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AGENDA REPORT

TO: Members of the Rules and
Legislation Committee

FROM: Council President Lynette Gibson
McElhaney and Councilmember
Abel Guillén

SUBJECT: Advocating for Ellis Act Reform for
Residential Hotel Regulation

DATE: September 15, 2016

RECOMMENDATION

Council President McElhaney and Councilmember Guillén recommend that the City Council adopt a resolution urging the State Legislature and Governor to amend the Ellis Act (Government Code sec. 7060 et seq.) to permit all California cities to effectively regulate residential hotels.

EXECUTIVE SUMMARY

This resolution requests that the State Legislature and Governor amend the Ellis Act to provide Oakland, and other cities with populations under one million, the same ability to regulate residential hotels currently extended to cities with populations over one million. This amendment would permit Oakland the opportunity to preserve these important housing assets for low and extremely low income residents.

BACKGROUND / LEGISLATIVE HISTORY

Residential Hotels, also called Single Room Occupancy hotels, provide an essential housing option for low and extremely low income Oaklanders. These rooms are a vital source of housing because they do not require credit checks, proof of income, large security deposits or a long-term lease that may disqualify some from accessing other forms of long term housing. For many, the loss of a residential hotel room creates an undo hardship and may result in homelessness or permanent dislocation from the community.

In the wake of an unprecedented housing crisis, the demand high income/market rate units is placing pressure on owners to abandon this vulnerable population by converting the units to boutique hotel use, high-income rental or for sale condominiums. This would be disastrous for the approximately 25% of residential hotel tenants who have lived in their units for more than five years and would be displaced by such projects (See Appendix A). Additionally, the loss of this source of short term housing could lead to an increase in Oakland's already large and growing population of unsheltered individuals.

Item: _____
Rules and Legislation Committee
September 29, 2016



Respectfully submitted,



Council President Lynette Gibson McElhaney



Councilmember Abel Guillen, District 2

Prepared by:
Alex Marqusee, Legislative Analyst
Office of Council President McElhaney

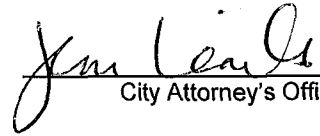
Appendix A: Downtown Oakland's Residential Hotels



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Approved as to Form and Legality


City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCIL PRESIDENT LYNETTE GIBSON MCELHANEY AND
COUNCILMEMBER ABEL GUILLÉN

RESOLUTION URGING THE STATE LEGISLATURE AND GOVERNOR TO AMEND THE ELLIS ACT (GOVERNMENT CODE SEC. 7060 ET SEQ.) TO PERMIT ALL CALIFORNIA CITIES TO EFFECTIVELY REGULATE RESIDENTIAL HOTELS

WHEREAS, residential hotels are often housing of last resort for the poor, especially in areas with extremely high costs of housing such as Oakland; and

WHEREAS, a number of economic forces, including the dearth of hotels and the high cost of new construction in Oakland, create incentives for developers to purchase residential hotels and repurpose them for non-residential rental uses, such as boutique hotels or dormitory style housing for affluent residents; and

WHEREAS, the loss of residential hotels in Oakland would exacerbate the already overwhelming burden on public and non-profit agencies that provide protective, social, health, psychological, nutrition, and other important and necessary services to the tenant population of such hotels; and

WHEREAS, the State Legislature passed the Ellis Act in 1985 to allow property owners to evict tenants in order to "go out of business" and to prohibit cities from compelling owners to continue to offer a property for rent; and

WHEREAS, in 2003, the Legislature amended the Ellis Act to exempt residential hotels from such a prohibition in San Francisco and in cities with populations over 1,000,000 (currently Los Angeles, San Diego and San Jose), thereby providing those cities with greater powers to protect tenants from evictions from residential hotels and to require continued residential use of residential hotels; and

WHEREAS, there is no public policy rationale that legitimizes providing greater tools to preserve residential hotels and protect hotel tenants to those four cities than to every other California city that shares the same economic conditions and threatened stock of residential hotels; now, therefore, be it

RESOLVED: That the City of Oakland hereby urges the State Legislature and Governor to amend the Ellis Act to exempt residential hotels in *all* California cities from the prohibition against local agencies compelling residential rental property owners to continue to offer their property for rent.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, CAMPBELL-WASHINGTON, GALLO, GUILLÉN, KALB, KAPLAN, REID AND
PRESIDENT GIBSON MCELHANEY

NOES -

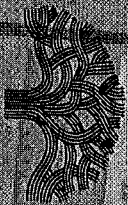
ABSENT -

ABSTENTION -

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California

Downtown Oakland's Residential Hotels

Cost
Characteristics
Challenges



52-6-14 STASIA Report Prepared by The City of Oakland California

Housing and Community Development Department

September 2015

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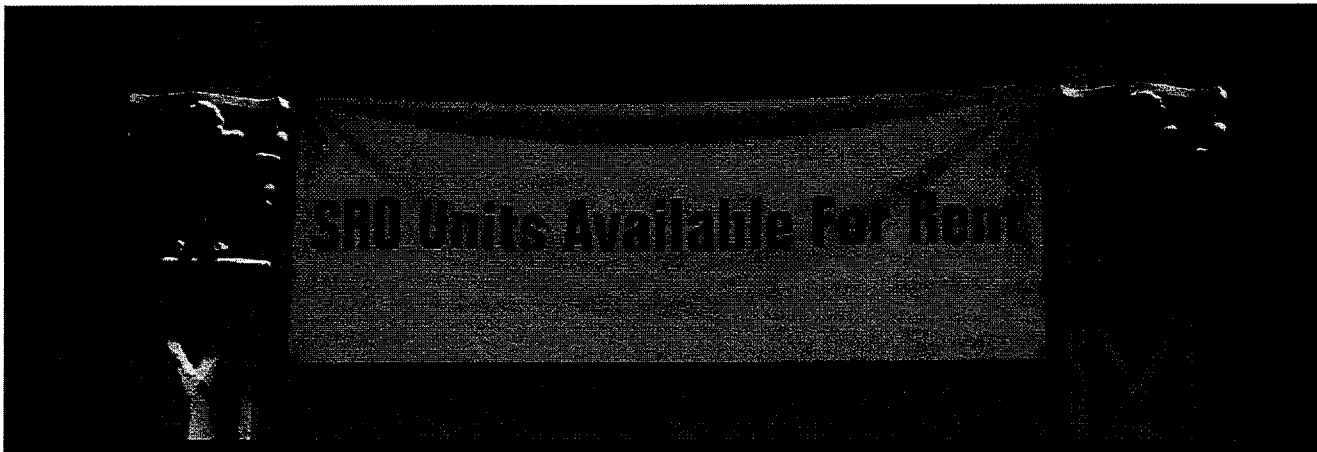
The Oakland Department of Housing and Community Development would like to acknowledge the following organizations for their assistance in providing information for this report: Alameda County Vector Control • Oakland City Attorney's Office • East Bay Asian Local Development Corporation (EBALDC) • East Bay Housing Organizations (EBHO) • Oakland Police Department • Office of San Francisco Supervisor Mark Farrell • Office of Oakland Council President Lynette Gibson McElheney • Resources for Community Development (RCD Housing)

Photos and text by Brian Warwick. Study overseen by Maryann Sargent, Housing Development Coordinator.

Figure 1

Downtown Oakland's Residential Hotels





A sign advertises "SRO Units Available For Rent" outside the Claridge. Vacancies are an anomaly among SROs currently—most residential hotels in Oakland are at or near full capacity.

About This Report

This report is designed to be a collection of useful information about downtown Oakland's residential hotels. It includes data such as occupancy rates and room fees, as well as relevant legal statutes and policies, and useful resources for further research. It is to be used as an introduction to Oakland's residential hotels rather than an exhaustive account. The report also includes a small sampling of how some other cities have chosen to approach their own single room occupancy hotels. It is not the purpose of this report to advocate for any specific policy or set of proposals, nor is the report intended to single out specific hotels for punitive action. Where evidence has pointed to crime, pests, or other problems at specific hotels, we have provided that information.

Previous reports were published by the Housing and Community Development Department in 1985 and 2004. This report's release is timed to coincide with Oakland's Downtown Specific Plan, which began the community participation process in the summer of 2015. It is our hope that this report provides a basis for community members, policy advocates, city officials, and the general public to engage in a meaningful debate about the ongoing role of Oakland's historic residential hotels.

The Terms "residential hotel" and "SRO" (Single Room Occupancy) are used interchangeably in this report.

