

March 9, 2014

The Honorable Mayor Eric Garcetti
200 N. Spring Street
Los Angeles, CA. 90012

Dear Mayor Garcetti:

The Hotel Association as well as other organizations have responded to the City of Los Angeles' proposal to raise the minimum wage for hotel workers in properties over 100 rooms to \$15.37/hr. I am hopeful you will appreciate a response from an owner/operator of a small hotel in Los Angeles...Travelodge Hotel at LAX. It is at the operations level where politics and even moral imperatives must take a back seat to providing a quality work environment which translates to a positive guest experience. Having a rewarding place to work as well as satisfied guests is the engine that drives our business; that generates revenue for the city; and what fuels our economy.

I strongly support the Living Wage and have been paying our employees under this agreement since 2000. I agree that as a business man, I have a responsibility to compensate my employees with a wage that is commensurate with their responsibilities; that rewards performance; and meets my shared responsibility to ensure my employees are earning an income that allows them to be productive citizens and consumers in our community. The employment programs include student work experience and work accommodations for senior citizens. Over my 32 years at this location, I enjoy a turnover rate of less than 2% which indicates a well-trained, competent and satisfied staff.

It is also my responsibility to make a profit. My labor cost is 36% of revenue. During the many economic downturns over the years, my partners and I chose to financially support our business so that no employee was either terminated or lost hours. We saw these as good business decisions because our business model justified this investment. The key to our future is to remain competitive and the new wage proposal puts us at a competitive disadvantage.

One of your rationales for the proposed wage increase is that the hotels will be able to recoup the cost with increased room rates. Perhaps you have invested in the stock market. You buy a stock with the hope the value will increase. The key is if you lose value you can sell and reinvest elsewhere. You are proposing we increase our wages in hopes of increased room rates. If the increased rates don't happen, we are left with higher wages we cannot change. I doubt you are willing to accept the same terms with your stock investments. Although rates may increase in the short term to offset some of the increased labor costs, any economic slowdown that we know will occur can have a disastrous effect with a "locked in" Living Wage ordinance.

To have survived in business for 32 years, we have learned to be efficient. Our profit margins are meager and any substantial cost increase will have to be made up elsewhere. The proposed wage increase, if implemented, will require us to reduce our staff, decrease hours worked and provide fewer services to our guests. For the city, this results in higher unemployment, less tax revenue and fewer consumers. Our guests will notice the changes and our business will suffer. My question is simple: Who wins?

Before considering this proposal, perhaps these questions need to be answered:

- Hotel Size: Hotels larger than 100 rooms will be at a disadvantage to those under 100 rooms. How is this helpful to your stated goals? A 100 room property with an Average Daily Rate (ADR) of \$100 cannot compete with a 90 room hotel in the same competitive set.
- Tipped Employees: They will now earn more than others who are shift leaders and/or have 25 years seniority or an employee with superior skill sets. How does this help equitable compensation? A bellman

making \$25 an hour when the lead desk clerk is earning \$15.32. A room attendant making \$21 an hour while the assistant supervisor makes \$15.37. Everyone cannot receive a 15% wage increase.

- Living Wage: Expand to all hotels with 50 or more rooms. Does this more directly meet Councilmember Bonin comment that "... he considers it both a moral and an economic imperative for our city, and he believes that raising hotel workers out of poverty would have a strong and beneficial impact on small business and neighborhoods throughout L.A." There has to be a more equitable formula that is fair to all hotel employees and owners. Perhaps a tiered wage program based on average daily rates would be an alternative.

Please see the impact this proposal will have on all of us. Please continue with the Living Wage as well as upcoming increases. Please help us to remain a competitive business which supports our great city.

Sincerely,

Lance Lipscomb
Partner/General Manager

Cc: Laurie Hughes, Executive Director Gateway to LA
Councilmember Mike Bonin
Councilmember Gilbert Cedillo
Airport Commissioner Val Velasco