁰ Available at [http://library.amlegal.com/nxt/gateway.dll/California/lamc/municipalcode/chapterixbuildingregulations/article1buildingsbuildingcode?f=templates\\$fn=default.htm\\$3.0\\$vid=amlegal:losangeles_ca_mc\\$anc=JD_91.106.1.1](http://library.amlegal.com/nxt/gateway.dll/California/lamc/municipalcode/chapterixbuildingregulations/article1buildingsbuildingcode?f=templates$fn=default.htm$3.0$vid=amlegal:losangeles_ca_mc$anc=JD_91.106.1.1).

26 ²¹ Available at https://library.municode.com/ca/los_angeles_county/codes/code_of_ordinances?nodeId=TIT26BUCO_CHIAD_107.13INFEWOWIPE.

27 ²² Available at https://www.qcode.us/codes/sacramento/view.php?topic=15-15_08-15_08_080&frames=on.

1 violations of the building code (including the permit requirement) are subject to civil penalties of
2 not less than \$250 per day. *Id.* at 15.04.060.

3 42. Many localities automatically double the applicable permit fees if work commences
4 without the required permit. *See, e.g.*, Temecula Municipal Code 15.02.040 (“Any person, firm or
5 corporation who shall proceed with or commence work for which a permit is required by these
6 building and construction regulations without first having obtained such permit shall, if
7 subsequently permitted to obtain a permit therefor, pay double the fee fixed for such work[.]”);²³
8 Sacramento County Code, 16.02.080 (amending the State Building Code penalty provision such
9 that “[t]he violation fee shall be twice the amount of the total Building Inspection fees (plan review
10 plus building permit fees) prescribed in Chapter 16.90 of the Sacramento County Code,” and “is
11 separate and independent from other fees”);²⁴ San Diego County Code 91.1.109.4.1 (requiring an
12 investigation fee when work violates the building code, which “shall be equal to the amount of the
13 permit fee required by this chapter”); Yucaipa Municipal Code 15.04.020 (same);²⁵ Palmdale
14 Municipal Code 8.04.200 (same);²⁶ West Covina Municipal Code 7-18.3 (doubling permit fees);²⁷
15 City of Moreno Valley, Schedule of City Fees, Charges and Rates, Fiscal Year 2019-20 (same);²⁸
16 City of Burbank, Ordinance No. 19-3,922, 9-1-1-109.4 (same).²⁹

17 FACTUAL ALLEGATIONS

18
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20 ²³ Available at http://www.qcode.us/codes/temecula/view.php?topic=15-15_02-15_02_040&frames=off.

21 ²⁴ Available at https://qcode.us/codes/sacramentocounty/view.php?topic=16-16_02-16_02_080&frames=on.

22 ²⁵ Available at <http://www.qcode.us/codes/yucaipa/> (see additional “109.7.2 Fee.”).

23 ²⁶ Available at <https://www.codepublishing.com/CA/Palmdale/#!/Palmdale08/Palmdale0804.html#8.04.200> (see additional “107.13 Investigation Fee for Work without Permit.”)

24 ²⁷ Available at https://library.municode.com/ca/west_covina/codes/code_of_ordinances?nodeId=MUCO_CH7BUBURE_ARTIIBUCO_S7-18.3FE.

25 ²⁸ Available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10> (“For work that is under construction for which no permit has been obtained, the investigation fee shall be equal to the value set forth in this Resolution for permit fees (building, electrical, mechanical, plumbing, etc.).”)

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28 ²⁹ Available at <https://www.burbankca.gov/home/showdocument?id=52334>.

1 43. Defendant IH has intentionally ignored permitting laws in renovating the homes it
2 purchased to get them on the rental market as soon as possible. This allowed Defendant to evade
3 both permitting fees and increased real estate taxes, and the company avoids carrying an
4 unoccupied home while awaiting permitting approval, allowing Defendant to enter this market with
5 far less expenses than it should have absorbed.

6 44. Relator has run multiple analyses using proprietary technology to discover and then
7 confirm that Defendant has conducted this fraudulent activity in California and has therefore
8 defrauded cities and counties in California of millions of dollars in permitting fees.³⁰

9 **A. IH Made Substantial Structural Renovations on Many of its Single-Family Homes.**

10 45. When Defendant acquired a home, it began a detailed process to determine the scope
11 and substance of the renovations. As detailed by Defendant in its 2019 10-K:

12 [O]ur in-house teams begin the renovation process by preparing a detailed
13 renovation budget and scope of work based on an assessment of each property's
14 major systems and structural features. These include HVAC, roofs, pools, and
15 plumbing and electrical systems. In addition, we also evaluate other features of our
16 homes' fit and finish, including appliances, landscaping, decks and/or patios, and
17 fixtures. During our initial assessment, we also determine the potential for, and
18 potential return on, any value-additive upgrades that may reduce future operating
19 costs or enhance rental demand and, by extension, our ability to realize more
20 attractive rental, occupancy, or turnover rates."

21 46. Defendant's 'budget' for renovations has been substantial, as shown in the table
22 below.

Year Ending	Average Renovation Expenditure
2012-2017	~\$25,000
2018	~\$35,000
2019	~\$38,000

23 47. In total, by December 31, 2019, Defendant and its predecessors had invested
24 approximately \$2.3 billion in upfront renovations nationwide in their homes. Defendant typically
25 performed these renovations in-house.

