

LEGISLATIVE DIGEST

[Administrative Code - Hotel Conversion Ordinance Update]

Ordinance amending the Administrative Code to update the Hotel Conversion Ordinance, including: adding or refining definitions of tourist and transit use, comparable unit, conversion, and low-income household; revising procedures for permits to convert residential units; harmonizing fees and penalty provisions with the Building Code; eliminating seasonal short-term rentals for residential hotels that have violated provisions of the Hotel Conversion Ordinance in the previous year; authorizing the Department of Building Inspection to issue administrative subpoenas; and affirming the Planning Department’s determination under the California Environmental Quality Act.

Existing Law

The Hotel Conversion Ordinance (“HCO”), Administrative Code Chapter 41, regulates roughly 18,000 residential units within 500 residential hotels across the City. The HCO prohibits residential hotel operators from demolishing or converting registered residential units to tourist or transient use. The HCO defines conversion as eliminating a residential unit, renting a residential unit for a less than 7-day tenancy, or offering a residential unit for tourist or nonresidential use. The HCO allows seasonal tourist rentals of residential units during the summer if the unit is vacant because a permanent resident voluntarily vacated the unit or was evicted for cause by the hotel operator.

The HCO mandates that hotel owners or operators that wish to convert or demolish a residential unit must seek a permit to convert from the Department of Building Inspection (“DBI”). The permit to convert application process does not require submission of all the essential information that DBI needs to make a preliminary determination on an application, such as the location of the proposed replacement units and the last known rent of the units to be converted.

The HCO requires hotel operators to maintain records to illustrate compliance with the ordinance and to provide these records for inspection by DBI. DBI does not have administrative subpoena power to compel production if a hotel operator objects to providing records for inspection.

Amendments to Current Law

The proposed legislation defines tourist and transient use as the rental of a residential unit for less than 32 days to a party other than a permanent resident or prospective permanent

resident. The proposed legislation revises the definition of unlawful conversions to prohibit renting or offering to rent a residential unit for tourist or transient use. This change would allow hotel operators to rent residential units to existing or prospective permanent residents of the hotel—those who have resided or intend to reside in the hotel for more than 32 days—for any duration of tenancy. This will increase flexibility for residents who wish to establish or maintain permanent residency, but cannot afford to pay for an entire week’s rent at one time. The change also clarifies that residential units are reserved for residential use and cannot be rented for tenancies of less than 32-days to parties other than existing or potential permanent residents. Similarly, the proposed legislation would make it unlawful to offer a residential unit for a tenancy of less than 32 days to a party other than a permanent or prospective permanent resident. Hotel operators would be able to advertise residential units to travelers or other parties that do not intend to make the City their permanent home, but the operator cannot offer the unit for a tenancy of less than 32 days.

The proposed legislation would eliminate seasonal tourist rentals of vacant residential units for hotels that have violated any provision of the Chapter in the last calendar year.

The proposed legislation would update the requirements for permit to convert applications, by mandating that applicants provide information about where replacement units will be located and the most recent rental amount for the units to be converted.

The proposed legislation would authorize DBI to issue administrative subpoenas to compel production of records where a hotel operator objects to producing them for inspection.

The proposed legislation also updates the penalty provisions and amounts for: insufficient and late filing of annual unit usage reports, failure to maintain daily logs, and unlawful conversions. The proposed legislation revises the administrative costs provisions to harmonize with the applicable Building Code cost provisions.

Background Information

The HCO was first enacted in 1981. The HCO’s purpose is to “benefit the general public by minimizing adverse impact on the housing supply and on displaced low income, elderly, and disabled persons resulting from the loss of residential hotel units through their conversion and demolition.” The HCO includes findings that the City suffers from a severe shortage of affordable rental housing; that many elderly, disabled and low-income persons reside in residential hotel units; that the number of such units had decreased by more than 6,000 between 1975 and 1979; that loss of such units had created a low-income housing “emergency” in San Francisco, making it in the public interest to regulate and provide remedies for unlawful conversion of residential hotel units; that the City had instituted a moratorium on residential hotel conversion effective November 21, 1979; and that because tourism is also essential to the City, the public interest also demands that some moderately priced tourist hotel rooms be available, especially during the summer tourist season.

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The Board last amended and updated the provisions of the HCO in 1990. The proposed legislation is designed to update key provisions and clarify the application of the HCO in response to issues that have arisen over the last 26 years.

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