

Communication from Public

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Comments for Public Posting: See attached letter of support



Independent Hospitality Coalition

January 20th 2025

From:

Independent Hospitality Coalition
Eddie Navarrette, Board President & Policy Director
Los Angeles, California
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To:

Honorable Karen Bass, Mayor
Honorable Members of the Los Angeles City Council

RE: CF 25-1474 Support

Dear Council President and Honorable Members of the City Council,

On behalf of the Independent Hospitality Coalition (IHC), we write in **strong support** of the motion directing the Office of Finance, with assistance from the Chief Administrative Officer and City Attorney, to report back on the feasibility and fiscal impact of raising the City's Small Business Exemption threshold and to evaluate business tax practices in other cities.

Independent restaurants and small hospitality businesses are facing **an unprecedented convergence of economic, social, and workforce challenges**, many of which are outside local control — making decisive local action more important than ever.

Over the past year, Los Angeles has experienced **measurable declines in both international and domestic tourism**, driven in part by federal leadership and national rhetoric that have created a negative perception of the United States and its major cities as unwelcoming, unstable, or unsafe destinations. These conditions directly reduce travel, conventions, discretionary spending, and foot traffic — all of which disproportionately impact restaurants, cafes, bars, and neighborhood-serving small businesses.

At the same time, **intensified federal immigration enforcement actions and messaging have created widespread fear within the hospitality workforce**, an industry that is overwhelmingly immigrant-driven. Workers are increasingly hesitant to commute, take shifts, or remain in the industry altogether. This fear translates directly into staffing shortages, reduced hours of operation, lost revenue, and long-term instability for small businesses — regardless of local demand or business quality.

These external pressures are compounded by **soaring operating costs**, including food and beverage inflation, insurance, utilities, rent, labor, and regulatory compliance. Yet Los Angeles continues to rely on a business tax structure based on **gross receipts rather than profitability**, placing a disproportionate burden on small businesses operating on razor-thin margins.

The City's Small Business Exemption threshold — last updated in 2006 — no longer reflects today's economic realities. Likewise, the expiration of the New Business Exemption has eliminated a critical pathway for street vendors, food truck operators, and caterers seeking to transition into brick-and-mortar locations that stabilize neighborhoods and expand the local tax base.

Because not everyone has time to read lengthy letters, we respectfully underscore the **core reasons why this motion is urgently needed**:

Why Local Action Is Needed Now

- **Tourism decline tied to federal leadership:** National policies and rhetoric have damaged the international and domestic perception of the U.S. and its cities, directly reducing visitors and hospitality revenue.
- **Local governments must offset federal impacts:** Cities cannot control federal actions, but they can adopt responsive local policies to stabilize small businesses.
- **Workforce fear from immigration enforcement:** Federal enforcement activity is creating fear among hospitality workers, leading to staffing shortages and reduced operating hours.
- **Rising food and operating costs:** Inflation and supply disruptions continue to raise food, insurance, utilities, and rent costs.
- **Outdated tax thresholds:** The Small Business Exemption has not been adjusted in nearly 20 years and does not reflect inflation or modern operating costs.
- **Gross receipts taxation:** Businesses are taxed even when operating at a loss.
- **Loss of business retention tools:** Without updated exemptions, small businesses are more likely to close or relocate out of Los Angeles.
- **Missed opportunity for formalization:** Updated incentives could encourage vendors and food operators to invest in permanent locations and long-term compliance.

Other major cities have recognized the urgency of acting quickly to counteract national economic headwinds. Notably, **Mayor Mamdani issued an executive order within weeks of taking office to advance small business relief measures, acknowledging that when federal conditions undermine local economies, municipal leadership must respond decisively. Los Angeles should do the same.**

Modernizing the Small Business Exemption and evaluating best practices from peer cities are **measured, fiscally responsible steps** that can help retain existing businesses, protect jobs, and preserve neighborhood-serving establishments while broader economic conditions remain uncertain.

Independent hospitality businesses are not only economic engines — they are cultural anchors, community gathering spaces, and essential contributors to public safety and neighborhood vitality. Supporting them now is an investment in the long-term resilience of Los Angeles.

For these reasons, the Independent Hospitality Coalition respectfully urges your support of this motion and swift consideration of its recommendations.

Respectfully submitted,

Eddie Navarrette
Board President & Policy Director
Independent Hospitality Coalition
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