

Communication from Public

Name: JANET ZALDUA

Date Submitted: 12/12/2023 06:54 PM

Council File No: 14-1371-S13

Comments for Public Posting: On behalf of the hospitality businesses in Marina del Rey, the Marina del Rey Tourism Board is submitting the attached letter to share our input and concerns regarding the proposed ordinance that would amend the Los Angeles Living Wage Ordinance (LWO) and the Los Angeles Hotel Worker Minimum Wage Ordinance (LA HWMO) to raise the minimum wage for hotel and hospitality workers by more than 50% overnight and nearly double by 2028. While Marina del Rey is in unincorporated Los Angeles County, it is important that we raise awareness for how the ordinances will impact the tourism and hotel industry, particularly because other nearby jurisdictions often implement policies that mirror the City of Los Angeles. Thank you. Janet Zaldua CEO Marina del Rey Tourism Board



MARINA DEL REY TOURISM BOARD

December 12, 2023

Honorable Traci Park
City of Los Angeles 11th District Councilmember
Los Angeles City Hall
200 N. Spring St. #410
Los Angeles, CA 90012

Dear Honorable Councilmember,

On behalf of the hospitality businesses in Marina del Rey, the Marina del Rey Tourism Board is submitting this letter to share our input and concerns regarding the proposed ordinance that would amend the Los Angeles Living Wage Ordinance (LWO) and the Los Angeles Hotel Worker Minimum Wage Ordinance (LA HWMO) to raise the minimum wage for hotel and hospitality workers by more than 50% overnight and nearly double by 2028. While Marina del Rey is in unincorporated Los Angeles County, it is important that we raise awareness for how the ordinances will impact the tourism and hotel industry, particularly because other nearby jurisdictions often implement policies that mirror the City of Los Angeles.

When a similar wage increase ordinance was recently proposed for hospitality businesses in unincorporated Los Angeles County, our members and stakeholders were deeply concerned and expressed that the regulation would detrimentally affect our workforce, hotels, and tourism industry. Projections indicate that wage costs would likely surge by over 60%, increase hotel housekeeping costs by 100%, and reduce the restaurant jobs in Marina del Rey by up to 72%.

The policy places hotel restaurants at an unfair disadvantage with non-hotel restaurants in the same vicinity. Furthermore, an unprecedented and exorbitant wage increase will drive up hotel and restaurant prices, making access to the Marina and Los Angeles less affordable for under-served populations, and the loss of jobs will disproportionately impact women and people of color.

The acceleration of inflation brought about by these ordinances will limit access to both residents and visitors and will hurt tourism. Some local small businesses that cannot absorb the wage hikes could even face closure, especially if tourists shift to visiting more affordable options outside Los Angeles. All these impacts would come at a time when Los Angeles' tourism industry still has not recovered to pre-pandemic levels.

The unintended consequences of this ordinance are far too great to ignore. We are asking the City Council to include in its economic impact study an evaluation of how the ordinances will impact workers and businesses in Los Angeles, including small local disadvantaged business enterprises (DBE's). In addition, we ask that any increases be implemented at a slower ramp-up period to allow businesses to prepare and make necessary adjustments.

For your reference, we urge you and your fellow City Councilmembers to review the following (also attached):

- Economic Study by Oxford Economics, released June 8, 2023 by the Los Angeles Area Chamber of Commerce – attached and [link here](#)
- Los Angeles County's CEO office Report released September 11, 2023 on the Impact to Hotel and entertainment, sectors with mandatory increase in minimum wage - attached
- Infographic: Los Angeles County Wage Increase Impact on Marina del Rey business – attached

We appreciate Los Angeles' commitment to addressing cost-of-living and housing concerns that impact many local workers and businesses. We support the goal of making Los Angeles more affordable for workers, but it is vital that we address and fully understand the considerable negative implications this ordinance would have on small, large, and minority-owned businesses as well as the potential reduction in jobs, and negative impacts on tourism and the economy of Angeles. A thorough understanding of the long-term impacts of the ordinance will lead to a more equitable outcome for all parties involved.

As our elected officials, we trust you to make decisions based on real-life scenarios, thoughtful research, and cost analysis. The Marina del Rey Tourism Board welcomes the opportunity for continued dialogue and collaboration so that together we can strengthen the tourism industry in Los Angeles County.

Thank you for the opportunity to provide comments on this important issue facing the Los Angeles City Council and the region.

Sincerely,

Janet Zaldua
Chief Executive Officer
Marina del Rey Tourism Board

CC

Councilmember Eunisses Hernandez, District 1
Councilmember Paul Krekorian, District 2
Councilmember Bob Blumenfield, District 3
Councilmember Nithya Raman, District 4
Councilmember Katy Yaroslavsky, District 5
Councilmember Imelda Padilla, District 6
Councilmember Monica Rodriguez, District 7
Councilmember Marqueece Harris-Dawson, District 8
Councilmember Curren D. Price, District 9
Councilmember Heather Hutt, District 10
Councilmember John Lee, District 12
Councilmember Hugo Soto-Martínez, District 13
Councilmember Kevin de León, District 14
Councilmember Tim McOster, District 15



OXFORD
ECONOMICS

Economic Impact of City Council Motion (April 12, 2023) to Amend LWO and LA HWMO

City of Los Angeles, CA

May 2023



TABLE OF CONTENTS

- 1** Key Findings
- 2** Economic Impact Analysis
- 3** April 12 Motion
- 4** Impact to Hotel Operations
- 5** Impact to Airport Operations
- 6** Net Impact to Wages and Benefits
- 7** Minimum Wage Tipping Point
- 8** Additional Economic Impact Tables

1 Key Findings

Key Findings - \$25/Hour Minimum Wage

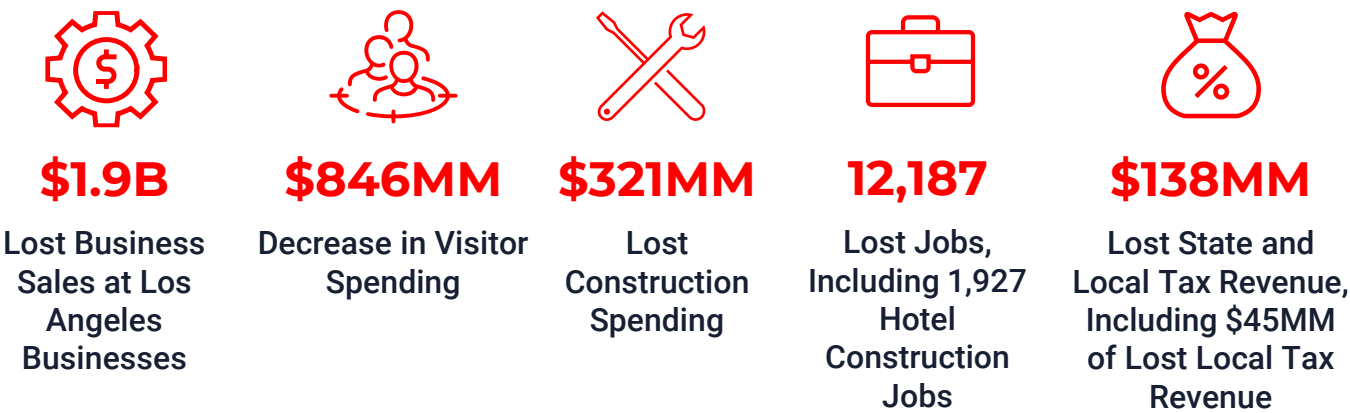
Oxford Economics prepared a comprehensive analysis of the expected economic impact of an April 12, 2023 motion by Los Angeles City Council (April 12 Motion).

The April 12 Motion would cause a reduction of economic activity in the City of Los Angeles.

With a proposed minimum wage of \$25 an hour, less visitor spending and less construction spending would result in a loss of \$1.9 billion of business sales annually, resulting in 12,187 lost jobs in the broader City of Los Angeles economy, and \$138 million of lost state and local tax revenue.

This includes losses such as fewer construction jobs, fewer restaurant, retail and arts and entertainment jobs, as well as fewer supply chain jobs, such as maintenance roles.

Annual Run-Rate of Losses



Note: Estimates measure total impact of lost visitor spending and hotel construction with an increase of the minimum wage for hotel workers and airport workers to \$25 an hour, expanded health care for hotel and airport workers, and the Hotel Worker Protection Ordinance, relative to a baseline scenario (April 12 Motion (\$25/hr) relative to LWO).

Source: Oxford Economics

Key Findings - \$30/Hour Minimum Wage

With a proposed minimum wage of \$30 an hour, less visitor spending and less construction spending would result in a loss of \$2.3 billion of business sales annually, resulting in 14,870 lost jobs in the broader City of Los Angeles economy, and \$169 million of lost state and local tax revenue.

This includes losses such as fewer construction jobs, fewer restaurant, retail and arts and entertainment jobs, as well as fewer supply chain jobs, such as maintenance roles.

Annual Run-Rate of Losses



Note: Estimates measure total impact of lost visitor spending and hotel construction with an increase of the minimum wage for hotel workers and airport workers to \$30 an hour, expanded health care for hotel and airport workers, and the Hotel Worker Protection Ordinance, relative to a baseline scenario (April 12 Motion (\$30/hr) relative to LWO).

Source: Oxford Economics

Key Findings - \$30/Hour Minimum Wage + Impacts of Proposed Responsible Hotel Ordinance

With a proposed minimum wage of \$30 an hour and passage of the proposed Responsible Hotel Ordinance, less visitor spending and less construction spending would result in a loss of \$4.7 billion of business sales annually, resulting in 30,141 lost jobs in the broader City of Los Angeles economy, and \$400 million of lost state and local tax revenue.

This includes losses such as fewer construction jobs, fewer restaurant, retail and arts and entertainment jobs, as well as fewer supply chain jobs, such as maintenance roles.

Annual Run-Rate of Losses



Note: Estimates measure total impact of lost visitor spending and hotel construction with an increase of the minimum wage for hotel workers and airport workers to \$30 an hour, expanded health care for hotel and airport workers, and the Hotel Worker Protection Ordinance, and passage of the proposed Responsible Hotel Ordinance relative to a baseline scenario (April 12 Motion (\$30/hr) and RHO relative to LWO).
Source: Oxford Economics

Key Findings

Workers across a range of sectors in Los Angeles will realize lost wages as a result of the April 12 Motion. The losses range from \$714 million annually to \$1.7 billion across the three April 12 Motion scenarios. Negatively impacted workers include (not limited to):

- Construction
- Restaurants
- Retail
- Transportation
- Maintenance
- Arts and recreation

With reductions in visitor spending and hotel construction, state and local tax revenue would be reduced between \$138 million and \$400 million annually.

Lost tax revenue must be made up by higher tax rates on businesses and households, or reduced government services.

Impact of City Council April 12 Motion Annual Run-Rate of Losses

Monetary amounts in millions, City of Los Angeles

	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Lost business sales	(\$914)	(\$1,915)	(\$2,326)	(\$4,653)
Lost visitor spending	(\$293)	(\$846)	(\$1,073)	(\$2,398)
Lost construction spending	(\$269)	(\$321)	(\$342)	(\$421)
Lost wages	(\$347)	(\$714)	(\$865)	(\$1,716)
Lost jobs	(5,643)	(12,187)	(14,870)	(30,141)
Lost state and local tax revenue	(\$55)	(\$138)	(\$169)	(\$400)
Lost state tax revenue	(\$43)	(\$94)	(\$114)	(\$232)
Lost local tax revenue	(\$12)	(\$45)	(\$55)	(\$168)

Note: Estimates measure total impact of lost visitor spending and hotel construction relative to LWO.
Source: Oxford Economics

Key Findings

Summary of scenario assumptions:

- **LWO:** *Living Wage Ordinance (LWO), this represents the baseline without HWPO and without April 12 Motion*
- **LWO and HWPO:** *LWO, plus Hotel Worker Protection Ordinance (HWPO)*
- **April 12 Motion (\$25/hr):** *LWO, HWPO, plus \$25/hr minimum wage and expanded health care for hotel and airport employees*
- **April 12 Motion (\$30/hr):** *Same as April 12 Motion (\$25/hr), but showing impact of \$30/hr minimum wage*
- **April 12 Motion (\$30/hr) and RHO:** *Same as April 12 Motion (\$30/hr) scenario plus the Responsible Hotel Ordinance (RHO)*

2 Economic Impact Analysis

The background of the slide is a blue-tinted photograph. In the foreground, several tall palm trees are visible, their fronds reaching upwards. Behind them, a dense residential area with many houses is visible. In the far background, a city skyline with various skyscrapers and buildings is visible under a clear sky. The overall scene suggests a coastal city, possibly Los Angeles.

