

Communication from Public

Name: Alec Mesropian
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Council File No: 14-1371-S13
Comments for Public Posting: Please refer to the attached letter from the Los Angeles County Business Federation.

June 12, 2024

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,

We are contacting you on behalf of BizFed, the Los Angeles County Business Federation. We are an alliance of over 240 business organizations who represent over 420,000 employers in Los Angeles County. We are writing to express our **concern** over potential impacts of the proposed \$30 Wage Ordinance on the City's budget.

Last year, Councilmember Park submitted a letter to the Economic and Community Development Committee, which included a request to examine how the ordinance would affect "the collection of Transient Occupancy Tax revenue." As the City finalizes its fiscal year 2024/25 budget, we are providing information on how the \$30 Wage Ordinance could exacerbate the current budgetary challenges.

BizFed is deeply concerned that, as proposed, the \$30 Wage Ordinance is not a reasonable increase. It would significantly raise the cost of operating hotels and hospitality businesses. This would likely cause a significant increase in the price of visiting Los Angeles, leading to fewer visitors each year. Fewer visitors would negatively impact Transient Occupancy Tax (TOT) revenue and decrease other revenue sources, like sales taxes.

According to the City Administrative Officer (CAO) Third Financial Status Report, the 2023/24 budget deficit is estimated at \$475 million, with the upcoming fiscal year projected to be even higher due to increased expenses from new labor agreements and pessimistic revenue estimates. This fiscal reality forced the City to make substantial spending reductions for the upcoming budget year. In light of this, it is critical to understand the budgetary impacts stemming from the \$30 Wage Ordinance.

Impact on TOT and Sales Taxes

The City's proposed 2024/25 budget estimates that TOT revenues will be below the adopted amount for the 2023/24 budget, which is a concerning trend. The adopted budget for 2023/24 assumed \$342 million in TOT revenues, but this proved to be an over-optimistic estimate, with the revised amount coming in at \$324 million—a decline of nearly \$20 million. Even as the City's expenses rise, the proposed budget only projects TOT revenues of \$339 million.

The CAO's Third Financial Status Report from March cites lower-than-anticipated growth in hotel activity and a lack of recovery from international tourism as reasons why TOT revenues materialized below projections. If the \$30 Wage Ordinance is enacted and the cost of staying in Los Angeles hotels rises, these trends could worsen considerably and further reduce TOT revenues.

The City's sales tax revenues are also down significantly compared to their projections. The proposed 2024/25 budget estimates \$691 million in sales tax revenues—down from the \$724 million projected in the 2023/24 budget. Fewer visitors to the City will impact the local businesses that serve these customers and further reduce sales taxes.

To provide some perspective on how significant the impact could be on the City's budget, an estimate prepared last year from Oxford Economics projects that the \$30 Wage Ordinance would result in a decline of \$55 million in local taxes paid by hotels through TOT and taxes paid by other types of businesses that benefit from visitors, such as restaurants, retailers, and entertainment companies.

Given the downward pressure on TOT and sales tax revenues, these effects should be scrutinized in the CLA's economic impact analysis.

Impact on City's Labor Costs

According to the CAO, the City's employee compensation increases are anticipated to add \$1 billion in annual higher salary and retirement costs by the 2026/27 fiscal year. As part of recent labor agreements, the City's minimum wage for its employees will rise to \$25 by 2026. In contrast, the \$30 Wage Ordinance immediately requires a \$25 minimum wage for affected workers, rising to \$30 in 2028.

Given that City employees' minimum wage level would be below the ordinance, this would likely create additional cost pressures on the City's labor expenses as the City must remain competitive in the labor market. The restaurant industry has experienced this factor with the recent \$20 minimum wage state law for fast-food workers. While small restaurants and full-service establishments are not mandated under the law, many have had to increase their wages to match what workers can be paid at fast-food restaurants. The City will experience similar labor cost pressures if a significant number of workers in the hospitality industry have a minimum wage far above City employees.

To help quantify the potential impact, a study from the California Center for Jobs and the Economy, conducted before the enactment of the City's recent labor MOUs, estimated that about 25 percent of City employees work in job classifications with beginning salaries below the ordinance's levels. The study projected providing these workers a \$30 minimum wage would cost the City \$130 million annually.

As the City experiences declining revenues and rising expenditures due to growing labor costs, this provides further impetus to understand how the \$30 Wage Ordinance will affect the City's budget.

