

Communication from Public

Name: Valley Industry & Commerce Association

Date Submitted: 09/20/2024 06:26 PM

Council File No: 14-1371-S13

Comments for Public Posting: September 20, 2024 The Honorable Traci Park Chair, Trade, Travel, and Tourism Committee Los Angeles City Council Los Angeles, CA 90012 Re: C.F. 14-1371-S13: Los Angeles Living Wage Ordinance (LWO)/Hotel Worker Minimum Wage Ordinance (LA HWMO) Amendments - OPPOSE Dear Chair Park, The Valley Industry and Commerce Association (VICA) strongly opposes the proposed Living Wage Ordinance (LWO) and Hotel Worker Minimum Wage Ordinance (LA HWMO) amendments. The proposed ordinance, supported by the flawed report from Berkeley Economic Advising and Research (BEAR), would have devastating consequences for the tourism sector in both the city and county of Los Angeles. The tourism and hospitality industry—particularly small and family-owned hotels—is still reeling from the impact of the COVID-19 pandemic. Raising wages by 66% in just 60 days would cripple these businesses at a time when they are already struggling to recover. This rapid increase would force many to reduce services, lay off employees, or close entirely, negatively impacting workers and the broader economy. The economic report provided by BEAR is deeply flawed. It fails to include critical analyses, such as the impact on the Transient Occupancy Tax (TOT), which is a key source of unrestricted revenue for the City of Los Angeles. TOT revenue has been slow to recover, and a reduction in these funds will only exacerbate the city's budget shortfall. The report also ignores the current financial strain on the tourism sector, falsely claiming that it is rebounding rapidly. This misrepresentation could have long-term consequences for both businesses and workers. Key provisions of the ordinance include:

- A 66% increase in hotel worker wages to \$30 per hour, with an additional \$8.35 for health benefits.
- A mandate for public housekeeping training, which would further burden hotels that are already operating with tight margins.
- A lack of distinction between large, international hotel chains and smaller, independently operated hotels, resulting in disproportionate impacts on the latter.

The negative impacts of this proposal are far-reaching. The independent analysis from Oxford Economics found that the wage increase could lead to a \$1.1 billion decline in local spending and 15,000 lost jobs. Furthermore, with major events such as the 2026 FIFA World Cup and 2028 Olympics on the horizon, raising labor costs will halt

construction projects vital to Los Angeles' economic future. It's for this reason that we urge the Trade, Travel, and Tourism Committee to reject this ordinance and its flawed analysis. Stuart Waldman VICA President



September 20, 2024

The Honorable Traci Park
Chair, Trade, Travel, and Tourism Committee
Los Angeles City Council
Los Angeles, CA 90012

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A handwritten signature in black ink, appearing to read "Stuart Waldman", with a long horizontal line extending to the right.

Stuart Waldman
VICA President

Communication from Public

Name:

Date Submitted: 09/22/2024 11:41 AM

Council File No: 14-1371-S13

Comments for Public Posting: Please see attached letter with our strong support of the proposed policy to raise the wage for tourism workers. We support the recommendations in the Chief Legislative Analyst's report, with several minor but critical recommendations outlined in the letter. Thousands of tourism workers and their community allies support this measure, and we encourage council to stay focused on the goal of ensuring that tourism workers are healthy and housed.



September 21, 2024

Dear Trade, Travel, and Tourism Committee Chair Park and members,

I write to you in strong support of the proposed policy to raise the wage for tourism workers. We support the recommendations in the Chief Legislative Analyst's report, with several minor but critical recommendations outlined below.

This policy's time has come. It has been almost a year and a half since its introduction, and the CLA's report requested by the City Council produced strong and sound findings of positive economic impact. It also has strong, deep, and widespread support across Los Angeles. LAANE, along with Unite Here Local 11 and SEIU USWW, anchors Tourism Workers Rising, a coalition of 130 organizations – including Democratic Clubs, unions, and faith-based and community organizations – 360 small businesses across every single council district and a dozen political leaders who have endorsed raising the wage for tourism workers. Fourteen Neighborhood Councils have submitted Community Impact Statements to the Council File, along with 48 community organizations, and hundreds of individuals

Overall, we found the CLA's report to reaffirm what we have found to be true every time Council has enacted similar policies to raise the wage, and what workers and their community supporters have been sharing in testimony to Council and the T3 Committee for the past year and a half: Raising the wage transforms the lives of working families, and it also enriches our local communities.

