

Communication from Public

Name: Jason Riederer

Date Submitted: 12/09/2024 09:05 AM

Council File No: 14-1371-S13

Comments for Public Posting: For the past decade, the hotel industry has had to grapple with a slew of ordinances, world events and economic pressures that have altered hotel operations and significantly increased the operational costs to successfully run a hotel in Los Angeles. These impacts jeopardize the financial stability, jobs and the broader economic health of surrounding businesses and the city. Record-high inflation and additional hotel-specific mandates have only worsened the regulatory burden on hoteliers and workers. Now, a new proposal threatens to deal yet another blow to the already struggling hotel sector. This comes at a critical time when Los Angeles needs the industry's economic strength to support major upcoming events like the 2026 World Cup, 2027 NFL Super Bowl, and 2028 Summer Olympics. With tourism and hotel revenue vital to the city's future, we cannot afford to deter visitors. Yet, the mounting regulations are making hotel operations increasingly unsustainable. The cumulative impact of these ordinances is making it harder for hoteliers to stay profitable, retain jobs and keep their doors open. The City of Los Angeles implemented a hotel worker-specific minimum wage in 2015, which has increased annually and currently stands at \$20.32 per hour. It is the highest industry-specific wage rate in Los Angeles – \$3.04 per hour higher than the minimum wage the city set for almost all other industries. This rate continued to increase during the pandemic, despite limited operations, hindering the industry's recovery. In 2022, the Hotel Worker Protection Ordinance was enacted, mandating double pay for room attendants who clean above a newly set square footage threshold. This hotel-specific law mandates that room attendants – which can be up to 70% of a hotel's workforce – receive double their wage rate, for the entire day, if they clean above the newly mandated square footage threshold, which is significantly lower than what the industry average previously was. Meaning, for example, a hotel room attendant who used to clean between 12-13 rooms in an 8-hour shift, is now limited to only cleaning seven rooms before the hotel must pay double their wage for the entire day, which at the current minimum wage of \$20.32 per hour, would be \$40.64 per hour. The new wage proposal aims to raise the hotel worker minimum wage to \$25 per hour by February 1, 2025, increasing to \$30 per hour by 2028. Combined with the

Hotel Worker Protection Ordinance, this could result in wages up to \$60 per hour in certain scenarios, equivalent to a \$125,000 salary. This is unsustainable for businesses and has already led to a decrease in available rooms and Transient Occupancy Tax collection. Another new and significant requirement under this proposal is an \$8.35 per hour healthcare benefit payment for airline and hotel employees. However, the hotel industry already provides healthcare to employees. This additional healthcare benefit payment mandate is unnecessary, duplicative and attempts to align two operationally different industries that adhere to separate minimum wage laws. Notably, unionized properties can be exempted from these laws through waivers, while non-unionized properties cannot. This has created a burdensome environment for the roughly 90% non-union hotels in Los Angeles, potentially forcing them to unionize to continue operating.

Compounding Effects of Onerous Mandates on Los Angeles Hotels



For the past decade, the hotel industry has had to grapple with a slew of ordinances, world events and economic pressures that have altered hotel operations and significantly increased the operational costs to successfully run a hotel in Los Angeles. These impacts jeopardize the financial stability, jobs and the broader economic health of surrounding businesses and the city. Record-high inflation and additional hotel-specific mandates have only worsened the regulatory burden on hoteliers and workers.

Now, a new proposal threatens to deal yet another blow to the already struggling hotel sector. This comes at a critical time when Los Angeles needs the industry's economic strength to support major upcoming events like the 2026 World Cup, 2027 NFL Super Bowl and 2028 Summer Olympics. With tourism and hotel revenue vital to the city's future, we cannot afford to deter visitors. Yet, the mounting regulations are making hotel operations increasingly unsustainable. The cumulative impact of these ordinances is making it harder for hoteliers to stay profitable, retain jobs and keep their doors open.

Timeline and Impact of Continued Hotel Regulation



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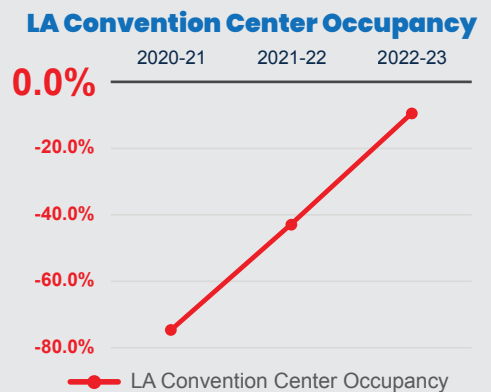
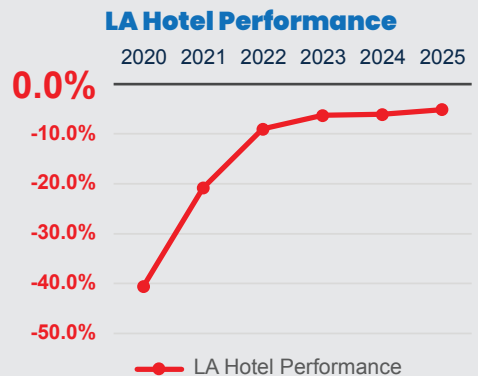
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Notably, unionized properties can be exempted from these laws through waivers, while non-unionized properties cannot. This has created a burdensome environment for the 90% non-union hotels in Los Angeles, potentially forcing them to unionize to continue operating.

