Hospitality, Leisure & Tourism

Economic & Workforce Performance & Needs Assessment

Greater Sacramento Region

Aaron Wilcher, MA, MCP
COE Director, Sacramento region
Legacy Club, Raley Field, West Sacramento
April 26, 2019
Hospitality cluster study/preso
Overview

• 17 executive interviews Winter 2018-2019
• Workforce and market drivers
• Economic impact analysis cluster industries (ADE)
• Visitor profile; Traveler impact analysis (Dean Runyan)
• Cluster industry analysis
• Cluster occupational analysis
• Education and training awards, program inventory
• Workforce and economic development recommendations
Market Drivers: Key trends

Agritourism; Farm-to-Fork; Wine & Beer

- **Agritourism**
  - North Yuba Grown
  - Capay Valley
  - Apple Hill
  - On-farm + direct-to-consumer

- **Wine regions, craft beer**
  - Yuba, Placer, El Dorado, Amador County
  - Old Sugar Mill, Clarksburg Wine Trail
  - Craft beer in Auburn, Sacramento/West Sac

- **“Americas Farm-to-Fork Capital”**
  - Locavore movement
  - UC Davis, Golden1, Sac City Unified Schools
  - Prominent local restaurants

Source: COE, executive interviews; lit review, various sources
Market Drivers: key trends
Hotels & Casinos

- Sacramento urban core “DoCo”
  - Convention center / FC Republic / Railyards / waterfront
  - Kimpton-Sawyer
  - Hyatt Centric
  - Metropolitan

- Davis, Natomas, Rancho/Roseville/Folsom

- Casinos & Casino hotels
  - Cache Creek (Capay Valley)
  - Thunder Valley (Lincoln)
  - Red Hawk (Placerville)
  - Hard Rock, Fire Mountain (Yuba County)
  - Wilton Rancheria (Elk Grove)

Source: COE, executive interviews; lit review, various sources
ARTS & CULTURE

- Regional galleries
- Gold Country historic sites
- Regional and college/university theaters
  - Mondavi Center for the Arts
  - Harris Center
- Creative Edge Plan
- Nevada County Cultural District

OUTDOOR RECREATION

- Tahoe resorts: summer rec
- Skiing, Cycling
- Boating/fishing
- Rivers
- Natural sites: wetlands

Source: COE, executive interviews; lit review, various sources
Market Indicators
Visit California Travel Regions

3 traveler regions in analysis: Gold Country; Central Valley; High Sierra: 29 counties

Source: Dean Runyan Associates, Visit California
42 million visitors to 3 regions, 1 in 5 CA visitors

Younger, more diverse visitors than CA

Highest rate of business travel:
Gold Country, 1 in 4 visitors

Most common leisure travel activity:
Visiting family, 40%-50% of visitors

Higher rates of visits for arts & culture 26% (Central Valley)

Higher rates of visits for outdoor recreation, nature, adventure sports ~ 60% (High Sierra)

Source: Dean Runyan Associates, Visit California, OmniTrak, 2017
Market Indicators
Hotel market performance*

1,000 properties,
74,000 rooms

Concentration in Sacramento county:
< 50% of # of properties in Gold Country
but > 50% # of rooms

Highest occupancy rates:
Sacramento airport zone (82%, Dec 2017)

Lowest occupancy rates:
High Sierra (63%, Dec 2017)
(California: 75%)

Highest Average Daily Room Rate (ADR)
High Sierra ($151, Dec 2018)

Lowest Average Daily Room Rate (ADR)
Central Valley ($90, Dec 2017)
(California: $168, Dec 2018)

Highest Revenue Per Available Room (RevPAR)
Sacramento downtown zone ($105, Dec 2017)

Lowest Revenue Per Available Room (RevPAR)
Central Valley ($63, Dec 2018)
(California: $127, Dec 2018)

3 traveler regions in analysis: Gold Country; Central Valley; High Sierra: 29 counties

Source: Dean Runyan Associates, Visit California, Visit Sacramento, Smith Travel Research, 2017, 2018
Market Indicators
Airport Traffic, Sacramento ‘Intl (SMF)

