



# **Minimum Wage Ordinance Impacts on Economic Development in the City of Mountain View**

Project Report  
December 13th, 2017  
Urbanst 164: Sustainable Cities  
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## **Acknowledgements**

*This project would not have been possible without the guidance and expertise of:*

*Alex Andrade, Economic Development Manager, City of Mountain View*

*Julie Smiley, Executive Director, Mountain View Central Business Association*

*Deland Chan, Lecturer, Program on Urban Studies, Stanford University*

*And the voices of local business employees and employers of Mountain View, CA*

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## Project Purpose

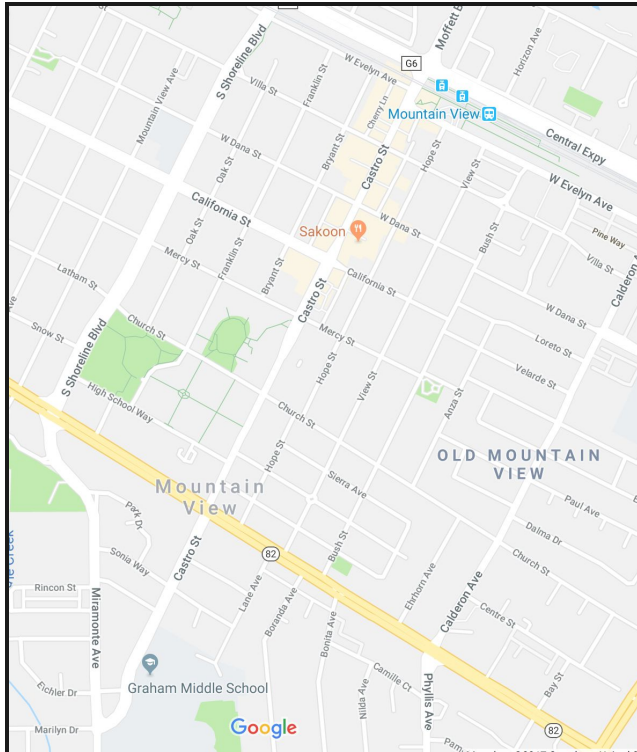
As of November 16, 2017, 39 counties and cities across the United States hold minimum wage ordinances (Inventory of US City, 2017). In response to a variety of socio-economic factors, Mountain View, California voters adopted a minimum wage ordinance on November 1, 2015 to increase its minimum wage \$2.00 per year until it reaches \$15.00 on January 1, 2018. At this date, Mountain View will tie Seattle, Washington for the highest statutory minimum wage in the country. Starting on January 1, 2018, Mountain View's minimum wage will increase in correspondence with the Regional Consumer Price Index (CPI) that the U.S. Department of Labor's Bureau of Labor Statistics reports in the prior year (City of Mountain View, n.d.).

Effective Date	Minimum Wage Rate
January 1, 2016	\$11.00
January 1, 2017	\$13.00
January 1, 2018	\$15.00
Annually (Starting January 1, 2019)	Based on Regional CPI Increase

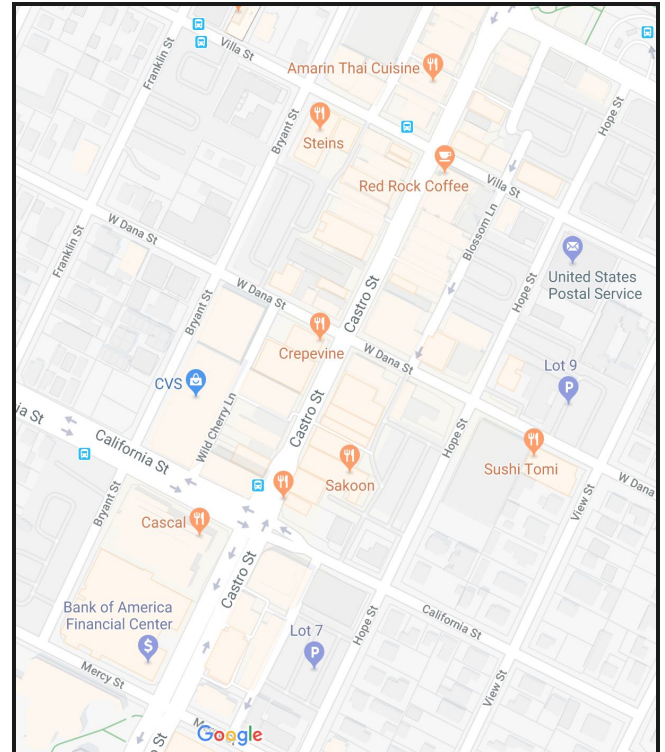
The City of Mountain View intends for annual updates to the minimum wage to account for inflation. However, Mountain View Economic Development Manager Alex Andrade, the primary community partner for this project, personally believes an economic downturn could strike Mountain View and the San Francisco Bay Area in the next few years. Furthermore, Andrade believes that the city would benefit from insight into the current attitudes and approaches of local business owners and minimum wage employees to draft effective, community-based policy recommendations for future challenges. The research reflected in this paper indicates the expected actions of businesses and employees in response to the rising minimum wage while also offering suggestions for what the city can do to ensure the wellbeing of both groups as the Bay Area rapidly grows (and declines) economically and demographically.

