



Transcript Ep. 69: Rent Strike Series Part 2

[00:00:00] **Intro:** This is the Urban Political. The podcast on urban theory, research, and activism.

[00:00:06] **Mathilde Lind Gustavussen:** Welcome to the second instalment of the Rent Strike Series from Urban Political, a series that explores the Veritas Tenants Association's ongoing rent strike against their corporate landlord, Veritas Investments. To quickly recap, Veritas is San Francisco's largest landlord, owning more than 6,500 units in the city, with additional holdings across the Bay Area and Los Angeles.

In response to Veritas predatory practices, which we covered in Episode 1, the VTA has organized more than 100 buildings across Veritas portfolio, supported by the Housing Rights Committee of San Francisco. During the pandemic, the VTA carried out a successful rent debt strike against Veritas, and in 2022, they helped pass unprecedented right to organize legislation for the City of San Francisco.

On June 1st of this year, tenants from two buildings launched a rent strike after Veritas defaulted on a nearly 1 billion loan on two separate portfolios that include 95 residential buildings. The default set off a closed store auction for the delinquent debt, and the tenants are demanding a say in the terms of sale in addition to substantial improvements to their buildings and recognition of the Tenants Association.

In the first episode, we covered the history of the VTA, their strategy for building power against corporate landlords, and the potential of multi building rent strikes. Today, we're back with Brad Hirn, lead organizer with the Housing Rights Committee, who's here to give us a quick update on the strike.

Brad, thanks for being here.

[00:01:41] **Brad Hirn:** Yeah, of course. It's great to be here.

[00:01:43] **Mathilde Lind Gustavussen:** So, since we recorded the first episode, there's been two huge developments. First of all, on September 1st, the strike expanded to another building. Secondly, although as you mentioned in the last episode, it appeared as if Veritas was trying to use this default to renegotiate the terms of their debt, they lost the auction for the distressed loans and are currently preparing to sell 75 buildings, over 2000 units from one of the portfolios to another corporate landlord called Ballast Investments, also known as Brick + Timber. Before we talk about the implications of the sale for the tenants, the strike and the VTA, let's start with the result of this bidding process and the new corporate landlord.

Can you give some more context to what has happened and what has been made public about this sale?

[00:02:29] **Brad Hirn:** Sure. I think just to say up front that it's distressing. When what I think a lot of us locally feared in terms of such a huge number of buildings and rent controlled rent stabilized apartments going to another large real estate investment firm. Ballast investments, one that's backed by the Carlyle Group, a huge private equity firm and other investors. Ballast was founded by ex-employees of Veritas. So, they're cut from the same cloth, they run a similar business model of purchasing rent stabilized buildings with longer term tenants and deploying a set of tactics from really disruptive construction practices to excessive rent increases, pass throughs, poor management, to force tenants out.

That said, some silver linings, I think, is that a lot of these buildings do have existing tenant associations or some level of organization inside the building. So, the tenants will be able to regroup under a new owner fairly quickly and assert some demands. And I think we'll be tracking how this develops. To my knowledge the sale hasn't been finalized, it hasn't gone through a 100 percent.

And then the set of 20 buildings on a separate loan, as of right now, we haven't heard that it's going to Ballast. We've been hearing from tenants who live in the buildings that some prospective buyers have been walking through. So, 1 of the buildings that is on strike is in that portfolio of 20. They're making an effort to try to negotiate terms of sale and see how much of a say they can win and what happens next. And that might give us a little bit more insight into how that portfolio is moving.

[00:05:03] **Mathilde Lind Gustavussen:** I'm curious how Veritas has framed the pending sale of a pretty substantial chunk of their portfolio publicly. And if you know what's actually going on within Veritas.

[00:05:17] **Brad Hirn:** I think it's important to note that this is not just the pandemic or increased remote work.

This is the same portfolio they were attempting to sell pre-COVID, that leaked out in late December of 2019, and then that the VTA was publicly campaigning about in early 2020 before, before COVID. So, they were having issues principally, I think, with one of their major institutional investors, the Baupost group based in Boston.

The pandemic did make things worse, although certainly a company like Veritas, on the range of suffering, not nearly as much and benefited from the pay cheque protection program that they had, nearly 6 million dollars in PPP loans forgiven after publicly saying they were going to pay them back.

What are they saying publicly about the sale now? They're saying that they're still committed to San Francisco, which of course they're going to say, and we're like, maybe don't commit to San Francisco, don't commit to anywhere. But they're still saying they're committed to San Francisco, a massive firm with plenty of holdings.

So, in terms of their total inventory in San Francisco, there is another large portfolio that's backed by a loan from a bank called Natixis. It went through a refinancing. I think maybe a year ago or a year and a half ago. And I've been tracking that portfolio a bit. I was trying to

find out the maturity date and things like that to see if it's on a similar trajectory as these other loans that they're not going to be able to pay off.