Defining Residential Hotels

Residential Hotels, also called Single Room Occupancy hotels, or SROs, were constructed during late 19th and early 20th century to house transient workers. As the name implies, they are composed of a single room for residents. They are distinguished from studio or efficiency units in that they typically do not include a private bathroom or kitchen in the room. Historically, residential hotels have also differed from other dwelling units in the type of population that they house. Residential hotel tenants have traditionally been primarily itinerant male workers, rather than women, couples, or families.

Residential hotels do not typically require a security deposit, credit references, proof of income, or long-term lease agreement. For these reasons, residential hotels can provide housing for vulnerable populations with unstable finances or little access to credit. In recent decades, residential hotels have gained a reputation for entrenched poverty, crime, and prostitution. This report investigates these issues for residential hotels in downtown Oakland.

Despite being seen as housing of last resort, market-rate residential hotels are not necessarily an inexpensive form of housing. The cost of living in an SRO can rival or exceed that of traditional apartments. The tenants of residential hotels are also not necessarily tran-

sient. One quarter of Oakland residential hotel tenants have occupied their units for at least five years. Some residents have resided in the same building for more than twenty years.

Similar forms of housing, such as “extended stay” hotels, today often serve the same semi-permanent worker population that SROs once served. Oakland also has a number of motels built in the 1960s and 1970s that today house a primarily local population. While these serve a similar market to SROs, they can be distinguished from traditional residential hotels in a few ways: they are of more recent construction, they were originally built to serve tourists, and they nearly always contain private bathrooms and/or kitchen facilities. While worthy of study, the numerous motels on West MacArthur and elsewhere in Oakland are outside the scope of this report.

The terms residential hotel and SRO are used interchangeably in this report.

Previous SRO Studies

This study follows reports that were released by the City of Oakland in 1985, 1995, and 2004. The 1985 study was written at a time when SRO housing was rapidly being lost due to redevelopment. The city recognized that residential hotels were an important form of housing for people with few other options. The report led to policies meant to preserve Oakland’s SROs.

At the time of the 1985 report, there were 2,003 SRO units in the downtown area. (This study did not include the San Pablo corridor.) Today, there are 1,403 remaining SRO units downtown and along the San Pablo corridor.

The 1995 and 2004 studies are less extensive follow-up reports

Read the full 1985 and 2004 SRO reports at:
www.oaklandnet.com/

See the current rent restrictions for regulated affordable SRO units at:
<http://www2.oaklandnet.com/Government/o/hcd/s/Data/DOWD008693>.

to the 1985 study. (A survey was also conducted in 2009, but the results were never released.) Several SROs sustained structural damage during the 1989 Loma-Prieta earthquake, leaving hundreds of residents temporarily homeless. The 1995 report briefly describes the difficult process

of securing financing for structural repairs to SRO buildings, as well as replacement housing for those tenants displaced by the earthquake. The 1995 report identifies a high vacancy rate--an average of 28%--as a chief concern for SRO landlords.

The number of residential hotels in downtown Oakland has shrunk with each report. Some buildings have been demolished, converted to other uses or renovated into non-SRO dwellings. Just 18 SRO buildings remain in the downtown and San Pablo corridor area. While Oakland and other cities are currently experimenting with allowing construction of micro-apartments, the creation of new SRO units with shared bathroom and cooking amenities is virtually unheard of.

Despite these changes, there is a great deal of continuity at many of the hotels still in operation. The majority of the properties have not changed hands since the 2004 report. Some residents have occupied the same unit since prior to 1985. Two of the hotels that were singled out as havens for crime or mismanagement in the 2004 report were the Grand Hotel and the Menlo Hotel. Both of these are now in receivership by the City Attorney’s Office for these reasons. (The Menlo Hotel is now called the Empyrean Towers.)

The 2015 Survey

Oakland’s Housing and Community Development Department staff conducted the current survey during June and July of 2015. Staff visited hotels directly and spoke with managers or desk clerks to obtain the information. While the hotel staff seemed knowledgeable and the numbers provided were consistent with other available data, we cannot independently verify all of the information given. Nonprofit organizations were generally able to provide more detailed occupancy statistics because of record-keeping requirements.

Cost of Housing

On average, those hotels that accept daily guests charge \$62 per night. The SROs accepting weekly guests charge an average of \$251. The average monthly rate for those accepting monthly guests is \$676.

The average rates in 2002 were \$35 daily, \$199 weekly, and \$544 monthly. (These figures have not been adjusted for inflation.) After adjusting for inflation, daily rates have increased 34%. Weekly rates

have actually decreased 4.6%, and monthly rates have decreased 6.4% after adjusting for inflation.

Looking back to the 1985 study, the average rates then were \$18.50 daily, \$77 weekly, and \$246.50 monthly. Over the past 30 years, this represents an inflation-adjusted increase of 51% at the daily rate, 46% at the weekly rate, and 29% at the monthly rate.

Most residents of Oakland's SROs are permanent tenants. A full 85% of current residents have occupied their rooms at least one month, and 65% have been tenants for at least one year. An estimated 26% of residents have been tenants for five years or more.

Several hotels do not accept new guests on a monthly basis. Local residents who do not have permanent housing must shuttle around between different hotels every 30 days or less in order to comply with this policy. (Preexisting permanent tenants must be grandfathered in to this policy. For more information about tenancy regulations, see the "Relevant Legal Statutes for Regulation of SROs" chart.) The maximum stay for new guests at the Hotel Travelers, for example, is 28 days. Because the weekly rate at the Hotel Travelers is \$270, the effective monthly rate is \$1,080 per month. This is a full 50% higher than the average monthly rate for those that do accept monthly guests.

Permanent residents of SROs do not necessarily pay the market average for rent. Oakland's rent adjustment ordinance limits rent increases for permanent residents to the cost of inflation. Depending on when a resident has moved in, market rents may have increased faster than inflation, and the resident may thus be paying below-market rent.

An individual paying more than 30% of his or her gross income in rent is typically clas-

Table 1

Downtown Oakland's Residential Hotels

	Hotel	Address	Total			
			Total Units	Available Units	Occupied Units	Occupancy Rate
1	Avondale Hotel	540 28th St	55	55	55	100%
2	The C.L. Dellums	644 14th St	72	72	70	97%
3	Claridge (formerly Ridge Hotel)	634 15th St	197	197	130	65%
4	Empyrean Towers (formerly Menlo Hotel)	344 13th St	96	96*	96*	unknown
5	Fremont Hotel	524 8th St	41	39*	39*	unknown
6	Grand Hotel (formerly Palm Hotel)	641 W. Grand Ave	77	32	32	100%
7	Harrison Hotel	1415 Harrison St	81	81	78	96%
8	Hotel Travelers	392 11th St	70	65	65	100%
9	Lakehurst Residential Hotel	1569 Jackson St	120	120	95	79%
10	Madrone Hotel	477 8th St	31	23	23	100%
11	Malonga Casquelourd Center for the Arts (formerly Alice Arts Center)	1428 Alice St	75	75	45†	60%†
12	Milton Hotel	1109 Webster St	40	20	20	100%
13	Old Oakland	805 Washington St	37	35	35	100%
14	San Pablo Hotel	1955 San Pablo Ave	144	144	137	95%
15	Silver Dollar Hotel	2329 San Pablo Ave	20	20	18	90%
16	Sutter Hotel	584 14th St	102	100	95	95%
17	The New Fern's Hotel	415 15th St	33	30	30	100%
18	Twin Peaks Hotel	2333 San Pablo Ave	20	20	9	45%
Totals			1311	1224	1072	88%

*Estimated number, based on visual observations or news accounts.
 † Recently renovated. Still in the process of securing tenants.

sified as "rent-burdened," and an individual paying more than 50% is classified as "severely rent-burdened." In order to not be rent-burdened, an individual would need to earn at least \$28,120 per year to afford the monthly rate. To afford the weekly rate on a yearly ba-

sis, an individual would need to earn \$40,160 per year. To afford the daily rate on a yearly basis, an individual would need to earn \$75,433. Area Median Income (AMI) in Alameda County is \$65,450 in 2015. A person earning 50% of AMI would bring home \$32,550 annually. Resi-

