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PROTEST

February 24, 2014

14-0223

Honorable Members of the Los Angeles City Council
City of Los Angeles
200 N. Spring Street, 3rd Floor
Los Angeles, CA 90012

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SUBJECT: Oppose Los Angeles Hotel Living Wage

Dear Members of the City Council:

The Canoga Park Bowl, LLC (dba Best Western Canoga Park Motor Inn) strongly opposes the living wage proposal (Bonin- Martinez- Price), which aims to raise the minimum wage for hotel employees to \$15.37 an hour. While we understand the intention behind this proposal, it is because of the reality of the unintended consequences that we must respectfully oppose:

Intention: Lift Employees Out of Poverty

Reality: Creates Unemployment

In a free labor market, wage rates reflect the willingness of workers to work (supply) and the willingness of employers to hire them (demand). Worker productivity is the main determinant of what employers are willing to pay.

The law of demand says that at a higher price, less is demanded, and it applies to grapefruit, cars, movie tickets and, yes, labor. Because a legislated increase in the price of labor does not increase workers' productivity, some workers will lose their jobs. Which ones? Those who work un-skilled positions or do not have an education – the employees this ordinance aims to help!

According to a Los Angeles Economic Roundtable study on a hypothetical \$15 living wage citywide, the hotel industry would have to reallocate a full 14 percent of their revenue to raise employee wages. This direct impact on hotels does not take into consideration the fact that higher-level employees will also demand a wage increase in conjunction with the living wage mandate as the employees they manage will be making double their usual pay.

For an industry that generally takes home a 10 percent profit margin from overall revenue, reallocating 14 percent will be devastating if not impossible. This will lead to job cuts or the exodus of the hotel industry which could relocate just outside of city borders.

Regional examples, such as the new minimum wage law for Long Beach show that living wage increases result in layoffs. Following the 2012 city ballot measure to increase minimum wages, hotels downsized room capacities and cut staff positions and hours. The Hotel Association of Los Angeles said two of the bigger hotels

CANOGA PARK BOWL AND BEST WESTERN MOTOR INN

in the city reported increased costs in the first year of \$800,000 and \$1.5 million, respectively. Price increases and job cuts were inevitable.

Intention: Create a Better Working Environment

Reality: Reduces Other Job Benefits

Even when minimum-wage increases don't put employees out of work, they don't necessarily help them either. The reason: Employers respond to forced higher wages by adjusting other components of employee compensation, such as health insurance or other benefits. Although few minimum wage workers have employer-provided health insurance, employers have found other ways to adjust, such as cutting hours worked per week, on-the-job training, or services such as free meals for employees.

Intention: Tourists Will Foot the Bill to Improve L.A.

Reality: Angelenos Will Pay the Price for Reduced Competition and Tourism

Some proponents argue that resulting price hikes would be so small that consumers wouldn't notice them. While this might be true for fast food which takes one or two employees at the restaurant to prepare and serve you, it is not true in the hospitality industry. If you want to spend a night at a hotel, there are many more people involved in your stay. If you want your wedding reception at a hotel, that is exponentially larger in terms of manpower.

It may cost an estimated extra \$7 a night to cover a \$15.37 wage, but we are not looking at the conferences and receptions that require much more manpower – the events that bring large groups of tourists to Los Angeles. Many groups will choose the option of staying just 500 yards away in a neighboring city like Santa Monica.

So, while many argue that tourists will essentially foot the bill for this increase, it is clear that Angelenos will ultimately pay the price for the loss of tourism. With less people visiting our attractions, eating at our restaurants, and shopping at our stores, this competitive disadvantage will have far reaching impacts on all businesses across the city. Ironically, this loss of tourism completely negates any nexus being used to justify this industry-specific wage hike.

At a time when cities across the country are competing for the entertainment, technology and tourism industries, Los Angeles cannot afford to lose its tourists to neighboring cities and states. Even a seemingly minimal increase in night-stay or event venue prices will result in Los Angeles appearing far down the price-sorted lists on popular travel websites, like Expedia and Travelocity.

Intention: Address Issues of Poverty and Low Purchasing Power

Reality: Completely Ignores the Underlying Issues of Poverty and the Wage Gap in Los Angeles

The report from the Economic Roundtable says that 46 percent of Los Angeles' wage and salary workers are paid less than \$15 an hour. Living wage advocates use this as a reason to lift wages, while the business community uses this as an indicator that we need to bring more skilled jobs to Los Angeles. That will not happen as long as Los Angeles continues its reputation as business-unfriendly with the highest business tax of every city in the county and full of red tape and regulatory burdens.

The bottom-line reality is Los Angeles is facing a huge job shortage. Should this ordinance pass, hotels will make preliminary cuts to staff positions. Skilled workers still looking for jobs after the recession will start taking the \$15.37-an-hour jobs that remain. The unskilled workers these positions are intended for are now out of a job. How is this helping lift Angelenos people out of poverty?

What we should be focusing on is the actual problem at hand, not the symptoms. The city has tangible policy options that will address the jobs shortage, such as making it easier for businesses to come to Los Angeles and creating partnerships between schools and businesses so that we can train our residents in the high-skilled jobs our businesses need, instead of outsourcing.

We appreciate the time and effort you are spending on this important issue and we look forward to collaborating with you on ways to responsibly address it.

Sincerely,

A handwritten signature in black ink, reading "Wendy R. Moskal". The signature is fluid and cursive, with the first name "Wendy" and last name "Moskal" clearly legible, and "R." as a middle initial.

Wendy R. Moskal
VP/Human Resources & Compliance
The Gelb Group