<table>
<thead>
<tr>
<th>Year</th>
<th>Passengers (in thousands)</th>
<th>% Change from 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>8,685</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>8,972</td>
<td>3.3%</td>
</tr>
<tr>
<td>2015</td>
<td>9,610</td>
<td>10.6%</td>
</tr>
<tr>
<td>2016</td>
<td>10,119</td>
<td>16.5%</td>
</tr>
<tr>
<td>2017</td>
<td>10,912</td>
<td>25.6%</td>
</tr>
<tr>
<td>2018</td>
<td>12,051</td>
<td>38.7%</td>
</tr>
</tbody>
</table>

Source: Dean Runyan Associates, Sacramento International Airport
Economic Impacts
Impacts from hospitality, leisure cluster jobs

$17.7 billion
industry output
(direct, indirect, induced)

182,000 jobs
(direct, indirect, induced)

$6.8 billion
labor income
(direct, indirect, induced)

“For every job in the hospitality clusters, another 0.53 jobs is created elsewhere in the economy.”

Source: EMSI, 2019.1, IMPLAN, Applied Development Economics
Economic Impacts
Impacts from traveler spending

$7.0 billion travel spending

67,000 jobs supported

$2.3 billion employment earnings

$583 million generated in local and state taxes

Source: Dean Runyan Associates, Visit California
### Hospitality and Tourism Cluster (Traded)

<table>
<thead>
<tr>
<th>Subcluster</th>
<th>Related Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodations and Related Services</td>
<td>• hotels</td>
</tr>
<tr>
<td></td>
<td>• casino hotels</td>
</tr>
<tr>
<td></td>
<td>• motels</td>
</tr>
<tr>
<td></td>
<td>• RV parks</td>
</tr>
<tr>
<td>Amusement Parks and Arcades</td>
<td>• theme parks</td>
</tr>
<tr>
<td>Cultural and Educational Entertainment</td>
<td>• art galleries</td>
</tr>
<tr>
<td></td>
<td>• museums</td>
</tr>
<tr>
<td></td>
<td>• zoos</td>
</tr>
<tr>
<td></td>
<td>• historical sites</td>
</tr>
<tr>
<td>Gambling Facilities</td>
<td>• casinos</td>
</tr>
<tr>
<td>Other Tourism Attractions</td>
<td>• ski resorts</td>
</tr>
<tr>
<td></td>
<td>• marinas</td>
</tr>
<tr>
<td></td>
<td>&quot;other recreation&quot;</td>
</tr>
<tr>
<td>Spectator Sports</td>
<td>• professional and amateur sports teams</td>
</tr>
<tr>
<td>Tourism Related Services</td>
<td>• travel agencies, reservation services</td>
</tr>
<tr>
<td></td>
<td>• sporting goods rental</td>
</tr>
</tbody>
</table>

### Local Hospitality Establishments Cluster (Local)

<table>
<thead>
<tr>
<th>Subcluster title</th>
<th>Related industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality Establishments</td>
<td>• restaurants</td>
</tr>
<tr>
<td></td>
<td>• fast food</td>
</tr>
<tr>
<td></td>
<td>• bars</td>
</tr>
<tr>
<td></td>
<td>• catering</td>
</tr>
<tr>
<td>Recreational Facilities &amp; Instruction</td>
<td>• gyms</td>
</tr>
<tr>
<td></td>
<td>• fitness studios</td>
</tr>
<tr>
<td></td>
<td>• golf courses</td>
</tr>
<tr>
<td>Gifts and Souvenirs Retailing</td>
<td>• gift shops</td>
</tr>
</tbody>
</table>

Source: U.S. Cluster Mapping Project
In 7-county greater Sacramento region:

- 118,000 jobs
- 10% of the economy
- 17% growth between 2007-2017 (17,000 jobs)
  (compare to 3% for all industries in the regional economy)
- Overall average annual earnings: $25,500
  (compare to $68,670 for all industries in the economy)
- Projected 5-year growth 8.6% (10,000 jobs)