Source: STR Global, Kalibri Labs, CoStar, LA World Airports, and LA Convention Center

Post Pandemic Implications for Los Angeles Hotel Industry (Compared to 2019 levels)



The compounding effect of these laws has severely impacted the Los Angeles hotel industry

- Investors are no longer considering Los Angeles.
- Hoteliers are divesting properties, cancelling projects and halting expansions.
- Numerous properties are on the default watch list.
- Some properties are being offered at discounts up to 40%, with no buyers.
- The largest purchaser of hotels in Los Angeles in the past 24 months was the city itself, for housing unhoused individuals.
- Hoteliers have threatened to pull contracted room blocks for the 2028 Olympics due to increased labor costs.

Communication from Public

Name: John Howland

Date Submitted: 12/09/2024 04:55 PM

Council File No: 14-1371-S13

Comments for Public Posting: Another letter - from a company that provides services to local hotels - about the effects of the ordinance.



December 9, 2024

City Council of Los Angeles
200 N Spring Street
Los Angeles, CA 90012

Re: Proposed Amendments to the Los Angeles Living Wage Ordinance (LWO) and
Los Angeles Hotel Worker Minimum Wage Ordinance (HWMWO)

Dear Los Angeles City Council:

I am writing to you on behalf of Towne Park, LLC ("Towne Park") to express Towne Park's concern over the proposed changes to the Los Angeles Living Wage Ordinance (LWO) and Los Angeles Hotel Worker Minimum Wage Ordinance (HWMWO) (together the "Ordinances"). Specifically, I write to urge City Council to amend the Ordinances in a way that considers and avoids the significant strain a steep increase to minimum wages will have on Towne Park, and other LA area hotel contractors, to provide parking and other hospitality services, and the resulting ripple effect on hotels, hotel guests and workers.

As you may be aware, Towne Park provides valet and related services nationwide and to Los Angeles area hotels specifically. Towne Park cares deeply about ensuring that its employees are compensated fairly and that their wages provide them with stability. Accordingly, Towne Park has not yet sought to weigh in on proposed wage increases, as we understand they are necessary to account for an increasing cost of living. However, Towne Park believes City Council's recent proposal to increase hotel worker wages beyond the current schedule tips the scale from a balance between employer revenue and fair wage costs and will cause significant hardship for employers, resulting in lost jobs, increased costs for hotel guests, and poor customer experience.

Significantly, Los Angeles Hotel Workers already earn far more than minimum wage. Towne Park adheres to the HWMWO as it directly contracts for its employees to provide services to hotels. This means that Towne Park valets in the LA area earn \$20.32 an hour, plus tips. Because California, and specifically Los Angeles, does not allow employers to take a tip credit like most major cities do, Towne Park pays its employees the entirety of the hourly wage without consideration of or offset by any tips. However, all of Towne Park's valets earn a substantial amount in tips. This means that amending the Ordinances to increase minimum wages to \$25-\$30 an hour, will actually result in earned wages of over \$30 an hour. Considering tips, the proposed wage increase would result in a requirement that tipped hotel employees be paid 65-100% more the California state minimum hourly wage and approximately 400% the national minimum wage.

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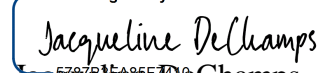
Disproportionate wage increases will lead to poorer LA visitors' and tourism experiences and will likely adversely impact the city tourism industry as a whole. Towne Park, like most parking service providers, operates with modest profit margins. Valet services have inherent caps in terms of what is reasonable and what the consumer will pay, and Towne Park is limited in terms of additional services that could absorb the cost of significantly higher wages. Accordingly, Towne Park and other contractors will be forced to pass these costs to the hotel operators as well as the public. This means hotels will likely offer less parking services and the public will be subjected to higher costs to park. In a city like Los Angeles, where driving is essentially non-negotiable, this would have a consequential negative impact on tourists staying in Los Angeles area hotels and locals visiting hotels for events. For an area so reliant on tourism and entertainment, this is a weighty consideration.

Finally, Towne Park believes that the result of the proposed wage increases will directly contradict the intention to help employees. The intention of the wage increases may be to ensure the hotel workers are fairly compensated, but the impact will be that less hotel jobs are available. If businesses cannot absorb the significant increase in wages, they will have to operate with fewer positions. This means that while those employed may make more, more individuals will be out of work.

For these reasons, Towne Park encourages City Council to seriously reflect on the necessity of these legal changes and the detrimental impact they will have on local businesses, customers, visitors, the tourism industry and even on the employees the amendment purportedly aims to help. Towne Park welcomes further conversation with City Council and would be happy to provide input about a more feasible approach to provide workers with fair wages and working conditions.

Sincerely,

DocuSigned by:


Jacqueline DeChamps

Towne Park, LLC
Chief Operating Officer