

Report on the Hotel/Motel Industry Study

Excerpt from the WCIRB Classification and Rating Committee Minutes
May 7, 2019

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Hotel/Motel Industry Study

9050(1), *Hotels*
9050(2), *Motels*

Executive Summary

Objective

The operations of employers assigned to Classifications 9050(1), *Hotels*, and 9050 (2), *Motels*, are similar and have become less distinct than in previous years. At the same time, short-term residential housing, including vacation rentals, have experienced significant growth in California resulting in questions as to the appropriate classification for these operations as the *California Workers' Compensation Uniform Statistical Reporting Plan–1995* (USRP) does not specifically direct how to classify these operations. As a result, the WCIRB evaluated Classifications 9050(1) and 9050(2).

Findings

Based on its review, the WCIRB determined:

- As the industry has evolved, there is no longer a clear line of demarcation between the operations of a hotel and a motel.
- The loss to payroll ratios of the employers currently assigned to Classification 9050(1), *Hotels*, are similar to the loss to payroll ratios of the employers currently assigned to Classification 9050(2), *Motels*.
- Short-term (30 consecutive days or less) residential housing operations, including but not limited to vacation rentals and timeshare properties, are similar to the operations assigned to Classifications 9050(1) and 9050(2) and the WCIRB has historically assigned these operations to 9050(1) by analogy.
- Some property management companies operate or manage properties where a portion of the units are rented for more than 30 consecutive days and a portion of the units are rented for 30 consecutive days or less.
- The National Council of Compensation Insurance (NCCI) combines hotels and motels in a single classification and, like the WCIRB, assigns hotel-like time-sharing operations by analogy to the appropriate hotel classification(s).

Recommendations

Based on these findings, the WCIRB recommends:

- Eliminating the alternate wordings for Classification 9050 resulting in a single classification applicable to both hotels and motels.
- Incorporating short-term residential housing operations, including but not limited to vacation rentals and timeshare properties where occupants stay for 30 consecutive days or less, within Classification 9050.
- Amending Classification 9050 to direct that residential housing operations where more than 75% of the units are rented for longer than 30 consecutive days shall be assigned to the applicable *Property Management/Operation* Industry Group classification.

Introduction

The WCIRB is working on a multi-year study to review all classifications applicable to the hospitality and resort industry. This study is being undertaken in conjunction with a multi-jurisdictional working group comprised of the independent workers' compensation rating organizations and the NCCI. The broader goals of this working group include identifying opportunities to improve alignment among jurisdictions to establish homogeneous, credible and easily administered classifications and procedures.

In the initial phase of this multi-year study, the WCIRB focused on reviewing and clarifying:

1. The scope and application of Classifications 9050(1), *Hotels*, and 9050(2), *Motels*; and
2. The classification procedure applicable to employers engaged in the provision of short-term residential housing.

Description of Operations

Classification 9050(1), *Hotels*, applies to all hotel employees other than employees exclusively engaged in restaurant or tavern operations. Hotel employees assigned to Classification 9050(1) include those who perform front desk services, concierge services, housekeeping and minor maintenance services. Classification 9050(1) also includes cashiers and retail store employees.

Classification 9050(2), *Motels*, applies to all motel employees other than employees exclusively engaged in restaurant or tavern operations. Operations performed by motel employees assigned to Classification 9050(2) are very similar to those performed by hotel employees assigned to Classification 9050(1).

Short-Term Residential Housing

An emerging segment of the transitory housing market that competes as an alternative to hotels and motels is short term residential housing where occupants stay for 30 consecutive days or less, including but not limited to vacation rentals and timeshare properties. While these facilities may or may not have front desk services, they typically provide housekeeping and minor repair operations that are very similar to hotel/motel operations. Further, like hotels and motels, local tax authorities in many California cities require vacation rental home operators to collect and file tourist, lodging or sales taxes on short-term rentals of 30 consecutive days or less.

Short-term housing operations are not specifically described by any classification. The WCIRB has generally assigned these operations to Classification 9050(1), *Hotels*, as the most analogous classification from the standpoint of process and hazard. On the other hand, the operation or management of residential housing where units are rented for more than 30 consecutive days is assigned to the applicable *Property Management/Operation* Industry Group classification. Some property management companies operate or manage properties where a portion of the units are rented for greater than 30 consecutive days and a portion of the units are rented for 30 consecutive days or less.

