

**IN THE SUPERIOR COURT FOR THE DISTRICT OF COLUMBIA
CIVIL DIVISION**

DISTRICT OF COLUMBIA
a municipal corporation,
441 4th Street, NW
Washington, DC 20001

Plaintiff,

v.

INSUN HOFGARD
9385 Juhasz Drive
Great Falls, Virginia 22066-2026

and

JEFFERSON HOFGARD
9385 Juhasz Drive
Great Falls, Virginia 22066-2026

Defendants.

Civil Action No. _____

Judge: _____

JURY TRIAL DEMANDED

**COMPLAINT FOR RELIEF UNDER DISTRICT OF COLUMBIA'S
CONSUMER PROTECTION LAW AND CONSTRUCTION CODES LAW**

Plaintiff, the District of Columbia ("District"), by and through its Attorney General, brings this action against Defendants Insun Hofgard and Jefferson Hofgard for Defendants' multiple, continuing violations of both the District of Columbia Consumer Protection Procedures Act ("CPPA"), D.C. Code § 28-3901, *et seq.*, and the District's Construction Codes, effective pursuant to D.C. Code § 6-1401, *et seq.* The District brings this suit to obtain injunctive relief under these two statutes, and to obtain restitution, civil penalties, costs, and attorney's fees for Defendants' violations of the CPPA.

Introduction

1. Defendants offer and sell renovated residential properties in the District of Columbia (“DC”). That is, Defendants buy homes in DC; renovate, repair, or modify them; and then offer them for sale to consumers. In the process, Defendants skimp on construction work, use sub-standard materials, and make renovations or repairs that are of sub-standard quality. Additionally, Defendants’ renovations or modifications are not performed according to the relevant Construction Codes and are often not performed by licensed contractors. Additionally, Defendants regularly exceed the scope of applicable permits or zoning regulations and neglect to have the properties properly inspected at the required times.

2. Defendants then misrepresent, or fail to disclose, to consumers the true, sub-standard nature of the repairs, remodeling, and construction Defendants performed on these properties, and the condition of the properties at sale. Defendants have been selling properties in D.C. using such misrepresentations and omissions since at least 2012. These acts and misrepresentations violate the CPPA, and Defendants continue to engage in these unlawful trade practices.

3. Lastly, Defendants’ disregard for construction code requirements has caused Defendants to damage neighboring properties, such as causing a partial collapse of a neighboring property’s wall.

Jurisdiction

4. This Court has jurisdiction over the subject matter of this case pursuant to D.C. Code §§ 11-921, 28-3909, and 6-1407. This Court has personal jurisdiction over the Defendants pursuant to D.C. Code § 13-423(a)(1), (a)(3), and (a)(5).

Parties

5. Plaintiff, the District, a municipal corporation created by an Act of Congress, is the local government for the territory constituting the permanent seat of government of the United States and is capable of suing and being sued. Plaintiff, through its Attorney General, enforces the District's consumer protection laws, including, but not limited to, the CPPA. Pursuant to D.C. Code §28-3909(a)-(b), the Attorney General is authorized to bring court actions seeking injunctive relief, restitution, civil penalties, costs and attorney's fees for violations of the CPPA. Pursuant to D.C. Code §6-1407, the Attorney General is authorized to seek injunctive relief for violations of the District of Columbia Construction Codes ("Construction Codes").

6. Defendant Insun Hofgard resides in Virginia, and her home and business address is 9385 Juhasz Drive, Great Falls, Virginia. Jointly with her husband, Defendant Jefferson Hofgard, and through corporations that they own and control, she engages in the business of purchasing residential properties in DC, repairing, remodeling, and renovating them, and selling them to consumers.

7. Defendant Jefferson Hofgard resides in Virginia, and his home and business address is 9385 Juhasz Drive, Great Falls, Virginia. Jointly with his wife, Defendant Insun Hofgard, and through corporations that they own and control, he engages in the business of purchasing residential properties in DC, repairing, remodeling, and renovating them, and selling them to consumers.

