



Agenda

**Regular Meeting of the
Economic Development
Advisory Committee
October 1, 2025 at 11:00 AM
Councilors' Conference Room,
City Hall
200 Lincoln Avenue**

Procedures for Economic Development Advisory Committee Meeting

Join Zoom Meeting:

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gov.zoom.us/j/83314578481?pwd=43m0IVRTb3XLlrhJXilmOIKpEcbCsb.1](https://santafenm.gov.zoom.us/j/83314578481?pwd=43m0IVRTb3XLlrhJXilmOIKpEcbCsb.1)

Meeting ID: 833 1457 8481

Passcode: 536279

1. Call to Order
2. Roll Call
3. Approval of Agenda
4. Approval of Consent Agenda
5. Approval of Minutes
 - a. Approval of the September 3 Economic Development Advisory Committee (EDAC) Meeting Minutes
6. Action Items: Consent Agenda
 - a. CONSIDERATION OF BILL NO. 2025-21. ADOPTION OF ORDINANCE NO. 2025-____. (Mayor Alan Webber)
A Bill Amending SFCC 1987, Section 28-1.5 ("Living Wage Ordinance"), to Increase the City's Base Minimum Wage and Update the Formula for Calculating the Minimum Wage Annually. (Rod Gould, Senior Advisor and Public Engagement Coordinator; rsgould@santafenm.gov)

Committee Review:

Governing Body (Introduced): 09/10/2025

Governing Body (Public Comment): 09/24/2025

Public Works and Utilities Committee: 09/29/2025

Economic Development Review Committee: 10/01/2025

Quality of Life Committee 10/01/2025

Finance Committee: 10/06/2025

Governing Body: 10/29/2025

Economic Development Advisory Committee

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7. Action Items: Discussion Agenda
8. Presentations
 - a. Go-Local Update and Sub-Committee Chair Vote (Johanna Nelson, Director, City of Santa Fe, Office of Economic Development, jcnelson@santafenm.gov; Councilor Cassutt, Chair, Economic Development Advisory Committee, jcassutt@santafenm.gov)
9. Public Comment
10. Matters from Staff
11. Matters from the Committee
 - a. EDAC Open Discussion (Councilor Cassutt, Chair, EDAC, jcassutt@santafenm.gov)
 - b. Sub-Committee Updates (Committee Chairs, EDAC)
12. Matters from the Chair
13. Next Meeting:
 - a. November 5, 2025
14. Adjourn

Persons with disabilities in need of additional accommodations, contact the City Clerk's office at 505-955-6521, five (5) working days prior to meeting date.

**ECONOMIC DEVELOPMENT ADVISORY COMMITTEE
WEDNESDAY, SEPTEMBER 3, 2025, 11:00 AM
CITY HALL, COUNCILORS CONFERENCE ROOM
200 LINCOLN AVE., SANTA FE, NM**

1. CALL TO ORDER

The meeting of the Economic Development Advisory Committee was called to order by Councilor Cassutt, Chair, at 11:03 am on Wednesday, September 3, 2025, at City Hall, in the Councilors Conference Room, 200 Lincoln Ave., Santa Fe, New Mexico.

2. ROLL CALL

MEMBERS PRESENT

Ondine Frauenglass
Kenneth Resnick
George Gamble
Kathy Rivera
Ava Salman
Sierra Cruz, arrived at the meeting at 11:10 am
David Perez, Vice Chair, virtually
Councilor Jamie Cassutt, Chair
(One vacancy)

MEMBERS ABSENT

Myriah Tomas, excused

OTHERS PRESENT

Johanna Nelson, Director, Economic Development
Casey Dalbor, Business Growth Manager
Xavier Martinez, Constituent Services Manager
Juan Torres, Director, Santa Fe County Economic Development
Maciek Jusik, Downtown Business Coordinator
Elizabeth Martin, Stenographer, virtually

3. APPROVAL OF AGENDA

MOTION A motion was made by Ms. Frauenglass, seconded by Ms. Rivera, to approve the agenda as presented.

VOTE The motion passed on a voice vote.

4. APPROVAL OF CONSENT AGENDA

None.

5. APPROVAL OF MINUTES

A. APPROVAL OF THE AUGUST 6, 2025, ECONOMIC DEVELOPMENT ADVISORY COMMITTEE (EDAC) MEETING MINUTES

MOTION A motion was made by Mr. Resnick, seconded by Ms. Frauenglass, to approve the minutes.

VOTE The motion passed on a voice vote.

6. ACTION ITEMS: CONSENT AGENDA

None.

7. ACTION ITEMS: DISCUSSION AGENDA

A. CONSIDERATION OF BILL NO. 2025-19. ADOPTION OF ORDINANCE NO. 2025-____. A BILL ESTABLISHING A TEN (10) YEAR PLAZA PUSH CART VENDOR LICENSE FOR WHICH VENDORS WHO HAVE COMPLETED TWENTY-FIVE CONSECUTIVE YEARS OF VENDING ARE ELIGIBLE TO APPLY

Mr. Martinez gave an overview of the history of pushcart vendor licensing on the Plaza.

There was discussion around the lack of availability of records over the last 25 years of pushcart vendor licensing, the length of time the licensed vendors are required to be present on the Plaza each month, what problem is being solved with this Bill, the allocation of pushcart licensing slots on the Plaza, the lack of historical records, assuring that efforts are made to keep the records going forward, turnover in pushcart vendors on the Plaza, license costs, how was the 25 year requirement determined, flexibility, honoring the history on the Plaza.

Chair Cassutt agreed to speak with Councilor Lindell to understand more about the need for this and the intent. She does know there has been a lot of conversation about the longevity of local businesses downtown. She could see an argument coming from that aspect.

Ms. Frauenglass said she feel that ten years would be a better time for business longevity.

Ms. Rivera said she kind of agrees. She defers to the Councilors as to what they are thinking.

Ms. Salman said she thinks twenty five years is too long.

Mr. Gamble asked if this feedback will get back to the Governing Body.

Chair Cassutt said that is on her shoulders to share what we have discussed at Governing Body. You can approve this, deny this or give no recommendation.

Mr. Gamble recommended that the issue be looked at more carefully.

MOTION A motion was made by Ms. Rivera, Seconded by Mr. Resnick, to postpone this item to the next meeting agenda.

VOTE The motion passed on a roll call vote as follows:

Ms. Frauenglass, yes; Mr. Resnick, yes; Mr. Gamble, yes; Ms. Rivera, yes; Ms. Cruz, yes; Mr. Perez, yes; Ms. Salmon, yes; Chair Cassutt, yes.

8. PRESENTATIONS

A. CITY-COUNTY ECONOMIC DEVELOPMENT COLLABORATION EFFORTS AND UPDATES

Ms. Nelson said we continually work with the City of Santa Fe and Santa Fe County on ways to improve and grow. She wanted to highlight that this week. Mr. Torres and I are going to give a presentation that is meant to be a conversation starter.

A PowerPoint presentation was given on current collaborations, emerging opportunities and joint funding.

There was a discussion about the possibility of forming a joint City/County Board.

Mr. Perez said he is pleased that we are having this conversation. He thinks that would be a great opportunity for the City and the County. The audiences we serve are the same. They don't see boundaries. We should work together to be stronger and more effective.

Mr. Perez asked if the County has a similar Committee to this Committee.

Mr. Torres said no, we don't. We just started a Culture and Creative Industries Committee.

Mr. Perez said it seems like we might be able to have a regional committee.

