

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: November 10, 2020

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *Avania Sobalvarro - rg For*
Chief Legislative Analyst Assignment No. 20-11-0997

SUBJECT: Proposed Legislation relative to Tourism and the Los Angeles Convention Center for Inclusion in the City's Federal Program for 2021 and 2022.

CLA RECOMMENDATIONS

That the City Council, with the concurrence of the Mayor, adopt the attached resolutions to include in the City's 2021-2022 Federal Legislative Program:

1. SUPPORT or SPONSOR the Hospitality and Commerce Job Recovery Act of 2020, or any similar legislation that would include tax credits to support conventions and travel expenditures, and make improvements to the Employee Retention Tax Credit program (Attachment A);
2. SUPPORT or SPONSOR legislation that would expand eligibility in the Paycheck Protection Program to include 501(c)(6) nonprofit entities, including destination marketing organizations (Attachment B);
3. SUPPORT or SPONSOR legislation that would provide Federal funding or grants for convention center expansion and modernization projects as regionally significant infrastructure (Attachment C).

SUMMARY

The Convention and Tourism Department (CTD) has submitted recommendations for legislative proposals to include in the City's 2021-2022 Federal Legislative Program. Upon review, the CLA recommends that the City Council support these proposals and adopt the necessary resolutions to pursue legislation on these matters. The subjects of CTD's proposals are relief and recovery measures for convention, trade show, entertainment, travel, and hospitality industries and workers; expansion of the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to extend eligibility to 501(c)(6) non-profit entities; and the economic development or infrastructure investment bills that would provide Federal funding with eligibility for Convention Centers.

BACKGROUND

The leisure and hospitality industry is the fifth largest labor sector in Los Angeles County, normally employing over half a million people at hotels, restaurants, museums, and entertainment venues. The initial U.S. outbreak of the Coronavirus in March 2020 led to an unprecedented slowdown in the tourism market, and this sector faced dramatic cutbacks. During April 2020, there was a 45.7 percent decrease in leisure and hospitality jobs compared to the previous year, a reduction of 248,400 jobs. As of September 2020, this sector is still 30.3 percent below prior year levels.

Declines in tourism levels have led to significant shortfalls in Transient Occupancy Tax General Fund receipts, normally a large source of revenue for the City. According to a recent forecast published by STR analysts, demand in hotel room nights will take until 2023 to reach pre-pandemic levels, and other economic indicators will take even longer. Federal assistance and legislation could offer to support this crucial sector in the City during and after the Coronavirus pandemic.

In response to the Council President and Mayor's Office request for legislative proposals to seek and sponsor Federal legislation, CTD submitted proposals for consideration in a memorandum dated October 30, 2020 that identifies three legislative priorities for the FY 2021-2022 Federal Legislative Program:

1. *Relief and Recovery Measures for Convention, Trade Show, Entertainment, Travel and Hospitality Industries and Workers*

The leisure and hospitality industry has been particularly impacted by the economic effects of the Coronavirus pandemic. In order to help this sector recover lost jobs and regain economic stability, comprehensive relief and recovery measures for the convention, trade show, entertainment, travel and hospitality industries and its workers will be essential.

The Hospitality and Commerce Job Recovery Act of 2020 (HCJRA), introduced in the U.S. Senate on October 19, 2020, includes tax credits to support conventions and travel expenditures, improvement to the Employee Retention Tax Credit program, and the provision of a tax credit to support the restaurant industry, among other actions.

Supporting the HCJRA, or similar legislation, would provide needed relief and recovery to the leisure and hospitality industry. Attachment A is a resolution to include in the City's 2021-2020 Federal Legislative Program SUPPORT or SPONSOR the HCJRA or similar legislation that would include tax credits to support conventions and travel expenditures, and make improvements to the Employee Retention Tax Credit program

2. *Expansion of PPP Eligibility to 501(c)(6) Non-Profit Entities*

The City has contracted with the Los Angeles Tourism and Convention Board (LATCB), a 501(c)(6) non-profit entity, to market the City as a global destination and to book citywide clients at the Los Angeles Convention Center (LACC). Under normal circumstances, over 80 percent of the LATCB budget is derived from tax revenues generated by hotel and motel stays. Due to the Coronavirus pandemic, LATCB's operating revenue has been severely reduced. The

LATCB swiftly implemented drastic cost-saving measures, including furloughs, layoffs, and salary reductions.

The CARES Act, signed into law on March 27, 2020, contained the Paycheck Protection Program (PPP), a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll. PPP was intended to assist businesses and employees as a result of the Coronavirus pandemic. However, as written, PPP eligibility was not extended to 501(c)(6) non-profit entities. The LATCB, therefore, has not been eligible to receive Federal assistance from the PPP.

Extending eligibility in PPP to 501(c)(6) organizations would provide LATCB with additional economic stability during the Coronavirus pandemic. Attachment B is a resolution to include in the City's 2021-2020 Federal Legislative Program SUPPORT or SPONSORSHIP of legislation that would expand eligibility in the PPP to include 501(c)(6) nonprofit entities, including destination marketing organizations.

3. *Economic Development or Infrastructure Investment Bills that provide Federal Funding with Eligibility for Convention Center Expansion and Modernization Projects*

In 2019, the City of Los Angeles entered an exclusive negotiating agreement (ENA) with AEG and Plenary Group regarding the proposed LACC Expansion and Modernization Project (Project). As negotiations are still underway, groundbreaking for the Project has been delayed due to the Coronavirus pandemic. Although the pandemic has resulted in a sustained suspension of the LACC's typical meetings, conventions and associated revenue, CTD maintains confidence that the realization of the Project will be to the City's advantage, as it would advance the building's potential and increase its competitiveness within the global meetings industry.

