



# DHS Hyundae Hotel: Nuisance Property Receivership





## BACKGROUND

Richardson “Red” Griswold was appointed by the Riverside County Superior Court as receiver over the Hyundai Resort & Spa, a substandard nuisance hotel in the City of Desert Hot Springs pursuant to the California Health & Safety Code.



## THE ISSUE

The hotel had fallen into substantial disrepair and posed serious safety risks to the occupants. The violations included structural defects in the third and fourth floors, walkways, balconies, and handrails. In addition, the City discovered a nonoperational kitchen and restaurant area containing dead animals, broken equipment, and obstructed access.

Further, the hotel became a hotbed for criminal activity. From November 2007 to February 2021, there had been approximately 800 incidents requiring police assistance. Between February 2020 and February 2021, the City of Desert Hot Springs Police Department responded to the hotel a staggering 400 times.

Crimes occurring at the hotel included battery, assaults, stolen vehicles, illegal possession of firearms, shootings in and around the hotel, numerous drug sales, explosions from drug use and pipe bombs, gang warfare, domestic violence, robberies, attempted murder, trespassing, and unlawful distribution of hotel key cards.



## THE INSPECTION

In August 2021, the City re-inspected the hotel. The City discovered that the hotel had severe structural defects. The damage left the flooring buckling and unable to carry imposed loads safely. The basement area had severe water damage that likely damaged the structural components of the foundation. There was exposed electrical wiring throughout the basement, including illegal modifications to electrical panels.

Inside the rooms, the City observed mold, water damage, lack of proper ventilation, bed bug infestations, and broken windows and doors. Several rooms did not have bed frames, only mattresses. The rooms also lacked carbon monoxide detectors and smoke detectors.

Based on the August 2021 inspection, the City “red-tagged” the entire hotel, deeming it unsafe for human habitation. In particular, the City noted that the extensive structural defects, including to the foundation, floor supports, and ceiling supports, created an immediate collapse threat.

In October 2021, the hotel caught fire early in the morning. The City’s Fire Department managed to suppress the fire before it could spread or injure the occupants.

The City was forced to take emergency action to protect the occupants. This included the evacuation of the hotel, distribution of financial aid for the displaced occupants, contracting with a security company, and installing a security fence.





## APPROACH

Following appointment, the Griswold Receivers team swiftly inspected and confirmed that the hotel was properly secured. The receiver took control of the security team to ensure that the hotel remained vacant. Additionally, the receivership performed the exterior clean-out, as well as removal of the trash and debris left behind by former occupants in various rooms of the hotel.

Upon inspection of the hotel and consultation with contractors and engineers, Mr. Griswold determined that the necessary scope of rehabilitation efforts to get the property back into a safe condition would cost a minimum of \$5M. Alternatively, it would cost approximately \$900K to safely demolish the hotel structure.

With the expansive scope of necessary rehabilitation and the high cost of demolition, the Griswold Receivers team recommended the Court authorize a sale of the hotel in its as-is condition to a qualified buyer who would be required to privately develop and resuscitate the hotel property to a safe and productive asset for the community and visiting tourists.

Upon obtaining Court approval, an area broker was hired to list the hotel for sale. After interviews with many reputable investors and offers were reviewed, Mr. Griswold entered escrow with a qualified buyer and the sale was approved by the Court. The buyer was required to enter into a compliance agreement with the City of Desert Hot Springs.





## RESULTS

Griswold Receivers is now overseeing the new hotel owner's efforts to ensure that they comply with the City's compliance agreement and maintain security at the property.

For more information about Receivership Services, please [contact the team at Griswold Receivers](#).

GRISWOLD RECEIVERS

☎ (858) 481-1300

✉ [admin@griswoldreceivers.com](mailto:admin@griswoldreceivers.com)

[griswoldreceivers.com](http://griswoldreceivers.com)