

Communication from Public

Name: Alec Mesropian
Date Submitted: 06/12/2024 03:40 PM
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
Advanced Medical Technology Association
Alhambra Chamber
American Beverage Association
Antelope Valley Chamber formerly Lancaster Chamber of Commerce
Apartment Association of Greater Los Angeles
Apartment Association of Orange County
Apartment Association, CA Southern Cities, Inc .
Arcadia Association of Realtors
AREAA North Los Angeles SFV SCV
Armenian American Business Association
Armenian Trade & Labor Association
Arts District Los Angeles
ASCM Inland Empire Chapter
Asian American Advertising Federation- 3AF
Associated Builders & Contractors SoCal (ABC SoCal)
Associated General Contractors
Association of Independent Commercial Producers
AV Edge California
Azusa Chamber
Bell Chamber
Beverly Hills Bar Association
Beverly Hills Chamber
BioCom
Black Business Association
BNI4SUCCESS
Boyle Heights Chamber of Commerce
Bridge Compton Org
Building Industry Association - LA/Ventura Counties
Building Industry Association of Southern California
Building Industry Association- Baldyview
Building Owners & Managers Association of Greater Los Angeles
Burbank Association of Realtors
Burbank Chamber of Commerce
Business and Industry Council for Emergency Planning and Preparedness
Business Resource Group
Calabasas Chamber of Commerce
CalAsian Chamber
CalChamber
California Apartment Association- Los Angeles
California Asphalt Pavement Association
California Bankers Association
California Business Properties
California Business Roundtable
California Cleaners Association
California Contract Cities Association
California Fashion Association
California Fuels & Convenience Alliance- Formerly California Independent Oil Marketers Association (CIOMA)
California Gaming Association
California Grocers Association
California Hispanic Chamber
California Hotel & Lodging Association
California Independent Petroleum Association
California Life Sciences Association
California Manufacturers & Technology Association
California Metals Coalition
California Natural Gas Producers Association
California Restaurant Association
California Retailers Association
California Self Storage Association
California Small Business Alliance
California Society of CPAs - Los Angeles Chapter
California Trucking Association
Carson Chamber of Commerce
Carson Dominguez Employers Alliance
Central City Association
Century City Chamber of Commerce
Chatsworth Porter Ranch Chamber of Commerce
Citrus Valley Association of Realtors
Civil Justice Association of California CJAC
Claremont Chamber of Commerce
Commerce Business Council formerly Commercial Industrial Council/Chamber of Commerce
Community Foundation of the Valleys
Compton Chamber of Commerce
Compton Community Development Corporation
Compton Entertainment Chamber of Commerce
Construction Industry Air Quality Coalition
Construction Industry Coalition on Water Quality
Council of Infill Builders
Crenshaw Chamber of Commerce
Culver City Chamber of Commerce
Downey Chamber of Commerce
Downtown Center Business Improvement District
Downtown Long Beach Alliance
DTLA Chamber of Commerce
El Monte/South El Monte Chamber