BizFed and our diverse membership remains committed to working with the CLA to understand these complex issues. We remain willing to provide additional information to assist the vital work of the economic impact analysis of the \$30 Wage Ordinance.

Thank you for your attention to this matter.

If you have any questions, please contact our Advocacy Manager, Alec Mesropian (alecmesropian@bizfed.org).

Sincerely,



Fran Inman
BizFed 2024 Chair
Majestic Realty



David Fleming
BizFed Founding Chair



Tracy Hernandez
BizFed Founding CEO
IMPOWER, Inc.



David Englin
BizFed President

BizFed Association Members

Action Apartment Association	El Segundo Chamber of Commerce	PhRMA
Advanced Medical Technology Association	Employers Group	Pico Rivera Chamber of Commerce
Alhambra Chamber	Energy Independence Now EIN	Pomona Chamber
American Beverage Association	Engineering Contractor's Association	Rancho Southeast REALTORS
Antelope Valley Chamber formerly Lancaster Chamber of Commerce	EXP The Opportunity Engine	ReadyNation California
Apartment Association of Greater Los Angeles	FastLink DTLA	Recording Industry Association of America
Apartment Association of Orange County	Filipino American Chamber of Commerce	Regional CAL Black Chamber, SVF
Apartment Association, CA Southern Cities, Inc .	Friends of Hollywood Central Park	Regional Hispanic Chambers
Arcadia Association of Realtors	FuturePorts	San Dimas Chamber of Commerce
AREAA North Los Angeles SFV SCV	Gardena Valley Chamber	San Gabriel Valley Economic Partnership
Armenian American Business Association	Gateway to LA	San Pedro Peninsula Chamber of Commerce
Armenian Trade & Labor Association	Glendale Association of Realtors	Santa Clarita Valley Chamber
Arts District Los Angeles	Glendale Chamber	Santa Clarita Valley Economic Development Corp.
ASCM Inland Empire Chapter	Glendora Chamber	Santa Monica Chamber of Commerce
Asian American Advertising Federation- 3AF	Greater Antelope Valley AOR	Secure Water Alliance
Associated Builders & Contractors SoCal (ABC SoCal)	Greater Bakersfield Chamber of Commerce	Sherman Oaks Chamber
Associated General Contractors	Greater Coachella Valley Chamber of Commerce	South Bay Association of Chambers
Association of Independent Commercial Producers	Greater Downey Association of REALTORS	South Bay Association of Realtors
AV Edge California	Greater Lakewood Chamber of Commerce	South Gate Chamber of Commerce
Azusa Chamber	Greater Leimert Park Crenshaw Corridor BID	South Pasadena Chamber of Commerce
Bell Chamber	Greater Los Angeles African American Chamber	Southern California Contractors Association
Beverly Hills Bar Association	Greater Los Angeles Association of Realtors	Southern California Golf Association
Beverly Hills Chamber	Greater Los Angeles New Car Dealers Association	Southern California Grantmakers
BioCom	Greater San Fernando Valley Chamber	Southern California Leadership Council
Black Business Association	Harbor Association of Industry and Commerce	Southern California Minority Suppliers Development Council Inc.
BNI4SUCCESS	Harbor Trucking Association	Southern California Water Coalition
Boyle Heights Chamber of Commerce	Historic Core BID of Downtown Los Angeles	Southland Regional Association of Realtors
Bridge Compton Org	Hollywood Chamber	Specialty Equipment Market Association
Building Industry Association - LA/Ventura Counties	Hospital Association of Southern California	Sportfishing Association of California
Building Industry Association of Southern California	Hotel Association of Los Angeles	Structural Engineers Association of Southern California
Building Industry Association- Baldyview	ICBWA- International Cannabis Women Business Association	Sunland/Tujunga Chamber
Building Owners & Managers Association of Greater Los Angeles	Independent Cities Association	Sunset Strip Business Improvement District
Burbank Association of Realtors	Independent Hospitality Coalition	Swiss American Chamber of Commerce
Burbank Chamber of Commerce	Industrial Environmental Association	Thai American Chamber of Commerce
Business and Industry Council for Emergency Planning and Preparedness	Industry Business Council	The LA Coalition for the Economy & Jobs
Business Resource Group	Inglewood Board of Realtors	The Los Angeles Taxpayers Association
Calabasas Chamber of Commerce	Inland Empire Economic Partnership	The Two Hundred for Homeownership
CalAsian Chamber	Irwindale Chamber of Commerce	Torrance Area Chamber