26
27
28 ³⁰ As explained above, permitting fees can encompass plan-check fees, inspection fees,
record-keeping and other administrative fees, in addition fees for specific renovations.

1 48. In 2017, Defendant acquired 5,511 single-family homes in California from its
2 merger with Starwood Waypoint Homes (“Starwood”), a real estate investment trust.

3 49. Starwood, like Defendant, performed substantial renovations on the properties after
4 purchasing them. In Starwood’s Form 10-K for the year ending December 31, 2016, Starwood
5 estimated its “upfront renovation costs [amounted to] 10% to 20% of the purchase price.”
6 Considering the average acquisition cost for Starwood was approximately \$178,000, that means
7 Starwood spent an average of \$26,000 on renovations per home.

8 50. As illustrated and explained below, the nature and scope of Defendant’s renovations
9 triggered permitting requirements. Defendant demolished sections of its single-family homes,
10 erected additions onto homes, performed substantial electrical and plumbing work, filled and
11 constructed pools, installed permanent air conditioning units, and refurbished the insides of homes.
12 Defendant systematically ignored the required permits for most of its renovations.

13 **B. IH Knew of the Requirement to Obtain Permits for its Renovations.**

14 51. Defendant is a highly sophisticated company that knew of the permit requirements,
15 and has admitted in its SEC submissions that permits for renovations are required by local laws.
16 For example, Defendant wrote in its Form 10-K for the 2019 fiscal year:

17 *Compliance with governmental laws, regulations, and covenants that are*
18 *applicable to our properties or that may be passed in the future, including*
19 *affordability covenants, permit, license, and zoning requirements, may adversely*
20 *affect our ability to make future acquisitions, renovations, or dispositions, result*
 in significant costs, delays, or losses, and adversely affect our growth strategy.

21 Rental homes are subject to various covenants and local laws and regulatory
22 requirements, including permitting, licensing, and zoning requirements. Local
23 regulations, including municipal or local ordinances, restrictions, and restrictive
24 covenants imposed by community developers may restrict our use of our properties
25 and may require us to obtain approval from local officials or community standards
26 organizations at any time with respect to our properties, including prior to acquiring
27 any of our properties or when undertaking renovations of any of our existing
28 properties. . . Such local regulations may cause us to incur additional costs to
renovate or maintain our properties in accordance with the particular rules and
regulations. . . We cannot assure you that existing regulatory policies will not
adversely affect us or the timing or cost of any future acquisitions, renovations, or
dispositions, or that additional regulations will not be adopted that would increase
such delays or result in additional costs or losses. Our business and growth strategies
may be materially and adversely affected by our ability to obtain permits, licenses

1 and approvals. Our failure to obtain such permits, licenses, and approvals could
2 have a material adverse effect on us and cause the value of our common stock to
decline.”

3 52. Despite its affirmative disclosure that it understood that there were permitting
4 requirements, Defendants intentionally failed to obtain permits for the vast majority of its
5 renovations.

6 **C. Relator’s Data Analytic Program Uncovered that Defendant Did Not Comply with
Permit Requirements.**

7 53. Relator identified underpayment of property taxes on many homes acquired in this
8 period, and from further analysis suspected that Defendant had systematically failed to obtain
9 permits in California.

10 54. To test the thesis, Relator used proprietary technology to identify specific examples
11 of single-family homes where IH performed substantial renovations that trigger the permit
12 requirement, but failed to seek a permit.³¹

13 55. Relator also used proprietary software to compare the percentage of IH’s homes for
14 which one or more building permits had been obtained after IH acquired the property, with the
15 percentage of all other homes in the jurisdiction which had had permits pulled in the same period.
16 Relator discovered that IH rarely procured permits for its multi-thousand-dollar renovations,
17 particularly in comparison with rates for other homeowners in the same localities irrespective of
18 the nature of their renovations. That is, IH’s large renovations generated substantially fewer permits
19 than the general public’s renovations of all sizes.

20 56. Both approaches that Relator used to test its thesis confirmed that IH failed to obtain
21 a substantial number of the permits required by law.³²

22
23 ³¹ The software implemented artificial intelligence and machine learning. The software
24 scoured different rental listing websites—i.e., Zillow.com and Invitationhomes.com—to find IH
25 owned homes (generally by identifying the address where the renter is required to send rental
26 payments). The software then accessed the county and city databases of permits and identified
what permits were pulled for each property and when the property was purchased by IH. The
properties were determined by the Access Parcel Number (“APN”), not the address, to ensure
consistency.

27 ³² This data analysis was done in San Diego, Sacramento, Riverside, Temecula, Moreno
28 Valley and Compton. Los Angeles has also been named as a plaintiff because of IH’s
organizational structure and its geographical proximity to Compton. IH California employees are
organized in ‘pods’ in close geographical region, and these pods are likely to have the same

1 **i. The Relator Identified Specific Renovations That Required Permits, But IH Failed to Obtain Them.**

2 57. Relator sought visual confirmation that a sample of Defendant's homes did receive
3 significant renovations but obtained no permits. Relator's proprietary "lookback" technology was
4 able to access images of homes from the MLS (before the renovations) to compare them with
5 images from the rental advertisements (after the renovations).