8. Defendants engage in these business activities in their own capacities or through at least 28 corporate entities that Defendants own and control. Defendants typically purchase,

renovate, and sell properties through limited liability companies that they name after the properties, including the following:

1. JBA Development LLC
2. 1130 Columbia Road, NW LLC
3. 1132 Columbia Road, LLC
4. 1207 Kennedy St. NW LLC
5. 141 T LLC
6. 1419 Upshur St LLC
7. 1422 Shepherd LLC
8. 1510 N Capitol LLC
9. 1512 N Capitol St LLC
10. 1713 New Jersey Ave., LLC
11. 172 U Street LLC
12. 1818 1st Street NW, LLC
13. 1846 2nd Street NW LLC
14. 160 Adams LLC
15. 2128 1st Street Condominium
Unit Owners Association LLC
16. 213 Bates Street, NW
17. 2417 1st Street LLC
18. 26 Q Street, LLC
19. 33 Bryant Street, LLC
20. 34 Channing Street NW LLC
21. 35 Q Street, NW LLC
22. 36 Channing Street LLC
23. 40 Adams Street, LLC
24. 430 Warner Street LLC
25. 51 T ST LLC
26. 53 T ST, NE LLC
27. 6 R ST LLC
28. 758 Fairmont, LLC

Defendants' Business Practices

9. Defendants are in the business of purchasing residential properties to renovate, remodel, repair, or make structural changes to the houses before selling them for a profit. Typically, Defendants purchase distressed or blighted properties in DC and perform major repairs and renovations. These properties are then marketed to consumers as fully renovated residences. These renovations typically include, or purport to include, new roofs, kitchens, and stairs; replacement of electrical systems, plumbing systems, and HVAC systems; replacement of floors and walls; and other major home renovations and repairs. In some cases, Defendants convert the properties from townhouses to two- and three-unit condominiums, requiring installation of new kitchens, appliances, and entrances. Following the renovation work, Defendants market and sell the properties as fully renovated residences to prospective homeowners, many of whom are first-time home buyers or buying their first property in DC.

10. In marketing and selling homes to consumers, Defendants mislead consumers by making misrepresentations and failing to disclose material facts regarding the construction work they have performed on the homes. Through these practices, Defendants are able to avoid regulatory oversight and the costs of complying with the District's construction standards.

11. Defendants fail to obtain proper permits for renovations and alterations they make at their properties, resulting in construction that is not approved and permitted in accordance with the District's Construction Codes and other applicable regulations. Defendants engage in sub-standard renovation work at their properties and use sub-standard materials for that work. When Defendants do apply for permits, they often identify licensed contractors in the permit applications, but then actually use unlicensed contractors to perform the work. To hide their unapproved and sub-standard work from regulators and consumers, Defendants fail to have proper inspections performed at the properties, either using third-party inspectors to conduct cursory and inadequate inspections or not arranging inspections at all. Defendants then sell the properties to prospective homeowners without disclosing that their renovation work was unpermitted, sub-standard, performed by unlicensed contractors, or not subject to proper inspection.

12. As a result of Defendants' activities, consumers unknowingly purchase homes that require substantial repairs to correct the construction code and zoning violations. Many of these violations pose health and safety risks to residents or cause damage to neighboring properties.

13. Defendants' deceptive and unlawful practices have harmed consumer purchasers of at least 15 of the DC homes sold by Defendants since 2013.

14. In addition, Defendants currently own and have been renovating for sale at least 22 residential properties in DC. As revealed by the Department of Consumer and Regulatory Affairs's ("DCRA") inspections, many of which have resulted in the issuance of Stop Work Orders (SWOs) or Notices of Infraction (NOIs), many of these still unsold properties are exhibiting similar permitting and inspection violations as those described above, including zoning violations.

Permitting Violations

15. In order to renovate residential properties, Defendants are required to obtain permits from DCRA. In order to obtain proper permits, Defendants have to submit building plans to DCRA that identify the construction work to be authorized by the requested permits. However, Defendants regularly submit building plans that identify only basic, or "vanilla," repairs or modifications, and then perform construction work that goes significantly beyond the work described in the submitted plans. Thus, Defendants make repairs, modifications, or alterations that go beyond the scope of the permits they have obtained, and do not request the permits needed for the work they actually perform. By submitting these minimal and incomplete plans, Defendants avoid higher-cost permits and required regulatory scrutiny under DC construction and zoning codes, including regulatory review of planned changes. Indeed, Defendants perform many renovations in violation of zoning restrictions or without necessary zoning variances. In addition, Defendants' failures to submit complete and accurate plans frustrate regulators' ability to confirm whether particular renovations violate zoning laws. Defendants do not disclose to consumers that Defendants perform renovations without proper permits, resulting in homes that violate DC construction and zoning codes.

