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Attorneys for Plaintiffs

IN THE UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

PORTLAND DIVISION

JANET NEWCOMB, an individual; JERRY MASON, an individual; and METRO MULTIFAMILY HOUSING ASSOCIATION, an Oregon nonprofit organization, dba, MULTIFAMILY NW,

Case No.:

Plaintiffs,

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF FOR VIOLATIONS OF THE UNITED STATES CONSTITUTION (42. U.S.C. § 1983, 1988)

v.

CITY OF PORTLAND, an Oregon municipal corporation,

Defendant.

For their complaint, Plaintiffs Janet Newcomb, Jerry Mason, and Metro Multifamily

Housing Association dba Multifamily NW allege as follows:

INTRODUCTION

1.

This civil rights action challenges two municipal ordinances passed by defendant City of Portland. On June 19, 2019, the Portland City Council passed Portland City Code Section

30.01.086 by Ordinance 189580 (the "Screening Ordinance") and passed Portland City Code Section 30.01.087 by 189581 (the "Security Deposit Ordinance"), collectively "the Ordinances." The Screening Ordinance is lengthy and complex, requiring residential property lessors ("landlords") to screen applicants for tenancy pursuant to restrictive and unreasonable requirements. For example, landlords must publicize a rental unit's availability 72 hours prior to processing applications and must accept expired, non-governmental identification. The Screening Ordinance also prohibits landlords who use the "low barrier" screening process from denying applicants for poor criminal history, credit history, or rental history. The Security Deposit Ordinance requires landlords to, among other things, separately list and attach a depreciation value to each item covered by a security deposit.

2.

The Ordinances violate the Oregon and United States Constitution in at least four ways. First, the Ordinances violate free speech protections because they prohibit plaintiffs from speaking to applicants during a 72-hour black out period. The Ordinances also force plaintiffs to follow a certain script when advertising and send City-written notices to applicants and tenants. Second, because the Ordinances are overly vague and fail to inform plaintiffs how to comply with all the new requirements, the Ordinances violate the Oregon Constitution and the Due Process Clause of the United States Constitution. Third, the Ordinances violate the Due Process Clause because they impose arbitrary regulations that have no substantial relation to the public health, safety, or welfare. Fourth, the Ordinances conflict with the Oregon Residential Landlord Tenant Act, ORS Chapter 90, and are thus preempted by state law.

BACKGROUND

3.

Plaintiffs are Portland landlords who own and manage rental units throughout the city. They, collectively, own and rent out all types of housing: government assisted housing; workforce housing; and high-end housing. Plaintiffs take great pride in providing clean, safe, quality rentals in a non-discriminatory manner to families and individuals who cannot afford to be homeowners. Plaintiffs are suing the City of Portland because it has passed laws that make management of rental housing so costly, burdensome, and risky that plaintiffs will have to either raise rents – to cover the additional costs and risks – or sell their rentals. Plaintiffs are also suing the city because the new laws violate their civil rights of free speech and due process. Additionally, plaintiffs are already regulated by federal and state law, which preempts the city's conflicting new law. Plaintiffs are concerned that the city's additional layer of unreasonable, unconstitutional governmental regulations will drive out landlords, which will result in reducing the supply of rental units and increasing rents in Portland.

4.

Plaintiffs seek declaratory relief and to permanently enjoin enforcement and implementation of the Ordinance.

JURISDICTION

5.

This Court has jurisdiction over this case pursuant to 28 U.S.C. § 1331 (federal question) because it arises under the First and Fourteenth Amendments to the United States Constitution, and 28 U.S.C. § 1343, because plaintiffs seeks redress of their civil rights. This Court has authority under 28 U.S.C. §§ 2201 and 2202 to grant declaratory relief and other relief, including preliminary and permanent injunctive relief, pursuant to Rule 65 of the Federal Rules of Civil

Procedure, based thereon. This Court has supplemental jurisdiction under 28 U.S.C. § 1367 over plaintiffs' state law claims because the same case and controversy gives rise to violations of the Oregon Constitution.