Mr. Resnick asked what would be the downside of that.

Mr. Torres said there used to be a regional committee, but it was disbursed and it ended.

Chair Cassutt said we have been having a discussion about light industrial areas for development. She is interested in that. Something like that could benefit from a joint committee.

Mr. Torres said there is the solar project we are working in along with other possible projects.

Mr. Perez said he thinks the opportunity to combine would create a holistic economic development plan. In the City, we are seeing light manufacturing opportunities. We have the opportunity to grow here. Zoning is an important conversation htoave and is unique to Santa Fe.

B. GO LOCAL - GO DIFFERENT UPDATE AND WORKING GROUP CREATION

Ms. Nelson gave an overview of the Go Local program.

Ms. Nelson said we talked about a working group on this idea. We convened a working group a couple fo weeks ago with thirty attendees who we asked to discuss what they would like to see. The groups feedback included high support for a unified message to our residents to shop and think local first. Also there was a push to make this about place making and about having a template for events. We will meet on September 23rd to launch a branding campaign with local business associations. Her hope is to kick this off prior to the holidays. She will share the updated brand at the October meeting.

Ms. Frauenglass said this is exciting.

9. PUBLIC COMMENT

None.

10. MATTERS FROM STAFF

Ms. Nelson handed out an update report of upcoming events and accomplishments.

Mr. Dalbor said if you want to be reappointed and have not sent in your letter and resume, you need to do so by the end of the day today.

Ms. Nelson said our biggest news is that we hired our new Downtown Business Coordinator. His name is Maciek Jusik and he is here with us today. We are interviewing for the Southside Business Coordinator.

Ms. Nelson gave the highlights of the upcoming events.

Mr. Dalbor said we are making three large payments to three of our companies in the LEDA program - Parting Stone, Marty's Meals and Beck and Bulow, which means they met their milestones to get reimbursed. Those milestones include jobs and benchmarks. Marty's Meals has come to the end of their cycle. She has blown it out of the water.

Ms. Nelson said at meetings, she has heard it expressed that Santa Fe does not, as a group. Support businesses. Maybe that could be a working group of EDAC. How we can improve on that.

Chair Cassutt said that is something to explore.

Mr. Dalbor reminded the Committee that working groups can only have Committee members in working groups cannot more than 4 in order to not create a quorum. You can have as many outside members as you would like.

Mr. Resnick said it seems that the Chamber would have a role in this.

11. MATTERS FROM THE COMMITTEE

A. EDAC WORKING GROUP UPDATES

Ms. Salman asked how we coordinate with start ups. What is available to them.

Ms. Nelson said our new Small Business Navigator Program is who they would contact. She will add the link to the chat. We are promoting that program this week.

Mr. Perez asked what follow up will be done regarding a regional City/County entity.

Mr. Dalbor said we have to look at what is possible under the Ordinance.

Chair Cassutt said we would have to establish legislation. We are looking at all our committees and commissions at the City. There will be more to come.

Ms. Rivera asked if there was any follow up on supporting the business license office.

Ms. Nelson said they informed us that they don't need an additional worker. We are looking at opportunities to improve the ability to access information.

Ms. Cruz said she knows the City Manager took the time to sit with the licencing office to determine challenges and patterns. There are internal audits going on as well.

12. MATTERS FROM THE CHAIR

None.

13. NEXT MEETING

A. OCTOBER 1, 2025

14. ADJOURN

There being no further business before the Committee, the meeting adjourned at 12:53 pm.

Councilor Jamie Cassutt, Chair

Elizabeth Martin, Stenographer




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.



CITY OF SANTA FE

Memorandum

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.



CITY OF SANTA FE

Memorandum

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

**Memo Submitting Living Wage Update Legislation
August 20, 2025
Study Session**

To: City Council

From: Mayor Alan Webber

Re: Proposal for Revising Current Living Wage Law

Purpose and Summary

Santa Fe’s future depends on many factors—none more important than the adoption of a strategy that helps guide the composition of the city: who lives here now and in the future. Much of the unique character of Santa Fe is a reflection of the makeup of our community. Santa Fe has always been a diverse place, with some families tracing their roots back for many generations and others proud to be new arrivals. The city depends on workers in a variety of jobs and industries whose labors make the economy go; it also has retirees who contribute their time as volunteers and their support to worthy causes. Keeping that blend of people—a population strategy for Santa Fe—will play a critical role in the city’s future, its character, its distinctive culture, its quality of life, and its sense of place and livability.

A population strategy has many components, but none is more important than the combination of affordable housing and a living wage.

As this memo lays out, 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, displayed foresight and courage in addressing what was already seen as 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.

Data suggest that City policies on the supply side have had some impact on the cost of rental units in Santa Fe. 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.

This proposal increases it to \$17.50/hour after a one-year period for preparation and observation. It maintains the existing provisions for exceptions. It creates a new blended formula for calculating any annual increase, using both the Consumer Price Index and Fair Market Rent data specific to Santa Fe, a reflection of the key role that housing costs play in what constitutes a living wage. It caps any increase at 5%, guarding against an excessive increase, and establishes a floor of 0% preventing the living wage from going down in the case of an economic crisis.

This two-pronged strategy represents another commitment of the City to address the needs of both employees and employers and puts the City on record as supporting a strategy that will keep Santa Fe, Santa Fe when it comes to the people who live and work in the city.

To recap:

Santa Fe's future as a diverse community where people can both work and live depends in large measure on two inter-related factors: the supply of housing units and the income level of the working people of Santa Fe. A strategy that focuses on the population composition of the city needs to address both factors.

The pipeline of housing construction in Santa Fe is currently experiencing a renewed level of activity. As a result, rental rates are finally experiencing a modest but significant improvement through the increased supply and diversity of housing options. More housing construction, additional funding for the Affordable Housing Trust Fund, and other supply side housing policies can continue this positive trend.

However, the gap between the cost of housing and the income levels of Santa Fe's workforce is still substantial. As a result, data show that long-time Santa Fe residents are forced to relocate to less expensive communities outside the city, and then commute to jobs in the city.

The second part of an effective strategy comes through an adjustment to the living wage, as recommended initially by the Food Depot in a white paper on childhood hunger. This proposal does the following things:

- If adopted, would go into effect one year after its adoption. This is to permit the Governing Body, as well as employers and employees, to take stock of the larger macro-economic environment, which currently is undergoing a great deal of uncertainty. A year from now there should be much more clarity as to the strength and direction of both the national economy and the local Santa Fe economy.

- Leaves in place the current provisions in the existing living wage ordinance concerning exemptions for tipped wages, and several special categories of employers.

-Makes a one-time change to the living wage to \$17.50/hour.

-Adjusts the basis for the annual escalator so that the formula is a 50-50 calculation of the Western Region Consumer Price Index (for the previous year) and the HUD Fair Market Rent for a 2-bedroom unit in Santa Fe. The purpose is to tie the escalator more closely to the cost of housing, which is the most significant affordability factor for workers. The annual increase would be capped at no more than 5% per year and the floor would be 0% in the event of a depression or economic crisis.

Background

Initial Ordinance

In 2002, the City of Santa Fe enacted a Living wage ordinance. The ordinance as amended in 2003 applies to most full-time public, private, or non-profit employees within the city limits. The purpose of the legislation was to require employers to pay employees minimum wages adequate to meet the basic needs of living in Santa Fe. Santa Fe was widely recognized as the second city in the nation to adopt a living wage law.

