

IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
Civil Division

DISTRICT OF COLUMBIA,
a municipal corporation,
441 4th Street, N.W.
Washington, D.C. 20001,

Plaintiff,

v.

DARO REALTY, LLC,
2929 Connecticut Avenue, N.W.
Suite 200
Washington, D.C. 20008

Serve on:
National Registered Agents, Inc.
Registered Agent
1015 15th Street., N.W.
Suite 1000
Washington, D.C. 20036,

DARO MANAGEMENT SERVICES,
LLC,
2929 Connecticut Avenue, N.W.
Suite A
Washington, D.C. 20008

Serve on:
National Registered Agents, Inc.
Registered Agent
1015 15th Street., N.W.
Suite 1000
Washington, D.C. 20036,

INFINITY REAL ESTATE, LLC,
1407 Broadway
30th Floor
New York, N.Y. 10018

Serve on:
Steven Kassin
100 West 33rd Street

Case No.:2020 CA 001015 B

Suite 911
New York, N.Y. 10001,

CARISSA BARRY,
12106 South Walnut Branch Road
Reston, V.A. 20194,

STEVEN KASSIN,
100 West 33rd Street
30th Floor
New York, N.Y. 10018,

ETIENNE LOCOH,
22 E 36th Street
Apartment 10C
New York, N.Y. 10016,

DAVID BERG,
520 W 45th Street
Apartment 4B
New York, N.Y. 10036,

and

JARED ENGEL
27 Notch Hill Drive
Livingston, N.J. 07039,

Defendants.

FIRST AMENDED COMPLAINT

Plaintiff the District of Columbia (the District) brings this action against Defendants Daro Management Services, LLC, Daro Realty, LLC, Infinity Real Estate, LLC, Carissa Barry, Steven Kassin, Etienne Locoh, David Berg, and Jared Engel (collectively, Defendants) for discriminatory and unfair practices that limit affordable housing and violate the District of Columbia Human Rights Act (DCHRA), D.C. Code §§ 2-1401.01, *et seq.*, and the District of Columbia Consumer Protection Procedures Act (CPPA), D.C. Code §§ 28-3901, *et seq.* In support of its claims, the District states as follows:

INTRODUCTION

1. The District of Columbia faces a housing crisis. Affordable housing stock has trended downward while rents have trended upward, and low-income tenants are squeezed out. Housing-assistance programs—short- and long-term—are a core pillar of the District’s response to these pressures. By subsidizing rent, housing assistance helps the District’s lowest-income populations avoid homelessness and maintain a foothold in private housing. This assistance is critical in a city where many tenants spend more than half of their monthly income on rent and, according to the Washington Legal Clinic for the Homeless, more than 6,000 people—including 800 families—were homeless in 2019.

2. The District brings this action against Defendants—sophisticated real-estate entities and professionals that own, operate, and lease over 1,200 apartment units in 15 buildings across the District—because Defendants perpetuated a scheme that limited affordable housing opportunities based on applicants’ source of income and removed affordable housing from the market to pad Defendants’ own coffers, violating both the DCHRA and CPPA in the process.

3. From mandatory fair-housing trainings for real-estate brokers and warnings from their lawyers, to previous enforcement actions against them and inquiries from District agencies, Defendants were on notice of their obligations to follow the District’s non-discrimination and consumer-protection laws, including those designed to protect voucher holders from discrimination.

4. Nevertheless, Defendants enacted numerous policies, and engaged in an array of practices, in an effort to eliminate voucher-holder tenants from Daro properties. For instance, Defendants single out housing-assistance users for security deposit fees not charged to other similarly situated tenants, they offer higher commissions to leasing employees to lease to non-

voucher holder tenants, thereby disincentivizing them from renting to tenants with subsidies, and implemented underwriting policies designed to prevent voucher holders from qualifying to rent

5. Defendants also refuse to lease to housing-assistance recipients. That is, Defendants refuse to rent to District residents who hold locally-operated housing subsidies and short-term Rapid Re-housing housing subsidies that provide critical assistance to people experiencing homelessness. And Defendants do so despite knowing their legal obligations to accept these forms of housing assistance.

6. Finally, Defendants posted at least two advertisements for a residential property in the District that expressly stated that Defendants would not accept Rapid Re-housing assistance, reflecting their broader discriminatory scheme. They posted these advertisements despite knowing their legal obligations and the importance of online advertising to potential tenants, and notwithstanding the pledge in their online marketing materials not to advertise in a way that discriminates based on source of income.

7. Defendants' conduct violates District of Columbia law. The DCHRA prohibits discrimination based on source of income in the rental housing market. D.C. Code § 2-1402.21(a)(1). The DCHRA also prohibits posting advertisements that suggest that a housing provider discriminates based on a protected trait, including source of income. D.C. Code § 2-1402.21(a)(5). The DCHRA also prohibits any practice that has the effect of violating its provisions. D.C. Code § 2-1402.68. By imposing more burdensome fees on housing-assistance users than on other tenants, refusing to rent to housing assistance users, and posting discriminatory advertisements, Defendants have violated the DCHRA. Defendants also instituted a commission policy and underwriting criteria practice that was designed to exclude voucher holder residents, and that had a disparate impact on voucher holders in the District, also in violation of the DCHRA.

