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Hotels Face Increased Regulations

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DECEMBER 4, 2023

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Hotel: The Hilton property near Universal Studios.

Hotel operators in the city of Los Angeles may not be pleased about a new requirement that they get a police permit, but several expressed relief that they apparently will not be required to house the homeless as the result of a Los Angeles City Council decision last week.

“We are a family hotel next to a theme park, and housing the homeless would cause many of our guests to think twice about taking a room here,” said **Sun Hill Properties** President and Chief Executive Officer **Mark Davis**, whose company owns the 495-room **Hilton Los Angeles Universal City Hotel**, the largest inn in the San Fernando Valley.

“A number of studies were done in which potential guests stated that they would not be comfortable if the measure were to be adopted,” said Davis. “Our hundreds of team members at the hotel would also be at risk since no screening measures would be put in place to prevent mentally ill people and/or drug users from receiving vouchers.”

He was referring to a union-sponsored measure that, if approved by voters, would have forced hotel operators in the city of Los Angeles, including most of the San Fernando Valley, to fill their vacant rooms with homeless individuals in exchange for payment from the city.

The initiative known as the Responsible Hotel Ordinance is expected to be removed from the March ballot because the City Council voted 14-0 last week to approve a revised version that makes the policy voluntary.

However, the revised version adds regulations for current operators and future hotel development. Operators will have to get a police permit as part of an effort to crack down on “party houses” at short-term rentals, and hotel builders will have to replace any housing they destroy.

A last-minute solution

On Nov. 1, City Council President **Paul Krekorian** proposed a draft ordinance as an alternative to the union initiative to force hotels to take in the homeless, with **Unite Here** Local 11 agreeing to remove the original measure from the ballot if it was adopted.

Hotel operators were particularly alarmed by that initiative because there were no restrictions on individuals with mental illness or substance use disorders, and security and care for those housed would not have been provided by the city.

Many like Davis also pointed to problems with the city’s previous Project Roomkey program, which put homeless people in hotels during the pandemic, noting issues of property damage, drug use and violence.

“I know of at least one hotel that’s no longer in business because of it,” said Davis.

Northeast Los Angeles Hotel Owners Association President **Ray Patel**, who owns the 24-unit limited-service hotel the **Welcome Inn** in Los Angeles, also had concerns. Limited-service hotels generally offer more budget-friendly rates in exchange for fewer amenities.

“Mixing the unhoused with corporate travelers and tourists without wraparound services would hurt everyone’s business, especially those in the limited-service market,” said Patel, adding that limited-service operations would likely see a larger influx of the homeless due to their lower rates.

Krekorian’s alternative that was approved struck the public vote on the mandatory homeless program but it includes a voluntary hotel voucher program for operators who wish to house the homeless.

However, the new measure requires hotel developers to fully replace any housing that is lost due to construction.

Finally, hotel and short-term rental operators that utilize platforms such as **Airbnb** will be screened for prior criminal activity and will be monitored

The hotel and short-term rental operators will be mandated to obtain annual permits from the Los Angeles Board of Police Commissioners, which can be revoked due to public nuisance and safety complaints.

Prior to the vote, a last-minute amendment was added by Councilman **Marqueece Harris-Dawson** instructing officials to report back in 45 days on possible alternatives to police permits for those operating short-term rentals.

Fight against permitting

While many like Davis are grateful that the homeless portion is now voluntary, they’re disappointed that a compromise could not be reached on the issue of police permits.

Instead of having the police permitting regimen, Davis said, the hotel industry – which employs 117,000 in L.A. and provides millions in city tax revenue – would prefer using the community policing model via the Community Police Advisory Board.

“These programs are already in existence and fully funded. They are an open forum format to work with LAPD to resolve issues in the community. These meetings would provide all stakeholders an opportunity to address safety and quality of life issues.

“There are no fees or fines associated with the CPABs,” said Davis.

“It’s a win for all. Hotel industry leaders continue to advocate for common sense solution-based governance versus any ulterior motive at the expense or endangerment of the workers,” Davis added.

Patel of the hotel owners association is adamant that the “police have no business regulating the hotel industry.”

However, he expects a period to be granted to existing operators in which they will be exempt from the permit requirement.

