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THE FISCAL IMPLICATIONS OF GLENDALE'S HOTEL AND EVENT CENTER MINIMUM WAGE PROTECTION ACT

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INTRODUCTION

This November, Glendale residents will decide whether to approve the Hotel and Event Center Minimum Wage Protection Act. Despite its name, the Act extends beyond city minimum wage law into broader occupational regulation and labor law.

The initiative would require hotel and event center employees to pay their workers a minimum of \$20 (or more) per hour (not including tips, gratuities, service charge distributions, and other bonuses). The initiative also places restrictions on how workers perform their duties. For example, it prescribes how many square feet can be cleaned in a hotel before the employer is required to pay twice the room attendants' regular rate of pay for each hour worked during that workday, and establishes new requirements on how Hotel and Accommodation firms treat certain revenues and records.

The Act requires the City of Glendale to enforce its requirements, including by compelling the City to create new enforcement divisions; hire additional staff to conduct wage and employment investigations; and imposing other new costs on the City. It creates imbalanced advantages for union workers over other workers – by imposing these new requirements on unorganized hotel workers in Glendale and allowing workers to opt-out through collective bargaining agreements, it provides incentives for employers to execute union agreements while pricing out unorganized labor (ironically, because organized workers may be paid less).ⁱ

Glendale is Arizona's sports and tourism center.ⁱⁱ For example, the City hosted the 2024 Men's Final Four tournament, the 2023 Superbowl, and other annual events. The City of Glendale also hosts approximately 4.5% of Maricopa County's hotels as well as at least two major stadiums and arenas.ⁱⁱⁱ

WAGE PROTECTION ACT BY THE NUMBERS



\$995k - \$1.9M

EST. ANNUAL COST TO THE CITY OF GLENDALE

1,700-32,000

POTENTIAL GLENDALE JOB LOSS IF WAGE PROTECTION ACT BECAME LAW

31

HOTELS & EVENT CENTERS IN GLENDALE, AZ

\$1.15B

CONTRIBUTION OF THE TOURISM SECTOR TO GLENDALE'S GDP

8.2%

SHARE OF GLENDALE'S GDP FROM SPORTS & TOURISM

KEY FINDINGS

- Passage of the Wage Protection Act would reduce Gross Domestic Product (GDP) in Glendale by between \$120 million and \$1.9 billion. The city's events and accommodation sectors would be hit hardest; together they represent an estimated 8.2% of the city's entire economy.
- Depending on how the industry responds to the new policies, between 1,700 and 32,000 Glendale jobs could be impacted. Impacts will range from the elimination of existing jobs subject to the new rules, to reduced work hours, to the movement of jobs outside the city. How much of each and when will determine where things fall in this range.
- Glendale has heavily invested in developing its tourism industry. Though it is only about 3% of the state's overall economy, CSI estimates Glendale hosts about 13% of the state's entire sports and tourism sector and it comprises 8% of the City's economy.
- Glendale is also in the state's urban core and surrounded by competing jurisdictions. That makes experimentation with a policy like this in Glendale first and exclusively particularly risky, and makes anticipating industry response more challenging.

THE IMPORTANCE OF EVENTS & ACCOMMODATION TO THE CITY OF GLENDALE

Home to the State Farm Stadium, Desert Diamond Arena, Westgate Entertainment District, Camelback Ranch-Glendale Spring Training Stadium, and 27 other hotels and event centers, the accommodation and events industries are the keystone of Glendale's economy. The city has the largest concentration of major event venues in the state and based on an analysis of data from hotels.com and Expedia^{iv}, the Federal Emergency Management Agency^v, VisitGlendale.com^{vi}, and other public information sources, CSI estimates that 19% of Maricopa County's events and accommodation industry can be found in Glendale alone.

This infrastructure enables the city to host global events in Arizona: the 2023 Super Bowl, the 2024 Men's Final Four, and recently Taylor Swift's Era's Tour kick-off concert. Correspondingly, the city itself has invested heavily to court and develop that industry. For example, the City has enacted public bonds to finance the construction of a hockey arena, convention center, media center, and parking garage. The Arizona Sports and Tourism Authority also issued bonds to the city of Glendale for improvements to State Farm Stadium.^{vii} These bonds are financed by city sales and room taxes that depend on the events and accommodation sector for economic and fiscal support.^{viii}

For Example, CSI recently estimated that this new spending from visitors during the Men's Final Four Tournaments alone would result in approximately \$15 million in net-new sales tax revenue for state and local jurisdictions – with much of that accruing directly to Glendale.^{ix} In its report from last year, the statewide sports and tourism industry was revealed to contribute an estimated \$20 billion to Arizona's statewide economy.^x Again, Glendale is both a large driver and beneficiary.