6 58. For each example illustrated below, Defendant failed to obtain required permits for
7 the renovation. The missing permits identified here may not be a complete list of permits required
8 for each house, but they were clearly required by what the images show.

9 59. For each house, Defendant has fraudulently withheld permit related fees—including
10 inspection fees, plan check fees, and administrative fees—and penalties and interest; and deprived
11 the county of increased property taxes.

12 **Example 1: 5056 College Ave, Riverside CA 92505**

13 *Before:*



13 *After IH installed a new roof (no permits issued):*



19

20 60. At 5056 College Avenue in Riverside, California, IH removed shingles from the
21 roof and replaced them. Replacing a roof requires a permit in the City of Riverside. *See* Riverside
22 Building & Safety Division, Building Permit and Plan Check Fees at 2 (listing permit valuation
23 metrics for re-roofing).³³

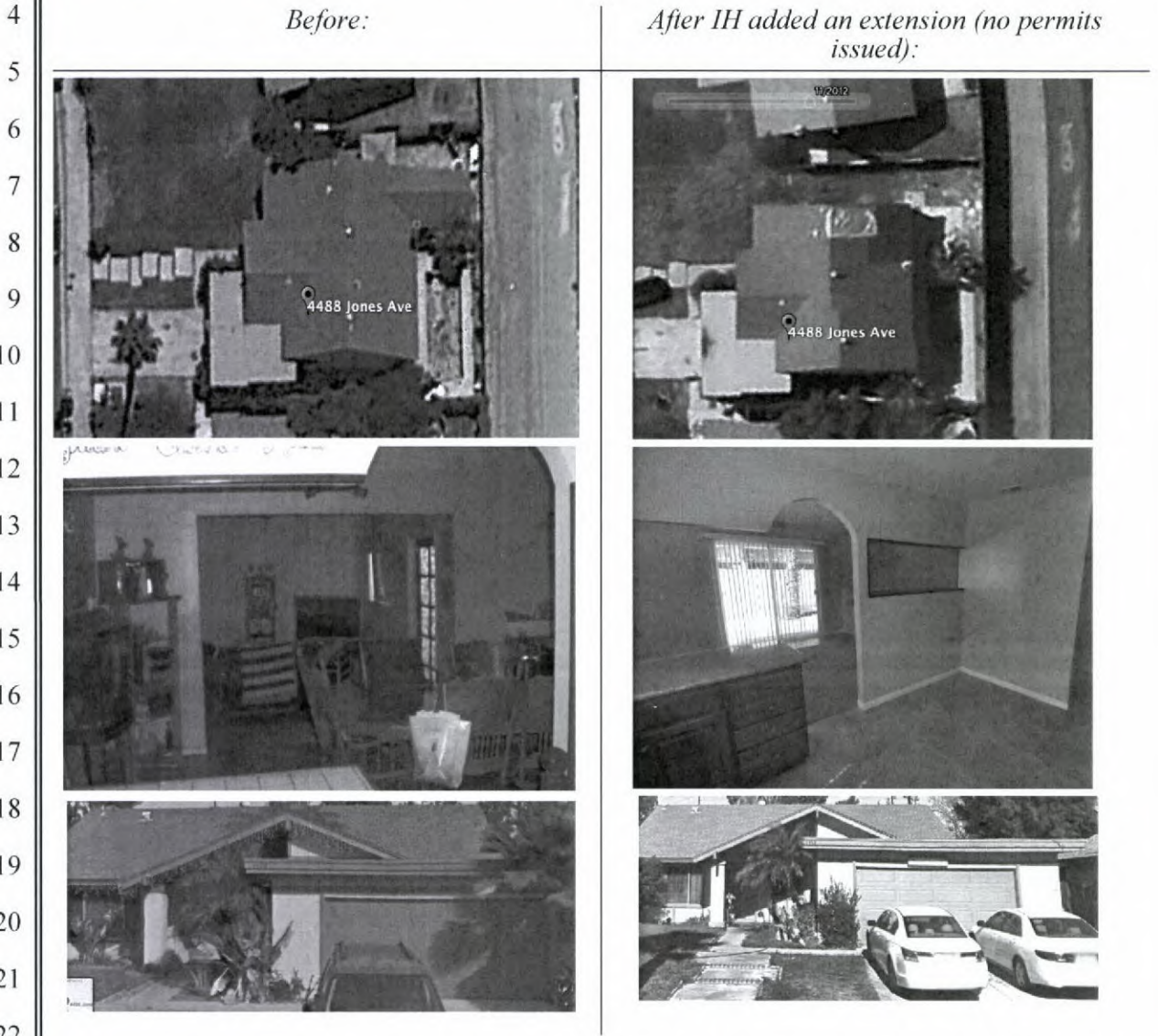
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25 operating processes, so fraudulent procedures would persist across the pod. Accordingly, finding
26 fraud in Compton, Riverside, Temecula, and Moreno Valley would presumably lead to the same
27 findings in Los Angeles, Palmdale, Lancaster, San Bernardino, Fontana, Murrieta, Yucaipa,
28 Corona, Perris and Rialto. And finding fraud in Sacramento would presumably lead to the same
findings in Fairfield and Vallejo.

³³ Available at <https://www.riversideca.gov/cedd/sites/riversideca.gov.cedd/files/pdf/building/BLDG-PERMIT-PLANCHECK-FEES.pdf>.

