

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

DISTRICT OF COLUMBIA,
a municipal corporation,
400 6th Street NW
Washington, DC 20001,

Plaintiff,

v.

10th & C STREETS ASSOCIATES, LLC,
2333 Branch Avenue SE
Washington DC 20020,

and

GEORGE PAPAGEORGE,
1520 ½ Massachusetts Ave., SE
Washington, DC 20003,

Defendants.

Case No.: 2022 CA 002054 B
Judge Neal E. Kravitz

JURY TRIAL DEMANDED

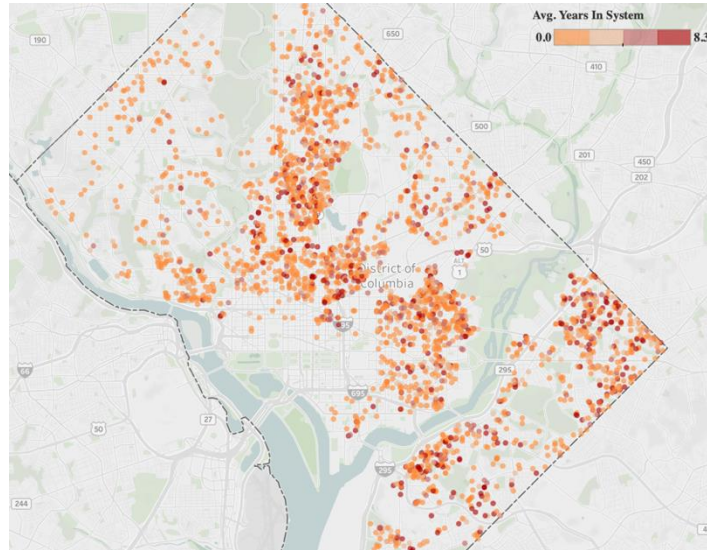
AMENDED COMPLAINT

The District of Columbia (“District”), by its Office of the Attorney General, brings this enforcement action against Defendants 10th & C Streets Associates, LLC (“10th & C”) and George Papageorge (“Papageorge”), pursuant to the District’s False Claims Act, D.C. Code §§ 2-381.01, *et seq.* (“False Claims Act”), and the District of Columbia Tax Code, D.C. Code § 47101, *et seq.*, seeking treble damages, civil penalties, and all other appropriate relief, as follows:

Introduction

1. Despite its booming real estate market and shortage of affordable housing, the District of Columbia currently has more than 3,000 properties that sit vacant or blighted. Many of these properties are a public nuisance, attracting crime, drugs,

vagrancy, and creating dangerous conditions for area children. The following is a map, as of January 2022, of vacant properties in the District, as compiled by the District's Department of Consumer and Regulatory Affairs ("DCRA"):



2. In 2002 and again in 2010, the D.C. Council amended District tax policy to create new real property tax classifications, significantly increasing the property tax rates assessed against vacant and blighted properties. These increased rates were designed to incentivize property owners to return their vacant or blighted properties to productive use by increasing the cost of possessing unused buildings.

3. But rather than pay the increased rates or sell their vacant properties, many property owners instead abuse the administrative system by repeatedly submitting false claims to the District in an effort to circumvent the significantly higher property tax obligations assessed against vacant properties.

4. One of these property owners is Defendant George Papageorge, who owns the property located at 1000 C Street NE, Washington DC 20002 (Square 0963; Lot 0803), through 10th & C, a Delaware LLC not registered to transact business in the District until after the District filed its original Complaint in this matter.

5. For more than a decade, this formerly stately home has sat conspicuously vacant: boarded up, overgrown, and with masonry degrading, the roof in a state of perpetual and visible decay, and vacancy notices from one year pasted on top of weathered vacancy notices from prior years.

6. The house has been standing since the end of the Nineteenth Century, and, during its life, many D.C. families have called it home. But during the Twenty-first Century it has stood alone—a symbol of neglect and abandonment. Longtime neighbors cannot remember a time when it had human occupants.

7. Yet year after year, Defendants have avoided paying the vacant property tax rate on this obviously vacant property. Each year they avoid registering the property as vacant, and each year they repeatedly and falsely report that the property is occupied. Their fraudulent claims violate the District’s False Claims Act.

Jurisdiction and Parties

8. This Court has jurisdiction over the subject matter of this action through D.C. Code § 11-921 and pursuant to the District’s False Claims Act, D.C. Code § 2-381.03(a). This Court has personal jurisdiction over Defendants pursuant to D.C. Code §§ 13-422 and 13-423.

9. The Plaintiff is the District of Columbia. The District is a municipal corporation empowered to sue and be sued and is the local government for the territory constituting the permanent seat of the government of the United States. The District is represented by its chief legal officer, the Attorney General for the District of Columbia, who has general charge to conduct of the legal business of the District. The Attorney General is responsible for upholding the public interest and initiates suits on behalf of the

District and its citizens. The Attorney General is charged with the investigation and prosecution of violations of the False Claims Act pursuant to D.C. Code § 2–381.03.

