

Hotel Tax

Los Angeles City Attorney Cracks Down on Illegal Hotel Operators

The city of Los Angeles is cracking down on owners of apartment buildings allegedly being used as short-term rentals and hotels, officials announced.

Los Angeles City Attorney Mike Feuer filed four civil and criminal complaints against the owners of rent-stabilized apartment complexes, saying they are illegally operating and advertising as hotels. A court-appointed receiver should operate the rentals until they are brought into compliance, Feuer said.

“In a city with a profound shortage of affordable housing, unlawfully converting rental units to operate hotels has got to stop,” he said in a June 20 statement. “My office will continue to intervene to keep rent-stabilized units on the market and hold owners accountable for not complying with the law.”

Representatives from the City Attorney’s office say the civil actions are the first of their kind in the city of Los Angeles and they have “several ongoing investigations” into other properties. The actions come almost three months after an American Hotel and Lodging Association study found that Los Angeles is losing out on \$41 million in taxes from Airbnb Inc.

Cases Filed. Feuer filed civil actions against the owners of Venice Suites, a 32-unit apartment building allegedly being operated as a hotel; Venice Beach Suites, a building with 30 units; and the 59-room Hollywood Dream Suites Hotel. Each of the properties is subject to the city’s Rent Stabilization Ordinance, according to the government.

The city attorney also took action against a four-unit property operated by Carol Jean Alsman. Alsman was charged with six criminal counts, including zoning violations, illegal use without proper building permits and renting property within five years after withdrawing from the rental market under the Ellis Act.

“The complaint alleges Alsman applied under the Ellis Act to remove her rent-controlled property from the rental market and complied with all regulations to have tenants compensated and relocated,” officials from the City Attorney’s office wrote. “However, Alsman alleg-

edly began renting those units shortly thereafter through Airbnb and failed to allow former tenants an opportunity to re-rent those units, in direct violation of the provisions of the Los Angeles Municipal Code.”

Ellis Act List. Representatives for the City Attorney say Feuer will send a list of Ellis Act properties to Airbnb and other short-term rental companies as a “preemptive measure” to prevent the listing of similar properties. The city hasn’t received a response or plan from Airbnb or other platforms, according to the City Attorney’s office.

“City Attorney Mike Feuer is making this issue a top priority, and he will continue to intervene to preserve rent-stabilized units and restore those units that our office alleges have been unlawfully taken off the market,” City Attorney spokesman Rob Wilcox told Bloomberg BNA in a June 21 e-mail.

Transient Occupancy Tax. Marty Dakessian of Dakessian Law Ltd., a firm specializing in California tax controversy and litigation, says the rentals at issue should be subject to the transient occupancy tax.

“So it looks like the city has made a policy decision that it would prefer to forgo this revenue for the sake of maintaining affordable housing in Los Angeles,” Dakessian told Bloomberg BNA June 21. “From a litigation perspective, I believe the transient occupancy tax is vulnerable on a number of different fronts. And we are going to see litigation challenging it.”

Dakessian added that Airbnb should consider a “political solution” to this situation.

“Given the policy considerations involved and how these may vary based on municipality, I would think a political solution is probably the best option to pursue,” he said. “And the path that best helps companies like Airbnb manage litigation and public relations risk.”

A representative for Airbnb didn’t immediately return Bloomberg BNA’s request for comment June 21.

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For additional discussion of California’s hotel tax, see *Excise Taxes Navigator*, at California 10.1.