1 61. IH did not obtain a permit for this renovation or any other renovation done on 5056
2 College Avenue.

3 **Example 2: 4488 Jones Avenue, Riverside, CA 92505**

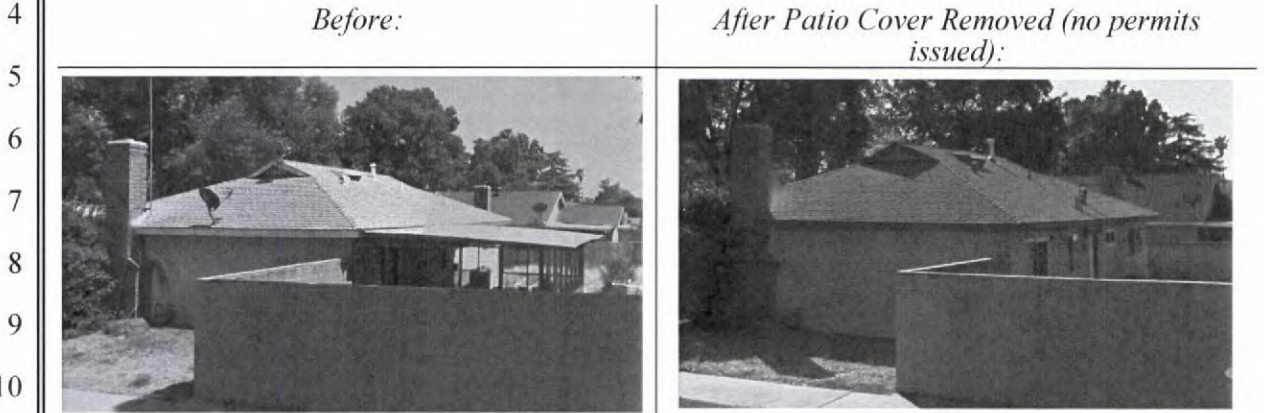


25 62. At 4488 Jones Avenue, Riverside, CA 92505, Defendant demolished the back-left
26 corner of the house, altered the electrical work in the garage, filled the pool, installed a sliding glass
27 door, and reframed the interior. These renovations require permits in the City of Riverside. *See id.*
28 at 2, 4 (listing permit valuation metrics for general permits, demolition, and swimming pools).³⁴

³⁴ *See also* Riverside Municipal Code 16.08.020 and 16.08.030 (adopting the State Building Code, which requires a permit for demolition, and declining to exempt additional renovations).

1 63. IH did not obtain a permit for this renovation or any other renovation done on 4488
2 Jones Avenue.

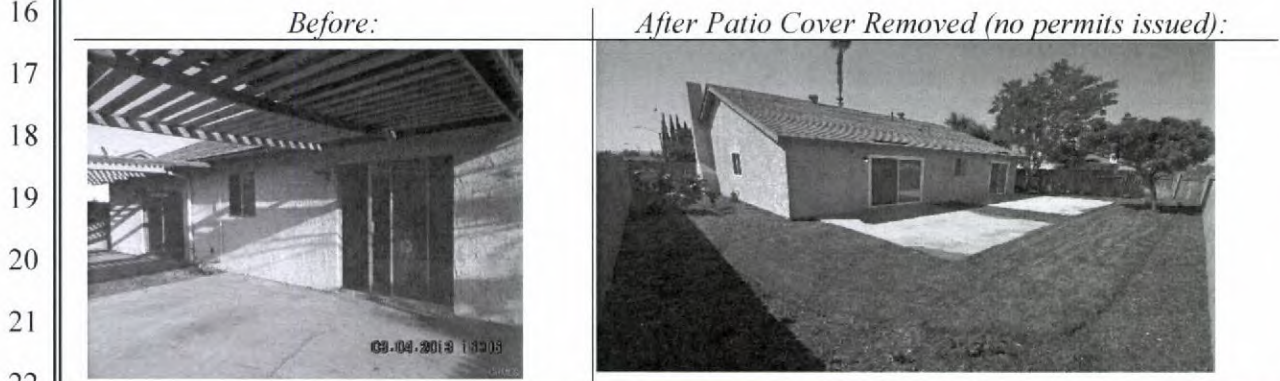
3 **Example 3: 4378 Snowberry Street, Riverside, CA 92504**



11 64. At 4378 Snowberry Street in Riverside, California, IH demolished the home's
12 outdoor patio. Demolition of a structure requires a permit in the City of Riverside. *See id.*

13 65. IH did not obtain a permit for this renovation or any other renovation done on 4378
14 Snowberry Street.