At that time, the Governing Body recognized that many Santa Fe workers earned wages that were insufficient to support themselves and their families. The purpose of the living wage was tied to the public welfare, health, safety, and prosperity of Santa Fe; earned wages needed to be sufficient to ensure a decent and healthy life for workers and their families.

The findings included the fact that, in 2003, Santa Fe County was 23% below the national average in average earnings and that the cost of living was 18% higher than the national average. Furthermore, housing costs were much higher than in most parts of New Mexico, and low-income workers were required to spend a disproportionate percentage of their income sheltering themselves and their families.

The Governing Body further stated that a living wage would benefit employers and the economy by improving employee performance, reducing employee turnover, and lowering absenteeism on the job. As a result, productivity would improve, as would the quality of services provided by employees.

Beginning January 1, 2004, the minimum wage was set at \$8.50 per hour. Then on January 1, 2006, it was increased to \$9.50/hour. Beginning January 1, 2009, and each year thereafter, the minimum wage has been adjusted upward by an amount corresponding to the previous year's increase, if any, in the Consumer Price Index for the Western region for urban wage

earners and clerical workers. In 2003, it was estimated that for a worker in Santa Fe to afford an average rent, that worker would have needed to make \$15.29 an hour.

Under the provisions of the living wage ordinance, tips earned by workers who typically earn more than \$100/month in tips or commissions are counted toward the living wage standard. Nonprofit organizations whose primary source of funds is from Medicaid are exempted. The value of health care and/or childcare benefits is included in the calculation of wages paid to employees.

The City Manager or his/her designee is authorized to enforce the living wage law. Anyone found guilty of violating the law may be charged with a misdemeanor. The City and any individual aggrieved by such a violation may also bring a civil action to remedy the violation and, upon prevailing, be entitled to legal or equitable relief. The living wage ordinance includes prohibitions against retaliation and circumvention.

A study performed by Aaron Yelowitz, entitled “Santa Fe’s Living wage Ordinance and the Labor Market” published by the Employment Policies Institute in September 2005 claimed that the Santa Fe living wage was responsible for a 9% increase in the unemployment rate of Santa Fe’s least educated workers.

However, when the study was peer reviewed by Jeannette Wicks-Lim and Robert Pollin of the Political Economy Research Institute at the University of Massachusetts at Amherst, they found the Yelowitz study to be misleading and incomplete, based on a misuse of available data. When the peer reviewers re-ran the Yelowitz model using the same data, they found that the living wage ordinance did not produce any decline at all in job availability. On the other hand, the ordinance did increase the earned income of the average worker covered by the ordinance. Thus, the ordinance did improve the income of low-wage workers without sacrificing their employment opportunities.

Where It Stands Today

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.

Although Santa Fe was one of the early leaders in setting a living wage ordinance, many cities have since surpassed it including Seattle, Denver, San Francisco, Los Angeles, San Jose, Washington. D. C., New York City, Chicago. and Boston. In these cities, the living wage ranges from \$16/hour to more than \$23/hour. Enforcement of the living wage ordinance in Santa Fe has not posed a problem to date.

In 2022, the Food Depot issued a report on food scarcity in Santa Fe. Specifically, the group had been charged with coming up with recommendations to make sure that no children in Santa Fe would go to bed hungry. Their report offered a number of recommendations, but the central proposal was that the City needed to increase the living wage.

Since that report was delivered, there have been several efforts, both formal and informal, to come up with a proposal that would respond to the Food Depot's focus on updating the living wage. Most recently, this spring and summer, Mayor Webber has held exploratory discussions with a number of groups, businesses, non-profits, and associations to discuss possible proposals to update the Santa Fe living wage. Meetings included representatives of the Chamber of Commerce, Chainbreakers Collective, AFSCME, the hospitality industry, the construction industry, Christus St. Vincent Hospital, and the Food Depot, among others. Several meetings were held with different representatives of the hospitality industry, which employs 17.6% of the workers in Santa Fe, and account for nearly 11,000 jobs. The purpose of these discussions was to discuss whether the living wage was achieving its initial goals, and, if not, how it could be adjusted to do a better job, without causing economic harm to the city's employers or its economy.

Several shared findings emerged from those discussions. First, most representatives agreed that 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. For example, data from the hospitality industry in 2022 indicated that average wages for hotel reservations agents were \$19/hour, lead cooks \$18/hour, line cooks \$16/hour, food/beverage supervisors \$17/hour, employee cafeteria cooks \$16/hour, laundry attendants \$15.50/hour, and retail clerks \$16.25/hour.

A second widely shared comment was that the overall U.S. economy is currently experiencing wide-spread uncertainty. While Santa Fe's economy is steady and strong, economic and trade policies coming out of Washington, D.C. have business leaders concerned that decision-making with regard to their companies is increasingly challenging. Until the macro-economic environment becomes clearer, it is difficult for them to make informed decisions about their business plans.

Nexus Between Living Wages and Housing Costs

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. While efficiency units have seen the highest annual average increase at 4.7%, a two-bedroom unit (the most widely used

benchmark for housing affordability) has increased at an average of 3.4% per year. The average regional Consumer Price Index (CPI-W) has increased 2.7% annually since 2000.

This suggests that, on average, housing costs in Santa Fe have typically grown 0.7% faster than inflation. Between 2023 and 2024, two-bedroom rents surged by 22.9%, far outpacing the CPI-W increase of just 2.8%. 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.

While there are some outliers, such as 2012 and 2016, two years in which Santa Fe experienced rent declines, the data show that indexing the living wage solely to the CPI-W underestimates the actual cost pressures faced by renters in Santa Fe.

One of the consequences of high rental costs in Santa Fe is the displacement of workers to more affordable communities. Simply put, people who work in Santa Fe cannot afford to live in Santa Fe. More than one-third of those employed in Santa Fe live outside the county in more affordable areas, such as Rio Rancho and Espanola, and commute to Santa Fe. According to Zillow, the average rent in Santa Fe is approximately \$2,114 per month for a two-bedroom apartment. The H.U.D. definition of being rent burdened is spending more than 30% of gross income on housing. By this definition, one-third of all households in Santa Fe are rent burdened, especially those working in the hospitality, education, and social service professions. Even households with two incomes cannot afford to buy the average single-family home in Santa Fe.

Using the 30% guideline, a worker in Santa Fe would need to earn on the order of \$25-30/hour in full-time, year-round employment to afford these rents. An analysis by the National Low Income Housing Coalition found that the wages necessary to afford a modest rental are roughly \$25.33/hour for a one-bedroom and \$29.52/hour for a two-bedroom unit.

The gold standard for living wage calculations is the M.I.T. Living Wage Calculator. It indicates the hourly rate that an individual in a household must earn to support themselves and/or their family working full time or 2,080 hours per year. In Santa Fe, the M.I.T. living wage calculator calls for \$24.42/hour for a family with no children, \$43.67/hour for a family with one child, \$56.30/hour for a family with two children, and \$72.66/ hour for a family with 3 children.

Housing Supply and Demand

Clearly, Santa Fe cannot realistically expect to close the gap between what entry-level wage earners make and what is needed for reasonable housing costs strictly through raising the living wage. That would pose an extreme hardship on businesses in Santa Fe that contribute

the most to the community and would lead to layoffs and unemployment. However, increasing the living wage and adding to the city's housing stock, when combined as a two-pronged strategy, can begin to narrow the gap between what people can afford and what the housing market has to offer. Supply and demand in the housing market does play a critical role in making it more possible for Santa Fe to retain its diverse population and make it affordable for those who work in Santa Fe to live in Santa Fe.