Table 2

2004 Residential Hotels

NO.	HOTEL NAME	NUMBER	STREET	TOTAL ROOMS	AVAILABLE ROOMS
1	Alendale Guest Home * †	278	Jayne Street	10	10
2	Alice Arts Center	1428	Alice Street	74	74
3	Asasha Hotel *	2541	San Pablo Avenue	Closed	N/A
4	Avondale Hotel	540	28th Street	52	52
5	Aztec Hotel	583	8th Street	59	59
6	C.L. Dellums Apartments	644	14th Street	72	68
7	California Hotel	3501	San Pablo Avenue	149	149
8	Fern's Hotel †	415	15th Street	32	31
9	Fremont Hotel	524	8th Street	38	38
10	Hamilton Hotel	2101	Telegraph Avenue	92	92
11	Harrison Hotel * †	1415	Harrison Street	90	89
12	Hotel Oakland	270	13th Street	315	315
13	Hotel Palm	641	West Grand Avenue	69	69
14	Hotel Travelers	392	11th Street	88	78
15	Hotel Westerner * †	1954	San Pablo Avenue	19	19
16	Jefferson Inn	1424	Jefferson Street	65	55
17	Lake Merritt Lodge	2332	Harrison Street	157	157
18	Lakehurst Residence	1569	Jackson Street	127	127
19	Madrone Hotel	477	8th Street	31	30
20	The Menlo	344	13th Street	96	96
21	Milton Hotel * †	1109	Webster Street	58	58
22	Moor Hotel *	2351	San Pablo Avenue	Closed	N/A
23	Oaks Hotel	587	15th Street	84	84
24	Old Oakland Hotel	805	Washington Street	38	37
25	Ridge Hotel	634	15th Street	200	200
26	San Pablo Hotel	1955	San Pablo Avenue	144	144
27	Silver Dollar Hotel *	2330	San Pablo Avenue	Unknown	Unknown
28	Sutter Hotel	584	14th Street	106	86
29	Twin Peaks Hotel	2333	San Pablo Avenue	20	20
30	Will Rogers Hotel *	371	13th Street	Closed	N/A
31	Hotel Royal *	2000	San Pablo Avenue	Closed	N/A
NO. OF SRO UNITS				2,285	2,237

dents of SROs would need to earn at least 45% of AMI in order to not be rent burdened living in an SRO.

Demographic data on sources of income for SRO residents indicates that most residents rely on Social Security and disability payments as their primary source of income. The income generated from such payments would put most residents below the 25% AMI threshold. This evidence suggests that the majority of SRO residents qualify as extremely rent burdened.

SROs and Nonprofit Developers

In recent years, some residential hotels have been acquired by nonprofit housing developers. These developers typically use state or federal tax credits and other subsidies to rehabilitate the property before leasing them out. Developers must adhere to a set of requirements when they accept tax credit funding: units are leased out on a yearly basis, with residents drawn from a countywide pool of qualified applicants. Occupancy is restricted to residents earning a certain percentage of Area Median Income, or AMI. (Typically, residents in a subsidized SRO unit can earn no more than 50% of AMI.) The rent for these properties is set by the Oakland Housing Authority. The units must remain affordable for a set period of time, depending on the source of financing. (See "Conversion Risk of Tax-Credit or Nonprofit-Owned Units" below for affordability expiration dates.)

A unit is regulated as an SRO under affordable housing requirements if it has neither a private kitchen nor a private bathroom. The Savoy Apartments and the California Hotel, for example, have been renovated and upgraded into studio apartments from SRO units.

Characteristics of SROs

We found a great deal of variation among SRO buildings, in terms of size, cost, quality, and population served. Among the chief distinctions:

- **Size** — The Claridge is currently the largest residential hotel, with 197 units. The Silver Dollar and Twin Peaks hotels, meanwhile, have only 20 units each.

- **Demographics** — The Fremont Hotel and Milton Hotel served an almost exclusively Chinese-American population, with few English speakers among the residents or the staff. A handful of the hotels serve populations with specific needs.

Our survey of hotel management did not include any questions about the race, gender, or origin of SRO residents. The Housing and Community

Table 3

2015 Residential Hotel Survey Results

	Number	Percentage
Hotels Receiving Tax Credits or Owned by Nonprofit Developer	5	28%
Market Rate Hotels	13	72%
Market Rate Hotels receiving bulk of clients through social service referrals	3	17%
Only accepts new residents less than 28 days	5	28%
Only accepts new residents for month/year leases	8	44%
Accepts Daily Rentals	4	22%
Accepts Weekly Rentals	6	33%
Accepts Monthly Rentals	13	67%
Rooms with private bathroom	482	34%
Rooms with private kitchen	133	9%
Buildings with common kitchen	6	32%
Buildings with private mailboxes for tenants†	9	47%
Landlords that accept Section 8 vouchers	7	42%
Rooms occupied for less than 1 month‡		15%
Rooms occupied for less than 1 year‡		17%
Rooms occupied for more than 1 year‡		65%
Rooms occupied for more than 5 years‡		26%
Average Daily Rate*	\$62	
Average Weekly Rate*	\$251	
Average Monthly Rate*	\$642	

*Some rent levels are set in accordance with Oakland Housing Authority requirements.

†Buildings without private mailboxes typically hold all mail at the front desk in individual slots.

‡Where known. Some respondents provided only rough estimates or did not disclose information.

Development Department was able to separately obtain detailed demographic data for 240 units, or 22% of all SRO residents. The residents of these units were 71% male and 28% female, in keeping with the traditional gender breakdown of SROs. Residents of these units identified as 66% black, 27% white, and 4.5% Asian. The majority of residents reported social security and/or disability benefits as their sole source of income, with a smaller group receiving pension payments or general assistance.

• **Needs** — Some buildings, such as the Lakehurst, the Avondale Hotel, and the Hotel Twin Peaks, primarily acquire tenants through referrals from social service agencies such as Bay Area Community Services (BACS). These tenants often have mental or physical disabilities limiting their ability to secure employment and housing. Unfortunately, most residential hotels do not offer onsite supportive services such as mental health professionals, medical staff, job training, or enrichment activities. The Lakehurst Hotel does employ a kitchen staff to serve two meals a day to residents, and the Hamilton Apartments, operated by Mercy Housing, offers Shelter Plus Care service. Moreover, many residents may be visited by social workers and other professionals independently of their relationship to housing.

• **Mail Delivery** — All of the hotels had some form of mail delivery for tenants. Roughly half had private mailboxes, while the other half kept tenant mail in individual slots maintained by the desk clerk. One hotel, the Silver Dollar, had a common slot for all mail delivery to the building.

• **Ownership Status** — Many of the hotels are privately owned. As mentioned above, however, nonprofit housing organizations have taken an increasing interest in acquiring residential hotels.

Not all buildings that receive subsidies are owned by nonprofits, however. The Claridge Hotel, whose affordability requirements expire in 2023, is privately owned. The Madrone Hotel is owned by a nonprofit housing developer and receives city rehabilitation funding but no state tax credits.

• **Management** — The majority of the residential hotels employ full-time staff during business hours to manage the property. There were a few exceptions. Staff was unable to reach a manager or desk clerk at the Silver Dollar Hotel, despite multiple attempts. Tenants reported that the management visits the building regularly but does not employ a desk clerk during business hours. (A tenant helped us complete the survey.) The Fremont Hotel also did not appear to have onsite management. City staff visited the hotel with a translator but were unable

to find a manager on duty or a knowledgeable tenant willing to discuss the hotel. Statistics for this hotel were compiled by observing visual clues, such as counting the number of mailboxes, and shoes at the entrance of rooms.

• **Occupancy Rate** — The average occupancy rate is 88% among residential hotels. This average was distorted by a handful of outliers. Buildings that received guests primarily through social service agency referrals tended to have a lower occupancy rate. The Malonga Casquelorde Center for the Arts (formerly the Alice Arts Center) recently completed a large renovation. Management at the hotel explained that their low occupancy rate is due to the fact that they are still in the process of leasing out units that are new to market. They expect to fill these vacancies shortly and be fully occupied. The Claridge Hotel is another outlier, with an occupancy rate of just 65%. Staff at the hotel gave vague responses about why the occupancy rate was so low; while insisting that they were all available for rent, they also made reference to the units being cleaned up due to damage from former tenants. Tax credit requirements state that a building’s management must make a “reasonable attempt” to fill any vacancies before allowing a unit to remain vacant or be filled by a market-rate tenant. The occupancy rate of all other affordable housing SROs is 98%.

• **Length of Stay** -- Some residential hotels rent only by the day and week, while others rent only by the month. Overall, 65% of dwellings accepted monthly rentals.