15 **Example 4: 4490 Jones Avenue, Riverside, CA 92505**



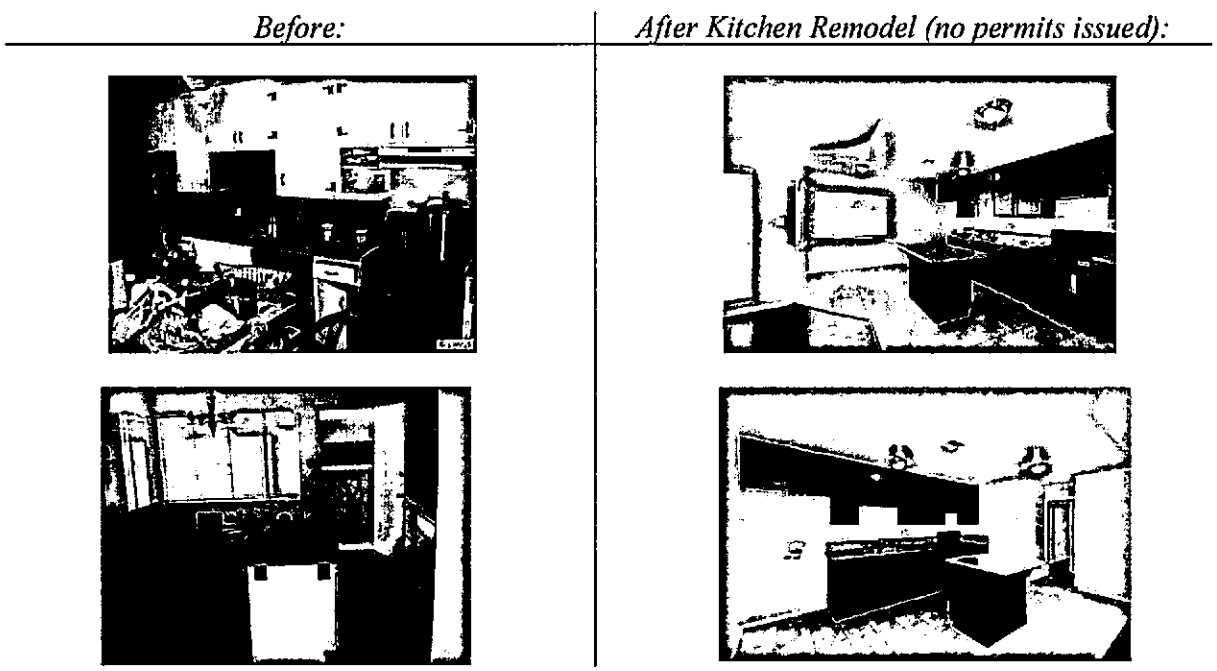
23 66. In March 2013, 4490 Jones Avenue in Riverside, California, had a patio and arbor.
24 After IH purchased the home, it removed the arbor. Again, demolition of a structure requires a
25 permit in the City of Riverside. *See id.* at 2.

26 67. IH did not obtain a permit for this renovation or any other renovation done on 4490
27 Jones Avenue.

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Example 5: 5351 Central Avenue, Riverside, CA 92504



68. At 5351 Central Avenue, Riverside, CA 92504, Defendant obtained no permits for electrical or plumbing and remodeling kitchen, including installing new cabinets, countertops, kitchen island, and appliances. Neither did Defendant obtain a demolition permit for removing kitchen door leading to the storage area. These renovations require permits in Riverside. *See id.* at 2, 4 (listing fees for demolition, electrical, and plumbing permits, including for replacing sinks, garbage disposals, and dishwashers).³⁵

69. IH did procure a permit for the reroofing (not pictured above), but only after the city-imposed Stop Work notice on its work. The stop order and required permit should have alerted IH personnel to the fact that other personnel were choosing to ignore permitting requirements, but no change in approach can be discerned after this date.

³⁵ See also Riverside Municipal Code 16.08.020 and 16.08.030 (adopting the State Building Code, which requires a permit for demolition, and declining to exempt additional renovations)

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Example 6: 10480 Hole Ave, Riverside, CA 92505

Before:

After Air Conditioner Removed (no permits issued):



70. At 10480 Hole Avenue in Riverside, Defendants removed the air conditioner on the outside of the building. Upon information and belief, IH installed a central air conditioner inside the house. Installing permanent central air conditioners requires a permit in Riverside. *See id.* at 4 (listing fees for “A/C Units”).³⁶

71. IH did not obtain a permit for this renovation or any other renovation done on 10480 Hole Avenue.

Example 7: 4089 Lively Street, Riverside, CA 92505

Before:

After Garage Door Replaced (no permits issued):



72. At 4089 Lively Street in Riverside, Defendant installed new metal roll up garage door. Installing a new garage door requires a permit in the City of Riverside. *See id.*

³⁶ *See also* Riverside Municipal Code 16.08.020 and 16.08.030 (declining to exempt renovations in addition to the State Building Code exemptions)

1 73. IH did not obtain a permit for this renovation or any other renovation done on 4089
2 Lively Street.

3 **Example 8: 3483 Hiawatha Place, Riverside CA 92505**

4 *Before:* | *After Substantial Plumbing Work (no permits*
5 *issued):*



17
18 74. At 3483 Hiawatha Place in Riverside, Defendant moved the sink from one side to
19 the other. This would require a substantial change to the house's plumbing system. Plumbing
20 permits are required in Riverside. *See id.* (listing fees for plumbing permits, including replacing
21 sinks and garbage disposals).³⁷

22 75. IH did not obtain a permit for this renovation or any other renovation done on 3483
23 Hiawatha Place.

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28 ³⁷ *See also* Riverside Municipal Code 16.08.020 and 16.08.030 (declining to exempt the above
renovations in addition to the State Building Code exemptions)

1 **Example 9: 15180 Rio Grande Drive, Moreno Valley CA 92551**

2 *Before:*



After Solar Panel Removed (no permits issued):



9 76. At 15180 Rio Grande Drive in Moreno Valley, Defendant removed a solar water
10 heater from home. This action requires a permit in the City of Moreno Valley. *See* City of Moreno
11 Valley, Schedule of City Fees, Charges and Rates, Fiscal Year 2019-20 (listing permit fee for
12 replacing water heater).³⁸

13 77. IH did not obtain a permit for this renovation or any other renovation done on 15180
14 Rio Grande Drive.