While Glendale has only 3.4% of the state's population and 3.3% of state personal income, but approximately 15% of the state's entire sports and tourism sector is found in Glendale.

Currently, Arizona's statewide minimum wage is \$14.35 per hour.^{xi} The average hourly wage for employees who work in hotels and event centers (specifically maids/housekeeping, Ushers, lobby attendants, ticket takers, amusement and recreation attendants, baggage porters and bellhops, concierges, and hotel, motel, and resort desk clerks) in the Phoenix metro area was \$17.02 in 2023, according to the Bureau of Labor Statistics.^{xii}

CSI estimates that there are up to 4,954 employees in the City of Glendale who may be directly impacted by this proposal.^{xiii}

THE IMPLICATIONS OF THE WAGE PROTECTION ACT

The City of Glendale is in the state's urban core and surrounded on all sides by other wealthy and developed cities that are potential competitors for business activity. Glendale is also oddly shaped – it is long and narrow. At its widest point, the city is only 5 miles across.^{xiv}

This initiative specifically targets the niche industry into which Glendale has heavily invested and is today heavily concentrated.^{xv} Because of the significant costs the initiative could impose on targeted businesses, and the relative ease with which affected activity could move to other nearby jurisdictions while staying close to sports and event hubs, the potential negative impacts for Glendale are likely to be more significant than if this were either a more isolated community or a statewide initiative.

Proposed and financed by the Worker Power Political Action Committee – a group affiliated with union and labor advocacy organizations^{xvi} – this initiative contains requirements for a minimum wage, limitations for cleaning based on square footage, stipulations for service charges, and the implementation enforcement and rulemaking requirements on the City.^{xvii}

The *Ordinance Creating a Minimum Wage for Hotel and Event Center Workers in the City of Glendale*:

- sets a limitation of the amount of square feet a room attendant can be required to clean before the employer is required to pay twice the hourly wage rate,
- requires the hotel and event center employers to pay workers an hourly wage of \$20,
- and requires employers to distribute all service charges to the employees who performed the services for the customer charged.

To enforce these requirements, the Ordinance requires the city to hire auditors and support staff and appoint wage investigators to examine and report any violations of the Ordinance and initiate enforcement actions.

The City is compelled by the Act to establish a new Department of Labor Standards to comply, and hotels and event centers would be required to keep various records of pay, comply with new audits, and pay associated fines and penalties. To fulfill its obligations under the Act, CSI estimates that Glendale may need to add 5-10 full-time equivalent positions, depending on the volume of new work created by these requirements. That would require the City to incur a cost of between \$995,000 and 1.9 million annually, given comparable per-employee costs at the state Industrial Commission.^{xviii}