VENUE

6.

Venue is proper in this Court pursuant to 28 U.S.C. § 1391 because the claims arose in this judicial district and division and the City of Portland is a municipal corporation in this judicial district and division. Assignment to the Portland Division is proper because the City of Portland is located in Multnomah County, which falls under the divisional venue of the Portland Division.

PARTIES

7.

Plaintiff Janet Newcomb ("Plaintiff Newcomb") is a resident of Nevada and owns and operates nineteen rental units within the City of Portland. Plaintiff Newcomb owns these units in her personal capacity and personally manages the units.

8.

Plaintiff Jerry Mason is an Oregon resident and member of Westland Partner's LLC, an Oregon limited liability company that owns and manages 62 rental units within the City of Portland.

9.

Plaintiff Metro Multifamily Housing Association is an Oregon nonprofit organization, dba, Multifamily NW ("Plaintiff Multifamily NW"), created to represent the interests of residential property owners and vendors. Its members own and manage over 30,000 rental units within the City of Portland and these members are subject to the Ordinances. Plaintiff

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Multifamily NW sponsors educational courses and provides compliance services to its members to assist in their efforts to comply with state and federal requirements. Plaintiff Multifamily NW advocates for rental property owners before state and local governmental entities.

10.

Defendant City of Portland (the "City") is an Oregon municipal corporation subject to the limitations on home rule authority contained in Article XI, section 2, of the Oregon Constitution. The City is subject to the personal jurisdiction of this Court, pursuant to Federal Rule of Civil Procedure 4(k)(1)(A). At all pertinent times, the City was acting under color of law.

FACTS

11.

The Screening Ordinance and the Security Deposit Ordinance go into effect on March 1, 2020. True copies of these ordinances are attached in incorporated herein as Exhibits 1 and 2, respectively.

12.

The Screening Ordinance imposes burdensome and unreasonable requirements on Plaintiffs Newcomb, Mason, and Plaintiff Multifamily NW's members (collectively "the plaintiffs"). Those requirements include, but are not limited to, the following:

- a. Requires landlords to publish notice 72 hours prior to processing applications;
- b. Prohibits landlords from processing applications for 72 hours after publishing notice;
- c. Requires landlords to process applications in specific order of receipt;
- d. Requires landlords to penalize early applications by 8 hours after the 72-hour black out period is over;

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- e. Requires landlords to accept expired and non-governmental identification of applicants;
- f. Prohibits landlords from requiring gross income in an amount more than 2 or 2.5 times the monthly rent;
- g. Requires landlords to screen applicants pursuant to either a "low barrier" or "individual assessment";
- h. Prohibits landlords from considering certain criminal history, credit history, and rental history in "low barrier" screening;
- Requires landlords to offer appeals for 30 days to all denied applicants and to rent to any applicant with a granted appeal at any of landlord's properties, regardless of whether the applicant financially qualifies;
- Requires landlords to send multiple City-written forms and notices to applicants with strict deadlines;
- k. Prohibits landlords from screening "non-applicant tenants" for financial responsibility;
- 1. Requires landlords to house "non-applicant tenants" without putting them on the lease with any financial requirements;
- m. Requires landlords to pay \$250 per violation of the Ordinance, plus attorney fees and costs if sued for "any" violation.

13.

The Screening Ordinance's requirements and prohibitions listed in paragraph 12 above conflict with the Oregon Residential Landlord Tenant Act, ORS Chapter 90 ("ORLTA"), specifically ORS 90.303 ("Evaluation of applicant") and ORS 90.304 ("Statement of reasons for

denial; remedy for noncompliance"). These state statutes give all landlords the right to deny applicants for unacceptable criminal history, rental history, or credit history, without being required to do a cumbersome individual assessment for each applicant. Under state law, landlords are not required to rent to any applicant with a granted appeal at any of landlord's properties, regardless of whether the applicant financially qualifies. State law also gives landlords discretion to review applications when received.