8. Defendants' conduct also violates the CPPA, which prohibits deceptive and unfair trade practices by merchants in the context of consumer transactions. D.C. Code §§ 28-3901, *et seq.* Landlords who provide housing are merchants engaged in consumer transactions with tenants and potential tenants. D.C. Code § 28-3901(a)(3). Conduct that violates other District statutes is *per se* deceptive and unfair under the CPPA. Thus, by offering rental housing, which is a consumer good, in a manner that violates the DCHRA, Defendants have engaged in unlawful trade practices that violate the CPPA. Moreover, Defendants' conduct separately and independently violates the CPPA because their representations regarding their security deposit policy and their assertions that they do not discriminate based on protected traits are material misrepresentations of fact and omissions that contravene the statute. D.C. Code § 28-3904(e)-(f).

9. This is not the first time Daro Management and Daro Realty have engaged in practices that violate District law by depriving District residents of affordable housing. In 2017, the District filed a CPPA lawsuit against the two Daro entities alleging that they were involved in the illegal conversion of apartments into short-term rentals, unlawfully withdrawing numerous affordable apartments from the market. That case was settled with Daro Management and Daro Realty paying more than \$100,000 in civil penalties and agreeing that neither they nor their principals or agents would again violate the CPPA in leasing rental properties. Barry was president of the Daro entities at the time of the agreement, and has continued to serve as President through all the conduct alleged in this complaint and until today. Kassin signed the agreement on behalf of the two Daro entities. By violating the CPPA anew, Daro Management, Daro Realty, Kassin, and Barry have also breached the terms of that agreement, which constitutes an independent violation of the CPPA.

10. The District seeks injunctive relief and civil penalties, costs, attorneys' fees, and restitution for consumers to prevent and deter Defendants from engaging in discriminatory and unfair trade practices that mislead consumers and limit access to housing for vulnerable District residents.

JURISDICTION

11. The Attorney General for the District of Columbia brings this action on behalf of the District of Columbia to uphold the public interest and enforce District law, here, the DCHRA. *See District of Columbia v. ExxonMobil Oil Corp.*, 172 A.3d 412 (D.C. 2017); D.C. Code § 1-301.81(a)(1) ("The Attorney General for the District of Columbia ... shall be responsible for upholding the public interest.").

12. The Attorney General also has authority to bring this action under D.C. Code § 28-3909, which authorizes him to bring an action where there is reason to believe that a merchant is using or intends to use a business practice that violates the CPPA.

13. This Court has subject matter jurisdiction over the claims and allegations in the Complaint. *See* D.C. Code § 11-921(a).

14. This Court has personal jurisdiction over Defendants because Defendants own property, have caused tortious injury in the District by violating the CPPA, and transact business in the District. *See* D.C. Code § 13-423.

PARTIES

15. Plaintiff District of Columbia, a municipal corporation, is the local government for the territory constituting the permanent seat of the government of the United States. The District is represented by and through its chief legal officer, the Attorney General for the District of Columbia. The Attorney General conducts the District's legal business and is responsible for

upholding the public interest. D.C. Code § 1-301.81(a)(1); *District of Columbia v. ExxonMobil Oil Corp.*, 172 A.3d 412 (D.C. 2017). The Attorney General is also expressly authorized to enforce the District’s consumer protection laws, including the CPPA. *See* D.C. § 28-3909.

16. Daro Management Services, LLC (Daro Management) is a real estate management company and a District-licensed Real Estate Organization with its primary place of business in the District. Founded in 1935, Daro Management operates, maintains, and offers for lease over 1,200 residential units in the following apartment buildings in the District:

- a. The 1600, 1600 Sixteenth Street, N.W.;
- b. The 1830 R, 1830 R Street, N.W.;
- c. 1900 Lamont, 1900 Lamont Street, N.W.;
- d. Archer, 3701 Massachusetts Avenue, N.W.;
- e. Circle Arms, 2416 K Street, N.W.;
- f. Connecticut House, 4500 Connecticut Avenue, N.W.;
- g. Crestwood Terrace, 3900 Sixteenth Street, N.W.;
- h. Parkway, 3220 Connecticut Avenue, N.W.;
- i. Parkwest, 2929 Connecticut Avenue, N.W.;
- j. Phoenix, 1421 Massachusetts Avenue, N.W.;
- k. The Rocksboro, 1717 R Street, N.W.;
- l. Rodman, 3002 Rodman Street, N.W.;
- m. Rodney, 1911 R Street, N.W.;
- n. Sedgwick Gardens, 3726 Connecticut Avenue, N.W.; and
- o. The Vintage, 3146 Sixteenth Street, N.W.

17. Daro Realty, LLC (Daro Realty) is a District-licensed real-estate company with its principal place of business in the District. Daro Realty is overseen by Daro Management's president, and Daro Realty owns all the buildings Daro Management leases, except Daro Management's most recently acquired properties: Circle Arms, Connecticut House, and the Vintage. Daro Realty also offers residential real-estate services including buyer and seller representation for single-family homes, condominiums, investment properties, and land development.

18. Infinity Real Estate, LLC (Infinity) is effectively the parent company of Daro Management and Daro Realty, with its primary place of business in the state of New York. Infinity acquires investment stakes in and operates apartment properties in urban areas including the District; it counts Daro Management's and Daro Realty's properties among the 9,000 residential units in its management portfolio. Additionally, Infinity maintains one of its two management offices in the District.

