

# Executive Summary

Next month, voters in Los Angeles will decide whether Hollywood and the San Fernando Valley should secede from the city. If the areas win voter approval to break off from Los Angeles, the result will be a fundamental change in municipal resources, in needed programs that serve residents throughout the city, and in laws that help ensure quality of life for workers and residents. This study looks specifically at what could happen to the low-income residents of the Valley and Hollywood, and the public employees who currently serve those areas.

## Key Findings

**Secession could profoundly hurt the most vulnerable city residents**, according to an extensive review of city laws and programs, census data, and other studies on the impact of secession:

- The depth of poverty and need in Los Angeles require regional solutions; secession would only increase fragmentation in government decision making and the provision of public resources.
- The new cities' municipal authority would be constricted under the state's general laws, hobbling their ability to gear laws and services for their communities.
- Residents and workers in the new cities would lose powerful legal protections, such as rent control and living wage requirements, that are currently provided by the City of Los Angeles.
- The new cities' fiscal constraints could cause cuts in city programs serving the most vulnerable and disenfranchised residents.
- And lower-earning city workers—predominantly people of color—and their families would suffer considerable financial insecurity through negative changes in municipal job opportunities.

## The Economic Context for the Secession Movement

**The secession movement is emerging against the background of a city that is increasingly poor and with many residents unable to find decent housing.** Median household income in Los Angeles dropped 9 percent during the 1990s, in good part due to the deep losses in the region's aerospace-defense manufacturing sector. By the end of the decade, more than 800,000 L.A. City residents (22 percent of the population) lived below the federal

poverty line, up from 644,000 city residents (19 percent of the population) in 1989. In a state with the largest gap in the nation between wages and housing costs, Los Angeles renters, making up 60 percent of the city's households, pay a higher proportion of their incomes for rent than anywhere else in California.

**The new Valley and Hollywood cities will also have to contend with large populations in need.** Of the city's poor, approximately 206,000 people living below the federal poverty level in 1999 resided in the Valley secession area: 15.2 percent of Valley residents and 25.7 percent of impoverished residents citywide. During the 1990s, poverty in the Valley increased by 56 percent, nearly double the rate of poverty growth in the city as a whole. An estimated 47,500 Hollywood residents lived below the poverty line: 25.8 percent of area residents and 5.9 percent of impoverished residents citywide, slightly higher than the area's share of the city's population.

## **Limitations of General Law Cities**

**Serious legal barriers would hinder the new cities' ability to provide the programs and protections badly needed by lower- and fixed-income residents and workers.** L.A. City ordinances protecting low income workers and residents will expire within 120 days of a new city's incorporation (which would occur on July 1, 2003). After that, the newly incorporated cities would revert back to the general law authority of the state and must adhere to its sweeping restrictions. General law cities have no power to enact ordinances that conflict with state law and little flexibility in government operations, since the general state laws are so numerous and detailed. Both new cities would be larger than any existing general law city in California, and the new Valley city would be more than seven times larger than the most populous general law city in the state. The size and complexity of the new cities would undoubtedly strain the state's general law framework.

**Considerable time and resources would be required to draft charters for the new cities—and in the meantime, important L.A. City poverty-fighting ordinances will lapse.** A majority vote of each city's electorate would be required if charters were to be enacted in the new cities, a step that would likely be years down the road. Developing a charter appropriate for a large, diverse new city typically involves years of public and private meetings before the charter is ready to be presented to the voters. The comparatively simpler process of amending the L.A. City charter was lengthy, expensive and contentious.

## **Secession's Threat to City Ordinances That Protect Low-Income Workers and Residents**

**Severe obstacles—legal, political, and practical—would face the new cities in attempting to re-enact Los Angeles' poverty-fighting ordinances.** The two secession areas may not be able to re-enact Los Angeles' anti-poverty measures. Because the new cities would be general

law cities, they would face serious legal obstacles in attempting to adopt ordinances similar to those of Los Angeles. To the extent that the new cities have the legal ability to do so, however, they may not have the will. The process of adopting many of the ordinances listed below triggered bitter and well-funded opposition by business and property owners, and took years of community organizing and advocacy efforts. Following are some of the most critical city ordinances that provide protections for low-income workers and residents—laws and programs that would expire in the new cities under secession.

**Rent Stabilization Ordinance (RSO).** The RSO strictly limits rent increases on properties built before 1979, when the ordinance was enacted, and restricts the grounds on which landlords can evict tenants. Rent control provides an important source of financial security for residents in the Valley and Hollywood. Nearly one-third of the 1.4 million tenants who live in rent-controlled units citywide live in the two proposed secession areas. An estimated 44% of Hollywood residents (over 80,000 tenants) and 25% of Valley residents (over 333,000 tenants) live in rent-controlled units.