Ultimately, this project derives importance from the need to analyze the effectiveness of Mountain View's minimum wage ordinance as a policy change aimed at increasing economic mobility and opportunity for the local communities affected. If proven effective, the ordinance could provide a model for other communities across the state and nation, following in the footsteps of model cities such as Seattle. If proven ineffective, the policy will require a reversal or alternate solutions. Although the evidence in this study does not provide enough incentive to reverse the minimum wage ordinance completely, the ordinance's threats to businesses led the team to propose additional measures (see pages 14-15) that will transition Mountain View's minimum wage to be more sustainable for both local businesses and their employees.

This study extends the term "sustainability" to include not just environmental but socio-economic considerations as well. In our Sustainable Cities class, housing and equity represented prominent issues, and this study aims to incorporate the four pillars of sustainable community development into feasible policy recommendations that will develop Mountain View into a city people of diverse backgrounds, beliefs, talents, and ideas can continue to call home.



An overview of Downtown Mountain View



A zoomed-in image of Castro Street

## Literature Review

While collecting background information for the general advantages and disadvantages of minimum wage ordinances, the cities of Seattle, Washington and Sunnyvale, California stood out for their particular approaches. Seattle, for its part, initiated a minimum wage ordinance on April 1, 2015. This ordinance (shown on page 5), unlike Mountain View's, differentiates between small and large businesses based on employee size, those who pay medical benefits, and those who report tips when setting the minimum wage rates (Seattle Office of Labor Standards, n.d.).

In the City of Seattle, for Large Employers (501 or more employees) that do not pay medical benefits, the minimum wage currently sits at \$15.00 and will rise to \$15.45 on January 1, 2018. Large Employers that do pay medical benefits pay a lower minimum wage of \$13.50, which will rise to \$15.00 on January 1, 2018. In contrast, for Small Employers (500 or fewer employees) that do not pay medical benefits and do not report \$2.00 an hour in tips for the employee in question, the minimum wage currently sits at \$13.00 and will rise to \$14.00 on January 1, 2018. Small Employers that do pay medical benefits, or report less than \$2.00 an hour in tips for the employee in question, pay a lower minimum wage of \$11.00, which will rise to \$11.50 on January 1, 2018.

The Mountain View City Council may wish to note that Seattle's differentiation of employees addresses some of the community concerns regarding the allocation and reporting of tips and small business costs brought up by employees and employers later in this paper.

## Seattle's Minimum Wage

	Small Employers (500 or Fewer Employees)		Large Employers (501 or More Employees)	
	Does the employer pay towards the individual employee's medical benefits and/or does the employee earn tips?		Does the employer pay towards the employee's medical benefits?	
	YES	NO	YES	NO
2015	\$10.00	\$11.00	\$11.00	\$11.00
2016	\$10.50	\$12.00	\$12.50	\$13.00
2017	\$11.00	\$13.00	\$13.50	\$15.00
2018	\$11.50	\$14.00	\$15.00	\$15.45
2019	\$12.00	\$15.00		
2020	\$13.50			
2021	\$15.00			

Seattle's Minimum Wage Ordinance went into effect on April 1, 2015. The minimum wage was designed to gradually increase to \$15/hour based on the size of the business. After reaching \$15/hour, the minimum wage will increase every year on January 1 based on the Consumer Price Index for the Seattle Tacoma Bremerton area.

**Who is covered by Seattle's Minimum Wage?**  
All employees working within Seattle city limits regardless of employees' immigration status or location of their employer.

**How do I calculate employer size?**  
Count the employer's total number of individual employees worldwide. For franchises, count all employees in the franchise network.

**When can medical benefits count towards minimum wage?**  
For an employer's medical benefit payments to count toward an employee's minimum wage, the employee must be enrolled in a silver-level or higher plan as defined by the federal Affordable Care Act. An employer cannot pay a reduced minimum wage if the employee declines medical benefits or is not eligible for medical benefits. This is subject to limited exceptions.