Substandard Construction

16. In addition to performing unpermitted work, Defendants engage in shoddy and substandard construction work and use substandard construction materials. Defendants disclose none of these issues to prospective homeowners. Examples include: missing electrical breakers, gas lines without proper protective coating, fireplaces with inaccessible gas shut-off valves, electrical systems that are not rated for proximity to combustibles, property line walls that are improperly fire-rated, exterior penetrations that are improperly sealed, HVAC joints and seams that are not airtight, gas lines that are improperly protected from corrosion, water pipes that are not properly supported and aligned to prevent sagging near water heaters, and exterior doors without proper air-tight weather stripping. This sub-standard construction work not only violates the Construction Codes but endangers the health and safety of residents. Many of these issues are latent and difficult for consumers to discover, even if they have the homes professionally inspected prior to purchase from Defendants. Indeed, many of these issues do not come to light until DCRA completes a regulatory inspection in response to a consumer complaint. In cases where homeowners are aware of some of the items that need repair, Defendants assure the homeowners that the items will be repaired. However, Defendants then fail to make the repairs properly or fail to make the repairs at all.

Unlicensed Work

17. To further their deceptive practice of performing unpermitted or substandard work at their properties, Defendants use licensed professionals to obtain certain permits for electrical, mechanical, or plumbing work, but then use unlicensed professionals to actually perform the work. For instance, Defendants had a mechanical permit for HVAC work at the 238 Madison Street, N.W. property issued to a licensed contractor, but that contractor was not involved with

the work under the permit. Defendants use Argueta Construction, or the brothers Julio Argueta, Edwin Argueta, and Abilio Argueta, for most of their construction work and hold them out as their general contractors. But Defendants never disclose to consumers that neither Argueta Construction nor the Argueta brothers are licensed General Contractor/Construction Managers or Home Improvement Contractors in DC. Indeed, in some cases, without disclosing that Argueta Construction or its employees are unlicensed, Defendants send them out to make post-purchase repairs in response to consumer complaints. These repairs put consumers at risk of violating the Construction Code themselves since the consumers are now the owners of the home and are responsible for any unlicensed work.

Defective Inspections

18. Defendants also conceal their unpermitted or substandard work at their properties by knowingly failing to have full and final inspections performed as required by District law. Generally, building additions, modifications, or renovations require a series of inspections. These inspections include, but are not limited to: Footing Inspections, Wall/Foundation Inspections, Slab Inspections, Rough Inspections (for the building, mechanical, electrical, and plumbing – called MEPs), Insulation Inspections, and ultimately Final MEPs Inspections. These inspections are required to be completed at set times of construction, often while walls are open and before framing is done. In addition, certain required inspections are triggered by the types of permits that have been issued. Defendants rarely arrange for required inspections to be performed or completed. In some cases, the inspections are not completed because Defendants have not obtained the appropriate permits for the actual work performed. In many cases, Defendants use third party inspectors, rather than DCRA inspectors, to “rubber stamp” the work through inspections that are often deficient under District law. Even since Defendant Insun

Hofgard signed agreements with DCRA not to use third-party inspectors and to have proper inspections performed, Defendants have blatantly ignored these promises and continued to use third-party inspectors. Moreover, Defendants do not disclose the lack of adequate inspections to the consumers who purchase homes from Defendants.

Illustrative Properties

19. Defendants' sales of the residential properties at 2825 11th Street, NW, 34 Channing Street, NW, 238 Madison Street, NW, and 39 V Street, NE, are illustrative of their practices.

2825 11th Street, NW

20. In November 2013 and February 2014, Defendants sold to consumers the two units of the condominium property at 2825 11th Street, NW. This property is a so-called "non-conforming property," which means the property's features already exceed the applicable zoning regulations or overlays and the District's Board of Zoning Adjustment (BZA) needs to approve an application for a variance before any new renovations or alterations can be made. Defendants represented in a condominium public offering statement that they would deliver the property in compliance with applicable laws and regulations. Instead, Defendants (i) made major unpermitted modifications to the property, including constructing rear decks, without BZA approval and (ii) deeded parking spots that did not exist in the plans Defendants submitted to obtain the building permits for the property. These renovations were not within the scope of Defendants' building plans or the building permits that Defendants requested for this property. Defendants did not apply for the necessary variance from the Board of Zoning Adjustments for these external modifications. Indeed, for this condominium, Defendants failed even to get a Certificate of Occupancy, a requirement for all condominiums, before selling the units to

consumers. An inspection by DCRA revealed that this property was sold with 29 and 32 construction code violations for unit #1 and unit #2, respectively.