Classification Analysis

A hotel is an establishment that provides lodging and ancillary personal services for the public. A motel, an abbreviation for "motor hotel", is generally a small-sized, low-rise lodging establishment, similar to a limited service, lower cost hotel, which typically has direct access to individual rooms from the parking area. Motels became very popular during the 1950s and 1960s and are often located adjacent to major highways.

The operations of hotels and motels have become less distinct over time, and in many cases it is difficult to discern whether Classification 9050(1) or 9050(2) applies. Hotels and motels both provide accommodations for travelers with a varying range of facilities and services. Generally, hotels offer more services than motels, as motels were designed to provide travelers with a quick and easy place to stay overnight. Over time, however, many motels have grown in size and added more hotel-like features and services to attract more customers, and free continental breakfasts have become common at both hotels and motels. Many facilities choose to label themselves as either a "hotel" or "motel" based primarily on

their marketing strategy. In addition, some facilities use labels like “Inn,” “Lodge” or “Resort.” Further, some hospitality brands or franchises operate both hotels and motels.

Short-term residential housing is an alternative to hotels and motels and has experienced significant and sustained growth. As short-term housing is not specifically described by any classification, the WCIRB has received questions as to the appropriate classification for employers in this industry. It has been the WCIRB’s practice to assign these operations by analogy to Classification 9050(1), *Hotels*. The operations for short-term residential housing where occupants stay for 30 consecutive days or less, including but not limited to vacation rentals and timeshare properties are comparable to those of hotels and motels with regard to guest check-in and check-out, housekeeping and minor maintenance services. Although many short-term residential housing operations do not include ancillary hotel-type concierge services or retail store operations, their operations are similar to those of hotels and motels with regard to the primary activity of providing lodging and related services to customers who stay for 30 consecutive days or less.

Classification History

A chronological summary of the history of Classifications 9050(1), *Hotels*, and 9050(2), *Motels*, is in Appendix I of this study.

Other Jurisdictions

Below is a comparison between WCIRB’s current classifications and those maintained by the NCCI jurisdictions for the following select classifications applicable to hotel and motel operations.

Lodging	WCIRB	NCCI
Hotel	9050(1), <i>Hotels – all employees other than employees exclusively engaged in restaurant or tavern operations</i>	9052, <i>Hotel-All other employees & salespersons, drivers</i>
Motel	9050(2), <i>Motels – all employees other than employees exclusively engaged in restaurant or tavern operations</i>	9052, <i>Hotel-All other employees & salespersons, drivers</i>

As shown above, the NCCI combines hotels and motels in a single classification. In addition, according to the NCCI’s Manual regarding Analogy Assignments for Classification 9052: “[t]ime-sharing operations are classified in the same manner as any other dwelling facility. If the property is best described as a hotel, then the appropriate hotel classification(s) are applied. If the property is best described as an apartment house, then the appropriate apartment house classification is applied.”

Statistical Analysis

To assess whether the experience of Classification 9050(1), *Hotels*, is fundamentally different from that of Classification 9050(2), *Motels*, the WCIRB compared the average loss to payroll ratios for the two groups as well as the residual group of employers in Classification 9050 that could not be conclusively assigned to either Classification 9050(1) or 9050(2).

Table 1 shows the classification relativity data at the policy year 2019 level for Classification 9050(1).

**Table 1: Classification 9050(1)
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	1,762,153,349	96,522,773	5.478
2015	1,869,613,730	95,238,539	5.094
Total	3,631,767,079	511,338,344	

Two-Year Average Loss to Payroll Ratio 5.280
 Selected (Unlimited) Loss to Payroll Ratio 6.006

Credibility Factors

Indemnity	Medical
1.00	1.00

Table 2 shows the Classification Relativity Data at the policy year 2019 level for Classification 9050(2).

**Table 2: Classification 9050(2)
Classification Relativity Data at Policy Year 2019 Level**

Year	Payroll	Losses	Loss to Payroll Ratio
2014	231,754,340	10,652,927	4.597
2015	247,396,039	12,851,197	5.195
Total	479,150,380	23,504,123	

Two-Year Average Loss to Payroll Ratio 4.905
 Selected (Unlimited) Loss to Payroll Ratio 5.572

Credibility Factors

Indemnity	Medical
1.00	1.00

Table 3 shows the classification relativity data at the policy year 2019 level for the remaining payroll reported under Classification 9050 for employers that have not been assigned by the WCIRB to either Classification 9050(1) or 9050(2).