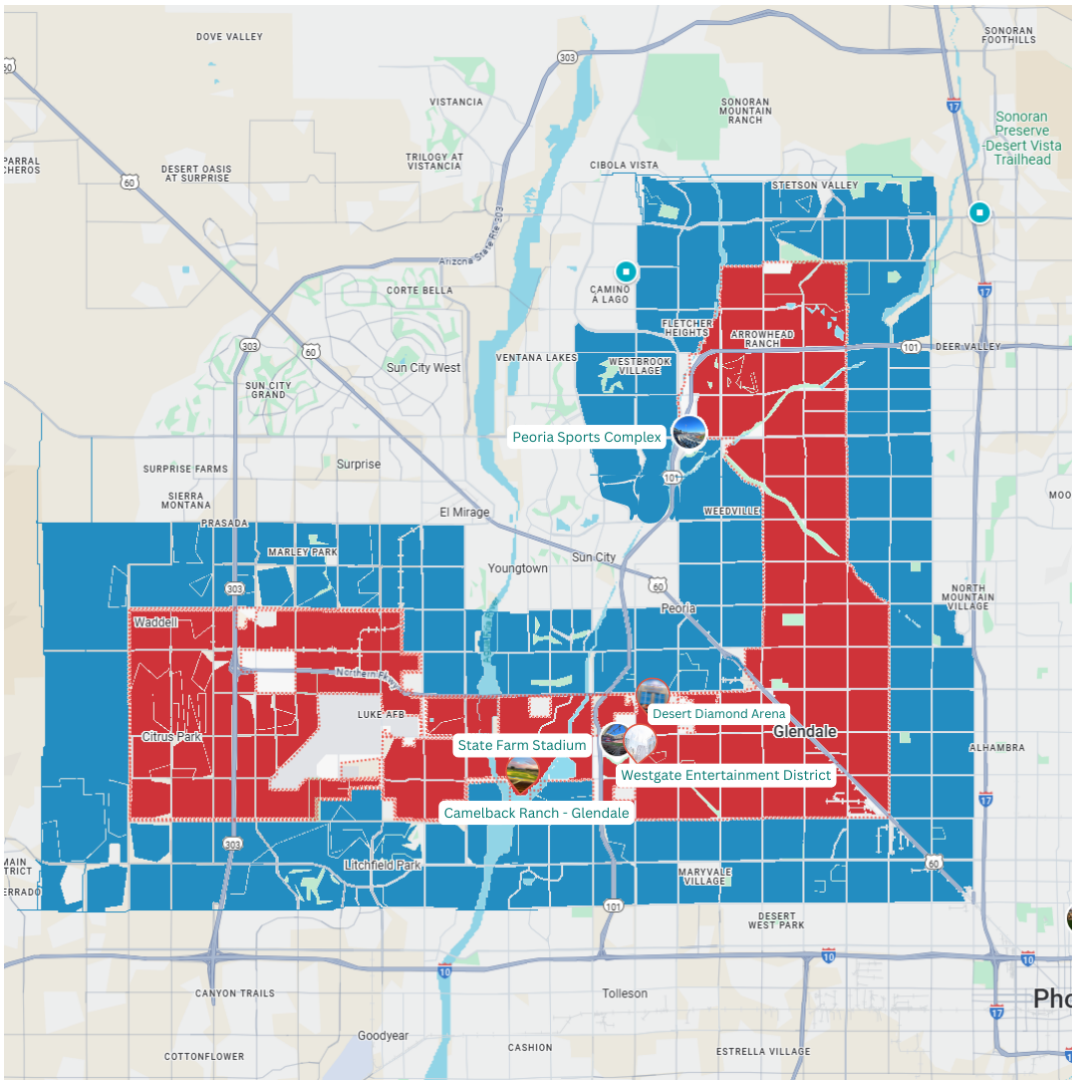


Figure 1 - The red area are the legal boundaries of Glendale. The blue area is a 2-mile buffer adjacent to Glendale and its event venues, but not subject to the Wage Act.

Similar cities that have enacted comparable legislation in California may be instructive examples of how this ordinance could impact Glendale. This year California instituted a \$20 per hour minimum wage for fast food workers leading restaurant owners to reduce staff hours, lay off part-time staffers, and limit overtime pay.^{xix} Also this year, Long Beach, CA passed a ballot initiative instituting a \$23 per hour minimum wage for hotel workers.^{xx} On the consideration of increasing hotel and airport workers' minimum wage to \$25 per hour, the President of the Valley Industry and Commerce Association said "increasing the hourly wage by \$6 or \$7 this year alone could cost an employer about \$14,000 more per worker."^{xxi} For Arizona to pass a \$20 minimum wage for hotel and event center workers in Glendale, it could cost employers up to \$10,756 per affected worker -through a combination of either direct increased wage costs or efficiency losses as employers mitigate the impacts by reducing staff, cutting hours, or moving business activity. Much of this cost will likely be passed onto consumers in the form of higher prices and increased fees (as has been the case in California).^{xxii} This may further incentivize both customers and operators to seek alternatives outside the city.

ECONOMIC IMPLICATIONS

Although the goal of minimum wage is to “promote the health, safety, and welfare”^{xxiii} of workers, the general conclusion of economists is that the minimum wage often reduces employment opportunities and the overall earnings of affected workers.^{xxiv} Those targeted efficiency losses result in overall losses to the impacted economy, including outside sectors directly impacted by the minimum wage.