10. Defendant George Papageorge is a District resident who resides at 1520 ½ Massachusetts Avenue, SE, Washington, DC 20003.

11. Defendant 10th & C Streets Associates, LLC is a Delaware company—not registered to do business in the District, in violation of D.C. Code § 29-105.03, until July 15, 2022—which gives its address as 2333 Branch Avenue SE, Washington, DC 20020. Through Defendant 10th & C, Defendant Papageorge owns the vacant property located at 1000 C Street NE, Washington, DC 20002.

Vacant Property Taxation in the District

12. The District levies and collects property tax pursuant to D.C. Code §§ 47-811, *et seq.* Properties in the District are taxed at one of four rates, with rates for occupied residential and commercial spaces far lower than the rates levied on vacant and blighted properties. The current rates are as follows:

Tax Rate	Per \$100 (of assessed value)
Class 1 – Residential	\$0.85
Class 2 – Commercial	\$1.65
Class 3 – Vacant	\$5
Class 4 – Blighted	\$10

13. DCRA is tasked with classifying, registering, inspecting, and monitoring Class 3 and Class 4 vacant and blighted properties. DCRA’s tax rate classifications are relayed to the Office of Tax and Revenue (“OTR”), which calculates and levies the

appropriate tax twice a year based on the applicable tax rate and the current assessed value of the property.

14. Vacant buildings in the District are added to the vacant property registry in one of two ways. Under D.C. Code § 42-3131.09, property owners are required to prospectively register or renew their vacant buildings each year with DCRA and pay an annual \$250 registration fee. Some property owners do so. But, far more frequently, vacant buildings are added to the registry only after concerned neighbors report a building as vacant and DCRA dispatches its inspectors to make on-site determinations.

15. Vacant building owners can appeal the classification of their properties as vacant or blighted to DCRA. If DCRA rejects their appeal, owners can bring their arguments to the Real Property Tax Appeals Commission (“RPTAC”). *See* D.C. Code § 42-3131.15. Owners who win their appeals with DCRA or RPTAC may have their properties reclassified and subjected to the much lower tax rate shown as “Class 1” or “Class 2” in the table in paragraph 12.

16. D.C. Code § 42-3131.06 specifies several conditions under which the owner of a vacant or blighted property might nevertheless be considered exempt from the higher property tax rates. These conditions include active construction that seeks to make the building fit for occupancy; a good-faith effort to rent or sell the property; ongoing litigation; undue economic hardship; and pending zoning board applications. Property owners file for these exemptions with DCRA and are given tax relief if DCRA decides in their favor and changes the property’s tax status with OTR.

17. Owners of long-term vacant and blighted properties have strong economic incentives to abuse this system. The lattice of exemptions and appeals presents a pathway

for unscrupulous owners to utilize misrepresentation and deceit to avoid—for long periods—tax rates intended to quickly return vacant properties to productive use.

18. Responding to this seemingly intractable problem, effective on November 13, 2021, the District amended its False Claims Act to make misrepresentations related the classification and taxation of real properties as vacant or blighted enforceable under the False Claims Act. *See* D.C. Code § 2-381.02(d)(2). The amendment was made explicitly retroactive and covers any claims, records, or statements made on or after January 1, 2015.

Defendants’ Evasion of Taxation at 1000 C Street

19. According to official records, media reports, and public testimony, the large red brick home located at 1000 C Street, NE, (“1000 C Street” or the “Property”) has been vacant for more than a decade. Indeed, the Property has been taxed as vacant for only six months in the past 13 years and has been reclassified by the DCRA at least 31 times in the past 10 years.

20. These reclassifications are the direct result of proper classifications being overturned after Defendants’ repeated misrepresentations to the District in their continuous effort to avoid an increased tax burden.

21. Defendant Papageorge’s scheme to avoid vacant property taxation on the Property began as early as 2006, when he established what would be a long-running pattern of improperly maintaining the property while submitting misrepresentations to avoid his obligation to pay the vacant property tax rate.

22. On May 8, 2006, the property was found to be “in such insanitary condition as to endanger the health, safety, or lives of the occupants thereof and/or persons living in the vicinity of the property” and was condemned by the District.

23. After some repair work was completed to remove the condemnation, the property was designated as vacant in 2008, but Defendants refused to pay the vacant property tax rate and began the process of inundating DCRA with appeals and exemption requests.

24. On March 28, 2008, Defendants sought a vacant property taxation exemption with DCRA claiming that the Property had been listed for sale. The listing agreement attached to the exemption request showed that the Property was to be listed for \$1,499,000—more than triple the assessed value of the Property at the time. The listing agreement was signed the same day that exemption request was filed and did not permit the listing agent to post a sign or keybox on the Property. DCRA granted the listing exemption for the full 2008 tax year, but the Property was not sold.

