



Alliance for
**ECONOMIC
FAIRNESS**

December 21, 2023

Via Email

Sharon Tso
Chief Legislative Analyst, City of Los Angeles
200 N. Spring St., Room 255
Los Angeles, CA 90012

RE: Economic Impact Analysis for Council File: 14-1371-S13: Los Angeles Living Wage Ordinance (LWO) / Los Angeles Hotel Worker Minimum Wage Ordinance (LA HWMO) / Wage Increase / Health Care Credit / Public Housekeeping Training / Amendments

Dear Chief Legislative Analyst Tso,

On behalf of the diverse coalition comprising the Alliance for Economic Fairness, we request that the Chief Legislative Analyst's (CLA) office meet with several members of our coalition as part of the CLA's independent analysis of the proposed \$30 Wage Ordinance's economic impacts. Since our coalition can facilitate meetings with small businesses directly affected by the ordinance, these meetings will help the CLA satisfy some of the specific requirements requested by the City Council.

When requesting an independent analysis of the ordinance during the May 17 Economic and Community Development Committee meeting, Council Member Park's letter asked for information on the impacts to "small business enterprise programs, small and local programs, and airport concessions disadvantaged business enterprise programs" and "workers at different hotel types and sizes" along with "a process for broad outreach and robust engagement with businesses and industries directly and indirectly impacted by this effort."

Our coalition is best positioned to help the CLA satisfy these requirements and is ready to facilitate meetings and engagement. Specifically, we request the meetings include:

- Airport concessionaires who are part of the Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program
- Small business hotels
- Other relevant businesses affected by visitor spending such as restaurants, retailers, air carriers, entertainment venues, and meeting and convention venues

Alliance for Economic Fairness, a project of the Los Angeles Area Chamber of Commerce

In addition to the meeting requests above, as the CLA analyzes the ordinance's economic components, the following issues are essential for giving the City Council a well-rounded, objective view of the facts.

1. Impact on small and minority-owned businesses

Los Angeles' hospitality industry has still not fully recovered from the disruptions caused by the pandemic. A [study of the ordinance from Oxford Economics](#) cites data showing that hotel occupancy in Los Angeles was 12 percent lower in 2022 compared to 2019. LAX statistics for 2023 show a 19 percent reduction in airline passengers compared to pre-pandemic (2019) counts and project 6 percent fewer airline passengers in 2024 than in 2019.

These factors particularly hurt small businesses as they lack the large financial reserves of larger companies, making them less able to absorb a large wage increase under the \$30 Wage Ordinance. This is particularly true for those subject to paying the ordinance's proposed wages operating airport concessionaires or hotels, including the numerous operators in Los Angeles that participate in the Airport Concessions Disadvantaged Business Enterprises (ACDBE) Program. Losing revenue from visitors will also hurt other small businesses like restaurants, retailers, and entertainment venues that rely on tourism spending for portions of their income.

As a result of the ordinance, many small and minority-owned businesses in Los Angeles could be forced to close their doors, and many entrepreneurs could be unable to start new businesses. Losing small businesses would have a devastating impact on our economy and the diversity of our communities.

As mentioned above, we request that the CLA interview several small and minority-owned business owners from our coalition to share their unique situations and include their insights in the CLA's economic impact analysis.

2. Repercussions for the City's budget

Council Member Park's request for independent analysis also asks for information about the impacts "on the collection of Transient Occupancy Tax revenue." Oxford Economics estimates that the ordinance would reduce state and local tax revenue by \$169 million per year — including \$55 million in local taxes that hotels pay in transient occupancy taxes (TOT) and taxes from other types of businesses that benefit from visitors, such as restaurants, retailers, and entertainment companies.

The City should also consider the cost of implementing a similar wage ordinance for city employees, as the \$30 Wage Ordinance will impact the broader labor market. A study from the [California Center for Jobs and the Economy](#) estimates about 25 percent of city employees work in job classifications with beginning salaries below the ordinance's levels. Providing these workers a \$30 minimum wage would cost the City \$130 million annually.

The Second Financial Status Report from the City's Administrative Officer reports that General Fund revenues through October are \$92.80 million below the 2023/24 Budget and over-expenditures are at \$296.85 million. As the City of Los Angeles' budget comes under increasing strain, understanding whether the ordinance will create cost pressures on the City's personnel costs or reduce the City's TOT tax revenue or other sources of revenue is vital for the City Council to consider—particularly as California's state budget faces a projected \$68 billion deficit.

Accordingly, CLA should consider an interview with the authors of the California Center for Jobs and the Economy study and Oxford Economics' analysis to better understand the underlying impacts on the City's budget and wage policies.

3. Unintended consequences for the City's homeless response

A recent study from [Professor Seth J. Hill from UC San Diego](#) examined the relationship between cities' minimum wage policies and homelessness. The research concludes that municipal minimum wage increases are correlated with higher point-in-time homeless population counts, likely due to the most vulnerable workers losing their jobs. This is because a higher minimum wage can price low-skilled workers out of the labor market, making it harder for them to find jobs and afford housing.

Professor Hill's study and expertise on this subject will significantly help inform the CLA's work. We urge the CLA to interview Professor Hill and include his research in its analysis.

4. Impact on union construction jobs

Targeting the hospitality industry with a wage increase will likely hurt well-paying union jobs in the construction industry. Increasing costs for hospitality-related businesses will discourage new development and renovations to existing businesses. This could lead to job losses in the construction industry, which is a significant source of well-paying union jobs. Oxford Economics estimates that the construction industry will lose an estimated 2,053 jobs due to \$342 million in reduced construction spending on new developments and renovations.

We urge the CLA to interview and incorporate perspectives from local construction unions to further understand the ordinance's potential impact on their members.

Conclusion

We appreciate the CLA's ongoing work on this ordinance as the City Council considers this policy change and are ready to facilitate meetings that will satisfy the requirements of the CLA's analysis. Incorporating diverse perspectives is vital for the City Council to objectively analyze the full economic impacts of the \$30 Wage Ordinance.

Thank you for your attention to this matter.

Sincerely,

Alliance for Economic Fairness

CC: Mayor Karen Bass
Rachel Freeman, Deputy Mayor for Business and Economic Development
Holly Wolcott, City Clerk
Petty Santos, Executive Officer, Office of the City Clerk
Matthew Szabo, City Administrative Officer