However, there are a few important components we'd like to see the committee to amend in order to improve key components, address loopholes, and ensure compliance and enforcement.

The health benefits requirement should be updated to \$8.35 for both airport and hotel workers.

When Council raised the health benefits requirement in the LAX LWO in 2009, the amount was calculated to cover the *full cost* of family health care. In 2009, that amount came out to \$4.50/hr. Today, it would be between \$11 and \$12 an hour, depending on assumptions and sources used.

Despite this, we are not proposing a higher figure. We are simply recommending that both credits are in alignment, at the \$8.35 amount.

The CLA's report proposes two different figures: \$7.51 for airport workers and \$8.35 for hotel workers. It reached these numbers based on a perception that airport workers work full time (40 hours) and that hotel workers don't. In reality, both sets of workers work similar hours, and neither is close to full time.

Data from hours reported by employers in the UNITE HERE Local 11 health fund hotel and airport workers work about the same amount of hours on average. In the largest employers of hotel and airport in their fund, there are approximately 2,400 workers in each group; the average hours worked at the airport was slightly over 34 and at hotels was slightly over 33. Different

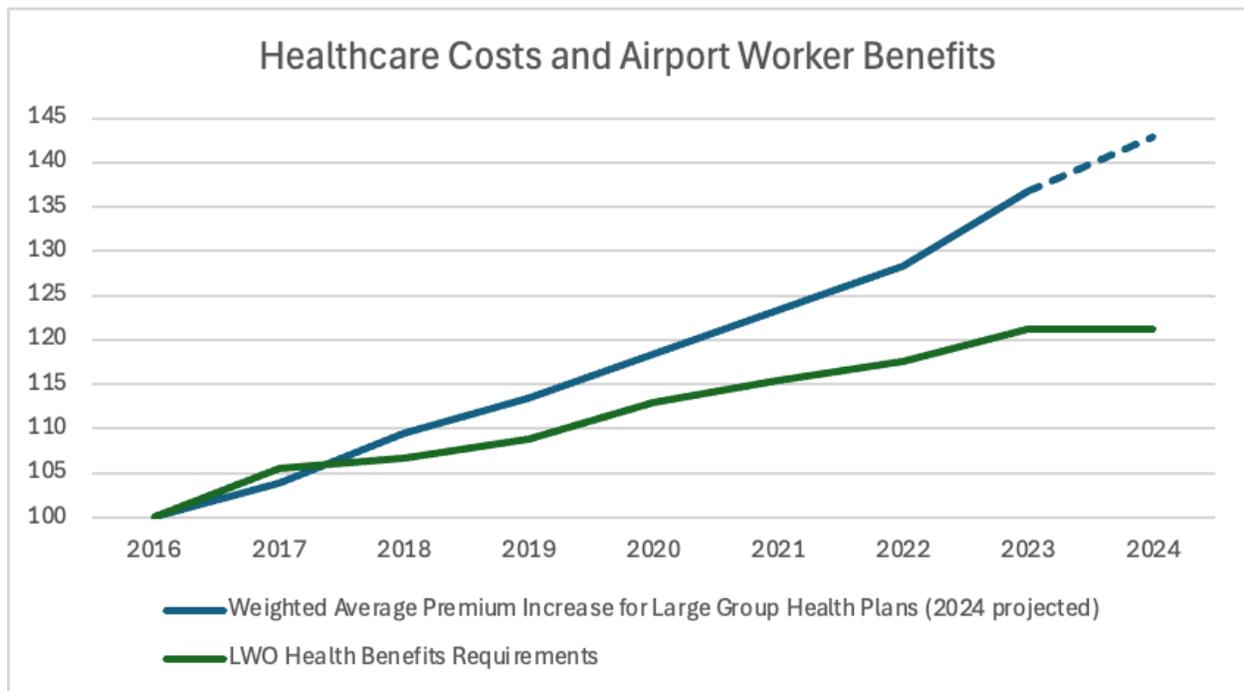
months would obviously give slightly different results, so therefore we recommend using the same health benefits requirement at each since they are substantially similar.

We also spoke to SEIU USSW, who indicated that approximately one quarter of their workers at the airport are part-time, which along with the data above makes it clear that airport workers do not work full time on average.

While the actual number of hours worked is lower at both hotels and airports than the 36 hour average used in the report calculations (and therefore the hourly rate would come out even higher), we recommend using the common number of \$8.35. which would represent a significant improvement in workers' lives by ensuring far more are covered by quality health insurance.