Economic Impact

City of Los Angeles, CA - Direct and Total Impacts

The combined hotel and airport economic impact shows the result of:

- **Hotel:** Lost visitor spending and lost hotel construction (renovation and new construction)
- **Airport:** Lost visitor spending associated with airline/service provider labor cost increases

In this analysis, these impacts are additive. The hotel and airport impacts are the result of higher wage and health care costs.

The economic impact is quantified in terms of direct effects, and total effects.

- **Direct effects** refer to the first-round impacts, consisting of the reduction in visitor spending and hotel construction spending.
- **Total effects** refer to the direct effects, plus the downstream or multiplier effects that happen in the local economy as a result of the direct effect reduction. For example, this includes supply chain effects as restaurants purchase fewer inputs from wholesalers, and as employees supported by visitor spending have less wages and salaries to spend at local businesses.

Combined economic impact: hotel and airport (lost visitor spending and hotel construction)

in millions (except jobs)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Total					
Output		-\$913.7	-\$1,915.1	-\$2,325.5	-\$4,652.8
GDP		-\$510.2	-\$1,091.3	-\$1,329.5	-\$2,683.9
Wages and salaries		-\$347.0	-\$714.3	-\$864.9	-\$1,716.3
Jobs		-5,643	-12,187	-14,870	-30,141
Taxes		-\$125.2	-\$285.0	-\$347.0	-\$756.3
Federal		-\$69.9	-\$146.7	-\$178.1	-\$356.4
State and local		-\$55.3	-\$138.4	-\$168.9	-\$399.9
State		-\$43.1	-\$93.6	-\$114.3	-\$232.4
Local		-\$12.2	-\$44.8	-\$54.5	-\$167.5
Taxes on lodging		\$4.3	-\$1.8	-\$3.6	-\$73.0
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7
Direct					
Output		-\$562.2	-\$1,167.0	-\$1,415.0	-\$2,818.8
GDP		-\$297.0	-\$637.0	-\$776.5	-\$1,569.4
Wages and salaries		-\$224.3	-\$450.3	-\$542.8	-\$1,064.4
Jobs		-3,865	-8,423	-10,292	-20,941
Taxes		-\$77.2	-\$184.0	-\$224.2	-\$510.0
Federal		-\$43.9	-\$90.8	-\$110.1	-\$218.9
State and local		-\$33.3	-\$93.1	-\$114.1	-\$291.1
State		-\$25.1	-\$56.4	-\$69.2	-\$142.6
Local		-\$8.2	-\$36.8	-\$44.9	-\$148.5
Taxes on lodging		\$4.3	-\$1.8	-\$3.6	-\$73.0
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7

Source: Oxford Economics

Economic Impact Approach

How visitor spending generates employment and income

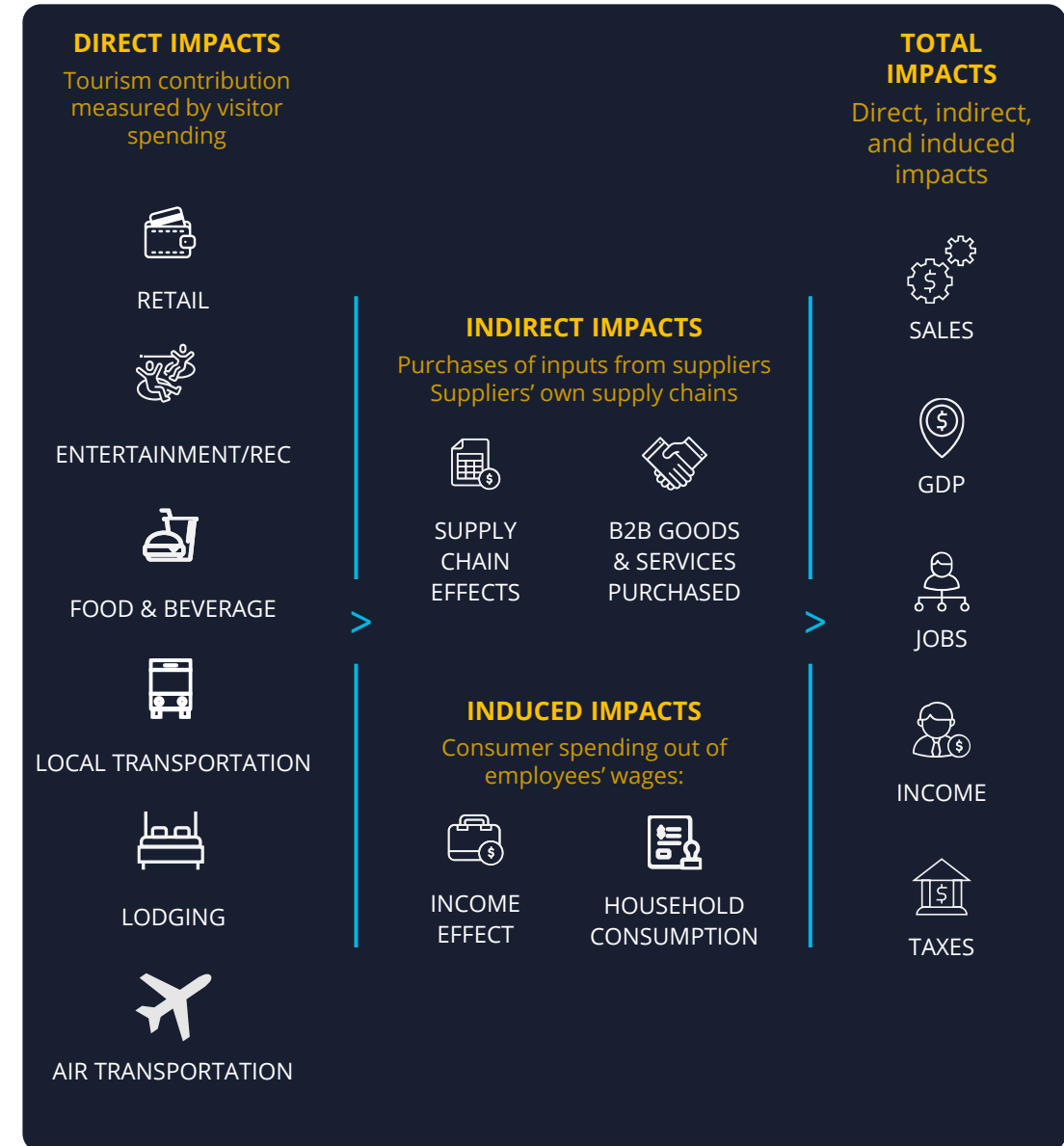
Our analysis of the economic impact of the April 12 Motion in the City of Los Angeles begins with actual spending by visitors but also considers the downstream effects of this injection of spending into the local economy. To determine the total economic impact in Los Angeles, we input visitor spending into a model created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. Direct Impacts: Visitors create direct economic value within a discrete group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. Indirect Impacts: Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. Induced Impacts: Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitors spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



Methods and Data Sources

This research is based on data we gathered, our discussions with local hotel operators, and airline / service provider operators at Los Angeles International Airport, our understanding of the hotel and airline sectors, and our customized economic impact models.

As part of our research, we:

- obtained hotel operating statistics from STR/Costar, the leading provider of hotel statistics;
- researched minimum wage research by academic researchers and think tank organizations;
- prepared economic models to help quantify changes in hotel and airport operations;
- conducted telephone interviews with multiple hotel operators, a major airline, and a major airline service provider to gain an understanding of how operators would respond to wage increases, and some of the factors involved;
- considered previous research we have done on the HWPO for the California Lodging Association;

- considered previous research on visitor spending and visitor behavior in response to price changes;
- gathered data on airport passenger activity at LAX; and,
- prepared a customized IMPLAN input-output model to quantify changes in visitor spending and hotel construction. This model incorporates industry data on employment, wages, and sales from the U.S. Census, the Bureau of Economic Analysis, and the Bureau of Labor Statistics.

In preparing our estimates of impacts in the various scenarios, we focused on annualized impacts relative to the baseline scenario. These are estimates of impacts that may take several years to reach stabilization, allowing time for operators to institute changes and for visitor behavior to respond.

3 April 12 Motion



April 12 Motion

Los Angeles City Council

On April 12, 2023, the Los Angeles City Council moved for a new draft of amendments (April 12 Motion) to the Living Wage Ordinance (LWO) and the Hotel Worker Minimum Wage Ordinance (LA HWMO).

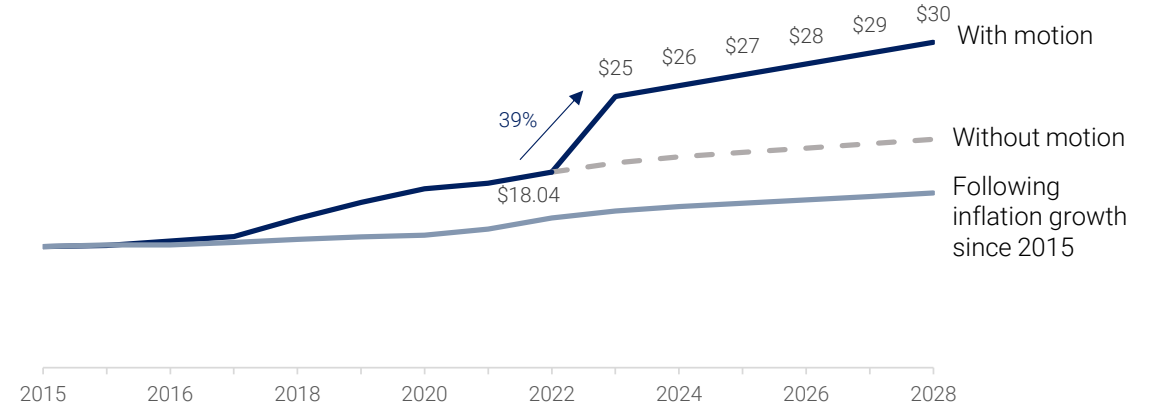
April 12 Motion

The following provisions would apply directly to the LWO and HWPO specifically regarding airport and hotel workers.

- Raise the hourly minimum wage to \$25 in 2023, and by \$1 every year thereafter, to reach \$30 an hour by 2028. This is a 39% increase to airport workers under the LWO and a 33% increase for hotel workers under the HWPO.
- Adjust the health care credit to meet the average cost of healthcare coverage, add minimum health benefit requirements including family coverage, and require transparency around health care payments.

