



Long Beach Minimum Wage for Hotel Workers

Long Beach City Council – September 19, 2023

Long Beach Minimum Wage for Hotel Workers

Background

Measure N

- On November 6, 2012, voters adopted Measure N requiring minimum compensation and sick days for hotel workers.
- Established Long Beach Municipal Code Section 5.48.020 increasing hotel workers minimum wage to \$13.00 per hour, adjusted annually by the amount of increase in the federal minimum wage or by CPI, whichever is greater.
- Applies to hotels with 100 or more guest rooms.
- Hotels may opt out if they enter into a negotiated union contract.
- **The current minimum wage for Long Beach hotel workers is \$17.55 per hour.**

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Background

Proposed Amendment/Report Request

- On July 11, 2023, the City Council requested a labor market analysis to look at a potential amendment to adjust the current hotel worker minimum wage in Long Beach.
- Request to present this report to the Economic Development and Opportunity Committee for public input and discussion (Completed (9/12/23))
- City Council would then determine the scope and details of a possible ballot initiative to amend Long Beach Municipal Code Section 5.48.020.
- City Council indicated the target date for ballot would be the March 2024 municipal election. Because the original ordinance was established by ballot initiative, amending the ordinance would require the same process.

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Challenges

- Due to the timing considerations required to accommodate a March 2024 municipal election, a formal RFP process could not be initiated.
- Staff reached out to our on-call economic analysis consultants, and economic development and educational institutions for possible assistance.
- Several politely declined. Two indicated they had the appropriate experience and expertise but could not accommodate the requisite timeframe.
- Several local communities are also considering an increase to hotel workers minimum wage but are at various stages of the process.

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Background

Report

- Long Beach Hotel Industry Summary
- Minimum Wage: Theory and Evidence
- General Benefits and Risks
- Status of Other Local Communities
- Current and Potential Wage Comparison
- Community Feedback Summary

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Long Beach Hotel Industry

- Downtown and Airport vicinities include almost 5,000 rooms across approximately 27 hotels. 12 of those have fewer than 100 guest rooms.
- These 27 hotels are estimated to employ about 2,500 hotel workers. About 2,000 of those in hotels with 100 or more guest rooms.
- The current minimum wage for Long Beach hotel workers is \$17.55 per hour.
- Hotels play a critical role in the broader hospitality industry which has an estimated \$1.8B economic impact and supports almost 18,000 related jobs.
- 2022 TOT approx. \$23M

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The Minimum Wage: Theory and Evidence

- An evaluation of Minimum Wage theory was provided in response to the City's consideration of healthcare workers minimum wage. We also have a TOT study specific to the Anaheim hotel workers minimum wage proposal.
- Economic theory generally supports the conclusion that significant minimum wage increases are associated with a variety of unintended negative economic impacts.
- Empirical evidence on the effect of minimum wage increases is more mixed than economic theory. Ultimately, a minimum wage increase has tradeoffs:

Benefits

- Increased labor income to lower wage workers in covered businesses.
- Potential increase in labor supply and retention for covered workers.
- Potential short run increase in morale and productivity for covered workers.
- Potential increase to Transient Occupancy Tax due to increases in average cost of stay for guests.

Risks

- Short run employment losses, particularly for low wage workers.
- Potential long run business exits, employment losses and reduced future employment growth and business entry for covered occupations.
- Potential non-labor adjustments such as decreased business profits and quality/access reductions to pay for increased labor costs.
- Potential decrease to Transient Occupancy Tax due to reduction in guest visits from increased costs of stay.

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Status of Local Communities

- **Los Angeles** – Proposal to **increase to \$25 per hour**, increasing to \$30 per hour by 2028. On April 12, 2023, City Council requested an impact analysis. RFP for that analysis was released the week of August 14th and will be open for 45 days. ***The minimum wage in Los Angeles for hotel workers is currently \$18.86 per hour.***
- **Santa Monica** – On July 18, 2023, Unite HERE Local 11 filed a ballot initiative that would require a **\$30 per hour minimum wage**, including annual adjustments by the greater of CPI or 5% through 2029. This would be the nations highest minimum wage. Proponents of the initiative are currently in the process of obtaining signatures to qualify for public vote. The timing for that public vote has not yet been determined. ***The minimum wage in Santa Monica for hotel workers is currently \$19.73 per hour.***