But what's interesting is that the tenants who went on strike starting September 1st are part of that loan, which they have not defaulted on yet. It's interesting to see how we might be able to strategically target buildings that are part of this other loan. This other portfolio, and if that's actually a strategy to get them to default, essentially.

[00:07:58] **Mathilde Lind Gustavussen:** You already gave a little more context to Ballast investment and the tactics and similarities between them and Veritas. Are they a major player in San Francisco in the Bay Area already and have they tried to make contact with the tenants yet?

[00:08:20] **Brad Hirn:** I do not believe they've tried to make contact with the tenants in the 75 buildings yet. But they have become a pretty major player. I don't know exactly how many buildings they have in SF, although it's certainly now more than 75.

And we do have some existing tenant associations in some of their other buildings. As we've said with Veritas, when they buy more buildings the tenant association grows as well. Ballast has holdings, has buildings in other East Bay cities. Berkeley, for example. They structure themselves very similarly where they have a vertically integrated company with Ballast as the parent company.

And then they own their own management firm, management company called Brick + Timber. And then they also own their own construction company called Halyard, which they contract to do big construction projects. And that, to me, sounds problematic, in terms of paying yourself.

Very similar to Veritas in that sense. And unfortunately, I think they have flown under the radar a little bit just because Veritas has dominated so much of the corporate landlord landscape. But obviously, they're now going to be under the microscope a lot more.

[00:10:09] **Mathilde Lind Gustavussen:** So, let's move on to the strike itself and what this sort of shifting target means. Last time we spoke, two buildings have been on strike since June. How many tenants total on strike now? And are there demands specific to those that joined the strike on September 1st?

[00:10:28] **Brad Hirn:** This is going to sound like a small number, but it's about 30 tenants on strike, as of September 1st and across the three buildings, which sounds like a small number, but you have to remember that the strikes are, in fact, majority strikes for the tenant associations that exist in the buildings. And so, the buildings have manager units that don't count. They have vacancies that don't count.

Even a 30-unit building, the number of actual occupied units becomes smaller. All that said, there's a building that's expected to start a strike on October 1st, which might be around 30 in and of itself. So, the strike could double by October 1st.

In terms of demands. 1 of the common demands across the buildings has been recognition of their building-based tenant associations. In the case of the 2 that started June 1st, Veritas is still refusing to recognize. They're starting to negotiate a little bit with 1 of the buildings.

And we're starting to see a little bit of movement on some proposals around rent reductions for elevator outage and some habitability issues. The building that began to strike on September 1st, which is primarily a building of Chinese tenants and a few Spanish speaking tenants.

English is not the primary language in this building, and language access and language justice protocols have become a top demand. And they have been fighting for recognition of their tenant association for a year, actually a little bit more than 12 months. And then they started the strike on September 1st. And then a few days, about a week after the strike started, Veritas agreed to recognize the association and meet with the tenants. And so, they're having their 1st negotiation session on September 27th.

[00:12:56] **Mathilde Lind Gustavussen:** And when you say recognize the tenants association, you're referring to the union at home or right to organize legislation that we talked about in the last episode.

Can you say a little bit more about what that means? What that ordinance entails?

[00:13:12] **Brad Hirn:** Yeah, so recognition, when we're talking about it here, is a legal concept under the ordinance that the landlord is legally obligated to recognize a tenant association with a majority of units represented and that then requires the landlord to meet and confer in good faith and reach an agreement with the tenants on the issues that the tenants are bringing forward. Moving through the legislative process here in SF at city hall through the board of supervisors is a 2.0 version of the Union home ordinance.

Just last week, we did a press conference with Supervisor Connie Chan, who represents a portion of the West side in SF. And she has authored, with our input, a 2.0 version of the ordinance that improves provisions in the ordinance.

That had its 1st committee vote in City Hall on this past Monday, and it sailed through 3-0, so we're expecting the full board to pass it unanimously. That's sort of a parallel legislative campaign to strengthen the ordinance and identify it as a body of work, of policy work, that we'll be working on for a while.

It's not a single ordinance that never gets touched. The opposition will attempt to chip away at it. We will continue to attempt to strengthen it, but at the end of the day, it's going to come from organized tenants building strike ready tenant unions and tenant associations that give teeth.

[00:15:18] **Mathilde Lind Gustavussen:** To go back to their strike. How does the sale affect the strike and the tenants demands? And can you talk about some of the opportunities associated with organizing or striking when there's a sale?

[00:15:35] **Brad Hirn:** Broadly speaking, I think tenants are interested in how they can prevent another corporate landlord from buying their building.

And that then leads to a discussion of how you take it off the private market. And then that leads to who is going to buy it if it's not a private owner. And the reality is that it's a pretty complicated thing in San Francisco and the options aren't always ideal. We have non-profit housers, non-profit landlords who operate locally and they have their own set of rent stabilization rules, they're not under the local rent ordinance and that has created some problems.

