UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Brooks v. Greystar Real Estate Partners, LLC

No. 23cv1729-LL-VET (S.D. Cal. Aug. 7, 2025) · No. 23cv1729-LL-VET · Decided August 7, 2025

SUMMARY

The United States District Court for the Southern District of California grants in part and denies in part Greystar defendants' motion to dismiss and motion to strike the Second Amended Complaint. The court denies dismissal under Federal Rule of Civil Procedure 19, holding that property-owning special-purpose entities are not necessary parties to the tenants' claims concerning security-deposit retention. The court strikes without leave to amend the Unauthorized Deduction Class allegations, concluding that California Civil Code section 1950.5 permits security deposits to be used for purposes including utility charges.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Linda Lopez
JURISDICTION	United States District Court for the Southern District of California
DECIDED	August 7, 2025
DOCKET	23cv1729-LL-VET
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rules of Civil Procedure 12(b)(7) and 12(f) to dismiss the second amended complaint for failure to join necessary and indispensable parties and to strike the newly added Unauthorized Deduction Class and related allegations.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true and construes the complaint in the nonmoving party's favor, but disregards conclusory allegations, unwarranted deductions, and unreasonable inferences. Under Rule 19, the inquiry into necessary and indispensable parties is practical and fact specific, with the moving party bearing the burden of persuasion. Motions to strike are generally disfavored unless the challenged matter could have no possible bearing on the litigation. At the pleading stage, class allegations are ordinarily not dismissed unless the defect is clear from the pleadings.

PRECEDENTIAL VALUE	unknown

TOPICS

motions to dismiss · joinder · class actions · consumer protection · statutory interpretation

PRACTICE AREAS

civil procedure · real estate · consumer protection · class actions

QUESTIONS PRESENTED

1. Whether the separate property-owning single-purpose entities were necessary and indispensable parties under Federal Rule of Civil Procedure 19.
2. Whether plaintiffs' Unauthorized Deduction Class and related allegations concerning utility charges should be stricken under Federal Rule of Civil Procedure 12(f).
3. Whether the alleged defect in the Unauthorized Deduction Class was sufficiently clear from the pleadings to warrant striking the class allegations at the pleading stage.

HOLDINGS

1. The property-owning single-purpose entities were not necessary parties because they did not claim an interest in the action and complete relief could be accorded among the existing parties.
2. The Unauthorized Deduction Class and allegations that utility charges were unauthorized deductions failed as a matter of law because California Civil Code section 1950.5 permits security deposits to be used for any purpose, including but not limited to the listed examples.
3. The court could strike the Unauthorized Deduction Class at the pleading stage because the defect was clear from the pleadings, and it did so without leave to amend.

KEY QUOTATIONS

> “*The Court finds the allegations regarding the Unauthorized Deduction Class fail as a matter of law.*” (at 13)

> “*With both prongs defeated, the Court finds the SPEs are not necessary parties and joinder is not required.*” (at 7)

> “*Amendment would be futile because the plain meaning of 1950.5 allowing deductions for any purpose will not change.*” (at 14)

FACTUAL BACKGROUND

Plaintiffs were former California tenants whose security deposits were partially withheld by Greystar-managed properties for cleaning, repairs, utilities, or other charges. They allege that Greystar administered security deposits for properties owned or associated with separate single-purpose entities and failed to provide the documentation required by California Civil Code section 1950.5. The second amended complaint asserted a putative class action seeking relief for unlawful security-deposit practices and proposed an Unauthorized Deduction Class concerning deductions for charges other than rent, cleaning, or repairs.

PROCEDURAL HISTORY

Plaintiffs filed the action on September 18, 2023, and later amended their complaint. The court previously compelled named plaintiff Philip McGill to arbitrate and granted in part and denied in part an earlier motion to dismiss and strike. Plaintiffs filed a second amended complaint asserting California security-deposit and Unfair Competition Law claims in a putative class action. The court denied dismissal for failure to join the property-owning SPEs, struck the Unauthorized Deduction Class and related utility-charge allegations without leave to amend, and ordered plaintiffs to file a third amended complaint removing the stricken material.

DISPOSITION

other

REMAND INSTRUCTIONS

No remand. Plaintiffs were ordered to file a Third Amended Complaint by August 14, 2025, removing the stricken material. Defendants were ordered to answer within fourteen days after the Third Amended Complaint was filed.

CASES CITED

- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 556-57, 570 (2007)
- Manzarek v. St. Paul Fire & Marine Ins. Co., 519 F.3d 1025, 1031 (9th Cir. 2008)
- In re Gilead Scis. Secs. Litig., 536 F.3d 1049, 1055 (9th Cir. 2008)
- Sprewell v. Golden State Warriors, 266 F.3d 979, 988 (9th Cir. 2001)
- DeSoto v. Yellow Freight Sys., Inc., 957 F.2d 655, 658 (9th Cir. 1992)
- Schreiber Distrib. Co. v. Serv-Well Furniture Co., 806 F.2d 1393, 1401 (9th Cir. 1986)
- California Dep't of Toxic Substances Control v. Alco Pac., Inc., 217 F. Supp. 2d 1028, 1033 (C.D. Cal. 2002)
- Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir. 1993), rev'd on other grounds by Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994)
- In re 2TheMart.com, Inc. Sec. Litig., 114 F. Supp. 2d 955, 965 (C.D. Cal. 2000)
- Gaines v. AT&T Mobility Servs., LLC, 424 F. Supp. 3d 1004, 1014 (S.D. Cal. 2019)
- Clinton v. Babbitt, 180 F.3d 1081, 1088 (9th Cir. 1999)
- In re Choy, 569 B.R. 169, 183-84 (Bankr. N.D. Cal. 2017)
- Small Prop. Owners of San Francisco v. City & County of San Francisco, 141 Cal. App. 4th 1388, 1398 n.4 (2006)
- United States v. Bowen, 172 F.3d 682, 689 (9th Cir. 1999)
- Granberry v. Islay Invs., 9 Cal. 4th 738, 744-45 (1995)

- Leaser v. Prime Ascot, L.P., No. 2:20-CV-02502-DJC-AC, 2024 WL 3011226, at *6 n.4, 7-8 (E.D. Cal. June 12, 2024)
- Zeff v. Greystar Real Est. Partners, LLC, No. 20-CV-07122-EMC, 2021 WL 632614, at *3 (N.D. Cal. Feb. 18, 2021)
- Dr. Seuss Enters., L.P. v. ComicMix LLC, 300 F. Supp. 3d 1073, 1083 n.7 (S.D. Cal. 2017)
- Sanders v. Apple Inc., 672 F. Supp. 2d 978, 990 (N.D. Cal. 2009)
- In re Wal-Mart Stores, Inc. Wage & Hour Litig., 505 F. Supp. 2d 609, 615 (N.D. Cal. 2007)
- Gen. Tel. Co. of Sw. v. Falcon, 457 U.S. 147, 160 (1982)
- Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994)