Living Wage Minimum for Airport Employees

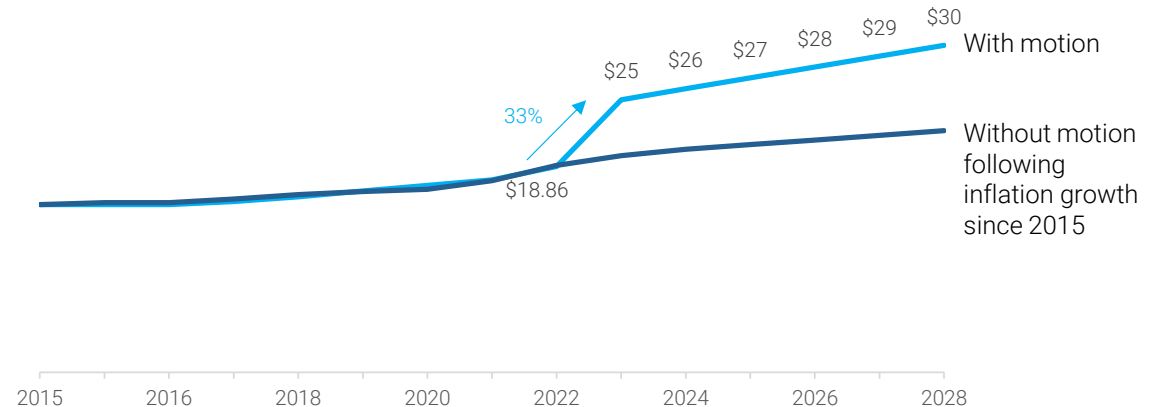
Los Angeles



Source: City of Los Angeles, Oxford Economics

Hotel Employee Minimum Wage

Los Angeles

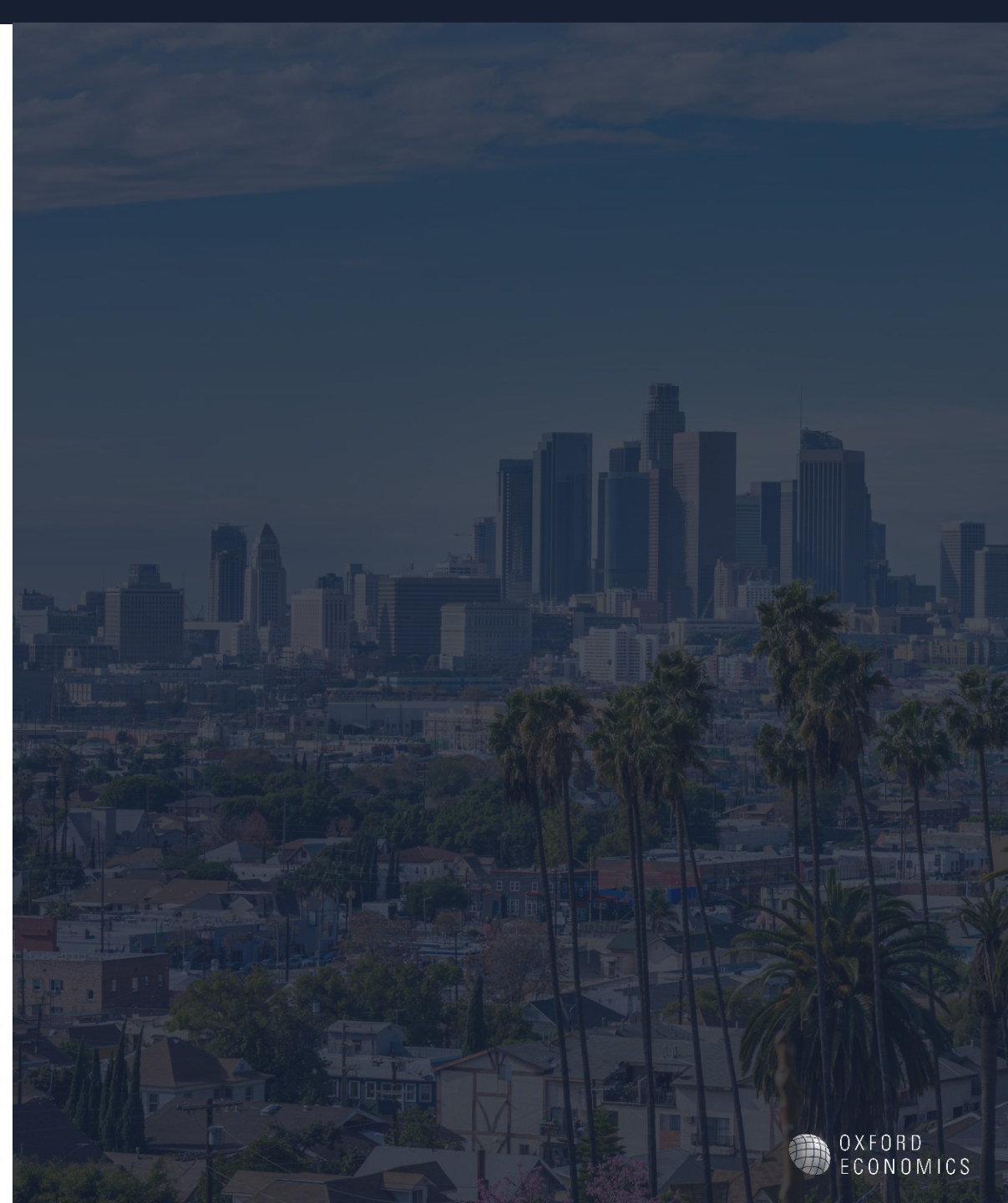


Source: City of Los Angeles, Oxford Economics

Note: In the hotel graph, the dark blue line follows inflation growth since 2015, which is the same as the grey inflation line in the airport graph.

Ordinance Summary

- **The Living Wage Ordinance (LWO)**
 - The LWO currently requires airport employers to pay workers \$18.04 an hour at a minimum, which is above the city minimum wage at \$16.04 per hour.
 - The LWO currently requires airport employers to pay workers an additional health wage minimum of \$5.77 per hour if they don't offer health insurance.
- **The Hotel Worker Protection Ordinance (HWPO)**
 - The HWPO currently requires a minimum of \$18.86 per hour for hotel workers (hotels with 60 rooms or more).
 - Amended the previous minimum wage scope to hotels with 60 rooms or more (previously 150+ rooms) which expanded to an additional 17% of Los Angeles hotels.
 - If a room attendant cleans more than 3,500 square feet in a day (60 room hotel or more) their pay rate doubles for the whole day.
- **The Responsible Hotel Ordinance** – Was not passed by city council but is on the 2024 voting ballot.
 - Voucher program would allow the otherwise unhoused to book vacant rooms.
 - New hotel development that demolishes or converts existing housing requires projects to include new affordable housing on a one-to-one basis.
 - Unprecedented annual permitting process via the appointed Police Commission.

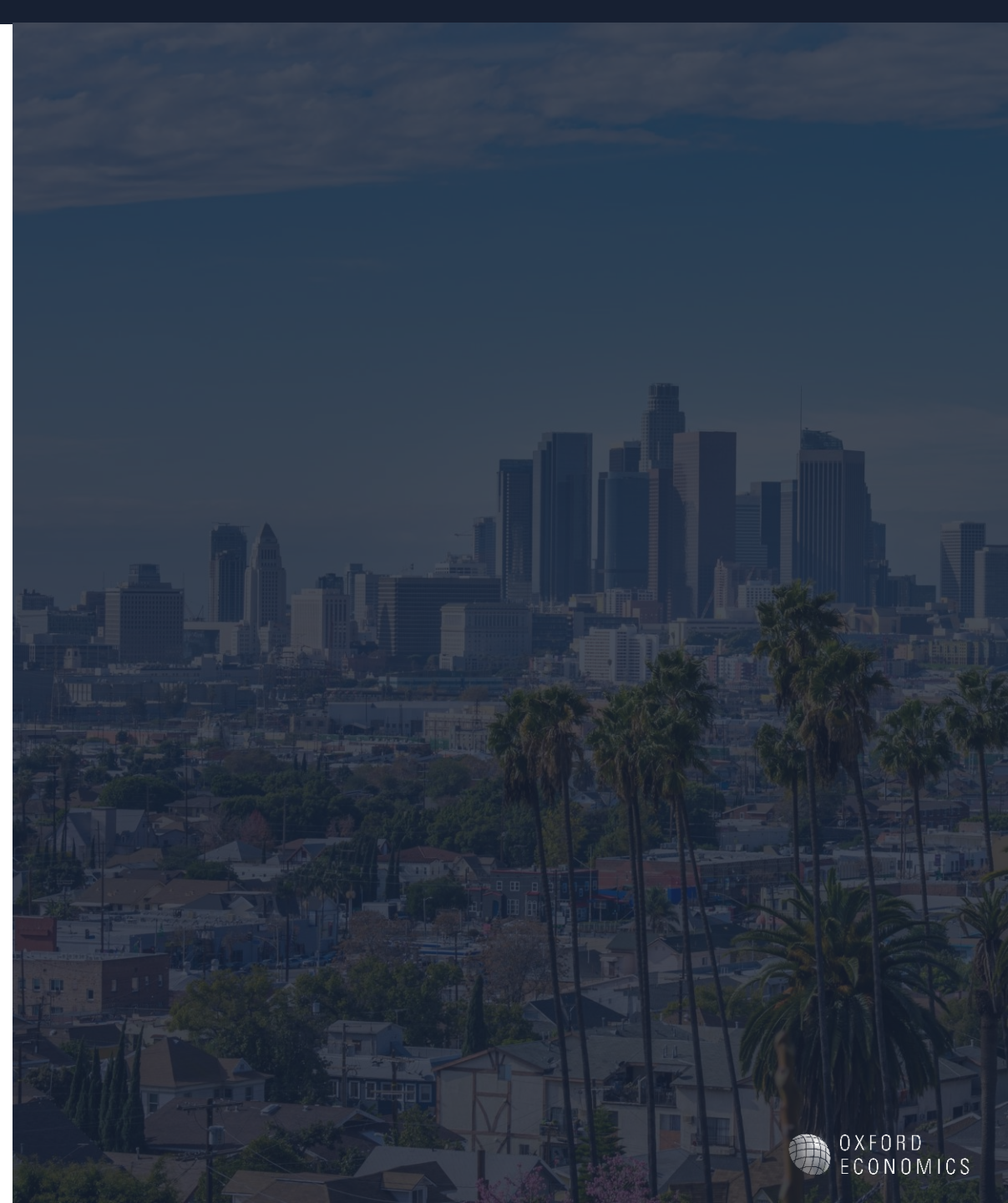


4 Impact to Hotel Operations



Ordinance & Hotel Summary

- The Hotel Worker Protection Ordinance (HWPO)
 - The HWPO contains several provisions. Of these, the most significant impact to hotel operations results from workload limitations for room attendants that restrict the amount of space they are permitted to clean each day at standard pay.
 - Overall, as a result of HWPO, hotels are experiencing an approximate doubling of housekeeping labor costs (room attendants and managers).
- April 12 Motion
 - The motion stipulates an increase in the minimum wage for hotel workers from \$18.86 to \$25 per hour.



Impact to hotel operations

- **Housekeeping**

- Hotels have very limited ability to respond to increased housekeeping costs through cost savings measures within housekeeping. As a result, hotels must either attempt to pass on cost increases to customers or find other operational changes.

- **Food and beverage**

- Food and beverage operations such as restaurants and room service have very low, if any, profitability for hotels. With HWPO and the April 12 Motion, hotels are expected to reduce hours, close outlets, eliminate room service and reduce positions.
- Hotels will also reduce menu selections and raise prices. For example, one operator will consider closing the restaurant and offering a bar menu with five items, including a \$45 hamburger.
- Banquet and catering are important to hotels' ability to attract group business, such as business events. Higher wage costs are expected to make Los Angeles hotels some of the most expensive places to hold a business event. Many business events have a choice of destinations and will shift business to other markets.
- The April 12 Motion does not have an exemption or lower rate for tipped employees like many union hotels have in their collective bargaining agreements. Tipped employees will make more than other hotel employees, resulting in stark differences between positions.

- **Overall impacts to operations**

- Payroll costs are already the highest operating cost of hotels . For example, total payroll costs per occupied room at a custom set of hotels considered in this analysis reached \$120, representing 56% of total operating expenses per occupied room of \$215 (expenses before gross operating profit).
- An increased minimum wage affects not only employees currently earning at or near the minimum wage, it also requires increases in other positions to help maintain premiums for positions with greater responsibility. For example, the wage for a lead role with a \$3 to \$5 premium, must also be increased. This increases the overall cost of minimum wage increases.
- Analysis assumes health care expansion equivalent to a 30% increase in payroll costs, on average.
- RHO analysis assumes a large city program with prevalent use of housing stay vouchers across a large range of hotel properties with little ability for hotels to manage negative impact on perceptions of potential travelers, particularly leisure and group.
- In response to higher costs, we anticipate hotels will:
 - Reduce staff hours and positions by reducing F&B and other hotel services and reducing non-essential maintenance and upkeep.
 - Reduce funding and devotion of staff time to community involvement.
 - Increase room rates, charge additional fees, raise menu and catering pricing. Experience a decline in demand from guests, resulting in fewer occupied guest rooms (particularly leisure and group).

