

EXEMPTION, ECONOMIC DEVELOPMENT COMMITTEE REPORT and ORDINANCE FIRST CONSIDERATION relative to the proposed living wage for hotel workers in the City of Los Angeles.

Recommendations for Council action, SUBJECT TO THE APPROVAL OF THE MAYOR:

1. FIND under the California Public Resources Code, Section 21065, and the California Environmental Quality Act (CEQA) Guidelines Section 15378, that the Ordinance is not subject to CEQA because it is not a project as defined under the aforementioned statutes, and that the Ordinance is not a project because it will not result in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment.
2. PRESENT and ADOPT the accompanying ORDINANCE adding Article 6 to Chapter XVIII of the Los Angeles Municipal Code requiring a minimum wage for hotel workers and repealing Article 4 of Chapter X of the Los Angeles Municipal Code, AS AMENDED TO apply the incremental application of minimum wage provisions in Section 186.04 (B) to hotels with 150 or more rooms.
3. INSTRUCT the Chief Legislative Analyst (CLA) and the City Administrative Officer (CAO) to work with the Economic and Workforce Development Department to provide a report by July 1, 2015 that will:
 - a. Provide an analysis on the economic impact of historic preservation and reuse of buildings, and the economic impact of the presence of vacant older buildings in an otherwise revitalizing Downtown urban environment.
 - b. Analyze the risk factors and return on investment for adaptive reuse versus new construction hotel projects.
 - c. Compare the cost of the per square foot price of delivering comparable adaptive reuse and new construction hotels in Downtown Los Angeles and Southern California, including but not limited to:
 - i. The costs of land and building acquisition compared with just land or tear-down buildings.
 - ii. Seismic upgrades.
 - iii. Retrofit requirements.
 - iv. Building and health code requirements.
 - v. Fire life safety systems
 - vi. Furniture, fixtures and equipment.
 - vii. Infrastructure upgrades.

- viii. Planning, permitting and professional services costs associated with architects, designers, and consultants which have very different requirements in adaptive reuse than new construction.
- ix. Economies of scale achieved with new construction versus adaptive reuse.

Fiscal Impact Statement: None submitted by the City Attorney. Neither the CAO nor the CLA has completed a financial analysis of this report.

Community Impact Statement: Yes.

For Proposal: Historic Highland Park Neighborhood Council
 Central San Pedro Neighborhood Council
 Greater Echo Park Elysian Neighborhood Council

Against Proposal: Van Nuys Neighborhood Council

General Comments: South Robertson Neighborhood Council
 East Hollywood Neighborhood Council

SUMMARY

At a regular meeting held on September 23, 2014, the Economic Development Committee considered a City Attorney report and Ordinance dated September 19, 2014, and reports requested from and provided by local economists, relative to a proposed living wage of \$15.37 for hotel workers in the City of Los Angeles.

As requested by the Council President on July 7, 2014, three economist firms: PFK Consulting, Economic Roundtable, and Beacon Economics, were requested to provide an analysis of the impact of the proposed City of Los Angeles Hotel Living Wage Ordinance. The economists were selected both by Labor (Economic Roundtable) and Chamber of Commerce (PFK Consulting), and an economist agreed upon by both Labor and the Chamber (Beacon Economics). Representatives of the three economist firms appeared before the Committee and discussed their reports and responded to related questions.

PFK Consulting concluded there would be a positive impact for hotel employees receiving the living wage under the proposed Ordinance, however there would be a negative impact to hotels that would have to compensate for the higher wages by cutting costs and reducing operations and a negative impact to hotel employees who might be laid off or have their hours reduced as a result. Beacon Economics concluded that there would be an impact in the form of a loss of jobs if the proposed Hotel Living Wage Ordinance is approved. Additionally, Beacon questioned whether the proposed Ordinance is the appropriate method for improving wages and believes that data relative to the current negative wage situation for hotel workers may be overstated. Economic Roundtable concluded that hotel workers are the lowest paid workers and that the proposed Hotel Living Wage Ordinance is a prudent method to raise wages and that it is appropriate to apply it to this industry.

During extensive public comment, the Committee was addressed by many speakers including Labor leaders, hotel workers, the Vice Mayor of Long Beach, and the Mayor of Santa Monica, who spoke in favor of the proposed Hotel Living Wage Ordinance and the positive impact it

would have on the daily lives of hotel workers and their families, as well as the economy and the hotel industry. However, various Chambers of Commerce, hotel trade groups, restaurateurs, and hotel owners expressed concern regarding the proposed Hotel Living Wage Ordinance and the negative impact it would have. They stated that smaller hotels would be disproportionately affected, food and beverage operators within hotels would be at a competitive disadvantage to similar operations outside of hotels, and that hotels and hotel employees would be negatively impacted by reduced operations, employee layoffs, and possibly closure as a result of absorbing the higher wage costs.

During further discussion of this matter, the Committee Member representing Council District 14, whose District encompasses most of Downtown Los Angeles, expressed concern that the proposed Ordinance might impact the current revitalization of Downtown, particularly boutique hotels that are seeking to adaptively reuse historic or older buildings in Downtown, and moved to instruct the CLA and the CAO to report by July 1, 2015 with an analysis of the economic impact of historic preservation and adaptive reuse of older buildings for hotels versus the cost of new construction of hotels in Downtown. Additionally, the Committee Member representing Council District Six moved to amend the Ordinance to apply to hotels with 150 or more rooms (instead of 125).

Lastly, the Committee Chair noted that the hotel industry has received substantial subsidies from the City in the form of tax breaks and incentives, and that the City would continue to work with hotel developers since more hotel rooms are needed. However, thousands of hotel employees and their families will be positively affected if the proposed hotel living wage Ordinance is adopted.

After having provided an opportunity for public comment, the Committee recommended that Council adopt the Ordinance as amended, and approve the instruction to the CLA and the CAO. 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:	ABSENT
HUIZAR:	YES
CEDILLO:	YES
MARTINEZ:	YES

REW
9/23/14
FILE NO. 14-0223

-NOT OFFICIAL UNTIL COUNCIL ACTS-