
Hughes Hubbard & Reed

Hughes Hubbard Successfully Negotiates Buyout for Tenants

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Hughes Hubbard & Reed's DC office represented a group of tenants in successful negotiations with a developer to assign the tenants' right of first refusal on purchase offers under DC law.

The firm began its pro bono representation of the tenants in mid-2012, when Hughes Hubbard filed an action on the tenants' behalf in DC Superior Court to force the property owner to abate hazardous living conditions and housing code violations. Hughes Hubbard brought claims against the record property owner (who was in default on the mortgage) and the servicer on the mortgage loan.

In a case of first impression in the District of Columbia, the court agreed with Hughes Hubbard that under DC law a mortgage servicer without legal title may nevertheless be liable as an "owner" for housing code violations, and rejected the Florida-based servicer's motion to dismiss. In addition, when the property owner proved insolvent and financially incapable of making necessary repairs, Hughes Hubbard secured an order absolving the tenants from paying rent until the violations were fully resolved.

As a result, the tenants continued to reside rent-free at the property between May 2012 and December 2013. The case against the mortgage servicer proceeded to written and oral discovery, including the deposition of the servicer's corporate representative, and subsequently to summary judgment briefing and arguments.

During the course of litigation, Hughes Hubbard learned that a developer had reached an agreement with the owner to purchase the property and convert it from rental housing. Hughes Hubbard intervened to assert the tenants' right under DC law to either purchase the property for the tenants' own use on the same terms or to assign that right to another party. Following extensive negotiations with multiple developers, the parties finalized an agreement on Jan. 7 that paid the tenants \$10,000 each to assign their purchase rights and vacate the property.

Adam Cearley, Benjamin Grillot, Alexandra Hess and Esteban Munera represented the firm on this matter with guidance from Scott Christensen, Sean Reilly and Bill Stein

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