According to a 2025 study included in the Santa Fe Forward general plan assessment, the city is projected to need 3,270 new housing units by 2050 to meet expected population growth, including 1,309 rental units and 1,961 ownership units. This is approximately 133 units per year needed just to keep up with new housing demand. Most of this demand will occur before 2040; it does not take into account the current housing shortfall.

Santa Fe Forward finds that the majority of Santa Fe's lower and moderate-income households (those earning less than the median income of \$70,000) are priced out of most home ownership opportunities in the city. There is also a deficit in rental units to serve the number of low-income households in Santa Fe; notably, as a result recent housing construction trends have favored rental apartments rather than single-family homes.

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.

The city is currently experiencing an increase in housing development. Tierra Contenta Phase 3 and the housing development called for in the Midtown Master Plan will account for several thousand new units in those two areas alone. In addition, there are several large multi-family projects of over 300 units currently under construction. Altogether, there are more than 2,500 multifamily units currently under construction and nearly 4,000 more multi-family units in the pipeline, as well as several hundred single family units.

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 ½% above rents from a year ago. At this pace, rent growth will likely remain limited for several years as new units are completed and occupied. This is a positive trend for rent affordability.

However, while it may indicate a slow-down in the rate at which rents increase, it does not reduce the still sizable gap between what people bring home in their paychecks, and how much they have to spend on housing. That fundamental problem awaits another positive measure, this time adjusting the living wage.

New Housing Affordability

The supply of housing of all types has been and must be a part of any solution designed to help those who work in the city to live in the city. On the supply side, the City has implemented a variety of housing policies to increase the affordability of the new housing units for low-middle income workers. These include:

-The Governing Body proposed, and Santa Fe voters overwhelmingly approved a 3% excise tax on the sale of homes over \$1 million, with the proceeds going into the City's Affordable Housing Trust Fund. That provision, which, according to some estimates could yield \$7 million per year in new support for affordable housing, is currently being litigated in the New Mexico Courts of Appeals.

- Inclusionary zoning in the Santa Fe Homes program, requires housing developments of more 10 units to provide a percentage of affordable homes in exchange for density bonuses and fee reductions.

-The Governing Body has allocated \$3 million per year for the Affordable Housing Trust Fund to provide support a variety of programs aimed at addressing the housing needs of low-income residents.

-Developers can benefit from a variety of incentives for building affordable units, including fee waivers in some cases. The city provides water rights to developers building affordable units, another valuable incentive.

-The City uses Community Development Block Grant (CDBG) funds to fund emergency homeless shelters and services, mortgage reduction loans and renovation and construction of homes for low-income residents.

-In addition, the Santa Fe Civic Housing Authority and Santa Fe County Housing Authority provide roughly 1,300 housing choice vouchers and 750 units of housing to low-income residents in the city.

The Living Wage Ordinance Reform Proposal

Based on discussions with various stakeholders, staff analysis and research performed by economist Reilly S. White, Associate Dean of the Anderson School of Management at the University of New Mexico, Mayor Webber recommends the following changes to the current ordinance:

-Raise the living wage to \$17.50/hour in early 2027. Approving the adjustment 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. 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.

-Following the implementation of the new \$17.50/hour living wage, adjust the formula for calculating the annual increase. Rather than using only the Western Region CPI, the new formula would also include the H.U.D Fair Market Rent for a 2-bedroom unit in Santa Fe, combining the two figures on a 50-50 basis. The purpose of adding in the H.U.D Fair Market Rent is to acknowledge the primary role that housing plays 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 prohibit any decrease in the living wage if housing costs should dip dramatically in any given year. Historical data suggest that living wage growth will fall within the 2-4% range. The 5% cap would be triggered only in rare years. Similarly, the floor would only apply in deep deflationary cycles.

Year	10th pct (0.00%)	50th pct (2.6%)	90th pct (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 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 rise significantly over the next decade, the annual living wage increase is capped at 5% per year.

Conclusion

Santa Fe's future depends on many factors—none more important than policies that guide who lives here now and in the future. Much of the unique character of Santa Fe derives from the composition of our community. Santa Fe has always been a diverse place, with some families tracing their roots back for many generations and others proud to be new arrivals. The city depends on workers in a variety of jobs and industries whose labor makes the economy go; it also has retirees who contribute their time as volunteers and their support to worthy causes.

Keeping that blend of people through increased housing opportunities and updated living wage—a key population strategy for Santa Fe—will play a critical role in the city's future, its character, its distinctive culture, its quality of life, and its sense of place and livability.

A population strategy has many components, but none is more important than the combination of affordable housing and a living wage.

As this memo lays out, 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, displayed foresight and courage in addressing what was already seen as 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.

Data suggests that City policies on the supply side have had some impact on the cost of rental units in Santa Fe. More production, particularly of multi-family rental units, will continue to have meaningful impact on the reduction of rental costs. The next step is to make an adjustment to the living wage.

This proposal increases the living wage \$17.50/hour after a one-year period for planning and observation. It maintains the existing provisions for exceptions. It creates a new blended formula for calculating any annual increase, using both the Consumer Price Index and Fair Market Rent data specific to Santa Fe, a reflection of the key role that housing costs play in what constitutes a living wage. It caps any increase at 5%, guarding against an untenable increase for employees, and establishes a floor of 0% preventing the living wage from going down in the case of an economic crisis.

This two-pronged strategy represents another commitment of the City to address the needs of both employees and employers and puts the City on record as supporting a strategy that will keep Santa Fe, Santa Fe when it comes to who lives and works our the city.

What Should a Living Wage Look Like in Santa Fe? Five Potential Scenarios



FY 2025 - 2026

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Executive Summary

Santa Fe policymakers are considering a set of options to raise and index the city’s minimum wage to better reflect local cost-of-living pressures, particularly driven by rising housing costs. The city’s socio-economic fabric is under severe strain as housing affordability lags far behind wages, creating the risk that working families who wish to make Santa Fe their long-term home will be priced out. If this trend continues, Santa Fe could see the gradual displacement of its core workforce, undermining the diversity and stability that define the community. This report evaluates five indexing scenarios to guide that decision, combining historical data modeling, policy mechanics, and practical implementation strategies. Each scenario explores a different approach to annual minimum wage adjustments—including inflation-only, housing-based, blended indices, and capped/floored models.

Summary of Modeled Scenarios

- **Scenario A: *CPI-Only Escalator***
Adjusts annually using Western Region CPI-W. Median wage projected to rise from \$15.00 in 2025 to \$18.89 by 2034. In high-inflation conditions (90th percentile), the wage reaches \$21.81; in low-growth years, only \$16.87. Offers stability but fails to address rent pressures.
- **Scenario B: *Housing-Only Escalator***
Pegs wage growth to HUD two-bedroom FMR. Highly volatile. Median projection: \$18.90 by 2034, but in a high-rent trajectory, it could reach \$38.37—more than double Scenario A. In low-growth years, it drops to \$12.97. Strong housing link, but risky without caps.
- **Scenario C: *Blended Index (CPI-W + Rent)***
Equal weighting of CPI and FMR. Aims to reflect general inflation *and* local rent dynamics. Median 2034 projection: \$18.89, with a plausible range of \$14.80–\$28.82 depending on percentile. Balanced but introduces complexity and potential for volatility.
- **Scenario D: *Blended Index + \$17.50 Floor + 5% Cap***
Same blended index as Scenario C, but with a starting floor and annual growth ceiling. Median outcome: \$20.94 by 2034; upper bound capped at \$24.62, even in extreme inflationary environments. Offers stability, fairness, and predictability for workers and employers alike.
- **Scenario E: *Phased Path to \$17.50, Then Blended Index***
Raises wage to \$17.50 by 2028, then indexes using the blended method. Median projection: \$20.42 by 2034. High-end scenario yields \$32.72; lower bound remains at \$17.50. Provides a gradual on-ramp and long-term responsiveness, but lacks a cap or floor.