Under city law, guests who stay longer than 30 days are considered permanent residents. This entitles them to certain legal protections: they cannot be evicted without just

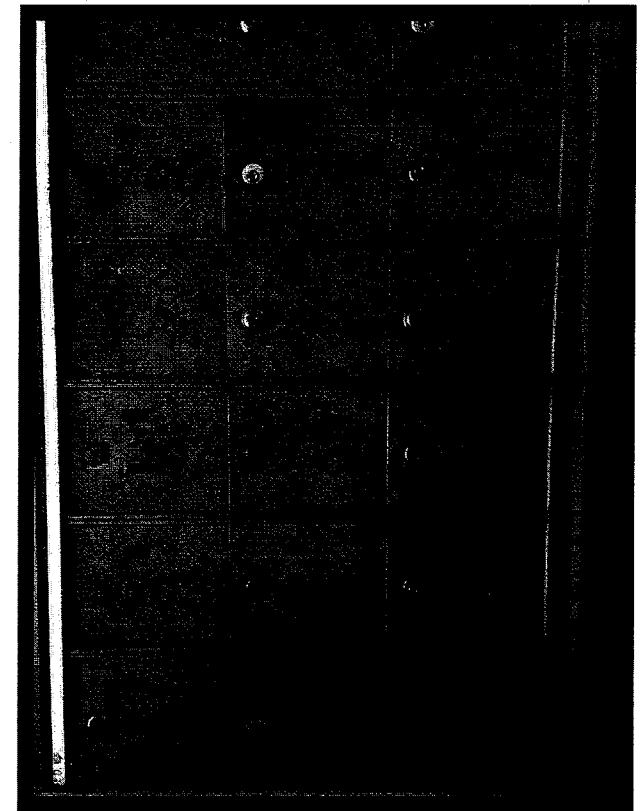
cause, and rent increases are tied to inflation. For this reason, some hotels have instituted a policy of not allowing new guests to stay more than one month (or 28 or 21 days, in certain instances). Long-term tenants at these hotels are grandfathered in as permanent residents, while new guests are limited in their stay. The Hotel Travelers is one such example--fifty of the seventy units are occupied by permanent residents, while the remaining units are dedicated to short-term rentals.

Table 4

Residential Hotel Demographics

	Number	Percentage of Total
Total Units Surveyed	240	22.4%
Female	67	27.9%
Male	170	70.8%
Black	154	64.2%
White	69	28.8%
Asian	9	3.8%
Other/Unknown/Multiracial	10	4.2%

Available data indicates that residential hotels continue to primarily serve single men, in keeping with historic patterns.



Private mailboxes at the Fremont Hotel. Roughly half of all SROs have private mailboxes, while the rest keep all mail behind the front desk, to be distributed by the desk clerk.

Loss of SRO Units

While the number of SRO units in Oakland continues to decline, the reasons for such loss are multifaceted. Many former SROs continue to house or serve low-income populations. The California Hotel, Oaks Hotel, Hamilton Apartments, and Jefferson Inn were renovated by nonprofit developers, with bathrooms and kitchenettes installed in each room. These upgraded apartments are no longer “single room occupancy,” but they still serve many of the same residents. Other properties have been converted into housing with onsite supportive services. Operation Dignity, a transitional home for veterans, is at the site of the former Aztec Hotel.

Where residential hotels are extensively renovated, some loss of units is customary in order to provide more space and amenities. The Lake Merritt Lodge, for example, was rehabilitated to provide student housing for the Hult International Business School. It now has 97 rooms instead of its former 157.

As Oakland gentrifies, rumors have spread about investors making plans to renovate residential hotels in order to market them to wealthier customers. In May of 2015, the San Francisco Business Times reported that Hotel Travelers may soon be converted to an upscale boutique hotel. (See “Oakland’s Residential Hotels in the News” on page 11 for more information.) Sutter Hotel management has also expressed to city staff their interest in converting their building to upscale apartments. While other cities have adopted ordinances to preserve SROs as low-income housing, Oakland currently has no such laws on the books.

The Moor Hotel, pictured on page 13, has been shuttered for over a decade. While the reasons for the property’s long-term closure are unknown, this is consistent with the practice of land banking, in which an owner will hold on to a property purely for its speculative value.

Table 5 What Has Happened to Former Residential Hotels?

SROs in Operation in 2004	Address	Former Units	Current Units	Current Use
Alendale Guest Home	278 Jayne Ave	10	unknown	Market-rate apartment rental units.
Aztec Hotel	583 8th St	59	58	Transitional Home for Veterans.
California Hotel	3501 San Pablo Ave	149	137	Affordable housing apartments with private kitchens and bathrooms.
Hamilton Apartments	510 21st St	160	92	Shelter Plus Care affordable housing operated by Mercy Housing. Private kitchens and bathrooms for all residents.
Hotel Westerner	1954 San Pablo Ave	19	n/a	Demolished. Parcel was incorporated into larger market-rate apartment project (The Uptown).
Jefferson Inn	1424 Jefferson St	65	101	Savoy Apartments, a project-based Section 8 development with private kitchens and bathrooms.
Lake Merritt Lodge	2332 Harrison St	157	97	Student Housing for Hult International Business School.
Oaks Hotel	587 15th St	85	n/a	Combined with Jefferson Inn to form Savoy Apartments.
SROs Closed Prior to 2004	Address	Former Units	Current Units	Current Use
Asasha Hotel	2541 San Pablo Ave	unknown	20	Project Pride, a development for women in recovery with children.
Hotel Royal	2000 San Pablo Ave	unknown	n/a	Alameda County Social Service Center office.
Hotel Touraine	559 16th Street	108	52	Henry Robinson Multi Service Center, providing transitional housing and supportive services for the homeless. Each unit has individual restrooms.
Moor Hotel	2351 San Pablo Ave	unknown	n/a	Vacant building.
Will Rogers Hotel	371 13th St	96	63	Clarion Hotel, a tourist hotel.
Totals*		908	620	

*Totals are approximate. Because the number of units at some hotels is unknown, actual totals are higher.

Table 6 Expiration Year of Regulated Affordable Units

Name	Address	Expiration Year
Claridge	634 15th Street	2023
San Pablo Hotel	1955 San Pablo Avenue	2024
Harrison Hotel	1415 Harrison Street	2026
C.L. Dellums	644 14th Street	2068
Madrone Hotel	477 8th Street	2069

The Claridge, which is no longer owned by an affordable housing developer, is likely to be converted to a more upscale use upon expiration of its affordability requirements in 2023.

Residential Hotels and Pests

The most common pests found at residential hotels are bedbugs, cockroaches, mice, rats, fleas, lice, and flies. Vector Control of Alameda County handles all complaints of pests within dwellings in Oakland. Upon receiving a complaint or request for investigation, Vector Control visits the property to assess the problem. Vector Control does not exterminate pests, but rather recommends an abatement plan for the owner. The agency records if and when the problem is abated, although they have no enforcement power for non-compliant properties.

Vector Control keeps records of each complaint logged since 2007. Residential hotels accounted for a disproportionate number of complaints to Vector Control during that time period. SROs accounted for 253 of the roughly 2800 total complaints registered within Oakland from January 2007 through July 10th of 2015. In other words, just 18 buildings—less than 1% of the total dwelling units in Oakland—account for over 9% of vector control complaints.

Going further, a small number of SRO properties account for a disproportionate number of SRO vector control problems. The Claridge Hotel accounts for more than one-third of SRO vector control complaints from 2007 to June 2015, and just under one-third of all SRO complaints for the period from 2014 to June 2015. The Claridge is Oakland's largest SRO, with 197 units, but this figure is still high when divided

Vector Control SRO Complaints			
Table 7 1/1/2007-6/10/2015			
Hotel Name	Complaints, 2007 to 6/10/15	Total Units	Complaints Per 100 Units (Weighted Average)
Silver Dollar Hotel	11	20	55.0
New Fern's Hotel	13	33	39.4
Claridge	73	197	37.1
Old Oakland	11	37	29.7
Grand Hotel	22	77	28.6
Sutter Hotel	19	102	18.6
Avondale Hotel	9	55	16.4
Empyrean Towers	15	96	15.6
Hotel Travellers	10	70	14.3
Madrone Hotel	4	32	12.5
San Pablo Hotel	18	144	12.5
Harrison Hotel	10	81	12.3
Lake Merritt Lodge	11	157	7.0
Lakehurst Hotel	10	120	8.3
Hamilton Apts	7	92	7.6
C.L. Dellums	5	72	6.9
Fremont Hotel	2	41	4.9
Center for the Arts	3	75	4.0
Hotel Twin Peaks	0	20	0.0
Milton Hotel	0	40	0.0
Totals and Averages	253	1561	16.2

by the total number of rooms.

