

REVISED LEGISLATIVE DIGEST
(Substituted, 12/6/2016)

[Administrative Code - Update Hotel Conversion Ordinance]

Ordinance amending Administrative Code, Chapter 41, 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; adding an operative date; 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 requires hotel owners or operators who wish to convert or demolish a residential unit to 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 demonstrate 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. 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.

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 requiring that applicants provide information about where replacement units will be located and the most recent rental amount for the units to be converted. The updated definition of “comparable unit” would also require any replacement housing to be the same category of housing as the residential unit being replaced, and affordable to a similar resident, including the disabled, elderly and low income tenant.

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.

The legislation would apply to any residential hotels that have not procured a permit to convert on or prior to December 1, 2016.

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, making it in the public interest to regulate and provide remedies for unlawful conversion of residential hotel units.

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.