Interpretation & Tradeoffs

Wage indexing is a strategic shift—from political discretion to predictable, formula-based adjustments. It enhances transparency and reduces administrative burden. Yet the choice of index (CPI, housing, or both) and the use of guardrails (floors/caps) have profound consequences.

- **Scenario A** is the most stable, but least responsive to local housing cost surges.
- **Scenario B** aligns wages with affordability, but may whipsaw employers year to year.
- **Scenario C** moderates that volatility, blending housing pressure and general inflation.
- **Scenario D** refines Scenario C by anchoring expectations through bounds—widely used in other jurisdictions.
- **Scenario E** offers a smooth transition path to reform, delaying indexing until wages reach \$17.50, then allowing future flexibility.

Most years, historical data suggests that growth will fall within the 2%–4% range. However, the 5% cap in Scenario D would only be triggered in rare years—and likewise, the \$17.50 floor would only bind in deep deflationary cycles.

Structural Reality: Indexing Alone Won't Solve Housing

While indexing the minimum wage offers a fairer path to wage growth and cost-of-living alignment, it does not address the root cause of Santa Fe's affordability crisis: inadequate housing supply. Over the past decade, demand has outpaced construction due to restrictive zoning, labor and material costs, underbuilt infill areas, and lengthy permitting timelines that reflects a small part of a broader, national issue. The result is rising rents, pushing working families to the margins.

Minimum wage reform, even at its most progressive, addresses symptoms—not causes—of this broader economic dysfunction. A durable affordability strategy must pair income indexing with structural housing reforms that increase production of all kinds of housing.

In conclusion, an indexed minimum wage (particularly one blending inflation and rent data) can enhance stability, support workers, and offer employers predictability. But for lasting change, it must be one part of a broader economic toolkit.

Introduction to Methodologies

‘I contend that the controversies over the economics of minimum wages stem from an assumption that when studying labor markets, output prices and nonwage aspects of jobs can be taken as fixed.’ – Jeffery Clemens PhD

Public debates on the minimum wage often center on whether raising it will reduce employment. However, focusing solely on short-term job losses oversimplifies how employers adapt to higher labor costs. The reality is more nuanced.

Research increasingly shows that rather than immediately cutting jobs, employers respond in multiple ways—by increasing performance expectations, expanding job duties, reducing hours, limiting flexibility, or shifting hiring toward older, more experienced workers (Clemens, p59). In one study of a \$2 increase in Seattle’s minimum wage, total hours worked in low-wage jobs declined by 6–7%, even though the number of jobs remained relatively stable (Jardim et al. p2). Another study found that 90% of fast-food managers raised performance standards after a wage hike (Hamdi, Sovich, p1). Furthermore, reductions in employer-provided health insurance have been shown to offset at least 10% of wage gains in low-income jobs (Davis, p1). These changes reflect a more complex adjustment process that goes beyond headcount—affecting the nature of work itself, how workers are managed, and who gets hired.

At the national level, benefit reductions offset at least 10% of wage gains for low-income workers between 2011–2016 (Bossler, Shank, p121). Minimum wage impacts play out slowly: businesses often don’t fire, but reduce hiring. Many that end up adopting some form of operational changes—like automation, kiosk systems, or tighter scheduling—take years to fully implement. However, wage compression (e.g., pay differences between new hires and experienced veterans) can reduce morale if not addressed.

What This Means for Santa Fe’s Policy Design

For Santa Fe, the economic effects of a higher minimum wage—especially an increase to \$17.50 per hour—are unlikely to result in widespread job loss in the short term, particularly if introduced alongside clear indexing rules. However, the city should anticipate gradual adjustments in how businesses operate and who they hire. Small employers, especially in hospitality or retail, may respond by seeking more productive workers, compressing roles, reducing employee hours, or limiting non-wage benefits. Over time, these shifts may disproportionately affect younger workers, those

without formal credentials, or individuals with limited work experience. Policymakers can mitigate these risks by ensuring predictability—through an indexed formula with a wage floor and annual cap—and by offering complementary support for businesses, such as workforce training incentives or implementation guidance. Recognizing that wage increases often reshape labor markets gradually, not immediately, helps align economic justice goals with long-term business resilience.

Indexing the Living Wage: Blending CPI and Housing Costs

To ensure that the minimum wage keeps pace with the real cost of living in Santa Fe, policymakers are increasingly turning to indexed wage adjustments. Rather than rely on periodic legislative changes, an indexed wage automatically adjusts each year based on a published economic indicator. This approach provides predictability for businesses and stability for workers, while reducing administrative burden on city staff and elected officials.

Two of the most common indexing methods are:

- **Consumer Price Index (CPI):** Specifically, the Western Region CPI-W (for Urban Wage Earners and Clerical Workers) reported by the U.S. Bureau of Labor Statistics. This index reflects inflation in goods and services such as food, transportation, and medical care across 13 Western states. From 2018 to 2024, CPI-W for the region has averaged approximately 3.2% annually https://www.bls.gov/regions/west/news-release/consumerpriceindex_west.htm
- **Housing Cost Indices:** The most relevant for Santa Fe is HUD’s Fair Market Rent (FMR) for a one-bedroom apartment in Santa Fe County. This is used to determine housing vouchers and reflects market rental costs for modest housing. In FY2026, HUD set the FMR for a 2-bedroom unit at \$1,685/month—up 3.6% from the previous year [HUD FMR Data].

Given that housing is the single largest cost burden for low-wage workers in Santa Fe, and has outpaced general inflation for years, several of the following scenarios incorporate a blended index. A blended approach typically combines CPI-W with a housing index (e.g., 50/50), offering a more complete measure of economic strain. To maintain transparency, the city could anchor this formula in published federal data and update it each January, mirroring practices in other jurisdictions. In this report, five illustrative indexing scenarios are modeled, including CPI-only, housing-only, and blended escalators—with additional options that apply caps, floors, and phasing to reflect real-world policy needs.