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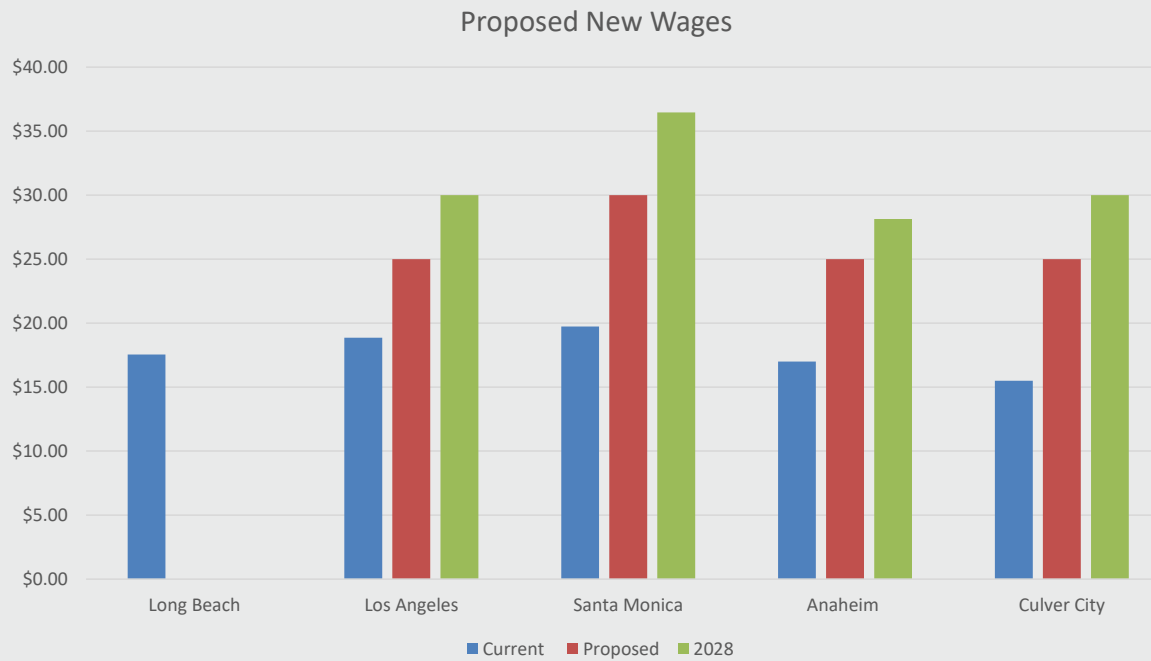
Status of Local Communities

- **Culver City** – On May 18, 2023, hotel workers with Unite HERE Local 11 filed an initiative for consideration to increase the hotel **minimum wage to \$25**, increasing to \$30 by 2028. Proponents of the initiative are currently in the process of obtaining signatures to qualify for public vote. The timing for that public vote has not yet been determined. ***The current minimum wage in Culver City is \$15.50.***
- **Anaheim** – On July 18, 2023, the Anaheim City Council voted to oppose a Unite HERE Local 11 proposal to increase the minimum wage for hotel workers to \$25 per hour, including a minimum 3 percent cost of living adjustment. Anaheim did commission a report on the potential impact on Anaheim’s Transient Occupancy Tax (TOT) revenue which concluded the proposal may have a slightly positive impact on TOT revenue over the next two or three years, but would lower the growth trajectory of TOT and turn the net effect negative over time.

Proponents of the measure have certified signatures with the Orange County Registrar of Voters and a special election date was set by the Anaheim City Council for October 3, 2023. **The minimum wage in Anaheim for hotel workers is currently approximately \$17.00 per hour.**

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Current and Potential Wage Comparison



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Community Feedback from Sep. 12th Economic Development and Opportunity Committee

- **Regular Agenda Item 2 (23-1068)**

Recommendation to receive and file a report on increasing the minimum wage for hotel workers. This will include public comment for business and industry, labor organizations, and individuals to share thoughts as well.

- **Attendees General Position on Agenda Item 2 (23-1068)**

Proponents: 23

Opposition or Concern: 12 (inclusive of 1 eComment received)

- **Public Input Representation**

Unite HERE Local 11, Tourism Workers Rising, United Federation of Labor, various community organizations, the Long Beach Chamber of Commerce, hotel operators, owners of limited services hotels, local business owners, residents, and hotel workers.