**Table 3: Residual of Classification 9050
Classification Relativity Data at Policy Year 2019 Level**

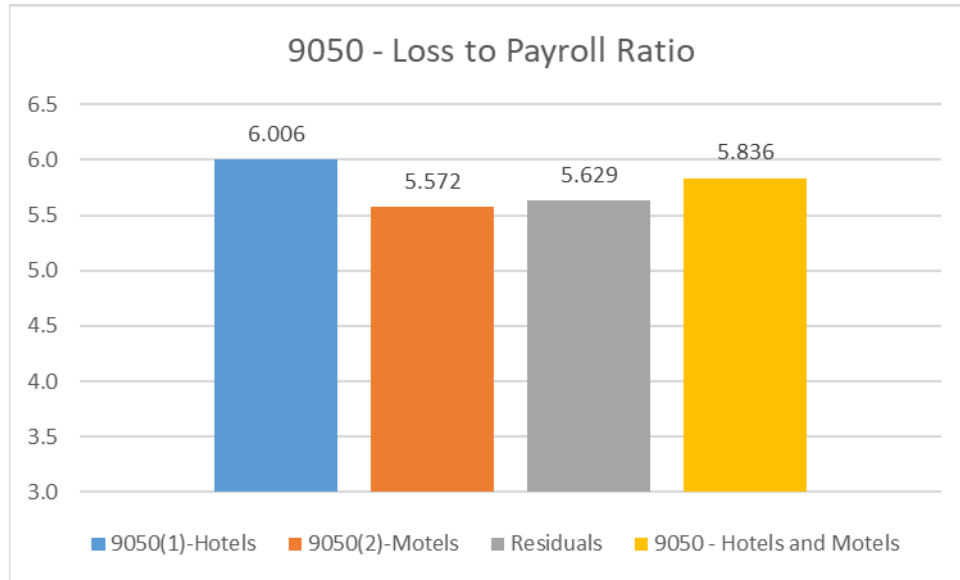
Year	Payroll	Losses	Loss to Payroll Ratio
2014	1,121,090,910	55,841,525	4.981
2015	1,272,954,419	62,541,769	4.913
Total	2,394,045,329	118,383,294	

Two-Year Average Loss to Payroll Ratio 4.945
 Selected (Unlimited) Loss to Payroll Ratio 5.629

Credibility Factors

Indemnity	Medical
1.00	1.00

The following chart shows that the loss to payroll ratios for Classifications 9050(1), 9050(2) and the residual group are similar to Classification 9050 as a whole. The Selected (Unlimited) loss to payroll ratio of employers assigned to 9050(1) is only 7.8% higher than that of employers assigned to 9050(2). The Selected (Unlimited) loss to payroll ratio of employers in the residual group falls between those of Classifications 9050(1) and 9050(2).



Impact Analysis

There would be no rate impact if the alternate wordings for Classifications 9050 are eliminated, resulting in a single Classification 9050 for hotel and motel operations because advisory pure premium rates are established at the four-digit classification level and not for separate alternate wordings.

Findings

Based on its review, the WCIRB determined:

- As the industry has evolved, there is no longer a clear line of demarcation between the operations of a hotel and a motel.
- The loss to payroll ratios of the employers currently assigned to Classification 9050(1), *Hotels*, are similar to the loss to payroll ratios of the employers currently assigned to Classification 9050(2), *Motels*.
- Short-term (30 consecutive days or less) residential housing operations, including but not limited to vacation rentals and timeshare properties, are similar to the operations assigned to Classifications 9050(1) and 9050(2) and the WCIRB has historically assigned these operations to 9050(1) by analogy.
- Some property management companies operate or manage properties where a portion of the units are rented for more than 30 consecutive days and a portion of the units are rented for 30 consecutive days or less.

- The National Council of Compensation Insurance (NCCI) combines hotels and motels in a single classification and, like the WCIRB, assigns hotel-like time-sharing operations by analogy to the appropriate hotel classification(s).

