



March 13, 2014

Gerry Miller - Chief Legislative Analyst
Office of the CLA
200 N. Spring Street, Room 255
Los Angeles, CA. 90012

SUBJECT: Hotel Living Wage Study

Dear Mr. Miller,

The Valley Industry and Commerce Association (VICA) and our member hotels have voiced our concerns with the proposed hotel living wage ordinance and would like to thank you for choosing to study the effects of such a proposal before imposing it. VICA has compiled the list of questions below that we feel should be answered to ensure that the study accomplishes its goals in evaluating the real impacts of this proposal.

Procedural Questions:

- Who will be involved in conducting the study? This study has been referred the CLA's office, however, we feel an unbiased study should be conducted by the Office of Economic Analysis, since it was created for this purpose.
- What will be the CAO's role in the study? Following our discussions with several Councilmembers, they agreed that the CAO should work with the CLA through the course of this study, but in what capacity? How will the study elements be split by department?
- How will a full study that addresses all of the impacts of this proposal be conducted in just 45 days?

Impacts Realized in Other Cities, Neighborhoods:

- What have been the overall effects of the Living Wage Ordinance on employees around LAX, in Long Beach, in New York, and elsewhere?
 1. How many jobs were cut, or replaced by new, higher skilled employees after the ordinance went into effect?
 2. Of those who kept their jobs, how many experienced a reduction in hours per week and how many workload expectations were raised? (i.e. maid used to be responsible for 15 rooms an hour and is now expected to clean 22 an hour)
 3. How many employee benefits or free services were cut? (i.e. free employee lunches, recognition programs, insurance co-pays)
- What have been the costs to hotels from the increase?
 1. From other city examples, have managers or those paid above minimum wage asked for increased compensation as those who they oversee receive an increase (wage stratification)? If so, what can we expect to be the overall cost of wage stratification to

hotels, including the raise for minimum wage workers, further increases for other staff, and other costs tied to wages, such as workers' compensation, etc.

2. How have the hotels managed these costs?
 3. What was the average increase in room rates/ banquet hall rates?
 4. What has been the effect on hotel restaurants and bars as they implement this increase?
 5. Have new hotels been built after the ordinance was put into place? How does this number compare with development numbers in previous years?
 6. Have any previous examples raised minimum wage by nearly 80 percent, like the current proposal in L.A.? How large were their respective increases?
- What loss in tourism has been realized in these cities with rates that are disproportionate to competitive sets in bordering cities? How have the living wage hotels compared in tourism with their neighbors who are not required to pay a living wage?

Questions regarding Specific City Zones:

- As we all know, the Valley operates under a very different economic reality than other areas of the city, such as downtown where hotel development has been heavily city subsidized. For this reason, the study should analyze the impacts on a local basis instead of city wide, by dividing up the city into various zones. Once this has been done, we request that the following valley-specific questions be answered.
 1. What nexus is being used to justify including Valley hotels in this ordinance?
 2. How many tourists stay in Valley hotels to visit the "free" attractions listed in the motion?
 3. How are the data points listed in the motion different for Valley hotels in comparison to downtown? (i.e. Rev par, occupancy rates, ADR).
 4. How much effect do privately owned businesses or attractions located outside of the city (i.e. Magic Mountain, Universal, Burbank Studios) have on people staying in the Valley?

Los Angeles Projections:

- What will be the overall impact of the ordinance on the hotel industry in L.A.? What will be the specific impact on Valley hotels?
 1. What will be the average increase in room rates?
 2. How will these new labor rates affect tourism when less expensive options are available at bordering cities like West Hollywood, Burbank, and Beverly Hills, Anaheim?
 3. How will this potential loss of value affect the conferences and banquets, both large and small that regularly utilize hotel spaces? Will they be likely to stay in L.A., or move to a neighboring city?
 4. What will be the impact of L.A.'s lack of competitive pricing on online forums such as Priceline and Expedia?
 5. How will this loss of tourism and decrease in room stays affect the livelihood of hotels?
 6. How will this loss of tax revenue impact the city?
 7. Will hotel jobs be cut, replaced, or outsourced? Will hours be reduced or will workload per hour be increased?
 8. Will reduced profits affect loans as P/E ratios may drop below those required in loan agreements? Can the city be held liable for it being the cause of these business plan failures?
 9. How will higher costs affect hotel restaurants who compete with outside restaurants not impacted by this ordinance?
 10. What will be the effect on new investments/ renovations and new development in the city? How will this impact current and future jobs? Will developers instead build in surrounding cities?

11. Do we expect any hotels to be forced to shut down as a result of this ordinance?

Exemptions:

- What would be the effects of an exemption for tipped employees?
 1. Would it be legal, under state law and the Department of Labor, to exempt tipped employees from the living wage ordinance?
 2. What is the average wage reported for a tipped employee? Hourly? Annually?
 3. What will be the effect of exempting tipped employees from the ordinance?
 4. What percentage of affected employees make \$8.25 an hour? What percentage make over \$15.37 an hour?

- What would be the impact of mandating a \$15.37 floor for wages in future union contracts?
 1. Although we understand that current contracts cannot be changed, must future bargaining agreements also be exempted from the living wage?
 2. In the other city examples, how many hotels unionized after the living wage was imposed? How does this number compare with usual unionization in that area and across the country?

Underlying Issues/ Alternatives:

- What will be the impact on youth jobs and wages? (i.e. high school and college students)
- What alternatives have been considered to better address the issue of the wage gap and low purchasing power in Los Angeles?
- What is the benefit of instead addressing the underlying issues in the city and investing in job growth through economic development (i.e. phasing out of the business tax) as well as increased public-private partnerships with our schools, to match curriculum to workforce needs?

Thank you for your hard work on this important issue.

Sincerely,



Coby King
Chair



Stuart Waldman
President