14.

The Security Deposit Ordinance will impose burdensome and arbitrary requirements on plaintiffs. Those requirements include, but are not limited to, the following:

- Requires landlords to make all repairs within 30 days in order to use security deposit;
- b. Requires landlords to attach a list of every item in the unit, with the item's depreciation value schedule, in order to use a security deposit to repair the item;
- c. Requires disputes to be resolved in tenant's favor;
- Requires landlords to send multiple City-written forms and notices to tenants with strict deadlines; and
- e. Requires landlords to pay double the amount of the security deposit, plus attorney fees and costs if sued for "any" violation.

15.

The Security Deposit Ordinance's requirements and prohibitions listed in paragraph 14 above conflict with ORLTA, specifically ORS 90.300 ("Security deposits; prepaid rent"). This state statutes give landlords broad discretion to reasonably use security deposits to repair damage caused by tenants.

16.

Plaintiffs own rental units within the City, which they rent and manage under ORLTA.

Plaintiffs have in the past screened applicants and used security deposits pursuant to their rights under state and federal law, and plaintiffs plan to do so in the future.

17.

The Ordinances force the plaintiffs to speak and to carry the City's messages and also prohibit plaintiffs from speaking to applicants during the 72-hour black out period, in violation of the free speech protections of the First Amendment of the United States Constitution and Article 1, section 8, of the Oregon Constitution. The City is liable under 42 U.S.C. § 1983 for this free speech violation.

18.

Sections of the Ordinances impose financial and administrative burdens which are arbitrary, unreasonable, and have no substantial relation to the public health, safety, morals, or general welfare, in violation of substantive due process under Section 1 of the Fourteenth Amendment of the United States Constitution, and the City is therefore liable under 42 U.S.C. § 1983. The Due Process Clause prohibits the City from "depriv[ing] any person of life, liberty, or property, without due process of law."

19.

The Ordinances are vague and fail to inform plaintiffs and other landlords how to comply with the Ordinances, in violation of the Fourteenth Amendment of the United States

Constitution, and the City is therefore liable under 42 U.S.C. § 1983. The Ordinance's vagueness also violates Article 1, section 8, of the Oregon Constitution.

20.

Plaintiffs are adversely affected by the City's ongoing implementation and impending promulgation of the Ordinances, which restrict and eliminate plaintiffs' statutory and constitutional rights as landlords. Due to the City's ongoing implementation and impending promulgation of the Ordinances, plaintiffs are currently attending training and studying in order to understand their obligations under the Ordinances, changing their businesses practices in order to comply with the Ordinances, considering selling their rental properties, and experiencing a decrease in the value of their rental units.

CAUSES OF ACTION

COUNT I – DECLARATORY JUDGMENT

21.

Plaintiffs repeat and reallege the allegations contained in paragraphs 1- 20 as if fully stated herein.

22.

An actual controversy has arisen between the parties of sufficient immediacy and realty to warrant issuance of a declaratory judgment. Plaintiffs contend the Ordinances are unconstitutional, preempted, void, and unenforceable. The City contends that the Ordinances are valid and enforceable.

23.

The City is a "person" as that term is used in 42 U.S.C. § 1983.

24.

Pursuant to the Uniform Declaratory Judgment Act, 28 U.S.C. §§ 2201 and 2201, plaintiffs are entitled to a declaration that the Ordinances are invalid and unenforceable because

they violate the state and federal constitutions and are preempted by state law. Plaintiffs request the Court to declare the following:

- a. The Screening Ordinance violates plaintiffs' free speech protections of the First
 Amendment of the United States Constitution and Article 1, section 8, of the
 Oregon Constitution;
- b. The following provisions violate plaintiffs' substantive due process rights under Section 1 of the Fourteenth Amendment of the United States Constitution:
 - i. PCC 30.01.086(C)(1)(a) and (2)(a)(2)
 - ii. PCC 30.01.086(D)(1)(f) and (g); and
 - iii. PCC 30.01.087(C)(1)-(3);
- The Ordinances violate plaintiffs' due process rights under the Fourteenth
 Amendment of the United States Constitution and Article I, sections 20 and 21, of
 the Oregon Constitution because they are vague; and
- d. The Ordinances are preempted by ORTLA.