Impact to hotel operations

- **Impacts to renovations**
 - Hotels will have significantly reduced funds for renovations, and hotel owners will have reduced interest in investing in the upkeep of Los Angeles hotels and valuation decline due to increased costs.
 - Examples from hotel operators include plans to delay renovations and plans to cancel projects for expanding new space that would have supported new jobs (e.g., adding a bar in unused space).
- **Impacts to new construction**
 - New construction of hotels will slow significantly. The profitability of the market will be substantially reduced, making it difficult to justify new investment.
 - Also, the market gains a reputation for unpredictable negative policies, further discouraging new investment.
 - Reduced new construction means a loss of construction activity as well as a loss of the jobs and tax revenue supported by additional visitors.



Hotel Performance Is Still Below 2019 Levels

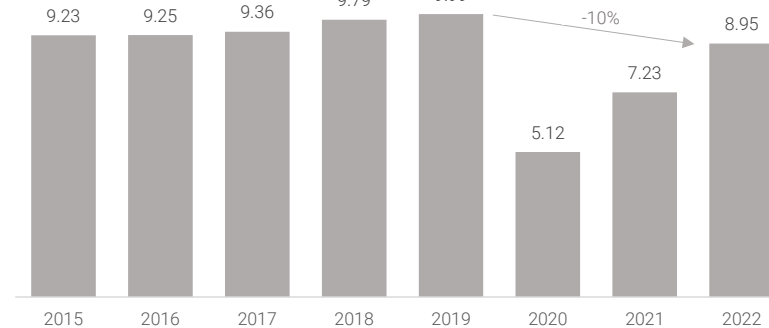
Hotel Demand, Real ADR, Real Room Revenue, and Occupancy since 2015

Los Angeles hotels are still operating below pre-pandemic levels.

- Hotel demand (occupied room nights) in 2022 was down 10% from 2019 levels.
- Real hotel ADR in 2022 was down 5% from 2019 levels.
- Real room revenue in 2022 was down 15% from 2019 levels.
- Hotel occupancy in 2022 was down 12% from 2019 levels.

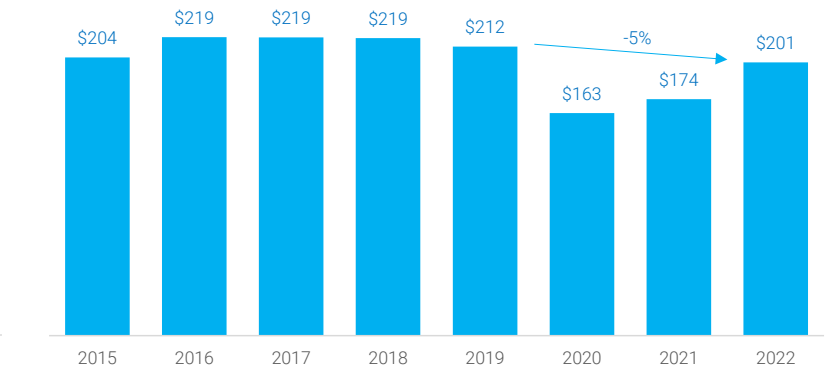
Real dollar values are adjusted for inflation based on CPI and shown in 2022 dollars.

Hotel Demand
Los Angeles, CA; in millions



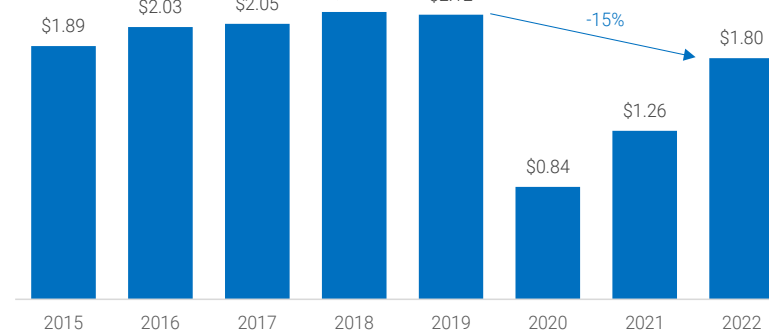
Source: STR, Oxford Economics

Hotel ADR, Real
Los Angeles, CA



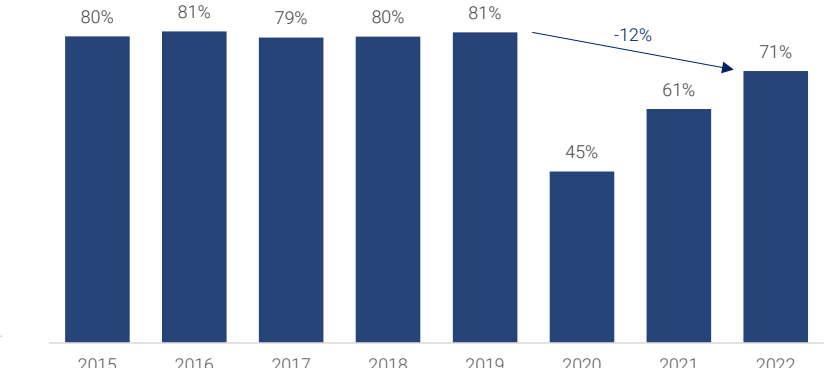
Source: STR, Oxford Economics

Room Revenue, Real
Los Angeles, CA; in billions



Source: STR, Oxford Economics

Hotel Occupancy
Los Angeles, CA



Source: STR, Oxford Economics

Historical Rooms Payroll Increase

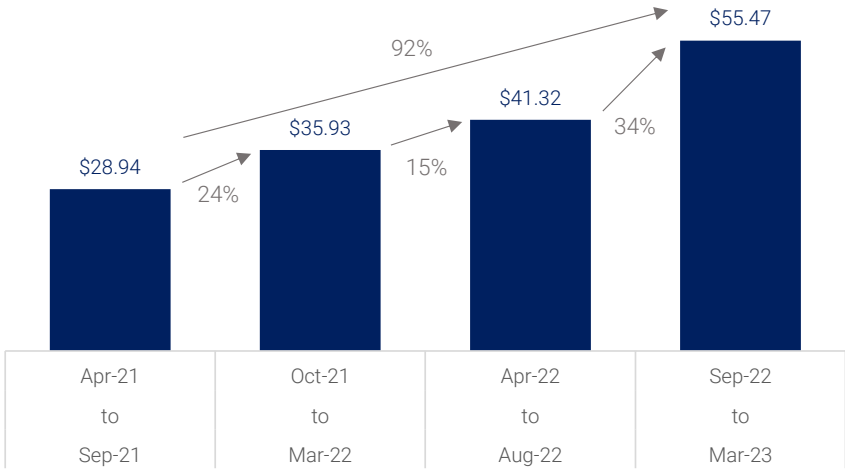
City of Los Angeles, CA

In addition to demand and ADR that is below pre-pandemic levels, hotels have experienced strong increases in payroll costs.

Rooms department payroll, which includes housekeeping, as well as staff such as front desk, guest relations, and reservations, has increased to \$55.47 per occupied room during the most seven-month period since enactment of the HWPO in August 2022. This represents a 92% increase relative to the six-month period ending September 2021. Part of this increase reflects steps by hotels to restore staffing levels post-pandemic, but it also reflects the impacts of tight labor markets and the HWPO.

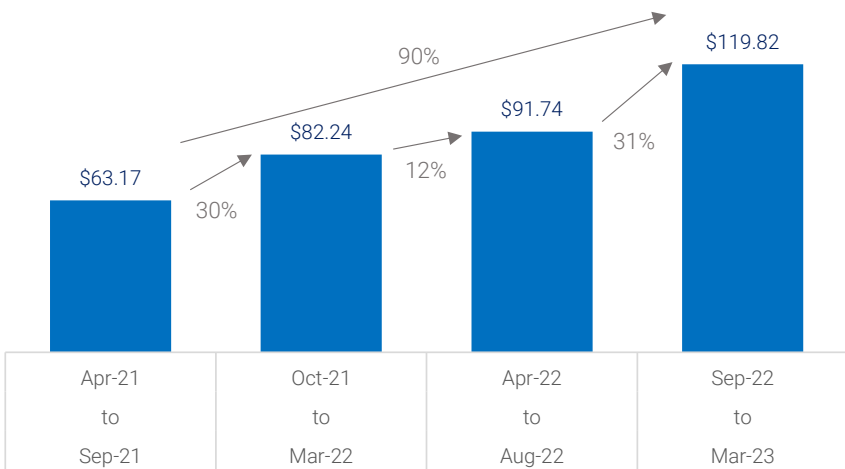
Total payroll per occupied room increased to almost \$120 in the seven-month period ending March 2023. This includes all hotel staff.

Rooms Payroll Per Occupied Room Comparison
City of Los Angeles, CA; Selected Non-Union Hotels



Source: STR; Oxford Economics

Total Payroll Per Occupied Room Comparison
City of Los Angeles, CA; Selected Non-Union Hotels



Source: STR; Oxford Economics

Ordinance Scenarios: Hotel Operations

City of Los Angeles, CA

Los Angeles is estimated to lose \$293 million of visitor spending annually from the already enacted HWPO.

With a \$25 minimum wage and increased health care, this loss increases to \$750 million per year.

With the increased minimum wage in the April 12 Motion (\$25/hr) scenario, we expect hotels will realize an increase to payroll costs of \$339.0 million, even after reducing hours and staffing. Hotels will be forced to raise ADR, causing a -15% loss in demand relative to the LWO only, and only generating an additional \$21.5 million of room revenue, contributing to reduced profits/increased losses.

Decreased demand (occupied rooms) will result in a loss of \$750 million of visitor spending on an annual basis.

Ordinance scenarios

Relative to LWO; in millions (except ADR increase)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
ADR increase (%)		6.8%	19.0%	22.5%	20.3%
ADR increase (\$)		\$14.00	\$39.11	\$46.32	\$41.79
Demand loss (%)		-5.0%	-15.0%	-17.2%	-35.1%
Demand loss (room nights)		-0.45	-1.36	-1.56	-3.19
Room revenue increase (%)		1.5%	1.2%	1.4%	-21.9%
Room revenue increase (\$)		\$27.3	\$21.5	\$26.7	-\$410.1
Increase in housekeeping payroll (%)		82.96%	160.8%	189.4%	122.1%
Increase in housekeeping payroll (\$)		\$114.0	\$220.9	\$260.3	\$167.8
Increase in total payroll (%)		13.8%	46.3%	57.6%	21.7%
Increase in total payroll (\$)		\$101.2	\$339.0	\$421.1	\$158.5
Visitor spending loss (%)		-4.6%	-11.9%	-14.8%	-35.7%
Visitor spending loss (\$)		-\$293.1	-\$750.1	-\$932.6	-\$2,257.6

Source: STR, Oxford Economics

Ordinance Scenarios: Hotel Capital Spending

City of Los Angeles, CA

Los Angeles is estimated to lose \$269 million in hotel capital spending annually from the already enacted HWPO.

With a \$25 minimum wage and increased health care, this loss increases to \$321 million per year.

Hotels have already started delaying new renovations after the HWPO became effective in August 2022. In the April 12 Motion (\$25/hr) scenario we expect renovation spending to decrease \$90.2 relative to the LWO.

We expect the April 12 Motion (\$25/hr) scenario to reduce development spending by \$230.9 million annually relative to the LWO.

This results in a combined hotel capital spending (hotel construction) loss of \$321.2 million relative to the LWO.

