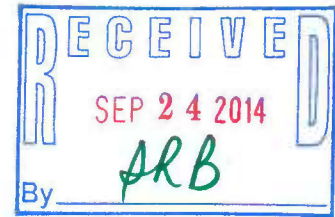




LOS ANGELES AREA
CHAMBER OF COMMERCE

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September 24, 2014



The Honorable Herb Wesson, President
Los Angeles City Council
200 N. Spring Street
Los Angeles, CA 90012

Dear President Wesson and Members of the Los Angeles City Council,

Attached to this letter are excerpts from two of the studies commissioned by the City Council on the Hotel Mandatory Wage Ordinance under consideration.

These studies documented the results of similar ordinances pertaining to the LAX Hotels Hospitality Zone Living Wage that went into effect in 2008 and the Long Beach Hotel Mandatory wage that went into effect in 2012.

In both cases, the enactment of the ordinances resulted in a pay increase and a loss of jobs. That is what the residents of Los Angeles can expect if this ordinance is passed.

The unemployment rate in the City of Los Angeles exceeds 9 percent. This ordinance will not help. In fact, it will increase our unemployment rate unless other sectors of the economy pick up the slack and hire more people.

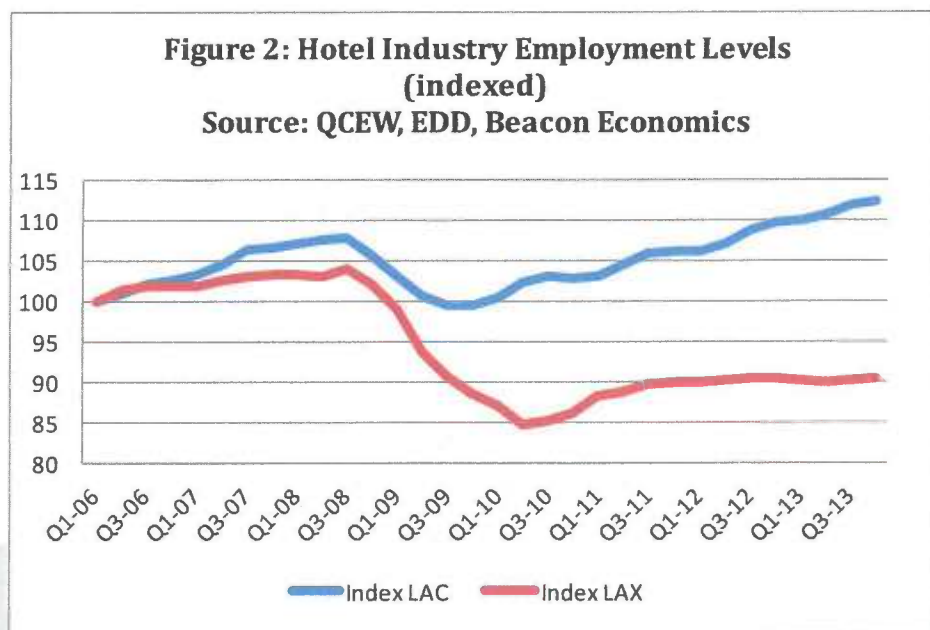
We urge the members of the City Council to oppose this ordinance.

Sincerely,

Gary Toebben
President and CEO
Los Angeles Area Chamber of Commerce



While the wage trends are not terribly dramatic, employment trends have been. Employment growth is very different between LAX hotels and hotels in the rest of the county. From mid-2006 to the end 2013, employment shrank 10.0% in LAX hotels and grew 9.2% throughout Los Angeles County. This is due almost exclusively to non-existent employment growth in LAX hotels post-recession, combined with a much larger drop in jobs during the recession, where, LAX hotel employment fell 20%, compared to a 7.4% drop for Los Angeles County.



Job Impacts of the LAX and Long Beach Wage Initiatives

Because the LAX hotels were not able to pass on the costs of the increased wages to their hotel guests, the affected hotels have had to implement cost-saving measures such as reduced staffing and benefits, and reduced hotel amenities. Most all affected hotels have experienced reduced staffing levels, with food and beverage receiving the largest portion of the cuts. One hotel reported a reduction of 84 hourly full-time equivalent employees (FTEs) since the ordinance was implemented, with 52 percent of these reductions occurring in food and beverage. Many of the affected hotels have eliminated room service and banquet and service charges, and have built these fees into the menu pricing. This makes it challenging for the sales team as they must explain the difference in pricing to potential clients. This also impacts banquet servers and bartenders as they are now paid a flat rate. The LAX hotels are now operating with a competitive disadvantage because some of their competitive set hotels, such as those in El Segundo, were not impacted by the ordinance.