Recommendations

Based on these findings, the WCIRB recommends:

- Eliminating the alternate wordings for Classification 9050 resulting in a single classification applicable to both hotels and motels.
- Incorporating short-term residential housing operations, including but not limited to vacation rentals and timeshare properties where occupants stay for 30 consecutive days or less, within Classification 9050.
- Amending Classification 9050 to direct that residential housing operations where more than 75% of the units are rented for longer than 30 consecutive days shall be assigned to the applicable *Property Management/Operation* Industry Group classification.

Appendix I

The following is a timeline of the significant changes to the scope and application of the relevant classifications.

- Prior to 1964, restaurant or tavern operations were included in Classification 9052, which applied to hotels and motels.
- 1964: Classifications 9050(1), *Hotels*, and 9050(2), *Motels*, were established and Classification 9052 was eliminated. Classifications 9050(1) and 9050(2) direct that the payroll of employees engaged exclusively in restaurant or tavern operations is assigned to Classification 9079, *Restaurant or Taverns*.
- 2012: Classifications 9050(1) and 9050(2) were amended to (1) include concierge services and retail operations, including but not limited to newsstands, gift shops and clothing stores, (2) specify that Classification 9079(1) applies to employees who work in food and beverage departments, prepare and serve hot food in connection with complimentary breakfasts, or provide room service, including delivering food or restocking in-room refrigerators, provided such employees perform no hotel (or motel) duties, and (3) direct that employees who perform restaurant or tavern activities and hotel/motel activities are assignable to Classification 9050(1) or 9050(2).

Recommendation

Amend Classification 9050(1), *Hotels*, to include motel and short-term rental housing operations, clarify its application and provide direction as to how related operations should be classified.

PROPOSED

HOTELS, MOTELS OR SHORT-TERM RESIDENTIAL HOUSING – all employees other than employees exclusively engaged in restaurant or tavern operations **9050(4)**

When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.

This classification applies to the operation of hotels, motels or short-term residential housing. This classification includes “front desk” all employees, including but not limited to, other than employees exclusively engaged in restaurant or tavern operations. Front desk, cashiering, or information and reservation clerks; employees who perform concierge services; or and the operation-retail stores operations, and facility tours, including but not limited to, newsstands, gift shops and clothing stores, tours for marketing or inspection purposes, are included in this classification.

Short term residential housing, including but not limited to vacation rentals and timeshare properties, is defined as housing units that are rented for not more than 30 consecutive days. The operation of residential housing where more than 75% of units are rented for longer than 30 consecutive days shall be assigned to the applicable *Property Management/Operation* Industry Group classification.

The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*. This includes employees who work in food or beverage departments, prepare and/or serve hot food in connection with complimentary breakfasts, or provide room service, work in food and beverage departments, and room service employees who including delivering food or restocking in-room refrigerators, provided such employees perform no hotel duties. Employees who perform both hotel, motel or short-term residential housing operations and restaurant or tavern activities and hotel activities operations shall be assigned to Classification 9050(4).

Golf course operations shall be separately classified as 9060, *Clubs – country or golf*.

Nonmedical residential care facilities, including but not limited to psychiatric, pre-parole or probation halfway houses that provide services in a group setting to persons who are capable of meeting their life support needs independently, but who temporarily need assistance, guidance and counseling shall be classified as 8804(2), *Social Rehabilitation Facilities for Adults*.

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Recommendation

Eliminate Classification 9050(2), *Motels*, and assign its constituents to Classification 9050, *Hotels, Motels or Short-Term Residential Housing*.

PROPOSED

MOTELS— all employees other than employees exclusively engaged in restaurant or tavern operations **9050(2)**

When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.

~~This classification includes “front desk” employees, including but not limited to, cashiers or information and reservation clerks; employees who perform concierge services; and the operation of retail stores, including but not limited to, newsstands, gift shops and clothing stores.~~

~~The payroll of employees engaged exclusively in connection with restaurant or tavern operations shall be separately classified as 9079(1), *Restaurants or Taverns*. This includes employees who prepare and serve hot food in connection with complimentary breakfasts, work in food and beverage departments, and room service employees who deliver food or restock in-room refrigerators, provided such employees perform no motel duties. Employees who perform both restaurant or tavern activities and motel activities shall be assigned to Classification 9050(2).~~

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Recommendation

Amend Classification 9066, *Homeowners Associations*, to clarify its intended application and provide direction as to how related operations should be classified.

