




CITY OF SANTA FE

Memorandum

Date: August 28, 2025

To: Governing Body, Public Works and Utilities Committee, Quality of Life Committee, Finance Committee

From: Rod Gould, Senior Advisor and Public Engagement Coordinator 
RG

RE: Living Wage Update

EXECUTIVE SUMMARY:

The proposed legislation would amend SFCC 1987, Section 28-1, to increase Santa Fe's minimum wage to \$17.50/hour, beginning January 1, 2027. Thereafter, the ordinance would increase by a rate equal to the average of (1) the increase (if there is one) to the consumer price index for the western regions for urban wage earners and clerical workers of the Western Region Consumer Price Index ("Western Region CPI") (for the previous year) and (2) the increase (if there is one) to the United States Department of Housing and Urban Development's ("HUD") "Fair Market Rent" for a two-bedroom unit in Santa Fe. The purpose is to tie the escalator more closely to the cost of housing, which, according to the impact analysis entitled "Raising the Living Wage in Santa Fe: Potential Impacts and Analysis" ("Santa Fe Impact Analysis") (attached to this memo), is the most significant affordability factor for workers. The annual increase to the minimum wage would be 5% per year and the minimum wage would not decrease in the event of a depression or economic crisis.

BACKGROUND:

There is a gap between what it costs to live in Santa Fe and what people who work in Santa Fe are paid. The Living Wage Ordinance, adopted in 2002 with a limited scope and amended soon after in 2003, sought to address what was already a gap back then. In the last 23 years, the gap has grown wider, forcing more working Santa Feans to leave the city where they work and have roots and relocate to less expensive communities. There are numerous negative consequences—economic, social, and more—of allowing that long-standing trend to continue, not the least of which are the losses of diversity and community continuity in Santa Fe.

Median incomes in the city have risen 36% since 2016; rents have increased 74%, and home prices by 80% according to housing data from the Santa Fe Forward general plan assessment. According to the Santa Fe Impact Analysis, housing costs are the single largest cost burden for low-wage workers in Santa Fe. Over the past 25 years, Santa Fe Market Rent (FMR) levels have consistently trended upward faster than general inflation in the Western United States.



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Housing production in Santa Fe decreased after the 2008 recession but has since rebounded. There has been a dramatic uptick in multifamily construction in recent years, with 407 to 840 units per year permitted since 2018, partially due to regulatory changes to the Santa Fe Homes Program which improved development feasibility and offered developers additional ways to meet the inclusionary zoning requirements.

Data compiled by the 2025 Santa Fe Forward report suggests that City policies on the housing supply side have had some impact on the cost of rental units in Santa Fe. The significant influx of new apartments in the past few years has slowed rent increases. For example, data show that early 2025 rents have risen only about half of a percent above rents from a year ago. More production, particularly of multi-family rental units, will continue to impact rental costs. The next step is to make an adjustment to the living wage.

Santa Fe's living wage increased to \$15/hour on March 1, 2025. The New Mexico State minimum wage is \$12/hour. The federal minimum wage has remained at \$7.25/hour since 2009. However, the current impact of the \$15/hour living wage is limited. Many employers are already paying more than the living wage for entry level workers and have been doing so for some time.

ANALYSIS AND PROPOSAL SPECIFICS:

-Raise the living wage to \$17.50/hour January 1, 2027. Approving the adjustment in 2025, but delaying its implementation until 2027, allows employers time to prepare for the increase and navigate the current economic uncertainty.

- Continue to include income from tips in calculating the living wage as is currently provided in the Living Wage Ordinance, Section 28-1.5. Nonprofit organizations whose primary source of funds is from Medicaid remain exempted. The value of health care and/or childcare benefits continues to count in the calculation of wages paid to employees.

-Beginning January 1, 2028, following the 2027 implementation of the new \$17.50/hour living wage, adjust the formula for calculating the annual increase. Rather than using the Western Region CPI in isolation, the new formula would also include the HUD Fair Market Rent for a two-bedroom unit in Santa Fe, averaging the annual increase (if there is an increase to both) of the two figures. The purpose of including the HUD Fair Market Rent is to acknowledge that housing plays a primary role in the high cost of living in Santa Fe. Combining the CPI with the Fair Market Rent more accurately addresses the fundamental challenge workers face in being able to live in Santa Fe. The Fair Market Rent figure is published by the U.S. Department of Housing and Urban Development and is Santa Fe-specific and publicly available.

-Cap any annual increase in the living wage at 5% and, as a floor, prohibit any decrease in the living wage, even if housing costs should dip dramatically in any given year. Historical data included in the scenario analysis, "What Should a Living Wage Look Like in Santa Fe: Five Potential Scenarios" (attached to this memo) suggest that living wage growth will fall within the 2-4% range of the 5% cap. The 5% cap would be triggered only in years with rare economic circumstances. Similarly, the floor would only apply in deep deflationary cycles.



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Projected Increases in Living Wage Based on Historical Western CPI and Housing Prices in Santa Fe

Year	10th percentile (0.00%)	50th percentile (2.6%)	90th percentile (5.0%)
2025	\$15.00	\$15.00	\$15.00
2026	\$15.00	\$15.00	\$15.00
2027	\$17.50	\$17.50	\$17.50
2028	\$17.50	\$17.96	\$18.38
2029	\$17.50	\$18.42	\$19.29
2030	\$17.50	\$18.90	\$20.26
2031	\$17.50	\$19.39	\$21.27
2032	\$17.50	\$19.90	\$22.33
2033	\$17.50	\$20.41	\$23.45
2034	\$17.50	\$20.94	\$24.62
2035	\$17.50	\$21.49	\$25.86

This chart indicates that the most likely scenario, based on historical CPI increases and housing growth, is that the proposed living wage will grow at a rate of 2.6% per year. If there is little or no inflation and little to no rent increases over the next ten years, the living wage will remain at \$17.50/hour. If both inflation rates and rental costs rise significantly over the next decade, the annual living wage increase would be capped at 5% per year.

Financial Impact on City of Santa Fe:

Analysis of the most recent payroll shows 18 of roughly 1,350 City employees making slightly less than \$17/hour. Although these employees receive a substantial benefits package, staff would recommend raising their base wages to the \$17.50 per hour specified in this legislation at a cost of the \$13,467.71 per year.

ATTACHMENTS:

- Bill
- Fiscal Impact Report
- Memo Attachment – Santa Fe Scenario Analysis
- Memo Attachment – Santa Fe Impact Report
- Memo Attachment -- Proposal for Revising Current Living Wage Law