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BUSINESS

## A \$1,800 apartment became a \$3,300 corporate rental. Is that bad for housing?

By [ANDREW KHOURI](#) | STAFF WRITER | JUNE 10, 2019 | 7 AM

Last week, an upstart company started providing furnished apartments for business travelers on Franklin Avenue in Hollywood. Its website describes a “tastefully renovated” apartment complex with “laid back West Coast DNA” and a feeling of “whimsical Italian modern maximalism.”

Tony Diamond, the founder of the company behind the project, said the owner of the 30-unit, rent-controlled apartment building worked with him for a simple reason: A studio at the complex near the iconic corner of Hollywood and Highland previously was advertised at \$1,800. Once it was gutted, furnished and given a boutique-hotel flair, a traveling nurse agreed to rent it for \$3,300 a month.

“Word is spreading and so landlords are coming to us,” Diamond said, standing in front of the complex’s kidney-shaped pool. “They love the partnership.”

But by reducing the stock of apartments marketed to tenants who want a home and turning them over to business travelers and others willing to pay top dollar for temporary housing of at least a month, companies have drawn fire from housing advocates.

“Quite frankly, it’s those types of practices that contribute to our [affordable housing crisis](#),” said Larry Gross, executive director for the Coalition for Economic Survival.

Several Southern California cities that previously cracked down on nightly stays through platforms such as Airbnb are now turning their eyes toward apartments rented for at least a month, but to people who don’t plan on living in a community permanently.

The city of West Hollywood even sued the owner of a residential complex on Sunset Boulevard, alleging the company decreased the city's housing stock by running a "hotel" out of what was supposed to be a traditional apartment building. And the Santa Monica City Council this month is set to discuss requiring initial lease terms of at least 12 months.

It's unclear how many units are being marketed as furnished apartments for people who are passing through. Extended-stay apartments have existed for decades, with Los Angeles firm Oakwood Worldwide helping pioneer the concept known as corporate housing.

But a group representing the corporate housing industry said demand for extended-stay, furnished apartments has been on the rise, a function of business expansion and the popularity of online short-term rental sites.

"The big lens shift was Airbnb," said Lee Curtis, chairman of the Corporate Housing Providers Assn. "It opened up the idea to the world that there were different ways to stay [other than hotels]."

As a result, funding and new companies have flowed in.

Blueground, a company first launched in Greece and backed by \$28 million in venture capital, has around 115 corporate-stay units in the Los Angeles area and is adding "like 20 every month," said Christopher Tin, the company's local general manager.

Some firms — instead of taking the traditional corporate housing route of operating in newer, high-end apartment complexes — have moved into older, renovated buildings. That's still a minority of the business, but Curtis said older buildings can be attractive because corporate clients are seeking cheaper housing as rents have skyrocketed and there's a growing interest in "buildings that have soul."



StayTony founder Tony Diamond: “Word is spreading and so landlords are coming to us.” (Dania Maxwell / Los Angeles Times)

Diamond said he wants to create an “experience.” Renovated units at the Hollywood building include custom-made furniture, hand-painted wallpaper and robes and slippers branded with the name of his company, StayTony.

Leases at the company’s properties are for a minimum of 31 days and tenants stay on average for three months. Diamond said landlords pay for the renovations and give StayTony a management fee. So far, two of the units at the property near Hollywood and Highland have been converted, with plans to start on a third soon.

Diamond said his company is providing a need — temporary housing — at rates cheaper than a hotel. Like other corporate rentals, renters include people in town for business, but also other people who are looking for temporary housing such as those going through a divorce. If they want, they can stay for a year or longer.

Pedja Terzin said he and his wife chose to rent a roughly \$3,100 studio at another StayTony Los Angeles building because, as e-commerce workers, they can work from

anywhere and wanted to move back to the United States after traveling in Europe for months but weren't positive where they wanted to settle down.

"One or two months, and then that is going to be enough for us to see if we dig the Los Angeles style," the 36-year-old said from London.

Danny Monempour, the owner of the building near Hollywood and Highland, said he doesn't believe his partnership with StayTony hurts the housing market. Even before renovations, apartment units weren't cheap. And, since the company's leases are for at least 31 days, he doubted many would-be occupants would have chosen a hotel if StayTony didn't exist.

"I would argue we are not removing housing stock," he said. "They are still apartment units."

Richard Green, director of the USC Lusk Center for Real Estate, said an increase in such concepts could indeed push prices up slightly in neighborhoods where lots of those companies operate. In theory, he said, there would be less housing for long-term tenants. And as vacancies dwindle, landlords would feel less pressure to drop rent to fill units.

