

**THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA**

NATIONAL FAIR HOUSING ALLIANCE,
et al.,

Plaintiffs,

v.

BEN CARSON, *et al.*,

Defendants.

Civ. Action No. 1:18-cv-1076-BAH

**REPLY MEMORANDUM OF POINTS AND AUTHORITIES
IN SUPPORT OF PLAINTIFFS' MOTION TO AMEND THE JUDGMENT AND
FOR LEAVE TO AMEND THE COMPLAINT**

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INTRODUCTION

As Plaintiffs explained in their opening memorandum, the Court's opinion granted HUD's motion to dismiss the complaint for lack of standing for largely the same reasons it denied Plaintiffs' motions for preliminary injunction and summary judgment, notwithstanding the differences in procedural posture. It relied heavily on the finding that any injury Plaintiffs suffered because of HUD's suspension of the AFH process was ameliorated by continuing access to other regulatory provisions remaining in effect. This reasoning was improper with respect to HUD's motion to dismiss, because the Court was required to credit Plaintiffs' allegations as to the effects of HUD's action on themselves and on the regulatory scheme. Inasmuch as HUD made no such argument in support of its motion, Plaintiffs have had no previous opportunity to address the Court's assumptions about the regulatory process. In any event, Plaintiffs' Proposed Second Amended Complaint ("PSAC") (ECF No. 48-1) would clear up any ambiguities that may have existed in their allegations regarding the effects of HUD's action on the regulatory scheme and on themselves. Plaintiffs respectfully request that this Court grant their Rule 59 motion, permit them to replead, and reserve final determination of these questions for a fuller record.

HUD's response does little to refute Plaintiffs' arguments. HUD does not dispute that this Court's opinion rests on suppositions about the practical effects of the agency's action that contradict the complaint. It mistakenly contends that these are legal questions properly resolved on a motion to dismiss, yet the practical effect of an agency action on a plaintiff is a question of fact. Moreover, HUD makes no effort to defend the Court's findings regarding the regulatory scheme. And while HUD assures the Court in conclusory fashion that Plaintiffs' Proposed Second Amended Complaint adds nothing relevant, it ignores the variety of places in which the amended complaint addresses the Court's findings.

Plaintiffs' opening memorandum also addressed the Court's application of certain key precedents: *Action Alliance of Senior Citizens of Greater Philadelphia v. Heckler*, 789 F.2d 931 (D.C. Cir. 1986); *PETA v. U.S. Department of Agriculture*, 797 F.3d 1087 (D.C. Cir. 2015); and *National Wrestling Coaches Association v. Department of Education*, 366 F.3d 930 (D.C. Cir. 2004). HUD asserts that the Court applied those precedents correctly, but makes no attempt to explain why. Nor does it dispute that, although these cases appeared in the briefing, the Court's opinion relies on them for propositions that do not appear there, such that the discussion in the Court's opinion has not been subject to adversarial testing.

Instead of defending the Court's reasoning, HUD asks the Court to substitute different findings that the Court never made. It asks the Court to treat its decision like a grant of summary judgment, although the Court issued no such order and HUD did not seek one. And it asks the Court to treat its decision as a dismissal on the merits, although it was not.

Accordingly, Plaintiffs respectfully request that this Court grant Plaintiffs' Rule 59 motion and grant leave to file the Proposed Second Amended Complaint.

ARGUMENT

I. The Court Should Set Aside The Judgment Pursuant To Rule 59.

A. The Court Erred By Failing to Accept Plaintiffs' Well-Pleaded Allegations Regarding the Effects of HUD's Action on Plaintiffs.

On a motion to dismiss, a court must accept as true the complaint's well-pleaded factual allegations and grant plaintiffs all reasonable inferences from them. Nonetheless, as Plaintiffs explained in their opening brief, the Court's dismissal of the complaint for lack of standing rests in part on factual findings as to the practical effect of HUD's action that contradict the complaint. *See* Pls.' Mot. to Am. (ECF No. 48) at 9-12.