Since 2010, there has been a dramatic rise in the number of complaints regarding bedbugs at residential hotels. This is a reflection of a wider phenomenon; bedbugs have re-emerged as a nuisance pest across the globe in recent decades. Bedbugs can contaminate furniture, clothing, and accessories undetected, making containment especially difficult. Because hotels host a transient population, they can transmit bedbugs easily if not treated aggressively.

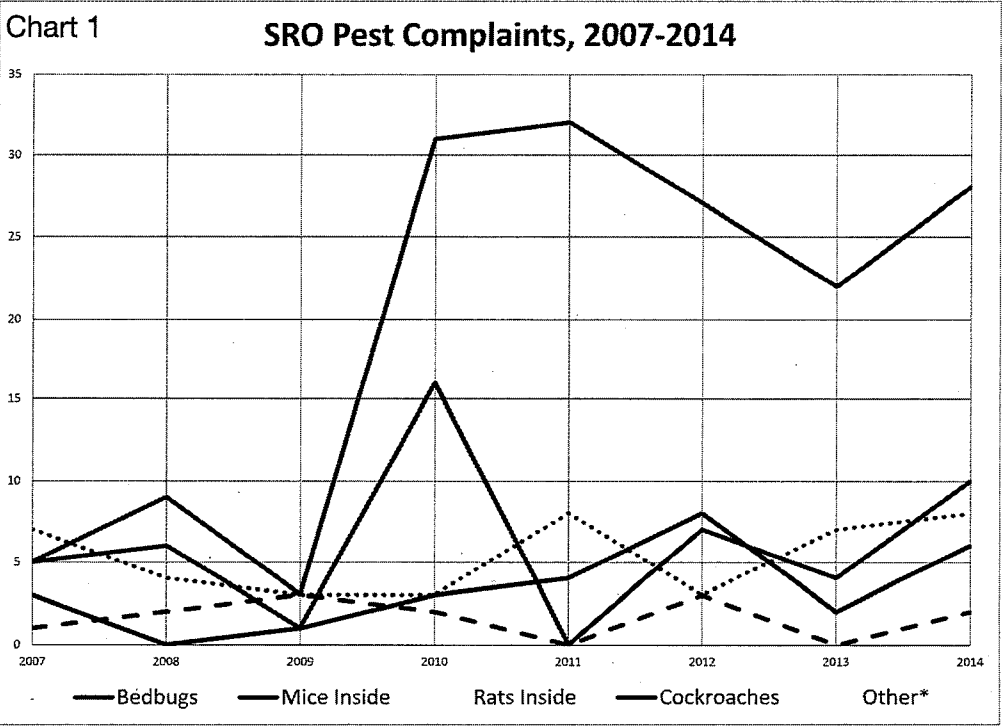
A word of caution must be given regarding the interpretation of these figures. Because vector control's records are based on resident complaints, they are not necessarily a precise representation of the pest problems in SROs. A single outbreak may induce multiple complaints, while a persistent pest problem may go unreported for years. Many SRO residents lack access to a telephone or internet service and may not have a convenient way of contacting the proper authorities. Others may be uncomfortable acting as advocates for themselves if management is hostile to remediation. Still others may see Vector Control as an unwanted intrusion and not allow agents to investigate their rooms for outbreaks. Bedbugs can thwart even the most well-meaning of landlords. A high number of requests may indicate a severe problem, or it may indicate that the owner is seeking to aggressively treat an outbreak.

Table 8 **Vector Control SRO Complaints By Type and Year**

Year	Bedbugs	Mice Inside	Rats Inside	Cockroaches	Other*	Total
2007	5	3	1	5	6	20
2008	8	0	2	6	4	20
2009	3	1	3	1	3	11
2010	31	3	2	16	3	55
2011	32	4	0	0	8	44
2012	27	8	3	7	3	48
2013	21	2	0	4	7	34
2014	24	6	2	10	8	50
Total	151	27	13	49	42	282

Note: Totals exceed 253 because some complaints addressed multiple problems.

**"Other" may include bats, opossums, pigeons, rats outside, mice outside, lice, and larval flies.



The number of bedbug complaints at SROs jumped sharply in 2010 and has remained elevated, while other types of pest complaints have remained flat.

Table 9 **Vector Control SRO Complaints 1/1/2014 - 6/10/2015**

Hotel Name	Complaints, Per 100 Units	
	1/1/14-6/10/15	Total (Weighted Average)
Silver Dollar Hotel	4	20.0
Old Oakland	6	16.2
Claridge	18	9.1
Sutter Hotel	6	5.9
Empyrean Towers	4	4.2
Harrison Hotel	3	3.7
Madrone Hotel	1	3.1
New Fern's Hotel	1	3.0
Malonga Casquelourd Center for the Arts	2	2.7
Grand Hotel	2	2.6
San Pablo Hotel	3	2.1
Lakehurst Hotel	2	1.7
Avondale Hotel	0	0.0
C.L. Dellums	0	0.0
Fremont Hotel	0	0.0
Hotel Travelers	0	0.0
Milton Hotel	0	0.0
Hotel Twin Peaks	0	0.0
Totals and Averages	52	4.0

The New Fern's Hotel has shown a dramatic reduction in the number of pest complaints in recent years. Complaints from the Silver Dollar and Claridge Hotels, on the other hand, suggest that pest infestations at these hotels have not yet been abated.

Residential Hotels and Crime

Residential hotels have become associated in the public consciousness with crime. Nearly all of the residential hotels in Oakland had numerous security features intended to address this issue. Surveillance cameras were omnipresent at SROs; most hotels had surveillance cameras installed at all entryways, lobbies and hallways throughout the buildings. The desk clerks can monitor all activities through a closed-circuit television screen installed at the front desk station.

The desk clerks at most hotels were stationed behind a window of thick glass. Most SROs kept the front door locked even when a desk clerk was on duty. The desk clerks at these hotels could buzz in visitors remotely. If a desk clerk was not on duty, the hotel was locked and closed to visitors.

The Oakland Police Department (OPD) identified drug use and sales, drunk in public charges, public disturbances caused by mental health issues, and to a lesser extent, prostitution, as the chief problems originating from SROs. Assault and domestic violence calls were less common.

The San Pablo corridor, which includes the Silver Dollar and Twin Peak hotels, was identified as a hotspot of criminal activity. The intersection of 14th Street and Martin Luther King was noted as a hub of prostitution (specifically, transgender prostitution). This has been the case for decades, and may not be solely attributed to residential hotels; the combination of several freeway exits and rooms for rent in a low-income neighborhood long associated with prostitution may all be contributing factors.

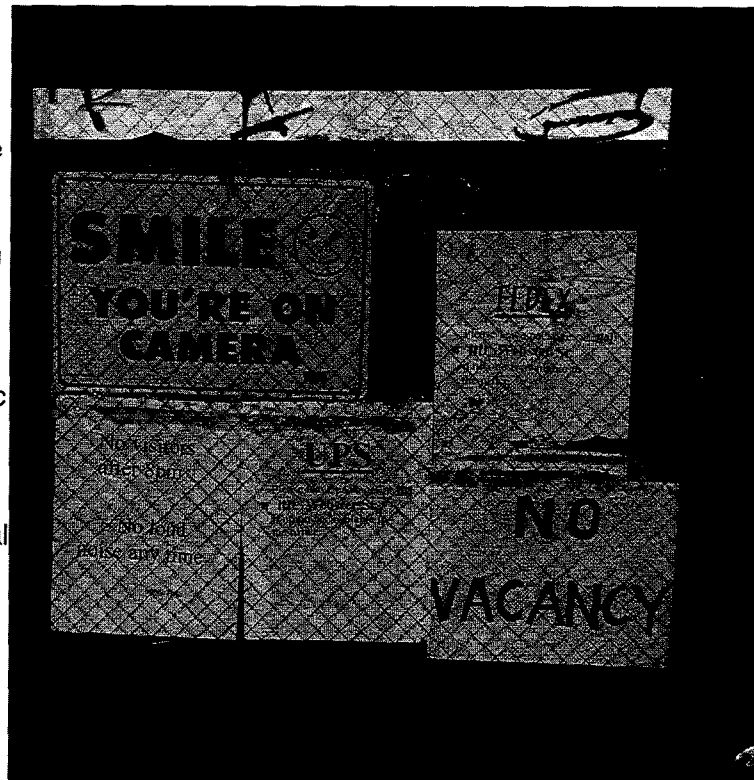
The Harrison Hotel was identified as

having a problem with loitering and drinking in public, especially in front of the liquor store adjacent to the hotel. The 2004 SRO study similarly identified the Harrison Apartments as a hub of loitering. The Harrison Apartments are owned by Resources for Community Development (RCD), a nonprofit housing developer. An asset manager at RCD reported that the organization is aware of the loitering problem outside the hotel. The asset manager attributed the problem partly to the fact that residents have few other options for where to go; the

units are very small and lack amenities, there is no lobby or common area at the hotel, and there is little public space in the direct vicinity of the hotel. The manager also reported that RCD has considered hiring additional onsite security, but the slim operating margin of the hotel does not allow room for the added expense.