Year	HUD Fair Market Rent											
	Efficiency	% Change	One-Bedroom	% Change	Two-Bedroom	% Change	Three-Bedroom	% Change	Four-Bedroom	% Change		
2025	\$ 1,235	5.5%	\$ 1,368	3.9%	\$ 1,627	6.0%	\$ 2,057	4.9%	\$ 2,157	5.5%		
2024	\$ 1,171	23.0%	\$ 1,317	21.2%	\$ 1,535	22.9%	\$ 1,960	22.7%	\$ 2,044	15.2%		
2023	\$ 952	13.1%	\$ 1,087	11.5%	\$ 1,249	12.2%	\$ 1,597	12.5%	\$ 1,775	2.7%		
2022	\$ 842	4.7%	\$ 975	3.7%	\$ 1,113	3.9%	\$ 1,419	4.1%	\$ 1,729	10.1%		
2021	\$ 804	0.2%	\$ 940	1.3%	\$ 1,071	1.3%	\$ 1,363	-0.9%	\$ 1,571	2.4%		
2020	\$ 802	-2.0%	\$ 928	0.0%	\$ 1,057	-1.1%	\$ 1,376	-2.1%	\$ 1,534	-1.1%		
201G	\$ 818	5.7%	\$ 928	8.7%	\$ 1,069	6.3%	\$ 1,406	5.4%	\$ 1,551	7.0%		
2018	\$ 774	-4.0%	\$ 854	-2.7%	\$ 1,006	-4.0%	\$ 1,334	-4.2%	\$ 1,449	-1.9%		
2017	\$ 806	11.5%	\$ 878	12.3%	\$ 1,048	11.1%	\$ 1,392	11.2%	\$ 1,477	12.4%		
2016	\$ 723	-2.2%	\$ 782	-2.7%	\$ 943	-1.0%	\$ 1,252	-2.0%	\$ 1,314	-3.8%		
2015	\$ 739	-0.4%	\$ 804	-0.4%	\$ 953	-0.4%	\$ 1,278	-0.4%	\$ 1,366	-0.4%		
2014	\$ 742	-1.9%	\$ 807	-1.9%	\$ 957	-1.9%	\$ 1,283	-1.9%	\$ 1,372	-1.9%		
2013	\$ 756	29.7%	\$ 823	13.8%	\$ 976	10.9%	\$ 1,308	13.5%	\$ 1,399	1.6%		
2012	\$ 583	-9.8%	\$ 723	-9.7%	\$ 880	-9.7%	\$ 1,152	-9.6%	\$ 1,377	-9.6%		
2011	\$ 646	0.8%	\$ 801	0.8%	\$ 974	0.7%	\$ 1,275	0.7%	\$ 1,524	0.7%		
2010	\$ 641	4.2%	\$ 795	4.2%	\$ 967	4.2%	\$ 1,266	4.2%	\$ 1,513	4.2%		
200G	\$ 615	4.9%	\$ 763	5.0%	\$ 928	5.0%	\$ 1,215	5.0%	\$ 1,452	5.0%		
2008	\$ 586	1.4%	\$ 727	1.4%	\$ 884	1.4%	\$ 1,157	1.4%	\$ 1,383	1.3%		
2007	\$ 578	3.4%	\$ 717	3.5%	\$ 872	3.4%	\$ 1,141	3.4%	\$ 1,365	3.5%		
2006	\$ 559	4.7%	\$ 693	4.8%	\$ 843	3.1%	\$ 1,103	6.3%	\$ 1,319	21.0%		
2005	\$ 534	16.8%	\$ 661	2.3%	\$ 818	2.5%	\$ 1,038	-3.2%	\$ 1,090	-10.2%		
2004	\$ 457	0.4%	\$ 646	0.3%	\$ 798	0.4%	\$ 1,072	0.4%	\$ 1,214	0.3%		
2003	\$ 455	2.7%	\$ 644	2.5%	\$ 795	2.6%	\$ 1,068	2.6%	\$ 1,210	2.7%		
2002	\$ 443	3.5%	\$ 628	3.5%	\$ 775	3.5%	\$ 1,041	3.5%	\$ 1,178	3.4%		
2001	\$ 428	1.2%	\$ 607	1.2%	\$ 749	1.1%	\$ 1,006	1.1%	\$ 1,139	1.2%		
2000	\$ 423		\$ 600		\$ 741		\$ 995		\$ 1,126			
Average Increase	4.7%		3.5%		3.4%		3.1%		2.8%			
Median Increase	3.4%		2.5%		2.6%		2.6%		2.4%			

Over the past 25 years, Santa Fe’s Fair Market Rent (FMR) levels have consistently trended upward, often rising faster than general inflation in the Western United States. While efficiency units have seen the highest average annual increase at 4.7%, the two-bedroom unit—the most commonly used benchmark for housing affordability—has increased at an average rate of 3.4% per year, compared to a 2.7% average annual increase in the regional Consumer Price Index (CPI-W). This suggests that housing costs in Santa Fe have typically grown 0.7 percentage points faster than inflation, on average. In recent years, the disparity has widened. Between 2023 and 2024, two-bedroom rents surged by 22.9%, far outpacing the CPI-W increase of just 2.8%. The volatility is striking: some years, such as 2012 and 2016, experienced modest rent declines, but these are exceptions in a long-term trend of rising costs. However, when using the median annual increase (50th percentile) rather than the average, rents for two-bedroom units rose by 2.6 percent, nearly identical to the median CPI-W inflation rate of 2.6 percent.

These data points reinforce a critical insight: indexing the minimum wage solely to CPI-W will likely underestimate the actual cost pressures faced by renters in Santa Fe, particularly in the housing market. While efficiency and one-bedroom units show even higher rates of increase, using the two-bedroom rent growth as a standard offers a conservative yet representative benchmark for policy

modeling. The historical record supports the consideration of a blended or housing-weighted escalator, rather than relying on CPI alone. Below, we include a table that compares the HUD Fair Market Rent with the CPI in the Western Region:

Year	HUD Fair Market Rent		CPI (Western Region)	
	Two-Bedroom	% Change	Index	% Change
2025	\$ 1,627	6.0%		
2024	\$ 1,535	22.9%	332.9	2.8%
2023	\$ 1,249	12.2%	323.8	4.3%
2022	\$ 1,113	3.9%	310.5	8.0%
2021	\$ 1,071	1.3%	287.5	4.5%
2020	\$ 1,057	-1.1%	275.1	1.7%
201G	\$ 1,069	6.3%	270.4	2.7%
2018	\$ 1,006	-4.0%	263.3	3.3%
2017	\$ 1,048	11.1%	254.7	2.8%
2016	\$ 943	-1.0%	247.7	1.9%
2015	\$ 953	-0.4%	243.0	1.6%
2014	\$ 957	-1.9%	239.1	1.3%
2013	\$ 976	10.9%	236.1	1.8%
2012	\$ 880	-9.7%	232.0	1.7%
2011	\$ 974	0.7%	228.1	2.7%
2010	\$ 967	4.2%	222.1	1.3%
200G	\$ 928	5.0%	219.3	2.2%
2008	\$ 884	1.4%	214.7	0.0%
2007	\$ 872	3.4%	214.7	4.1%
2006	\$ 843	3.1%	206.2	3.1%
2005	\$ 818	2.5%	200.0	3.0%
2004	\$ 798	0.4%	194.2	3.1%
2003	\$ 795	2.6%	188.3	1.5%
2002	\$ 775	3.5%	185.5	2.1%
2001	\$ 749	1.1%	181.6	2.5%
2000	\$ 741		177.1	

Over the past 25 years, Santa Fe’s two-bedroom Fair Market Rent (FMR) has shown a consistent upward trend, but with far more volatility than broader measures of inflation like the Consumer Price Index for the Western Region (CPI-W). While both metrics show a median annual increase of 2.6%, the average increase in FMR—at 3.4%—outpaces the CPI-W average of 2.7%, suggesting housing costs have generally risen faster than overall prices. What’s more important, however, is the range: two-bedroom rents have fluctuated between a low of –9.7% (2012) and a high of +22.9% (2024), a span of more than 32 percentage points. CPI-W, in contrast, has moved within a much narrower band, from 0.0% to 8.0%.