For example, the Court’s decision finds that: 1) that the AFFH Rule’s definition of “affirmatively furthering fair housing” and record keeping and certification requirements would make the AI process significantly “more robust” than it had been in the past, *see* Mem. Op. (ECF No. 47) at 17, 22-23, 41, 43; 2) the community participation requirements in the Consolidated Plan process would negate the effect of the loss of the community participation requirements in the AFH process, *see id.* at 22, 41; and 3) HUD would substantively review the AFFH certifications made as part of Consolidated Plans, *see id.* at 44. As a result, the Court concluded, Plaintiffs would not be harmed sufficiently by the loss of the AFH process to have standing to challenge HUD’s action. *See, e.g.,* Mem. Op. at 42-43 (“Given the continuing opportunities for the plaintiffs to participate in the now somewhat more robust AI process (due to the portions of the AFFH Rule that remain active), the extent to which the challenged HUD notices directly conflict or perceptibly impede the plaintiffs’ mission-oriented activities seems difficult to measure[.]”); *id.* at 42 (“Given that significant requirements of the AFFH Rule remain intact, the fact that certain other obligations cited by the plaintiffs . . . are presently dormant does not translate to the dismantling and suspension of the AFFH Rule in a way that affects the plaintiffs’ mission-driven activities[.]”).

HUD claims that these findings are purely legal conclusions. *See* Defs.’ Opp’n (ECF No. 49) at 7-8. But they are factual findings about the practical effect of certain regulatory provisions on Plaintiffs’ ability to carry out their activities—findings that contradict the complaint, that are disputed at this juncture, and that are susceptible to empirical proof later in the case. The “practical effect” of a government action is a question of fact. *See Waste Mgmt. Holdings, Inc. v. Gilmore*, 252 F.3d 316, 335, 341 (4th Cir. 2001). For that reason, the D.C. Circuit has repeatedly emphasized that plaintiffs challenging agency action are entitled to have their allegations of harm

and how the agency action causes that harm taken as true at the pleading stage. *See, e.g., Abigail All. for Better Access to Dev. Drugs v. Eschenbach*, 469 F.3d 129, 133 (D.C. Cir. 2006) (it is sufficient that plaintiff alleged the injury and “that this injury is directly attributable to FDA policies”); *see also Sierra Club v. E.P.A.*, 292 F.3d 895, 898-99 (D.C. Cir. 2005). Moreover, the standing analysis must proceed under the presumption that the plaintiff’s merits allegations are true. *See, e.g., Nat’l Whistleblower Ctr. v. Dep’t of Health & Human Servs.*, 839 F. Supp. 2d 40, 46 (D.D.C. 2012).

Thus, here, whether the AI process is significantly more robust than it was in the past (as a result of provisions of the AFFH Rule unaffected by HUD’s suspension of the AFH process) is a question of fact, inappropriate for resolution at the motion to dismiss stage. The practical effect of the AFFH Rule’s definitions, as well as that of other still-active provisions, and the resulting impact on Plaintiffs, constitute classic mixed questions of fact and law that are inappropriate for determination at the motion to dismiss stage. *See Securities and Exchange Comm’n v. RPM Int’l, Inc.*, 282 F. Supp. 3d 1, 23 (D.D.C. 2017) (improper to resolve at the motion to dismiss stage mixed questions of law and fact). Plaintiffs’ burden at this stage is only to plead allegations that “plausibly” show that HUD’s action harmed them sufficiently as to confer standing. *See Humane Soc’y of the U.S. v. Vilsack*, 797 F.3d 4, 8 (D.C. Cir. 2015).

HUD does not argue otherwise. Instead, it recasts the Court’s decision and Plaintiffs’ motion for reconsideration as limited to purely legal questions such as whether the AFFH Rule’s definitions remain active after the suspension of the AFH process. *See, e.g.,* Defs.’ Opp. at 8 (“Plaintiffs take issue with the Court’s conclusion that the AFFH Rule’s definitional provisions remain in effect[.]”). But the Court’s decision is not so limited, and Plaintiffs do not seek reconsideration of those legal determinations. Rather, Plaintiffs’ position is that the Court

improperly concluded at this early stage that the definitions' *effect*, even abstracted from the AFH process that they were intended to inform, is to make the AI process materially more robust. *See* Pls.' Mot. to Am. at 9-10. It is a *legal* question whether certain provisions of the AFFH Rule remain, in some sense, in effect; it is a *factual* question whether they meaningfully assist Plaintiffs in fulfilling their missions so as to counteract the harm done by HUD's action. *See, e.g.*, Mem. Op. at 43 ("These new definitions apply to the AIs that local government agencies, as well as other program participants, must complete in lieu of AFHs, see Mot. Hr'g at 61:2 – 64:11, and, rather than *impede* the plaintiffs' missions, these new, more detailed definitions actually *aid* their missions.") (emphasis in original).

