

GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE ATTORNEY GENERAL

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FOR IMMEDIATE RELEASE: Thursday, January 14, 2016



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District Receives Several Favorable Rulings in Litigation to Help Tenants of Park Southern Apartment Building

Rulings Should Benefit Tenants by Paving Way for Sale of Building and Much-Needed Repairs

WASHINGTON, D.C. – A D.C. Superior Court judge has issued a series of recent rulings in favor of the District in a lawsuit against the nonprofit owner of the Park Southern Apartments, Attorney General Karl A. Racine announced today. The rulings come in litigation against the Park Southern Neighborhood Corporation (PSNC) alleging serious mismanagement of the building, which offers affordable housing to low-income residents at 800 Southern Avenue SE.

The recent rulings may pave the way for sale of the building, providing the resources required to remedy significant problems stemming from mismanagement.

“Preserving safe, livable, affordable housing and ensuring that nonprofit organizations use their funds lawfully are two of our most important jobs at the Office of the Attorney General, and this case is an example of both,” Attorney General Racine said. **“We are hopeful that these rulings will quickly enable much-needed repairs for Park Southern residents.”**

The litigation began in 2014, when the District intervened in a case brought by the Park Southern Residents’ Council. The Council had sued PSNC, the nonprofit corporation that owns the 360-unit building. The District’s lawsuit cites multiple examples of mismanagement by PSNC and its president, Rowena Scott, including falling far behind on mortgage and utility bill payments and allowing the building to fall into severe disrepair. The suit cites a litany of serious problems stemming from the mismanagement, including:

- Defective fire extinguishing equipment;
- Faulty water heaters;
- Unsafe or non-working ventilation fans;
- Defective electrical outlets;
- Damaged floors;

- Infestations of roaches, bedbugs, and mice;
- Damp and cracked ceilings and walls;
- Non-functioning bathrooms.

In his recent rulings on several motions in the litigation, Judge John M. Mott:

- Entered a default on the District's claims against PSNC and ordered all parties to appear for a status hearing on February 24, 2016 to address the relief the District has requested against PSNC. The District is seeking the appointment of a custodian to sell Park Southern and a court-supervised election of new PSNC board members.
- Ordered PSNC, Rowena Scott, and the other PSNC board members to appear and show cause, at the February 24, 2016 status hearing, why sanctions should not be imposed against them for failing to respond to discovery requests from the District and Park Southern Residents' Council.
- Deferred a decision pending further evidentiary hearings on two motions related to the District's claim against Capitol Services Management Inc. (CSMI), which seeks to establish the unenforceability of CSMI's purported rights as a broker for, or prospective purchaser of, Park Southern.
- Entered summary judgment in favor of the District on a counterclaim by PSNC against the District because PSNC failed to provide the city with notice of its claims prior to filing its complaint.

These rulings leave for future resolution other issues in the case, including the District's claims against Scott over improper receipt of funds and rental value from PSNC. The District has alleged that Scott subverted the nonprofit corporation's election procedures to gain control of its board, allowing her to arrange for her own appointment as a salaried property manager with a rent-free apartment.

The District's Nonprofit Corporation Act authorizes the Attorney General to seek court relief on behalf of nonprofit corporations that continue to be operated contrary to their nonprofit purposes or in excess or abuse of their lawful authority.

For more information on the District's Park Southern litigation, see

<http://oag.dc.gov/release/dc-attorney-general-seeks-sale-park-southern-apartments-benefit-tenants>.

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