





## Questions for Citywide Living Wage Hotel Employee Economic Impact Study

- Who will do the study?
  - The study must be conducted by a reputable economist who isn't using data to drive an outcome and who is interested in the economic impacts, not the social outcomes
- What have been the overall effects of the LWO on the hotels along the Century Blvd. Corridor?
  - What are those effects when the data is adjusted to account for the growth in the US economy and growth in overall travel from the time the wage was implemented until today?
- What was the cost to hotels from the increase?
  - How did the hotels manage those costs?
    - Absorption? Passed on to guests? Reduced staff levels or hours?
- How have the Century Blvd. hotels compared with hotels in El Segundo and elsewhere in that area that do not have a \$13-plus hour minimum wage?
- What has been the effect on the hotel restaurants, bars, room service (food & Beverage) at those hotels?
- How many hotels signed CBAs on Century Blvd. and how does this compare to the county and to national averages?
- Similarly, what have been the effects of the hotel LWO increases in Long Beach and in cities such as New York and elsewhere?
  - Have new hotels been built in Long Beach?
  - Have New York hotels stopped various services and cut jobs?
- What will be the effects on the hotel industry if a \$15 per hour minimum wage is imposed?
  - What will be the average increase in room rates?
  - How will that increase affect tourism and room stays?
  - Will higher room rates mean less spending in other areas of the local economy like restaurants, museums, taxis, retailers, etc.?
  - Will hotel jobs be cut? Will hours and shifts be cut?
  - Will reduced profits affect existing loans as P/E ratios or profits may drop below those required in loan agreements?
- How will higher costs affect hotel restaurants, especially those in areas where they compete with non-hotel restaurants nearby?
- What is the average reported wage for a tipped employee?
  - What will be effect of not including tipped employees whose reportable wages exceed \$15/hour in the mandated increase?
  - What percentage of the non-tipped employee workforce makes \$8.25 / hour? What percentage already makes over \$15 / hour?
    - How many of those employees below \$15 / hour have healthcare plans? How many employers can be expected to drop healthcare coverage?
- What will be the overall effect on a hotel's food and beverage operations if the wage is raised to \$15 per hour?
  - Does the effect grow, diminish or stay constant as the number of rooms in a hotel affected by the wage mandate is raised?

- What will be the effect on investments into renovation of existing hotels?
  - What will be the job impacts?
  - What will be the long term impacts to those hotels?
- How will this wage increase affect investments into new hotels?
  - Will size matter? (i.e., will investors still put money into large 400-plus room hotels but not 120-room hotels? Or vice versa?)
  - What are the effects if this is levied on 100+ room hotels vs. 200+ room hotels vs. 300+ room hotels or vs. 400+ room hotels?
    - Are the effects more deleterious to smaller hotels? And if so, how?
- Will hotel developers build in surrounding cities that do not have a citywide \$15 hotel wage mandate instead of LA?
- How many developments can we expect to leave LA (not be built) and how many construction, full-time staff and third-party service provider jobs will be lost as a result?
- What will be the effect on “boutique” hotel investment and construction?
- What will be the effect on Downtown hotels of an LWO?
- What will be the effect on Downtown if no more boutique hotels are built in the area?
  - What will the ripple effect be on other new businesses coming into Downtown?
- What will be the overall effect on the Convention Center if the 5,000 new hotel rooms that are needed go unbuilt?
- Adaptive Reuse has been instrumental in revitalizing portions of Downtown and in bringing in new hotel brands to the city. What are the costs associated with building a hotel through adaptive reuse versus ground-up construction?
  - Do these costs make it more difficult to build a hotel through adaptive reuse?
  - Will the added costs from a living wage mandate make investors more likely to abandon an adaptive reuse hotel project than a ground-up project?
  - Is it more difficult to finance a hotel project that uses adaptive reuse than through ground-up construction?
    - If so, do the lower P/E ratios mean that banks will not give loans or may call in existing loans to adaptive reuse hotels?
  - How many construction jobs are created per room for an adaptive reuse hotel? And how does that compare to ground-up hotels?
- Has a study ever been done about raising a minimum wage, even for one industry sector, by nearly 80%? What were the effects on the economy of such an increase?
  - What is the largest mandated wage increase and what were the effects?
- What is the actual effect of “free” tourist attractions such as Griffith Park, Venice Beach, Hollywood Blvd., modernizing LAX, modernizing the Convention Center or investments in public transportation on bringing in visitors who stay at hotels in the City of Los Angeles?
  - How many of those visitors can be attributed solely to those attractions and not other factors in whole or in part?
- Excluding the Convention Center, do these other “free attractions” have any effect on visitors’ decisions to stay in Los Angeles? In other words, if Hollywood Blvd. did not exist, how many visitors who stay in Los Angeles would actually travel elsewhere and how many room nights are affected?