21. The violations include: winder stairs that do not have the minimum required tread depths; handrails that are not continuous and triangular openings at guard rails that leave too much room in between steps, creating a safety hazard; window openings that are less than the required 3 feet from the property line; insulation that does not meet the required minimum thickness at exterior walls, and walls and ceilings that are not one-hour fire-rated, creating a fire hazard; kitchen appliances that are not properly spaced; sleeping rooms that do not have adequate emergency egress; and joist hangers that do not have the proper bearing for their weight. Prior to the homes being sold, Defendants were aware that one consumer would not buy a unit without a parking spot. Defendants proceeded to create and eventually deed separate parking spots to the purchasers without disclosing that the parking spots were created without proper permits or without BZA approval.

22. After sale of the condominium units, the homeowners discovered a water leak from the lower roof that has resulted in mold and water damage, despite three failed attempts by Defendants to fix the problem. Defendants used their unlicensed contractor, Argueta Construction, to perform construction and renovation work at this property. The property is missing inspections of its building, plumbing, mechanical, and electrical systems because Defendants failed to request the inspections, failed to have inspections completed, or obtained deficient inspection reports. Defendants advertised the homes as “new constructions,” never disclosing their deficiencies to consumers.

34 Channing Street, NW

23. In June and July of 2014, Defendants sold to consumers the three units of the condominium property at 34 Channing Street, NW. Defendants represented in a condominium public offering statement that they would deliver the property in compliance with applicable laws and regulations. However, Defendants constructed a third-story addition without obtaining the proper permit, a permit that would have triggered a required zoning review and wall-check inspections. As shown by DCRA's subsequent regulatory inspection, the decks exceed both the property line and the occupancy limit of the lot under the zoning law. But DCRA does not yet know the extent of the property's non-compliance because Defendants, when they applied for a permit, never submitted a plan showing the construction they would perform; as a result, DCRA has no construction plan to compare with the property lines. In addition, Defendants did not post a warranty bond, secured for common elements, as required by District law for all new condominiums.

24. An inspection by DCRA revealed that this property was sold with 30, 32, and 35 construction code violations for units #1, #2, and #3, respectively. Defendants did not install a full sprinkler system as required by the building plans and the Construction Codes, did not provide fire partitions required for separation at stair wall, and omitted required fire-rated assemblies where recess lighting was installed, all of which created fire hazards. Among other issues with the property: the floor and ceiling assemblies do not satisfy the applicable sound transmission requirement; electrical wiring is improperly supported at the exit from the steamer unit; required handrails are missing at the front entry; the dryer duct exceeds the maximum-allowed length and uses material that is prohibited within any rated assembly; and the gas lines do not have proper protective coating. Defendants have used their unlicensed contractor,

Argueta Construction, and specifically Julio Argueta, to perform construction and renovation work at this property. The property is missing inspections of its building, plumbing, mechanical, and electrical systems because Defendants failed to request the inspections, failed to have inspections completed, or obtained deficient inspections reports. Defendants advertised the homes as newly renovated, never disclosing their deficiencies to consumers.

238 Madison Street, NW

25. On November 26, 2014, Defendants sold to consumers the townhouse at 238 Madison Street, NW. Defendants advertised that the home came with an “English Basement”: a basement area with a full kitchen that could be used as a standalone apartment or living space. However, Defendants did not disclose to consumers that the property lacked the required permits for this advertised feature, a feature that was not even allowed under the Construction Codes and zoning laws. Indeed, the plans Defendants submitted to DCRA did not include this addition, and thus Defendants skirted DCRA and BZA scrutiny regarding applicable zoning regulations.