Hospitality cluster jobs
Traded and non-traded clusters

Source: EMSI, 2018.3, calculations by COE
Hospitality cluster jobs
Traded and non-traded clusters

Hospitality & Tourism (Traded)

- 20,500 jobs
- 16% growth, ’07-’17 (~3,000 jobs)
- 7% 5-year projected growth
- Average annual earnings: $39,500

Local Hospitality (Non-Traded)

- 98,000 jobs
- 17% growth, ’07-’17 (~14,000 jobs)
- 9% 5-year projected growth
- Average annual earnings: $22,500

Source: EMSI, 2018.3, calculations by COE
Hospitality cluster jobs
Traded and non-traded clusters

<table>
<thead>
<tr>
<th>Cluster</th>
<th>2017 Jobs</th>
<th>2017 LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hospitality Establishments</td>
<td>85,434</td>
<td>0.99</td>
</tr>
<tr>
<td>Recreational Facilities and Instruction</td>
<td>10,989</td>
<td>1.15</td>
</tr>
<tr>
<td>Accommodations and Related Services</td>
<td>9,976</td>
<td>0.69</td>
</tr>
<tr>
<td>Other Tourism Attractions</td>
<td>5,913</td>
<td>2.33</td>
</tr>
<tr>
<td>Spectator-Sports</td>
<td>1,471</td>
<td>1.05</td>
</tr>
<tr>
<td>Gifts and Souvenirs Retailing</td>
<td>1,254</td>
<td>1.03</td>
</tr>
<tr>
<td>Gambling Facilities</td>
<td>1,089</td>
<td>1.14</td>
</tr>
<tr>
<td>Tourism Related Services</td>
<td>1,016</td>
<td>0.48</td>
</tr>
<tr>
<td>Cultural and Educational Entertainment</td>
<td>737</td>
<td>0.52</td>
</tr>
<tr>
<td>Amusement Parks and Arcades</td>
<td>351</td>
<td>0.22</td>
</tr>
</tbody>
</table>

Source: EMSI, 2018.3, calculations by COE
99,000 of the 118,000 total cluster jobs are “below middle skill” requiring little or no postsecondary education or training.

There are few “middle skill” jobs in these clusters.

There are even fewer jobs that require a bachelor’s degree.

3 out of 4 jobs in the Hospitality & Tourism cluster requires no postsecondary education and little training.

9 out of 10 jobs in the Local Hospitality Establishments cluster requires no postsecondary education and little training.

Source: EMSI, 2018.3, calculations by COE
Occupational Wage Levels
By skill level and cluster

Hospitality & Tourism (Traded)

- Above Middle Skill: 96.8%
- Middle Skill: 91.0%
- Below Middle Skill: 33.8%

Local Hospitality (Non-Traded)

- Above Middle Skill: 100%
- Middle Skill: 54%
- Below Middle Skill: 46%

% of Total Jobs in Each Skill Category

% Jobs that pay more than living wage for 1 adult household ($12.32/hr)

% Jobs that pay more than living wage for 1 adult, 1 child household ($26.48/hr)

Source: EMSI, 2018.3, MIT Living Wage Calculator; calculations by COE
Just 1 out of 3 of the 84,000 below middle skill jobs in local hospitality establishments pays >$12.32 per hour.

Fewer than 1,000 of the 99,000 total below middle skill jobs pays more than $26.48

Only 5% of the 10,000 middle skill jobs in local hospitality establishments pays >$26.48 per hour (~500 jobs)

About 850 jobs of the 14,000 total middle skill jobs pays >$26.48

Just about half of the 6,400 jobs that require a bachelor’s degree pays >$26.48 per hour (~3,500 jobs)

Source: EMSI, 2018.3, MIT Living Wage Calculator; calculations by COE
Full-service and limited service restaurants: 71,000 jobs, 60% of all cluster jobs

Snack & non-alcoholic beverage bars (LQ of 1.6, 8,000 jobs) grew by > 20%, ‘07 and ‘17, +1,900 jobs

Full-service and limited service restaurants: +11,000 jobs ‘07–’17, 60% of cluster job growth

