



Long Beach Minimum Wage for Hotel Workers

Economic Development and Opportunity Committee – September 12, 2023

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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
- 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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Background

- 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 will be Solicited**

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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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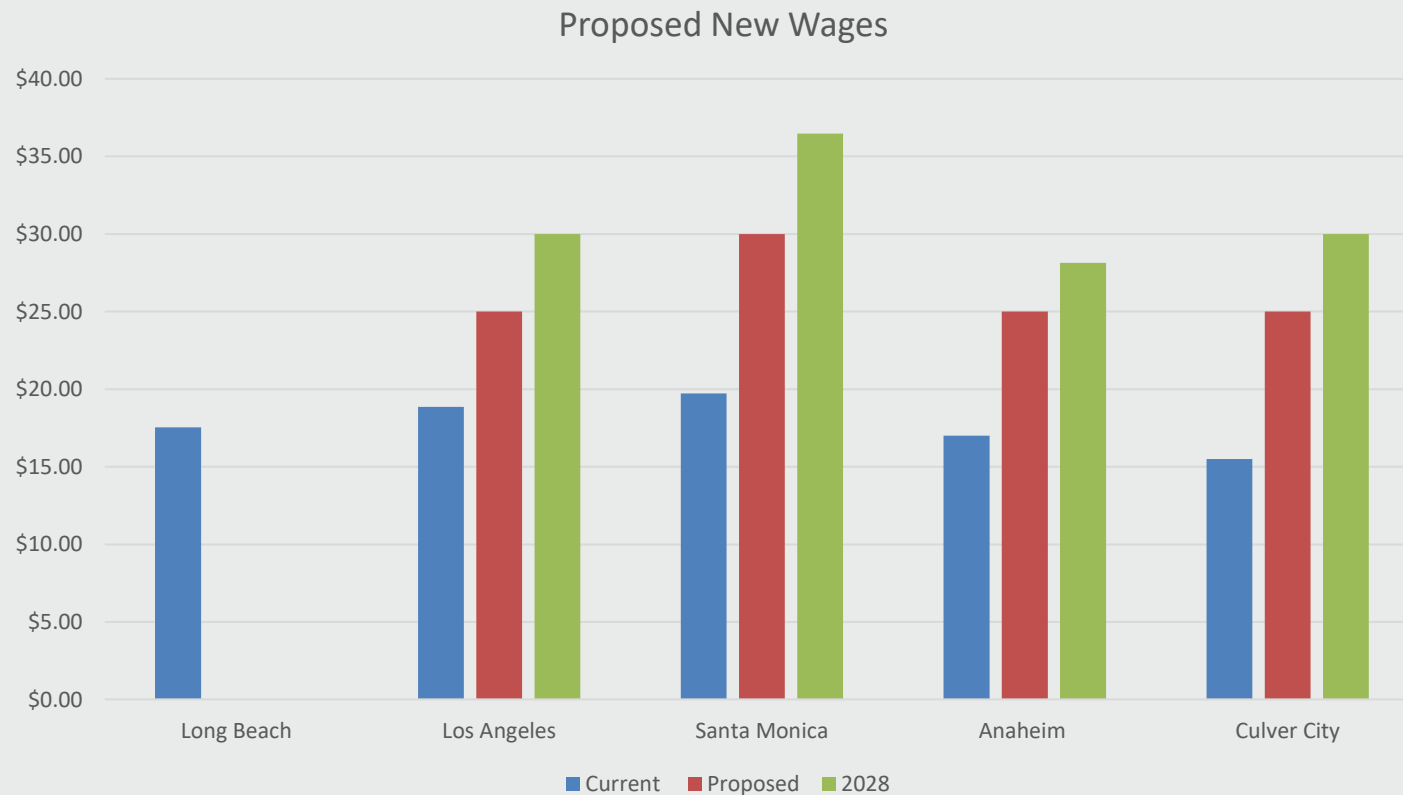
- **Status of Local Communities**

- **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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- **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.
- 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.
- Depending on details of a final recommendation, there may be staffing impacts beyond the normal budgeted scope of duties.

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- **Potential Fiscal Impacts**

- 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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- **Next Steps**

- As directed by City Council on July 11, 2023, this meeting should provide the community an opportunity to share their feedback.
- This report will be updated with a summary of information provided from public comment from today's meeting. This Information will help inform Council action on this item.
- Some potential options will be provided to the Council based on input from stakeholders
- The Council will hear this item next Tuesday.

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Thank You

Johnny Vallejo
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