Hotel Capital Spending

Relative to LWO; \$ in millions

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Renovation spending loss (\$)		-\$82.5	-\$90.2	-\$93.5	-\$101.2
Renovation spending loss (%)		-75%	-82%	-85%	-92%
New development spending loss (\$)		-\$186.52	-\$230.94	-\$248.70	-\$319.76
Hotel capital spending loss (\$)		-\$269.05	-\$321.16	-\$342.23	-\$420.98

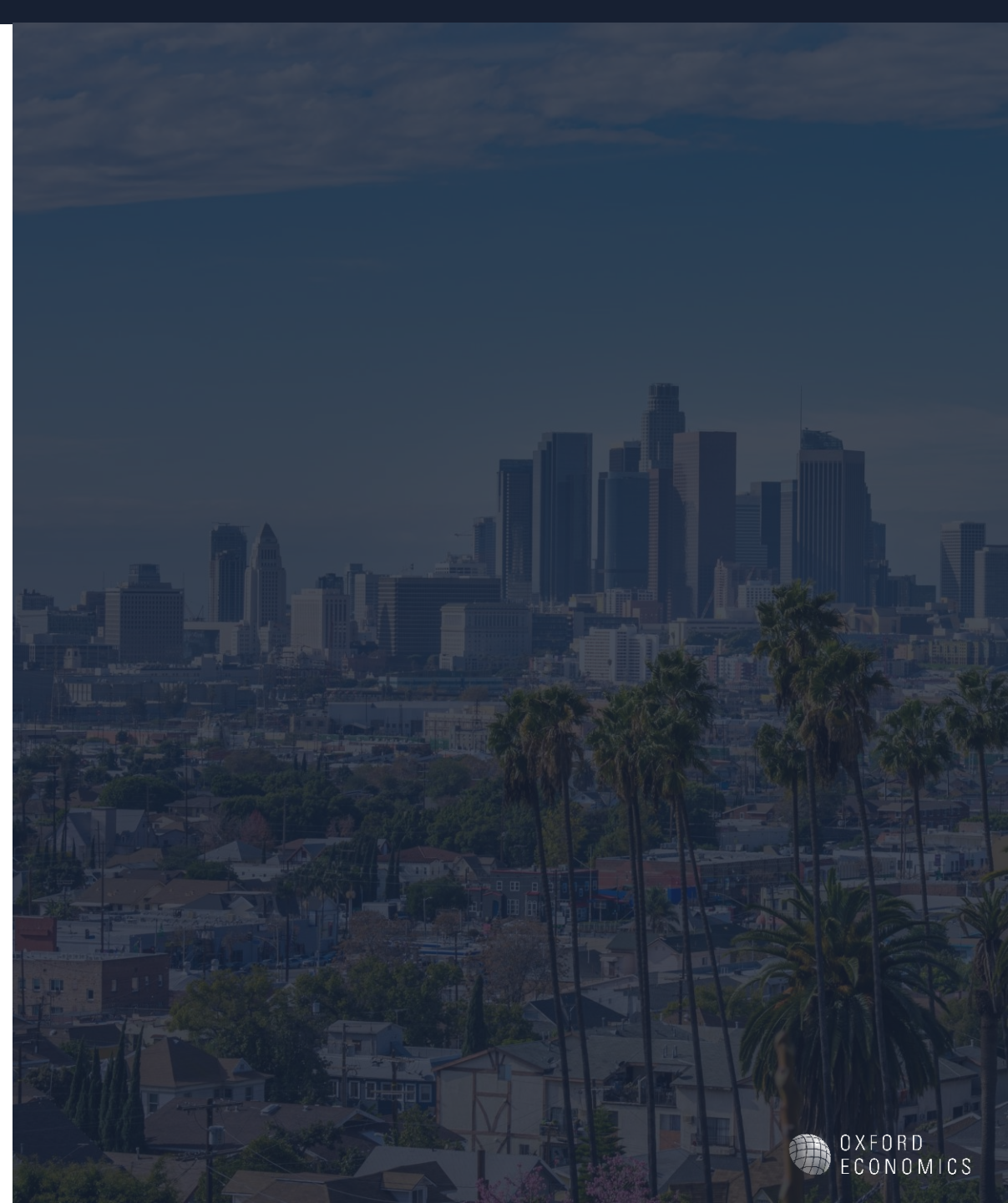
Source: STR, Oxford Economics

5 Impact to Airport Operations



Ordinance & Airport Summary

- April 12 Motion
 - The motion stipulates an increase in the minimum wage for airport workers from \$18.06 to \$25 per hour.
 - The motion also includes adjustments to the health care credit to meet the average cost of healthcare coverage, add minimum health benefit requirements including family coverage, and require transparency around health care payments.
- Living Wage Ordinance (LWO) - Airport Employees:
- There are multiple categories of stakeholders affected by the ordinance at LAX.
 - Los Angeles World Airports (LAWA): Operating airport
 - Airlines: Operating flights
 - Service providers: Providing services to airlines, such as baggage handling, cleaning planes, wheelchair service
 - Concessionaires: operating airport concessions
- Our analysis focuses on:
 - Airlines and service providers combined
- We did not include LAWA staff costs in the analysis as we do not yet have clear understanding of the potential impact of the Motion.
 - LAWA has a budgeted FY2023 headcount of 3,584 full and part-time positions, with annual personnel costs of \$497.5 million. Of these, approximately 2,000 are in operations and maintenance, or public safety and security.



Ordinance Scenarios: Airline/Service Providers

- **Airline/service providers**
 - Airlines rely on direct airline staff and staff of service providers to operate at LAX.
 - Both the airlines and the service providers have experienced the impact of previous cost increases and tight labor market conditions and have worked extensively to find efficiencies and limit cost increases. As a result, there is very little flexibility to absorb further cost increases without passing the full cost on to passengers.
 - With previous labor cost increases, airlines and service providers have looked for ways to reduce the staff positions assigned to each flight. For example, to reduce costs, an airline and service provider may decide to eliminate 16 labor hours associated with the process to turn a flight (deplane passengers, ready plan for departure, enplane passengers). This would be accomplished by cutting four positions with four hours each.
 - Eventually there is a limit to this type of cost management, for example, as further reductions place a greater burden on remaining staff, and result in planes that are less clean.
- In scenarios with the April 12 Motion, we expect airlines and service providers will attempt to pass on a large portion of cost increase to passengers and will make further reductions in staffing and service levels.

Impact to Airline/Service Providers

In the April 12 Motion (\$25/hr) scenario, we expect 1.3 million fewer passengers than the LWO scenario.

With the increased minimum wage in the April 12 Motion (\$25/hr) scenario, and the shift to expanded health care, we expect a \$10.04 in labor costs per enplaned passenger for airline and service providers combined. This is expected to result in the loss of 1.3 million passengers relative to the LWO. The increase in labor costs represents an increase of 34.8% relative to the LWO, representing \$342.8 million of additional costs.

We anticipate the decline in passenger volume and staff reductions per flight will result airline and service provider job losses that will offset a part of the labor cost increase.

Airline and service provider labor costs Wages and health care

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Estimated incremental labor costs per enplaned passenger			\$10.04	\$14.70	\$14.70
Lost passengers (enplanements and deplanements)			(1,342,732)	(1,964,526)	(1,964,526)
Airline and service provider aggregate costs					
Baseline cost without minimum wage increase and health care expansion (in millions)			\$984.0	\$984.0	\$984.0
Incremental cost with minimum wage increase and health care expansion (in millions)			342.8	501.5	501.5
Total cost with minimum wage increase and healthcare expansion (in millions)			\$1,326.8	\$1,485.6	\$1,485.6
Percentage difference relative to baseline			34.8%	51.0%	51.0%
Potential cost reduction due to reduction in passenger volume (in millions)			(\$26.1)	(\$42.8)	(\$42.8)
Potential cost reduction due to staffing reductions (in millions)			(66.3)	(89.1)	(89.1)
Net increase to airline and service provider labor costs relative to baseline (in millions)			\$1,234.4	\$1,353.7	\$1,353.7
Percentage difference relative to baseline			25.4%	37.6%	37.6%

Impact to Airline/Service Providers

In the April 12 Motion (\$25/hr) scenario, we expect a loss of \$95.8 million of visitor spending relative to the LWO scenario.

With the increased minimum wage in the April 12 Motion (\$25/hr) scenario, and the shift to expanded health care, we expect higher fares and reduced service levels will result in approximately 671,000 fewer passenger enplanements annually. This will result in the loss of approximately 131,000 annual overnight visitors to the City of Los Angeles, representing \$95.8 million of lost visitor spending.

Impact to concession activity and visitor spending

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Lost concessions					
Lost enplanements			-671,366	-982,263	-982,263
Gross concession revenue per enplanement			\$12.11	\$12.11	\$12.11
Lost gross concession revenue (in millions)			-\$8.13	-\$11.90	-\$11.90
Lost visitor spending					
Lost visitors (overnight, City of Los Angeles)			(130,835)	(191,423)	(191,423)
Lost visitor spending (in millions, City of Los Angeles)			-\$95.8	-\$140.2	-\$140.2

Ordinance Scenarios: Concessionaires

- Concessionaires
 - LAWA reported gross concession revenue of \$366.3 million during FY2022, including significant amounts of in-terminal revenue, such as duty free, food and beverage, and advertising; as well as off-terminal revenue, such as auto parking and rent-a-car.
 - We did not specifically analyze the impact of the April 12 Measure on labor costs and operations across these categories of concessions, due to the tight timeline on this analysis.
 - Based on our understanding of operations such as airport concession F&B, we would anticipate that the April 12 Measure would represent a significant increase in operating cost that would cause most operators to institute significant price increases, reduce hours, reducing staffing and close outlets. The result would include fewer staff positions, fewer staff hours, increased costs for passengers, and decreased passenger satisfaction with the airport. Ultimately, we expect this would result in some reduction in passenger volumes.

6 Net Impact to Wages and Benefits



Net Impact to Wages and Benefits

We estimated the impacts to wages and benefits on a net basis as well. We started with the lost wages and benefits as a result of lost visitor sales and hotel construction, and we added the increased wages and benefits at hotels and the airport, including induced, downstream, effects. The net result is shown in the last row. This shows:

- In the LWO and HWPO scenario, there is a net reduction to wages and benefits of \$222.8 million;
- In the April 12 Motion (\$25/hr) scenario, the increase to hotel and airport wages and benefits is narrowly greater than the loss in visitor spending and hotel construction, resulting in a net increase of \$8.5 million; and,
- In the April 12 Motion (\$30/hr) scenario, the increase to hotel and airport wages and benefits is greater than the loss in visitor spending and hotel construction, resulting in a net increase of \$104.9 million; and,
- In the April 12 Motion (\$30/hr) and RHO scenario, there is a net reduction to wages and benefits of \$1.1 billion.

In each of these scenarios, we anticipate some hotel and airport workers will lose hours and others will lose their job, with higher wages earned by certain remaining employees. The increase of wages and benefits will accrue to certain remaining workers at hotels and the airport, while the losses will affect certain other hotel and airport employees, and across a range of sectors, including jobs in construction, as well as F&B, and downstream services such as maintenance and wholesale distribution.

Net impact to wages and benefits

in millions, annual impact

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Impact to wages and benefits					
Lost wages and benefits due to visitor sales and hotel construction		-\$347.0	-\$714.3	-\$864.9	-\$1,716.3
Increased hotel wages and benefits		\$101.2	\$339.0	\$421.1	\$158.5
Increased airport wages and benefits		\$0.0	\$250.4	\$369.7	\$369.7
Induced effect of net change to wages and benefits		\$22.9	\$133.5	\$179.1	\$119.6
Net total impact to wages and benefits		-\$222.8	\$8.5	\$104.9	-\$1,068.6

Source: Oxford Economics

7 Minimum Wage Tipping Point

Minimum Wage Tipping Point

- In many situations, researchers examining the impact of minimum wage increases are looking at situations with either small changes to a minimum wage, or a large change that still results in a wage that is low relative to other wages.
- That such studies do not generally find strong indication of large negative employment effects does provide good guidance for a situation in which the wage increase is large, and results in a wage that is at a level well above more typical entry-level wages.
- In the economic literature, there has been evidence that large hikes that cross a tipping point threshold from low minimum wage-to-median earnings to high minimum wage-to-median earnings cause significant declines in employment among low-income workers.
- **Thus, while the employment impact of minimum wage increases is debated, there is a foundation of evidence to suggest that large increases in the minimum wage, particularly above a certain threshold value, can lead to notable declines in employment among the most vulnerable workers.**

Research examples

- The 1966 amendment to the Fair Labor Standards Act, which raised the national minimum wage 28% to \$13.54 per hour in 2022 dollars and extended coverage to an additional 9.1 million workers, was found to significantly lower employment rates in certain subgroups, such as African-American men, who experienced a sharp and significant decline in employment during the year and annual hours worked.
- During the 41% Federal minimum wage hike between July 23, 2007 and July 24, 2009 from \$5.15 to \$7.25, employment among low-wage workers fell. In addition, this increase led to a reduction in upward mobility among low-skilled workers by limiting their access to opportunities for accumulating work experience.
- France has been plagued by high unemployment, and high youth unemployment in particular, a feature often attributed to the relatively high minimum wage. In France, the minimum wage is relatively high – 11.52 euros per hour as of May 1, 2023 or about \$12.63 per hour. The 2019 French minimum wage increase in 2019 directly affected 13.4% of workers. Comparatively, in the U.S. approximately 1.1% of workers were at or below the Federal minimum wage in 2019.