And we do have a local land trust, that we've had conversations with over time. And there's some successes there with acquisition that have happened, outside of Veritas as well, but it's not a simple thing.

When we say, taking buildings off the private market, in principle, yes. A lot of the tenants instinctively know that that's where they want to go, but it's not like the alternative is perfect. All that said, I think there's, for the 75 where Ballast is likely to become the new owner. It's really interesting, I think that, you know, I've met and talked, I have worked, I've been across the table in rent board hearings and whatnot with Ballast employees and staff and it's funny, they sometimes will be like, oh, we're not veritas. We're not that bad. So, I think in some ways they might be trying to get on the tenant's good side and present themselves as a better owner.

I think that gives the tenants the opportunity to say, well, then if you're a better owner, here are our proposals, here's what we need. And I think doing it at the point of sale, doing it during that process, when the landlord is trying to get estoppels and trying to meet the tenants for the first time and all this kind of stuff.

I think it is an opportunity to, for the tenant association, to assert itself and say, welcome to our home, you have bought a unionized building and here's what that means. So, I think that that's something that we're going to be definitely trying out and seeing what we can do.

[00:18:38] **Mathilde Lind Gustavussen:** Right and of course, with the sale of these buildings, that also means that these tenants associations who are part of these portfolios will no longer be Veritas tenants or part of the VTA. Are the Ballast tenants organizing in San Francisco as well?

[00:18:57] **Brad Hirn:** Yes. During some of the peak years of pandemic, we actually helped tenants, in a number of Ballast buildings, organize and form tenant associations and attempt to create a Ballast Tenants Association, a BTA. And that actually got off the ground and then sputtered a little bit. So, I imagine what we'll be trying to do is regroup and restore that project.

I think I'll be also thinking through what does it look like for a tenant union that can somehow represent tenants of both these landlords. That would be outside the scope of the ordinance, but that's okay. Because the issues that the tenants face in the buildings of the 2 owners are just very similar.

There's a lot of common issues. And overlapping issues. We'll be needing to convene some multi building meetings, get people to help make some decisions on how they want to

structure themselves and figure out how we can build leverage, now across the 2 owners, I think.

[00:20:30] **Mathilde Lind Gustavussen:** I'm also curious about, more broadly, how this sale of a building affects tenants, what sort of rights do they have, and what do they need to know when their building is sold to a new corporate landlord or a new owner generally?

[00:20:45] **Brad Hirn:** We put out on our social media, not only the list of buildings affected, the exact addresses, but also your tenants' rights 101.

In short, tenants have, under the rent ordinance and if you're a rent stabilized tenant and that stuff and your building is being sold. You certainly don't need to move. You don't need to sign anything. You don't even have to fill out the estoppel. There might be a benefit to filling out the estoppel to codify verbal agreements that you've had with the prior owner, but it's not a requirement.

You don't need to sign a new lease, you remain under rent stabilization, and just cause eviction protections. In that sense, I think for a lot of tenants, it might just be like, oh, new owner, okay. Because it can feel like that. It can feel both, really nerve wracking, like, oh, what's the new owner going to do? And it can also be a very like, oh, it's just another new owner. I think our task is how we move tenants into the direction of seeing it as an opportunity to negotiate on issues that they want to bring up. And doing it at a moment in time when the new owner might be trying to set a good example or presents a positive first impression.

[00:22:16] **Mathilde Lind Gustavussen:** Just here at the end, last time you told us about some actions you were planning to carry out, including a concert and I think a cookout. Can tell us a little bit about how that went and what you have planned for the next month?

[00:22:29] **Brad Hirn:** We had to reschedule the concert, in part, because I got COVID. And there were some other logistical issues with getting a permit from the city and this kind of stuff. But it's most definitely still something that we're trying to put together for the fall. Maybe around the Halloween theme. And we're actually having a Bay Area tenant assembly this coming Saturday.

That's organized through a coalition that we're a part of called the Regional Tenant Organizing Network, and I'll be there with members of the VTA and some of our other tenant associations, and we'll be doing a workshop on building strike ready tenant unions. Trying to train with and practice with tenants, under other large landlords throughout the Bay, these concepts and skills around building towards rent strikes.

So that should be fun and exciting. And then I think, in October, we want to reboot the concert, do a big dinner or gathering with the members. A lot of these members have been through a lot just in the last few months. So, it's important to be able to take a night, a moment, and step back and just build camaraderie and break bread. And so, we want to make sure we make time for that.

[00:24:06] **Mathilde Lind Gustavussen:** All right. Thank you so much for coming back on the podcast, and we'll talk to you soon.



[00:24:14] **Brad Hirn:** Thank you so much. It was great to be here.

[00:24:19] **Outro:** For more information, visit our website, urbanpolitical.podigee.io.

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