

## Communication from Public

**Name:** Greg Patrick

**Date Submitted:** 09/19/2024 06:15 PM

**Council File No:** 14-1371-S13

**Comments for Public Posting:** Dear members of the Trade, Travel, and Tourism Committee, I am writing as a resident of Los Angeles to express concerns regarding the findings of the Living Wage Ordinance and Hotel Worker Minimum Wage Ordinance study. The report lacks a true economic analysis, as it doesn't use models like input-output models to forecast the broader impacts of wage changes. It instead relies on surface-level observations and overlooks significant issues, such as the effect on city tax revenue and, importantly, the voices of small and minority-owned businesses that will be affected. The absence of analysis on the Transient Occupancy Tax (TOT) is particularly troubling. TOT is a vital revenue source for the city, and its exclusion from the study is inexcusable, especially since you explicitly requested this analysis. With Los Angeles facing a nearly half-a-billion-dollar deficit, any reduction in TOT revenue will worsen this shortfall, hindering the city's ability to address the homelessness crisis and fund essential services. In conclusion, BEAR did not provide the requested economic analysis. Critical areas such as TOT impacts were ignored, and the analyses provided lack transparency and completeness. The report fails to capture the substantial negative impacts the ordinance could have on businesses and the Los Angeles economy, including potential job losses, service reductions, and business closures. Before proceeding with further discussions on this ordinance, the City must fulfill its promise to conduct a thorough and accurate analysis of the ordinance's direct and indirect impacts on residents and city services. Thank you, Greg Patrick

## Communication from Public

**Name:**

**Date Submitted:** 09/19/2024 06:34 PM

**Council File No:** 14-1371-S13

**Comments for Public Posting:** Dear members of the Trade, Travel, and Tourism Committee. My name is [insert name] and I am writing on behalf of [organization name] to express concerns surrounding the Living Wage Ordinance and Hotel Worker Minimum Wage Ordinance study findings. The report is not an economic analysis. Robust economic analyses use models (such as input-output models) to predict how wage changes ripple through an economy. This report relies on surface-level observations without employing these standard economic tools. Critically important impacts to city tax revenue are ignored. And most importantly, the voices of the small and minority-owned businesses throughout the city who will be directly or indirectly affected by the ordinance were ignored. The exclusion of any discussion on the impact the ordinance will have on the Transient Occupancy Tax (TOT) is inexcusable. Not only is this a major source of revenue for the city and comes exclusively from those affected by the ordinance, but you rightly and explicitly asked the economic study to include an analysis of this revenue stream. The City of Los Angeles is currently facing a nearly half-a-billion-dollar deficit and TOT revenue is the largest source of unrestricted tax revenue coming into the City of Los Angeles. Reduction in TOT revenue will only exacerbate this shortfall, it will directly affect the City's ability to respond to the ongoing homelessness crisis and ability to fund vital services for our residents. In conclusion, BEAR did not provide an economic analysis as requested. They failed to meet even the loosest definition of an objective analysis. Critically important analysis (e.g. TOT impacts) were not completed, and those analyses that were provided are either incomplete or without transparent discussion of the data and methodology. The report glosses over the real, substantial negative impacts that the wage ordinance could have on businesses and the economy of Los Angeles. It provides a shallow examination of the risks, fails to quantify job losses, service reductions, and business closures, and does not offer a comprehensive analysis of competitive pressures or sector-specific vulnerabilities. Without addressing these critical issues, the report does not fully capture the economic challenges that this ordinance may create. Before moving forward with any future discussions of this ordinance, the City must do what it promised more than a year ago, and what you yourself have

championed—a thorough and accurate analysis of the ordinance and the myriad direct and indirect impacts it will have on residents and city services. Thank you.

## Communication from Public

**Name:** John Howland

**Date Submitted:** 09/18/2024 03:48 PM

**Council File No:** 14-1371-S13

**Comments for Public Posting:** The Hotel Association of Los Angeles (HALA) is concerned about the flawed study by BEAR consulting that the CLA released 10 days ago. The attached letter identifies just a few of the numerous problems, misstatements, omissions and erroneous conclusions that the report contains.