15 **Example 10: 24884 Lorna Drive, Moreno Valley, CA 92553**

16 *Before:*



After Renovation (no permits issued):



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26 ³⁸ Available at available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10>.

27 *See also* Moreno Valley Municipal Code 8.20.010 (as amended via Ordinance No. 962,
28 adopted Nov. 5, 2019) (adopting the California Building Code without exempting water heater
replacements), available at <http://www.moreno-valley.ca.us/cdd/pdfs/Ordinance962.pdf>.



78. At 24884 Lorna Drive, Moreno Valley, CA 92553, Defendant installed a new stove and dishwasher, refurbished the kitchen counter, replaced the cabinets, and installed a new garage door. These actions require permits in Moreno Valley. *See id.* (listing permit fees for dishwashers, electric ranges, and other renovations).³⁹

79. IH did not obtain a permit for this renovation or any other renovation done on 24884 Lorna Drive.

Example 11: 25433 Renoir Avenue, Moreno Valley CA 92553

Before:

After New Garage Door Installed (no permits issued):



80. At 25433 Renoir Avenue in Moreno Valley, Defendant installed a new automatic garage door. This action requires a permit in the City of Moreno Valley. *See id.* (listing permit fees for door replacements).⁴⁰

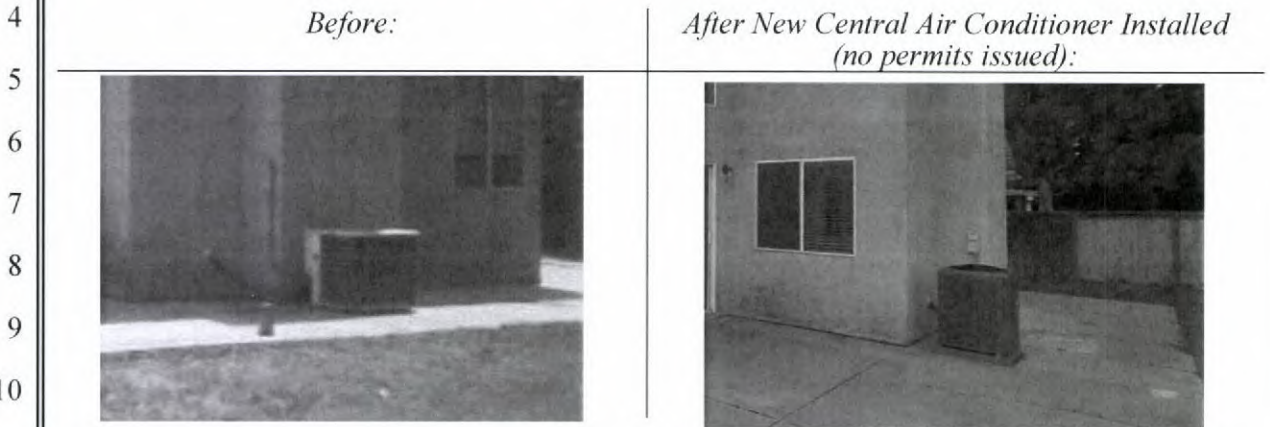
³⁹ Available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10>.

See also Moreno Valley Municipal Code 8.20.010 (as amended via Ordinance No. 962, adopted Nov. 5, 2019) (adopting the California Building Code without exempting any of the above renovations), *available at* <http://www.moreno-valley.ca.us/cdd/pdfs/Ordinance962.pdf>.

⁴⁰ Available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10>.

1 81. IH did not obtain a permit for this renovation or any other renovation done on 25433
2 Renoir Avenue.

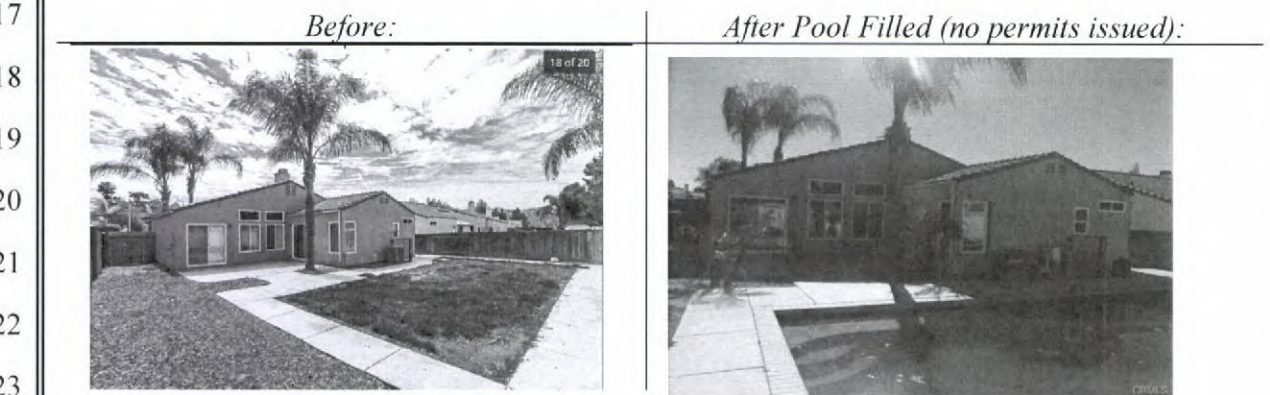
3 **Example 12: 30361 Red River Circle, Temecula, CA 92591**