19. Carissa Barry is a licensed real-estate broker in the District, and is identified on the District of Columbia Regulatory Affairs (DCRA) listing as an owner of Daro Realty and Daro Management.¹ She serves as president of Daro Management, as well as president and principal broker of Daro Realty. According to her biography that was posted on Infinity's website, Barry "oversee[s] virtually every function of Daro" including accounting, staffing, sales, and marketing, and is responsible for expanding Infinity's portfolio of apartment buildings. At all times material to this Complaint, acting alone or in concert with others, Barry formulated, directed, controlled, had the authority to control, participated in, or with knowledge approved of the acts or practices

¹ Daro Management had its business license revoked by the DCRA, but both Defendant Kassin and Defendant Barry are listed as beneficial owners for Daro Management.

of Daro Management, Daro Realty, and Infinity, including the acts and practices set forth in this Complaint.

20. Steven Kassin is the founder and managing partner of Infinity, and is identified on the District of Columbia Regulatory Affairs listing as an owner of Daro Realty and Daro Management. At relevant times to this Complaint, Kassin also personally invested in Daro Realty and/or Daro Management. At all times material to this Complaint, acting alone or in concert with others, Kassin formulated, directed, controlled, had the authority to control, participated in, or with knowledge approved of the acts or practices of Daro Management, Daro Realty, and Infinity, including the acts and practices set forth in this Complaint.

21. Etienne Locoh is a managing partner of Infinity, overseeing its investments and those of its principals, including the investments by Infinity principals in Daro Realty and Daro Management. At relevant times to this Complaint, Locoh also personally invested in Daro Realty and/or Daro Management. At all times material to this Complaint, acting alone or in concert with others, Locoh formulated, directed, controlled, had the authority to control, participated in, or with knowledge approved of the acts or practices of Daro Management, Daro Realty, and Infinity, including the acts and practices set forth in this Complaint.

22. David Berg is a partner of Infinity, overseeing its investments and those of its principals, including the investments by Infinity principals in Daro Realty and Daro Management. At relevant times to this Complaint, Berg also personally invested in Daro Realty and/or Daro Management. At all times material to this Complaint, acting alone or in concert with others, Berg formulated, directed, controlled, had the authority to control, participated in, or with knowledge approved of the acts or practices of Daro Management, Daro Realty, and Infinity, including the acts and practices set forth in this Complaint.

23. Jared Engel is an investment director of Infinity, overseeing its investments, and those of its principals, including the investments by Infinity principals in Daro Realty and Daro Management. At relevant times to this Complaint, Engel also personally invested in Daro Realty and/or Daro Management. At all times material to this Complaint, acting alone or in concert with others, Engel formulated, directed, controlled, had the authority to control, participated in, or with knowledge approved of the acts or practices of Daro Management, Daro Realty, and Infinity, including the acts and practices set forth in this Complaint.

FACTS

Housing Assistance and the Rental Housing Market in the District

24. The ability to access affordable housing free from discrimination is District residents' top civil rights concern.

25. Housing-assistance programs are a core pillar of the District's response to the growing affordable-housing crisis.

26. Housing assistance offers a critical lifeline to the District's poorest residents; it helps those experiencing homelessness to move out of temporary shelters and allows other cash-strapped households to reallocate spending to necessities like food and transportation.

27. Housing assistance is particularly crucial in the District, where high rents consume a disproportionate share of household expenditure. In 2018, more than 23% of the District's tenant households spent more than half of their monthly income on rent. In recent years, the District's rental housing market has become more expensive while the availability of affordable rental housing has plunged. Housing assistance is thus increasingly important to low-income District tenants seeking to obtain affordable housing and navigate the city's high cost of living.

28. This case involves multiple housing assistance programs in the District, including but not limited to: Housing Choice Vouchers, Rapid Re-housing Vouchers, Pathways Vouchers, and Community Partnership Vouchers.

29. The United States Department of Housing and Urban Development (“HUD”) administers the federally funded Housing Choice Voucher Program. The Housing Choice Voucher Program is a successor to the Section 8 Rental Voucher Program, and Housing Choice Vouchers are still commonly referred to as Section 8 vouchers.

30. In the District, Section 8 vouchers are locally administered by the District of Columbia Housing Authority. Section 8 vouchers are tenant-based subsidies that enable participants to rent housing on the private market at market rates. Section 8 voucher participants pay a portion of the rent based on a percentage of their household income, and DCHA pays the remainder of the rent directly to the landlord. Landlords renting to tenants with Section 8 vouchers may charge a security deposit of up to one month’s rent; DCHA does not assist tenants with these fees.

31. Rapid Re-housing vouchers are temporary but crucial supports that help individuals and families exit homelessness and transition to permanent housing. Although program parameters vary slightly, in general, after participants locate a private apartment and sign a lease, the District’s Department of Human Services pays rent directly to the landlord for up to 12 months, and participants reimburse the District for a portion of the rent. Participants also receive case management and connections to support services over the course of the lease.

32. The District’s Rapid Re-housing efforts are funded through a mix of federal and local sources. These include the Homeward Rapid Re-housing Demonstration Project (federal), Supportive Services for Veteran Families Program (federal), and Family Rehousing and

Stabilization Program (local). For ease of reference, this Complaint refers to these forms of short-term housing assistance collectively as Rapid Re-housing vouchers.