26. As revealed by a DCRA inspection, the renovations and alterations greatly exceeded the scope of Defendants’ permits, necessitating the immediate issuance by DCRA of a Stop Work Order. DCRA’s inspection also revealed that the property had at least 24 construction code violations. DCRA also determined, using thermal imaging, that the home does not have proper insulation, including at the renovated basement exterior walls and rear walls on the first floor. Because Defendants’ plans and inspections were deficient, DCRA does not know the extent of the property’s non-compliance. First, Defendants never requested a required framing inspection before having the sheet rock placed; thus, additional violations may be hidden by sheet rock. Second, Defendants never provided accurate plans of the additional

plumbing fixtures, hampering DCRA's (and the consumers') ability to determine if the water and sewer services are sufficient to support proper drainage. Third, Defendants did not include the new structural LVL beams in the plans, resulting in the LVL's, which were placed without proper attachments, not being properly inspected. Defendants have used their unlicensed contractor, Argueta Construction and specifically Julio Argueta, to perform construction and renovation work at this property. This property is missing inspections of its framing, insulation, electrical, and plumbing systems because Defendants either failed to request the inspections, failed to have inspections completed, or obtained deficient inspection reports. Defendants advertised the homes as newly renovated, never disclosing the deficiencies to consumers.

39 V Street, NE

27. In June 2012, Defendants sold the townhouse at 39 V Street, N.E, to a consumer. During their renovations of the property, Defendants obtained a permit from DCRA based on submitted plans describing only an "interior renovation," which triggered no zoning review. Notwithstanding these plans, Defendants installed a new basement walk-out entry, which should have triggered a zoning review because the property's total lot occupancy made it a non-conforming property. And contrary to their plans, Defendants did not install a center bearing post for their "open-floor" plan, creating a risk that the floor could someday collapse. Additionally, a DCRA inspection found that Defendants did not install proper insulation at exterior property line walls. On the Seller's Property Condition Statement, Defendants represented to consumers pre-purchase that the roof was fairly new ("0-5 years"). However, after the roof started to leak soon after the property was purchased, an inspection revealed that the roof was very old and that Defendants had done only patchwork of poor quality.

28. As shown by a DCRA inspection in March 2015, this property had 21 construction code violations. Defendants used the unlicensed contractor, Argueta Construction and specifically Julio Argueta, to perform construction and renovation work at this property. Defendants failed to request the required inspections, failed to have inspections completed, or obtained deficient inspection reports, for work not reflected in the permits or the plans submitted to DCRA. Defendants advertised the home as “new constructions,” never disclosing the deficiencies to consumers.

Defendants’ Misrepresentations to Consumers

29. Defendants represent to prospective homeowners, either directly or through real estate agents, contracts, permits, or advertisements, that Defendants will sell them homes in accordance with applicable law, or in accordance with plans, or in compliance with the terms of Public Offering Statements (used for condominium properties), when Defendants know that the homes do not and will not conform with plans, permits, zoning regulations, the Construction Codes, or other applicable law. In particular, Defendants assert in Condominium Registration documents that homes are developed “in compliance with all applicable zoning ordinances, Construction Codes, and similar laws.” But Defendants regularly make these assertions falsely. In one egregious example, Defendants did not even seek a required Certificate of Occupancy for a condominium property (2825 11th Street, NW), leaving two homeowners occupying their homes illegally.

30. Defendants represent to prospective homeowners, either directly or through real estate agents, contracts, permits, or advertisements, that Defendants have made substantial renovations, modifications, or additions to improve the homes. But Defendants do not disclose to consumers that many of these renovations, modifications, or additions have been made

outside the scope of permits and plans, without any permits, by unlicensed contractors, or in violation of applicable zoning regulations and the Construction Code.

31. Defendants advertise the homes using terms such as “new construction,” “newly renovated,” “total renovation,” “stunning renovations,” “renovated/remodeled,” or “Lots of Upgrades.” However, Defendants either have not fixed aging portions of the homes that they claim to have renovated, or have performed substandard work that they do not disclose or actively attempt to hide. Additionally, Defendants advertise substantial additions, such as balconies or basements, without disclosing to prospective homeowners that Defendants added the features in violation of permitting or zoning regulations.

32. Defendants advertise, market, and sell the homes for purchasers’ “personal, household or family” use. These homes are therefore consumer goods under the CPPA. D.C. Code § 28-3901(a)(2). Additionally, Defendants’ home sales are real estate transactions, which are “goods and services” under the CPPA. D.C. Code § 28-3901(a)(7).

33. Defendants’ misrepresentations and failures to disclose material facts have harmed and are continuing to harm consumers, causing many consumers to unknowingly purchase homes in DC requiring repairs costing tens of thousands of dollars or more. Defendants are likely to continue this conduct unless enjoined by this Court.

Defendants’ Violations of Construction Codes

34. The District’s Construction Codes govern the “construction, reconstruction, alteration, addition, repair, removal, demolition, use, location, occupancy, and maintenance of all buildings, structures.” D.C. Code § 6-1403. Defendants are regularly involved in the construction, renovation, demolition, and repairing of buildings and premises in DC.