Meanwhile, in Sunnyvale which is directly adjacent to the east of Mountain View in Santa Clara County, the minimum wage ordinance looks strikingly similar to that of Mountain View. Employers “may not use an employee’s tips or fringe benefits as a credit towards the employer’s obligation to pay the city minimum wage,” per the city’s official website (Sunnyvale, 2017). The exact wages and effective dates appear in the table below:

Effective Date	Minimum Wage Rate
January 1, 2017	\$13.00
January 1, 2018	\$15.00
January 1, 2019 and each year after	Regional CPI increase

To garner community input, Sunnyvale took part in the same pre-ordinance business owner survey as Mountain View’s Economic Development Division before enacting its minimum wage ordinance, but this process did not take employee voices into account. In this study, a primary goal is to provide a holistic perspective of the business and living environment of Mountain View to fill the gap between the active voices of local business employers and the equally important voices of their workers.

Another key goal of this study is to determine whether Seattle’s conditional minimum wage ordinance provisions are a better alternative to the singular minimum wages found in cities like Mountain View and Sunnyvale.

One should note that minimum wages do not necessarily equate to living wages. The chart below ranks the lowest adjusted minimum wages, calculated with the following equation: statutory minimum wage / (cost of living index from Council for Community and Economic Research/100). Despite a relatively high statutory minimum wage, Sunnyvale ranks fourth in lowest real minimum wages with an adjusted living wage of only \$5.83 (Josephson, 2017).

Rank	City	Minimum Wage	
		Statutory	Adjusted for Cost of Living
1	Honolulu, HI	\$ 9.25	\$ 4.87
2	Arlington, TX	\$ 7.25	\$ 5.08
3	Alexandria, VA	\$ 7.25	\$ 5.14
4	Sunnyvale, CA	\$ 13.00	\$ 5.83
5	Manchester, NH	\$ 7.25	\$ 6.09
6	Philadelphia, PA	\$ 7.25	\$ 6.12
7	Madison, WI	\$ 7.25	\$ 6.82
8	Newark, NJ	\$ 8.44	\$ 6.92
9	Stamford, CT	\$ 10.10	\$ 6.93
10	Charleston, SC	\$ 7.25	\$ 6.98

The statutory minimum wage is what employers must pay non-tipped employees according to local, state or federal laws.

In an article detailing a University of Washington study that examined the effects of the minimum wage ordinance in Seattle, PBS contributor Jonathan Meer noted:

“The researchers had unprecedented access to detailed administrative data. They compare wage levels, job counts and hours worked between the city of Seattle and a ‘synthetic control,’ composed of other parts of the state whose economies had been tracking Seattle’s reasonably well prior to the policy change. To simplify somewhat, the idea is that the two would have evolved similarly if the policy had never been introduced and that differences following the minimum-wage increases can be attributed to that policy.”

The University of Washington study found that, after the increase to \$13.00 an hour in Seattle, the city's low-wage workers suffered serious losses (Meer, 2017). The number of hours worked by low-wage workers fell 3.5 million hours per quarter. The number reflects thousands of job losses (including jobs that would have been created without the ordinance) and reductions in hours worked by those who kept their jobs. The total payroll accruing to low-wage workers decreased \$120 million per year after the ordinance, as workers lost \$125 per month on average.

While these findings make the implications of this study even more pertinent, our team behind this study did not have the financial and labor resources of the researchers at the University of Washington. As such, reports of the 20 local downtown business representatives along or near Castro Street and 20 minimum wage employees who responded were utilized to determine whether businesses would decrease employee hours and the sizes of their staffs.

The remarkably low adjusted minimum wage in Sunnyvale provided greater context for the rising cost of living associated with the Bay Area's equitable and affordable housing debates, and the team paid special attention to the implications of high rents, both for business owners and their employees, throughout the surveys. While the employee survey specifically asked about workers' housing conditions, the business representatives in the employer survey lamented the high rent prices without being specifically asked. This indicates the importance of a healthy real estate market to Mountain View's current and future economic growth and sustainability.

Since many large cities in California (Fremont, Concord, Sacramento, etc.) lack their own minimum wage ordinances, this research does not treat a local minimum wage as a necessity for economic growth. If, based on the findings of this study, the Mountain View City Council finds a minimum wage harmful, then the city can revoke the ordinance. In Missouri, Governor Eric Greitens approved a law forbidding local minimum wages, reducing the St. Louis minimum wage from \$10.00 to \$7.70 an hour (Weller, 2017).

California Governor Jerry Brown has already signed a bill mandating a \$15.00 statewide minimum wage by January of 2022, but Mountain View and Sunnyvale's ordinances put them four years ahead of the curve (Economic Policy Institute, 2017). The slower progression of the statewide bill may give businesses more time to adjust and forecast their financial plans than the timeline the Mountain View law provides, which frustrated several surveyed business owners.

With this background in mind, the research team behind this study took the following assumptions into account when surveying workers and their employers along Castro Street:

- The mere passing of the minimum wage ordinance does not require that it remain permanent in its current state.
- Alternative minimum wage ordinances can and should take into account different worker conditions, as the ordinance in Seattle does (accounting for size and type of business, fringe benefits).
- Minimum wages may barely help the workers it seeks to benefit due to external factors such as insurmountable housing prices.
- And finally, if the Washington study holds true, the minimum wage may cause more harm than good due to the decrease of employee jobs and hours.