Police officers are limited in terms of what kinds of enforcement activities they can undertake. The Oakland Police Department has fewer police officers than most cities of its size and has therefore chosen to prioritize enforcement of violent crimes over other crimes. Moreover, with the passage in 2014 of California Proposition 47, minor drug possession has been reclassified as a misdemeanor. A person found with drugs will be cited and released, rather than being arrested and imprisoned. Due to the extensive paperwork required to cite someone found with a small amount of drugs, OPD indicated that it was usually not worth the paperwork to aggressively confront these violations.

The Oakland Police Department also observed that the presence of upscale new apartment buildings has amplified friction between different social classes, often leading to complaints. Affluent new residents in nearby apartments and condominiums have frequently called the police over activity that would not have warranted investigation previously. The Jade Apartments, next door to the Claridge Hotel, were identified as a source of frequent complaints about low-level offenses nearby.



Nearly all residential hotels have "no loitering" signs, surveillance cameras, and heavily secured entrances and exits.

The Claridge has taken several steps to curb criminal activity within its building. They now require all non-resident guests to sign in at the front desk, and they conduct extensive video surveillance. Management has gone so far as to broadcast classical music within the lobby in an attempt to discourage loitering. Some community members speculate that this has simply driven criminal activity into the street, where it is more visible to neighbors.

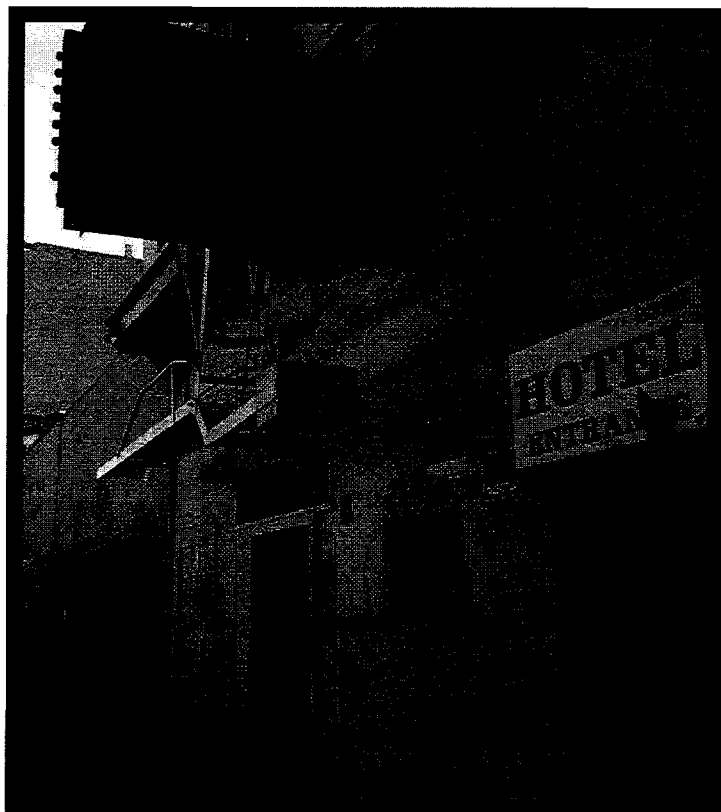
OPD reported very few complaints with regard to the Lakehurst Hotel, which primarily receives tenants through social service referrals. Similarly, the department reported very few issues having arisen at the Hamilton Apartments, a former SRO that now offers studio units and supportive services for residents with mental disabilities.

Police officers did not endorse conversion and displacement as a practical solution to some of the problems of SROs. In the words of one officer, "If you kick them out, they become homeless, and we already have a huge homeless population on our hands."

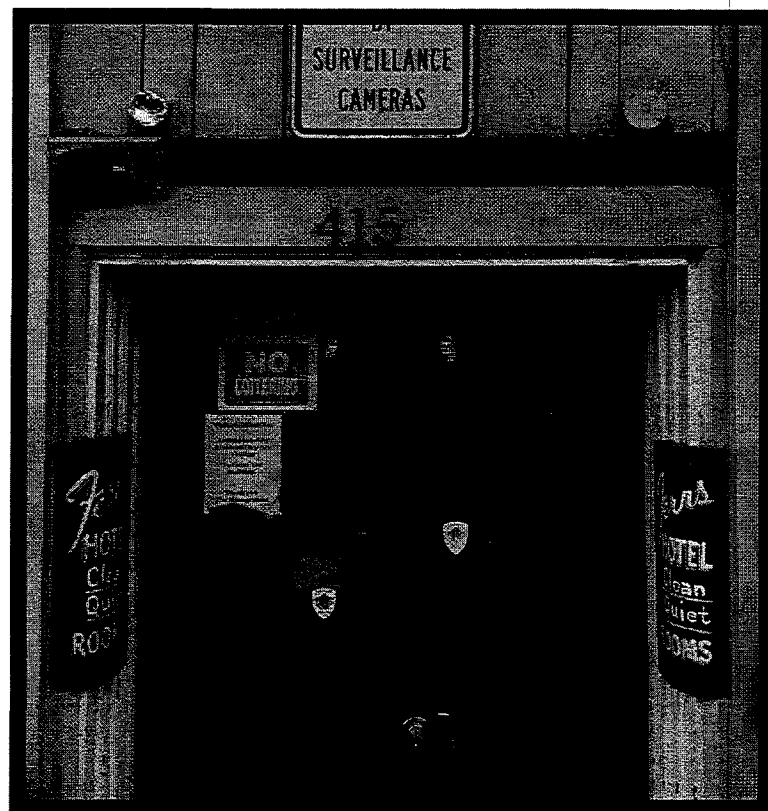
Visitor Fees

Some hotels charge a small fee (typically \$5 to \$10) to residents who bring guests into his or her room. Because questions about visitor fees were not included in the hotel survey, it is not known how widespread the practice is; however, at least one hotel, the Sutter, has previously indicated to city staff that they do charge the fees. The reason for such fees is a matter of dispute. Online resources such as Wikipedia report that visitor fees are a way for hotels to tacitly condone and profit from drug dealing or prostitution among residents.¹ The Sutter Hotel, however, firmly insists that they were in fact directed to charge the fees by the Oakland Police Department, as a way of preventing illegal activity. The beat police officer for the area was unfamiliar with the practice of visitor fees and was not aware of any directives by the police department in this regard.

¹ Single room occupancy. (2015, June 14). In Wikipedia, The Free Encyclopedia. Retrieved 22:18, September 15, 2015, from https://en.wikipedia.org/w/index.php?title=Single_room_occupancy&oldid=666885917



Left: The Silver Dollar Hotel, at 2329 San Pablo Avenue, has been repeatedly identified as being associated with crime. The hotel also has a high rate of vector control complaints. Right: A sign warns, "THIS PROPERTY IS PROTECTED BY SURVEILLANCE CAMERAS" at the New Fern's Hotel.



Legal Actions

If a hotel or other dwelling is exhibiting a pattern of mismanagement, tolerance of crime, or other nuisance behavior, the City Attorney's Office may choose to take legal action. Operating agreements and receivership are the two main forms of legal action available to the city attorney's office for handling troubled SRO properties.

Operating Agreements

Before pursuing legal action through the courts, the City Attorney's Office may attempt to come to an operating agreement with a property owner. Such agreements are legally binding conditions placed on the property in order to address a serious problem. For example, the owner of a crime-ridden property may agree to install security features such as gates, surveillance equipment, and lighting. In cases where a hotel has a recurrent pattern of tolerating or condoning human trafficking or other crimes, the City Attorney's Office may push for even stronger measures, such as requiring the owners to delegate management to an outside company.