25. On March 23, 2009, Labros Hydras filed a three-page *pro se* complaint for breach of contract and specific performance against 10th & C Streets Associates in the Superior Court for the District of Columbia. Mr. Hydras is a friend and business colleague of Defendant Papageorge. On March 25, 2009, just two days after this complaint was filed, Defendant Papageorge filed a request with DCRA for a two-year litigation exemption from the vacant property tax attaching the complaint filed by Mr. Hydras. The request for an exemption was granted by DCRA and the vacant property tax was not paid. On July 8, 2011, the case was dismissed by the Superior Court for want of prosecution.

26. On March 25, 2010, DCRA inspected the property and determined that, in spite of the previously granted exemption, the property should be classified as blighted. Defendants appealed. On September 18, 2012, RPTAC determined that DCRA did not “have the authority to retroactively remove an exemption granted according to law” and

ordered that the Property be classified as Class 1 for tax year 2010 based on the litigation exemption granted in 2009.

27. On March 23, 2011, the property was inspected and deemed to be blighted. Defendants appealed. On November 10, 2011, having exhausted the three fiscal year maximum for which a vacant property may qualify for specific exemptions, Defendant Papageorge submitted a signed response form to DCRA falsely claiming that 1000 C Street was occupied.

28. In 2012, 2013, and 2014, Defendants avoided vacant property taxation by claiming that the Property was occupied when it had, in fact, been without a resident for more than a decade.

29. On July 24, 2015, when the District classified the property as vacant for fiscal year 2015, Defendants filed a “Vacant Building Response Form” in which they falsely certified that the property was in fact occupied. Attached to this Response Form was a recent Pepco bill showing just \$0.45 worth of electrical usage for the previous month.

30. On March 31, 2016, when the District had classified the property as vacant during 2016, Defendants filed a “Vacant Building Response Form” in which they falsely certified that the property was in fact occupied.

31. On August 31, 2016, Defendants appealed the vacant property tax assessment for 2015 and 2016 to RPTAC, falsely claiming that the Property was not vacant and was instead in current residential use.

32. On May 24, 2017, when the District had classified the property as vacant during 2017, Defendants filed a “Vacant Building Response Form” in which they falsely certified that the Property was in fact occupied.

33. On November 21, 2017, Defendants appealed the vacant property tax assessment for 2017 to RPTAC, falsely claiming that the Property was not vacant and was instead in current residential use.

34. On November 16, 2017, and again on March 12, 2018, when the District classified the property as vacant during 2018, Defendants filed a “Vacant Building Response Form” in which they falsely certified that the Property was in fact occupied.

35. On May 10, 2018, Defendants appealed the vacant property tax assessment for 2018 to RPTAC, falsely claiming that the Property was in current residential use.

36. On November 7, 2018, when that the District classified the property as vacant during 2018 and 2019, Defendants filed a “Vacant Building Response Form” in which they falsely certified that the Property was in fact occupied.

37. On January 3, 2020; June 20, 2020; July 21, 2020; and again, on September 7, 2020; when the District classified the property as vacant for 2020, Defendants filed “Vacant Building Response Form[s]” in which they falsely certified that the Property was in fact occupied.

38. When DCRA sent an inspector to affix the 2020 vacancy classification to the front door of the Property, the 2018 notice was found still posted at the Property:



(2020 Vacant Property Notice Showing 2018 Notice Still Affixed)

39. On March 22, 2021, and again on June 4, 2021, when the District classified the property as vacant during 2021, Defendants filed a “Vacant Building Response Form” in which they again falsely certified that the Property was in fact occupied.

40. On August 17, 2021, Defendants appealed the vacant property tax assessment for 2020 and 2021 to RPTAC, falsely claiming that the Property was not vacant and was instead in current residential use.

41. On September 21, 2017, the Office of the District of Columbia Auditor (“ODCA”) published a detailed report regarding the District’s management of the vacant and blighted property program. The ODCA report pointed specifically to the Property noting that on July 24, 2015, Defendants submitted documentation falsely claiming that the Property was in fact occupied while offering only unconvincing utility bills showing scant usage.

42. Indeed, for each of the above referenced years, Defendants offered only water and electric bills showing extremely limited usage to support their false claim that the Property was occupied—such limited utility usage is inconsistent with occupancy.

43. During each of five separate site visits made by Office of the Attorney General to the Property from January 2022 through April 2022, the Attorney General’s investigator found the Property vacant but noted that a radio could be heard playing continuously just inside the front entrance. On each such occasion, no one answered the door after lengthy knocking.