Hearing the concerns of both employers and employees separately remained necessary for the team to address the above concerns, which arose during the case study field research.



## Methodology

A combination of in-the-field interviews, online Google Form surveys, and literature reviews contributed to the results discussed in this study. Previous survey results, presented in a Mountain View City Council meeting on October 9, 2014, revealed the opinions of 66 Mountain View business representatives on raising the minimum wage. That data (shown below) indicated that 77% of local business representatives supported a minimum wage but did not specify what wage the business owners had in mind. The 2014 survey examined opinions before implementation of the minimum wage ordinance, while the latest study seeks to describe current attitudes on the part of not only business representatives but employees as well.

Our community partner Alex Andrade proposed two primary research questions:

- “How are businesses adjusting to offset the new minimum wage costs?”
- “Does the increase in minimum wage result in an increase in economic mobility and opportunity for residents?”

### MINIMUM WAGE SURVEY RESULTS

	Number Responding	Do you support a minimum wage?	Impact on Business
Mountain View Chamber of Commerce	62	Yes – 77% No – 23%	12% would raise the wages of non-minimum wage workers. 12% state that their suppliers may raise rates/fees. 11% would cut back on worker hours to adjust for new wage.

Results from the 2014 survey of Mountain View businesses

Creation of two distinct Google Forms allowed for anonymous surveying of Mountain View’s business representatives and minimum wage employees on qualitative and quantitative measures. Emails and social media outreach aided in distribution of the surveys while some businesses also offered to respond to questions in person. The two surveys asked a combined 22 questions, multiple choice and short response, in order to collect data on the demographics, opinions and economic standing of minimum wage employees and their employers.

During the in-person interviews, photos were taken of key observations on Castro Street, such as departing businesses, incoming businesses, and buildings for lease. Page 9 highlights some of these images, which suggest a shift in businesses from local to larger scale chains.



As local businesses like Mountain View Door Closer, Key & Lock Service, Inc. leave Castro Street, chains such as Paris Baguette (which has over 3,700 locations worldwide) move in.



This incoming mixed-use project may place further pressure on local businesses, as their commercial and retail space becomes more valuable to buyers and investors. Questions to consider while analyzing the evidence: Who are the intended audiences for these developments? Are these developments socially and economically sustainable for minimum wage employers and employees?





Meanwhile, buildings for lease hold evidence of local businesses that already took their leave.

The team upheld principles of ethical service and respect for community members, as discussed in class. The decision to collect data with an online survey stemmed from the need for participants to remain anonymous in their potential critiques of business owners and the Mountain View City Council. Google Forms proved advantageous for achieving this goal, but the online format also brought drawbacks in that individuals had less incentive and more time constraints to search their emails for the survey and then complete it. It also proved difficult to ensure employers would share the employee survey link with their workers.

Since the Mountain View city officials represent the ultimate authorities in decisions about minimum wage and other economic policies, this research and the accompanying policy recommendations were presented at a Mountain View Downtown Committee meeting on December 5, 2017.

## Results and Recommendations

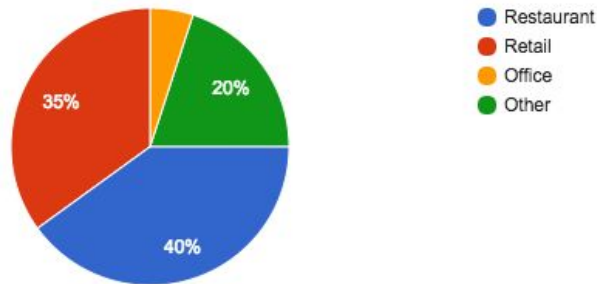
The survey results revealed in a Mountain View City Council meeting on Oct. 9, 2014 indicated that 77% of local business representatives supported a minimum wage. Additional data from that meeting highlighted the stages of minimum wage ordinances in San Jose, San Francisco, Sunnyvale, Berkeley, Richmond, Oakland, San Diego, Los Angeles and Seattle.

The 40 individuals surveyed for this study included 20 local business representatives along Castro Street and 20 minimum wage workers in Downtown Mountain View. The results appear on pages 10-14, and this paper then delves into the implications of these results for the City of Mountain View and its future economic policies.