Bars: 30% increase in jobs, ‘07 and ‘17, +1,900 jobs

Just 8% of subcluster jobs require postsecondary education or training

Average annual earnings: $22,500

Hospitality Establishments Industry and Occupational Trends

<table>
<thead>
<tr>
<th>Occupation</th>
<th>2017 Jobs</th>
<th>Median Hourly Wage</th>
<th>Skill Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and Operations Managers</td>
<td>600</td>
<td>$46</td>
<td>Above</td>
</tr>
<tr>
<td>Chefs and Head Cooks</td>
<td>960</td>
<td>$19</td>
<td>Middle</td>
</tr>
<tr>
<td>Food Prep. Workers</td>
<td>26,000</td>
<td>$11</td>
<td>Below</td>
</tr>
<tr>
<td>Waiters and Waitresses</td>
<td>14,600</td>
<td>$12</td>
<td>Below</td>
</tr>
<tr>
<td>Restaurant Cooks</td>
<td>7,400</td>
<td>$13</td>
<td>Below</td>
</tr>
<tr>
<td>Fast Food Cooks</td>
<td>7,500</td>
<td>$11</td>
<td>Below</td>
</tr>
</tbody>
</table>

Source: EMSI, 2018.3, calculations by COE
10,000 jobs, 5.4% growth between ‘07 and ‘17* (* does not include tribal casino hotels)

Average annual earnings: $34,000

1 in 5 jobs in the subcluster requires at least some postsecondary education and training

Largest hotels (non-casino):

- Hyatt Regency (Sac): 360 employees
- Doubletree (Sac): 350 employees
- Sheraton Grand (Sac): 330 employees
- Marriott (SLT): 320 employees
- Hyatt (Truckee): 320 employees
- Hilton (SLT): 250 employees

Boutique accommodations (RV, campgrounds, B&B) grew by dozens of percentage points, but small #s

Source: EMSI, 2018.3, EconoVue, Dun & Bradstreet; calculations by COE
Gambling Facilities (Casinos)  
Industry and Occupational Trends

1,100 jobs, 51% growth between ‘07 and ’17*  
(* does not include tribal casinos)

Location quotient of 1.14*  
(* does not include tribal casinos)

Tribal casinos/ casino hotels:
- Cache Creek: 2,000 employees, 400+ room hotel expansion under construction
- Thunder Valley: 2,000 employees
- Hard Rock Hotel: 200-room hotel under construction, 1,500-2,000 jobs projected
- Wilton Rancheria: 300-room hotel and large convention center planned

Average annual earnings (casinos): $45,500

Average annual earnings (other gambling): $25,000

93% of jobs in the subcluster require no postsecondary education or training

<table>
<thead>
<tr>
<th>Occupation</th>
<th>2017 Jobs</th>
<th>Median Hourly Wage</th>
<th>Skill Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gaming Dealers</td>
<td>500</td>
<td>$11 Below</td>
<td>Below</td>
</tr>
<tr>
<td>Gaming Cage Workers</td>
<td>70</td>
<td>$13 Below</td>
<td>Below</td>
</tr>
<tr>
<td>Gaming Change Persons &amp; Booth Cashiers</td>
<td>60</td>
<td>$13 Below</td>
<td>Below</td>
</tr>
</tbody>
</table>

Source: EMSI, 2018.3, EconoVue, Dun & Bradstreet; calculations by COE
Other Tourism Attractions
Industry and Occupational Trends

6,000 jobs, 63% growth between ‘07 and ’17*

Location quotient of 2.3

¼ of jobs in the subcluster require at least some postsecondary education and training.