- How much effect does a privately owned business have in these areas ability to draw tourists (e.g., the Chinese Theater as part of Hollywood Blvd.)
  - How much does the County's operation of a state asset such as the beach at Venice Beach compare with the city's investment there?
- How big is the impact of the Convention Center?
- How much impact does the lack of an easy-to-navigate, user-friendly public transportation system that actually gets people to where they want to go (compared to NY, Paris, London, SF) adversely affect people coming or staying in Los Angeles?
- How much effect do attractions that are either not free or not in the City of Los Angeles have on people staying at hotels in the City of Los Angeles (e.g., the Rose Parade or a Staples Center concert)?
- How much does LAX's poor image negatively affect the ability of the city to attract tourists?
- How many room nights are lost to other city's because of the poor quality and small size of the Convention Center?



LYNN S. MOHRFELD, CAE  
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June 6, 2014

The Honorable Curren Price, Jr.  
Chairman, Economic Development Committee  
Los Angeles City Council  
200 North Spring Street, Room 420  
Los Angeles, CA 90012

Dear Chairman Price:

On behalf of the California Hotel & Lodging Association, I am reaching out to the members of the Economic Development Committee and the entire City Council in response to the June 3, 2014 report conducted by Blue Sky Consulting entitled *Analysis of the Impact on the City of Los Angeles of the Proposed Minimum Wage for Hotel Workers*.

While the report acknowledged the effects of higher wages and increased spending of these workers, it largely concentrated on lost jobs, those not hired because of the wage increase, lost benefits, a decline in hotel development, lost hotel profits, and competitive pressures. Overall, the report clearly indicates there are trade-offs and that economic effects are likely. As such, the California Hotel & Lodging Association requests an end the attempt to increase the minimum wage of hotel employees in the City of Los Angeles.

If the council continues to pursue this issue, an economic impact study should be undertaken, as instructed by the committee. The study cites a reference that is over twenty years old as well as citing a study that “relies on survey data collected from...restaurants.” A policy of this magnitude should not rely on secondary research and information re-purposed for consideration of an economic impact upon the workers of another industry. Implementing policy based on it having “some likely effects” is a disservice to workers who would be affected – the committee and council should, at a minimum, have a clear picture of these effects. As such, the California Hotel & Lodging Association is re-submitting its original questions – these and the concerns of other organizations clearly have not yet been addressed by this effort.

Two new studies have been released this week that should be considered as well. One report, conducted by Pennsylvania State University<sup>1</sup>, estimates, conservatively, the total economic impact of the proposed minimum wage increase on the Los Angeles hotel industry and community would be \$255.4 million. This figure includes reduced annual food & beverage revenue, loss of jobs, loss of hotel values as well as other impacts. (See attached.)

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<sup>1</sup> *Extreme Wage Initiatives & The Hotel Industry: Impact on Local Communities and The Nation*. John W. O’Neill, Ph.D. School of Hospitality Management. The Pennsylvania State University, June 2014.

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The Pennsylvania State University study also explains the proposed Los Angeles increase will weaken demand in the City as “transient and group travelers would seek better deals elsewhere.” It also points out that the “city of Los Angeles currently has unemployment levels greater than 10 percent and could ill afford to put more of its population out of work.”

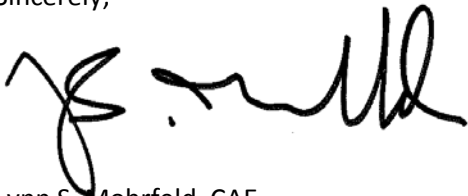
Another study, released this week by the San Diego County Taxpayers Association<sup>2</sup>, (see attached), provides an overview of increasing the minimum wage in San Diego, a municipality that is considering a much lesser increase. This study predicts that small businesses “will have to downsize and cut hours as a result of minimum wage increases.” This study also discusses the proposed increase relative to the increases in the minimum wage already set to be enacted statewide of \$9 in July of this year and \$10 in January of 2016. There is not a clear understanding of how the economy will react to the two state-imposed minimum wage hikes beginning in less than 30 days.

The commissioned report from Blue Sky Consulting concludes that “establishing a minimum wage policy for hotel workers represents an inherent trade-off.” We, at the California Hotel & Lodging Association, are greatly concerned for our workers and the effects of an unknown “trade off.”

It’s for these reasons we encourage the City to discontinue its efforts to raise the minimum wage for our industry.

Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Lynn S. Mohrfeld". The signature is fluid and cursive, with a large initial "L" and "M".

Lynn S. Mohrfeld, CAE  
President & CEO

cc: Mayor Garcetti  
Councilmember Cedillo  
Councilmember Krekorian  
Councilmember Blumenfield  
Councilmember Labonge  
Councilmember Koretz  
Councilmember Martinez  
Councilmember Fuentes  
Councilmember Parks  
Councilmember Wesson  
Councilmember Bonin  
Councilmember Englander  
Councilmember O’Farrell  
Councilmember Huizar  
Councilmember Buscaino

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<sup>2</sup> *Minimum Wage & Poverty in San Diego*. San Diego County Taxpayers Association, June 2014.