

CEOs Stage PAGA Protest

REGULATION: Business group targets firm filing suits under controversial law.

By **MARK R. MADLER** Staff Reporter

Business owners don't usually stage sidewalk protests, but a San Fernando Valley business organization recently took that step to create awareness about a state law it says harms companies.

The **California Business & Industrial Alliance** opposes the Private Attorney General Act, or PAGA, a law that allows workers to sue their employees over labor law violations. The group contends that it mainly benefits the lawyers filing the suits.

On Dec. 13, the group staged its first protest outside the Encino offices of law firm **Kingsley & Kingsley** on Ventura Boulevard. Kingsley is California's second-most prolific filer of PAGA lawsuits, according to the business group.

Although it is very rare for business people to protest in public, **Tom Manzo**, the founder and president of the alliance, said that raising awareness through pickets is the most important thing the group can do.

"I just wish more people had an understanding of what is going on," Manzo said in an interview with the Business Journal. "I think like a lot of the legislators, they just don't get it."

Attempts to reach a representative of the law firm were not successful.

However, in a video posted at the alliance's Facebook page shows law firm co-founder **Eric Kingsley** confronted by Manzo and other picketers outside the building. Manzo asks Kingsley if allowing employees to eat their lunch later than five hours after they began their workday warranted a \$1 million fine.

"I reject the premise of your question," Kingsley responds. "Most people don't want to eat late."

Manzo is president of **Timely Prefinished Steel Door Frames** in Pacoima, which got hit with a PAGA lawsuit because some employees took their lunchbreaks later than five hours after they started their shifts in violation of state labor law. Even though the employees wanted to delay their lunchbreaks so they could eat with colleagues who worked later shifts, it still cost Manzo's company more than \$1 million,

he said.

The Private Attorney General Act became law in 2004 and allows employees to sue their employer for breaches — such as missed lunchbreaks, unpaid overtime to minor violations such as failing to print an address on employee paychecks — even if he or she wasn't directly affected by them.

Financial penalties under PAGA are divided. Seventy-five percent goes to the state for education and outreach on the labor code, while 25 percent goes to the employees and their attorneys, who typically take approximately 30 percent. However, employers have said that settlement deals may be negotiated outside the official PAGA lawsuit, which results in the state getting relatively little money while the lawyers get much more.

It was the attorneys who incited the wrath of the 14 picketers who came to protest outside the Kingsley law offices. One placard read "Some Sharks Wear Suits," referring to the law firms. Others read "It's my livelihood, not your legal fee" and "Employees are not protected by PAGA."

Joann Roth-Oseary, a catering-business owner in Tarzana, said she was moved to protest out of anger and frustration. "California is driving us into the dirt," she said, "with its plethora of labor laws..."

"PAGA is an abomination," she continued. "It has created an industry of extortion for a group of attorneys."

Manzo said that labor law violations should be enforced by the state, just as Occupational Safety and Health, or OSHA, violations are and not be handled by outside attorneys.

"If there is a labor law violation, they should follow that same concept," Manzo said. "You wouldn't be having people take advantage of things like that and the state would be more reasonable than a trial attorney who is only looking out for their best interests."

Unconstitutional?

The alliance is also challenging the state law in Orange County Superior Court with a lawsuit that contends it is unconstitutional.



PHOTO BY DAVID SPRAGUE

Lined Up: Tom Manzo, right, leads Dec. 13 march along Ventura Boulevard in Encino.

The legal action was filed Nov. 28 on behalf of member businesses against California Attorney General **Xavier Becerra**. The suit seeks to prohibit Becerra from enforcing PAGA and asks the court to strike down the law.

"We want it to be heard and not thrown out of court," Manzo said. "We want to go the distance with this. We want to take this to the (state) supreme court."

The 54-page complaint lays out in detail allegations that PAGA denies equal protection under the state and federal constitutions, violates the Eighth Amendment prohibition against excessive fines and violates the state's Separation of Powers Doctrine.

The suit also takes aims at the attorneys who file PAGA claims against employers.

"The complete lack of oversight by the legislative, executive and judicial branches of

the California State government has allowed PAGA to become a tool of extortion and abuse by the plaintiffs' bar, who exploit the special standing of their PAGA plaintiff clients to avoid arbitration, threaten business-crushing lawsuits and extract billions of dollars in settlements, their one-third of which comes right off the top," the lawsuit reads.

The lawsuit follows by three months the alliance's attempt at crafting legislation to reform PAGA. That attempt hit a snag when talks with the California Labor Federation broke down.

"We had a lobbyist and they were negotiating with labor and that fell apart," Manzo said. "Once that fell apart, we didn't have anybody to do anything with it."

Business Journal Publisher Charles Crumpley contributed to this story.

OK Brightens Future in Faraway Tejon Ranch

DEVELOPMENT: Approval of Centennial project could add 19,000 homes.

By **MICHAEL AUSHENKER** Staff Reporter

The new year is looking bright for **Tejon Ranch Co.**, which cleared a major hurdle last month for the company's future in real estate development after the Los Angeles County Board of Supervisors approved the massive Centennial project.

The company, located in a northern corner of L.A. County, plans to build 19,000 new dwellings when Centennial is complete. By a 4-1 vote, the supervisors voted Dec. 11 to advance the master-planned project. While most

of the board saw Centennial as a step toward solving a countywide housing crisis, Supervisor **Sheila Kuehl** cast a dissenting vote, citing concerns about wildfire.

Tejon Ranch Co. owns the largest single piece of private property — encompassing 270,000 acres — in the state of California. The company has worked to diversify its revenue stream beyond its core activities of farming and cattle ranching by pushing into the development of residential and industrial projects.

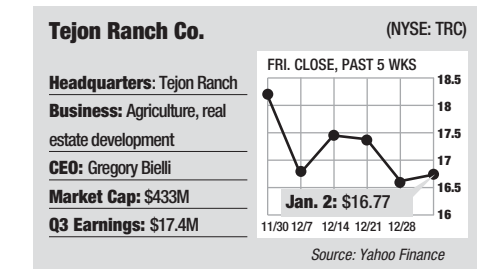
Revenues for the agricultural side of the business declined this year due to weak crop yields, lower commodity prices and complications from the trade war with China.

According to **Seeking Alpha** Senior Editor **Gil Weinreich**, the real promise of Tejon Ranch lies ahead when its real estate projects come into fruition.

"Tejon may have a lot of good news ahead of it and most of the bad news behind it," he wrote in a post on Nov. 12.

In addition to the big approval for Centennial, the company has moved forward with industrial development. In November, Tejon Ranch and **Majestic Realty Co.** announced their latest joint venture: a 580,000-square-foot industrial facility, to be constructed in nearby Tejon Ranch Commerce Center by 2019's third quarter.

Two months earlier, **Colliers International** brokerage team **John DeGrinis**, **Patrick DuRoss** and **Jeff Abramson**, who exclusively represent Tejon Ranch Commerce Center in lease transactions, landed a commitment from SalonCentrics, a subsidiary of cosmetics giant **L'Oréal USA**, to occupy half of the new 480,480-square-foot structure at 5335 Wheeler Ridge Road. **Craig Peters** of **CBRE Group**



Inc. represented L'Oréal in the deal.

For investors, Tejon Ranch has a solid list of tenants, including **Ikea**, **Dollar General** and **Caterpillar Inc.**

Shares of Tejon Ranch Co. closed Jan. 2 at \$16.77, marking a 1.5 percent decline since the Centennial news. The Dow Jones Industrial Index fell 4.2 percent in the same period.