Minimum Wage Tipping Point (continued)

- In Denmark, when workers turn 18, they become eligible for the adult rate – approximately a 40% increase to a level comparable to a \$15 minimum wage. This rise in the wage requirement has been found to cause a 33% drop in the employment rate and a 45% fall in hours worked for those impacted.
- Significant increases in minimum wages have also been found to impact growth in the number of business establishments. Following Hungary's minimum wage increase in 2001 from 35% of median earnings to 50%, an estimated 30,000 minimum wage workers lost their jobs (10.3% of total minimum wage workers) as firms substituted labor with capital. Not only did contemporaneous employment decline as a result of this minimum wage hike, but employment growth at the firms most affected by the minimum wage hike declined in future periods.

References cited

- Bailey, Martha J., John DiNardo, and Bryan A. Stuart. 2020. "The Economic Impact of a High National Minimum Wage: Evidence From the 1966 Fair Labor Standards Act." NBER Working Paper 26926.
- Clemens, Jeffrey, and Michael Wither. 2019. "The Minimum Wage and the Great Recession: Evidence of Effects on the Employment and Income Trajectories of Low-Skilled Workers." *Journal of Public Economics* 170 53–67.
- Manning, Alan. 2021. "The Elusive Employment Effect of the Minimum Wage." *Journal of Economic Perspectives* 35 3-26.
- Kreiner, Claus Thustrup, Daniel Reck, and Peer Ebbesen Skov. 2020. "Do Lower Minimum Wages for Young Workers Raise Their Employment? Evidence from a Danish Discontinuity." *Review of Economics and Statistics* 102 (2): 339–54.
- Harasztosi, Peter, and Attila Lindner. 2019. "Who Pays for the Minimum Wage?" *American Economic Review* 109 (8): 2693–2727.

8 Additional Economic Impact Tables

Economic Impact: Hotel Visitor Spending

City of Los Angeles, CA - Direct and Total Impacts

The accompanying table shows the impact of lost visitor spending due to hotel labor cost increases.

The direct impact loss of visitor spending in the April 12 Motion (\$25/hr) scenario relative to the LWO scenario is shown as \$750.1 million of reduced output (business sales).

Hotel visitor spending economic impact
in millions (except jobs)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Total					
Output		-\$487.2	-\$1,246.7	-\$1,550.0	-\$3,752.4
GDP		-\$285.0	-\$729.4	-\$906.8	-\$2,195.3
Wages and salaries		-\$177.4	-\$453.9	-\$564.3	-\$1,366.1
Jobs		-3,221	-8,243	-10,249	-24,811
Taxes		-\$71.0	-\$193.1	-\$237.8	-\$631.3
Federal		-\$37.3	-\$95.5	-\$118.8	-\$287.5
State and local		-\$33.7	-\$97.5	-\$119.1	-\$343.8
Taxes on lodging		\$4.3	\$3.4	\$4.3	-\$65.2
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7
Direct					
Output		-\$293.1	-\$750.1	-\$932.6	-\$2,257.6
GDP		-\$167.0	-\$427.3	-\$531.3	-\$1,286.2
Wages and salaries		-\$107.8	-\$275.9	-\$343.1	-\$830.6
Jobs		-2,251	-5,761	-7,162	-17,339
Taxes		-\$45.1	-\$126.8	-\$155.5	-\$432.0
Federal		-\$22.7	-\$58.1	-\$72.2	-\$174.9
State and local		-\$22.4	-\$68.7	-\$83.2	-\$257.1
Taxes on lodging		\$4.3	\$3.4	\$4.3	-\$65.2
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7

Source: Oxford Economics

Economic Impact: Hotel Construction

City of Los Angeles, CA - Direct and Total Impacts

The accompanying table shows the impact of reduced hotel construction activity as a result of higher labor costs at hotels.

The direct impact loss of \$321.2 million of reduced hotel construction spending in the April 12 Motion (\$25/hr) scenario relative to the LWO scenario is shown as reduced output (business sales).

Hotel construction economic impact
in millions (except jobs)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Total					
Output		-\$426.5	-\$509.1	-\$542.5	-\$667.4
GDP		-\$225.1	-\$268.8	-\$286.4	-\$352.3
Wages and salaries		-\$169.6	-\$202.4	-\$215.7	-\$265.3
Jobs		-2,421	-2,890	-3,080	-3,789
Taxes		-\$54.2	-\$64.7	-\$68.9	-\$84.8
Federal		-\$32.6	-\$38.9	-\$41.5	-\$51.0
State and local		-\$21.6	-\$25.7	-\$27.4	-\$33.7
Taxes on lodging		\$0.0	\$0.0	\$0.0	\$0.0
Property taxes		\$0.0	\$0.0	\$0.0	\$0.0
Direct					
Output		-\$269.0	-\$321.2	-\$342.2	-\$421.0
GDP		-\$130.0	-\$155.1	-\$165.3	-\$203.4
Wages and salaries		-\$116.5	-\$139.1	-\$148.2	-\$182.3
Jobs		-1,614	-1,927	-2,053	-2,526
Taxes		-\$32.1	-\$38.3	-\$40.8	-\$50.2
Federal		-\$21.2	-\$25.3	-\$27.0	-\$33.2
State and local		-\$10.9	-\$13.0	-\$13.8	-\$17.0
Taxes on lodging		\$0.0	\$0.0	\$0.0	\$0.0
Property taxes		\$0.0	\$0.0	\$0.0	\$0.0

Source: Oxford Economics

Economic Impact: Total Hotel Impact

City of Los Angeles, CA - Direct and Total Impacts

The accompanying table shows the impact of reduced visitor spending and reduced hotel construction activity as a result of higher labor costs at hotels.

Total hotel economic impact
in millions (except jobs)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Total					
Output		-\$913.7	-\$1,755.8	-\$2,092.5	-\$4,419.8
GDP		-\$510.2	-\$998.1	-\$1,193.2	-\$2,547.6
Wages and salaries		-\$347.0	-\$656.3	-\$780.0	-\$1,631.5
Jobs		-5,643	-11,134	-13,329	-28,600
Taxes		-\$125.2	-\$257.7	-\$306.7	-\$716.1
Federal		-\$69.9	-\$134.5	-\$160.3	-\$338.6
State and local		-\$55.3	-\$123.3	-\$146.5	-\$377.5
Taxes on lodging		\$4.3	\$3.4	\$4.3	-\$65.2
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7
Direct					
Output		-\$562.2	-\$1,071.2	-\$1,274.8	-\$2,678.6
GDP		-\$297.0	-\$582.5	-\$696.6	-\$1,489.5
Wages and salaries		-\$224.3	-\$415.0	-\$491.3	-\$1,012.8
Jobs		-3,865	-7,688	-9,215	-19,865
Taxes		-\$77.2	-\$165.1	-\$196.3	-\$482.2
Federal		-\$43.9	-\$83.4	-\$99.2	-\$208.1
State and local		-\$33.3	-\$81.7	-\$97.1	-\$274.1
Taxes on lodging		\$4.3	\$3.4	\$4.3	-\$65.2
Property taxes		-\$7.7	-\$23.3	-\$26.7	-\$44.7

Source: Oxford Economics

Economic Impact: Airport Visitor Spending

City of Los Angeles, CA - Direct and Total Impacts

The accompanying table shows the impact of reduced visitor spending as a result of higher labor costs for airlines/service providers at the airport.

Airport visitor spending economic impact
in millions (except jobs)

	LWO	LWO and HWPO	April 12 Motion (\$25/hr)	April 12 Motion (\$30/hr)	April 12 Motion (\$30/hr) and RHO
Total					
Output			-\$159.2	-\$233.0	-\$233.0
GDP			-\$93.2	-\$136.3	-\$136.3
Wages and salaries			-\$58.0	-\$84.8	-\$84.8
Jobs			-1,053	-1,541	-1,541
Taxes			-\$27.3	-\$40.2	-\$40.2
Federal			-\$12.2	-\$17.9	-\$17.9
State and local			-\$15.1	-\$22.4	-\$22.4
Taxes on lodging			-\$5.2	-\$7.8	-\$7.8
Property taxes			\$0.0	\$0.0	\$0.0
Direct					
Output			-\$95.8	-\$140.2	-\$140.2
GDP			-\$54.6	-\$79.9	-\$79.9
Wages and salaries			-\$35.2	-\$51.6	-\$51.6
Jobs			-736	-1,077	-1,077
Taxes			-\$18.8	-\$27.8	-\$27.8
Federal			-\$7.4	-\$10.9	-\$10.9
State and local			-\$11.4	-\$17.0	-\$17.0
Taxes on lodging			-\$5.2	-\$7.8	-\$7.8
Property taxes			\$0.0	\$0.0	\$0.0

Source: Oxford Economics

About Oxford Economics

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

www.oxfordeconomics.com



Chief Executive Office.

COUNTY OF LOS ANGELES

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, CA 90012
(213) 974-1101 ceo.lacounty.gov

CHIEF EXECUTIVE OFFICER

Fesia A. Davenport

September 11, 2023

To: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Holly J. Mitchell
Supervisor Lindsey P. Horvath
Supervisor Kathryn Barger

From: Fesia A. Davenport FAD
Chief Executive Officer FAD (Sep 11, 2023 18:29 PDT)

REPORT ON THE IMPACT TO HOTEL AND ENTERTAINMENT SECTORS WITH MANDATORY INCREASE OF MINIMUM WAGE (ITEM MISC-1, AGENDA OF AUGUST 15, 2023)

On August 15, 2023, the Board of Supervisors (Board) directed the Chief Executive Officer (CEO), in consultation with the Department of Business and Consumer Affairs (DCBA) and the Department of Economic Opportunity (DEO), to report back to the Board in writing before September 12, 2023, on the results of the following:

- 1) Input from all relevant stakeholders, including hotels, theme parks, retail operations, theaters, business associations, and labor in addition to feedback from economic organizations including the Los Angeles Economic Development Corporation, the Santa Clarita Economic Development Corporation, the UCLA Labor Center, and the Los Angeles Alliance for a New Economy (LAANE), to identify any potential impacts on businesses, employees, and consumers by the proposed wage increase; and
- 2) An assessment from impacted Departments such as the Treasurer and Tax Collector, Assessor, and Economic Opportunity, on any potential impacts to the County.

Background Information

The Board of Supervisors was scheduled to consider a [motion](#) introduced by Supervisors Janice Hahn and Lindsey P. Horvath, entitled "Introducing a Tourism Worker Minimum Wage Ordinance" on September 12, 2023. The motion was referred back to Supervisor Hahn's office and will not be discussed during the September 12, 2023, Board of Supervisors agenda.



The motion would have:

- Instructed County Counsel in collaboration with the Department of Consumer and Business Affairs to draft a Tourism Worker Retention Minimum Wage Ordinance, Chapter 8.102 of Division 4 of the Los Angeles County Code, and to submit the ordinance to the Board for its consideration within 45 days, that would:
 - Require a \$25 minimum wage for all hotel workers at hotels with more than 60 rooms (including all contractors & lessees) and theme park workers (including all retail, food services, and theaters in the same specific plan zone as the park) in unincorporated Los Angeles County, with the minimum wage increasing to \$30 by 2028 and with a cost-of-living adjustment thereafter.
 - Require that all service charges go to workers at hotels, consistent with existing protections for workers at hotels in the City of Los Angeles.