Sept. 17, 2024

The Honorable Traci Park  
Chair, Trade, Travel and Tourism Committee  
Los Angeles City Council  
200 N. Spring St. #410  
Los Angeles, CA 90012

**RE: Council File: 14-1371-S13: Los Angeles Living Wage Ordinance (LWO) / Los Angeles Hotel Worker Minimum Wage Ordinance (LA HWMO) / Wage Increase / Health Care Credit / Public Housekeeping Training / Amendments**

Dear Councilmember Park,

On behalf of the Hotel Association of Los Angeles (HALA) and our 270 members, ranging from large international hotel chains to small and family-owned boutique properties, we are writing to ask that the Trade, Travel and Tourism Committee reject the Chief Legislative Analyst's (CLA) recommendations related to the City's proposed Hotel Worker Minimum Wage Ordinance and accompanying economic impact analysis from Berkeley Economic Advising and Research (BEAR).

Our hotels are committed to ensuring employees are compensated and trained appropriately, and we applaud the City's attention to this issue. However, the proposed Hotel Worker Minimum Wage Ordinance is misguided and its economic impact analysis utterly incomplete.

**Economic Analysis Misrepresents HALA's Involvement**

We are especially disappointed that the report suggests the Hotel Association of Los Angeles refused to participate in the study; this is a mischaracterization of the Association's efforts. HALA is a trade association and therefore cannot collect the kind of financial and wage data researchers sought as that would be a violation of anti-trust laws. Instead, HALA provided a list of reputable third-party wage surveys that hotels regularly participate in. These surveys were not used in the economic report. HALA also provided a list of hoteliers for interviews. BEAR economists reached out to just one member and this conversation is not reflected in the report. We are further

dismayed that neither the CLA nor BEAR conducted any outreach to small business owners located within hotels, or other groups that would be most affected by the proposed ordinance. Further, the researchers did not contact LA Tourism, nor did they include readily available data on the financial health of the tourism industry.

### **BEAR Analysis Lacks Economic Context**

BEAR's report also fails to provide historical context on how previous wage increases were implemented. When the first Living Wage Ordinance was passed in 2013, travel and tourism in Los Angeles was booming. Hotels were on a seven-year market upswing and interest rates were at record lows. Those factors made it easier to absorb higher labor costs. Opposite market conditions exist today. Tourism has not recovered from the pandemic – hotels are struggling in a multi-year down swing and interest rates are at near historic highs. Such a dramatic wage increase will topple an already fragile industry and set the Los Angeles region further back in its recovery.

Among the ordinance and analysis' shortcomings:

- **COVID-19 Pandemic Recovery:** The BEAR analysis claims, "the tourism and travel industries in Los Angeles are rebounding rapidly from the COVID-19 pandemic." In fact, tourism has not returned to pre-pandemic levels. The *Los Angeles Times* recently reported 75 million passengers traveled through LAX in 2023 compared to 88 million in 2019. Transient Occupancy Tax (TOT) contributions to the City's revenue – which were notably omitted by the researchers in the economic analysis – have been slow to meet anticipated projections. During the 2023-24 fiscal year, the City's TOT revenue was nearly \$20 million lower than projected. Citywide conventions have also not returned to pre-pandemic levels and continue to fail to meet forecasted projections. In 2024, the City was projected to have 25 to 28 citywide conventions (a projection lower than pre-pandemic averages); instead the City will only host 17, which is down from the 21 citywide conventions Los Angeles hosted in 2023 (Los Angeles Tourism and Convention Board).
- **Rapidly Increasing Labor Costs:** The proposed ordinance calls for a dramatic increase in hotel wages within 60 days of adoption. Increasing hourly wages to \$24.40 with an additional \$8.35 for health benefits would result in a 69% increase in payroll in just two months. No industry can afford that financial uptick in such a short period of time.