CalChamber	Kombucha Brewers International	Tri-Counties Association of Realtors
California Apartment Association- Los Angeles	La Cañada Flintridge Chamber	United Chambers – San Fernando Valley & Region
California Asphalt Pavement Association	LA County Medical Association	United States-Mexico Chamber
California Bankers Association	LA Fashion District BID	Unmanned Autonomous Vehicle Systems Association
California Business Properties	LA South Chamber of Commerce	Urban Business Council
California Business Roundtable	Larchmont Boulevard Association	US Green Building Council
California Cleaners Association	Latin Business Association	US Resiliency Council
California Contract Cities Association	Latino Food Industry Association	Valley Economic Alliance, The
California Fashion Association	Latino Restaurant Association	Valley Industry & Commerce Association
California Fuels & Convenience Alliance- Formerly California Independent Oil Marketers Association (CIOMA)	LAX Coastal Area Chamber	Venice Chamber of Commerce
California Gaming Association	Licensed Adult Residential Care Association- LARCA	Vermont Slauson Economic Development Corporation
California Grocers Association	Long Beach Area Chamber	Veterans in Business
California Hispanic Chamber	Long Beach Economic Partnership	Vietnamese American Chamber
California Hotel & Lodging Association	Long Beach Major Arts Consortium	Warner Center Association
California Independent Petroleum Association	Los Angeles Area Chamber	West Hollywood Chamber
California Life Sciences Association	Los Angeles Economic Development Center	West Hollywood Design District
California Manufacturers & Technology Association	Los Angeles Gateway Chamber of Commerce	West Los Angeles Chamber
California Metals Coalition	Los Angeles Latino Chamber	West San Gabriel Valley Association of Realtors
California Natural Gas Producers Association	Los Angeles LGBTQ Chamber of Commerce	West Valley/Warner Center Chamber
California Restaurant Association	Los Angeles Parking Association	Westchester BID
California Retailers Association	Los Angeles Regional Food Bank	Western Electrical Contractors Association
California Self Storage Association	Los Angeles World Affairs Council/Town Hall Los Angeles	Western Manufactured Housing Association
California Small Business Alliance	MADIA Tech Launch	Western Propane Gas Association
California Society of CPAs - Los Angeles Chapter	Malibu Chamber of Commerce	Western States Petroleum Association
California Trucking Association	Manhattan Beach Chamber of Commerce	Westside Council of Chambers
Carson Chamber of Commerce	Marina Del Rey Lessees Association	Westwood Community Council
Carson Dominguez Employers Alliance	Marketplace Industry Association	Whittier Chamber of Commerce
Central City Association	Monrovia Chamber	Wilmington Chamber
Century City Chamber of Commerce	Motion Picture Association of America, Inc.	World Trade Center
Chatsworth Porter Ranch Chamber of Commerce	MoveLA	
Citrus Valley Association of Realtors	MultiCultural Business Alliance	
Civil Justice Association of California CJAC	NAIOP Southern California Chapter	
Claremont Chamber of Commerce	NAREIT	
Commerce Business Council formerly Commercial Industrial Council/Chamber of Commerce	National Association of Minority Contractors	
Community Foundation of the Valleys	National Association of Theatre Owners	
Compton Chamber of Commerce	CA/Nevada	
Compton Community Development Corporation	National Association of Women Business Owners	
Compton Entertainment Chamber of Commerce	National Association of Women Business Owners - LA	
Construction Industry Air Quality Coalition	National Association of Women Business Owners- California	
Construction Industry Coalition on Water Quality	National Federation of Independent Business Owners California	
Council of Infill Builders	National Hookah	
Crenshaw Chamber of Commerce	National Latina Business Women's Association	
Culver City Chamber of Commerce	Norwegian American Chamber of Commerce	
Downey Chamber of Commerce	Orange County Business Council	
Downtown Center Business Improvement District	Orange County Hispanic Chamber of Commerce	
Downtown Long Beach Alliance	Pacific Merchant Shipping Association	
DTLA Chamber of Commerce	Panorama City Chamber of Commerce	
El Monte/South El Monte Chamber	Paramount Chamber of Commerce	
	Pasadena Chamber	
	Pasadena Foothills Association of Realtors	
	PGA	
	Pharmaceutical Care Management Association	