COUNT II – MANDATORY INJUNCTION

25.

Plaintiffs repeat and reallege the allegations contained in paragraphs 1- 24 as if fully stated herein.

26.

By passing the Ordinances, the City has made the prohibitions and requirements therein applicable to the plaintiffs. Plaintiffs face the real and immediate threat of irreparable harm to their free speech rights by virtue of being forced to speak and carry the City's messages and being prohibited from speaking to potential applicants during a 72-hour black out period. Plaintiffs also face the real and immediate threat of irreparable harm of having their substantive

due process rights violated by the arbitrary and vague Ordinances. The Ordinances threaten severe penalties should plaintiffs attempt to comply with paramount state law rather than the Ordinances; thus, plaintiffs will be forced to abandon their statutory rights under ORLTA to screen and use security deposits in a reasonable manner to protect their property and interests.

27.

Plaintiffs have no adequate remedy at law. Plaintiffs are entitled to permanent injunctive relief barring the City from continuing to take action to implement the Ordinances and make them effective.

PRAYER FOR RELIEF

WHEREFORE, plaintiffs pray for judgment as follows:

- A. Declaring Ordinances 189580 and 189581 (which enacted PCC 30.01.086 and PCC 30.01.087, respectively) to be invalid and unenforceable because they violate the United States and Oregon Constitutions and are preempted by Oregon law.
- B. Granting permanent injunction and enjoining the City from taking any action to implement PCC 30.01.086 and PCC 30.01.087 and making the Ordinances effective.
- C. Awarding plaintiffs their costs, reasonable attorney fees, and disbursements incurred herein pursuant to 42 U.S.C. § 1988 or other appropriate statutes.

D. Granting any other relief that the Court deems just and proper.

DATED this 20th day of February, 2020.

LYNCH CONGER LLP

s/Jill O. Gibson By:

Jill O. Gibson, OSB #973581 jgibson@lynchconger.com
Benjamin R. Becker, OSB #103358
bbecker@lynchconger.com

Attorneys for Plaintiffs

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JS 44 (Rev. 12/12)

CIVIL COVER SHEET

The JS 44 civil cover sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law, except as provided by local rules of court. This form, approved by the Judicial Conference of the United States in September 1974, is required for the use of the Clerk of Court for the purpose of initiating the civil deeded sheet.