A stimulus bill subsequent to the CARES Act may provide economic development or infrastructure investment that provides Federal funding or grants with eligibility for convention center projects. The City is strategically positioned to take advantage of Federal funding for the Project if any such bill were passed, and should support legislation to this effect. Attachment C is a resolution to include in the City's 2021-2020 Federal Legislative Program SUPPORT or SPONSOR legislation that would provide Federal funding or grants for convention center expansion and modernization projects as regionally significant infrastructure projects.

DEPARTMENTS NOTIFIED

Convention and Tourism Department



Alex Whitehead
Legislative Analyst

RESOLUTION

ATTACHMENT A

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, State, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the leisure and hospitality industry is the fifth largest labor sector in Los Angeles County, normally employing over half a million people at hotels, restaurants, museums, and entertainment venues; and

WHEREAS, the COVID-19 pandemic has had a devastating local effect, with over 957,000 documented cases and over 17,000 deaths in Los Angeles County as of November 5, 2020; and

WHEREAS, efforts to contain COVID-19, including the Stay at Home Order and the closure of countless non-essential businesses, have had profound economic impacts of the leisure and hospitality industry; and

WHEREAS, as a result of COVID-19, during April 2020, there was a 45.7 percent decrease in leisure and hospitality jobs compared to the previous year, a reduction of 248,400 jobs, and as of September 2020, this sector is still 30.3 percent below prior year levels; and

WHEREAS, declines in tourism levels have led to significant shortfalls in Transient Occupancy Tax General Fund receipts, normally a large source of revenue for the City; and

WHEREAS, according to a recent forecast published by STR analysts, demand in hotel room nights will take until 2023 to reach pre-pandemic levels; and

WHEREAS, the Hospitality and Commerce Job Recovery Act of 2020, introduced in the Senate on October 19, 2020 and referred to the Committee on Finance, would establish a tax credit to support the convention and trade show industry, and make improvements to the Employee Retention Tax Credit program, among other actions; and

WHEREAS, Federal assistance and legislation is necessary to support this crucial sector in the City during and after the Coronavirus pandemic;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2021-2022 Federal Legislative Program SUPPORT or SPONSORSHIP of the Hospitality and Commerce Job Recovery Act of 2020 or any similar legislation that would include tax credits to support conventions and travel expenditures, and make improvements to the Employee Retention Tax Credit program.

RESOLUTION

ATTACHMENT B

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, State, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the City has contracted with the Los Angeles Tourism and Convention Board (LATCB), a 501(c)(6) non-profit entity, to market the City as a global destination and to book clients at the Los Angeles Convention Center; and

WHEREAS, Under normal circumstances, over 80 percent of the LATCB budget is derived from tax revenues generated by hotel and motel stays; and

WHEREAS, the COVID-19 pandemic has had a devastating local effect, with over 957,000 documented cases and over 17,000 deaths in Los Angeles County as of November 5, 2020; and

WHEREAS, efforts to contain COVID-19, including the Stay at Home Order and the closure of countless non-essential businesses, have had profound economic impacts of the leisure and hospitality industry; and

WHEREAS, due to the pandemic, LATCB's operating revenue has been severely reduced, and the organization has been forced to implement drastic cost-saving measures such as layoffs, furloughs, and salary reductions; and

WHEREAS, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, contains the Paycheck Protection Program (PPP), a loan designed to provide a direct incentive for small businesses to keep their workers on payroll; and

WHEREAS, as written, PPP eligibility is not extended to 501(c)(6) non-profit entities such as the LATCB; and

WHEREAS, 501(c)(6) non-profit entities will require Federal assistance such as PPP to survive the devastating economic effects of the COVID-19 pandemic;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2021-2022 Federal Legislative Program SUPPORT or SPONSORSHIP of legislation that would expand eligibility in the Paycheck Protection Program to include 501(c)(6) nonprofit entities, including destination marketing organizations.

RESOLUTION

ATTACHMENT C

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, State, or federal governmental body or agency must first have been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, the COVID-19 pandemic has had a devastating local effect, with over 957,000 documented cases and over 17,000 deaths in Los Angeles County as of November 5, 2020; and

WHEREAS, efforts to contain COVID-19, including the Stay at Home Order and the closure of countless non-essential businesses, have had profound economic impacts on the leisure and hospitality industry; and

WHEREAS, In 2019, the City of Los Angeles entered an exclusive negotiating agreement with AEG and Plenary Group regarding the proposed LACC Expansion and Modernization Project (Project); and

WHEREAS, negotiations are still underway, and groundbreaking for the Project has been delayed due to the COVID-19 pandemic; and

WHEREAS, although the pandemic has resulted in a sustained suspension of the LACC's typical business such as trade shows, meetings, and conventions, with a significant reduction in associated revenue, the Convention and Tourism Department maintains confidence that the realization of the Project will be to the City's advantage, as it would advance the building's potential and increase its competitiveness within the global meetings industry and ensure that the LACC is one of the top destinations for national and international conventions, sporting events, and other major events; and

WHEREAS, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, provided economic relief and recovery from the COVID-19 pandemic for numerous industries, it did not provide economic development or infrastructure investment bills that would provide Federal funding with eligibility for convention center expansion and modernization projects; and

WHEREAS, expansion of the LACC is a regionally significant infrastructure development that will create temporary and permanent jobs at a time when the economy is in need of direct stimulus, and any economic development or infrastructure investment through Federal funding or grants should be made available for convention center expansion and modernization projects;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2021-2022 Federal Legislative Program SUPPORT or SPONSORSHIP of legislation that would provide Federal funding or grants for convention center expansion and modernization projects as regionally significant infrastructure projects.