35. Since at least 2012, Defendants have routinely violated the District's Construction Codes in the course of renovating homes for sale to consumers. DCRA has found and documented construction code violations in at least 15 homes sold to consumers by Defendants and in at least 12 residential properties owned but not yet sold by Defendants. The properties sold to consumers with violations include: (1) 238 Madison Street, NW; (2) 39 V Street, NE; (3) 34 Channing Street, NW (3 units); (4) 2825 11th Street, NW (2 units); (5) 1818 1st Street, NW (2 units); (6) 26 Q Street, NE (2 units); (7) 33 Bryant Street, NW (2 units); and (8) 35 Q Street, NW (2 units).

36. Defendants' construction code violations include, but are not limited to: performing construction work that exceeds the scope of approved permits; performing work without any permits, including building work, electrical work, plumbing work, and AC work; failing to have required inspections performed at the properties; performing substandard work and using substandard materials; using unlicensed contractors; using third-party inspectors to conduct cursory and inadequate inspections or not arranging for inspections at all, such as wall check inspections, insulation inspections, footing inspections, and slab inspections. Many of these violations have resulted in structural, fire, or health and safety concerns for residents, or have resulted in damage to neighboring properties. Indeed, Defendants' disregard for construction code provisions intended to protect neighboring properties has resulted in damage to at least four neighboring properties, including a partial collapse of part of a neighboring home.

Defendants Evade and Ignore DCRA Oversight

37. As part of DCRA's responsibilities, the agency regularly conducts inspections of properties under construction to ensure compliance with the Construction Codes, zoning laws,

and other applicable laws. DCRA uses fines, settlement agreements, and general agency guidance to bring non-compliant properties back into compliance and to deter future violations. In Defendants' case, DCRA has attempted to work with Defendants to address their numerous construction code and zoning violations, such as correcting violations at sold and unsold properties or compensating consumers. Typically, Defendants feign ignorance of their code violations, notwithstanding the fact that DCRA has found, issued citations for, and made Defendants aware of their construction code violations since at least 2012. Defendants have repeatedly promised, and make agreements with DCRA, to correct past violations and avoid future violations. However, Defendants have continued to violate the same construction code provisions over and over.

38. On March 22, 2012, a DCRA inspector visited Defendants' property at 33 Bryant Street, NW, and issued a Stop Work Order (SWO). At that time, Defendants' construction workers were in the process of completing a concrete slab that was 95% complete. The DCRA inspector found that the proper inspections had not been completed prior to the slab being poured and that the first and second floors had structural issues that required a DCRA structural plan review.

39. On March 13, 2013, DCRA's inspection of Defendants' property at 36 Channing Street, NW, showed that Defendants' construction work far exceeded the scope of their permits, and DCRA issued a SWO. In fact, Defendants had only obtained a simple "Postcard Permit," normally obtained by homeowners seeking to do minor interior work. Instead, the DCRA inspector found, Defendants had fully demolished and removed an exterior wall.

40. On April 19, 2013, in a settlement agreement with DCRA, Defendant Insun Hofgard admitted to the existence of construction code violations at 36 Channing Street, NW,

and agreed to correct the violations, apply for the proper permits, and comply with all District laws and regulations applicable to the property. However, Defendants disregarded this agreement. Just over a year later, on October 9, 2014, DCRA had to issue another SWO on this same property for even more serious violations. On this date, Defendants were again doing construction work at the property without the proper permits, including unpermitted building work, electrical work, plumbing work, and AC work. Additionally, they failed to obtain wall check inspections, insulation inspections, footing inspections, and slab inspections.

41. From December 2013 through December 2014, DCRA had to issue Notices of Infraction (NOIs) or SWOs for at least nine more of Defendants' unsold properties. DCRA inspected these properties and found multiple violations of the District's Construction Code that required DCRA to issue SWOs or NOIs to Defendants. DCRA also found that many of these properties were missing required inspections or had permitting violations.

42. On the morning of November 26, 2014, Defendant Insun Hofgard signed a second settlement agreement with DCRA. The agreement resolved outstanding NOIs for properties located at 36 Channing, Street, N.W., 51 T Street, N.E., 1846 2nd Street, N.W., and 6 R Street, N.W., and reduced the amounts of penalties imposed by DCRA. The settlement agreements provided, *inter alia*, that:

“(3)...Insun Hofgard agrees *that corporations, in which she is the sole member or majority member and owns property* in the District of Columbia, that property will not be conveyed prior to receiving final inspection approvals, required permits, and any Certificate of Occupancy.

