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**Honorable Los Angeles City Council members**

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## **NEW LA ORDINANCE (180175) TARGETS "TOURIST" HOTELS AS THE ANSWER TO THE AFFORDABLE HOUSING CRISIS --**

But Relies On A Faulty "Survey" To Support The Decision  
And Fails To Consider The Numerous Problems For The Community

In a recently-passed ordinance by the Los Angeles City Council, many large and small hotels that currently provide overnight lodging to tourists and business travelers will now be forced to convert to "residential" hotels.

### **New LA Ordinance Allows LAHD To Designate Tourist Hotels as "Residential" Hotels:**

Specifically, LA Ordinance No. 180175 will allow the Los Angeles Housing Department (LAHD) to identify and designate hotels throughout the City as "residential" hotels, in which the elderly, disabled and low-income persons can live on a permanent basis. The LAHD is doing this without first seeking the input of the targeted hotel owners, the neighborhood residents, Los Angeles Police Department, Neighborhood Councils, or the local community of its decisions.

### **New LA Ordinance Includes "Findings," One of Which Relies On Faulty Information:**

The new Ordinance identifies various "findings" that support this decision to allow the LAHD to convert hotels into "residential" hotels, including the fact that there is a severe shortage of decent, safe and sanitary rental housing in Los Angeles, and this shortage most severely affects elderly, disabled and low-income persons. Further, as a result of removal of residential hotel units from the rental housing market, a housing emergency exists. While many of these statements are true, it appears that one of the keys findings is misleading, inaccurate, and relies on faulty data. One of the findings states that "[a]n additional survey of residential hotels billed for annual fees by LAHD in 2006, revealed that 87% of residential hotels did not request exemptions for tourist units." This so-called "survey" contains faulty data and is misleading.

### **The So-Called "Survey" Of Hotels Was A Billing Statement, And If Hotel Owners Objected To the Unfair Fees They Were Forced To Pay Money Or Risk Legal Prosecution:**

This "survey" referenced in the new LA Ordinance was actually sent by LAHD to all hotels (not just residential hotels) in Los Angeles in 2005. It appears that the purpose of the survey was to determine how many hotels had long-term guests staying in their rooms. As is common in Los Angeles and in cities across the country, guests sometimes stay in tourist or transient hotels for longer than 30 days. This happens if the guests have a lengthy business or construction project in the city, or if their home is under construction and they need a place to stay until it is finished. In the industry, such guests are often referred to as "extended stay guests." When an extended stay guest checks out of his/her hotel room after 30 days or so, the room is then again rented to tourists or business travelers on a daily basis.

In response to the "survey" that was sent by the LAHD to all hotels in Los Angeles, even if a hotel stated that no guests had stayed longer than 31 days at the site, the hotel owner would still receive a bill from LAHD for an "inspection" of each of the hotel rooms or units. The hotel owner would call the telephone number on the bill to object to this bill or raise questions about its contents, but no one from LAHD would respond. It has been reported that several hotel owners called the telephone number more than twenty (20) times, but LAHD refused or failed to respond and return their

calls.

To add further insult to injury, rather than hearing back from the LAHD about the questionable billing statements, the hotel owners then received threatening letters from the Los Angeles City Attorney's office, in which the owners were told to pay up or face legal ramifications. Many of the small hotel owners did not have the resources to hire an attorney to represent them, and simply paid the fees to make them go away.

Unfortunately, little did they know that by paying these questionable fees they would suddenly be included in the 2008 "survey" statistics contained in the new LA Ordinance that 87% of those surveyed did not ask for an exemption for tourist units – for the simple reason that they couldn't even get the LAHD to return their numerous phone calls about the unfair fees in the billing statement itself.

**Rather Than Trying To Resolve The Issues, When LAHD Was Confronted By These Facts About the Spurious Survey Results, They Told All Hotel Owners To Hire Lawyers:**

During a recent meeting with the LAHD General Manager Mercedes Marquez and Council Woman Jan Perry's Chief of staff Kathy Godfrey, the above facts concerning the billing statements, the failure of the LAHD to return numerous phone calls, and the threatening letters from the City Attorney's office to the hotel owners, were explained to them.

Sadly, rather than discussing the issues, and expressing a willingness to resolve the disputes, General Manager Marquez issued a shocking response -- she said that all hotel owners in Los Angeles should hire lawyers! Needless to say, the hotel owners never expected a high-ranking city employee to encourage them, as stake holders of Los Angeles, to seek legal representation. Indeed, this would be a waste of valuable resources if LAHD is now forcing the stake holders and the City itself to become embroiled in litigation concerning the unfair methods used by LAHD to support the new LA Ordinance.

**LAHD Admits That It Is Forcing Tourist Hotels To Become "Residential" Hotels So They Can Collect Government Funding For The Department:**

Remarkably, General Manager Marquez did not stop with her comments that all hotels should hire lawyers. She went on to explain that she is able to receive government funding for each affordable "unit" claimed by her department. In other words, the more tourist hotels she can suddenly force to become residential hotels, the more money she makes for LAHD.

**LAHD Has Not Been Up Front With The Public About The Cost Of These New Residential Hotel Units – Which Can Range From \$1,100 To \$3,000 Per Month:**

If General Manager Marquez believes that she will collect additional government funding for these new "residential" hotel units, this raises another question – as soon as a transient or tourist hotel is designated a "residential" hotel by LAHD, can the LAHD suddenly force the hotel to substantially lower its room rates so the rooms are considered "affordable"? The new LA Ordinance does not address this issue, but the truth of the matter is: there should not be any government funding given for hotel rooms that are not affordable to low income residents. As it now stands, LAHD has not been up front with the public about the cost of the hotel rooms that will be deemed "residential" units, and it has not been honest with the hotel owners about

its possible future plans to force them to offer substantially lower rates in the City.