Stakeholder Input

CEO, DCBA, and DEO convened meetings with impacted stakeholders to gather feedback about the potential impact of the proposed "Introducing a Tourism Worker Minimum Wage Ordinance" [motion](#), on businesses, employees, and consumers. Feedback and comments received from the UCLA Labor Center, LAANE, and other labor organizations were supportive of the motion, while other stakeholder groups were concerned the proposed minimum wage ordinance would have negative impacts on businesses, employees, and consumers, as well as the regional economy. For this reason, we separated the feedback received from labor organizations from the feedback received from businesses and organizations representing the hospitality and tourism industries as well as theme parks. Below is a high-level summary of the most common feedback and recommendations the County received during meetings with impacted businesses, business associations, economic development corporations, and chambers of commerce about the potential impact of the proposed wage motion.

From Labor Representatives:

- **Minimum Wage Increase Is Needed in the Hotel and Theme Park Sectors:** A significant increase in minimum wage is needed for hotel and theme park workers to ensure these workers can meet their basic needs due to the high cost of living in the County and to reduce reliance on County-funded services.

- **The Ordinance Must Be Accompanied by Strong Enforcement:** Wage compliance will be a challenge and requires a robust enforcement program. A potential reaction to a wage increase will be to increase work quotas and reduce employee benefits. Hotels will be resistant to embracing the potential advantages from reduced turnover (and reduced costs related to hiring and training) that the wage increase will likely provide.
- **The Ordinance Is Not Likely to Impact Businesses or Consumers:** Hotels are unlikely to pass on the costs of a wage increase to its consumers. The industry's practice is to charge the maximum the consumer will pay regardless of the actual costs to provide services. Moreover, similar concerns were raised about hotels closing in response to the City of Los Angeles hotel worker minimum wage ordinance (the wage is currently \$19.73/hour for hotels with 60 or more rooms), which has not been borne out.

From Impacted Businesses, Business Associations, Economic Development Corporations, and Chambers of Commerce:

- **Full Economic Impact Study:** The County should complete an economic impact study to understand the specific implications of the proposed ordinance on these industries, the unintended consequences, and the broader impacts on the regional economy.
- **Collective Bargaining Impact:** The proposed ordinance interferes with the collective bargaining process. The County should delay implementing the ordinance until pending contract negotiations are completed.
- **Engage the Business Community:** Bring the business community to the table when formulating a minimum wage proposal. There needs to be greater discussion with the business community, coupled with more data and analysis to determine the best ways to move forward.
- **Explore a Regional Minimum Wage Increase:** The County should take a regional approach to increasing the minimum wage, rather than targeting certain industries. If it is going to impose a wage increase, it should be done across the board to include all industries and jurisdictions, and it should first begin with Los Angeles County employees to determine impacts from its own experience before it is applied to other industries.
- **Gradual Minimum Wage Increase:** Consider an incremental minimum wage increase with a phased implementation timeline.

- **Business Incentives:** Consider providing businesses with tax incentives such as payroll credits, property tax breaks, and adjustments to County rents (e.g., ground leases). Also, consider giving businesses access to American Rescue Plan (ARP) funds for the development of assistance services for those businesses and employees negatively impacted by the potential wage increase.
- **Best Practices:** The County should conduct an analysis of what other jurisdictions have done both within Los Angeles County and across the country to determine best practices and potential impacts.
- **Champion Tourism:** The Board should continue to find ways to champion and promote hospitality and tourism.

A complete summary of stakeholder feedback is included in Attachment I.

Also included is a letter from the California Attractions and Parks Association submitted to the CEO on September 1, 2023 (Attachment II).

Potential Impacts to Los Angeles County

Due to the compressed timeframe to conduct stakeholder outreach and evaluate impacts to the County, our office was not able to thoroughly study the impacts that the proposed ordinance would have on the County. For example, general economic impacts from the proposed ordinance would require a more detailed economic analysis. Stakeholders expressed concerns about risks of debt service default, hotel closures, diminished profits, and declines in revenue which would all ultimately result in decreases in transient occupancy tax revenue to the County to fund essential programs and services. Alternately, if hotel room prices increase to absorb cost increases, this could result in increases to County transient occupancy tax revenues. Stakeholders also noted both potential increases to personal wages for some workers as well as corresponding layoffs for other workers. It is unclear how these factors may impact sales and use tax revenues in relation to consumer spending. The County would need time and resources to hire a consultant to complete a thorough, data-driven economic impact study.

Additionally, the proposed minimum wage could result in businesses in the unincorporated area that would be subject to the ordinance – like theme parks – seeking annexation into a neighboring city to avoid the pay increases. In one scenario, my office determined that the County could lose annually \$1.2 million in sales and use taxes, \$0.7 million in transient occupancy taxes, and \$0.4 million in property taxes, totaling \$2.3 million in yearly revenues, should one such unincorporated area be annexed into an adjoining city with a \$16.00 minimum wage. Due again to limitations in the amount of time to conduct this analysis, we

Each Supervisor
September 11, 2023
Page 5

did not include any offsets from reduced costs to County departments generated from not providing services in this area, nor were we able to fully evaluate the feasibility or timeline for such an effort to annex into an incorporated city.

Finally, the County would need to ensure it was positioned to administer and enforce the proposed ordinance. DCBA's Wage Enforcement Program may need additional resources to conduct this work. Appropriate resources would have to be determined after the contours of the proposed ordinance were fully understood and in the context of the County's budgetary constraints.

Should you have any questions about this report, please contact me or Avianna Uribe, Manager, at auribe@ceo.lacounty.gov or (213) 974-6837.

FAD:JMN: AU:gl

Attachments

c: Executive Office, Board of Supervisors
 County Counsel
 Consumer and Business Affairs
 Economic Opportunity

Summary of the Impact of the Proposed Tourism Worker Minimum Wage Ordinance on Hotel and Entertainment Business Sectors

Stakeholder meetings – August 28, 2023, through September 1, 2023

On August 15, 2023, the Board of Supervisors (Board) directed the Chief Executive Officer (CEO), in consultation with the Department of Business and Consumer Affairs (DCBA) and the Department of Economic Opportunity (DEO), to report back to the Board in writing before September 12, 2023, on the results of the following:

- 1) Input from all relevant stakeholders, including hotels, theme parks, retail operations, theaters, business associations, and labor in addition to feedback from economic organizations including the Los Angeles Economic Development Corporation, the Santa Clarita Economic Development Corporation, the UCLA Labor Center, and the Los Angeles Alliance for a New Economy (LAANE), to identify any potential impacts on businesses, employees, and consumers by the proposed wage increase; and
- 2) An assessment from impacted Departments such as the Treasurer Tax Collector, Assessor, and Economic Opportunity, on any potential impacts to the County.

Stakeholder Input

The Chief Executive Office (CEO), DCBA, and DEO convened thirteen roundtable meetings with impacted stakeholders to gather feedback about the potential impact of the proposed “Introducing a Tourism Worker Minimum Wage Ordinance” [motion](#) on businesses, employees, and consumers. Identified stakeholders were contacted and asked to participate in one-hour virtual meetings scheduled from August 28, 2023, through September 1, 2023 (Table 1).

TABLE 1 Roundtable Meetings		
Meetings	Meeting Date	Attendees
Meeting #1	August 28, 2023	<ul style="list-style-type: none"> Marina del Rey Tourism Board Marina del Rey Lessees Association LAX Coastal Commission Marina del Rey hotel owners/operators
Meeting #2	August 28, 2023	<ul style="list-style-type: none"> Hardage Hospitality Group (<i>Operator of Residence Inn and Courtyard Marriot, both located in Marina Del Rey</i>)
Meeting #3	August 28, 2023	<ul style="list-style-type: none"> LA Tourism and Convention Board
Meeting #4	August 28, 2023	<ul style="list-style-type: none"> Los Angeles County Economic Development Corporation
Meeting #5	August 29, 2023	<ul style="list-style-type: none"> California Retailer’s Association California Restaurant Association
Meeting #6	August 29, 2023	<ul style="list-style-type: none"> UCLA Labor Center UNITE HERE Local 11 International Alliance of Theatrical Stage Employees Local B192 LAANE
Meeting #7	August 29, 2023	<ul style="list-style-type: none"> San Gabriel Valley Partnership Los Angeles County Business Federation (BizFed)

Meeting #8	August 30, 2023	<ul style="list-style-type: none"> Valley Industry and Commerce Association
Meeting #9	August 30, 2023	<ul style="list-style-type: none"> Hotel Association of Los Angeles California Hotel and Lodging Association Greater Los Angeles Hospitality Association
Meeting #10	August 30, 2023	<ul style="list-style-type: none"> Chambers of Commerce Group Call #1 <ul style="list-style-type: none"> California Hospitality United Coalition United Chambers of Commerce Los Angeles Chamber of Commerce Pacific Palms Resort
Meeting #11	August 31, 2023	<ul style="list-style-type: none"> Universal Studios Magic Mountain California Attractions and Parks Association
Meeting #12	August 31, 2023	<ul style="list-style-type: none"> Antelope Valley Economic Growth and Development Enterprise (AV Edge)
Meeting #13	September 1, 2023	<ul style="list-style-type: none"> Chambers of Commerce - Group #2 <ul style="list-style-type: none"> Santa Clarita Valley Chamber of Commerce LAX Chamber of Commerce Hardage Hospitality Marina del Rey hotel owners/operators Hotel Angeleno/Gateway Hotel/Royal Palace Westwood owner
Meeting #14	September 1, 2023	<ul style="list-style-type: none"> Santa Clarita Valley Economic Development Corporation

During the one-hour meetings, CEO, DCBA, and DEO shared the proposed September 12, 2023 "Tourism Worker Minimum Wage Ordinance" [motion](#) and asked participants to respond to the questions below.

- Can you identify potential benefits and/or challenges associated with adopting the proposed Tourism Worker Retention Minimum Wage Ordinance?
- Can you explain how the proposed ordinance would potentially impact 1) businesses 2) employees 3) consumers?
- Can you provide alternative solutions/recommendations that the Board should consider in order to achieve the intended goal of the Board motion?

Due to the limited timeframe available to conduct stakeholder outreach and complete the report, a survey was shared with impacted stakeholders unable to participate in the virtual meetings. Survey respondents' feedback was incorporated in the report.

Below is a summary of the overall comments received from stakeholders during virtual meetings and from survey responses. With the exception of the feedback and comments received from the UCLA Labor Center, LAANE, and other labor organizations (Meeting #6), many of the groups shared similar concerns about the impact the proposed minimum wage ordinance would have on businesses, employees, and consumers, as well as the regional economy. For this reason, we list the feedback received from labor organizations separately from the feedback received from businesses and the various organizations representing the hospitality industry.

We have also included a letter the California Attractions and Parks Association submitted to the CEO on September 1, 2023 (Attachment III).

Hospitality Businesses and Business Organization's Feedback and Recommendations (Meeting #1-5, #7-13)

Positive Impacts

- Increased wages will have a positive impact on the employees in the hospitality industry and theme parks, increasing their standard of living.
- Increased wages may generate more tax revenue through increases in the Transient Occupancy Tax (TOT) from higher hotel room rates.