HUD similarly fails to engage Plaintiffs' argument that the Court improperly determined the practical effect of the community participation requirements in the Consolidated Plan process. Plaintiffs do not merely dispute the applicability of the Rule's community participation requirements to the Consolidated Plan process, as HUD would have it. *See* Defs.' Opp. at 10 ("the requirements of a regulation are a matter of law, not fact."). Rather, Plaintiffs take issue with the Court's finding that their *effect* obviates harm to Plaintiffs. *See, e.g.*, Mem. Op. at 42 ("Although the plaintiffs posit that the public participation requirements attendant to the Consolidated Plan process are not equivalent to those imposed as part of the AFH process that HUD has suspended, the difference is not so great as to perceptibly impair[] the [plaintiffs'] ability to provide services in order to establish injury in fact.") (internal citations and quotation marks omitted). Whether the public participation requirements of the Consolidated Plan process can accomplish much the same thing for Plaintiffs as the AFH public participation requirements that HUD's action has suspended is a quintessentially factual conclusion. It is a fact that Plaintiffs dispute, *see* Pls.' Mot. to Am. at 11 ("In the absence of an accepted AFH, there are no

identified fair housing goals to inform the Consolidated Plan, so the requirement to seek input on such goals has no obvious meaning.”), and that dispute can be resolved only with the benefit of a fully-developed record on the subject, including the submission of HUD’s entire administrative record. The same is true with respect to the Court’s findings regarding the other effects of HUD’s action. *See, e.g.*, Mem. Op. at 46-47 (positing that Plaintiffs still have an effective administrative complaint process with HUD regarding AFFH compliance).

The actual issue with respect to Plaintiffs’ standing is not whether certain of the Rule’s requirements will continue to apply in some sense, but whether they meaningfully prevent the harm that Plaintiffs allege they suffer because of the suspension of the AFH process. Their practical effect and their impact on Plaintiffs’ standing are the types of mixed questions of fact and law inappropriate for determination at the motion to dismiss stage. *See McConnell v. Air Line Pilots’ Ass’n, Int’l*, No. 08–1600, 2009 WL 765884, *1 (D.D.C. 2009) (explaining that when deciding a motion to dismiss, “a court must treat the complaint’s factual allegations—including mixed questions of law and fact—as true, drawing all reasonable inferences in the plaintiff’s favor”) (internal citation omitted).

Tellingly, HUD does not attempt to defend many of the Court’s findings regarding the effects of those provisions of the Rule that HUD has not suspended. For example, HUD does not agree that it will meaningfully review AFFH certifications. Instead, it attempts to downplay the significance of the Court’s statement that it would do so. *See Defs.’ Opp’n* at 10 (arguing that “[t]he Court’s opinion did not rest on any factual finding about HUD’s actual review of AFFH certifications”). But the Court’s opinion relies on the finding that HUD “remains engaged in reviewing program participants’ certification efforts” and that such review would ameliorate the

harm that Plaintiffs allege from the suspension of HUD's review of AFHs, Mem. Op. at 44-45. Plaintiffs allege that this finding is not true and HUD declines to argue otherwise.