Indeed, after passing the new LA Ordinance, the LAHD appears to be enforcing it on smaller hotels, many of which are owned by Asian American residents. The minimum price of a room in such hotels for a guest staying more than 30 days can be at least \$1,100.00 (or \$36.66 per day) in the underserved areas of Los Angeles. For the larger hotels in the downtown areas of Los Angeles, the price can exceed \$3,000.00 per month (or \$100.00 per day). For obvious reasons, this is not a sound method of providing "low income housing" in the City. However, LAHD is ignoring these facts, and is not listening to the hotel owners about such concerns.

**LAHD Has Not Sought Input From The Communities In Which Hotels Are Being Forced To Become Residential Hotels, Which Could Create Many Unforeseen Problems:**

In addition to not being up front with the public about the cost of these rooms in the newly designated "residential" hotels, LAHD has not sought any input from the communities in which the hotels are being forced to convert. If the purpose of creating these new residential hotels is to provide housing to the elderly, disabled and low-income persons on a permanent basis, this could create many unforeseen issues if such tenants suddenly move into neighborhoods without the current residents being informed or asked for their input.

**LAHD Failed To Answer Questions About Whether Residential Hotels Can Rent To Daily Guests, Which Will Have A Big Impact On Whether These Hotels Can Survive:**

During the meeting with General Manager Marquez, she did not answer questions about what happens if a hotel is forced to become a "residential hotel," and whether the hotel can still rent to daily guests. It goes without saying that many of the smaller hotels will be unable to survive if they are forced to rent only on a monthly basis to low-income tenants.

Indeed, these hotels are mainly owned by mom-and-pop operators, and they provide a clean, quiet, and comfortable night's stay for many tourists and business travelers in Los Angeles. These owners are residents of Los Angeles, and stake holders of this great City, but LAHD is refusing to hear them, and is disinterested in their future ability to provide services in the City.

**Once A Hotel Is Designated "Residential," The Same LAHD Staff Will Be Asked To Decide If They Were Wrong; The Chance Of Them Changing Their Minds Is Slim To None:**

As set forth in the new LA Ordinance, "LAHD will determine whether a building is a Residential Hotel." An owner of a residential hotel that alleges the building is not a residential hotel may file an appeal with LAHD within 60 days, and pay a \$605 fee. The hotel owner shall submit evidence with the appeal to support the appeal. The owner has the burden of proving by a preponderance of the evidence that the property is not a residential hotel.

Thus, when a hotel owner objects to being designated as a "residential" hotel, LAHD responds by asking them to copy thousands and thousands of pages of guest registration cards for the prior years to show that none, or very few, of their guests stayed longer than 30 days in the hotel. LAHD then issues a determination of the appeal, with the basis for the determination described therein. If a hotel owner disagrees with the determination, he/she can appeal the decision to a LAHD General

Manager's Hearing Officer. This again requires additional fees to be paid to LAHD.

Based on these provisions, it is clear that once a hotel is designated a "residential" hotel by LAHD, the same LAHD staff will then be asked to determine if they were incorrect, and the chance of them changing their minds is slim to none.

**The Mayor's Office Has Not Been Responsive To The Concerns Of The Hotel Owners:**

On January 27, 2009, approximately 150 hotel owners attended the Mayor's housing input session. Deputy Mayor Helmi spent thirty (30) minutes listening to these property owners express their concerns about the new LA Ordinance. She agreed to meet with them the following week. Unfortunately, in the weeks that have followed since the initial meeting, the hotel owners have not heard from her.

**Building & Safety Department Expressed Surprise That LAHD Is Not Filtering The List of Hotels Given To Them To Properly Determine If They Are "Residential" Hotels:**

In a recent conversation with the Building & Safety Department, they expressed surprise that LAHD is not filtering the list of hotels given to them to properly determine whether they are "residential" hotels. According to Building & Safety, if a hotel was built in recent years, the building permit would state "hotel." Many years ago, however, hotels were given a generic building permit with the description of "hotel, apt." In order to avoid problems with the Building & Safety Department and its issuance of hotel building permits, it appears that the LAHD is now targeting only the older properties that still have the "hotel, apt" description, and using the new LA Ordinance to force these hotels into "residential" hotels.

When the hotel owners explained to Chief of Staff Kathy Godfrey that the City of Los Angeles will lose the 14% bed tax if these properties are not fairly evaluated, she said she did not care. She stated the City needs affordable housing.

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While the new LA Ordinance is commendable to the extent it is trying to solve an affordable housing crisis, for all of the reasons discussed above, the methods LAHD to accomplish its purposes are unfair, unjust, and wrong.

The owners of the smaller hotels in Los Angeles are not operating "residential" hotels. These properties have ample parking spaces for tourists and business travelers, and do not have kitchen facilities in their rooms. Further, these hotels are not renting their guest rooms at a rate that is considered affordable housing in the City. Paying over \$1000 - \$3000 per month for a hotel room in Los Angeles is not affordable housing. The public is being misled, the hotel owners are in danger of losing their businesses, and the community should be outraged. It is time for LAHD and the Mayor's Office to address these issues in a candid and upfront manner, and work with the hotel owners to reach a solution that will benefit all.

**SUPPORTERS:**

- NORTH EAST LOS ANGELES HOTEL OWNERS ASSOCIATION
- ASIAN AMERICAN HOTEL OWNERS ASSOCIATION
- GREATER LOS ANGELES HOTEL/MOTEL ASSOCIATION
- TAIWANESE HOTEL ASSOCIATION OF SOUTHERN CALIFORNIA

**Contact:**

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