



Alliance for
**ECONOMIC
FAIRNESS**

March 29, 2024

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 are providing the Chief Legislative Analyst's (CLA) office with a list of several members of our coalition and other experts who can provide critical insights and information for the CLA's independent analysis of the proposed \$30 Wage Ordinance.

Individuals and Organizations Willing to Support the CLA's Economic Impact Study

In December, we sent a letter outlining several industries and organizations that would be helpful for the CLA's study. Today, we write with additional details which include some specific small businesses, community leaders, and economic experts who are willing to share a unique perspective on the economic impact study upon request from the CLA's office. These individuals and organizations can share how the proposed ordinance will impact their business or how similar policies have affected other jurisdictions.

Broad and diverse perspectives will help ensure the accuracy of the economic impact study and will significantly benefit the CLA's work. Accordingly, we are sharing the following individuals and organizations:

- Michael Washington, Western Regional Director, Airport Minority Advisory Council
- Greg Plummer, CEO, Concord Collective
- Apryl Stewart, President and CEO, Sky View Concessions
- Mark Davis, Chair, Hotel Association of Los Angeles
- Ray Patel, President, Northeast Los Angeles Hotel Owners Association

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

- Sean Williams and John Heimlich, Airlines for America and representatives for individual airlines
- Lilly Rocha, CEO, Latino Restaurant Association
- Sarah Wiltfong, Director of Advocacy, Los Angeles County Business Federation
- Kathryn Barger, Supervisor, Los Angeles County Board of Supervisors
- Tricia La Belle, Greater Los Angeles Hospitality Association
- Takela Corbitt, Owner, Blaqhaus Restaurant
- Genevieve Morrill, President and CEO, West Hollywood Chamber of Commerce
- Dara Maleki, Owner, Pizza Press in the City of Anaheim
- Greg Eisenman, General Manager, Camelot in the City of Anaheim
- Beacon Economics, a research firm that studied the Anaheim Minimum Wage Ordinance
- Baker Tilly, a research firm commissioned by the City of Anaheim for the Anaheim Minimum Wage Ordinance

If the CLA wishes to meet with any of these individuals or organizations, we are happy to assist in arranging these meetings or providing contact information.

Additionally, our coalition will assist in providing available data to the CLA.

These meetings would help the CLA address some of the requested information about the ordinance's impacts, as made by Council Member Park's letter submitted to the Economic and Community Development Committee last year. This includes providing information about 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." Additionally, it helps the City ensure that there is "a process for broad outreach and robust engagement with businesses and industries directly and indirectly impacted by this effort."

As the CLA analyzes the ordinance's economic components, the following issues remain 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.

Additionally, the four airports serving Los Angeles County, which includes LAX, are still 12% below their pre-pandemic levels in January 2019 compared to January 2024, showing that travel remains below normal.

This challenging economic environment is difficult for most industries but is particularly hard for small businesses, who have limited resources available to absorb a large wage increase under the \$30 Wage Ordinance. This is true for those subject to paying the ordinance's proposed

wages operating as 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, 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.

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.

A [January report](#) from the City's Administrative Officer shows that General Fund revenues are \$158 million below the 2023/24 Budget, estimating a \$350 to \$400 million deficit for the 2024/25 fiscal year. The report also cites that TOT revenues are already \$15 million below the budget. 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, further reduce the City's TOT tax revenue, and negatively affect other sources of revenue is vital for the City Council to consider.

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 correlate 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.

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.

Conclusion

We appreciate the CLA's ongoing work on this ordinance as the City Council considers this policy change and are ready to assist in satisfying 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, Chief Administrative Officer