33. Similarly, Pathways vouchers provide a means of independent housing for District residents facing homelessness. The vouchers are implemented by Pathways to Housing DC, a non-profit organization in the District that houses District residents facing chronic homelessness. The vouchers are partially funded by local agencies, including the Department of Health Services (“DHS”).

34. Community Partnership vouchers are transitional and permanent housing subsidy support for individuals and families in the District facing homelessness. The vouchers are implemented by The Community Partnership, an independent non-profit corporation that implements the District of Columbia’s Continuum of Care, funded partially by HUD.

35. Online advertising is an essential part of searching for rental housing. Many tenants in the District—including those who receive housing assistance—rely on online housing advertisements to locate rental housing. Discriminatory postings and advertisements create permanent barriers in the rental market each day they are visible. Unlike temporary notices such as “no one-bedroom units available,” warnings like “no vouchers accepted” send a lasting message to tenants with subsidies, permanently discouraging them from pursuing that housing opportunity.

36. An apartment-industry survey showed that at least 83 percent of apartment hunters used an online resource to search for housing. Among the most popular online resources is Craigslist, a website where housing providers can list available units. Approximately 17 percent of all tenants rely on Craigslist to find an apartment.

37. The importance of online advertising makes eradicating discriminatory advertisements critical to ensuring fair housing. But the rise in online advertising has led to a

corresponding rise in discriminatory advertisements. In 2017 alone, more than 120 advertisements contained language suggesting that the housing provider discriminated based on source of income in the District.

**The Individual Defendants' Control and Involvement
in Managing Daro Management and Daro Realty**

38. At all times relevant to the conduct alleged herein, Defendant Carissa Barry had direct involvement and control over aspects of the management and operations of Daro Management and Daro Realty.

39. However, in performing this role, Carissa Barry effectively reported to the primary investors in Daro Management and Daro Realty—namely, Defendants Kassin, Locoh, Berg, and Engel. Barry regularly met with Kassin, Locoh, Berg, and Engel to discuss, and obtain approval for, the practices, policies, and procedures at Daro Properties. This included practices, policies, and procedures relating to the leasing of Daro Property units to voucher holder tenants and relating to its underwriting criteria.

40. Kassin, Locoh, and Berg are principals of Infinity and Engel is the Investments Director of Infinity. Infinity paid Engel for all investment oversight work he conducted for Daro Properties. Engel performed this work on behalf of Infinity, and, Locoh, Berg, Kassin, and himself, who at relevant times, were all individual investors in Daro.

41. Kassin, Locoh, Berg, and Engel frequently visited the Daro Properties, even though Infinity is headquartered in New York. They also regularly received reports and updates on Daro Properties and leasing activities. In addition, they participated in the hiring of senior management at Daro Management, including by interviewing applicants for positions.

42. Furthermore, Defendant Engel acted as a mediator for employee disputes between Defendant Barry and other senior Daro employees.

43. At times, Daro tenants have bypassed Daro management and raised issues at the properties directly to Defendants Kassin, Locoh, Berg, and Engel.

44. Defendant Barry also consulted with Defendants Kassin, Locoh, Berg, and Engel on best ways to respond to negative press that Daro received in late 2018 and early 2019 related to voucher holders living in their properties.

45. At various times, Kassin and Locoh signed legal documents on Daro's behalf in their capacity as Infinity principals.

Defendants' Discriminatory Fee Regime and Eviction Practices for Voucher Holders

46. Defendants are large, sophisticated real-estate companies; a licensed real-estate broker and property manager oversees virtually every function of their operations. Together, Daro Management and Daro Realty have approximately 60 employees and lease over 1,200 residential rental units spread across 15 properties in the District.

47. Defendants accept some housing vouchers as rental payments for available residential units.

48. However, Defendants require participants in various voucher programs to pay extra fees (application, move-in, and security) that are routinely waived for other tenants and then use nonpayment of these fees as a pretext to evict voucher holders.

49. Specifically, Defendants routinely waive the security deposit for renters with good credit while requiring voucher holders to pay a security deposit equivalent to one month's rent, even if they have good credit.

50. Daro Management's apartment application indicates that collection of a security deposit varies based on the applicant's credit. The application states that "[t]he Security Deposit

depends on credit and will be equivalent to one month's rent if required." This representation is false.

51. As part of the leasing process, Daro Management leasing staff review prospective tenants' credit record using third-party credit review tools.

52. The third-party credit tool rates each applicant's credit score and assigns it to one of three categories ranging from: "Accept," "Accept with Conditions," or "Decline."

53. If the third-party credit tool assigns an "Accept" rating, Defendants ordinarily approve the application and waive the deposit.

54. But for voucher holders, even if the third-party credit tool assigns an "Accept" rating, Defendants charge a security deposit.

55. For instance, on September 24, 2018, in a lease agreement for an apartment at the Archer, Defendants listed the security deposit for two unsubsidized tenants with "Accept" credit scores as \$0.

56. But a month later, on October 31, 2018, Defendants charged a security deposit of \$2,935 to a voucher recipient at the Rodman whose the third-party credit tool credit score was "Accept."