This point is critical, because, as the Court acknowledged, the AI process prior to the AFFH Rule was inadequate. *See, e.g.*, Mem. Op. at 11 n.5 (recounting a 2006 lawsuit that “documented AI process problems” including a finding that a locality had made false certifications to HUD). Unless HUD has a new obligation to review certifications or the new AI process is somehow meaningfully different than the one that existed before, there is no reason to believe that localities' certifications will be any more meaningful than they were before. Plaintiffs allege that HUD does not meaningfully review the fair housing commitments incorporated into Consolidated Plans and AIs in a manner that would provide the benefits of the AFH process. They also allege that HUD has instructed jurisdictions to revert to the pre-AFFH Rule AI process, and jurisdictions are acting accordingly, making it irrelevant as a practical, factual matter whether certain portions of the Rule remain technically active. The Proposed Second Amendment Complaint makes this even clearer. *See, e.g.*, PSAC ¶¶ 113-115 (describing HUD's instructions to jurisdictions), 161 (Ft. Worth will revert to the former AI process). But at this early stage, this Court need not make any findings regarding the practical effects of HUD's action. It simply should accept Plaintiffs' allegations as true, grant all inferences to Plaintiffs, find that Plaintiffs have plausibly alleged sufficient harm from the suspension of the AFH process notwithstanding those portions of the Rule that remain technically active, and then revisit on a fuller record the question of how effective those active provisions are absent the AFH process.

The Court's findings as to the effectiveness of the remaining Rule provisions are particularly problematic because HUD did not advance such arguments, giving Plaintiffs no

opportunity to respond previously. In passing, HUD contends that it argued in its memorandum in support of its motion to dismiss that the AI process going forward will be more robust than the one which existed before the AFFH Rule. Defs.’ Opp’n at 10, n.2. But HUD made no argument that resembles the Court’s findings. Rather, it made the very different argument that any concerns Plaintiffs may have had were adequately satisfied by localities conducting an AI. *See* Defs.’ Mot. to Dismiss (ECF No. 38) at 15 (“Plaintiffs do not plausibly allege that their ability to provide any direct services have been impeded by the requirement of an AI rather than an AFH.”).

B. The Court Erred in Finding That Plaintiffs Failed to Adequately Allege Facts Giving Them Standing to Challenge HUD’s Action Under Binding Precedent.

Other than asserting in conclusory fashion that the Court’s standing analysis was correct, *see* Defs.’ Opp’n at 11, HUD makes little attempt to defend it. Instead, HUD suggests that any error as to “how to read a case” is immaterial. Defs.’ Opp’n at 12 (citing *Singh v. George Washington Univ.*, 383 F. Supp. 2d 99, 101 (D.D.C. 2005)). But in the very passage cited by HUD, *Singh* states that revisiting a decision is appropriate where the Court “made a decision outside the adversarial issues presented to the Court by the parties.” *Singh*, 383 F. Supp. 2d at 101 (internal citation and quotation marks omitted). Additionally, reconsideration is appropriate to correct “a Court’s failure to consider ‘controlling decisions or data . . . that might reasonably be expected to alter the conclusion reached by the court.’” *Id.* (quoting *Shrader v. CSX Transp., Inc.*, 70 F.3d 255, 257 (2d Cir. 1995)). Both bases for reconsideration are present here.

As Plaintiffs explained in their opening memorandum, the Court’s reasoning conflicts in several places with binding D.C. Circuit authority. For example, this Court’s opinion finds that Plaintiffs lack standing to challenge HUD’s action, notwithstanding that it deprives them of more effective processes for accomplishing their aims and for gaining valuable information, because

they have alternative, less effective means available. Mem. Op. at 46-47. But the same was true in *Action Alliance* and *PETA*, the cases on which Plaintiffs primarily relied. See Pls.’ Mot. to Am. at 13-15. HUD does not contend otherwise.

Similarly, as Plaintiffs explained in their opening memorandum, the Court’s reasoning with respect to causation and redressability is directly contradicted by D.C. Circuit case law. See Pls.’ Mot. to Am. at 17-18. The Court relied on *National Wrestling* for the general proposition that it is more difficult to demonstrate standing when challenging government action that regulates a third party, because that third party’s intervening choices in response are the actual source of a plaintiff’s harm, Mem. Op. at 50-51. It concluded that the case compelled a finding that Plaintiffs here lacked standing. *Id.* at 51. The Court overlooked that *National Wrestling* itself requires a different result where, as here, the challenged government action permits third-party action that otherwise would be unlawful (in this case, permitting local governments to avoid undertaking the various processes that the AFFH Rule requires), because then “the intervening choices of third parties are not truly independent of government policy,” 366 F.3d at 941. The Court similarly overlooked the *Action Alliance* presumption that federal funding recipients will comply with funding conditions, 789 F.2d at 938-39, which cannot be reconciled with the finding that local governments will not comply with the AFFH Rule’s requirements. Again, HUD does not contend otherwise.