44. From at least 2006 to the present, 1000 C Street has been vacant, blighted, or condemned. Defendants have not occupied the Property, have not leased the Property, and there has been no resident with “an intent to return and occupy the building.” D.C. Code § 42-3131.05(5).

45. Each year from 2008 to 2021, Defendants had an obligation pursuant to D.C. Code § 42-3131.06 to register or renew the Property as vacant and pay the vacant property registration fee; and yet each year Defendants improperly avoided this obligation.

46. The Property was repeatedly, and correctly, designated as vacant or blighted by DCRA, and Defendants knowingly avoided an obligation to pay the Class 3 tax rate while—year after year—preparing and presenting false records in service of that avoidance.

COUNT I – FALSE CLAIMS ACT
D.C. Code § 2-381.02(a)(6)

47. The District re-alleges the foregoing paragraphs of this Complaint as if fully set forth herein.

48. The District’s False Claims Act, D.C. Code § 2-381.02(a)(6), provides for the award of costs, treble damages, and civil penalties against any person who knowingly makes or uses a false record or false statement material to an obligation to pay or transmit money to the District, or improperly avoids or decreases an obligation to pay.

49. Defendants knowingly presented or caused to be presented false or fraudulent claims to the District by repeatedly submitting documentation claiming that the Property was occupied when it remained persistently vacant.

50. Defendants made these false statements in records created and submitted to both DCRA and RPTAC from 2015–2021, and repeatedly succeeded in unlawfully avoiding an obligation to pay the Class 3 tax rate.

51. These false statements were made knowingly, in an intentional effort to avoid the obligation to pay the Class 3 tax rate that Defendants knew they were obligated to pay on the Property.

52. Each year from 2015–2021 Defendants had an obligation to register the Property as vacant and pay the associated vacant property registration fee, but each year they improperly avoided the obligation to register and pay.

53. As a result of Defendants’ use of these knowingly false records and statements, and of Defendants associated improper avoidance of an obligation to pay, the District was damaged by the amount of fees and taxes that Defendants should have paid.

COUNT II: FAILURE TO PAY TAXES DUE

54. The District re-alleges the foregoing paragraphs of this Complaint as if fully set forth herein.

55. Pursuant to D.C. Code § 47-812 and D.C. Code § 47-813, property owners are liable for property tax that is assessed at a lower rate for occupied residential property (or vacant properties subject to a proper exemption) than the tax rate that is assessed against vacant and blighted properties.

56. The District “may begin” a “proceeding in court for the collection of the tax” in the case of a “(A) false or fraudulent return with the intent to evade tax, (B) willful attempt in any manner to defeat or evade tax imposed by [Title 47 of the D.C. Code] ... , or (D) filing a real property tax exemption application.” D.C. Code § 47-4301(d); *see also* D.C. Code § 1-301.81(a)(1).

57. Between 2008 and 2011, Defendant Papageorge engaged in willful attempts to defeat or evade tax imposed by D.C. Code § 47-812, *et seq.* by filing fraudulent requests for exemptions and associated appeals to avoid paying the proper Class 3 vacant property tax rate on 1000 C Street.

58. Between 2012 and the present, Defendant Papageorge and Defendant 10th & C (following its formation in 2016) engaged in willful attempts to defeat or evade

tax imposed by D.C. Code § 47-812, *et seq.* by falsely claiming that 1000 C Street was occupied when it was in fact vacant as defined within the code.

59. Defendants are liable for a 10% penalty on all unpaid tax plus interest on those amounts equaling 1.5% per month until fully paid. *See* D.C. Code § 47-811(c).

Prayer for Relief

WHEREFORE, the District respectfully requests that the Court enter judgment in its favor and award it the following relief:

- (1) The amount of the District’s damages to be determined at trial;
- (2) Treble damages pursuant to the District’s False Claims Act in an amount to be determined at trial;
- (3) Civil penalties pursuant to the District’s False Claims Act for each false claim and false record or statement;
- (4) Penalties and interest on all unpaid real property tax obligations;
- (5) Interest, costs, and other recoverable expenses permitted by law; and
- (6) Such other relief as may be just and appropriate.

Jury Demand

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

Date: March 24, 2023

Respectfully submitted,

BRIAN L. SCHWALB
Attorney General for the District of Columbia

JENNIFER JONES
Deputy Attorney General
Public Advocacy Division

BY: /s/ James Graham Lake

JAMES GRAHAM LAKE [D.C. Bar No. 1028853]
Chief, Workers' Rights and Antifraud Section
Public Advocacy Division

/s/ Jason Jones

JASON JONES [D.C. Bar No. 90003354]
PALMER HEENAN [D.C. Bar No. 1017787]
JESSICA MICCIOLO [D.C. Bar No. 1049090]
Assistant Attorneys General
400 Sixth Street, N.W., 10th Floor
Washington, DC 20001
jason.jones@dc.gov
(202) 735-7494

Attorneys for the District of Columbia