* * *

(5)...Insun Hofgard is to request and obtain all required inspections for each phrase of construction *for all District Properties, in which she is a sole member or a majority member* and owns property in the District of Columbia....

(6)...effective immediately, [Insun Hofgard's] District Properties *must be inspected by DCRA and not a Third Party Inspection company* for any required inspections.” (Emphasis added) (November 26, 2014 Settlement Agreement).

Just a few hours after this agreement was signed, Defendants sold to a consumer the home located at 238 Madison Street, NW. In violation of the settlement agreement, as well as the Construction Codes, Defendants sold this home without having obtained the required permits or final inspection approvals; the home, in fact, had numerous construction code and zoning violations.

43. On December 17, 2014, DCRA entered into a third settlement agreement to address Defendants' violations, this time in response to construction code violations that had resulted in DCRA issuing SWOs at three unsold properties: 1510 N. Capital Street, NW; 1512 N. Capitol Street, NW; and 160 Adams Street, NW. DCRA agreed to lift the SWOs, and Defendants admitted to the existence of the violations, agreed to remedy the violations, agreed to follow all District laws and regulations, and agreed to pay a penalty amount in installments. Yet, to date, Defendants have done little or no work to remedy their violations and have defaulted on their payment obligations.

44. On March 10, 2015, Defendants sold a home at 26 Q Street, NE, once again in violation of a settlement agreement with DCRA. After the property failed a framing inspection by DCRA, Defendants unlawfully switched to a third-party inspector. Using a third-party inspector instead of the original DCRA inspector (1) violated the rules of DCRA's Third-Party Inspection Program, which do not allow mid-project switching of inspection agencies for projects that are subject to the Residential Code; and (2) violated the November 26, 2014 settlement agreement. Less than a month after purchasing the property, the homeowner filed a complaint with DCRA. A DCRA inspection found violations that included uncovered PVC piping, plumbing deficiencies, cracks in the front walk, HVAC deficiencies, and missing required inspections.

45. Defendants' violations of the Construction Codes have also resulted in damage to neighboring properties. For example, Defendants' construction work at their 1422 Shepherd Street, NW property caused significant property damage to the neighboring homes at 1420 and 1424 Shepherd Street, NW. While excavating the 1422 Shepherd Street, NW property, Defendants caused the side walkway and the side wall of the 1420 Shepherd Street, NW property to collapse; the footings of the neighboring addition are now exposed. The collapse was the result of Defendants' failure to properly "shore and anchor" the neighboring property, notwithstanding a DCRA inspector having advised Defendants to do so to prevent such a collapse. Defendants' construction activities at 1422 Shepherd Street, NW, also resulted in damage to the fence, retaining wall, walkway and gate of the other neighboring property, at 1424 Shepherd Street, NW.

46. Defendants' construction work has also resulted in damage to neighboring properties at 34 Channing Street, NW, and 26 Q Street, NE.

47. Despite settlement agreements forbidding conveyance of properties unless they comply with the Construction Codes and have been properly inspected, Defendants continue to sell homes that violate the Construction Codes, resulting in consumers receiving homes that are unsafe and are not in the condition represented by Defendants.

48. Defendants flaunt the law and disregard their promises to DCRA, continuing with their construction spree despite the Stop Work Orders, Notices of Infractions, and settlement agreements issued or obtained by DCRA. Defendants do not even respect neighboring property lines, as they trespass and damage the homes of neighboring DC residents. Defendants continue to violate the Construction Codes and zoning laws, as they purchase, renovate, and sell

properties, without giving any indication that they will ever stop their violations or remedy properties they have previously sold.

Count I – Violation of D.C. Code § 28-3904(a)

49. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

50. Defendants have represented to consumers, expressly or by implication, that Defendants' renovations to residential properties have proper permitting, required inspections, or zoning approvals that they do not in fact have. Defendants have thus represented that goods have approvals or certifications that they do not have, in violation of the Consumer Protection Procedures Act. D.C. Code § 28-3904(a).

