

Communication from Public

Name: Hollywood Chamber of Commerce
Date Submitted: 05/30/2023 10:17 AM
Council File No: 14-1371-S13
Comments for Public Posting: Please find attached a letter from the Hollywood Chamber of Commerce regarding the proposed Los Angeles Hotel Worker Minimum Wage Ordinance (CF# 14-1371-S13). On behalf of our President & CEO, Steve Nissen, sincerely thank you for your time and attention.



May 29, 2023
Via Council File and Email

Honorable Members of the City Council
City of Los Angeles
c/o City Clerk
200 N Spring St, Room 395
Los Angeles, CA 90012

RE: CF# 14-1371-S13; Los Angeles Hotel Worker Minimum Wage Ordinance

Honorable Members of the City Council:

We thank you for the opportunity to provide feedback on the proposed Hotel Worker Minimum Wage Ordinance (“HMMWO”). Since 1921, the Hollywood Chamber of Commerce (Chamber), which currently has over 700 members, has been committed not just to ensuring that commerce thrives in our community but also that Hollywood is a desirable place to live, to visit and to work. We are concerned that the size and scope of the proposed HMMWO will have the unfortunate effect of reducing hotel room availability and growth, further damage Hollywood as a tourist destination as increased costs will be passed on to visitors, harm other local businesses reliant on a vibrant tourist industry, put Los Angeles-based hotels at a competitive disadvantage relative to neighboring cities as well as pit large hotels against small hotels, and ultimately diminish job opportunities for the very individuals the proposed ordinance purports to help.

As we prepare to be on the world stage with many major events coming to Los Angeles – including but not limited to the 2026 World Cup and 2028 Olympics – the city continues to fall behind in our production of needed hotel rooms at all levels of the hospitality spectrum. This has been made even more difficult by a recent requirement, in all instances in Downtown and Hollywood, to obtain a Conditional Use Permit for any hotel use. This means hotel companies and developers need to undertake a costly multi-year process just to open their doors precisely at the time we are in greatest need of hospitality space. This cost and time will be borne by the hotel operators and only compound the effect of the costs of the proposed HMMWO, making the operation of various hotels infeasible in Los Angeles.

The proposed HMMWO will start initially at \$25 per hour, which means LA city labor costs for hotel operators will be more than 30% higher than the current highest minimum wage city in the country – that city being our neighbor West Hollywood which is currently at \$19.08 per hour. To pay the higher wages, hotels across all levels will have to raise their rates to cover the increased expenses, putting LA hotels at a competitive disadvantage with hotels in neighboring cities such as Glendale, Burbank, Pasadena and even West Hollywood. At a minimum, before adopting this ordinance the city of Los Angeles must analyze what impact it would have on our ability to compete with our neighboring cities who can accommodate our visitors both during normal times and during the global signature events coming our way.

Small independent hotels are numerous in Hollywood, as are nationally known large chain hotel operators. The chain hotels are able to charge higher room rates because they are well known to travelers, and often can add additional types of fees because of their market power and brand recognition. Independent hotels do not have that ability and are able to compete because they can charge lower room rates. However, if the proposed minimum wage increase applies to such independent hotels, it is inevitable that those hotels will have to raise rates to an extent they are no longer competitive. The choice for such hotels is then either to go out of business or sell to a large chain operator if possible, decreasing either customer choice or the number of available hotel rooms, or both. Accordingly, an analysis of the impact of the

proposed HMMWO must consider the comparative impacts on large and small hotels in Hollywood and elsewhere in Los Angeles.

Indeed, when the requirement for a CUP for any hotel use in Hollywood is coupled with increased interest rates, dramatically higher employment costs and an already challenging public safety environment, the combined pressures will make financing new hotels extremely difficult. Budget, Economy, and Mid-Range priced hotels will likely not be built at all in such an environment. (A case in point is West Hollywood, which now has only 4+ Star hotels within its boundaries. All budget and economy hotels were closed, repurposed, or demolished). As a result, customer choice will be significantly diminished in Hollywood and elsewhere around the city.

Certain hotels have multiple revenue streams (including restaurants, shops, spas, etc.) that may not be subject to the proposed minimum wage increase, while other hotels only generate revenue by way of offering rooms for visitors to rent. The latter group of hotels will be at a competitive disadvantage if required to meet the proposed HMMWO without other revenue generating activities to mitigate the impact. As is the case with chain hotels and independents, before the city of Los Angeles moves forward with the proposed ordinance there must be an analysis of the impact on these different categories of hotels.

There are many different types of employees within the hotel ecosystem. Some categories of workers derive additional income beyond minimum wage because they are tipped employees (including restaurant or banquet servers, bussers, bartenders, housekeepers, front desk, hosts/hostesses, bellhops, valet attendants) while others are not typically tipped (e.g., maintenance, engineers, back of the house employees). In addition, some hotels operate with third party employees, such as restaurant employees, who may be under a separate lease, contract, or operating agreement. Before the city of Los Angeles moves forward with the proposed ordinance, an analysis needs to be done to ascertain how HMMWO would impact hotel operation given the multiple types of relationships that exist in the hotel industry.

For all of the above reasons, the city of Los Angeles should move cautiously and analyze the impact of the proposed HMMWO will have on workers, hotel operators, tourism, reputation, tax base, and overall commerce. We are particularly concerned about the impacts in Hollywood – a place which attracts visitors from all over the world, fuels the imagination of people globally, helps form the general view of the health of Los Angeles as a whole, and is an engine for many parts of the local economy through its entertainment and media presence.

Your attention to this important matter is greatly appreciated.

Sincerely,



Steve Nissen, President & CEO
Hollywood Chamber of Commerce

cc. Honorable Mayor Karen Bass (mayor.helpdesk@lacity.org)
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