

Residential Hotel Proposed Inventory and Threshold

It is recommended that the ordinance establish a clear mechanism for measuring and setting goals. In order to accomplish this, it will be necessary to establish a base inventory of existing residential hotels so that future progress can be measured against today's inventory level. Although the City has performed a number surveys to establish an inventory in the past, these surveys contain conflicting information and are outdated. It is recommended that a new survey be performed.

One method recommended for establishing the base inventory would utilize the City of San Diego's Transient Occupancy Tax (TOT) records. The TOT ordinance, found in Chapter 3, Article 5, Division 1 of the San Diego Municipal Code, allows exemptions from the tax under two applicable circumstances: "when the Transient has exercised Occupancy or was entitled to Occupancy for one month or more;" or "when the total space rental charge...in a Hotel is twenty-five dollars (\$25.00) a day or less". These exemptions provide a direct correlation to the identification of Residential Hotels. Residential hotels typically serve low-income, non-transient persons. If commercial properties have been exempted from a substantial portion of their TOT obligation, it is likely that they are renting their rooms for purposes of long-term occupancy and/or at rates affordable to low-income persons. It is recommended that hotels that have been exempted from one-third or more of their TOT obligation be subject to further review by the Housing Commission upon their application to convert, rehabilitate, or demolish the property. In order to avoid any anomalies in this methodology, staff would recommend a further check before determining the final inventory. Property owners would be notified of their inclusion on the list. They would be given an opportunity to dispute their inclusion and provide sufficient justification for being removed from the list within a limited period of time. An example of justification may include an extended stay hotel catering to out-of-town executives that provides long-term occupancy but at rates unaffordable to low-income persons.

The base inventory established through this process is recommended to serve as a threshold for purposes of monitoring, setting goals, and to trigger some regulatory requirements. Goals should be reflected in the City's Housing Element and other policy documents. In order to ensure that the threshold reflects the growing population and need for affordable housing, a formula could be established so that the threshold gradually increases over time.

Over time the inventory is expected to increase through the construction of new Residential Hotel housing stock. The construction of new units would be closely monitored and counted to track the progress towards goals. Furthermore, in the event that the total stock of Residential Hotel Rooms falls below the threshold in any given year, further regulation of the stock could be triggered as described further in Attachment 3.