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SAN DIEGO COUNTY LODGING ASSOCIATION



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May 1, 2026
Assemblymember Buffy Wicks
Chair, Committee on Appropriations
1021 O Street, Suite 8220
Sacramento, CA 95814

SUBJECT: Assembly Bill 1869 (Haney) – Oppose as Amended

Chair Wicks,

On behalf of California's 6,000+ hotels and boutique inns whose interests are represented by the California Hotel + Lodging Association and the industries/businesses listed below, we write to respectfully urge you to **OPPOSE ASSEMBLY BILL 1869 (Haney) as Amended** because it threatens incalculable damage to the hotel industry, local communities and employees, and to the retirement dreams of everyday Californians. Further, this measure will erode tax stability by depressing tax revenue derived from hotel taxes across the state.

About Real Estate Investment Trusts and This Measure

Real Estate Investment Trusts ("REITs") are legal entities specifically created to enable everyday people to invest in large projects, like hotels, office and even residential projects.¹ These may seem like large companies, but that's by design – millions of people, including 56% of Californians, invest their life savings into these entities directly and through retirement funds in the hopes of earning enough to retire, sending their children to college, and chasing their dreams.² In turn, these REITs invest in hotels which fund local governments, create well-paying jobs for Californians, and support the local community.

Assembly Bill 1869 would jeopardize all of their futures and broader California hotel stability by undermining state conformity with federal law through a reporting provision which misrepresents and indirectly contravenes existing law.³ Under this bill, REITs which are acting within the law would face the threat of fines, penalties, and loss of tax status for standard contract terms and for possessing tools given to them by Congress to protect the interests of those everyday people who invest in hotel REITs. Further, this measure would force at least two

¹ [IRS Investor Bulletin: Real Estate Investment Trusts, 2011](#)

² [Survey, NAREIT Research Note](#)

³ In 2024, the Chief Counsel for the IRS (a Biden appointee) reaffirmed that the test to determine whether a taxable REIT subsidiary is operating or managing a facility is a facts-and-circumstances analysis. Specifically, the guidance explains that "The IRC states that a TRS may not directly or indirectly operate or manage a lodging facility. Whether the activities of a TRS constitute the direct or indirect management and operation of a lodging facility is determined by analysis of the facts and circumstances surrounding the day-to-day operations of the lodging facility." <https://aboutblaw.com/bfud>

state agencies to assume more costs via an unwieldy reporting scheme which would generate no additional compliance benefit.

Fiscal Impacts

Labor Commissioner Costs to Rise as It Is Drawn into Tax Issues

While the Department of Industrial Relations' Office of the Labor Commissioner already maintains a whistleblower program, this bill would draw the office and enforcement staff who specialize in labor issues into the middle of a tax issue with an overbroad evidentiary scope. Under the bill, anyone can submit nearly any document, statement, or allegation into the office and receive an entitlement to a response within 45 days of submission. While not specifically stated, this also requires Commissioner staff to review the information submitted to make a determination for which they would have to receive training, create and log records, and more. IRS audits take up to three years to complete and are conducted by specialized staff with experience and first-hand knowledge of the principles being applied. It would be highly likely that timelines would be extended under this measure even if the Labor Commissioner brings in outside counsel specializing in REIT law (depending upon what type of support is retained, their rates range from \$1,200/hour to \$2,000/hour).

In the event the Commissioner makes a determination against a REIT, every REIT would immediately challenge the determination because a negative determination has the potential to drive the business into bankruptcy, which would result in significant staff, legal, and court costs. CHLA anticipates periodized fluctuations in submissions in accordance with Collective Bargaining Agreement (CBA) negotiation schedules, as labor entities seek to create leverage during the negotiating process with operators creating repeating backlogs for Commission staff. These agreements are trending towards shorter effective durations across the industry, setting the stage for more common and resource-intensive complaint cycles (i.e. past CBAs were effective for 5-10 years, now they're effective for 3 or fewer. Each time there is a CBA negotiation, that drives strikes, and if this bill passes, complaints).

FTB Would Be Required to Receive Submissions from the Commissioner

The language of the bill is largely silent as to the duties of the Franchise Tax Board. However, reasonable expectations would include costs to receive and review information received from the California Labor Commissioner's Office.

Property Tax Revenue Decline Due to Forced Sales

While this measure is still in the house of origin, REITs are raising serious concerns about being forced to sell their assets in California if this measure passes. In 2025, California saw 259 hotel sales, representing 23,699 rooms. Comparatively, there are 175 lodging REITs in the state, representing about 45,000 rooms and approximately \$139.5 million in property tax payments, annually. If even a fraction of these properties are forced to sell, it will flood the market with inventory, significantly decreasing property tax values for all hotels in the state.