But Green argued the correct policy response isn't to crack down on the practice, but to allow more housing to be built in the first place. That way, different living arrangements can flourish without sending prices higher.

"People sometimes need a place to live for six months too," he said. "They are not any less of human beings than people who need to live [somewhere] for a long time."

Tenant advocates, however, are concerned that corporate conversions are reducing the number of rent-controlled units available to more permanent residents.

Those units can be a haven of affordability for long-term tenants. In units covered by rent control, landlords can set the initial rent, but then face limits on annual increases

for as long as a tenant stays. When the tenant moves out, the landlord can price the unit as they prefer once again.

In the city of Los Angeles, the number of older rent-controlled buildings has been on the decline amid a wave of redevelopment. Since 2001, property owners have filed to remove more than 25,000 units from the market, usually to demolish the building or convert units to condos.

Apartment owners already face a crackdown on the practice of filling units [for less than a month](#) with the help of services such as Airbnb. Come July 1, a new short-term rental law will [take effect](#) in Los Angeles that explicitly bans stays of 30 days or less in rent-controlled buildings. Those short-term stays would also be outlawed in units that aren't someone's primary residence.

A spokeswoman for the Los Angeles Housing and Community Investment Department said renting furnished apartments for at least a month to temporary residents isn't illegal in rent-controlled buildings, but landlords cannot evict long-term tenants to do so.

People who move into units in rent-controlled buildings on a lease of less than a year are still protected by rent control — which means they can stay beyond their lease term, as long as they pay rent and follow the building's rules. They also have protection against sharp rent increases. But people renting corporate apartments probably don't want to stay for long, which allows landlords to reset rents more often than if they rented it in a traditional fashion.

Gross, of the Coalition for Economic Survival, contends that corporate-style housing should be banned in rent-controlled buildings, because it creates additional incentive to force long-term tenants out to charge higher rent.

“This is just another [way] to get around rent control and maximize their profits,” Gross said. “It puts a bull's-eye on the back of every rent-controlled tenant.”

Monempour said he turned to corporate stays as a way to make more money, but he isn't forcing or buying tenants out to renovate units. He said he's converting units as people decide to move on their own. Monempour said he actually worried about increased vacancies from shorter stays, but Diamond assured him occupancy would remain very high.

Blueground's Southern California units are located in newer non-rent-controlled complexes as well as older, controlled buildings. The company leases the units directly from landlords for at least one year, furnishes them, and rents them for periods of at least a month. Average stays are for six months.

Last week, a furnished Blueground one-bedroom in a Palms rent-controlled complex was advertised at \$3,740 a month for a one- to two-month stay, or \$3,129 a month should a tenant sign a lease for more than a year. In comparison, the landlord was advertising unfurnished one-bedrooms of the same size in the complex for \$2,240 to \$2,285 if tenants sign a year lease.



Tenants at StayTony Hollywood at Highland are a mix of permanent and extended-stay tenants. (Dania Maxwell / Los Angeles Times)

Blueground said it waits for tenants to move out on their own before converting units and won't work with landlords who buy out tenants. Tin, the local general manager, said as the rental market softened landlords have increasingly turned toward the start-up to fill vacancies. It isn't harming affordability, he contends, in part because it isn't immune to market conditions. In some neighborhoods where supply has swelled, Tin said Blueground has been forced to rent units below the price it paid the landlord.

The controversy surrounding such companies reflects concerns over the region's brutal affordability crisis. Last week, officials reported the number of [homeless people](#) in L.A. County jumped 12% over the last year, with the largest increase seen on the Westside.

Santa Monica City Councilmember Kevin McKeown cited those figures as a reason to crack down on corporate rentals, which he described as "prevalent and growing quickly." Besides the 12-month minimum lease, the city will discuss this month mandating that apartment leases be made only to "natural persons," excluding corporations.

"We can't afford to lose any housing options at all," McKeown told The Times. He said he would support some form of corporate housing near the city's hospitals, because people often come to town to be with relatives seeking medical treatment.

In West Hollywood, a judge recently denied the city's request for a preliminary injunction to stop Korman Communities from renting units as extended-stay apartments at its complex on Sunset Boulevard. But the city is still weighing an ordinance that would impose some form of annual-lease requirement.

"The city's position is that everyone who needs a place to stay for less than a year should go to a hotel," said Sean Walsh, a spokesman for Korman. "Telling someone who needs a home for six weeks to pay hotel rates or take out an annual lease — that's what hurts affordability."

In Los Angeles, the issue so far has drawn less attention from officials.

Meanwhile, StayTony is expanding. Diamond said he plans to eventually take all 30 units at the property near Hollywood and Highland, and he is talking with Monempour about working on one of his buildings in Venice.

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