April 6, 2020

The Honorable Kansen Chu
California State Assembly
State Capitol, Room 3126
Sacramento, CA 95814

SUBJECT: **AB 2843 (CHU) - LOCAL EMPLOYER AFFORDABLE HOUSING FEES: AFFORDABLE HOUSING ASSISTANCE**
OPPOSE – AS INTRODUCED FEBRUARY 20, 2020

Dear Assembly Member Chu:

The California Chamber of Commerce and the organizations listed respectfully **OPPOSE** your **AB 2843**, as introduced, because it would add significant costs to businesses that are already struggling to maintain their operations during this pandemic and create yet another barrier to employers who attempt to maintain staffing or pay for their workforce.

Specifically, **AB 2843** would require a city, county, or city and county to impose an annual tax of up to $150 per employee on all applicants for a local business license, unless they have 50 or fewer employees. The bill requires that any tax revenue collected be deposited into a special fund, entitled the "Affordable Housing Assistance Fund," and used to provide rental assistance, subsidize affordable housing development projects, provide vouchers for individuals experiencing homelessness, and help first-time homebuyer programs. Even during the best of times levying a "head tax" on California businesses would not solve the state's housing and homeless crisis. During these extraordinary times, such a tax would be a punishing blow on employers struggling to keep their doors open, and an insult to employers attempting to reopen and hire or rehire workers.

AB 2843 is the exact opposite of what California needs. It completely discourages the creation of new jobs or even retaining existing jobs. Higher taxes influence a plethora of business decisions, such as where a business will locate, how many employees to hire and what wages they can offer. **AB 2843** would degrade California's economic competitiveness against other states who notoriously compete to attract California's companies to their jurisdictions by providing tax benefits and other incentives to support businesses. This bill would take the exact opposite approach of unnecessarily raising the cost for every employee hired. As an economist would say, the first rule of tax policy is, if you want less of something, tax it. If California wants less jobs and less tax revenue, placing an employee "head tax" on California businesses would be an ideal way to accomplish that.

AB 2843 is also an openly regressive tax disproportionately borne by lower-wage and lower-margin workers. A "head tax" would increase the labor costs for businesses by making each employee more expensive, with the tax having a marginally higher impact to the lower wage employees compared to their higher-payed, often higher-skilled counterparts. The increased labor costs from a "head tax" would put downward pressure on employee wages and workforce expansions, while simultaneously placing upward pressure to raise prices or even relocate the business outside of California. Unprecedented furloughs and layoffs are already happening in California due to shelter in place orders that are devastating businesses. An employee "head tax" will exacerbate the unemployment in California by raising costs on businesses by making each employee more costly.

California's significant housing crisis – a crisis not only concerning the affordability of housing but, as the Legislative Analyst Office's own reports reflect, the supply of housing – is also inextricably linked to job centers. **AB 2843** attempts to solve one crisis by exacerbating another. It unnecessarily risks damaging California's economic rebound and recovery at a time when the state and country is in an economic free-fall. Such a policy would hurt California businesses, employees and consumers by disincentivizing the hiring of more employees, providing higher wages and growing business in-state. An employee "head tax" by its very nature punishes businesses for hiring more Californians who in turn contribute to rising sales and property tax revenues – revenues that most cities rely on to function. The bill will depress business growth and employee wages in California without addressing the underlying cause of the state's housing crisis – decades of underbuilding housing units to meet growing demand.

For these reasons, CalChamber and the organizations listed **OPPOSE AB 2843.**

Sincerely,

Adam J. Regele, Policy Advocate
California Chamber of Commerce

On behalf of the following organizations:

California Restaurant Association
NAIOP of California
International Council of Shopping Centers
Official Police Garages Assn of Los Angeles
California Retailers Association
Burbank Chamber of Commerce
Association of Claims Professionals
Bay Area Council
California Apartment Association
Sacramento Regional Builders Exchange
PWQA – Pacific Water Quality Association
California Trucking Association
CALSAGA – California Association of Licensed Security Agencies, Guards & Associates
Murrieta/Wildomar Chamber of Commerce
Sunnyvale Silicon Valley Chamber of Commerce
Palo Alto Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Chino Valley Chamber of Commerce
Redding Chamber of Commerce
Tulare Chamber of Commerce
Santa Ana Chamber of Commerce
Solvang Chamber of Commerce
South Bay Association of Chambers of Commerce
Redondo Beach Chamber of Commerce
Garden Grove Chamber of Commerce
Half Moon Bay Coastside Chamber of Commerce
North Orange County Chamber of Commerce
Torrance Chamber of Commerce
North San Diego Business Chamber
Yorba Linda Chamber of Commerce
Santa Clarita Valley Chamber of Commerce
Palm Desert Area Chamber of Commerce
Oceanside Chamber of Commerce
Azusa Chamber of Commerce
Novato Chamber of Commerce
United Chamber of Advocacy Network
El Dorado County Chamber of Commerce
El Dorado Hills Chamber of Commerce
Elk Grove Chamber of Commerce
Building Owners and Managers Association, CA
IREM Institute of Real Estate Management
RILA - Retail Industry Leaders Association
Industrial Environmental Association
California League of Food Producers
Western Independent Refiners Association
Orange County Business Council
California Travel Association
Associated General Contractors
Placer County Contractors Association
International Franchise Association
California Attractions and Parks Association
Shasta Builders' Exchange
Simi Valley Chamber of Commerce
Lancaster Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Southwest California Legislative Council
Petaluma Area Chamber of Commerce
Pleasanton Chamber of Commerce
San Juan Capistrano Chamber of Commerce
Hawthorne Chamber of Commerce
Culver City Chamber of Commerce
Costa Mesa Chamber of Commerce
Oxnard Chamber of Commerce
Brea Chamber of Commerce
Vacaville Chamber of Commerce
Hesperia Chamber of Commerce
Newport Beach Chamber of Commerce
Pittsburg Chamber of Commerce
Greater Stockton Chamber of Commerce
Goleta Chamber of Commerce
Laguna Niguel Chamber of Commerce
Lodi Chamber of Commerce
Palm Springs Chamber of Commerce
Greater Riverside Chambers of Commerce
Rancho Cordova Chamber of Commerce
Roseville Area Chamber of Commerce
Yuba Sutter Chamber of Commerce
Folsom Chamber of Commerce

cc: Ronda Paschal, Office of the Governor

AJR:mm