57. This practice was reinforced by Defendant Barry's issuance of a "Section 8 Voucher Clarification" memo to Daro Management employees on November 29, 2018. The memo stated that in light of "delinquency ... from residents who receive section 8 vouchers," voucher holders "must meet all underwriting criteria which includes ... paying all security deposits ... prior to move in."

58. The next day, Defendants charged a voucher holder a \$2,648 deposit to move into Sedgwick Gardens despite her "Accept" credit rating.

59. In May 2019, a senior Daro Management employee warned Barry and Defendant Engel that the differential security deposit requirements might be illegal. The senior Daro Management employee urged them to review the application process to confirm that Defendants were not violating the law.

60. Defendants took no action to correct the differential and discriminatory security deposit practice.

61. Several voucher holders who had been permitted to move into their apartments before their deposits were paid were placed on payment plans for the unpaid fees, and a few months later, were evicted for nonpayment.

62. Defendants, however, did not pursue eviction actions against unsubsidized tenants who fell into arrears.

63. In May 2019, Barry and a senior Daro Management employee discussed the status of several housing assistance recipients that were either on a payment plan or in the process of eviction. Barry informed the employee that housing assistance programs would not pay security deposits for the voucher holders, rejected alternatives to eviction, and explained that she already exhausted all possible options for “these folks.”

64. Then, on June 6, 2019, Barry received an email from legal counsel warning of ongoing “Fair Housing testing” relating to Section 8 vouchers and offering a script for staff to follow if asked about vouchers.

65. Barry forwarded the warning to recipients at “DARO Leasing” and “DARO Resident Relations” and affixed a prefatory note that read in part: “If any applicant regardless of source of income has good credit we do NOT charge a security deposit. Security deposits equal to 1 month’s rent are applied if credit comes back approved with conditions”

66. To be consistent with this purported policy change, the senior Daro Management employee repeatedly asked Barry to revise the application materials to expressly state that security deposits were charged only if the applicant's credit was rated "Approved with Conditions." Barry rebuffed the requests to more clearly explain the security deposit policy to applicants.

67. And, despite Barry's prefatory note to employees, Defendants' practice of differentially charging deposits continued: Defendants continued to collect security deposits from Section 8 applicants with good credit while not collecting deposits from other similarly situated tenants.

Defendants Implemented a Discriminatory Commission Scheme For Daro Employees As Leasing Incentives

68. Defendants maintained a policy or practice of incentivizing Daro employees for leases secured at Daro properties with commission payments on top of their salary or hourly wage.

69. Any Daro employee who completed the lease-up process for a conventional tenant, including by touring and finalizing the leasing paperwork, received a total \$150 leasing commission bonus. This represented a \$75 commission for giving a tour to a non-voucher holder prospective tenant, and \$75 for completing in the paperwork. If two different Daro employees completed the two parts, they each received the \$75 commission for their portion.

70. Any Daro employee who leased a voucher holder tenant, including by touring and completing the paperwork received only a \$100 leasing commission bonus. This was paid on the same two-part system as non-voucher holders, except each portion was only valued by Daro at \$50 for prospective tenants with a voucher.

71. This was true despite the fact that the paperwork necessary to "lease up" a voucher-holding tenant is more involved than that of a tenant paying without a voucher or subsidy. Defendants' commission scheme paid *less money* for *more work* when its employees were leasing

to a tenant with a voucher. Therefore, leasing employees had a strong financial incentive to focus their time and efforts at recruiting and leasing up tenants without a voucher.

**Defendants Implemented a Strict Underwriting Criteria
to Exclude Voucher Holders from Qualifying to Lease at Daro Properties**

72. In mid-2018, after facing high-profile incidents relating to voucher holder tenants at some of its buildings that garnered negative press for Daro, Defendants made significant changes to their credit underwriting criteria.

73. In a November 2018 memorandum to Daro leasing staff, Defendant Barry expressed concerns for leasing to voucher holders and emphasized the importance of ensuring that voucher holders meet all underwriting criteria, including the new requirement that voucher holders would be denied for “poor credit”—even where vouchers covered 100% of the rent.

74.

75. This policy was implemented with the express purpose of excluding voucher holders from qualifying from Daro Properties, even though voucher holders often have the full amount of their rent subsidized by their voucher—meaning their credit has no bearing on their ability to pay their rent.

76. In the same memorandum, Defendants also emphasized that “[g]uarantors will only be accepted if an applicant does not meet the minimum income requirements.”

77. The only exception to this policy is applicants with “no credit and/or no social security number.”

78. This policy failed to account voucher holders’ voucher organizations as guarantors for their ability to pay.

79. This policy had a disparate impact on voucher holders by limiting the ways in which they could qualify to rent.

Defendants' Refusal to Rent to Certain Voucher Holder Participants

80. Defendants also maintained a policy and practice of refusing to rent apartments to participants in certain District voucher programs.

81. In December 2018, a Daro Management Regional Portfolio Manager wrote an email to a senior Daro Management employee conveying his concern that Barry would punish him after he mistakenly offered a housing application to a Rapid Re-housing participant.

82. He explained in his first email to a colleague on December 5, 2018: "OMG. Carissa is going to kill us. [The applicant] doesn't have a voucher and we don't do rapid rehousing program. Call me please!" The following day he wrote that "Carissa is going to say she has to take [the voucher program] over and I'm incompetent."