Top employers are ski resorts, park depts./districts, and casino management consulting

Average annual earnings: $29,500

Also: Food service & Retail

<table>
<thead>
<tr>
<th>Occupation</th>
<th>2017 Jobs</th>
<th>Median Hourly Wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>General and Operations Managers</td>
<td>600</td>
<td>$46 Above</td>
</tr>
<tr>
<td>Fitness Trainers &amp; Aerobics Instructors</td>
<td>200</td>
<td>$22 Middle Skill</td>
</tr>
<tr>
<td>Maintenance &amp; Repair Workers, General</td>
<td>120</td>
<td>$19 Middle Skill</td>
</tr>
<tr>
<td>Managers, All Other</td>
<td>70</td>
<td>$24 Above</td>
</tr>
<tr>
<td>Amusement &amp; Recreation Workers</td>
<td>900</td>
<td>$12 Below</td>
</tr>
<tr>
<td>Landscaping &amp; Groundskeeping Workers</td>
<td>600</td>
<td>$12 Below</td>
</tr>
</tbody>
</table>

Source: EMSI, 2018.3, EconoVue, Dun & Bradstreet; calculations by COE
General interview findings (workforce themes)
Focus on Hotels and Restaurants

• **Workforce shortages** across the org chart in restaurants and hotels, recruitment challenges, turnover challenges

• **Seasonal and part-time work** is common (2-3 jobs common)

• Flexibility and lifestyle benefits many not keen on “the straight community”

• **Affordable housing** a major issue, especially at Lake Tahoe

Source: COE executive interviews
General interview findings (workforce themes)
Focus on Hotels and Restaurants

- **Soft skills**, customer service, “dedication” & work ethic

- **Career awareness** a challenge, “not like it seems on TV”… hard work

- **Small businesses** (agritourism) need marketing and other **technical assistance** to grow

- **New technologies** like automated check in and robotics in hotels may have workforce or skill impacts

Source: COE executive interviews
**General interview findings (workforce themes)**

Focus on Hotels and Restaurants

- **Formal education and training** sometimes (not always) required for hotel and restaurant management positions

- **Experience** in many cases substitutes for, or is more important than formal education

- “working your way up” was the most commonly cited method of advancement

- **Progressive talent promotion** may reduce turnover and keeps workers in the industry

- Culinary/chef/management/start-up **incubators** in a few restaurants in Sacramento

Source: COE executive interviews
• Lack of awareness and perception of low performance for school culinary and hospitality programs common

• Few school-industry partnerships cited

• Willingness to collaborate

• Several cited new Sac State hospitality management program as a hopeful addition

“We are not a great training industry. [The schools in the Sacramento region] are not producing talent in our area. ... I would love to have a better partnership with the schools than we do in our downtown hotels. ... I don’t know any workforce organizations that have a workforce impact on our industry.”

—Leading consultant in the hospitality industry
<table>
<thead>
<tr>
<th>Analysis Category</th>
<th>Program Categories</th>
<th>Representative Departments/Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Culinary, Restaurant Management, Dietetics</strong></td>
<td>• Culinary Arts&lt;br&gt;• Restaurant Management&lt;br&gt;• Pastry Chef&lt;br&gt;• Dietetic Services &amp; Management</td>
<td>• Sierra College, Nutrition &amp; Dietetics&lt;br&gt;• ARC, Restaurant Management&lt;br&gt;• CRC, Food Service&lt;br&gt;Entrepreneurship&lt;br&gt;• Woodland Comm. College, Baking</td>
</tr>
<tr>
<td><strong>Fitness/Kinesiology</strong></td>
<td>• Kinesiology&lt;br&gt;• Fitness Trainer&lt;br&gt;• Physical Education&lt;br&gt;• Health Services</td>
<td>• Sierra College, Kinesiology&lt;br&gt;• William Jessup, Exercise Science&lt;br&gt;• CSUS, Kinesiology, Exercise Science&lt;br&gt;• ARC, Fitness Specialist</td>
</tr>
<tr>
<td><strong>Recreation/Hospitality</strong></td>
<td>• Recreation&lt;br&gt;• Recreation Assistant&lt;br&gt;• Parks, Recreation Management</td>
<td>• Sierra College, Recreation Mgmt.&lt;br&gt;• LTCC, Wilderness Education&lt;br&gt;• CSUS, Recreation &amp; Park Mgmt.</td>
</tr>
</tbody>
</table>
### Education and Training