PROPOSED

HOMEOWNERS ASSOCIATIONS — ~~not Building Operation~~ AND HOUSING COOPERATIVES — N.O.C. **9066**

~~This classification applies to entities with the specific purpose of homeowners associations (HOAs) or housing cooperatives (Co-ops) operating and/or maintaining the premises owned and occupied by association HOA or Co-op members. Such operations include but are not limited to the maintenance of common grounds; the operation of swimming pools, tennis courts, saunas, weight rooms and recreational clubhouse facilities; the functions performed by security personnel; and front desk operations such as receptionists and lobby attendants.~~

~~Timeshare operations where the majority of payroll is developed in hotel type operations and rooms are rented by the day, week or longer shall be classified as 9050(1), *Hotels*.~~

~~Property management firms, including firms that manage HOA or Co-op properties, shall be separately classified assigned to the applicable *Property Management/Operation Industry Group* classification.~~

~~Operations, including but not limited to golf courses, stables, restaurants, outpatient clinics, boat marinas, day nurseries, water works, fire departments or new construction, alteration or demolition work and fire departments shall be separately classified.~~

The operation or management of hotels, motels or short-term residential housing where 25% or more of the housing units are rented for 30 consecutive days or less, including but not limited to vacation rentals and timeshare properties shall be classified as 9050, *Hotels, Motels or Short-Term Residential Housing*.

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Recommendation

Amend Classification 9060, *Clubs – country or golf*, for consistency with other proposed changes.

PROPOSED

CLUBS – country or golf – all employees – including front desk employees and restaurant or tavern employees 9060

This classification applies to the operation of private golf or country clubs or public golf courses. This classification includes all course, club facility and golf cart maintenance, golf instruction, tournament operations and the operation of pro shops, driving ranges, and restaurant, tavern and event facilities at the club location. This classification includes additional fitness and recreational facilities that may be operated in connection with the golf course.

Hotel operations shall be separately classified as 9050(4), *Hotels, Motels or Short-Term Residential Housing*.

Driving ranges shall be classified as 9016(1), *Amusement or Recreational Facilities – N.O.C. – all employees other than those engaged in the operation or maintenance of amusement devices, restaurants or retail stores*.

Tennis or racquetball clubs shall be classified as 9053(5), *Clubs – racquet sports*.

Public or private swimming pools shall be classified as 9053(3), *Swimming Pools or Swimming Clubs*.

Clubs that are not more specifically described by any other classification shall be classified as 9061, *Clubs – N.O.C.*

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Recommendation

Amend Part 3, Section IV, *Special Industry Classification Procedures*, Rule 9, *Property Management/Operation*, Subrule g, *Homeowners Associations*, for consistency with other proposed changes.

PROPOSED

Section IV – Special Industry Classification Procedures

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9. Property Management/Operation

Property management firms engage in managing their own real property or properties owned by others. The Property Management/Operation Industry Group includes seven pairs of companion classifications. Each pair of companion classifications consists of one narrowly described, restricted classification applicable only to property management supervisors, and a related classification that broadly applies to all other employees.

The operation of residential housing where more than 75% of units are rented for longer than 30 consecutive days shall be assigned to the applicable Property Management/Operation Industry Group classification. The operation or management of hotels, motels or short-term residential housing where 25% or more of the housing units are rented for 30 consecutive days or less, including but not limited to vacation rentals and timeshare properties, shall be classified as 9050, *Hotels, Motels or Short-Term Residential Housing*, a classification that is not in *Property Management/Operation Industry Group*.

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g. Homeowners Associations

Homeowners associations are comprised of property owners who form a legal entity with a board of directors elected from the membership for the specific purpose of operating and maintaining the common areas of the premises owned by association members. Homeowners associations perform or contract with separate concerns to perform property operations, including but not limited to the maintenance of common grounds, operation of swimming pools, tennis courts, saunas, weight rooms and recreational clubhouse facilities and functions performed by security personnel. Homeowners associations shall be classified as 9066, *Homeowners Associations and Housing Cooperatives*, and are not eligible for assignment to Classification 8740.

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Recommendation

Amend Classification 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*, which is part of the *Property Management/Operation Industry Group*, for consistency with other proposed changes.