83. On February 12, 2019, Barry responded to an email in which an assistant property manager at The 1600 asked, "What is rapid rehousing and do we accept it?" Barry replied that Rapid Re-Housing was a "DC assistance program" and that Defendants were "not accepting this program any longer."

84. Defendants also refused to transact with other voucher programs in the District, particularly any that Defendant Barry falsely claimed were not "real vouchers," such as the Pathways program and Community Partnership.

Defendants' Discriminatory Advertising

85. Defendants broadcast their refusal to accept certain vouchers in online advertisements.

86. Defendants advertise available apartment units on online platforms, including Craigslist, a third-party website where housing providers can post listings free of cost.

87. Defendants advertised a two-bedroom unit at the Vintage in a Craigslist post. The advertisement featured six images of the apartment unit and surrounding neighborhood, and described numerous amenities including spacious bathrooms, Juliet balconies, a game room, and a dog park on the roof.

88. The advertisement also explicitly stated, “We Accept Housing Choice Vouchers & Market Rent Payments Only) !!!!NO RAPID REHOUSING!!!!”

89. Defendants’ discriminatory advertisement is reflected in this screenshot:



90. This Craigslist advertisement was posted on November 18, 2019, and was visible online for at least 30 days.

91. On November 25, 2019, Defendants posted a different advertisement on Craigslist for multiple units, stating “as of Now We 2 [sic] Different Styled 1 Bedroom 1 Bath And 1 2 Bedroom Available.”

92. This Craigslist advertisement also contained discriminatory language, stating explicitly: “!!!! We ACCEPT Housing Choice Vouchers & Market Rent ONLY!!!!” This advertisement made clear that Defendants accepted only Section 8 voucher holders (i.e., participants in the Housing Choice Voucher Program), and not those receiving subsidies from other programs, such as those described above.

93. This discriminatory advertisement remained on Craigslist and was visible online for at least 30 days.

Defendants Knew of Their Legal Obligations Not to Discriminate

94. Defendants understood their obligations to comply with District and federal anti-discrimination laws and held themselves out as law-abiding real-estate entities. For example, all District-licensed real-estate brokers and property managers—such as Barry, who authorized many of the discriminatory practices at issue—receive training on fair housing requirements every two years, as required by law, prior to renewing their licenses. *See* D.C. Code § 47-2853.13.

95. And every time a Section 8 voucher holder leases an apartment, the leasing agent signs a DCHA housing-assistance form and initials below each of ten provisions including one that states: “The amount of the security deposit does not exceed the amount of security deposits charged by the Owner/Landlord to unassisted tenants.” Barry and other leasing agents repeatedly agreed to this provision.

Defendants’ Misrepresentations and Omissions Regarding Their Discriminatory Practices

96. On its website, in lease forms, and in application forms, Defendants represent that they follow fair housing laws and do not discriminate based on source of income. These representations are false and misleading.

97. For example, in Defendants' application form, defendants represent that the payment of a security deposit "depends" on an applicants' credit rating, when, in fact, Defendants collect security deposits from voucher regardless of their credit assessment.

98. In addition, the Daro Management website includes a pledge to abide by fair housing law in both "letter and spirit." The pledge reads in part: "We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of actual or perceived ... source of income."

99. The "Equal Housing Opportunity" logo also appears at the bottom of each page of Daro Management's lease forms.

100. As demonstrated above, however, Defendants engaged in several discriminatory practices that violate District law and render these representations false and misleading.

101. Defendants also fail to disclose to that they consider status as a voucher holder in determining whether to demand a security deposit, contrary to their representations in lease and application forms that only credit is considered.

102. These misrepresentations and omissions violate the CPPA.

Defendants' Conduct Violates the 2017 Assurance of Voluntary Compliance

103. Indeed, this is not Defendants' first violation of the CPPA in connection with conduct that reduced access to affordable housing. In April 2017, the District filed a complaint in the Superior Court of the District of Columbia, *District of Columbia v. Ginosi USA Corporation, et al.*, 2017 CA 2823 B, alleging that, along with a hotel-booking company known as Ginosi, Daro Management and Daro Realty illegally converted apartments into short-term rentals in violation of the CPPA and the District's Rental Act.

104. Five months after filing, Daro Management and Daro Realty executed an Assurance of Voluntary Compliance (AVC) with the District resolving that matter. The AVC was signed by Defendant Kassin, in his capacity as Managing Partner of Infinity on behalf of Daro Management and Daro Realty.

105. Barry was president of Daro Management and Daro Realty when the AVC was signed.

106. As part of the AVC, Daro Management and Daro Realty agreed that neither they nor their principals, officers, employees or agents would engage in any unlawful trade practice prohibited by the CPPA.

107. The AVC also states that any violation of the agreement is an unlawful trade practice that violates the CPPA.

Defendants' Attempted to Thwart The District's Vacancy Increase Law

108. In addition to their discriminatory and unlawful conduct towards housing-assistance recipients, Defendants also attempted to subvert the District's rent-control laws by purporting to lease out rent-controlled units when those units were actually unavailable to rent. District law limits landlords' ability to increase the rental prices of units in rent-controlled properties that are vacant. Before October 1, 2019, District law allowed landlords to increase the rent on vacant units up to 30% if the landlord could point to a "substantially identical rental unit" that was rented at or above this amount in the building. D.C. Code § 42-3502.13 (2018) (current version at D.C. Code § 42-3502.13 (2019)).