HUD falls back on repeated contentions that these issues have already been the subject of adversarial litigation. See, e.g., Defs.’ Opp’n at 12 (“Plaintiffs’ arguments amount to little more than a reiteration of points already raised in previous briefing.”). HUD does not identify locations in its briefing or Plaintiffs’ where these points were addressed. All it can find are places where “these cases were discussed,” *id.* (referring to *Action Alliance* and *PETA*); see *id.* at 13

(stating that *National Wrestling* “was raised in Defendants’ motion to dismiss”). It does not contend—nor could it—that this Court’s discussion of those cases echoes arguments that HUD made, in briefing or at argument.

In fact, in its opening memorandum supporting its motion to dismiss, HUD cited *National Wrestling* only for the boilerplate proposition that Plaintiffs cannot claim harm from third parties’ actions not foreseeably caused by government policy. It did so in support of HUD’s argument (not disputed by Plaintiffs) that Plaintiffs could not claim HUD’s action harmed them by altering local governments’ ultimate fair housing decisions (as opposed to compliance with the AFH process’s requirements), *see* Defs.’ Mot. to Dismiss at 20, 22. Plaintiffs’ briefing clarified that they were not claiming such harm, and HUD did not cite *National Wrestling* further in its reply. Nowhere in HUD’s briefing then (or now) does HUD argue that *National Wrestling* establishes that it is unduly speculative to assume that local governments will comply with the AFFH Rule’s requirements, thus jeopardizing their federal funding. Indeed, such a reading would make *National Wrestling* inconsistent with *Action Alliance*.

C. The Court Did Not Grant Summary Judgment to HUD.

Rather than defending the Court’s actual ruling, which granted HUD’s motion to dismiss the complaint for failure to allege standing adequately, HUD asks this Court to treat its decision as a grant of summary judgment. *See* Defs.’ Opp’n at 14-17. But the Court did not grant HUD summary judgment. The question on this motion is the correctness of the decision that this Court *did* make. And there is no basis for HUD’s argument that this Court’s denial of Plaintiffs’ affirmative motions is akin to a grant of summary judgment for HUD. *See Food & Water Watch, Inc. v. Vilsack*, 808 F.3d 905, 913 (D.C. Cir. 2015) (“an inability to establish a substantial

likelihood of standing requires denial of the motion for preliminary injunction, not dismissal of the case”).

That this Court found Plaintiffs did not meet the greater burden required for those motions does not mean HUD *has* satisfied that burden. That is not “heads I win, tails you lose,” Defs.’ Opp’n at 16; rather, sometimes disputed facts prevent either party from obtaining summary judgment. The cases HUD cites do not support its position that this Court should modify its order to enter summary judgment for it, though HUD has not moved for such relief. *See Swanson Grp. Mfg. LLC v. Jewell*, 790 F.3d 235, 239 (D.C. Cir. 2015) (parties cross-moved for summary judgment). And the D.C. Circuit explicitly held in *Food & Water Watch* that a district court erred in applying summary judgment evidentiary requirements in a similar posture, *i.e.*, one in which the plaintiff unsuccessfully sought preliminary injunctive relief. 808 F.3d at 913.

II. The Court Should Permit Plaintiffs to Amend Their Complaint.

As Plaintiffs explained in their opening memorandum, “leave to amend should be freely given unless there is a good reason ... to the contrary.” *Willoughby v. Potomac Elec. Power Co.*, 100 F.3d 999, 1003 (D.C. Cir. 1996); *see* Pls.’ Mot to Am. at 20. HUD offers no such reason.

HUD first argues that leave to amend should be denied because Plaintiffs fail to satisfy “Rule 59(e)’s more stringent standard.” Defs.’ Opp’n at 17 (quoting *Habliston v. FINRA Dispute Resolution, Inc.*, 251 F. Supp. 3d 240, 247 (D.D.C. 2017)). This is an incomplete recitation of the governing law. *Habliston* quotes from *Firestone v. Firestone*, 76 F.3d 1205, 1208 (D.C. Cir. 1996)), which goes on to hold that a district court abuses its discretion in failing to grant a Rule 59(e) motion to allow repleading after dismissing without leave to replead where the deficiency in the original pleading can be cured with repleading. A dismissal without leave to amend “is

warranted only when a trial court determines that the allegation of other facts consistent with the challenged pleading could not possibly cure the deficiency.” 76 F.3d at 1209 (internal quotation marks omitted) (quoting *Jarrell v. United States Postal Serv.*, 753 F.3d 1088, 1091 (D.C. Cir. 1985). Here, because Plaintiffs’ proposed repleading would not be futile, this Court should grant leave to amend.

HUD contends that the proposed amendment would be futile, but only in a conclusory manner. *See* Defs.’ Opp’n at 18. HUD characterizes the new allegations in the Proposed Second Amended Complaint as “elaborat[ing] on theories of standing that the Court already has rejected as inadequate or overly speculative” or otherwise redundant of the allegations in the prior complaint, such that they cannot “lead to a different result.” *Id.* at 19. In fact, the new allegations make the connections that this Court found lacking in the prior complaint. *See* Pls.’ Mot. to Am. at 21-23.

For example, the Proposed Second Amended Complaint alleges that HUD neither requires jurisdictions to examine fair housing issues as part of the Consolidated Plan process, nor reviews their AFFH compliance meaningfully through that process. PSAC ¶¶ 34, 82 (responding to this Court’s findings absent such allegations, Mem. Op. at 44). The Proposed Second Amended Complaint also alleges that, in the absence of the AFH process, HUD provides no administrative mechanism for Plaintiffs to effectively report AFFH non-compliance and seek redress, PSAC ¶¶ 151, 166 (responding to this Court’s findings absent such allegations, Mem. Op. at 46-47). These are factual allegations regarding the practical effects of HUD’s action that must be taken as true until HUD provides an administrative record showing otherwise.

Likewise, the Proposed Second Amended Complaint sets out in considerable detail how HUD’s action has frustrated Plaintiffs’ ability to carry out their work, *see, e.g.*, PSAC ¶¶ 158,

160, 181-184 and how they have been required to expend resources, as a result of HUD's action, that they otherwise would not have had to expend, *id.* ¶¶ 163, 187. In response to this Court's concern that Plaintiffs did not make those expenses sufficiently concrete, Mem. Op. at 48-49, the Proposed Second Amended Complaint sets out some examples of specific expenditures at issue. *See, e.g.*, PSAC ¶¶ 163 (Texas Plaintiffs must engage in additional airfare and other travel expenses because of additional visits now necessary to various communities without the efficiencies created by the organized AFH process), 168 (Texas Housers has had to hire additional staff because of HUD's action), 194 (NFHA has had to have three staff members travel to Memphis because HUD's action has made the fair housing planning process more difficult for NFHA members to navigate).

HUD also argues that the proposed amendments would be futile because the Court already has found that the complaint fails on the merits. Defs.' Opp'n at 19. But the Court has not made such a ruling. Rather, this Court found only, for purposes of deciding a motion for a preliminary injunction, that Plaintiffs failed to establish a likelihood of success.

Moreover, the new allegations in Plaintiffs' Proposed Second Amended Complaint address the merits of Plaintiffs' claims as well as standing, such that they could alter that analysis. These allegations provide further detail, for example, as to how HUD's action does not merely affect "information collection," but rather has the effect of suspending many of the most important aspects of the AFFH Rule. *See, e.g.*, PSAC ¶¶ 118-128 (listing various provisions that effectively have been suspended); *see also id.* ¶¶ 79-85, 104, 112-117.

CONCLUSION

Plaintiffs respectfully request that this Court grant their motion to set aside the judgment and to allow Plaintiffs to file the accompanying Second Amended Complaint.

Date: October 9, 2018

Respectfully submitted,

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