In the case of Glendale, instituting a minimum wage that is significantly higher than the market wage, but limiting it only to select industries and the city itself (given its presence in a larger metro area), is likely to have even more pronounced negative effects. Evidence from studies on minimum wage finds particularly negative effects on young adults, the less educated, and workers in sectors over-represented by minimum-wage-earners.^{xxi} For reference, the average age of residents of Glendale is 34 and less than 25% of people over 25 years have attained a bachelor’s degree or higher (compared to 35% nationwide).^{xxvi}

CSI estimated the economic impact of passing this measure by using Regional Economic Models, Inc. (REMI) Tax-PI dynamic equilibrium model and methods previously used to assess the impact of sports and tourism in Arizona.^{xxvii} Tax-PI is a dynamic program that estimates the impact of changes in regional economies using representative national and state-level macroeconomic data in an input-output model. As a baseline, the REMI model assumes the Arizona economy has 4.3 million jobs and has an annual (real, inflation-adjusted) Gross Domestic Product of \$386 billion.

Because the hotel and event centers are impacted most by this initiative and that is a large part of the sports and tourism industry, CSI first estimated the size of the sports, tourism, events, and accommodations sector in Glendale – based on a *pro rata* application of its earlier statewide results. To estimate the size of Glendale’s economy, CSI used 4 different proxies: event centers and stadiums¹, hotel counts², accommodations³, and household income. Based on this, CSI estimates that Glendale represents 19% (or \$14 billion) of Maricopa County’s accommodations and events industry. For reference, we assume the Glendale sports and tourism industry contributes \$1.3 billion to city GDP (8.2% of the total).

The extent of the loss of this activity within Glendale will depend on the nature of the policy response by impacted industries. At the low end, we assume the entire cost of the measure is absorbed by hotel and event operators through a combination of price increases, reductions in employment and hours worked, and increased wage costs. At the high end, we assume the measure ultimately results in the full reduction and relocation of the existing events and accommodation sector out of Glendale.

CSI estimates the Wage Act would reduce Glendale’s economy by between \$120 million and \$1.9 billion. Associated job losses would be between 1,700 and 32,000; up to 47% of this is a dynamic effect on businesses indirectly supported by the city’s tourism sector.

The final impact of this measure – if passed – on Glendale will take time to play out and probably reflect an option between the two extremes proposed above. Again, the lower end of this estimate assumes that Glendale hotels and event centers fully absorb the costs and make it work by increasing prices, cutting staff hours, and making other adjustments but remaining in the city of Glendale. Fully absorbing the requirements and the increased production costs could have a \$120 million impact on Glendale’s GDP. This would lead to a loss of at least 1,700 jobs or 4% of Glendale’s current total employment

On the other hand, if hotels and event centers use available geographic options to mitigate their cost and regulatory burdens while protecting employment and customer prices, the impacts on the city could be much larger (while statewide impacts may be smaller). On the outside, if the entire events and accommodation sector shifts over time to other jurisdictions, this would have a \$1.9 billion impact on the city's GDP. This large impact and economic migration would impact 32,000 jobs or 23% of Glendale's current employment.

The measure may not be intended to dramatically alter Glendale's events and accommodations sectors at all. According to Section 21-195 of the measure, event and accommodation operations under collective bargaining agreements ("unionized shops") can waive most of the costliest provisions of this Act. Ironically, in this case, a unionized worker would be agreeing to make less than a non-union counterpart in Glendale. Intent here may be to make it competitively impossible to hire non-union event and accommodation labor within the city.

THE BOTTOM LINE

Ultimately, if enacted, the Act would have dramatic implications for the city of Glendale and its economy. Those implications would likely play out over a period of time, rather than immediately. There will be some combination of:

- Employment losses and reductions in work hours among hotel and event staff.
- Hotel and event cost increases in Glendale, including price increases.
- The movement of hotel and event activity outside of Glendale and to nearby cities, particularly over time as part of normal business maintenance and expansion cycles.
- An increase in the rate of unionization among Glendale accommodation and event staff.

Under all outcomes, the nominal wage increase implied by the Act for existing workers never occurs.

¹ CSI used mapping software and resources from VisitGlendale.com to find the City of Glendale's share of stadiums and event centers in Maricopa County.

² The Federal Emergency Management Agency publishes a list of "approved" hotels and motels by city and zip code.

³ Booking websites such as Expedia.com and Hotels.com reported the total number of accommodation spaces in their systems for both Glendale and Maricopa County.

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