

ECONOMIC DEVELOPMENT COMMITTEE REPORT relative to a proposed living wage for hotel workers in the City of Los Angeles.

Recommendations for Council action:

1. REQUEST the City Attorney to prepare and present a hotel living wage ordinance that includes:
 - a. An effective date of July 1, 2015 for hotels with 300 or more rooms
 - b. An effective date of July 1, 2016 for hotels with 125 or more rooms.
 - c. A hardship exemption for hotels that have financial hardships, including benchmarks for determining what the exemption would be.
 - d. A service charge protection clause.
2. INSTRUCT the City Administrative Officer's (CAO) Office of Economic Analysis and the Chief Legislative Analyst (CLA) to:
 - a. Report with a comprehensive economic analysis of the proposed hotel living wage.
 - b. Include in the report a review of the impact of the Long Beach Ordinance (Long Beach Measure N), the impact of the LAX Ordinance (Airport Hospitality Enhancement Zone, Los Angeles Municipal Code Article 4, Section 104), and any other precedents in which there has been a specific minimum wage within the hotel industry.
 - c. Assess the hotel living wage Ordinances/precedents mentioned in Recommendation No. 2b above relative to the impacts on: job loss, investment in renovation to hotels, services provided by hotels, and reductions to hotel employee hours.
 - d. Include in the economic analysis the appropriate size of the small hotel exemption.

Fiscal Impact Statement: The CLA/CAO reports there is no impact on the City General Fund associated with the action of requesting the City Attorney to prepare the the ordinance.

Community Impact Statement: None submitted.

SUMMARY

At a regular meeting held on June 10, 2014, the Economic Development Committee considered joint reports from the CLA and CAO dated June 3, 2014 and June 6, 2014 relative to the impact of a proposed living wage for hotel employees at hotels with more than 100 rooms within the City of Los Angeles, as initiated by Motion (Bonin - Martinez - Price - Koretz - LaBonge). The Committee Chair opened the meeting by noting that poverty, unemployment and income

disparity continue to be roadblock to economic development, however a living wage for hotel workers would be a step towards solving these issues.

A representative of the CLA addressed the Committee and reported that at its meeting of February 25, 2014, the Committee requested that the public submit input on this issue, and that the CLA/CAO seek a consultant to evaluate the material and report back in 45 days. The CAO's Office of Economic Analysis selected Blue Sky Consulting Group (Consultant) through a competitive bid process to conduct the review. The Office of the CLA received three reports and seven comment letters from the public which the Consultant reviewed, along with other material on living wages provided by the CLA. The CLA/CAO report dated June 3, 2014 transmitted the Consultant's report.

A representative of the Consultant provided a brief overview of its report which basically concluded the following effects could result from adoption and implementation of an ordinance mandating a hotel living wage: 1) hotel workers would receive a wage increase raising their standard of living, 2) those hotel workers will spend more funds in the local economy benefitting local businesses and possibly local hiring, 3) some workers in the hotel industry will probably lose their their jobs since there are few ways for hotel owners to accommodate the wage increase without cutting staffing, 4) some hotels owners will look for other cost cutting measures thereby investing less in other things they would purchase in the local economy and deferring capital upgrades, 5) profits would be reduced for some hotels possibly leading to bankruptcy or other restructuring, and 6) downward pressure on future hotel development. The Consultant ultimately concluded that it is a tradeoff: hotel workers would benefit, but at a cost to other hotel workers and a reduction in hotel owner profits.

During extensive public comment, several owners of small hotels expressed their concerns about the proposed ordinance. They stated that many hotels in the 100-room range are family-owned that lack the economies of scale of the larger hotels and would be disproportionately affected by the proposed ordinance. Some hotel owners stated they would have to postpone planned renovations, or be forced to cut staff. A representative of a hotel trade group noted that hotels in the 100-room range would be at a competitive disadvantage to those hotels with less than 100 rooms that would not be affected by the proposed ordinance.

After public comment and further discussion, the Committee Chair acknowledged the concerns raised and that as a compromise to allow the proposed living wage for hotel employees to move forward, a phase-in policy would be incorporated to provide time for hotel owners to adjust to the new rules and regulations, as well as a provision for hotels facing financial hardship to seek relief from the ordinance. The Committee Chair moved to amend the recommendation in the CLA/CAO joint report to request the City Attorney to: prepare and present an ordinance to implement the hotel living wage in phases beginning July 1, 2015 for hotels with 300 or more rooms, and on July 1, 2016 for hotels with 125 or more rooms; to add a hardship waiver for hotels that have financial difficulties as well as benchmarks for determining what the exemption for this ordinance would be (similar to what was done in the LAX Ordinance); and, to include service charge protection.

The Committee Vice Chair noted that it would be prudent for an economic analysis to be performed to address the questions raised during the meeting regarding the proposed hotel living wage and requested that the CAO/CLA report with a comprehensive economic analysis of

the impacts of the Long Beach Beach Ordinance (Long Beach's 2012 Ballot Measure N), the LAX Ordinance (Airport Hospitality Enhancement Zone, Los Angeles Municipal Code Article 4, Section 104), the New York Ordinance (New York Hospitality Wage Order), and other precedents in which there has been a specific minimum wage within the hotel industry; and that these Ordinances/precedents be assessed as to impacts on hotels relative to investment in renovations, services provided, reductions to employee hours, and job loss.

The Committee then approved the recommendation in the CLA/CAO report to request the City Attorney to prepare and present an ordinance to implement a living wage for hotel workers as amended to also include a phased-in approach for the ordinance's effective date based on hotel size, a hardship exemption for hotels, and service charge protection; and as amended to instruct the CAO/CLA to report back with an economic analysis of other similar ordinances. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

ECONOMIC DEVELOPMENT COMMITTEE

<u>MEMBER</u>	<u>VOTE</u>
PRICE:	YES
KREKORIAN:	YES
HUIZAR:	ABSENT
CEDILLO:	YES
MARTINEZ:	YES

REW
6/13/14
FILE NO. 14-0223

-NOT OFFICIAL UNTIL COUNCIL ACTS-