# Employer Survey Responses

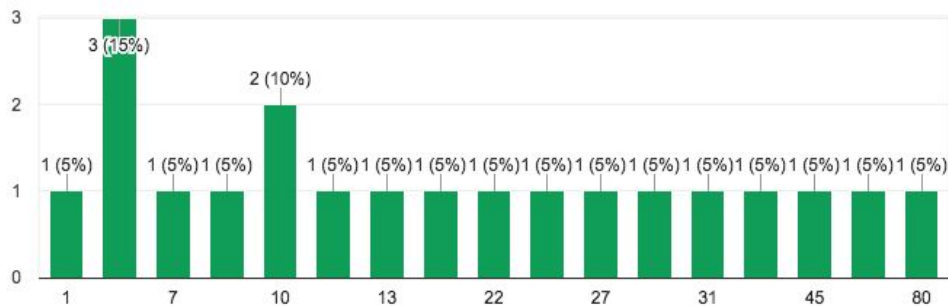
Which of the following categories best represents your business?

20 responses



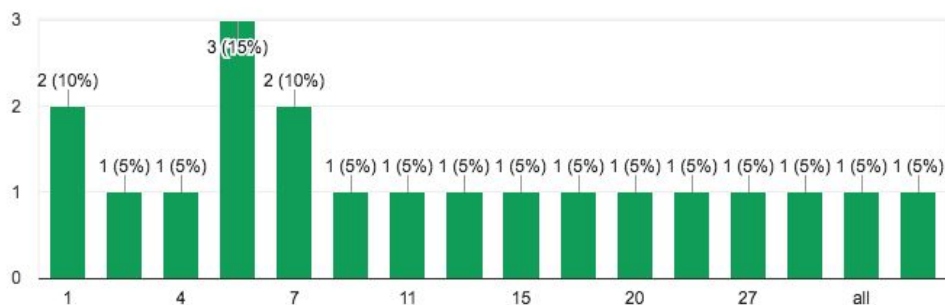
How many employees do you have?

20 responses



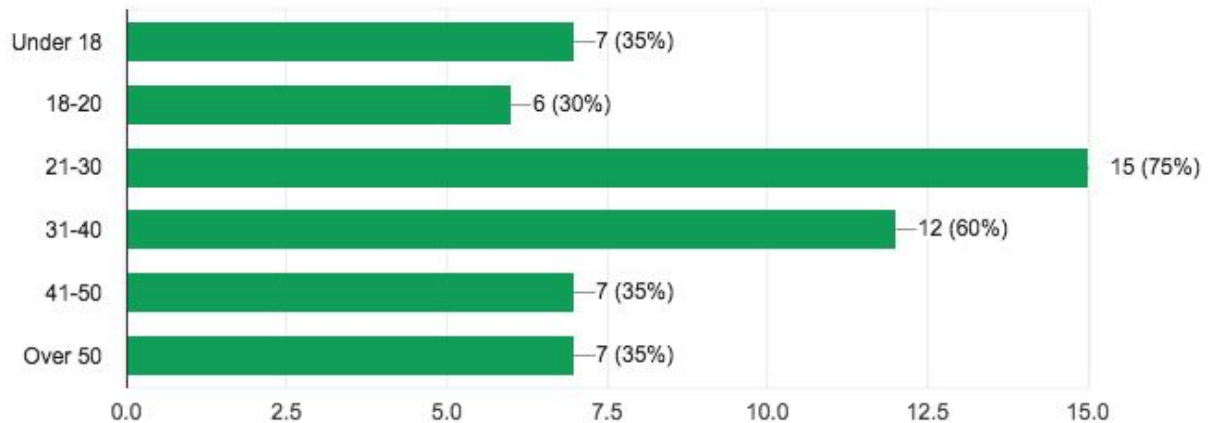
How many employees do you pay ABOVE the local minimum wage (currently \$13.00/hour)?

20 responses



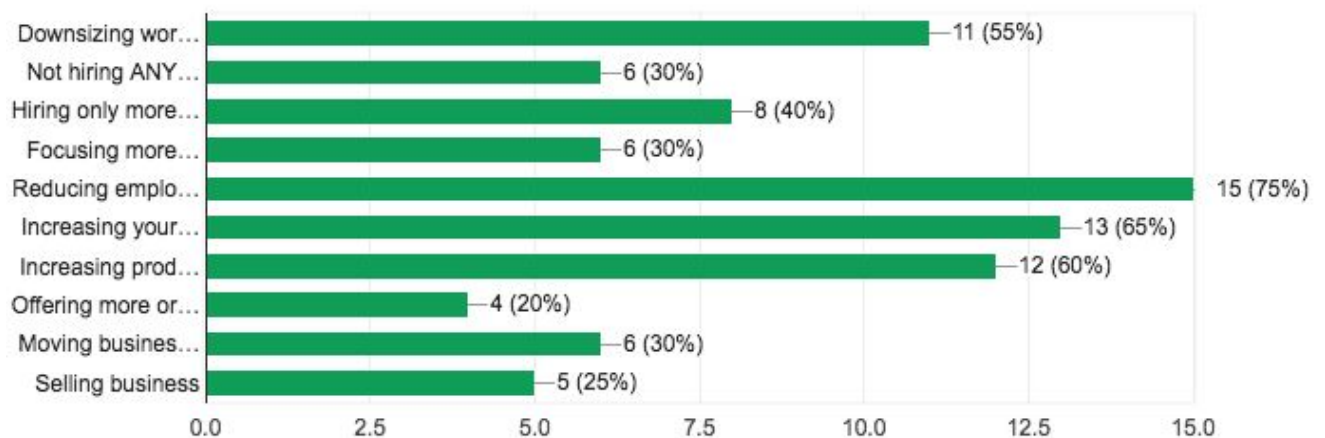
To which age ranges do your minimum wage employees belong? Please select all that apply.