Count II – Violation of D.C. Code § 28-3904(d)

51. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

52. Defendants have represented to consumers, expressly or by implication that Defendants' renovations to residential properties are in compliance with the District's Construction Codes and zoning regulations when in fact they are not, and that portions of the properties are renovated when in fact they are not. Defendants have thus represented that goods are of a particular standard or quality when they are of another, in violation of the Consumer Protection Procedures Act. D.C. Code § 28-3904(d).

Count III – Violation of D.C. Code § 28-3904(e)

53. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

54. Defendants have made material misrepresentations to consumers regarding the scope, quality and lawfulness of Defendants' renovations to residential properties. These misrepresentations are likely to mislead and have misled consumers. Defendants have thus made misrepresentations as to material facts that have a tendency to mislead, in violation of the Consumer Protection Procedures Act. D.C. Code § 28-3904(e).

Count IV – Violation of D.C. Code § 28-3904(f)

55. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

56. Defendants have failed to disclose to consumers material facts about the scope, quality and unlawfulness of Defendants' renovations to residential properties. These failures to disclose material facts are likely to mislead and have misled consumers. Defendants have thus failed to state material facts when such failures tend to mislead, in violation of the Consumer Protection Procedures Act. D.C. Code § 28-3904(f).

Count V – Violation of D.C. Code § 28-3904(dd)

57. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

58. Defendants' renovations to residential properties sold by Defendants to consumers have regularly violated the District's Construction Codes, thereby violating 16 DCMR § 3309.3(c) (2010), including over 140 violations documented by DCRA. Defendants have thus violated a provision of title 16 of the District of Columbia Municipal Regulations, in violation of the Consumer Protection Procedures Act. D.C. Code § 28-3904(dd).

Count VI – Violation of Construction Codes

59. The District re-alleges Paragraphs 1 through 48 and incorporates them herein by reference.

60. Defendants' renovations to residential properties have regularly violated provisions of the District's Construction Codes, and Defendants have repeatedly disobeyed or ignored Stop Work Orders issued by DCRA in response to these violations. The District, through its Attorney General, is authorized by D.C. Code § 6-1407 to seek injunctive and other equitable relief that prevents such illegal construction activity from continuing in D.C.

Prayer for Relief

WHEREFORE, the Plaintiff respectfully requests that:

1. Pursuant to D.C. Code § 28-3909(a) and D.C. Code § 6-1407, the Court preliminary and permanently enjoin and restrain Defendants, their agents, employees, successors, and all other persons and entities, corporate or otherwise, in active concert or participation with any of them,
 - A. from conveying any residential property in DC that is not in compliance with the District's zoning laws, Construction Codes, or other applicable laws and regulations;
 - B. from conveying any residential property in DC without having obtained required permits, final inspection approvals by DCRA, and any required Certificate of Occupancy;
 - C. from using any third-party inspection company to inspect a residential property in DC;

- D. from conveying any residential property in DC without a pre-conveyance inspection by DCRA; and
- E. from engaging in further violations of the Consumer Protection Procedures Act.
- 2. Pursuant to D.C. Code § 28-3909(a), Defendants be ordered to pay restitution to each consumer harmed by Defendants' violations of the Consumer Protection Procedures Act.
- 3. Pursuant to D.C. Code § 28-3909(b), Defendants be ordered to pay all costs for the prosecution and investigation of this action;
- 4. Pursuant to D.C. Code § 28-3909(b), Defendants be ordered to pay civil penalties in the amount of \$1,000 for each and every violation of the Consumer Protection Procedures Act; and
- 5. The Court grant such further relief as the Court deems necessary or appropriate to remedy the effects of Defendants' unlawful trade practices.

Jury Demand


The District of Columbia hereby demands a trial by jury by the maximum number of jurors permitted by law.

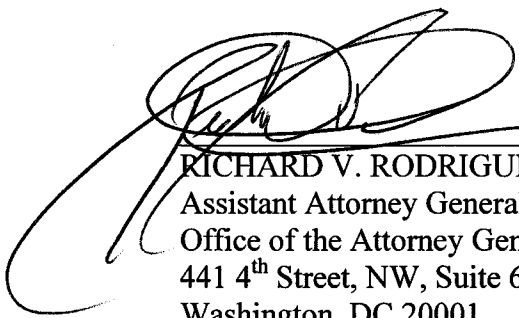
Dated: May 7, 2015.

Respectfully submitted,

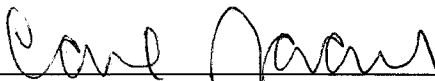
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