“We will be meeting with city officials in the coming days to work out the time frame,” said Patel.

Differing perspectives

Kurt Petersen, co-president of Unite Here Local 11, which represents over 32,000 hospitality workers in Southern California and Arizona, said the ordinance accomplishes the union’s goals of protecting housing and preserving a living wage while holding “hotels accountable for helping to solve the housing crisis” by requiring hotels to replace any housing units destroyed in the construction of new hotels.

“L.A. is experiencing a dramatic increase in hotel development, with over 100 hotels under construction or in planning,” said Petersen.

“Many of our members already can’t find housing they can afford near their jobs and are forced to travel long distances. This proposal ensures a one-on-one replacement for any homes lost due to hotel construction,” added Petersen.

Sarah Wiltfong, director of advocacy and policy at the **Los Angeles County Business Federation** said the ordinance is a “victory” for city of Los Angeles hotels as the ballot initiative to force hotels to take in the homeless risked hotel employees’ safety, making them “the first line of care for temporary homeless shelters.

“The council’s ordinance, and the anticipated pulling of the ballot measure, ensure that our hotel community can thrive and continue to provide excellent careers and economic benefits to Los Angeles.”

Still, she admits it’s not a perfect solution.

“The ordinance contains a number of regulations that will make it harder for hotels to be built in the area and may cause developers to look elsewhere,” said Wiltfong.

Fred Gaines, founding and managing partner of the law firm **Gaines & Stacey** in Woodland Hills and chair of the **Valley Economic Alliance** said the revised ordinance contains a number of wins for the union.

“While hotel owners will no longer be forced to house the homeless, the new rules for hotel construction will likely mean most developers will have to agree to unionize in order to get their projects approved,” said Gaines.

Trend to regulation

While operators appear to have dodged a major bullet, the initiative is far from the first one to be aimed at the industry. In fact, in recent years a series of potentially business-strangling regulations have been proposed, and in many cases imposed, with Unite Here often leading the charge.

Higher wages, employee retention requirements, and square footage limits on the amount of space that an individual employee can clean each day without receiving double time for the entire shift are just some of the mandates owners have been grappling with.

In many cases, union hotels covered by collective bargaining agreements are exempt from the new rules, with opponents arguing the ordinances are nothing more than a tool to force hotels to unionize.

“The tactic of lobbying for regulations that squeeze the hotel industry is a longtime practice utilized by Unite Here in which they propose something egregious in which the only way out is to unionize,” said Wiltfong.

In the case of the new square footage cleaning limits contained in the Hotel Worker Protection Ordinance, Davis said the motive is clear.

“We’ve always had our housekeepers gladly clean 12 to 14 rooms a day, but now as soon as they touch the ninth room they have to be paid double time for the entire shift.

“On average this costs us an extra \$120,000 to \$150,000 in labor costs each month,” said Davis. “Ironically, the union contacted many hotels, including mine, after it passed and told them that they would be exempt from the double-time rule if we would agree to organize.”

Strikes

In the meantime, the union continues to conduct a series of rolling strike actions at hotels around the city, with members calling for higher wages and better working conditions.

Litigation has also been a common mechanism employed to thwart the approval of non-union projects, said Gaines.

“I have represented several developers over the years in which lawsuits were filed and dropped in exchange for agreements to unionize workers,” said Gaines.

“Most of these suits are filed under the California Environmental Quality Act, but the issues raised had nothing to do with the environment,” Gaines said.

“L.A. is seeing a lot of hotel activity as the 2028 Olympics gets closer, but these roving strikes and other regulations advocated for by the unions certainly don’t make L.A. attractive to developers or visitors.”

Stuart Waldman, president of the **Valley Industry and Commerce Association**, agrees.

“I think the goal at the end of the day is to force all hotels to unionize,” said Waldman. “For some hotel owners, the costs of doing so are greater than the benefits of being able to opt out of the regulations.

“With this latest ballot measure the union was willing to burn down the whole house to achieve its goals,” Waldman added.

“With the recent regulations and the current environment, I can’t see why any developer would choose to build a hotel in L.A.

“At the end of the day building is the only solution for the homeless crisis,” said Waldman.