General Comments/Challenges

- The proposed wage increase coupled with the recently adopted [Hotel Worker Protections Ordinance](#) motion unfairly targets businesses most impacted by the pandemic. With the post-pandemic recovery still underway, businesses are still financially recovering and will be forced to make difficult changes to their business models and overall operations.
- The proposed minimum wage ordinance represents a drastic wage increase that will have devastating impacts on the hotel and theme park industries, making it unsustainable. Most participants indicated they supported paying fair wages with reasonable annual increases.
- The County should consider a full economic impact study to understand the unintended consequences and the specific impacts adopting this ordinance would have on industries and the broader regional economy.
- Ensuring minimum wage compliance will be a challenge for both the County and businesses, especially for businesses with multiple work locations across different jurisdictions.
- The CEO's Legislative Affairs Office expressed concerns about the financial impact of bill that would raise the minimum wage for its health care workers (Senate Bill 525). The County should first start with raising the minimum wage for its employees and determine related impacts from its own experience before applying an increase to other industries.
- The proposed ordinance interferes with the collective bargaining process.
- The Board of Supervisors approved the "Marina del Rey For All" initiative in July of last year, to increase access in Marina del Rey to underserved populations. This proposed ordinance will drive prices higher to account for wage increases and will make it even harder for underserved populations to access Marina del Rey as a travel destination.

Impact on Businesses, Employees, and Consumers:

- Consider the impact on the entire business ecosystem and surrounding communities. Theme park and hotel small lessees and vendors may have trouble complying with the ordinance. This disproportionately hurts local small businesses, many of which are owned by women and people of color.
- Businesses may implement operational changes that negatively impact consumers and tourism, such as increased prices and reduced investments in capital maintenance, new rides/attractions, loss of amenities/customer services (e.g., increased automation), and expansions.
 - Hospitality businesses are currently challenged by escalated labor and operational expenses stemming from labor shortages and the challenging process of pandemic recovery. If approved, this ordinance would lead to employers having to limit, automate, or reduce labor costs.
 - Businesses will have to make changes to their business models which may negatively impact their ability to attract new investments that are necessary to meet the capital improvement requirements in the leases.
 - Businesses may have difficulty meeting profit margins and their fiduciary responsibilities (e.g., debt covenants).
 - Hotel rates will increase significantly and accelerate inflation at a time when inflation is already a concern. This will negatively affect hotel demand from both leisure and business travel, resulting in lower occupancies, reduced work available, fewer large events and conferences, and less sales tax revenue.
- Employees may experience job loss as some businesses pursue cost-saving measures.
 - Hotel Restaurants operate on low profit margins and success rates, and the proposed ordinance will cause hotels to streamline business operations, such as replacing restaurant servers with QR codes and using check-in kiosks and food runners. This would have the largest impact on food and beverage employees, many of whom are tipped workers (food servers/bartenders) and make a significant income.
 - Loss of Entry-Level Jobs for First-Time Employees: Theme parks rely on seasonal and part-time employees and may choose to hire more experienced workers, limiting job opportunities and career pathways for youth and first-time job seekers.
- The increase would compress pay scales between entry-level/hourly positions and skilled/salary positions.
- The wage increase will lead to price increases at hotels and theme parks, which will decrease accessibility to clientele.

Alternative Solutions/Recommendations

- The County should complete an economic impact study to understand the specific implications to these industries, the unintended consequences, and the broader impacts on the regional economy.

- Consider an incremental minimum wage increase that is phased in over time.
- The proposed ordinance interferes with the collective bargaining process. The County should delay implementing the ordinance until pending contract negotiations are completed.
- Bring the business community to the table when formulating a minimum wage proposal. There needs to be greater discussion with the business community, coupled with more data and analysis to determine the best ways to move forward.
- The County should take a regional approach to increasing the minimum wage, rather than targeting certain industries. If it is going to impose a wage increase, it should be done across the board to include all industries and jurisdictions, and it should first begin with Los Angeles County employees to determine impacts from its own experience before it is applied to other industries.
- Consider providing businesses with tax incentives such as payroll credits, property tax breaks, and adjustments to County rents (e.g., ground leases). Also, consider giving businesses access to American Rescue Plan funds for the development of assistance services for those businesses and employees negatively impacted by the potential wage increase.
- The County should analyze what other jurisdictions have done both within Los Angeles County and across the country to determine best practices and potential impacts.
- The Board should continue to find ways to champion and promote hospitality and tourism.

The UCLA Labor Center, LAANE, and Labor Organizations Feedback and Recommendations (Meeting #6)

General Comments

- Hotel and theme park workers remain in a state of economic distress:
 - Current wages are insufficient to meet basic needs, particularly rent. The majority of hotel workers' wages currently range from the County minimum to \$19 per hour.
 - Theme park workers earn minimum wage and have not received a raise, other than the County increase, for over two years.
 - The National Low-Income Housing Coalition found that a person needs to earn at least \$29.50 per hour to afford a studio apartment in the County. At the current minimum wage, one would have to work 70 hours a week or 14 hours a day, five days a week, to pay for these expenses.

- This wage increase will provide much-needed support, particularly for those not represented by organized labor. Absent such an increase in wages, workers will continue to rely on County resources.
- A significant wage increase is needed to align with the ongoing increases in rent and other basic goods.
 - A gradual rise in wages (\$1 more per hour) is insufficient and doesn't alleviate the problem.
 - In around 2015, the City of LA made a similar significant jump in adopting its hotel minimum wage. The City of LA increased its hotel minimum wage from approximately \$11 to \$15.37 per hour (currently \$19.73 per hour), which is about a 40 percent increase.
 - The living wage at LAX has had positive effects.
- The hotel and theme park sectors have fully recovered from the pandemic and are realizing record-level revenues, while at the same time leaving their workers behind.
- Tourism dollars should remain in the community (with the workers) and not remain in the coffers of large non-county entities.
- The \$25 rate is not unique to Los Angeles County and is being considered by multiple jurisdictions.
- Without wage protections, employers view suppressing wages as the primary option to realize cost savings.

Potential Challenges:

- Wage compliance will be a challenge and requires a robust enforcement program.
- A potential reaction to a wage increase will be to increase work quotas and reduce employee benefits.
 - The City of Santa Monica experienced this issue. Some employers responded to an increase in hotel worker wages in Santa Monica by increasing the quotas for the number of rooms serviced, forcing employees benefiting from the wage increase to perform their work faster to meet new requirements.
 - The County's pending [Hotel Worker Protections Ordinance](#), as currently proposed, would include an impediment for this – specific to housekeeping – calling for a significant premium to any work assigned above and beyond an established threshold.
- Hotels will be resistant to embracing the potential advantages related to reduced turnover (and reduced costs related to hiring and training) that the wage increase will likely provide.

Impact on Businesses, Employees, and Consumers:

- Hotels will not pass on the costs of a wage increase to its consumers. The industry's practice is to charge the maximum the consumer will pay regardless of the actual costs to provide services.
- A wage increase will not stifle investment and development in the hotel industry. The number of development projects currently "in the construction pipeline" for the County amounts to 19,000 rooms according to stakeholders.
- The concern that hotels in reaction to the City of LA hotel wage ordinance would close down due to wage increases has yet to happen.
- Some theme parks continue to raise admission and concession prices without a wage increase for their workers and continue to see record levels of attendance.

Alternative Solutions:

- Increase the minimum wage immediately to the \$30 per hour which responders said was being considered by some other municipalities.



Fesia A. Davenport
Chief Executive Officer
Los Angeles County
500 W. Temple St., Room 358
Los Angeles, CA, 90012

Sent via email: TWMWO@ceo.lacounty.org

September 1, 2023

RE: Impact to Theme Parks with Mandatory Increase of Minimum Wage

Dear Ms. Davenport:

The California Attractions and Parks Association (CAPA) represents California theme parks, water parks, family entertainment centers, as well as businesses that provide services and supplies to the entertainment experiences industry. Our members include world-renowned destinations and multi-generational, family-owned businesses. Many of our members live and work within Los Angeles County.

Prior to the pandemic, California's theme park industry paid \$1.5 billion in local, state, and federal taxes, employed 135,000 Californians, and welcomed 92.3 million visitors. Our industry is still reeling from 14 months of state and local mandatory closures during the pandemic. Los Angeles County parks, in particular, took a longer time to recover because of local rules and mandates that were not required in other jurisdictions which had a direct correlation to the business.

We appreciate the time you and your team have taken to solicit feedback from stakeholders impacted by a proposed ordinance with a mandatory minimum wage increase for the theme park industry.

We all share the goal of ensuring workers are paid a fair wage, but this proposed ordinance does not consider the unique aspects of our industry's workforce as well as unintended consequences for tourism, which is a significant economic engine for Los Angeles County.

WORKFORCE IMPACT:

Only two theme parks, Universal Studios Hollywood and Six Flags Magic Mountain – both of which are CAPA members – operate within unincorporated Los Angeles County and they would be singled out by this ordinance. Six Flags Magic Mountain is the largest employer within the city of Santa Clarita. Labor costs are one of the highest expenses for a business and this proposal would be nearly 50 percent higher than the current minimum wage set for all workers in Los Angeles County and 56 percent higher than the state's current minimum wage.

About two-thirds of employees at theme parks within Los Angeles County are either part-time or seasonal, with the vast majority being first-time job seekers who stay at the park for less than a year.

Impact to Theme Parks with Mandatory Increase of Minimum Wage

September 1, 2023

Page 2 of 2

However, it is not uncommon for a summer job to transform into a successful career. CAPA's Board of Directors is comprised of senior leaders at parks across the state and about half started in the industry in frontline positions. More than 50 percent of the management team at Universal Studios Hollywood, including the park's Executive Vice President & General Manager, started in hourly roles. At Six Flags Magic Mountain, 75 percent of their leadership team began in entry-level positions. This ordinance could jeopardize the programs our members have in place to foster leadership and provide educational opportunities. It will also compress pay scales between entry-level/hourly positions and skilled/salary roles tremendously.

TOURISM IMPACTS:

This proposed ordinance would force businesses to consider operational changes that impact consumers such as less investment in new attractions to draw tourists and create jobs. Our members attract visitors from around the globe, but a majority of visitors are from Southern California. If parks cannot invest in these innovations as tourism drivers, consumers may choose to spend their hard-earned money elsewhere, whether that means other parts of California or even other states. Tourism generates significant tax revenue. Visit California reported that, in 2022, tourism spending generated \$2.2 billion in state and local tax revenue in Los Angeles County alone.¹

RIPPLE ECONOMIC IMPACTS:

Theme parks are complex and encompass many businesses and vendors, many of which are small, family-owned operations that would be forced to comply with this wage order. For example, Six Flags Magic Mountain has one mom and pop stand that has operated at the park for more than 30 years. Our member parks are located near local restaurants and retail stores who rely on tourists for business and compete with theme parks for the same workforce.

For the above reasons, we hope the County CEO's report will underscore the tremendous economic damage that this well-intentioned ordinance will inadvertently cause. If the Board wishes to move forward with this ordinance, a thorough economic impact study must be completed first so that decision-making can be guided with research and data.

For any additional questions or concerns, please contact me at (916) 706-2939.

Sincerely,



Sabrina Demayo Lockhart

Executive Director, California Attractions and Parks Association

¹ <https://industry.visitcalifornia.com/research/economic-impact?sort=county®ion=Los%20Angeles>

L.A. County Tourism Wage Ordinance Unfairly Impacts Tourism & Accessibility

Threatens Success of the Marina del Rey For All Initiative



**HOTEL
COSTS**



JOB

Up to
60%+
increase
in wage costs

Up to
72%
reduction
in restaurant
workforce

Millions in
LOST
restaurant
and banquet
revenue

Over
100%
increase
in hotel
housekeeping costs

{Impact to Marina del Rey Hotels}



Unintended Consequences of the Unfair Tourism \$25 Wage Increase Ordinance

- ✓ Works against MdR For All initiative by driving up hotel rates and restaurant prices
- ✓ Hurts small and minority-owned hotels and businesses
- ✓ Lost jobs will unfairly impact women and minorities
- ✓ Cuts restaurant profits 60+% when average profit margins are 5%
- ✓ Puts hotel restaurants at an unfair disadvantage from neighboring non-hotel restaurants
- ✓ Hotel losses reduce Marina del Rey land rent revenue
- ✓ Risk of hotel closures due to drops in margins and loan defaults; Difficulty qualifying for future financing
- ✓ Hurts tourism, jobs and local economy

As the LA County Board of Supervisors noted in their concern about doubling wages for L.A. County healthcare workers, there are too many unintended consequences.

An Economic Impact Study is Critical.