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Plan Would Erase All-Business Town

By ADAM NAGOURNEY

VERNON, Calif. — Vernon is a bleak, 5.2-square-mile sprawl of warehouses, factories, toxic chemical plants and meat processors that looks like the backdrop for “Eraserhead,” the David Lynch movie set in an industrial wasteland. It has a population of 95 — and 1,800 businesses, drawn by low taxes, lax regulations and cheap municipal power.

It also has a history of corruption and public malfeasance going back nearly 50 years.

But now, this industrial city two miles southeast of downtown Los Angeles is fighting for its very survival.

Vernon has become the center of a vast and costly power struggle, as state officials have embarked on an extraordinary campaign to legally abolish the city and make it part of Los Angeles County. [John A. Pérez](#), the Democratic speaker of the State Assembly, is the chief sponsor of legislation to disincorporate Vernon. He described it as a shell city created to enrich municipal officials and businesses at the expense of the struggling, lower-middle-class communities that surround it.

“I have been frustrated with Vernon for a long time,” Mr. Pérez said, while driving the streets of this city, which is in his district. “How bad a neighbor it’s been. How shady its practices have been. And the more I looked at it, the more I realized this was really the center of tremendous corruption.”

This tiny city has responded with a sophisticated, high-priced battle with the trappings of a national campaign. It has hired a fleet of some of the highest-paid lobbyists, lawyers, political consultants and communications experts in the country. Lawyers are being paid \$550 an hour and lobbying firms \$12,000 a month. Vernon officials argued that businesses would shut down if Vernon is disincorporated, that the Legislature has no legal standing to abolish it and that corruption here has been cleaned up.

A slick two-minute advertisement promoting Vernon as a bastion of blue-collar employment will be shown in theaters in working-class neighborhoods with the opening of a new movie, “[Battle: Los Angeles](#).” The commercial follows a \$65,000-a-week television advertising campaign that began last week. The ads were produced by Chris Lehane, a notoriously tough operative who worked as a senior adviser to [Al Gore](#), and who is at the center of this campaign.

Vernon also has enlisted John Van de Kamp, a former Democratic state attorney general, to conduct an ethics audit of the city’s practices and history, aligning itself with a symbol of ethics in California just as its rivals have invoked its history of corruption. Mr. van de Kamp, who is being paid \$550 an hour, said he had been assured he would have complete independence to conduct his investigation.

“Everybody seems to be sincere that they want to do the right thing,” he said.

On Tuesday, the city’s team of lawyers and consultants organized worker demonstrations against Mr. Pérez as he asked the Los Angeles City Council to endorse his bill and announced he had the support of majorities in the Senate and Assembly. Trucks with banners reading “John Pérez: Jobs Killer” rumbled around City Hall, horns blaring, as he spoke.

“Their perception is that nobody cares,” said Martin Perez, the executive coordinator for [Teamsters Local 63](#), which represents workers in meat-rendering companies. “Well, they are going to find out is that there are 55,000 people in Vernon who do care about their jobs. This is not going to go away. They are going to have a fight on their hands.”

The battle is throwing a spotlight on an oddity of a city that is distinct to Los Angeles, one of a handful of municipalities created specifically to cater primarily to businesses. There are about 30 homes in all of Vernon, each about 900 square feet, tucked in between factories and chemical storage tanks. The houses are owned by the city and occupied, at a cost of \$110 per bedroom, by City Council members and city workers, producing a small and, critics say, indentured electorate that has allowed the city to remain insulated from political challenge.

“It’s a nondemocratic empire that they have there, and it’s inappropriate that it is disguised as a city,” said [Gloria Molina](#), a member of the Los Angeles County Board of Supervisors, which has also voted in support of eliminating Vernon. “The city has been a facade for some personal gain issues. The residents are employees of the city or major companies and consequently are controlled.”

In 2006, eight people moved into a vacant building in Vernon, and three of them filed to run for office. The city responded by cutting off their power and moving to evict them as illegal squatters; a court later declared the city’s action illegal.

Four of the five members of the current City Council were appointed by the council rather than elected, and there were no contested elections in Vernon from 1984 to 2006.

The last mayor, Leonis Malburg, served 50 years as mayor and city councilman (his grandfather, a founder of the city, was in those jobs for 45 years). Mr. Malburg was forced out after he and his wife were convicted of fraud for falsely claiming a small apartment in Vernon as their legal residence. They actually lived in leafy Hancock Park. Vernon then accused him of billing it for \$1.5 million in legal fees.

The last two city administrators have been embroiled in scandal. Bruce V. Malkenhorst was indicted in 2006 on charges of having misspent city money for trips, massages and golf course fees. He collects an annual pension of more than \$500,000, the highest in the state. Mr. Malkenhorst, who was succeeded in office by his son, is awaiting trial.

Another city administrator, Donal O’Callaghan, was indicted last year on charges of conflict of interest

and misappropriation of public funds, after having been the subject of a series of stories in The Los Angeles Times examining municipal corruption there.

Fred MacFarlane, one of the political consultants retained by Vernon, denied that accusation. Mr. MacFarlane said that the scandals that clouded Vernon were a thing of the past.

Rick Cole, the city manager of Ventura and an expert on urban affairs, said that Vernon was victimizing its neighbors by harvesting tax revenues from businesses taking advantage of its low taxes, while to a significant extent being free of the burden of providing services to the workers, since most live in neighboring towns. Vernon has an assessed property tax base of \$4.1 billion, compared with neighboring Bell, which has a tax base of \$1.1 billion for its population of 40,000.

“Vernon has been a corrupt municipality for 50 years and has had utter contempt for the surrounding cities or any standards of democracy,” Mr. Cole said. “It’s really segregated for the benefit of a tiny handful of employees and residents. Vernon doesn’t have a park. It doesn’t have a library. It doesn’t provide social services. It has no residents. But the people who work in Vernon — the people who generate all these tax revenues — they all go home to these other cities that can barely make ends meet.”

Business leaders say they will close down or move out if Vernon is eliminated, saying disincorporation would subject them to higher energy costs, taxes and insurance, as well as a tougher regulatory environment. The regulation issue could be a problem, in particular, for meat-processing plants whose odors can overwhelm the streets on some days.

“Lots of businesses have said they would move out,” said Peter Corselli, a manager at [U.S. Growers Cold Storage](#), which provides 900,000 square feet of refrigerated space for storage. “The cost of business would go up because of taxes, because of electricity, fees and so on, and the services that we enjoy from having what is a relatively small town would just go away.”

That said, Mr. Corselli said his company had been there too long to move and would instead pass on

extra costs to customers.

Vernon's supporters describe it as, in effect, a free-trade zone, a refuge for businesses that would have trouble locating in most communities, given their nature, like slaughterhouses and chemical plants.

"It's a haven and sanctuary for businesses to survive," said Mark Whitworth, the Vernon city administrator, who is paid \$210,000 a year and lives about 30 miles away in Glendora. "Businesses have enjoyed the way the city has been run for over 106 years now."

Ian Lovett contributed reporting from Los Angeles.

This article has been revised to reflect the following correction:

Correction: March 2, 2011

An earlier version of this article misidentified the political party of a former state attorney general and an earlier version of this correction misspelled part of his surname. He is John Van de Kamp, not Camp, and he is a Democrat, not a Republican.



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