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Kenneth M. Donohue, Sr.
Inspector General,
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Joan S. Hobbs
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U. S. Dept of Housing & Urban Development
Office of the Inspector General
611 W. 6th St.
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Los Angeles, CA. 90017

January 29, 2007

Dear Ms. Hobbs and Mr. Donohue,

For over three years I have been Chair of the Section 8 Working Group with the Apartment Association of Greater Los Angeles (AAGLA). Currently I am also a Vice President with the organization.

While AAGLA's membership is largely made up of small rental owners and managers, it consists of approximately half of all rental properties in and around greater Los Angeles. I work with many of these owners to assist them in effectively managing their properties. According to statistics provided to me in 2006 by the Housing Authority, City of Los Angeles (HACLA) 17,000 of the 18,000 vendors were small owners that manage twenty or less units.

Since that time, many rental property owners have been financially harmed with the manner in which that HACLA has been managed. Our Mayor, other City officials and HUD OIG have failed to act in order to oversee this agency and bring it and it's Executive Director Rudolf Montiel into proper management compliance.

Furthermore, I had attempted to contact HUD and the office of OIG in 2002 (prior to the current Executive Director) to advise that I believed there were major issues with HACLA. No response or action was taken until almost one year later when the over leasing and other issues were acknowledged!

Rather than fixing the program to enable property owners to be properly paid by HACLA our city chose to enact a divisive ordinance. This ordinance would not allow financially harmed owners to opt out of the Section 8 program without the constraints of rent control. AAGLA was forced to take this action to court which found in fact that owners could opt out of the program with full rent. Rather than just fixing the program the HUD OIG did not intercede with any type of proper audit as to management and the City of Los Angeles appealed their losing verdict. Again, the city lost the appeal, HUD OIG still failed to cause an audit as to why

owners were opting out. The failed appeal was taken to the California Supreme Court where the original verdict was still upheld.

In spite of the verdict, HACLA by its very action has failed to recognize an owner's right to opt out (My article written in [Apartment Age July 2006](#)¹, Page 28 circulation 40,000). Also by their action it appears they are obligating HUD to an eternal contract (AAGLA's attorney response [Apartment Age August 2006, Page 10](#)²).

In addition, AAGLA belongs to the Save Section 8 Coalition (SS8) a group made of largely of Tenants and Housing Advocates. I believe owners and tenants are all in agreement on this issue!

For the past year I regularly attend the Watts Gang Task Force (WGTF). This is a group of stake holders which was made up to address the homicides and gang violence largely at the HACLA managed housing developments in Southeast Los Angeles. Mr. Montiel has never attended this meeting yet Los Angeles City Councilwoman Janice Hahn finds the time to regularly attend. To me this shows a lack of real concern for the housing developments he is responsible for.

You may have noted in the Los Angeles Times this past week that a group of Public Interest law firms filed a lawsuit against HACLA on behalf of Section 8 tenants. In the article you may have also noted Executive Director Rudolf Montiel blames HUD regulations. In my opinion Mr. Montiel has failed to take responsibility for the poor management of the organization. To me and others he has regularly blamed HUD regs. Yet as a business owner myself, after discussions with him, I am clearly able to see the lack of self accountability and responsibility on his part.

His management (or lack of) HACLA has in part a direct correlation of homelessness and some of the gang violence in this city.

In April, 2005 HUD and HACLA including Mr. Montiel signed an MOU. I believe it in all parties' interest for HUD OIG to review the MOU and account for if Mr. Montiel has followed the guidelines.

In my article [Apartment Age November, 2006](#)³ (suggested reading for additional issues at HACLA) I clearly stated I have personally logged over 1,200 complaints with regards to HACLA yet less than ten complaints on all of the other local Housing Authorities combined including HACOLA. As I stated before, Mr. Montiel regularly blames HUD Regs for his shortcomings. Does HACLA have vastly different HUD regs to follow? Or, are there two HUD agencies?

I believe owners and tenants are all in agreement on these issues. I also believe that our governmental officials including HACLA, Executive Director Rudolf Montiel, and HUD must be immediately held accountable for the ongoing issues. HUD OIG must immediately do an investigation into the top manager of HACLA and his performance in accordance with the MOU and his performance agreement in his employment contract.

On several occasions in the past three years since the problems were announced HUD, HACLA and the Mayor of the City of Los Angeles frequently commend themselves in various media on what great progress has been made with HACLA's operations. Most owners and tenants I hear from do not share the same sentiments with these individuals.

If unable to access, here are the links;

¹ – <http://aagla.org/documents/July-Web-Mag-06.pdf>

² - <http://aagla.org/mags-issues/aug06cw.pdf>

³ - <http://aagla.org/howtorun.php>

I will address some of the issues which I believe to be priority for the OIG to address and investigate immediately, others will fall in line. While some of these are rumors, the "rumors" in 2002 turned out to be largely correct.

- 1) Over 2000 owners have felt it necessary to terminate their participation in the Section 8 program? Many due to financial hardship (some severe) caused by the manner in which the Section 8 program is run. The majority of Section 8 property owners have been very alienated by the manner with which HACLA has been run.
- 2) The Section 8 program is now 15 to 18% **under-leased**. If this is correct, does the City of Los Angeles stand to lose as many as 7,000 plus vouchers?
- 3) If number two is correct and there and average of three tenants per voucher, might Los Angeles have another 15,000 to 20,000 added to our homeless population?
- 4) Is HACLA mailing to homeless on the waiting list (who have no address) and if there is no reply, deletes them from the waiting list?
- 5) As stated in my article, due to the manner with which the Section 8 program has been run, in my opinion, owners have collectively lost approximately \$200 million dollars. Based upon the essence of the court decision, should owners be reimbursed this money?
- 6) HACLA has found it necessary in 2007 to budget \$4.5 million for outside attorneys. Could this be because they are aware there could be major litigation coming their way?
- 7) While any organization has the potential for fraud, has it completely alienated its staff? If I do not give my staff the ability to perform, and then reprimand them for my shortfalls, how much productivity should I expect? I would suggest OIG speak directly to HACLA staff and their representatives.

Portions of this communication will be printed in an upcoming edition of Apartment Age. I would also like to print your response along with the intended actions of the OIG.

Sincerely,



Arnold J. Corlin
Vice President,
Apartment Association of Greater Los Angeles

Cc: Honorable Alphonso Jackson,
Secretary, U.S. Dept of Housing & Urban Development