11 82. At 30361 Red River Circle, Temecula, CA 92591, Defendant installed new central
12 air conditioner. This action requires a permit in the City of Temecula. *See* City of Temecula, 2020-
13 21 User Fee Schedule, Appendix 1 at 35 (listing the permit fees for air conditioners).⁴¹

14 83. IH did not obtain a permit for this renovation or any other renovation done on 30361
15 Red River Circle.

16 **Example 13: 32456 Hupp Drive, Temecula, CA 92592**



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26 *See also* Moreno Valley Municipal Code 8.20.010 (as amended via Ordinance No. 962,
27 adopted Nov. 5, 2019) (adopting the California Building Code without exempting garage door
replacements)

28 ⁴¹ Available at <https://temeculaca.gov/DocumentCenter/View/892/2020-21-User-Fee-Study-Handbook-PDF?bidId=>.

1 84. At 32456 Hupp Drive Temecula, Temecula, CA 92592, Defendant filled the pool
2 without a valid permit. Digging up the earth and filling a large pool requires a permit in the City of
3 Temecula. *See id.* at 31 (listing the permit fees associated with pools). IH did not obtain a permit
4 for this renovation. There was an inspection after the pool was filled without a permit, and IH failed
5 that inspection.

6 **Example 14: 25834 Brodiaea Ave in Moreno Valley, CA 92553**

7 Photos from a 2013 Listing Showing a
8 Remodeled Kitchen



15 85. At 25834 Brodiaea Ave in Moreno Valley, CA 92553, Defendant failed to obtain a
16 permit for remodeling the kitchen. Upon information and belief, Defendant installed appliances
17 including a stove/oven. On August 21, 2018, a code case was issued to the home because of a non-
18 working stove/oven with a possible gas leak. Remodeling a kitchen and installing kitchen
19 appliances require permits in Moreno Valley. *See City of Moreno Valley, Schedule of City Fees,
20 Charges and Rates, Fiscal Year 2019-20 (listing permit fee for ovens and ranges).*⁴²

21 86. IH did not obtain a permit for this renovation or any other renovation done on 25834
22 Brodiaea Ave.

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26 ⁴² Available at <http://www.moreno-valley.ca.us/departments/financial-mgmt-svcs/fin-pdf/FeeSchedule.pdf#page=10>.

27 *See also* Moreno Valley Municipal Code 8.20.010 (as amended via Ordinance No. 962,
28 adopted Nov. 5, 2019) (adopting the California Building Code without exempting water heater
replacements), available at <http://www.moreno-valley.ca.us/cdd/pdfs/Ordinance962.pdf>.

1 **Example 15: 1311 S. Cliveden Ave. in Compton, CA 90220**

2 87. In another example, at 1311 S. Cliveden Ave., Compton, CA 90220, Defendant
3 installed a new garage door with no permits. This action requires a permit in the City of Compton.

4 **ii. IH Has Procured Far Fewer Permits Than Other Homeowners.**

5 88. Relator also compared the percentage of Defendant's homes for which one or more
6 building permits had been obtained after Defendant acquired the property with the percentage of
7 all other homes in the jurisdiction which had had permits pulled in the same time period. The data
8 confirms the hypothesis that Defendant rarely obtained required permits.

9 89. For example, in Moreno Valley, 20.1% of all homes had pulled building permits in the
10 time frame analyzed, while IH had pulled permits on only 3.6% of its homes.

11 90. As illustrated above, Defendant IH frequently performed the type of renovations that
12 require a permit in Moreno Valley. Further, IH spend an average of approximately \$25,000 per
13 renovation.

14 91. This suggests that IH should have obtained permits on a very substantial number of
15 its homes, rather than only 3.6% of them. The disparity in the rate at which IH pulls permits compared
16 to other single-family homeowners is consistent across the other cities in California, as shown in the
17 table below:

County/City	IH Owned Single-Family Homes ⁴³	Permits on IH Owned Homes (%)	Non-IH Owned Single-Family Homes in the County	Permits for Non-IH Owned Homes	Difference
Riverside (since 2013)	517	12 (2.3%)	31,144	3,087 (9.9%)	7.6%
Moreno Valley (since 2012)	526	12 (3.6%)	17,703	3,553 (20.1%)	16.5%
San Diego (since 2012)	82	13 (15.9%)	59,287	14,870 (25.1%)	9.2%
Sacramento (since 2012)	971	99 (10.2%)	98,073	20,341 (20.7%)	9.5%

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27 ⁴³ The current number of IH single-family homes may differ depending on whether IH acquired
28 or sold houses after the analyses were completed. Relator completed the analyses between April and June 2020 and therefore includes the Starwood homes acquired homes.

1 92. This comparison, compelling as it is, very likely understates the gross disparity
2 between Defendant's conduct and others' conduct because Defendant spent \$25,000 to \$38,000 to
3 renovate homes that may have been in distressed conditions when purchased after the financial
4 crisis, while the other homes in the each city include many owned by laypersons who would have
5 been less likely to spend heavily on renovations, or to need them at all.