**Code Enforcement.** Los Angeles has developed several innovative programs that help ensure safe and healthy residences for renters. The most prominent of these programs is Systematic Code Enforcement, which requires that the city’s Housing Department inspect each multi-unit rental property at least once every three years. Other programs allow tenants to pay some or all of their rent to the city rather than to a landlord when the landlord has failed to address violations of health or safety laws, and provide various mechanisms by which tenants can submit complaints to trigger inspections.

**Living Wage.** The 1997 Living Wage Ordinance requires that workers employed by city contractors, working on city-owned land, or working for companies that received substantial financial assistance from the city be paid \$9.52 per hour if they do not receive health benefits, and \$8.27 per hour if they do. Over 12,000 workers are currently guaranteed a living wage under the ordinance. An additional 5,000 workers employed at city-funded economic development projects will be covered in the next 3-5 years, greatly improving their families’ standard of living.

**Service Contractor Worker Retention.** Adopted in 1996, this ordinance requires that a successor city contractor (taking over a city service contract from another business) retain low-income workers who: (1) were employed for at least twelve months; (2) work primarily on city-related work; and (3) are paid less than \$15 per hour. The ordinance protects low-income workers from sudden unemployment based on factors beyond their control, creating a measure of financial stability for vulnerable workers and their families.

**Equal Benefits.** This 2000 ordinance forbids city contractors from discriminating against employees with domestic partners when providing employee benefits. The law requires that whenever a contractor provides benefits related to employees’ spouses, the contractor must provide similar benefits related to employees’ domestic partners.

**Contractor Responsibility.** Enacted in 2000, the program requires the city to determine whether prospective contractors are responsible prior to awarding a contract. The ordinance’s definition of “responsible” includes compliance with laws related to worker health and safety, labor organizing, and other employee protections. In this way, Los Angeles has incorporated into its contracting process the entire range of laws protecting workers.

## **Imperiled City Programs**

**Los Angeles City programs for low- and fixed-income residents may be significantly reduced under secession.** Los Angeles funds a wide gamut of social service and job programs that promote the well-being of the city’s disadvantaged, from free meals and domestic violence services, to summer youth and jobs programs, to the modest humanity of day laborer sites. (See full report for details on imperiled city programs serving low- and fixed-income residents.) Secession raises important questions about which city programs will be preserved for residents in the San Fernando Valley and Hollywood, not just because of potential changes in policy decision making but also because of financial resources. The new cities would face severe budget constraints and have little ability to raise revenues. It is unclear whether the Valley and Hollywood would have the money and the financial flexibility to keep these programs going.

**Fiscal analyses of the new cities provide little information about how services will pass from L.A. City to the new cities, leaving residents with far too much uncertainty.** In none of the numerous documents analyzing the financial viability of the two secession areas is there a plan laying out exactly what services the new cities will offer, at what level they will offer them, how they will administer them, and how they will fund them. And yet a driving force for secession is that the new cities will allegedly offer improved services.

## **What Secession Means for the City’s Workforce**

**Secession threatens the financial stability of thousands of city workers and their families.** A new city may opt to cut positions within departments or cut entire departments, create its own departments, or contract out jobs to entities other than the City of Los Angeles. If offered the opportunity, current city employees who decide to reapply for jobs they now hold will have no guarantee that they will be (1) rehired; (2) rehired at current salary levels; and (3) placed in their current ranking or position of seniority.

**City workers may lose their job protections under secession.** The plans for transferring workers from the City of Los Angeles to the new cities appear to circumvent California Government Code intended to protect government workers in the event of secession. When workers are transferred from an existing city to a new city, the new city is required to honor employees’ current collective bargaining agreements, provide the same level of retiree benefits, and recognize the unions who represent affected employees. However, the secession plans involve the transfer of funds rather than actual workers. Consequently, no responsibility for

employee protections is transferred to a new Valley or Hollywood city. During a year-long transition period, about 10,800 workers for the new cities would likely continue to be employed by the City of Los Angeles, retaining their job protections only while city employees.

**Workers on the lower end of the city pay scale would be especially vulnerable to any losses resulting from cuts in positions, salaries, pensions, or benefits.** Of the nearly 11,000 city employees whose positions may be transferred to the new cities, more than 1,000 make under \$33,000 per year (less than 200% of the federal poverty level for a family of four). Those employees, and their families, may be in danger of slipping into poverty if their jobs are cut or salaries diminished. The employees most at risk are predominantly service and administrative workers, including over 500 clerks, clerk typists, clerical assistants, and messenger clerks, and 345 service and maintenance employees. Those employees are primarily people of color, who staff 78 percent of administrative positions and 80 percent of service and maintenance positions for the City of Los Angeles. It is precisely those employees who have the greatest need for unionized public employment, since comparable jobs in the private sector pay considerably lower wages. Financially speaking, they—and their families—have nowhere to go but down.