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Highlighted Statements from Proponents

- Due to cost-of-living outpacing current wages, hospitality workers who reside within the City put 70% - 80% of their monthly income towards housing, creating an environment where families and individuals must sometimes forgo basic necessities such as food and health care to avoid becoming homeless.
- Those who have had to move due to the scarcity of affordable housing are forced to conduct long commutes, exacting considerable stress on the mind, body, and family relationships, and by increasing wages, they will once again be able to find housing where they work.
- By increasing wages, hospitality workers will have more purchasing power, positively impacting local businesses due to more families being able to buy more goods and services.
- Ensure that various loopholes are closed in the hospitality industry that allow for service charges to be captured as revenue by owners instead of those funds being dispersed directly to employees.
- Empower City Council by ballot initiative to amend Measure N at their discretion to ensure that Hospitality Workers' wages are protected, without the need to take additional amendments to the ballot for public approval.

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Summary of Recommendations from Tourism Workers Rising Correspondence

- Raise wages as follows:
 - July 1, 2024 \$25.00 per hour
 - July 1, 2025 \$26.00 per hour
 - July 1, 2026 \$27.00 per hour
 - July 1, 2027 \$28.00 per hour
 - July 1, 2028 \$30.00 per hour
- Preventing loopholes in service charge provisions to prevent hospitality employers from illegally keeping services charges, and ensure workers and customers are protected.
- Amending the current ordinance to give authority to the Long Beach City Council to amend the existing law as long as the amendments strengthen or expands upon the protections for hotel workers.
 - Measure WW language cited as example: “This Chapter does not preempt or prevent the establishment of superior standards or the expansion of coverage by ordinance, resolution, contract, or any other action of the City of Long Beach.”

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Highlighted Statements from Speakers Opposing Item

- Should council approve the agenda item, an increase of 50% in wages for Hospitality Workers will cause undue harm to hoteliers located throughout the City, and due to impacts not being known to TOT, taxes and their corresponding long-term effects, the item should not be put on the ballot, until more research is conducted.
- Limited-service hotels, many of whom are minority-owned businesses, should be excluded from this motion due to these businesses not having ancillary revenue sources to offset this increase in labor cost, with the only avenue to offset this cost to increase the Average Daily Rate (ADR) making their rates uncompetitive in the market.
- With this increase in ADR, individuals experiencing homelessness who utilize limited-service hotels will no longer be able to afford lodging at these hoteliers, increasing homelessness within the City. Limited-service hotels should be exempted.
- An increase in wages for hospitality workers will impact other businesses in the City, as employees pursue different wage levels across businesses.

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Timing Considerations

- July 11, 2023: City Council direction to study Hotel Workers Minimum Wage
- September 12, 2023: Report to the Economic Development and Opportunity Committee
- September 19, 2023: Report to Council. Council refers recommendation to Clerk and City Attorney
- October 16, 2023: Last day to submit Council letter, ordinance, and resolution for ballot initiative to City Clerk
- October 24, 2023: Council adopts resolution calling March 5, 2024 Election
- October 24, 2023: Mayor announces argument writers for ballot items
- November 11, 2023: Council approves Mayor's list of argument writers
- December 8, 2023: Last day to submit City Council resolution to Los Angeles County Registrar-Recorder/County Clerk (LARRCC)
- January 25, 2024: Beginning of Sample Ballot Mailing
- February 5, 2024: Beginning of Vote by Mail ballots
- March 5, 2024: Election Day

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Potential Fiscal Impacts

- Healthcare Minimum Wage ballot initiative triggered a Citywide election, and increased election costs from \$551,000 to \$1,910,000. This is already accounted for in the FY24 Budget. The inclusion of a second citywide initiative like this would cost an additional \$150K.
- If signed by the Governor, SB 525 will prevent the City from sending the Healthcare Minimum Wage referendum to the voters in the March election. SB 525 will increase the Healthcare Worker Minimum Wage at certain healthcare facilities to \$23 in June of 2024, \$24 in 2025, and \$25 in 2026 followed by increase of the lower of inflation or 3.5% and would apply to healthcare organizations of 10,000 or more employees.
- Likely to be a short-run positive effect on TOT, followed by a potential longer-term negative effect, depending on how the market reacts to increased rates and hotels costs.

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Potential Fiscal Impacts

- Depending on details of a final recommendation, there may be staffing impacts beyond the normal budgeted scope of duties.
- Significant local job impacts will likely result from this recommendation, but unknown.
- Workers who are employed in the future stand to see higher wages than current, leading to a positive personal financial situation.
- The proposed minimum wage's impact on other variables like prices, quality, and business profits were not analyzed here, but will likely affect the economic impact in the long run.