purpose of initiating the civil de	ocket sheet. (SEE INSTRUC	TIONS ON NEXT PAGE OF T	HIS FORM.)	, .			
I. (a) PLAINTIFFS			DEFENDANTS	DEFENDANTS			
Janet Newcomb; Jerry Madba Multifamily NW	ason; and Metro Multi	family Housing Associ	ation City of Portland				
(b) County of Residence of	f First Listed Plaintiff		County of Residence	of First Listed Defendant			
(E.	XCEPT IN U.S. PLAINTIFF CA	(ISES)	(IN U.S. PLAINTIFF CASES ONLY) NOTE: IN LAND CONDEMNATION CASES, USE THE LOCATION OF THE TRACT OF LAND INVOLVED.				
(c) Attorneys (Firm Name, 2	Address, and Telephone Numbe	r)	Attorneys (If Known)				
Jill O. Gibson, OSB #973 LLP, 15350 SW Sequoia	581, jgibson@lynchco	nger.com, Lynch Con	ger				
541-383-5857 II. BASIS OF JURISDI	ICTION (Place an "X" in C	One Box Only)	L. CITIZENSHIP OF P	RINCIPAL PARTIES	(Place an "X" in One Box for Plaintif		
			(For Diversity Cases Only)		and One Box for Defendant)		
Plaintiff	1 U.S. Government		Citizen of This State PTF DEF Citizen of This State D 1 D 1 Incorporated or Principal Place of Business In This State PTF DEF 4 D 4				
☐ 2 U.S. Government Defendant	☐ 4 Diversity (Indicate Citizensh	ip of Parties in Item III)	Citizen of Another State	2			
W. MATHER OF CHAT	D		Citizen or Subject of a Foreign Country	3	□ 6 □ 6		
IV. NATURE OF SUIT		nly) ORTS	FORFEITURE/PENALTY	BANKRUPTCY	OTHER STATUTES		
☐ 110 Insurance ☐ 120 Marine	PERSONAL INJURY ☐ 310 Airplane	PERSONAL INJURY ☐ 365 Personal Injury -	☐ 625 Drug Related Seizure of Property 21 USC 881	☐ 422 Appeal 28 USC 158 ☐ 423 Withdrawal	☐ 375 False Claims Act ☐ 400 State Reapportionment		
☐ 130 Miller Act☐ 140 Negotiable Instrument☐	☐ 315 Airplane Product Liability	Product Liability 367 Health Care/	□ 690 Other	28 USC 157	☐ 410 Antitrust ☐ 430 Banks and Banking		
☐ 150 Recovery of Overpayment & Enforcement of Judgment	☐ 320 Assault, Libel & Slander	Pharmaceutical Personal Injury		PROPERTY RIGHTS ☐ 820 Copyrights	☐ 450 Commerce☐ 460 Deportation		
☐ 151 Medicare Act	330 Federal Employers'	Product Liability		□ 830 Patent	☐ 470 Racketeer Influenced and		
☐ 152 Recovery of Defaulted Student Loans	Liability ☐ 340 Marine	☐ 368 Asbestos Personal Injury Product		□ 840 Trademark	Corrupt Organizations 480 Consumer Credit		
(Excludes Veterans) ☐ 153 Recovery of Overpayment	☐ 345 Marine Product Liability	Liability PERSONAL PROPERTY	LABOR 710 Fair Labor Standards	SOCIAL SECURITY 861 HIA (1395ff)	☐ 490 Cable/Sat TV☐ 850 Securities/Commodities/		
of Veteran's Benefits	☐ 350 Motor Vehicle	370 Other Fraud	Act	□ 862 Black Lung (923)	Exchange		
☐ 160 Stockholders' Suits ☐ 190 Other Contract	☐ 355 Motor Vehicle Product Liability	☐ 371 Truth in Lending☐ 380 Other Personal	☐ 720 Labor/Management Relations	☐ 863 DIWC/DIWW (405(g)) ☐ 864 SSID Title XVI	□ 890 Other Statutory Actions□ 891 Agricultural Acts		
☐ 195 Contract Product Liability ☐ 196 Franchise	☐ 360 Other Personal	Property Damage 385 Property Damage	☐ 740 Railway Labor Act☐ 751 Family and Medical	□ 865 RSI (405(g))	□ 893 Environmental Matters □ 895 Freedom of Information		
190 Franchise	Injury 362 Personal Injury -	Product Liability	Leave Act		Act		
REAL PROPERTY	Medical Malpractice CIVIL RIGHTS	PRISONER PETITIONS	☐ 790 Other Labor Litigation☐ 791 Employee Retirement	FEDERAL TAX SUITS	□ 896 Arbitration□ 899 Administrative Procedure		
☐ 210 Land Condemnation	■ 440 Other Civil Rights	Habeas Corpus:	Income Security Act	☐ 870 Taxes (U.S. Plaintiff	Act/Review or Appeal of		
☐ 220 Foreclosure ☐ 230 Rent Lease & Ejectment	☐ 441 Voting☐ 442 Employment	☐ 463 Alien Detainee ☐ 510 Motions to Vacate		or Defendant) ☐ 871 IRS—Third Party	Agency Decision 950 Constitutionality of		
☐ 240 Torts to Land ☐ 245 Tort Product Liability	☐ 443 Housing/ Accommodations	Sentence ☐ 530 General		26 USC 7609	State Statutes		
☐ 290 All Other Real Property	☐ 445 Amer. w/Disabilities -	☐ 535 Death Penalty	IMMIGRATION				
	Employment 446 Amer. w/Disabilities -	Other: 540 Mandamus & Other	☐ 462 Naturalization Application☐ 465 Other Immigration				
	Other 448 Education	☐ 550 Civil Rights ☐ 555 Prison Condition	Actions				
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		Conditions of Confinement					
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VI. CAUSE OF ACTIO	ON 42. U.S.C. § 1983 Brief description of ca	3, 1988 ause:		uies uness urersus).			
THE DECLIFORED DI		ights of free speech a	•				
VII. REQUESTED IN COMPLAINT:	UNDER RULE 2	IS A CLASS ACTION 3, F.R.Cv.P.	DEMAND \$	JURY DEMAND:	if demanded in complaint: ☐ Yes ☐ No		
VIII. RELATED CASI IF ANY	E(S) (See instructions):	JUDGE		DOCKET NUMBER			
DATE		SIGNATURE OF ATTOR	RNEY OF RECORD				
Feb, 2020		s/Jill O. Gibson					
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UNITED STATES DISTRICT COURT