PROPOSED

PROPERTY MANAGEMENT/OPERATION

APARTMENT OR CONDOMINIUM COMPLEX OPERATION – N.O.C. – not Homeowners Associations – all other employees – including resident employees and resident Clerical Office Employees **9011(1)**

When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.

This classification applies to employers engaged in the management and operation of residential apartment or condominium complexes comprised of one or more multi-unit buildings with four or more units per building. This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining lobbies and common areas, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, security and the operation of parking facilities.

Also refer to companion Classification 8740(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – property management supervisors*. Classification 8740(1) applies to non-residing property management supervisors who exercise direction through maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of properties. Classification 8740(1) also applies to non-residing property management supervisors who oversee apartment or condominium complexes at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(1). Property managers not meeting the above conditions shall be classified as 9011(1).

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes and other residential properties consisting of not more than three units per building shall be classified as 9015(1), *Building Operation – N.O.C. – all other employees*.

The management and operation of properties, including but not limited to residential homes and apartment or condominium complexes, by homeowners associations shall be classified as 9066, *Homeowners Associations and Housing Cooperatives*.

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Recommendation

Amend Classification 9011(2), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – all other employees*, which is part of the *Property Management/Operation Industry Group*, for consistency with other proposed changes.

PROPOSED

PROPERTY MANAGEMENT/OPERATION

COMMERCIAL AND RESIDENTIAL MIXED-USE BUILDING OPERATION – not Homeowners Associations – all other employees – including resident employees and resident Clerical Office Employees 9011(2)

When lodging is provided by the employer, the total remuneration shall include the market value of such lodging to the employee.

This classification applies to employers engaged in the management and operation of combined commercial and residential mixed-use multi-unit properties comprised of one or more mixed-use multi-unit buildings with four or more units per building. This classification includes property managers engaged in the direct supervision of employees engaged in the operation, maintenance and care of properties. Such operations include but are not limited to cleaning and maintaining lobbies and common areas, maintaining ventilation and heating systems, changing door locks and directories, interior remodeling, exterior landscape maintenance, swimming pool maintenance, security and the operation of parking facilities.

Also refer to companion Classification 8740(7), *Commercial and Residential Mixed-Use Building Operation – not Homeowners Associations – property management supervisors*. Classification 8740(7) applies to property management supervisors who exercise direction through maintenance or operations supervisors who directly supervise employees engaged in the operation, maintenance and care of commercial and residential mixed-use buildings. Classification 8740(7) also applies to non-residing property management supervisors who oversee commercial and residential mixed-use buildings at which all operation, maintenance and care activities are conducted by separate concerns and no payroll is assignable to 9011(2). Property managers not meeting the above conditions shall be classified as 9011(2).

Non-residing employees engaged exclusively in the rental or leasing of property to clients and who have no other duties of any kind in the service of the employer except clerical office work shall be separately classified as 8741, *Real Estate Agencies*, provided separate employees are retained to manage the property.

New construction, alteration or demolition work shall be separately classified.

The preparation or serving of hot foods shall be separately classified as 9079(1), *Restaurants or Taverns*.

The management and operation of only the residential portion of a commercial and residential mixed-use building where a separate concern manages the commercial portion shall be classified as 9011(1), *Apartment or Condominium Complex Operation – N.O.C. – not Homeowners Associations – all other employees*.

The management and operation of only the commercial portion of a commercial and residential mixed-use building where a separate concern manages the residential portion shall be classified as 9009, *Commercial Properties – N.O.C. – all other employees*.

The management and operation of individual apartment or condominium units (not apartment or condominium complexes), single-family residences, duplexes, triplexes and other residential properties consisting of not more than three units per building shall be classified as 9015(1),

Building Operation – N.O.C. – all other employees.

The management and operation of properties, including but not limited to residential homes and apartment or condominium complexes by homeowners associations shall be classified as 9066, Homeowners Associations and Housing Cooperatives.

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Recommendation

Amend Section VIII, *Abbreviated Classifications – Numeric Listing*, for consistency with other proposed changes.

PROPOSED

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- 9050(1) Hotels/Motels/Short-Term Housing
- 9050(2) Motels
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- 9066 Homeowners Associations/Housing Co-ops
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