Update escalator to accurately keep up with the cost of health insurance

To address the root of the problem, a small but essential fix is to update the escalator. In 2009, Council pegged annual increases of the health benefits requirement to the medical services CPI. That measure has fallen short, and the current amount of \$5.90 is far behind the cost of family health insurance. In fact, this year, the amount did not increase at all.



Source: California Department of Managed Health Care: Large Group Aggregate Rates and Prescription Drug Cost Report 2023. Indexed to 100 for 2016; City of Los Angeles: Current and Prior Living Wage Rates for Airport Employees, 2024.

While the CPI was the best available measure in 2009, we now have public sources that more accurately track the cost of health care. **To ensure the health benefits requirement doesn't**

yet again fall behind, we propose updating the escalator, indexing future annual increases to the weighted average rate increase for the large group health plans reported annually by the California Department of Managed Health Care in its annual report on state and regional healthcare costs. As mandated by SB 546, its annual report, “Large Group Aggregate Rates and Prescription Drug Costs Report,” publishes premium rates, informed by aggregate rate data submitted directly by large group plans. The large group plans covered in the report are the largest providers of private health insurance in the state. In 2023, the DMHC’s group plan data represented nearly 7.8 million enrollees, including providers such as Kaiser Permanente and Anthem Blue Cross.¹

Minimum health benefits requirements

The original motion calls for minimum health benefits, including family health coverage. In addition, Council should also require that **employers who take the health credit must offer a health plan that is at least silver level, and ensure that no premium is charged to workers for individual coverage.** As workers have shared in testimony repeatedly in Council and T3 Committee, many still have exorbitant copays and other costs that place an undue economic strain on families who are already struggling.

Stick with the original wage schedule proposed

The original motion proposed increasing the wage to \$25 in 2023 and increasing by \$1/year until reaching \$30 in 2028. While 2023 has now come and gone, and we are well into 2024, workers and their families should not have to pay for the delay in this policy. While the CLA’s report includes an alternative wage schedule, we recommend that the policy move forward in alignment with the original intent, starting with where we would be if the policy had not been delayed for over a year:

- i. \$26 w/in 60 days,
- ii. \$27 on July 1, 2025
- iii. \$28 on July 1, 2026
- iv. \$29 on July 1, 2027
- v. \$30 on July 1, 2028

Close loopholes and limit subcontracting to ensure compliance and enforcement

The CLA’s report recommending that the hotel wage be enforceable by OWS, which we agree is necessary for effective enforcement. We also recommend that the City’s other hotel worker related ordinances also be included as well; these include the Los Angeles Hotel Worker Protection Ordinance, the Los Angeles Hotel Worker Retention Ordinance, and the Hotel Service Charge Reform Ordinance.

¹https://www.dmhc.ca.gov/Portals/0/Docs/DO/LargeGroupAggregateRateAndPrescriptionCostsFor2023_1.8.24.pdf

Additionally, by limiting subcontracting of hotel housekeeping, LA City Council can help ensure compliance with its hotel worker minimum wage ordinance. Ensuring that employers do not shift their housekeeping staff to staffing agencies to avoid accountability will remove a major obstacle to enforcement of wage and hour violations and ensure efficient use of the City's limited enforcement resources.

In closing, we urge you to adopt the CLA's recommendations with amendments that address the above concerns to help ensure that the benefits or raising the wage are fully realized by tourism workers and communities across Los Angeles. This policy, which will transform thousands of lives across Los Angeles, is a straightforward fix, simply updating our existing wage ordinances in the tourism industry to move towards the current economic reality. Los Angeles should be proud to have one of the longest-standing living wage ordinances in the country, and of the strongest hotel worker minimum wage ordinances. Such policies have not only enriched our communities; they are established on a sound legal framework that has been repeatedly upheld in the courts, most notably with the recent Seattle hotel worker minimum wage, which includes a similar health benefits provision.

This is a common sense measure. While the industry is predicting cataclysm, their dire threats have failed to materialize every time Los Angeles has expanded its wage protections, which we documented in a January 2024 report, [The Sky Never Fell](#). Thousands of tourism workers and their community allies support this measure, and we encourage you to stay focused on the goal of ensuring that tourism workers are healthy and housed.

Sincerely,

Jessica Durrum
Deputy Director, Policy & Campaigns
LAANE