In Long beach, at least two hotels have removed rooms from inventory in order to fall below the 100-room threshold. This has led to reduced revenue and staff cuts at these hotels. Another hotel has cut 25 FTEs (55,000 man hours) at the same time that occupancy has increased 7 points. The majority of these cuts were in the food and beverage department. One full-service hotel has calculated that the annual financial impact post-reduction of staff is approximately \$785,000 in incremental wages, benefits, and payroll taxes. This impact would have been \$1.5 million annually if the staff reductions had not been implemented. In many cases, the staff reductions have resulted in increased workloads, which have impacted service levels. Room service and banquet service charges are now built into menu pricing, which makes it difficult for the sales team to sell against Anaheim hotels.



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September 23, 2014

The Honorable City Council of the City of Los Angeles
Room 395, City Hall
200 North Spring Street
Los Angeles, CA

Re: Council File No. 12-0223

Dear Honorable Councilmembers:

We represent a coalition of trade organizations and business advocacy groups that includes the California Hotel & Lodging Association, the Hotel Association of Los Angeles, the Los Angeles Chamber of Commerce, the Central City Association of Los Angeles, and the Valley Industry & Commerce Association.

The process being used to pass the Citywide Hotel Worker Minimum Wage Ordinance¹ (Proposed Ordinance) violates the explicit language of the existing Airport Hospitality Enhancement Zone Ordinance² (Existing Ordinance). The failure to comply with the process explicitly set forth in the Existing Ordinance violates the understandings and consensus underpinning the passage of the Existing Ordinance.

The Existing Ordinance requires that organized labor and business groups be afforded a process through which everyone's voice may be heard and economic facts be obtained and discussed before the City Council may extend the living wage requirement beyond the Airport Hospitality Enhancement Zone. The Existing Ordinance also contains extensive findings regarding the difference between the hotels regulated by that ordinance and other hotels and businesses that are not subject to its living wage provisions.

The City has made specific promises regarding the process to be used before the living wage could be expanded beyond the Airport Hospitality Enhancement Zone, and those promises are memorialized in the Existing Ordinance. Members of the Coalition have relied on those specific promises and have a vested right in the City conforming the process used to pass the Proposed Ordinance to the promises memorialized in the Existing Ordinance. In addition, procedural due process rights may have accrued with regard to the process required by the Existing Ordinance.

Moreover, the Proposed Ordinance discriminates between types and sizes of businesses without a sufficiently articulated rational basis – which could jeopardize the substantive due

¹ Council File No. 14-0223, to be codified by adding Article 6 to Chapter XVII of the Los Angeles Municipal Code (LAMC).

² Ordinance No. 178432, codified at Article 4 of Chapter X of the LAMC.



process rights and equal protection rights of members of the Coalition. Further, because the Proposed Ordinance has a stated objective of subjecting hotels that are more likely to be part of "international, national or regional chains" to more costly wage requirements than other hotels and because the cost to interstate visitors to Los Angeles will likely be increased, the Proposed Ordinance may have an impermissible effect on interstate commerce.

Consequently, as it is currently drafted and being processed, the Proposed Ordinance not only violates the City's commitment to procedural fairness and the consensus between labor and business set forth in the Existing Ordinance, it appears to violate constitutionally guaranteed rights and create legal causes of action.

Finally, it is our understanding that as of late afternoon yesterday, the City has received written reports prepared by a panel of three economists in possible conformance with the Existing Ordinance (Required Economic Reports). In order to maximize political participation, keep the City's commitments to the business community and minimize the risk of legal action, we respectfully request the following:

- All stakeholders should be allowed time to review the Required Economic Reports before the City Council holds its first hearing regarding the Proposed Ordinance.
- In accordance with the Existing Ordinance, the City Council should hold an initial hearing in which it hears public comment, but does not vote on the Proposed Ordinance; then, after at least two weeks have elapsed, the City Council may hold a second hearing in which a vote is taken.
- The Proposed Ordinance should include findings that comply with the requirements of the Existing Ordinance and provide a reasonable basis to discriminate between the various sizes of hotels and other businesses.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul Rohrer", with a long horizontal flourish extending to the right.

Paul Rohrer
Partner

cc: Honorable Eric Garcetti
Mike Feuer, Esq.