

Dear City of Seattle Councilmembers,

The past few weeks have been extremely tumultuous regarding the total compensation policy sunset for small businesses. As discussions continue, we ask that you consider the following realities for small business owners and operators in Seattle:

Recognize that conditions have changed in 10 years – the expectations from 2014 do not match what is happening on the ground in 2024.

Over 10 years, a global pandemic, new cost drivers – especially public safety, and higher than expected inflation in the last few years has created an economic environment no one could have anticipated. Consider:

- The average restaurant is \$160,000 in debt from COVID, after factoring in government relief programs.
- Rent for a business on Capitol Hill can average \$20,000 a month.
- Health insurance rates are increasing 35% or more a year for many small businesses.
- The public safety crisis in Seattle has led to skyrocketing increases in insurance rates and costs to fix broken windows and other property damage.
- ***The original calculation estimated a .45 cent difference between large and small employees by 2024, but the underlying legislative ties to CPI and unexpected inflation increases in 2021 and 2022, that differential is now \$2.72.***

These changes in circumstances, not “business know-how,” is what has driven the challenges that businesses are facing.

Acknowledge that small business employers provide employees with competitive wages and benefits.

Restaurants operate on razor thin margins – often 2-5% – and statewide, only 19% of part-time workers currently receive benefits. However, Seattle’s total compensation model allows small businesses the ability to extend healthcare benefits to their part-time employees. ***Many of our members who could not previously provide health care to part-time employees were able to extend that benefit for the first time due to the total compensation component of the 2014 minimum wage ordinance.*** A change to the model will almost certainly mean a change to that benefit for employees.

Additionally, many staff at restaurants make far more than the minimum wage with tips, so the calculation is not \$17.25 versus \$19.97, but \$27.25 versus \$29.97 or more. ***The reality is not a “sub-minimum wage” for employees.***

Help take the temperature down by rejecting the super-charged language and the doxing of small businesses.

For our members, the decisions at hand are not political “wins” for their businesses; they are not political lobbyists or working to advance an agenda. These decisions literally impact their choices to try to stay in business and keep people employed, change their business model (which may result in fewer jobs), or simply go out of business.

Doxing restaurant owners to make a political point doesn’t align with our values as a community and harms our economy. ***Every customer that doesn’t come through the door of a small business has an impact on the owners and operators, on employees and jobs, on government tax revenues, and on the vibrancy of our neighborhoods.***

Facilitate a negotiation between impacted parties and their representatives that will result in a mutually agreeable solution to this issue.

We understand that many of the recently passed laws in Seattle are intended to mimic the bargaining table for non-unionized workers, but the unintended consequences are emerging because one side of that table is missing, there is

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no way to account for different business models, and no way to recognize a changing economic environment. Just as negotiations and bargaining happen regularly between management and labor, so too must we acknowledge and adjust laws that do the same thing.

As community leaders, all of us have a responsibility to solve problems; we can't simply wash our hands of policy changes that have had unintended consequences that are impacting one of our most important industries, job creators, and economic drivers in the city.

We urge you to take steps to facilitate conversations between impacted parties that will result in action this year.