This volatility in rents, especially in recent years, underscores the mismatch between using a CPI-only escalator and the lived experience of renters in Santa Fe. The steep increases post-pandemic—22.9% in 2024 and 12.2% in 2023—illustrate how quickly housing costs can shift in response to market pressure, even as CPI-W remains relatively stable. If the goal of indexing the minimum wage is to preserve purchasing power, particularly in housing, then anchoring solely to CPI-W likely understates the burden on renters. A blended or housing-weighted index may provide a more accurate and more equitable long-term policy.

Scenario A: CPI-Only Escalator

Under Scenario A, the City of Santa Fe would annually adjust the minimum wage based solely on the Western Region Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), as published by the U.S. Bureau of Labor Statistics. This index is a well-established national measure of inflation, frequently used in federal benefit programs such as Social Security. In this model, each July, the city would apply the percentage change in the previous calendar year's CPI-W to set the new minimum wage. For example, if the CPI-W increased by 2.6% in 2025, the 2026 minimum wage would be raised accordingly.

How It Works:

- **Adjustment Basis:** Annual change in CPI-W (Western Region), typically around 2–3% per year.
- **Implementation Timeline:** Data from the previous calendar year would inform wage changes effective each **July 1**.
- **Administrative Lead:** The City’s Economic Development Department or a designated office would:
 - Pull CPI-W data (already published by BLS).
 - Calculate the new rate using a simple formula.
 - Issue public notice by May or June to allow employer planning.

Based on historical CPI-W data for the Western Region from 2000 to 2025, annual changes have averaged 2.7% with a median of 2.6%. Percentile-based modeling suggests a potential range of minimum wages over the next decade, starting from \$15.00 in 2025 and reaching approximately \$18.89 by 2034 at the median growth rate. In high inflation years (90th percentile), this could climb as high as \$21.81, while in lower growth periods (10th percentile), the wage might only reach \$16.87. This provides policymakers with a stable growth trajectory, minimizing the risk of large year-over-year spikes that could destabilize small business operations.

Year	10th pct (1.3%)	25th pct (1.7%)	50th pct (2.6%)	75th pct (3.1%)	90th pct (4.2%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$15.20	\$15.26	\$15.39	\$15.47	\$15.63
2027	\$15.40	\$15.52	\$15.79	\$15.95	\$16.29
2028	\$15.61	\$15.78	\$16.20	\$16.45	\$17.00
2029	\$15.81	\$16.05	\$16.62	\$16.96	\$17.75
2030	\$16.02	\$16.32	\$17.06	\$17.49	\$18.50
2031	\$16.23	\$16.60	\$17.50	\$18.03	\$19.28
2032	\$16.44	\$16.88	\$17.96	\$18.58	\$20.09
2033	\$16.65	\$17.17	\$18.42	\$19.15	\$20.93
2034	\$16.87	\$17.46	\$18.89	\$19.73	\$21.81

Pros:

- **Simplicity & Transparency:** Easy to understand and administer; no new data collection needed.
- **Predictability for Employers:** Allows for budget forecasting and minimizes wage shocks.
- **Alignment with Federal Practices:** Matches the escalation method used in Social Security and federal benefits.

Cons:

- **Housing Mismatch:** CPI does **not directly reflect local housing costs**, which are rising faster than inflation in Santa Fe.
 - Example: In 2024, CPI increased by **2.8%**, while **two-bedroom rents rose 22.9%**.
- **Wage Lag Risk:** Could leave minimum wage workers behind in high-cost years, particularly renters.

While this model provides operational ease and fiscal restraint, it may fall short in addressing affordability in Santa Fe's housing-constrained market. If adopted, it should include a periodic review clause or be paired with other wage or housing interventions to ensure real earnings keep pace with local conditions.

In sum, a CPI-only escalator provides Santa Fe with a clear, low-cost mechanism for updating the minimum wage in line with national inflation. Its predictability benefits both workers and businesses, offering year-ahead wage expectations and avoiding economic shocks. Yet, its simplicity also represents its greatest limitation: it assumes that general price inflation is a sufficient proxy for local affordability, particularly housing. Policymakers adopting this approach may wish to revisit its adequacy regularly—or consider hybrid models that blend CPI with housing-based indicators to better reflect Santa Fe's cost dynamics.

Scenario B: CPI-Only Escalator

Under Scenario B, the City of Santa Fe would adjust its minimum wage annually based on changes in the Fair Market Rent (FMR) for two-bedroom apartments, as reported by the U.S. Department of Housing and Urban Development (HUD). FMR is a robust measure of housing costs used to determine federal rental assistance levels, and is particularly relevant in high-cost markets like Santa Fe, where rent constitutes a significant share of household expenses for low-wage workers. This model directly links wage increases to housing affordability, responding to one of the most pressing economic challenges in the city.

Each July, the city would apply the percentage change in the most recently published two-bedroom FMR to update the minimum wage. For example, if FMR increased by 3.4% in the prior year, the minimum wage would increase by that same amount.

How It Works:

- **Adjustment Basis:** Annual change in HUD two-bedroom Fair Market Rent (Santa Fe County), with a historical median of 2.6% and average of 3.4%.
- **Implementation Timeline:** HUD releases FMR data early each year; new wage would take effect July 1.
- **Administrative Lead:** The City’s Economic Development Department or designee would:
 - Retrieve HUD FMR data (publicly available).
 - Calculate the percentage change from the prior year.
 - Announce new wage by May or June to allow business planning.

Based on historical HUD FMR data from 2000 to 2025, the annual increase has varied substantially, ranging from –9.7% to +22.9%, with significant volatility in the past decade. Modeling percentile-based forecasts yields the following wage trajectories over the next decade, beginning at \$15.00 in 2025:

Year	10th pct (-1.6%)	25th pct (0.4%)	50th pct (2.6%)	75th pct (5.0%)	90th pct (11.0%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$14.76	\$15.06	\$15.39	\$15.75	\$16.65
2027	\$14.52	\$15.12	\$15.79	\$16.54	\$18.48
2028	\$14.29	\$15.18	\$16.20	\$17.36	\$20.51
2029	\$14.06	\$15.24	\$16.62	\$18.23	\$22.77
2030	\$13.84	\$15.30	\$17.05	\$19.14	\$25.28
2031	\$13.62	\$15.36	\$17.50	\$20.10	\$28.06
2032	\$13.40	\$15.43	\$17.95	\$21.11	\$31.14
2033	\$13.18	\$15.49	\$18.42	\$22.16	\$34.57
2034	\$12.97	\$15.55	\$18.90	\$23.27	\$38.37

Pros:

- **Affordability Linkage:** Reflects actual local cost of living, especially rent burdens that impact low-income households most directly.
- **Data Integrity:** HUD data is credible, publicly available, and widely used in housing policy.
- **Social Equity:** Ensures minimum wage earners are not left behind in Santa Fe's rent-driven economy.

Cons:

- **Volatility Risk:** FMR data shows wide fluctuations year-to-year, which could make planning difficult for employers.
 - E.g., 22.9% increase in 2024; -9.7% in 2012.
- **Lagged Timing:** FMR reflects past-year rents, potentially causing misalignment with current conditions.
- **Downward Adjustments:** Negative rent growth years could technically reduce the minimum wage unless a floor is legislated.

A housing-based escalator aligns wage growth with Santa Fe's dominant affordability issue: housing. It offers a progressive mechanism to ensure that the minimum wage keeps up with living costs faced by renters, particularly low-income families. However, this model introduces volatility—wages may rise steeply in some years and stagnate or even drop in others. For long-term implementation, the City should consider adding guardrails, such as minimum and maximum adjustment caps (e.g., no more than 8%, no less than 1% per year), or multi-year averaging to stabilize swings.