6 93. In addition, the non-Defendant group of single-family homes includes homes that
7 were not distressed when purchased, which do not usually require any major work. As a general
8 practice, Defendant did not acquire these types of homes, but focused on purchasing foreclosed
9 properties and "bargain" buys. Accordingly, one may reasonably infer that IH properties would be
10 *more* likely to require permits than the general population. Instead, IH has a starkly lower
11 percentage than its peers.

12 **D. IH Has Caused Substantial Damage to the Public Through This Conduct in terms of**
13 **Avoided Fees, Underpaid Taxes, and Safety Risks to Residents.**

14 94. Defendant's fraudulent business practices have harmed many cities and counties in
15 California, and their residents. Defendant has harmed cities and counties by depriving them of
16 inspection and permit fees, property taxes, penalties and interest.

17 95. By failing to obtain permits, Defendants have also created great risks to tenants by
18 avoiding safety oversight for renovations to their homes. Permits are required for structural
19 renovations, electrical work and other important renovations because errors in this work expose
20 residents to physical and financial harm. Thus, permits are among the most important building
21 requirements under California and municipal law.

22 96. As of December 31, 2019, Defendant IH owned 12,461 California properties.
23 Defendant sharply increased its amount of properties owned in California in 2017 (primarily as a
24 result of the Starwood merger), as shown in the table below:

Year Ending	IH Single-Family Homes Owned
2012 – 2016	7,509
2017	12,990
2018	12,822
2019	12,461

1 97. As “the average range [of permit cost] is between \$441 and \$2,001,”⁴⁴ and IH
2 unlawfully failed to obtain required permits on most of its homes, IH has defrauded the states and
3 counties of millions of dollars in permitting fees. This does not include inspection fees or
4 property taxes, or the interest and penalties on these amounts.

5 **VI. CLAIMS FOR RELIEF**

6 **COUNT ONE**

7 *Cal. Gov’t Code 12652(a)(7)*

8 *On Behalf of the Cities of San Diego, Sacramento, Moreno Valley, Riverside, Los Angeles,*
9 *Compton, Temecula, Palmdale, Lancaster, San Bernardino, Vallejo, Fontana, Murrieta,*
 Fairfield, Perris, Yucaipa, Corona, Rialto and Roes 1–250

10 98. Plaintiff-Relator repeats and realleges each and every allegation contained herein.

11 99. This is a claim for penalties and treble damages under the California False Claims
12 Act, Cal. Gov’t Code § 12650, *et seq.*

13 100. By virtue of the acts described above, Defendant knowingly concealed or
14 knowingly and improperly avoided or decreased an obligation to pay or transmit money or property
15 to the State or to any political subdivision within the meaning of Cal. Gov’t Code § 12651(a)(7).

16 101. Defendant committed the fraudulent conduct in hundreds of political subdivisions
17 of the State of California.

18 102. As a result, monies from the political subdivisions were lost through Defendant’s
19 concealment, avoidance, and/or decrease of its obligation to pay or transmit money to the State and
20 its political subdivisions.

21 103. Therefore, the political subdivisions have been damaged in an amount to be proven
22 at trial.

23 104. Additionally, the political subdivisions are entitled to the maximum penalty of
24 \$11,000, as adjusted by the Federal Civil Penalties Inflation Adjustment Act of 1990, Public Law
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27 ⁴⁴ *How Much Does a Building Permit Cost?* ANGIE’S LIST (Mar. 1, 2018),
28 <https://www.angieslist.com/articles/how-much-does-building-permit-cost.htm> (“The typical
[building permit’s] price is \$1,221 while the average range is between \$441 and \$2,001.”)

1 101–410 Section 5, 104 Stat. 891, note following 28 U.S.C. Section 2461, for each and every act
2 of concealment, avoidance, and decreased obligation committed by Defendants described herein.

3 **VII. PRAYER FOR RELIEF**

4 WHEREFORE, Relator prays for judgment against Defendants as follows:


- 5 a. That Defendants cease and desist from violating Cal. Gov't Code § 12650 *et seq.*;
- 6 b. That this Court enter judgment against Defendants in an amount equal to three times
7 the amount of damages the political subdivisions have sustained because of
8 Defendants' actions, plus a civil penalty for each violation of Cal. Gov't Code §
9 12651 proven at trial;
- 10 c. That Relator be awarded the maximum amount allowed pursuant to Cal. Gov't Code §
11 12652(g), including the costs and expenses of this action and reasonable attorneys'
12 fees; and
- 13 d. Such other, further and different relief, whether preliminary or permanent, legal or
14 equitable, as the Court deems just and proper.

15 **VIII. DEMAND FOR JURY TRIAL**

16 Plaintiff-Relator hereby demands a trial by jury on all issues so triable.

17
18
19 Dated: October 20, 2020

Respectfully submitted:

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21 
22 Ed Chapin (CA Bar No. 05328)
23 **SANFORD HEISLER SHARP, LLP.**
24 655 West Broadway, Suite 1700
25 San Diego, CA 92101
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I HEREBY CERTIFY that a copy of the foregoing Application, Filed Under Seal, was sent by via electronic mail to:

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