109. In late 2018, however, the Council passed the "Vacancy Increase Reform Amendment Act of 2018" (Vacancy Act). The Vacancy Act eliminated the "substantially identical rental unit" rule and created a 10% or 20% "age of tenancy" rule where landlords could either: (1)

increase the rent by 10% of the current allowable amount of rent charged if the previous tenant lived in the unit for 10 years or less, or (2) increase the rent by 20% of the current allowable amount of rent charged if the previous tenant lived in the unit for more than 10 years. The Vacancy Act's new 10% or 20% age of tenancy rule was effective on October 1, 2019.

110. In approximately mid-2019, Defendants began renovations at a number of units in properties they owned with the expectation that they would be able to increase rental prices up to 30%, as was allowed under the old law for vacant units. Several of the units that were undergoing renovations, however, would not be complete until after October 1, 2019, when the Vacancy Act went into effect. In mid-September, Defendants' rent-control consultants informed Defendants of the change in vacancy-increase law. Rather than comply with the change in law that limited the increase of rent to either 10% or 20%, Defendants quickly entered into purported leases to increase the rental prices of several vacant units under construction up to 30% before the change in law.

111. These leases were for units that were still under construction and thus unavailable to rent. Defendants used relatives and other close acquaintances to enter into the leases for these units and waived fees and other requirements. According to a senior Daro Management employee, the sole purpose of the purported leases was to allow Defendants to increase rental prices up to 30% on vacant units before the new law took effect.

112. For example, on September 12, 2019, Defendants entered into a lease with Defendant Barry's close relative for a vacant unit. The lease was set to commence on September 24, 2019, and was for a term of three months, ending on December 24, 2019. In the lease, Defendants raised the rent by 30%, claiming the maximum rental increase under the old law before the change on October 1, 2019. However, the apartment was not actually available for rent. According to Defendants' own construction updates and unit availability reports, as of September

17, 2019, the unit was listed as not available for rent and construction was not set to end until November 2019.

113. In another two leases entered into around the same time, also seeking the same 30% rental increase, Defendants entered into a lease with Defendant Engel, and a separate lease with Defendant Engel's wife, both for Daro Properties, even though their primary residence is in New Jersey and they never actually paid for or occupied Daro Property units.

114. Defendants only abandoned this fraudulent scheme after several Daro employees reached out to Defendant Barry expressing concern with the lease up of units under renovation that were unavailable. Therefore, although they underwent the effort to frustrate the amended Vacancy Act, Defendants did not receive the beneficial rental increase that an occupied unit would have received for the units that they generated fraudulent leases for.

115. Defendants' attempted scheme to violate the Vacancy Act is consistent with their broader pattern of attempting to skirt District law through deceptive policies and procedures, to maximize their profits at the expense of District residents.

COUNT I
DIFFERENTIAL TERMS AND CONDITIONS IN VIOLATION OF THE DCHRA
(All Defendants)

116. All prior paragraphs in the Complaint are repeated and incorporated here.

117. Daro Management, Daro Realty, Infinity, Kassin, Locoh, Berg, Engel, and Barry were aware of and responsible for the leasing policies and practices for the residential units at issue.

118. The DCHRA prohibits treating consumers of real property differently based on the consumers' source of income—whether by “requir[ing] different terms” or imposing different conditions. D.C. Code §§ 2-1402.21(a)(1), 2-1402.21(a)(2).

119. Vouchers are a source of income under the DCHRA. D.C. Code § 2-1402.21(e); *See* OHR Guidance No. 16-01 (stating that source of income includes “short- and long-term rental subsidies” including but not limited to vouchers such as “Rapid Re-housing”).

120. Defendants implemented policies and practices that impose different terms and conditions based on applicants’ source of income. This constitutes illegal disparate treatment under D.C. Code §§ 2-1402.21(a)(1) and 2-1402.21(a)(2).

COUNT II
REFUSAL TO TRANSACT IN VIOLATION OF THE DCHRA
(All Defendants)

121. All prior paragraphs in the Complaint are repeated and incorporated here.

122. Daro Management, Daro Realty, Infinity, Kassin, Locoh, Berg, Engel, and Barry were aware of and responsible for the leasing policies and practices for the residential units at issue.

123. Under the DCHRA, it is an “unlawful discriminatory practice” to “refuse or fail to initiate or conduct any transaction in real property” where such refusal or failure is “wholly or partially ... based on the actual or perceived ... source of income ... of any individual.” D.C. Code § 2-1402.21(a)-(a)(1).

124. Defendants’ policies and practice of refusing to accept some vouchers as rental payments is a discriminatory refusal to conduct a transaction in real property based on voucher participants’ source of income and violates D.C. Code § 2-1402.21(a)(1).

COUNT III
DISCRIMINATORY ADVERTISEMENTS IN VIOLATION OF THE DCHRA
(All Defendants)

125. All prior paragraphs in the Complaint are repeated and incorporated here.

126. Daro Management, Infinity, Kassin, Locoh, Berg, Engel, and Barry were all responsible for marketing apartments for Daro properties.

127. Under the DCHRA it is an “unlawful discriminatory practice” to make “any ... statement, or advertisement, with respect to a transaction, or proposed transaction, in real property ... [that] unlawfully indicates or attempts unlawfully to indicate any preference, limitation, or discrimination based on ... source of income ... of any individual.” D.C. Code § 2-1402.21(a)(5).

