

RELIANT GROUP MANAGEMENT

October 1, 2019

Mayor Barbara Halliday
City of Hayward
777 B Street
Hayward, CA 95814

Dear Mayor Halliday:

I am writing to you to address the Council's request for Reliant to proactively respond to items #1 and #2 in the Council's referral memorandum and to correct much of the misinformation that continues to surround the conversion of Leisure Terrace to long-term affordable housing. First and foremost, it is important to acknowledge the good work we all are doing to provide homes for the most vulnerable members of our communities, who often have woefully few housing options. Not only are we providing affordable housing, we are providing quality homes for people, as part of the Low-Income Housing Tax Credit Program (LIHTC) – the most successful affordable housing program in the United States. We are proud to provide these units that are receiving significant renovations, including a seismic retrofit, solar panels, new energy efficient appliances, new kitchens, bathrooms, flooring, lighting, windows and roofing, which would not otherwise be possible without this program.

Relocation Assistance/Compensation

The referral memorandum states that “Reliant intended to bar many of the residents from remaining.” To the contrary, our goal was to qualify all residents who were eligible under the LIHTC rules and submitted financial information. If any tenant submitted information showing they were qualified and was not accepted, Reliant is willing to accommodate the tenant at Leisure Terrace, assuming a unit is available. If we are unable to accommodate the tenant, we are willing to make a \$10,000 payment to the household which has been displaced, upon demonstration of LIHTC qualification.

The referral memorandum states that California's Relocation Assistance Act mandates payment to displaced tenants. As there were no public funds used in the Leisure Terrace conversion, the Act does not apply. We confirmed this with the California Tax Credit Allocation Committee (CTCAC) and the relocation specialist last January and conveyed this information to the City's housing staff. Nonetheless, we are willing to match, dollar-for-dollar, the relocation assistance provided by the City to all tenants who the City determines are eligible. The determination of who is eligible or not, should not come from us, so once the City makes the determination, we will advance the funds.

Based on the work we've done thus far and the information we were able to get from existing tenants, other than three residents who will receive payments as settlements in unlawful detainer cases, there is only one remaining over-income resident at Leisure Terrace who will be displaced. The tenant is scheduled to move out on October 25th, and we are negotiating a payment to assist the transition. Other than the aforementioned tenants, we know of no other

tenants who will be displaced. If the City can identify tenants who are LIHTC- qualified but will be forced to leave due to rent increases, we will work cooperatively with them to phase in the rent increase over a longer period of time. This will be accomplished on a case- by-case basis.

Because of some of the erroneous information that has been spread on this issue, I want to be clear that all rents are set by the LIHTC rules. These rates are approximately half of the market rate rents for comparable properties in a 2.5-mile radius.

Response to Allegations of Council Members

Members of the Council have stated that The Reliant Group misled the Council when seeking the TEFRA and/or amendment to the Just Cause eviction ordinance. However, the City Council received a Staff Report, authored by city staff with information provided by Reliant, dated February 19, 2019, that stated, “Based on limited information currently available to Reliant, it is anticipated that a little over half of the residents will qualify as low-income or very low-income under the LIHTC program. Tenants who are over-income and not eligible under the LIHTC program will be displaced.” A second staff report, dated March 26, 2019, also stated, “Reliant has not yet done a comprehensive tenant survey to determine compliance with rent limit guidelines. This will not occur until after their financing is complete so they do not have a good estimate for the number of market rate tenants that may be displaced as a result of this conversion to affordable housing.”

Respectfully, Council Member Wahab writes in her referral memorandum that “Reliant prepared a relocation plan, but represented that no tenants were likely to be economically displaced.” A relocation plan was prepared in January 2019, by Laurin Associates, which was part of the submittal to CTCAC. It was not prepared by Reliant. Many may not understand that “economic displacement” is a CTAC technically defined term (See CTAC Regulation Section 10322 (h) (28)). The term refers to “existing low-income tenants” who will “receive a rent increase exceeding five percent (5%) of their current rent.” For those tenants, the CTCAC applicants are required to provide a relocation plan “addressing economic displacement.” There was no recorded regulatory agreement on the property, therefore the issue of economic displacement did not apply, as there were no “existing low-income tenants” as that term is defined.

The full statement by the author of the report is as follows: “Current rents are below the maximum LIHTC allowable 2018 rents. As tenant income certifications are completed post acquisition, rents will be raised to the maximum allowable rents for tenants who are income qualified to remain at the property; the sponsor believes that the rent increases will not cause any economic displacement due to current market conditions. New tenants will be charged the maximum allowable LIHTC rents.” This statement holds true today...charging the tenants the allowable LIHTC rents didn’t cause displacement. The displacement resulted from tenants who refused to provide income information or who were over-income.

Many of the former tenants provided false or misleading statements to the Council. We have developed a matrix of those who spoke and would be willing to share the information with the Council and City Attorney. We respect the privacy of the individuals involved, so we will not disclose the names and rent discrepancies in this letter.

While we believe that opponents of the LIHTC conversion process should have a voice, they are not entitled to a false narrative. Information attached to the referral memorandum provided by National Housing Law project was misleading.

- National Housing Law Project writes that there were 1,000 tenants displaced by the conversions. There is simply no factual basis for the statement. In all three properties, (264 units), there aren't 1,000 tenants total, and they certainly did not all vacate. Over the 264 units, there were eight eviction filings, of which two withdrew, five were settled and one was resolved through the courts.
- National Housing Law Project alleges that the "income verification forms are questionable." We have a full team of compliance specialists who serve that role for thousands of units. This was an allegation made by National Housing Law Project months ago. Our counsel responded to National Housing Law Project on August 6th, 2019 and asked for substantiation. There has never been a response from National Housing Law Project.
- National Housing Law Project alleges that incorrect notices were given to tenants. This was an allegation made by National Housing Law Project months ago based on their lack of understanding of the LIHTC program. Our counsel responded to National Housing Law Project on August 6th, 2019 and asked for substantiation. There has never been a response from National Housing Law Project.
- National Housing Law Project alleges that tenants will be kept out of their homes for a month during construction. Tenants will be out of their homes during the day, for approximately five days, unless they are in one of the six ADA units, where the renovation will take longer. There will be hospitality units on site, with TV, internet, snacks and drinks, while work occurs in the tenants' units. We have completed dozens of projects with in-place tenants and the process is well-tested. Our management team is working with tenants on a case-by-case basis to set up alternative arrangements, if necessary, based on their specific circumstances.
- National Housing Law Project alleges that there is no plan for lead or asbestos abatement. There is a certified asbestos contractor, and a process in place, which requires each unit to have an inspection from the state before a tenant can move back in. A copy of the notice clearing the units will be on site in the rental office for examination by any interested tenant or city official.

We are very sympathetic to those who have been uprooted through the creation of additional affordable housing in the Bay Area, but, in the long term, creating rent-restricted affordable housing in Hayward is in the best interests of the City and its residents. We would be open to meeting with any or all the Council Members if we have not fully addressed the request of the referral memorandum.

Joseph L. Sherman



President
The Reliant Group

CC Jennifer Ott
Christina Morales