Receivership

An additional tactic for dealing with mismanaged properties is to place them into receivership. This action must be approved by a municipal court. Receivership can be granted for habitability issues or a pattern of crime at a property. California Civil Code also allows the courts to grant receivership using an "equitable approach," which involves subjective consideration of a wide range of factors. Courts often hear testimony from tenants, and may also consider whether the property managers are making a good-faith effort to address code violations.

Under receivership, a court-appointed third party acts as the manager of the property for a set period of time. The third party manager is obligated to address the problems that triggered receivership, while also acting in the financial best interests of the property owner. The management company may take out a loan to make improvements, with a priority lien placed against the property. Receivership does not usually require a transfer of ownership, although the owner may voluntarily choose to sell the property in order to pay back debts acquired.

After a set period of time (usually not more than three years), control of the property is restored to the owner. Additional conditions may be placed upon the property once control has been restored to the owner.

For example, an outside management company may be required to monitor the property on an ongoing basis.

Properties may also be shut down entirely for a period of time, with all of the residents required to vacate the premises. This tactic has been used in Oakland for tourist hotels with a track record of condoning prostitution. This is generally not a practical solution for hotels with permanent residents who have few other housing options. During receivership, eviction of tenants must still be based on just cause.

Cases of Receivership

In 2015, the courts ordered receivership at two residential hotels. The West Grand Hotel, at 641 West Grand Avenue, was taken into receivership in May of 2015. The Emphyrean Towers, at 344 13th Street, was approved for receivership on June 26, 2015.

The West Grand Hotel was placed into receivership due to a high volume of drug arrests, as well as habitability issues. There were numerous fire safety violations, such as an inoperable sprinkler system and blocked fire escapes. The owners had also neglected to repair several plumbing leaks and electrical hazards.

The Emphyrean Towers was placed into receivership using an equitable approach. Unsafe water, plumbing leaks, and faulty heating and electrical wiring were some of the problems contributing to the court's decision. The Tenant Defense Center, a nonprofit legal association, was a key advocate in bringing evidence of code violations to the attention of the City Attorney's Office.

The receivership action on the Emphyrean Towers was concurrent with several news reports highlighting the poor living conditions of the hotel. News channel KTVU ran an expose detailing the plumbing, electrical, and other hazards of the building. In response to these stories, Oakland Mayor Libby Schaaf expressed her support for a more proactive inspection process. "We can't let living conditions get to the way that they are at these towers," Schaaf emphasized.

The Emphyrean Towers also made the news under its previous name of the Hotel Menlo. In January of 2011, owner Richard Singer was caught on film attempting to pay an undercover agent to commit arson on the hotel. Singer was fined \$60,000 and sentenced to 27 months in prison for soliciting a crime of violence.

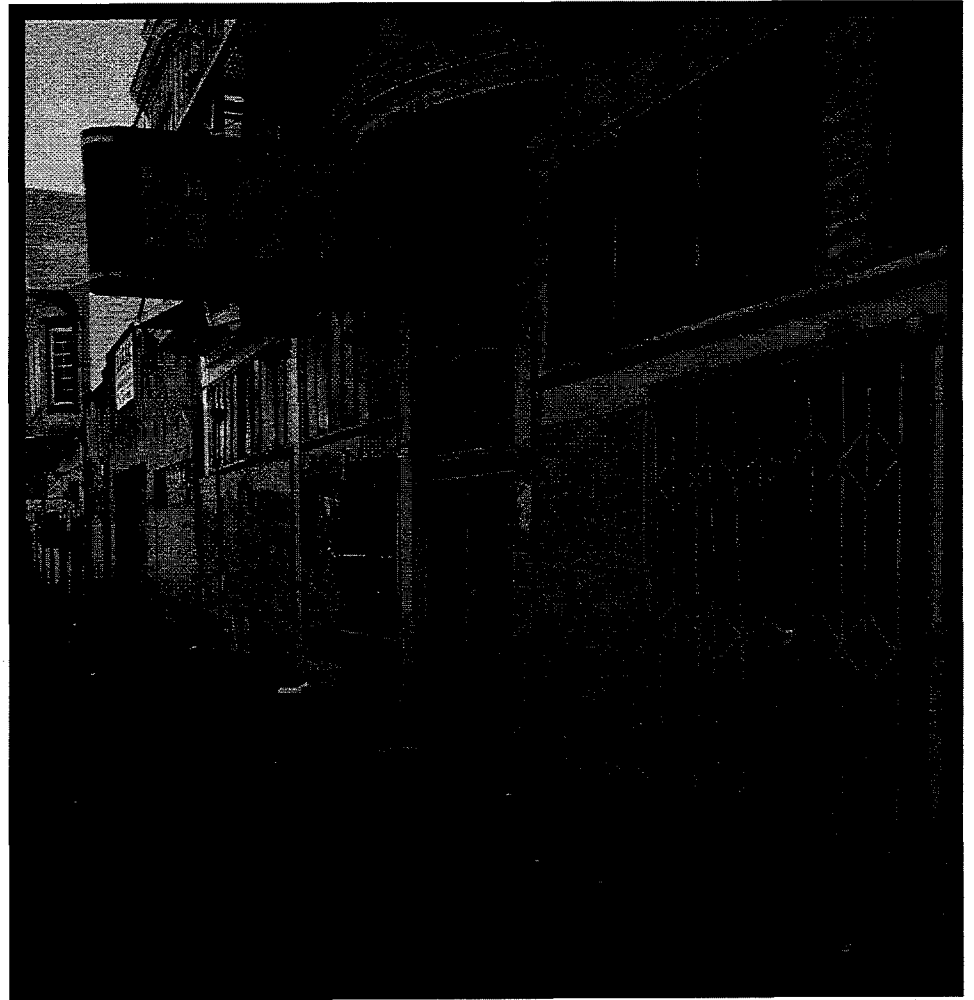
History of Local Preservation Efforts

In 2003, Oakland's Redevelopment Agency passed a resolution adopting a replacement housing policy for SRO units. The policy stated that any redevelopment project which resulted in the loss of SRO units from the market required a one-for-one replacement elsewhere within the city. This law only applied to developments carried out or funded in part by the Redevelopment Agency itself.

In 2012, the state dissolved all redevelopment agencies within California. Upon dissolution of the Oakland Redevelopment Agency, the City assumed the housing functions and obligations of the former Redevelopment Agency, including the SRO replacement housing policy. Therefore, the policy would continue to apply to the City to the extent that former redevelopment funds are being used to assist a project that results in the loss of SRO units in Oakland.



The stairs at Empyrean Towers are enclosed by a metal cage. Reports indicate that the elevator is frequently out of service for tenants.



The Moor Hotel has been shuttered since prior to the 2004 report.

Relevant Legal Statutes for Regulation of SROs

Building Services • City of Oakland

www2.oaklandnet.com/Government/o/PBN/OurOrganization/BuildingServices

Responsible for code enforcement, inspections, and permits.

Vector Control • Alameda County

(510) 567-6800 || www.acvcscd.org

Responsible for controlling any animals that spread disease, including rats, roaches, and bedbugs.

Fire Department • City of Oakland

911 || Fire Prevention Bureau (510) 238-3851

Inspects buildings for fire safety, including properly functioning emergency exits, fire extinguishers, and sprinkler systems. Issues permits.

Police Department • City of Oakland

911 || Non-emergency number (510) 777-3333

Responds to crime and emergency complaints.

City Attorney's Office • City of Oakland

www.oaklandcityattorney.org

Prosecutes crimes. Has targeted residential hotels found to be in gross violation of health and safety standards.

Tax Credit Allocation Committee (TCAC) • State of California

www.treasurer.ca.gov/ctcac

Monitors properties that receive tax credit funding to ensure they are serving low-income residents as legally required.

Agencies Responsible for Monitoring SROs

Tenant Protection Ordinance (TPO)

Oakland Municipal Code § 8.22.600-8.22.680

Prohibits harassing behaviors by landlords against tenants.

Just Cause for Eviction Ordinance

Oakland Municipal Code § 8.22.300-390

Guests are considered permanent tenants after 30 days. Landlords cannot evict permanent tenants without just cause.

California Civil Code

California Civil Code § 1940.1

Landlords cannot require guests to check out before 30 days and re-register shortly thereafter for the purpose of preventing them from becoming permanent tenants.

Nuisance Eviction Ordinance

Oakland Municipal Code § 8.23.100

The city may carry out evictions of residents convicted of drug-related offenses, violent crimes, or prostitution.

