

## **City Will Pay \$7.8 Million to Settle Suit Over Fire at Studio**

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By Alexa Hyland

Los Angeles Daily Journal Staff Writer

LOS ANGELES - Flames engulfed a film and television production building five years ago after a Los Angeles Department of Water and Power transformer exploded, launching hot oil onto the building's roof.

The building, which contained office space subleased by historic Studio Management Services, has remained red-tagged since the December 2002 fire.

In August, Los Angeles County Superior Court Judge Richard L. Fruin Jr. held the Los Angeles Department of Water and Power liable for the damages, and the department settled Sept. 18 with Studio Management Services, also known as Hollywood Center Studios, for \$7.8 million. Studio Management Services, Inc. v. Los Angeles Department of Water and Power BC325974 (L.A. Super. Ct., filed Dec. 15, 2004).

The parties were set to go to trial in the damages phase of the case, but the department settled with the plaintiffs on the eve of trial after agreeing on the economic losses that resulted from the interruption of business from the fire, said Robert J. Allan, a Malibu-based sole practitioner who represented Hollywood Center Studios.

The settlement comes after Hollywood Center Studios and co-plaintiff and building owner Benhar Co. battled with insurance companies and the governmental entity for five years over the payment of damages.

"The DWP believed it was not responsible for the fire and was therefore duty bound, on behalf of its ratepayers, to challenge the matter in court," said Nick Velasquez, director of communications and spokesman for the Los Angeles City Attorney's Office.

"When the court ultimately ruled for the plaintiff, the DWP immediately negotiated a settlement of the matter, and for far less than the plaintiff's demand."

The plaintiffs pursued an inverse condemnation action against the department, which specifies the unlawful taking of property by a government entity. In this instance, the department's

transformer, which is used to reduce or increase the voltage of an electrical current, allegedly destroyed the building.

"When the building burned down, [Hollywood Center Studios] couldn't rent it to tenants who also would use the production facilities," Allan said.

The plaintiffs used expert witnesses, which Allan said cost \$500,000, to calculate the economic losses his client incurred after the fire.

"Experts determined there was a relationship between the office revenue and how much was earned in production revenue," he added. "For every \$1 of rent paid, [the plaintiff] earned \$3 in production revenue."

The building, located in the heart of Hollywood at Romaine Street and Hudson Avenue, was one of 40 leased by the Hollywood Center Studios, which in turn sublets the building's spaces to tenants who also use their stage facilities and production equipment.

During the liability phase of the case, the Los Angeles Department of Water and Power argued a structural fire was already burning within the building and the smoke from the fire caused the transformer to fail.

But Fruin found the department did not present persuasive evidence of a pre-existing fire, and ruled the plaintiffs met their burden of proof and showed the transformer failure caused the fire.

"[The department] fought tooth and nail over taking responsibility," Allan said.

The department contended the hot oil, which allegedly shot from the transformer, was not enough to start such a massive fire before firefighters arrived.

But the plaintiffs argued some of the oil landed on a skylight over one of the offices, burning through the thin plastic shield within seconds and setting the building on fire.

The building is located adjacent to Hollywood Center Studios' Las Palmas Avenue lot, which was started in 1919 with only three buildings.

The lot, which houses one of the largest independently owned motion picture and television facilities in Southern California, has seen the production of hundreds of movies on its premises, including 1989's romantic comedy "When Harry Met Sally" and 2001's "Zoolander" starring Ben Stiller.

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