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Potential Options

- Prevailing Wage Options
 - Option A – \$25 to \$30 by 2028 per HWR (Initial 42.45%, Annual μ 4.66%)
 - Option B – Phase to \$30 by 2028 (Annual 11.32%)
 - Option C – \$23 to \$29.50 by 2028 (Initial 31.05%, Annual μ 6.45%)
- Strengthen Service Charge Provisions
- Other provisions (i.e., future Council Authority)

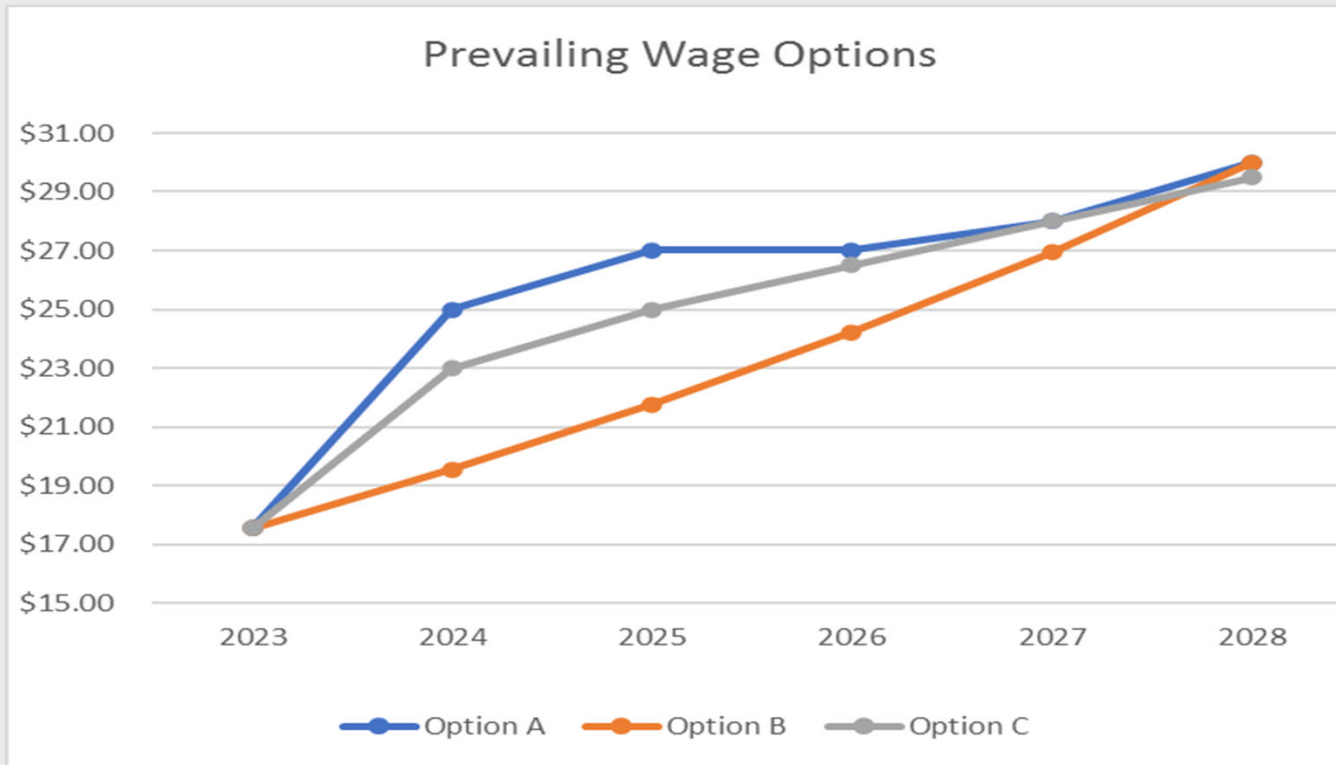
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Prevailing Wage Option Details

	Initial	Annual	2023	2024	2025	2026	2027	2028
Option A	42.45%	μ 4.66%	\$17.55	\$25.00	\$27.00	\$27.00	\$28.00	\$30.00
Option B	11.32%	11.32%	\$17.55	\$19.54	\$21.75	\$24.21	\$26.95	\$30.00
Option C	31.05%	μ 6.45%	\$17.55	\$23.00	\$25.00	\$26.50	\$28.00	\$29.50

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Prevailing Wage Option Details



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Next Steps

- Staff requests direction on amended provisions for the proposed ballot initiative.
- City Attorney will draft the amended ordinance to be submitted to City Clerk by October 16, 2023.
- October 24, 2023: Council adopts resolution calling March 5, 2024 Election

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Thank You

Johnny Vallejo
Deputy Director, Economic Development