

UNITE HERE! Local 11

August 30, 2021

To Whom It May Concern:

We write with concern regarding hotel and food service establishments developed by Relevant Group and its affiliates. As current and past investors and lenders with Relevant, you should be aware that Relevant establishments in Hollywood—the 114-room Selma Wilcox Hotel, the Citizen News food and entertainment venue, the Dream Hotel, and the Thompson hotel—are subject to potential labor disputes that may include strikes, boycotts and picket lines. After Relevant agreed to a labor peace agreement with Unite Here Local 11 through hotel operator Hyatt covering the Thompson hotel, Relevant allegedly fired Hyatt and reneged on the agreement. Relevant has since taken the position that it will no longer agree to labor peace. As a result, in addition to the potential for labor disputes, Relevant may now be liable for breach of contract under Section 301 of the Labor Management Relations Act. Relevant did not reach labor peace agreements with UNITE HERE Local 11 covering the other properties.

The nearby Chateau Marmont in Los Angeles has also failed to agree to labor peace, and a worker-led boycott there has won the support of Hollywood names like Jane Fonda, Alfonso Cuarón, Martin Sheen and Aaron Sorkin as the hotel faces regular picket lines and a federal unfair labor practice charge. The hotel is also the subject of ongoing lawsuits alleging race discrimination and sexual harassment.

Investors and lenders should consider Relevant’s problematic history and whether the firm can remain competitive in the crowded Hollywood hotel market when evaluating whether to extend credit or offer forbearance.

Relevant, which according to the *Real Deal* just lost its co-founder Richard Heyman, reportedly partnered with Colony Capital—a firm led by recently-indicted private equity mogul and Trump confidant Thomas Barrack—to solicit funds from the controversial EB-5 financing program and has faced allegations that contractors were not paid properly. Further, Relevant pushed back opening dates for the 190-room Thompson and, according to the *Real Deal*, “averted disaster” only by securing millions in “rescue” financing for the property.

The Hollywood Reporter wrote in March 2021 that the Thompson hotel’s opening was delayed due to unpaid fees from a contractor working for Relevant Group. “In 38 years in the business, this is the first time I’ve had to enforce a lien on a project,” said David Paternostro of Top End Terrazzo — known for their work on the Hollywood Walk of Fame.

According to construction lien data provider Levelset, Relevant faces \$457,836 in eight active construction liens from contractors filed on its Selma Wilcox hotel development as of August 7, 2021. The Mitigated Negative Declaration for the Selma Wilcox hotel project filed in December 2017 stated the project would be in operation in 2020. On October 2, 2019, the Los Angeles Department of Building and Safety granted an administrative approval for 6429 Selma Avenue

“to allow for an extension of time until 3/7/20 in which to obtain a building permit filed for plan checking on 3/7/18 under plan check number B18LA04361. Although the 114-room hotel received a temporary certificate of occupancy on July 1, 2020, Relevant’s website listed “Client” as TBD under the Selma Hotel, indicating the firm has not found a hotel brand partner.

Relevant’s problems come as the American Hotel and Lodging Association reported that the Los Angeles hotel market was still in a recession as of May 2021, with revenue per available room (RevPAR) down 27% from \$137 in May 2019 to \$100 in May 2021, worse than the RevPAR decrease of 22% in the United States overall over the same period.

Relevant also faces significant competition; in Q2 2021, Los Angeles had the second-largest hotel construction pipeline in the U.S. after New York City, and Hollywood-Beverly Hills tract was one of the three largest market tracts in Los Angeles with 21 projects and 3,306 rooms in the pipeline.

Investors and lenders should consider the issues outlined above before extending credit or offering forbearance to Relevant.

Sincerely,



Kurt Petersen
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UNITE HERE Local 11

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