20 responses



What actions are you taking or will be taking in response to the \$15.00 minimum wage ordinance? (check all that apply)

20 responses



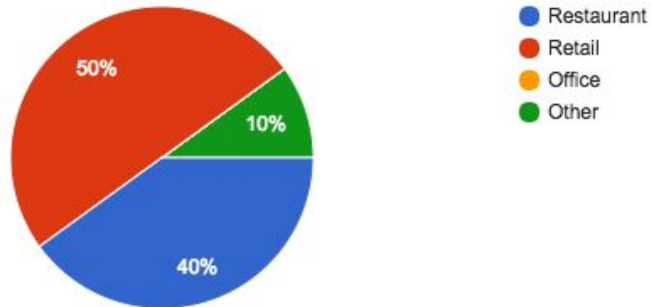
**The responses above in full length (in order from top to bottom):**

Downsizing workforce, Not hiring ANY more workers, Hiring only more skilled or more readily available workers, Focusing more on applicants' resumes/history, Reducing employee work hours, Increasing your own (and managements') work hours, Increasing product or service prices, Offering more or less employee benefits, Moving business out of Castro Street/Mountain View, Selling business

# Employee Survey Responses

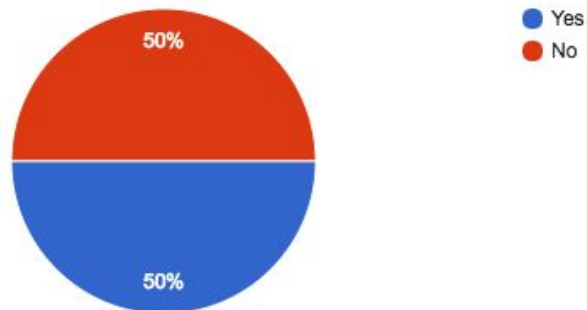
For which type of business do you work?

20 responses



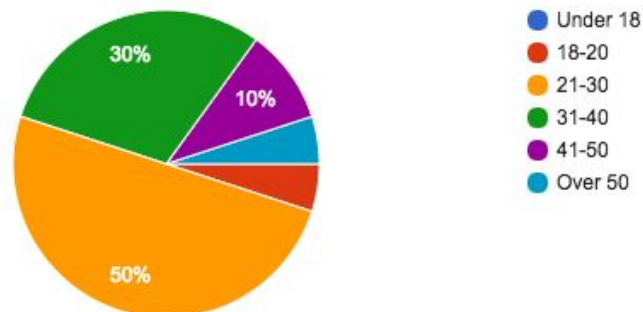
Do you receive tips?

20 responses



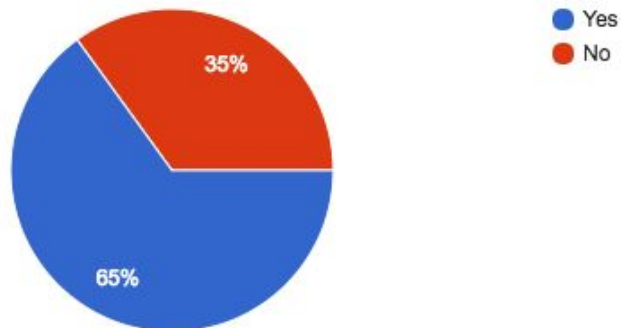
To which age range do you belong?

20 responses



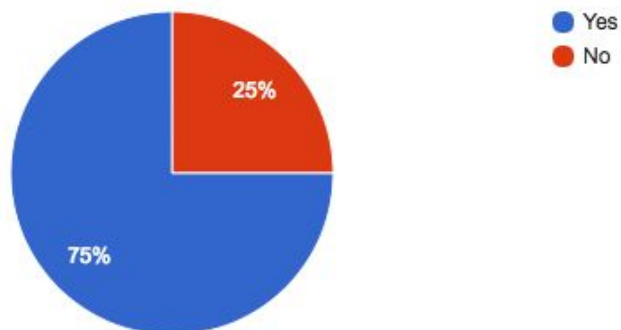
Do you think an increase in Mountain View's minimum wage will improve your quality of life?