Ellis Act

California Civil Code § 7060-7060.7

In addition to Just Cause evictions, landlords may evict tenants for a number of additional specified reasons, such as a conversion of a rental unit to an owner-occupied unit.

Rent Adjustment Ordinance

Oakland Municipal Code § 8.22.010-8.22.200

Sets maximum rent increases on all rental properties before 1983. Increase is tied to consumer price index.

Red Light Abatement Act

California Penal Code § 11225-11235

Allows prosecution of hotel owners that condone prostitution on their premises.

Generalized Drug Nuisance Abatement Act

California Health & Safety Code § 11570-11587

Defines properties in which drug use or sales take place as a public nuisance.

Oakland's SROs in the News

Hotel Travelers

"Damon Lawrence, founder of the Homage Hotel Group, is making plans to open the Town Hotel in downtown Oakland. The Town Hotel will replace an existing hotel at 392 11th St."

Sciaccia, Annie. "New Boutique Hotel Heads to Downtown Oakland." *San Francisco Business Times*. 6 May, 2015. Web. 15 September 2015.
<http://www.bizjournals.com/sanfrancisco/blog/2015/05/new-boutique-hotel-heads-to-downtown-oakland.html>

California Hotel

"At the end of a three-year, \$43 million rehabilitation, the historic 1929 landmark is a beacon again... Only 26 defiant tenants were still living in the fall-ing-apart hotel that overlooks Interstate 580 when EBALDC bought the property in 2011."

O'Brien, Matt. "California Hotel Reopens as a Home for Low-Income Residents." *Contra Costa Times*. May 15, 2014. Web. 15 September 2015.
http://www.contracostatimes.com/news/ci_25771994/oakland-california-hotel-reopens-home-low-income-residents

Grand Hotel

"Every tenant in our city has a right to safe and humane living conditions...Unfortunately the owners of the West Grand Hotel treat their tenants as nothing more than ATM machines while their buildings literally fall apart."

Oakland City Attorney Barbara Parker

"Oakland Seeks to Shut Down Hotel Alleging Squalid Conditions." *ABC 7 News*. 6 August 2014. Web. 15 September 2015.
<http://abc7news.com/news/oakland-seeks-to-shut-down-hotel-alleging-squalid-conditions/246321/>

Savoy Apartments

"We're happy to create a pocket of affordability in a neighborhood that will soon be unaffordable."

Torres, Blanca. "Developer turns two run-down Oakland hotels into new housing." *San Francisco Business Times*. 22 October 2013. Web. 15 September 2015.
<http://www.bizjournals.com/sanfrancisco/blog/real-estate/2013/10/satellite-affordable-housing-oakland.html>

Empyrean Towers

“We can’t let living conditions get to the way that they are at these towers.”

Mayor Libby Schaaf

“City of Oakland files lawsuit against owners of troubled hotel.” *KTVU*. 25 April 2015. Web. 15 September 2015.
<http://www.ktvu.com/news/4317940-story>

“Every morning for the last year, I’ve woke up nauseous, and four out of seven days, I’ve vomited,” Anast said. “I didn’t realize it was going on throughout the hotel until I started talking to other tenants.”

Fraley, Malaika. “Contaminated water forces out about 100 residents of Oakland residential hotel.” *San Jose Mercury News*. 8 May 2015. Web. 15 September 2015.
http://www.mercurynews.com/ci_28077744/contaminated-water-forces-out-around-100-residents-oakland

“Fire damage, broken toilets, missing smoke detectors and uncollected garbage are just some of the problems on a long list of complaints reported by tenants of the Empyrean Towers in downtown Oakland.”

“Mounting problems, complaints at notorious Bay Area hotel.” *KTVU*. February 5, 2015. Web. 15 September 2015.
<http://www.ktvu.com/news/4156581-story>

“The defendant provided a check in the amount of \$1,500 for the materials necessary to commit the arson. The defendant admitted that he had agreed to pay a total of \$65,000 after the Hotel Menlo was successfully burned down.”

“Richard Singer Convicted of Soliciting Arson.” *Federal Bureau of Investigation*. August 31, 2011. Web. 15 September 2015.
<https://www.fbi.gov/sanfrancisco/press-releases/2011/richard-singer-convicted-of-soliciting-arson>

Regulation of Residential Hotels in Other Cities

Many cities have passed legislation specifically targeting residential hotels in recent years. Some laws seek to preserve the hotels' role as housing for the poor. Others address habitability issues. Below is a summary of some of the characteristics and regulatory landscape of SROs in other cities.

- **San Francisco** has 523 residential hotels, with nearly 10,000 units in total.¹ The San Francisco Residential Hotel Unit Conversion and Demolition Ordinance of 1980 restricts the conversion of SROs to uses other than tourist hotels. In 2012, San Francisco's Department of Public Health adopted an extensive set of mandatory treatment practices for bedbug prevention.
- **Los Angeles** has 336 residential hotels, with 18,739 units.² Most of these units are located downtown, primarily in the Skid Row area. In 2005, Los Angeles instituted a temporary moratorium on converting or demolishing SROs. In 2008, a comprehensive SRO ordinance was passed. The law requires hotel owners who demolish SROs to replace them within two miles of the existing building or pay the city for the land acquisition costs and 80% of the construction costs of a new development.
- **San Diego** requires long-term tenants to be given 60 days' notice and approximately two months' rent in the event of a hotel closure. SRO owners who want to demolish, convert or close an SRO must replace each unit with an SRO unit or pay a fee. However, many SRO owners have been granted exemptions to the law by notifying the city before January 2004 that they would

1 Figures provided by office of San Francisco County Supervisor Mark Farrell.
2 Scott, Ana. "New Law Protects Residential Hotels." *LA Downtown News*. LA Downtown News. 12 May 2008. Web. 15 September 2015.

eventually go out business.³

- **Portland** has adopted minimum standards for SROs. Rooms must be 100 square feet, and each floor must have a cooking facility.⁴
- **Chicago** had 81 remaining residential hotels as of 2012. In 2014, Chicago passed an ordinance making it more difficult to convert SRO hotels to upscale apartments or condos. The ordinance requires owners to either find a buyer to maintain the building's affordability status for 15 years or pay \$20,000 per unit into an SRO preservation fund. Displaced tenants would also receive between a lump sum, between \$2,000 and \$10,600, to help pay for relocation costs.⁵
- **New York** passed Local Law 19 in 1983, requiring any SRO landlord wishing to redevelop an SRO building to demonstrate that there had been no harassment of SRO residents in the previous three years. Former Mayor Ed Koch also initiated an SRO Support Subsidy Program to provide financial support for nonprofit organizations renovating and preserving residential hotels. This policy continues today.⁶

3 Garrick, David. "Old housing law drawing fire." *San Diego Union Tribune*. Tribune Publishing. 18 April 2015. Web. 15 September 2015.
4 "29.30.290 Special Standards for Single-Room Occupancy Housing Units." PortlandOnline RSS. Web. 15 Sept. 2015. <http://www.portlandonline.com/auditor/index.cfm?a=18218&c=28732>
5 Wisniewski, Mary. "Chicago passes rules to stem redevelopment of cheap hotels." *Reuters*. Reuters. 12 November 2014. Web. 15 September 2015.
6 "History of Supportive Housing." History of Supportive Housing. Web. 15 Sept. 2015. <http://shnny.org/learn-more/history-of-supportive-housing/>

Cross-subsidization: the Skwachàys Lodge model

The economic pressures of gentrification and scarce housing are not unique to Oakland. The Gastown district in Vancouver, Canada, is home to both numerous SROs and new luxury condos. Demand for hotels continues to increase as Vancouver has become a popular travel destination in recent years. One former SRO was recently converted to a tourist hotel, with a twist: 18 of the units were devoted to tourist rentals, with the profits used to subsidize the remaining 24 units of affordable housing. The hotel, Skwachàys Lodge, is dedicated to preserving indigenous First Nations culture. The ground-floor is a



Photo: skwachays.com

First Nations art gallery, and the long-term residents are aboriginal "artists-in-residence," some of whom helped design the First Nations-inspired rooms. The affordable housing is funded entirely free of government subsidies.

The Skwachàys Lodge founders intended their business model to serve as a template for other regions. The program is not a panacea: the renovated building has still displaced about half of its permanent residents in favor of tourists. Nevertheless, the hotel is one example of how organizations can produce high-quality affordable housing in the absence of government financing.