3-Year Average Annual Awards

<table>
<thead>
<tr>
<th>Program</th>
<th>Certificate &amp; Associate Awards</th>
<th>Bachelor's &amp; Master's Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culinary/Rest. Mgmt./Dietetics</td>
<td>316</td>
<td>12</td>
</tr>
<tr>
<td>Fitness/Kinesiology</td>
<td>143</td>
<td>160</td>
</tr>
<tr>
<td>Recreation/Hospitality</td>
<td>24</td>
<td>319</td>
</tr>
</tbody>
</table>

Source: IPEDS, Emsi 2018.2; Chancellor’s Office Data Mart; COE Supply Tables; COE Analysis
Education and Training
3-Year Average Annual Awards

** schools permanently closed

Source: IPEDS, Emsi 2018.2; Chancellor’s Office Data Mart; COE Supply Tables; COE Analysis
Workforce Recommendations
Addressing Wage and Training Issues

• Building governance and engagement capacity

• Map high-road employment opportunities

• Maximize existing programs before building new programs

• Contract education for existing workers

• Scale model hiring and promotional practices

• Focus on tribal casinos and hotels

• Consider expanding union presence

• Focus on Sac State’s Hospitality Management program

• Support school-industry partnership transitions into different higher-wage occupations and industries

“A lot of those for profit culinary schools have gone by the wayside. ... I think there is a great opportunity for small community college style cooking schools to take advantage of the market.”
—Owner of a high-end restaurant
Economic Development Recommendations

- Address jurisdictions & capacity among regional DMOs
- Support capacity-building technical assistance for regional initiatives
  - Permitting and licensing requirements for small farm operations to expand
  - Identify and scale local-sourcing policies and practices
- Consider a cluster initiative for recreation, adventure sports, fitness
- Support cross-jurisdiction arts and entertainment initiatives for shared resources/practices
Aaron Wilcher, MA, MCP
wilchea@losrios.edu
916-563-3233

www.coeccc.net
Hospitality Establishments Interview Findings

- Minimum wage increases: Price and tip sharing

- Tip sharing to back of house kitchen is a trend to reduce turnover

- Career awareness a challenge: not like on TV!

- Celebrity chefs are key drivers for economic development, need to bring more to the region

- $14 - $15 per hour, typical wage for cooks

- Salaried head chefs $40k - $50k; fine dining can go to $70k - $90k

- Front of house wait staff, bartenders, sommeliers, sous chefs, prep cooks $20 per hour to $40 per hour
  - Probably a minority in fine dining

- Health benefits uneven, no clear picture

Source: COE executive interviews
Accommodations and Related Services
Interview Findings

- Large, luxury hotels have formalized, segmented org chart, better wages and earnings
- Job quality in food service may be better in larger hotels than elsewhere
- Management recruitment: national searches and transfers common
- Entry-level management at larger hotels starts at $40k a year
- Union agreements cover a small share of hotels and hotel restaurants (Unite Here, Local 49)
- Union presence in tribal gaming facilities

Source: EMSI, 2018.3, calculations by COE
Recreation Facilities & Instruction
Industry and Occupational Trends

11,000 jobs, 13% growth between ‘07 and ’17*

Location quotient of 1.15

Top employers are golf courses and country clubs (+37% + 1,500 jobs ‘07–’17)

Top industry is Fitness & Rec Sports Centers 6,500 (LQ 1.3, $18k earnings)

Average annual earnings (total subcluster): $22,000

Average annual earnings (Golf Courses): $32,000

~ Half of jobs in the subcluster require at least some postsecondary education and training.

A third are middle skill.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>2017 Jobs</th>
<th>Median Hourly Wage</th>
<th>Skill Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitness Trainers and Aerobics Instructors</td>
<td>1,860</td>
<td>$22</td>
<td>Middle Skill</td>
</tr>
<tr>
<td>Self-Enrichment Education Teachers</td>
<td>500</td>
<td>$21</td>
<td>Below</td>
</tr>
<tr>
<td>Teachers and Instructors, All other</td>
<td>430</td>
<td>$21</td>
<td>Above</td>
</tr>
</tbody>
</table>

Recreational Facilities & Instruction (11,000 jobs)
Representative Occupations

Also: Sales reps & M&R occupations

Source: ESMI, 2018.3, EconoVue, Dun & Bradstreet; calculations by COE