20 responses



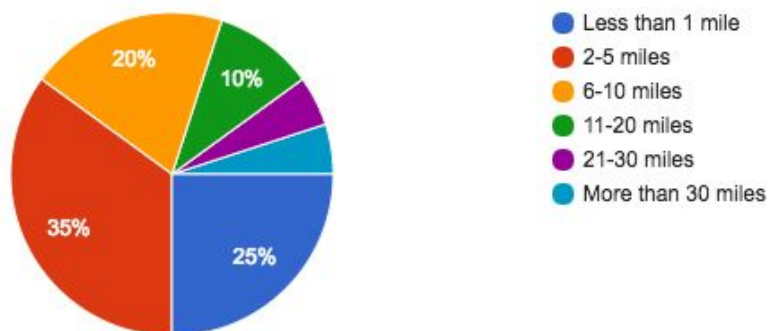
Do you think a \$15.00 minimum wage is fair?

20 responses



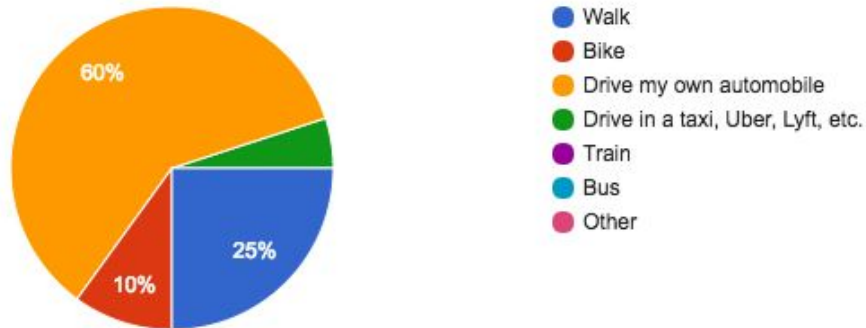
How far do you live from your job in Mountain View?

20 responses



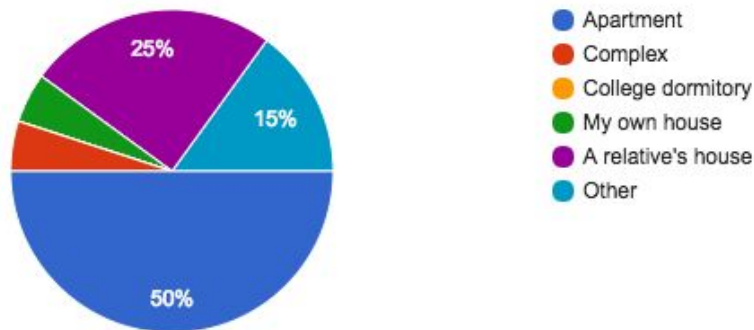
## How do you commute to your job in Mountain View?

20 responses



## How would you describe your housing situation?

20 responses



**NOTE:** two of the surveyed employees indicated they already receive \$15.00 wages, but for the purposes of this paper they are included as “minimum wage” employees because their socio-economic situations remain similar to those earning the current minimum wage.



The results of the employer surveys carry several substantial implications. First, more than 50% of businesses surveyed plan to downsize the workforce, with 40% expressing a need to hire more selectively and 30% claiming they would cease the hiring process altogether.

The most popular business responses for adjustments to the minimum wage increases included reducing existing employees' hours (75%), increasing management work hours (65%) and increasing product or service prices (60%).

In regards to future growth, the business survey results paint a bleak picture for the future of small retail and restaurant businesses on Castro Street. 30% of business representatives surveyed mentioned they may move their business off of Castro Street or out of Mountain View, while 25% may even sell their business. These statistics were the most crucial to our analysis.

Additional factors such as rising rents and a lack of consumers most likely comprise part of business representatives' doubts for the future, but minimum wage still represents an undeniable contributor to the struggles of the business owners. In order for Mountain View to sustain local business growth, the city may wish to more openly acknowledge the demands of these business owners, who did express concern for the City Council's lack of clear communication. In particular, the business representatives interviewed in this study brought up multiple recurring issues that invoke suggestion of the following policy changes in Mountain View.

- Recommendation 1: A Tip-Credit City
  - Dilemma: the minimum wage ordinance does not include tip-credits.
  - Anonymous employer quote: "Without a tip credit the minimum wage law creates a preference for the wait staff over kitchen staff. Wait staff earns between \$20-40 per hour in tips but the Mountain View ordinance does not acknowledge this income, though as a business we pay all payroll taxes based on the tip income and are fined if we don't have the employees report their tips for tax purposes."
- Recommendation 2: Periodic City-Council to Businesses Communication
  - Dilemma: many businesses felt as though the minimum wage ordinance was passed without their input and review.
  - Anonymous employer quotes:
    - "This survey should've been considered PRIOR to raising the minimum wage."
    - "I don't see how my comments could change the [City Council] and the wage ordinance."
- Recommendation 3: A Subsidized Financial Planner for Businesses
  - Dilemma: many businesses are not well prepared for the "sudden" changes to the minimum wage ordinance.
  - Anonymous employer quotes:
    - "The City Council did not keep their promises to us local business owners."
    - "I cannot have any time for vacations or relaxations."

Several minimum wage employees highlighted the importance of a living wage and brought up suggestions for the city to make such wages more attainable in the future.

- Recommendation 4: Tax Breaks for Affordable Housing Investment
  - Dilemma: new development is not tailored or intended for those who need or use affordable housing options.
  - Anonymous employee quotes:
    - “The cost of housing is far too high to afford living here on my own. Min wage would have to be at least \$50/hour to alter my lifestyle.”
    - “I can finally live in a home instead of my car.”
    - “There has to be more affordable housing to accommodate those working for minimum wage.”

Although 75% of surveyed employees found the \$15.00 minimum wage fair, only 65% mentioned the wage increase would improve their quality of life. It should be noted that, of the sample size used in the study, 95% of the minimum wage employees reported ages over 20 years old, and 40% reported an age between 31 and 50 years old. These numbers indicate many of Mountain View’s minimum wage earners are likely out of school and finding post-graduate jobs.

50% of the employees surveyed live in their own apartments and 20% of the surveyed employees reported commute distances of at least 11 miles, implying that they might live outside of Mountain View’s city limits.

The 50-50 split in tip earners and non-tip earners indicates results may be skewed due to the fact that tips can dramatically increase the income of a minimum wage employee. However, the written responses by individuals on the surveys indicate widely shared sentiments. Even the employees who indicated improvements in their life admitted the changes would do little in the long run. One employee even noted the impact her wage increase would have on her employer:

“I do not believe it will alter my life much. Except perhaps making it more difficult for the small retail bookshop that I work for.”

Overall, employees claimed the housing problem extends beyond the reach of minimum wage. Although multiple survey participants said they would appreciate the bit of extra spending money, almost none anticipated substantial changes in lifestyle as a result of the wage increase.

As for business representatives, those surveyed consistently made reference to the fact that minimum wage should not equate to a living wage and that the increase would directly harm their business growth. One employer in particular expressed remorse over the fact that they would not be able to hire teenagers, the people who they think should work such low wage jobs, because the time spent training a young employee, who now earns \$15.00 an hour from the start, poses too much opportunity cost.

While the data makes the change in minimum wage seem unsustainable, only more time will tell whether business representatives’ concerns hold any bearing. Also, the record must reflect the fact that small business owners hold an extremely biased opinion against minimum wage increases and small business employees hold mixed opinions due to the differences in financial and employment perspectives.

## Conclusions

The research in this study analyzes both potential costs and benefits of an increasing minimum wage, not only in Mountain View but also the surrounding Santa Clara County and beyond. Due to the high potential for change in any economy, the situations in other areas with high minimum wages, such as Seattle and Sunnyvale, provide insight into how Mountain View can sustain such a future.

Comparing data from the 10-week span of this study with that of previous years' and other cities' helped with projecting the long-term effects of factors such as tip carve-outs, taxes, cost of living and hiring practices. However, minimum wage remains a hotly debated topic, and further studies into the housing market in and around Mountain View are needed to determine what exactly represents a living wage.

Furthermore, the 40-person sample size used in this study needs to expand in order to come to more substantiated conclusions. Many more voices reside on Castro Street and could change the implications of the study drastically if surveyed or otherwise interviewed. If future students could extend the work started in this project over a greater span of time (and with more survey participants), then the effects of minimum wage could be examined on a yearly basis in order to determine changes in opinion or circumstances for local business representatives and minimum wage employees.

Future students or other researchers would benefit from employing other methods of reaching out to employers and employees, since the busy lives of people in the two groups may prevent them from noticing or filling out online surveys. Although the team in this study visited businesses in person as well, interviewing employees on the job raises concerns over disruption of an active workforce.

For the convenience of Mr. Andrade and other partners in Mountain View, the ongoing Google Form surveys will be shared in hopes of the city redistributing the forms and achieving a larger sample size over time. The team made plans with Mr. Andrade to meet after the winter break and potentially present the study results to a different group, such as the Mountain View City Council.

However, to more accurately and definitively determine the effectiveness of Mountain View's \$15.00 minimum wage, the city must consistently collect data in the years after 2018, as was done in Seattle by the University of Washington. Of course, the window to reduce the impacts on local businesses is closing, seeing as California's state minimum wage will reach \$15.00 by 2022.

Maintaining a cooperative relationship with both employers and employees represented a vital part of this study, and future students and community members should aim to replicate the same open relationship. Otherwise, people with important voices in the community may choose to stay silent.

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