Based upon 2025 reporting, the average reported price per hotel room (a common metric to compare hotel values) was \$184,000.⁴ However, the median price per room dropped by an average 7.2% to \$138,000 per room, driven by a large number of distressed assets which sold for as little as \$6,250 per room.⁵ Assuming a conservative inelastic floor (the report notes several markets which saw values decrease by as much as 61.98%) driven by a partial sale of the identified REIT properties which results in a 20% decrease statewide, the loss in REIT property tax values would total \$27,900,000 in annual losses to local governments at REIT properties and, because REIT sales will be on the open hotel sales market, the total hotel industry decrease in property tax valuation will be approximately \$353,825,121.^{6,7}

While property tax losses are largely absorbed at the local level, the state will face increased costs via education funding minimums (90% of school districts are state funded) and other backfill shortfall mechanisms.⁸ City and county budgets which rely upon property tax revenues for economic stability will also be affected, depending upon local funding structures, hotel density, and more.

County Assessor, Board of Equalization Appeals Court, and Court Time Will be Required for Property Tax Re-Assessments and Appeals Process

As part of the property tax impacts, many hoteliers will affirmatively seek re-assessment and contest the re-assessed property tax values (per Proposition 8).⁹ While total costs per re-assessment vary, these programs are expensive to run. In Santa Clara, for example, the property tax reassessment program costs the county \$3.5 million annually in operational costs.¹⁰ Some Local Appeals Boards have implemented fee structures to offset operational costs, but many fees run far short of the amount necessary for specific hearings. For those properties whereby the owner seeks additional remedy, court costs are implicated.¹¹

This measure would drive a massive portion of California's 6,773 hotels and lodging establishments to seek a new assessed value. As part of this process, counties would be required to obtain legal support and, in the event of continued valuation disagreements, use of the court system for litigation would be required.

⁴ California Hotel Sales Survey, 2025 Year End, Atlas Hospitality Group

⁵ <https://therealdeal.com/san-francisco/2026/04/02/hyatt-house-hotels-in-east-bay-sell-at-foreclosure/>

⁶ Stakeholders have indicated that all lodging REITs would be forced to sell. However, our calculations assume a conservative partial sale of properties of a scale analogous to motivated-seller supply-side-driven transactions (20% value reduction) rather than distressed-seller driven transactions (greater than 40% value reduction).

⁷ Commercial data analytics firm CoStar estimates California has 574,205 rooms, with hotels paying an average of \$3,081 per room in property tax. This totals \$1,769,125,605 in total industry property tax payments.

⁸ [https://www.pvsd.net/departments/business-office-finance/california-state-education-funding#:~:text=State%20funded%20districts%20make%20up,the%20difference%20\(state%20aid\).](https://www.pvsd.net/departments/business-office-finance/california-state-education-funding#:~:text=State%20funded%20districts%20make%20up,the%20difference%20(state%20aid).)

⁹ <https://www.boe.ca.gov/proptaxes/decline-in-value/>

¹⁰ <https://sanjosespotlight.com/south-bay-property-owners-to-pay-fee-for-assessment-appeals/#:~:text=A%20slice%20goes%20to%20cities,by%20the%20county%20general%20fund.%E2%80%9D>

¹¹ <https://www.bizjournals.com/sanfrancisco/news/2026/04/24/property-tax-assessments-fair-market-value.html>

Property Transition Impacts to Transient Occupancy Tax

When a property changes ownership, there is a transition period where new operators assume control from the previous owners. While this is often a smooth transition, it is common to see a temporary drop in revenue (primarily Transient Occupancy Tax) as booking/reservation systems are changed, internal operations are changed, new staff added, sales and outreach goals are updated, and more. These commonly last for one to three months as transition elements are implemented and issues identified. A drop of up to 5%-15% in Transient Occupancy Tax should be estimated, but realized impact will depend upon the specific hotel, outgoing operator, incoming operator, and market conditions.

Unemployment Will Occur Where Hotels Close or New Operators Seek Changes

While we anticipate the vast majority of hotels would enter receivership before closing, there are some circumstances in which the cost to operate the hotel exceeds the revenue produced under a receivership entity (this has occurred more frequently since the Pandemic). In these cases, the hotel would close and unemployment for affected employees would ensue.

A more common occurrence would include a reduction in staff under new management. For example, a Private Equity firm buying a distressed/discount hotel asset may be inclined to reduce expenses to compensate for initial losses or to maintain profitability of the property.

Any job losses would increase the draw upon the state’s Unemployment Insurance Fund, which is already facing a \$21 billion deficit.

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Conclusion

California hotels are declaring bankruptcy at alarming rates.¹² Instead of helping workers in an industry which has been battered by inflation, international travel slumps, COVID-19, etc., this measure would change the law, spend California money to create misleading state-level complaint systems, and further slow/stop investment into California hotels which, as a result, will destabilize cities, communities, and the future of hotel employees for years to come.

Assembly Bill 1869 (Haney) would undermine state conformity with federal law to introduce instability into California's hotel industry in a manner that threatens the future of hotels in California, downtown recoveries across the state, and the savings of hard-working Californians at a time when affordability frustrations are around every corner and our futures are uncertain.

For these reasons, we respectfully urge you to **OPPOSE ASSEMBLY BILL 1869 (Haney) as AMENDED.**

If you have any questions, please contact A.J. Rossitto via email at aj@calodging.com.

Respectfully,



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¹² <https://therealdeal.com/san-francisco/2026/04/02/hyatt-house-hotels-in-east-bay-sell-at-foreclosure/>

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