

# Hotel boom in SeaTac, Wash., unfettered by \$15 minimum wage

By Julie Weed

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When SeaTac, Washington, became the first city in the United States to pass a \$15-an-hour minimum wage in 2013, Jeff Robinson, the city's director of community and economic development, said critics warned him that it would scare away businesses.

But the higher minimum wage hasn't done that at all. The hotel industry is a prime example: Nine hotels are in development, which will increase the available rooms by 25 per cent, to 7,000.

SeaTac is home to Seattle-Tacoma International Airport, now the ninth busiest in the nation, and a new light rail line links the airport to Seattle. Nearby are the corporate headquarters of Amazon, Microsoft, Starbucks, Costco and Nordstrom, and Seattle's unemployment rate has been hovering around three per cent, according to the Bureau of Labor Statistics.

Michael H. Mahoney, president of the Dallas-based development company Western International, said his company had not built anything in the Seattle area for more than 10 years, but it was drawn to SeaTac because some available property there bordered a lake and the light rail system had just been built. Business travellers can stay near the airport, where it is a bit less expensive than in downtown Seattle, he said, "and close to their flight home," but they still have easy access to downtown for meetings or entertainment.

He said he considered the \$15 minimum wage before deciding to go ahead with a 176-room Residence Inn by Marriott that is scheduled to open next spring, but it was not the determining factor. "We are competing for quality people seeking the best jobs, so would likely have been at that threshold anyway," he said.

"There's a lot of noise" about higher minimum wages, he said, but he decides whether to enter an area based on an overall favourable economic outlook. If the area is not doing well, "we're not going in there," he said, so wages are not generally a factor.

Sylvia A. Allegretto, an economist and co-chairwoman of the Center on Wage and Employment Dynamics at the University of California, Berkeley, said she and her colleagues had studied 30 years of wage and employment data and found that higher minimum wages had not reduced employment.

Higher pay, she said, often translates to lower employee turnover, as fewer employees leave to seek better-paying jobs. For employers, that means decreased costs for replacement hiring and training. Also, she said, the modestly higher prices that may result – for example in food concessions – are generally borne by customers.

Josh Bivens, research director at the nonprofit Economic Policy Institute in Washington, said low-income workers who receive pay increases are likely to spend that extra income, stimulating economic growth, an effect called "middle-out economics."

"Wage increases at the middle and bottom are recycled back into the economy as spending on restaurants, clothes, cars – all things that support employment in other sectors of the economy," Bivens said.

Robinson, the SeaTac economic development director, said hoteliers had adapted to the ordinance, which requires any hotel with at least 100 rooms or 30 full-time employees to pay the \$15 minimum wage. "Nobody eliminated rooms to get under it," he said.

Steven Lou, whose company, Lou Development, is building a 132-room Hyatt House and a 237-room Hyatt Place in SeaTac, said he was not worried about the \$15 minimum wage. He expected to pay even more to hotel employees.

“We are willing to pay a good wage for stable, skilled employees,” he said. “After they are trained and have been with us a while, they will make more than \$15 an hour.”

If room prices go up a little to help pay for the higher wages, he said he thought the market could easily bear it.

Taylor Kerns, investment analyst at the Corinthian Development Co., based near San Jose, Calif., said his company decided to increase the size of the Wingate hotel it was building in SeaTac to 157 rooms from 123 partly because of the higher minimum wage.

“We’re mostly a ‘heads in beds’ property,” he said, meaning the hotel does not offer amenities like a full restaurant. “So the majority of our employees are housekeeping and security.” They would typically be lower-wage employees, he said.

Corinthian decided that increasing the number of hotel rooms would raise the property’s revenue, but would not require many more employees to accommodate the extra guests. “We’d gain in efficiency,” Kerns said.

He said the firm also decided to increase the room count because most of the available land in the area had been purchased. “I don’t think there will be many new hotels for quite a while after these all go in,” he said.

According to the National Conference of State Legislatures, 19 states began 2017 with higher minimum wages, because of increased cost-of-living adjustments, ballot initiatives passed by voters or state legislation.

Robinson said he advised other cities increasing minimum wages to “engage the community, listen to concerns, be responsive as you can.” Jobs, he said, “are important.” He said he also works closely with developers to make the regulations work for the city and business interests.

Yogi Hutsen, executive vice president of Cedarbrook Lodge in SeaTac, said the hotel was already planning to add 67 rooms to the 100 rooms already there when the higher minimum wage was approved. He said that revenue takes a harder hit in food and beverages than in lodging when wages go up because “people are more likely to notice a price increase of a few dollars on a menu than on a room rate.”

He said that it takes some time for businesses to adjust to higher wages and see “what can be passed on and what the company has to absorb,” but that his company was committed to fair compensation for its staff.

He said he only wished that neighbouring cities would follow SeaTac’s lead and raise the minimum wage to \$15 per hour. “We’re in a noncompetitive situation,” he said, “and it would be easier if everyone else was paying the exact same wages.”