for the

District of Oregon

District of Oregon							
JANE I NEWCOMB, an individual; individual; and METRO MULTIFA ASSOCIATION, an Oregon nonpro MULTIFAMILY N	AMILY HOUSING fit organization, dba,)))					
Plaintiff(c)		- <u>´</u>					
Plaintiff(s))	Civil Action No.				
V. CHY OF PORTLAND, an Oregon municipal corporation)	Civil Action No.				
)))					
Defendant(s))					
	SUMMONS	S IN A CIV	IL ACTION				
	City of Portland c/o Tracy Reeve, City A 1221 SW 4th Avenue, F Portland, OR 97204						
are the United States or a United P. 12 (a)(2) or (3) — you must se the Federal Rules of Civil Proced whose name and address are: LY 15	vice of this summons of States agency, or an or erve on the plaintiff ar	officer or en answer to notion must	counting the day you received it) — or 60 days if you apployee of the United States described in Fed. R. Civ. the attached complaint or a motion under Rule 12 of be served on the plaintiff or plaintiff's attorney,				
If you fail to respond, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court. **CLERK OF COURT**							
Date:	_						
			Signature of Clerk or Deputy Clerk				

AO 440 (Rev. 06/12) Summons in a Civil Action (Page 2)

Civil Action No.

PROOF OF SERVICE

(This section should not be filed with the court unless required by Fed. R. Civ. P. 4 (1))

	This summons for (nat	me of individual and title, if any)	·							
was re	ceived by me on (date)		<u> </u>							
	☐ I personally served	I the summons on the indiv	ridual at <i>(place)</i>							
			on (date)	; or						
	☐ I left the summons	at the individual's residen	ce or usual place of abode with (name)							
		, a person of suitable age and discretion who resides there,								
	on (date), and mailed a copy to the individual's last known address; or, I served the summons on (name of individual), we designated by law to accept service of process on behalf of (name of organization),									
			on (date)	; or						
	☐ I returned the sum	mons unexecuted because		; or						
	☐ Other (specify):									
	My fees are \$	for travel and \$	for services, for a total of \$	0.00						
	I declare under penalty of perjury that this information is true.									
Date:										
Date.			Server's signature							
		_	Printed name and title							
			Server's address							

Additional information regarding attempted service, etc: