

CITY OF LONG BEACH

C-7

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Blvd

Long Beach, California 90802

September 4, 2012

HONORABLE MAYOR AND CITY COUNCIL City of Long Beach California

RECOMMENDATION:

Refer to Hearing Officer the business license revocation appeal by Suwarno Togi, Yujuan He and Huilin Tang, dba Rosemary Day Spa, located at 340 ½ 4th Street, and dba Golden Dragon Spa, located at 924 Pacific Avenue. (District 1)

DISCUSSION

On June 12, 2012, the Long Beach Chief of Police, based on police investigative findings, recommended that the Department of Financial Management revoke the business license issued to Suwarno Togi, Yujuan He and Huilin Tang, dba Rosemary Day Spa, located at 340 ½ East 4th Street (Attachment A). The owners of Rosemary Day Spa are also doing business as Golden Dragon Spa, located at 924 Pacific Avenue.

On July 18, 2012, the Department of Financial Management revoked business license numbers BU21137190 and BU21134330 issued to Suwarno Togi, Yujuan He and Huilin Tang, dba Rosemary Day Spa, located at 340 ½ East 4th Street and dba Golden Dragon Spa, located at 924 Pacific Avenue (Attachment B), due to failure to comply with applicable laws and regulations, pursuant to Long Beach Municipal Code (LBMC) Chapter 3.80.

Pursuant to LBMC Section 3.80.429.5, a licensee can appeal the revocation of a business license to the City Council. The licensee lodged its written request for appeal on July 27, 2012 (Attachment C). Whenever it is provided that a hearing shall be heard by the City Council, the City Council may, in its discretion, conduct the hearing itself or refer it to a hearing officer, in accordance with LBMC 2.93.050(A).

This matter was reviewed by Deputy City Attorney Kendra Carney on August 14, 2012.

HONORABLE MAYOR AND CITY COUNCIL September 4, 2012 Page 2

TIMING CONSIDERATIONS

If referred, upon selection of a hearing officer, the matter will be heard not less than thirty (30) days thereafter.

FISCAL IMPACT

There is no fiscal or local job impact associated with this item.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

JOHN GROSS DIRECTOR OF FINANCIAL MANAGEMENT

JG:ES K:\Exec\Council Letters\Business Relations\Hearing Letters\09-04-12 ccl - Rosemary Day Spa refer to HO.doc

ATTACHMENTS

APPROVED:

ICK H. WEST MANAGER



City of Long Beach Working Together to Serve

Date: June 12, 2012

To: Erik Sund, Bureau Manager, Business Relations Bureau

From: Jim McDonnell, Chief of Police

Subject: REVOCATION OF BEAUTY SHOP OWNER BUSINESS LICENSE # BU21137190 SUBJECT: SUWARNO TOGI, YUJUAN HE, AND TANG HUILIN DBA ROSEMARY DAY SPA

The Director of Financial Management is the issuing authority for business licenses issued pursuant to Long Beach Municipal Code Chapter 3.80. The Director is also empowered to suspend, deny, or revoke business licenses, pursuant to §3.80.429.1(A) LBMC, when a licensee has failed to comply with any applicable provision or requirement of law. Pursuant to this authority, the Police Department respectfully requests that you **REVOKE** the business license (BU21137190), issued to Suwarno Togi, Yujuan He, and Tang Huilin, DBA Rosemary Day Spa to operate a business at 340 ½ East 4th Street, for the following reason.

On May 11, 2012, Vice Detectives received a complaint regarding females standing in front of Rosemary Day Spa soliciting passerby's for sex.

On May 23, 2012, Vice Detectives made an appointment for a massage at Rosemary Day Spa. At approximately 1830 hours, detectives responded to the location and determined the establishment was open for business. During this investigation, a Vice Detective received a massage from a therapist, later identified as Michelle Wang. During the massage, Michelle agreed to perform an act of prostitution. She was subsequently arrested for prostitution, California Penal Code § 647 (B).

On May 25, 2012, the City Prosecutor's Office filed one misdemeanor count for prostitution, a violation of California Penal Code § 647 (B), case #2LG01556, against Michelle Wang. Vice Detectives determined that Michelle Wang also goes by the name, Shufen Zhang, and holds a State of California Massage Certificate. She does not hold a City of Long Beach Business License or Permit.

It is the Police Department's responsibility to maintain law and order within the City of Long Beach and to ensure the public peace, safety, and welfare is maintained. Based on this investigation of sexual misconduct occurring at this location, the Chief of Police respectfully requests that you **REVOKE** the business license (BU21137190) issued to Suwarno Togi, Yujuan He, and Tang Huilin, DBA Rosemary Day Spa to operate a business at 340 ½ East 4th Street.

If you have any questions or require additional information, please contact me, or my Chief of Staff, Commander Lisa Lopez, at extension 87301.

JM:CNA:cna RevRosemaryDaySpa



CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 W. Ocean Boulevard, 4th Floor •

Long Beach, CA 90802

(562) 570-6212 FAX (562) 570-6180

BUSINESS RELATIONS BUREAU BUSINESS LICENSE SECTION

July 20, 2012

Suwarno Togi, Yujuan He, and Huilin Tang 340½ 4th Street Long Beach, CA 90802

RE: Doing Business As: Rosemary Day Spa Business License Application Number: BU21137190 Business Address: 340 ½ 4th Street, Long Beach, CA 90802

> Doing Business As: Golden Dragon Spa Business License Application Number: BU21134330 Business Address: 924 Pacific Avenue, Long Beach, CA 90813

Dear Sir or Madam:

Per our conversation on July 18, 2012, per your consent, **business license number BU21137190 and BU21134330**, issued to Suwarno Togi, Yujuan He, and Huilin Tang, located at 340 ½ 4th Street, Long Beach, CA 90802 and 924 Pacific Avenue, Long Beach, CA 90813 **have been revoked**, pursuant to Long Beach Municipal Code ("LBMC") section 3.80.429.1, subsection (b), **effective July 19, 2012**. Pursuant to LBMC section 3.80.429.1, you have 10 calendar days from the date of this letter to request an appeal, otherwise the revocation will be final.

By signing below, Suwarno Togi, Yujuan He, and Huilin Tang agree to waive any and all rights to a business license revocation hearing by the Director of Financial Management, in accordance with LBMC section 3.80.429.1. Suwarno Togi, Yujuan He, and Huilin Tang agree to proceed with the business license revocation appeal hearing before the City Council.

Pursuant to Long Beach Municipal Code section 3.80.429.5, a request to appeal must be in writing, must set forth the specific grounds on which it is based, and must be accompanied by a non-refundable cashier's check or money order, made payable to the City of Long Beach, in the amount of \$1,205. The request for appeal must be submitted to the Office of the Long Beach City Clerk, located at 333 W. Ocean Boulevard, Long Beach, California, not later than 4:00 p.m. July 29, 2012. Should you have any questions, please contact me at (562) 570-6663.

Sincerely,

Erik Sund (Manager, Business Relations Bureau

Attachments ES:smc

cc: Kendra Carney, Deputy City Attorney Council District 1 I have received notification of above:

Name/Title

3.80.429.1 - Suspension or revocation.

- A. Whenever any person fails to comply with any provision of this chapter pertaining to business license taxes or any rule or regulation adopted pursuant thereto or with any other provision or requirement of law, including, but not limited to, this municipal code and any grounds that would warrant the denial of initial issuance of a license hereunder, the director of financial management, upon hearing, after giving such person ten (10) days' notice in writing specifying the time and place of hearing and requiring him or her to show cause why his or her license should not be revoked, may revoke or suspend any one or more licenses held by such person. The notice shall be served in the same manner as notices of assessment are served under Section <u>3.80.444</u>. The director shall not issue a new license after the revocation of a license unless he or she is satisfied that the registrant will thereafter comply with the business license tax provisions of this chapter and the rules and regulations adopted thereunder, and until the director collects a fee, the amount of which shall be determined by director in an amount to recover the actual costs of processing, in addition to any other taxes that may be required under the provisions of this chapter.
- B. Any person who engages in any business after the business license issued therefor has been suspended or revoked, and before such suspended license has been reinstated or a new license issued, shall be guilty of a misdemeanor.

(Ord. C-6259 § 1 (part), 1986).

3.80.429.5 - Appeal of license revocation.

Any licensee whose license is revoked under this chapter shall have the right, within ten (10) days after the date of mailing of the written notice of revocation, to file a written appeal to the city council. Such appeal shall set forth the specific ground or grounds on which it is based. The city council shall hold a hearing on the appeal within thirty (30) days after its receipt by the city, or at a time thereafter agreed upon, and shall cause the appellant to be given at least ten (10) days' written notice of such hearing. At the hearing, the appellant or its authorized representative shall have the right to present evidence and a written or oral argument, or both, in support of its appeal. The determination of the city council on the appeal shall be final.

(Ord. C-6259 § 1 (part), 1986).

1	CITY OF LONG BEACH DEPARTMENT OF FINANCIAL MANAGEMENASING	
2	SUWARNO TOGI, YUJUAN HE, HUILIN	Doing Business As Rosemary Day Spa Business License No. B02211821407 PM 1:38
3	TANG, Appellants	Business License No. BC221 18/21 207 PM 1: 38
	c/o The Liu Law Firm	340 ½ 4 th St., Long Beach, CA 90802
4	923 E. Valley Blvd. Suite 110	
5	San Gabriel, CA 91776	Doing Business As Golden Dragon Spa
5		Business License No. BU21134330
6	CITY OF LONG BEACH, Appellee	924 Pacific Ave., Long Beach, CA 90813
	c/o Office of the Long Beach City Clerk	
7	333 W. Ocean Blvd.	Appeal for Revocation of Business Licenses
8	Long Beach, CA 90802	

INTRODUCTION

Suwarno Togi, Yujuan He, and Huilin Tang ("Appellants"), doing business as Rosemary Day Spa and Golden Dragon Day Spa, appeal the revocation of their business licenses pursuant to LBMC section 3.80.429.1.

At issue is whether both of the Appellant's business licenses should be revoked when, unbeknownst to them, an employee was allegedly engaging in illegal activity at one of the business establishments.

STATEMENT OF FACTS

The Appellants purchased two massage parlors, the Golden Dragon Day Spa ("Golden Dragon") and the Rosemary Day Spa ("Rosemary"), in October 2011 and November 2011 respectively. For Golden Dragon, the Appellants paid a purchase amount of \$48,000.00 to the previous owner Ms. Xiang Ai ("Alice"), and for Rosemary, the Appellants paid a purchase amount of \$28,500.00 to the previous owner Ms. Xiahua Lu ("Lily").

Upon entering negotiations for the businesses, Alice and Lily assured the Appellants that neither massage parlor had any prior history of criminal charges or violations. Mr. Suwarno Togi made it evident that he would not purchase any massage parlors that have engaged in or have been associated with criminal activity or violations of the law.

After moving forward and purchasing the businesses, the Appellants hired new employees, Ximin Bao and Shufen Zhang ("Michelle") as masseuses in both Rosemary and Golden Dragon. Michelle was recruited via a temp agency in San Gabriel on or around May 13, 2012. Upon hiring the new masseuses, the Appellants repeatedly told them that it was strictly prohibited to provide any sexually related services. The Appellants have stopped sessions immediately on a number of occasions when they were suspicious of illegal activities occurring during message sessions.

Then, on or around May 23, 2012, less than two weeks after her hiring, Michelle was arrested while working at Rosemary for an alleged violation of California Penal Code 647(b). None of the Appellants encouraged or had any knowledge of Michelle's alleged illegal activity. Consequently, two months later, the City of Long Beach revoked the business licenses for both Rosemary (No. BU21137190) and Golden Dragon (No. BU21134330), effective July 19, 2012.

Upon notice of the revocations and knowledge of Michelle's alleged violation, on behalf of the Appellants, Attorney Long Z. Liu contacted the Deputy City Attorney Kendra Carney ("Carney") to inquire about the status of Michelle's case and to request for documents related to her case and related to the revocation of the two business licenses. At the time, Carney said she was unaware of whether or not Michelle was convicted, but said she would later respond to follow up on all the inquiries. To date, Carney has yet to respond.

ARGUMENT

Given the facts and circumstances, it is the Appellants' position that the revocation of their business licenses is a violation of their substantive due process rights and procedural due process rights.

The revocation of both the Appellants' businesses licenses should not have been revoked based on the fact that the employee had been transported from one establishment to another. The

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employee's transgression occurred independently at one location and without the knowledge of the Appellants. The Appellants should not be held liable for the independent actions of that employee.

As professional business owners, the Appellants went above and beyond to enforce a zero tolerance policy for any illegal activities during massage sessions. Please find attached to this appeal the Declaration of Yujuan He ("EXHIBIT A") and the Declaration of Suwarno Togi ("EXHIBIT B") showing their steadfast commitment to the integrity of their businesses.

Michelle's actions were of her own volition, which the Appellants had no knowledge. All employees were aware of the Appellants' zero tolerance policy when they were hired. Please see attached the Declaration of Ximin Bao ("EXIHIBIT C") showing that the Appellants made the policy clear to their employees. Given this instructions, Michelle knew that the alleged illegal activities she was conducting were not supported by her employees and went strictly against their zero tolerance policy. Therefore, Appellants should not be held accountable for actions which they do not have independent control over, nor should they be held accountable when preventative measures were taken to ensure such actions would not occur.

Even if Michelle's transgression were to cause the Appellants' to face some liability, at the bare minimum, the Appellants' second business, Golden Dragon, should not be affected at all. Michelle was arrested at Rosemary for a transgression that occurred in that establishment alone. Although she was employed at both establishments at the time, her transportation to Rosemary should not be considered in this case. If her transportation being is considered in this case, then any establishment that employed Michelle at the time should also be facing similar consequences.

The Appellants have maintained a successful business with customers who will support their position that illegal activities are not condoned at their establishments. Regular customers

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have nothing but praise for Appellants' businesses and the means by which they run those businesses. The Appellants conduct themselves in a very professional manner and have not ever encouraged or condoned propositioning of sexual favors at either Golden Dragon or Rosemary. Please see the attached letters from multiple customers in support of the Appellants' businesses ("EXHIBIT D").

Any evidence of the Appellants' connection to their employee's actions has yet to surface. The Appellants and their customers attest to having two businesses that uphold nothing but the most professional standards. The City has yet to show how both the Appellants' businesses should be held liable for the transgression of one employee. This employee acted on her own accord and without the encouragement or knowledge of her employers. There is no proof that the Appellants should be held liable for her independent choices. Without such evidence, City's revocations occurred without reasonable or probable cause. To have enforced such penalties without reasonable or probable cause is a violation of their substantive due process rights and procedural due process rights.

CONCLUSION

To continue to enforce the revocation of both businesses licenses would be a great unfairness to these business owners who strive to uphold the utmost professionalism. These owners have worked steadfastly to ensure their establishments would be revered and respected in their community. Under their watch, no prior history of illegal activities had ever occurred. They had no connection to the actions of one employee, yet they are suffering the consequences for her independent choices without reasonable or probable cause. Therefore, it would only be just and proper to relieve them of such consequences and to overturn the revocation of both business licenses.

Dated: July 27, 2012 Long Z. Liu, Attorney Appellants

EXHIBIT A

DECLARATION OF YUJUAN HE

DECLARATION OF Yujuan He

I, Yujuan He declares:

- 1. I bought Golden Dragon Spa ("Golden Dragon") with Mr. Suwarno Togi in or around October 21, 2011 from my prior employer Alice aka Xiang Ai ("Alice") at the price of \$48,000.00.
- 2. I knew from my experience working for Alice that she was operating her massage parlors in compliance with the law. In addition, as Golden Dragon was opened only around July, 2011, I thought it was new and should be a safe massage parlor to purchase.
- 3. I bought Rosemary Day Spa ("Rosemary") with Mr. Togi and Ms. Hilin Tang in or around November 24, 2011 from Lily aka Xiahua Lu ("Lily") at the price of \$24,500.00.
- 4. As I did not know Lily, and the massage parlor Rosemary had operated over a year, I asked Lily to confirm two matters for me before I purchased Rosemary: First, no questionable or illegal activities were going on at the massage parlor at the time of my purchase. Second, the massage parlor had never got into any trouble with the law enforcement due to any illegal or questionable activities in the past, such as either the business or any employee being cited or arrested.
- 5. Lily expressly confirmed the above two matters.
- 6. In addition, I had my partner, Mr. Togi call the Long Beach police department to verify the statements of Lily. The police officer replied that Rosemary was not blacklisted. Our understanding from the police officer's reply was that neither the massage parlor nor any employees of Rosemary had been cited, arrested, or charged with any crimes or violations. With that in mind, we purchased Rosemary.
- 7. Had I known or suspected that Rosemary or its employees had been cited, arrested, or charged with any crimes or violations, or even been suspected or investigated by the law enforcement, I would not have purchased the massage parlor.
- 8. After we took over the massage parlors Golden Dragon and Rosemary, I hired new employees. I made it abundantly clear to my employees, including Ximin Bao and Michelle Wang aka Shufen Zhang ("Michelle"), that no illegal or questionable conduct would be tolerated at the massage parlors Golden Dragon and Rosemary. They are "massage only" massage parlors.
- 9. I recruited Michelle via a temp agency in San Gabriel on or around May 13, 2012.
- 10. When I contacted the temp agency, I made it abundantly clear to the temp agency that the candidates I was looking for must be licensed massage therapists and must have no history of being arrested or charged, no criminal records because my massage parlors are "massage only" parlors.
- 11. I took the temp agency's recommendation of Michelle and hired her.

- 12. Since the recruitment of Michelle, I have repeatedly told her and the other employee that my massage parlors are "massage only." Michelle told me that both her husband and son were in the U.S., and she promised she would never engage in any illegal activities.
- 13. On or around May 23, 2012, Michelle was arrested for 647(b) prostitution.
- 14. Around two days after she was released, she guitted the job.
- 15. When she went to the massage parlor to pick up her belongings, she also told me that the charge against her was dismissed.
- 16. There were a few occasion I instructed the massage therapists to refuse any requests for sexual services, stop their massage sessions right away, and give the customers a full refund.
- 17. In my mind, it is not only illegal but also immoral to allow my employees to conduct prostitution activities in my massage parlors. I have repeatedly cautioned my employees not to provide any sexual services to customers, thus I think it is unfair to revoke the business licenses for both Golden Dragon and Rosemary.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on July 25, 2012, at San Gabriel, California.

Yujuan He

EXHIBIT B

DECLARATION OF SUWARNO TOGI

DECLARATION OF Suwarno Togi

I, Suwarno Togi declares:

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- 1. I bought Golden Dragon Spa ("Golden Dragon") with Ms. Yujuan He in or around October 21, 2011 from Alice aka Xiang Ai ("Alice") at the price of \$48,000.00.
- 2. Ms. He told me that from her experience working for Alice she knew that Alice was operating the massage parlor in compliance with the law. In addition, as Golden Dragon was opened only around July, 2011, I thought it was new and should be a safe massage parlor to purchase.
- 3. I bought Rosemary Day Spa ("Rosemary") with Ms. Yujuan He and Ms. Hilin Tang in or around November 24, 2011 from Lily aka Xiahua Lu ("Lily") at the price of \$24,500.00.
- 4. Ms. He asked Lily to confirm that there were no illegal or questionable activities going on in Rosemary, and that Rosemary and its employees had never got into any trouble with the law enforcement due to any illegal or questionable activities in the past, such as either the business or any employee being cited or arrested. Lily expressly confirmed these matters for us.
- 5. Ms. He also asked me to call the Long Beach police department to verify the statements of Lily. The police officer replied that Rosemary was not blacklisted. Our understanding from the police officer's reply was that neither the massage parlor nor any employees of Rosemary had been cited, arrested, or charged with any crimes or violations. With that in mind, we purchased Rosemary.
- 6. Had I known or suspected that Rosemary or its employees had been cited, arrested, or charged with any crimes or violations, or even been suspected or investigated by the law enforcement, I would not have purchased the massage parlor.
- 7. After we took over the massage parlors Golden Dragon and Rosemary, we hired new employees. I made it abundantly clear to my employees, including Ximin Bao and Michelle Wang aka Shufen Zhang ("Michelle"), that no illegal or questionable conduct would be tolerated at the massage parlors Golden Dragon and Rosemary. They are "massage only" massage parlors.
- 8. In my mind, it is not only illegal but also immoral to allow my employees to conduct prostitution activities in my massage parlors. I have repeatedly cautioned my employees not to provide any sexual services to customers, thus I think it is unfair to revoke the business licenses for both Golden Dragon and Rosemary.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on July 25, 2012, at Long Beach, California.

Suwarno Togi

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EXHIBIT C

DECLARATION OF XIMIN BAO

DECLARATION OF Ximin Bao

I, Ximin Bao declares:

- 1. I have been working as a massage therapist at Golden Dragon Spa ("Golden Dragon") since April 2012 till present.
- 2. I, the owner Ms. Yujuan He, and Michelle Wang aka Shufen Zhang worked at Ms. He's massage parlors until May 23, 2012 when Michelle was arrested for prostitution.
- 3. Ms. He has repeatedly told us that it was strictly prohibited that we provide any sexual related services to customers at both massage parlors Golden Dragon and Rosemary Day Spa ("Rosemary").
- 4. Ms. He also made her "no prostitution" policy very clear when she hired people including me.
- 5. I have never seen or heard any inappropriate sexual conduct in either massage parlor.
- 6. Considering I have been working with both massage parlors for months, had there been any illegal activities going on in the massage parlors, I would have been aware of it.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on July 25, 2012, at Long Beach, California.

190 AT My

EXHIBIT D

LETTERS FROM APPELLANTS' CUSTOMERS

To Whom It May Concern:

My name is Rodney Rambo and I live at 645 E 8th St, Long Beach, CA 90802. I have been going to the massage parlors on 340 1/2 E 4th ST and 924 Pacific Ave for over a year now. I go once a week for a deep tissue massage on my neck and trapezius muscles. I have nothing but high praise for both facilities. The owner and all of the massage therapists conduct themselves in a very professional manner. I have never been propositioned in anyway whatsoever. I have always paid for a massage and received nothing but a massage for the last year. They do excellent work in deep tissue massages. I have recommended numerous friends to both locations and they all have nothing but high praise for both establishments.

In conclusion I am very pleased that both massage parlors are close to my apartment. I recommend them highly and support them 100%.

You can call me at any time at 562-206-4580

Rodney Rambo

7/26/12

ATTACHMENT C

7-26-12 Too WHOMIT MAY CONCIEND, I HAVIE BREATTO THE GOLDEN DAGON MASSADE A+ 924 PACIFIC SEVERAL Times And HAVE ONLY QUALITY MARSAGE WITH NO SENSUAL OR SIZXUME CONTACT. (LILI) THE MASSIBUSET HAS NEWIN OFFERCED AND. SERVICE OTHER THAN NON SEXUAL , MASSAGE. 310-809-0465 716 W. 14th Low Bpsh CA 90817

7-26-12 TO WHOM IT MAY CONCERT, I HAVE BEEN TO GOLDEN DRAGON 3 TIMES NOW AND HAVE HAD GREAT PROFFESIONAL MASSAGRES BY ANA, LILIAND ROSE IT HAS AWAYS BEEN GREAT PROFESSIONAL MASSAGES ONLY THANKS J. CRANEORD 510-00-1-914-6451 2448 - LANTERN HILL DRIVE DAINA POINT, 04 92629

DECLARATION OF Long Z. Liu

I, LONG Z. LIU, declare:

- 1. Exhibit "A" is a true and correct copy of the Declaration of Yujuan He, signed and executed on July 25, 2012 in San Gabriel, California.
- 2. Exhibit "B" is a true and correct copy of the Declaration of Suwarno Togi, signed and executed on July 25, 2012 in San Gabriel, California.
- 3. Exhibit "B" is a true and correct copy of the Declaration of Ximin Bao, signed and executed on July 25, 2012 in Long Beach, California.
- 4. Exhibit "D" is a true and correct copy of a compilation of three letters from three different customers of the Rosemary Day Spa and the Golden Dragon Day Spa.

Long Z. Liu, Esq.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed on July 27, 2012, at San Gabriel, California.