El Segundo Chamber of Commerce
Employers Group
Energy Independence Now EIN
Engineering Contractor's Association
EXP The Opportunity Engine
FastLink DTLA
Filipino American Chamber of Commerce
Friends of Hollywood Central Park
FuturePorts
Gardena Valley Chamber
Gateway to LA
Glendale Association of Realtors
Glendale Chamber
Glendora Chamber
Greater Antelope Valley AOR
Greater Bakersfield Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater Downey Association of REALTORS
Greater Lakewood Chamber of Commerce
Greater Leimert Park Crenshaw Corridor BID
Greater Los Angeles African American Chamber
Greater Los Angeles Association of Realtors
Greater Los Angeles New Car Dealers Association
Greater San Fernando Valley Chamber
Harbor Association of Industry and Commerce
Harbor Trucking Association
Historic Core BID of Downtown Los Angeles
Hollywood Chamber
Hospital Association of Southern California
Hotel Association of Los Angeles
ICBWA- International Cannabis Women Business Association
Independent Cities Association
Independent Hospitality Coalition
Industrial Environmental Association
Industry Business Council
Inglewood Board of Realtors
Inland Empire Economic Partnership
Irwindale Chamber of Commerce
Kombucha Brewers International
La Cañada Flintridge Chamber
LA County Medical Association
LA Fashion District BID
LA South Chamber of Commerce
Larchmont Boulevard Association
Latin Business Association
Latino Food Industry Association
Latino Restaurant Association
LAX Coastal Area Chamber
Licensed Adult Residential Care Association-LARCA
Long Beach Area Chamber
Long Beach Economic Partnership
Long Beach Major Arts Consortium
Los Angeles Area Chamber
Los Angeles Economic Development Center
Los Angeles Gateway Chamber of Commerce
Los Angeles Latino Chamber
Los Angeles LGBTQ Chamber of Commerce
Los Angeles Parking Association
Los Angeles Regional Food Bank
Los Angeles World Affairs Council/Town Hall Los Angeles
MADIA Tech Launch
Malibu Chamber of Commerce
Manhattan Beach Chamber of Commerce
Marina Del Rey Lessees Association
Marketplace Industry Association
Monrovia Chamber
Motion Picture Association of America, Inc.
MoveLA
MultiCultural Business Alliance
NAIOP Southern California Chapter
NAREIT
National Association of Minority Contractors
National Association of Theatre Owners
CA/Nevada
National Association of Women Business Owners
National Association of Women Business Owners - LA
National Association of Women Business Owners-California
National Federation of Independent Business Owners California
National Hookah
National Latina Business Women's Association
Norwegian American Chamber of Commerce
Orange County Business Council
Orange County Hispanic Chamber of Commerce
Pacific Merchant Shipping Association
Panorama City Chamber of Commerce
Paramount Chamber of Commerce
Pasadena Chamber
Pasadena Foothills Association of Realtors
PGA
Pharmaceutical Care Management Association

PhRMA
Pico Rivera Chamber of Commerce
Pomona Chamber
Rancho Southeast REALTORS
ReadyNation California
Recording Industry Association of America
Regional CAL Black Chamber, SVF
Regional Hispanic Chambers
San Dimas Chamber of Commerce
San Gabriel Valley Economic Partnership
San Pedro Peninsula Chamber of Commerce
Santa Clarita Valley Chamber
Santa Clarita Valley Economic Development Corp.
Santa Monica Chamber of Commerce
Secure Water Alliance
Sherman Oaks Chamber
South Bay Association of Chambers
South Bay Association of Realtors
South Gate Chamber of Commerce
South Pasadena Chamber of Commerce
Southern California Contractors Association
Southern California Golf Association
Southern California Grantmakers
Southern California Leadership Council
Southern California Minority Suppliers Development Council Inc.
Southern California Water Coalition
Southland Regional Association of Realtors
Specialty Equipment Market Association
Sportfishing Association of California
Structural Engineers Association of Southern California
Sunland/Tujunga Chamber
Sunset Strip Business Improvement District
Swiss American Chamber of Commerce
Thai American Chamber of Commerce
The LA Coalition for the Economy & Jobs
The Los Angeles Taxpayers Association
The Two Hundred for Homeownership
Torrance Area Chamber
Tri-Counties Association of Realtors
United Chambers – San Fernando Valley & Region
United States-Mexico Chamber
Unmanned Autonomous Vehicle Systems Association
Urban Business Council
US Green Building Council
US Resiliency Council
Valley Economic Alliance, The
Valley Industry & Commerce Association
Venice Chamber of Commerce
Vermont Slauson Economic Development Corporation
Veterans in Business
Vietnamese American Chamber
Warner Center Association
West Hollywood Chamber
West Hollywood Design District
West Los Angeles Chamber
West San Gabriel Valley Association of Realtors
West Valley/Warner Center Chamber
Westchester BID
Western Electrical Contractors Association
Western Manufactured Housing Association
Western Propane Gas Association
Western States Petroleum Association
Westside Council of Chambers
Westwood Community Council
Whittier Chamber of Commerce
Wilmington Chamber
World Trade Center