128. The statements in Daro Management’s advertisements are discriminatory based on the source of income of individuals in violation of D.C. Code § 2-1402.21(a)(5).

COUNT IV
DISPARATE IMPACT BASED ON SOURCE OF INCOME
(All Defendants)

129. All prior paragraphs in the Complaint are repeated and incorporated here.

130. The DCHRA deems “[a]ny practice which has the effect or consequence of violating any of the provisions of this chapter” as being “an unlawful discriminatory practice.” D.C. Code § 2-1402.68.

131. The DCHRA prohibits the refusal or failure to initiate or conduct any transaction in real property, based in whole or in part on someone’s source of income. D.C. Code § 2-1402.21(a)(1)

132. Vouchers are a source of income under the DCHRA. *See* OHR Guidance No. 16-01.

133. Defendants’ policies had the effect of refusing to transact with voucher holders in violation of D.C. Code § 2-1402.68.

COUNT V
UNLAWFUL TRADE PRACTICES CONTRARY TO DISTRICT LAW
IN VIOLATION OF THE CONSUMER PROTECTION PROCEDURES ACT
(All Defendants)

134. All prior paragraphs in the Complaint are repeated and incorporated here.

135. The CPPA prohibits merchants from engaging in unfair or deceptive trade practices in connection with a transaction for consumer goods and services. D.C. Code § 28-3904.

136. The rental housing that Defendants offer is for personal, household or family purposes and, therefore, is a consumer good and service. D.C. Code § 28-3901(a)(7) (noting that consumer goods or services includes “real estate transactions”).

137. Defendants, in the ordinary course of business, supply consumer goods and services and therefore are “merchants” under the CPPA. D.C. Code § 28-3901(a)(3).

138. District residents or other individuals who sought to rent Defendants’ rental housing properties are “consumers” under the CPPA because they are persons who “would [] lease [] consumer goods,” such as the rental housing properties offered by Defendants. D.C. Code § 28-3901(a)(2).

139. The CPPA prohibits any person from engaging in unfair or deceptive trade practices, including trade practices that, though not separately enumerated under D.C. Code § 28-3904, violate other District of Columbia law.

140. Defendants have engaged in unlawful, unfair, and deceptive practices affecting District consumers, in violation of D.C. Code § 28-3904, by engaging in trade practices that violate the District of Columbia’s anti-discrimination laws.

COUNT VI
MISREPRESENTATIONS AND OMISSIONS IN
VIOLATION OF THE CONSUMER PROTECTION PROCEDURES ACT
(All Defendants)

141. All prior paragraphs in the Complaint are repeated and incorporated here.

142. The CPPA also prohibits any person from engaging in deceptive trade practices, including by:

a. “represent[ing] that goods ... have a source, sponsorship, approval, certification, accessories, characteristics, ingredients, uses, benefits, or quantities that they do not have,” *id.* § 28-3904(a);

b. “misrepresent[ing] as to a material fact which has a tendency to mislead,” *id.* § 28-3904(e); and

c. “fail[ing] to state a material fact if such failure tends to mislead,” *id.* § 28-3904(f).

143. Defendants’ representations—including their representations that they abide by all fair housing laws and are an Equal Opportunity Housing provider—are representations that goods or services have a source, sponsorship, approval, certification, accessories, characteristics, ingredients, uses, benefits, or quantities that they do not have, and are unlawful trade practices that violate the CPPA, D.C. Code § 28-3904(a).

COUNT VII
VIOLATION OF ASSURANCE OF
VOLUNTARY COMPLIANCE IN VIOLATION OF THE CPPA
(Daro Management, Daro Realty, Barry, and Kassin)

144. All prior paragraphs in the Complaint are repeated and incorporated here.

145. Defendants Daro Management and Daro Realty entered into an AVC under D.C. Code § 28-3909(c)(6). The agreement was signed on behalf of the Daro entities by Defendant

Kassin, in his capacity as Infinity's managing partner. The Defendants agreed not to engage in any unlawful trade practice prohibited by the CPPA.

146. The AVC applied to Daro Management, Daro Realty, as well as their officers and directors, including Barry, who was President of Daro Management and Daro Realty when the AVC was signed.

147. The AVC stated that any violations of the agreement would be considered an unlawful trade practice that violates the CPPA.

148. It is also a separately enumerated unlawful trade practice to violate any agreement entered into under D.C. Code § 28-3909(c)(6). D.C. Code § 28-3904(jj).

149. As set forth in Counts V and VI, Defendants have engaged in numerous unlawful trade practices in violation of the CPPA in connection with their offer to rent residential units in the District of Columbia. As such, Daro Management, Daro Realty and Barry have violated the terms of the AVC, which constitutes a violation of the CPPA under the terms of the AVC and D.C. Code § 28-3904(jj).

PRAYER FOR RELIEF

WHEREFORE, the District requests that this Court enter judgment in its favor and grant relief against Defendants as follows:

- (a) Injunctive and declaratory relief;
- (b) Restitution and damages;
- (c) Civil penalties;
- (d) The District's reasonable attorney's fees and costs; and
- (e) Such other and further relief as this Court deems appropriate based on the facts and applicable law.

JURY DEMAND

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

Dated: May 12, 2022

Respectfully submitted,

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