- **Disparate Impact on Hotels:** The study underestimates the number of hotels that would be impacted by this ordinance. Even more egregiously, the researchers failed to look into which hotels would be impacted and how they would be impacted. The economic analysis fails to distinguish between large, branded hotels and small, owner-operated hotels. Among the hotels covered by the proposed ordinance, an estimated 67%, according to the California Hotel and Lodging Association, are small family-owned businesses with 60 to 150 rooms total. These hotels largely fall outside of the major tourism corridors of downtown, Hollywood and LAX and are instead disproportionately located in the San Fernando Valley. They largely serve underserved markets and often cater to family customers on fixed budgets who would not be able to absorb cost increases in room rates. Dramatic cost increases would devastate these hotels and cause many of them to close, leaving travelers fewer affordable options to be able to visit Los Angeles.
- **Impact to Businesses:** The analysis fails to consider the real-world impacts to the hospitality industry, small businesses, employees and vendors. Were the proposed wage increases to take effect, businesses may have no choice but to reduce services and amenities like food and beverage or valet parking, eliminate positions, or close operations. Closures and service reductions of this nature would have a ripple effect, including drastically reducing deliveries to hotels from drivers represented by the Teamsters. This impact runs counter to the intention of the ordinance and yet the analysis again fails to consider the scale of losses across sectors.
- **Impact on Construction and Major Renovations:** The BEAR analysis does not consider that drastic wage increases will halt hotel construction and negatively impact construction and skilled trades jobs. Hotel construction is overwhelmingly built with project labor agreements; what happens to those jobs when construction projects don't move forward? Furthermore, the analysis does not consider the permanent jobs that won't materialize if additional hotels are not built. In downtown Los Angeles alone, there are several entitled hotel projects that have not moved to pull permits as Los Angeles seeks to make the cost of doing business more expensive. Los Angeles is under-hoteled, even as we prepare to host global sporting events. Raising labor costs so drastically and unsustainably will prevent projects from being constructed.

- **Lost Tax Dollars, Economic Opportunities:** The BEAR analysis finds the proposed wage increase would reduce consumer spending by \$21 million and decrease business revenue by \$227 million over four years. A study from Oxford Economics, commissioned by the Los Angeles Area Chamber of Commerce, found the economic impacts could be even more dire. Increasing the hourly wage to \$25 could result in a loss of \$1.9 billion of business sales annually, resulting in 12,187 lost jobs in the broader City of Los Angeles economy and \$138 million of lost state and local tax revenue.
- **Impacts of 2028 Olympics:** Both the City's 2023 motion and BEAR's report work from the faulty supposition the 2028 Summer Olympics will create a windfall for hotels. Even minimal research would have shown the analysts that LA area hotels agreed nearly a decade ago to lock 40,000 rooms into blocks with pre-determined rates that are significantly lower than "market prices" at the summer peak of the Los Angeles tourism season. Signed agreements that go into effect well before the actual events begin were part of the City's bid that the International Olympic Committee accepted in 2017. And, far from making exorbitant money on this year's Olympics, preliminary data from Paris shows that hotels suffered high vacancies and low revenues during what normally would have been the height of tourist travel season. The Parisian Olympics also proved to be a drain on leisure and business hotel bookings months before and months after the Olympics. The Association Pour un Tourisme Professionnel, the leading tourism industry group in France, predicts that receipts from the Games will not make up for the occupancy drops experienced in June and July prior to the event.

Businesses need stable and predictable regulatory environments in order to succeed. The City's proposed wage increase would be unaffordable and create tremendous uncertainty for hotel operators as they consider staffing levels, service to guests, and construction and renovation projects. Our industry is continuing to recover from the pandemic. While we want to work with the City Council and Mayor to continue to improve standards for our employees, we respectfully ask the committee to reject the CLA's recommendations coming out of such a deeply flawed report. Hotels reserve all options afforded to us under the law to seek a more fact-based and balanced approach.

We look forward to having this important conversation and finding a path forward that supports both workers and the local businesses that employ them.

Sincerely,  
Board of Directors  
Hotel Association of Los Angeles



cc:

- Mayor Karen Bass
- Members, Los Angeles City Council
- Rachel Freeman, Deputy Mayor
- Sharon Tso, Chief Legislative Analyst
- Matthew Szabo, City Administrative Office