In high-growth scenarios, this model could result in a minimum wage exceeding \$38.00 by 2034—hugely disruptive to small businesses. Yet in low-rent-growth scenarios, wages could stagnate or fall. For this reason, many jurisdictions using FMR linkages incorporate hybrid models or smoothing mechanisms. In Santa Fe, where housing affordability remains the defining challenge for working families, a housing-based escalator deserves serious consideration—ideally with policy flexibility built in.

Scenario C: Blended Index

Under Scenario C, the City of Santa Fe would annually adjust the minimum wage using a blended index that reflects both general inflation and local housing costs. Specifically, the minimum wage would rise each year based on an equal-weighted average of (1) the annual percent change in the Western Region Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) and (2) the percent change in Santa Fe’s HUD Fair Market Rent (FMR) for a two-bedroom unit. This approach attempts to capture both the broad cost of living and the acute pressure of housing affordability, which is a major concern for Santa Fe residents.

How It Works:

- **Adjustment Basis:** 50% annual change in CPI-W (Western Region) + 50% annual change in Santa Fe FMR (2-bedroom unit).
- **Implementation Timeline:** Changes take effect each July 1, based on finalized data from the previous calendar year.
- **Administrative Lead:**
 - The City’s Economic Development Department (or designated body) would:
 - Collect CPI-W data from the U.S. Bureau of Labor Statistics.
 - Pull HUD Fair Market Rent data from the U.S. Department of Housing and Urban Development.
 - Average the percentage increases of both indices.
 - Apply the result to the current wage and publish the new rate by May or June.

Historical data suggests a wide range of possible outcomes for a blended CPI-rent index. Annual increases have ranged from slight declines (10th percentile: -0.15%) to sharp spikes (90th percentile: 7.6%). The median growth rate is 2.6%, with moderate scenarios (25th–75th percentiles) between 1.05% and 4.05%, reflecting typical inflation and rent trends. Based on these, a minimum wage starting at \$15.00 in 2025 could evolve over the next ten years as shown:

Year	10th pct (-0.14%)	25th pct (1.06%)	50th pct (2.6%)	75th pct (4.04%)	90th pct (7.6%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$14.98	\$15.16	\$15.39	\$15.61	\$16.14
2027	\$14.96	\$15.32	\$15.79	\$16.24	\$17.37
2028	\$14.93	\$15.48	\$16.20	\$16.90	\$18.69
2029	\$14.91	\$15.64	\$16.62	\$17.58	\$20.11
2030	\$14.89	\$15.80	\$17.06	\$18.29	\$21.63
2031	\$14.86	\$15.97	\$17.50	\$19.02	\$23.26
2032	\$14.84	\$16.13	\$17.96	\$19.78	\$25.00
2033	\$14.82	\$16.30	\$18.42	\$20.57	\$26.85
2034	\$14.80	\$16.47	\$18.89	\$21.38	\$28.82

Pros:

- **More Accurate Reflection of Costs:** Better aligns with local economic realities by including housing costs—Santa Fe’s largest cost driver.
- **Balanced Approach:** Mitigates CPI-only lag without fully tying wages to volatile rent increases.
- **Data Availability:** Both CPI-W and FMR data are updated annually by federal agencies.

Cons:

- **Complexity:** Requires multiple datasets and more detailed annual calculations.
- **Volatility Risk:** If FMR rises sharply in a single year, the combined index may still jump noticeably.
- **Uncertain Long-Term Behavior:** If either CPI or FMR shifts structurally (e.g., post-pandemic rent surges), future wages may deviate from expectations.

This model provides a more grounded wage adjustment for Santa Fe, especially for renters, who are disproportionately affected by housing cost spikes. Yet it also introduces complexity in explanation and forecasting. To address this:

- Pair the blended escalator with a guardrail policy—capping annual changes (e.g., no more than 8% per year) or implementing smoothing mechanisms (e.g., three-year moving averages).
- Monitor for wage compression or displacement, especially in businesses with tight margins

Scenario D: Blended with a New Wage Floor (\$17.50) and Cap (5%)

Scenario D builds upon the blended index model by incorporating two additional guardrails: a wage floor of \$17.50/hour beginning in 2026, which sets the **proposed higher** minimum wage as a starting point, and an annual escalation cap of 5.0%, which limits sharp increases in any given year. This model uses a hybrid of the Western Region CPI-W and HUD two-bedroom Fair Market Rent increases to calculate wage adjustments, reflecting both inflation and local housing pressures. However, it prevents wage drops during deflationary years and avoids economic shocks in volatile inflationary periods.

How It Works:

- **Adjustment Basis:** Same blended index as Scenario C (average of CPI-W and Santa Fe HUD rent growth).
- **Wage Floor:** Starting in 2026, cannot fall below \$17.50/hour regardless of inflation or rent changes.
- **Annual Cap:** Increases cannot exceed 5% annually, even in high-cost years.
- **Implementation Timeline:** Annual adjustment effective July 1, using prior year's blended data.
- **Administrative Lead:** City Economic Development Department (or designated office) would:
 - Calculate blended average of CPI-W and HUD rent change.
 - Apply the floor and cap constraints.
 - Announce wage changes by May or June annually.

Under Scenario D, the range of potential wage outcomes from 2025 to 2034 is broad yet carefully managed due to the application of both a floor and a cap. At the lower bound, the 10th percentile—assuming 0.00% blended annual growth—the minimum wage remains unchanged at \$17.50 for the entire decade, offering stability during low-inflation or deflationary periods. At the median (50th percentile), where annual blended growth averages 2.6%, wages steadily climb to \$22.05 by 2034, aligning with typical historical trends. At the high end, even with compounded 5.0% increases capped each year (90th percentile scenario), wages could reach as high as \$24.62 by 2034 in a highly unlikely scenario. This demonstrates the model's ability to respond dynamically to elevated cost pressures while still maintaining a ceiling to avoid sudden burdens on employers. The floor-and-cap design ensures wage progression occurs within a predictable and policy-sensitive range.

Year	10th pct 0.00%	25th pct 1.06%	50th pct 2.60%	75th pct 4.04%	90th pct 5.00%
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2027	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
2028	\$17.50	\$17.53	\$17.96	\$18.21	\$18.38
2029	\$17.50	\$17.56	\$18.42	\$18.94	\$19.29
2030	\$17.50	\$17.58	\$18.90	\$19.71	\$20.26
2031	\$17.50	\$17.61	\$19.39	\$20.50	\$21.27
2032	\$17.50	\$17.64	\$19.90	\$21.33	\$22.33
2033	\$17.50	\$17.67	\$20.41	\$22.19	\$23.45
2034	\$17.50	\$17.70	\$20.94	\$23.09	\$24.62

Pros:

- **Affordability Assurance:** Protects workers from wage stagnation with a meaningful floor.
- **Volatility Protection:** Prevents ‘economic whiplash’ for small businesses during high inflation spikes.
- **Balance of Responsiveness and Restraint:** Reflects both housing and inflation pressures while offering fiscal predictability.

Cons:

- **Complexity:** More steps involved in the calculation and communication of annual wage changes.
- **Hard Cap Limitations:** In rare high-cost years, the 5% ceiling could under-adjust relative to real costs.
- **Administrative Attention Needed:** Requires diligence in calculating and publishing blended figures with guardrails annually.

In sum, Scenario D offers a thoughtful compromise between economic responsiveness and policy stability—especially relevant given Santa Fe’s proposed \$17.50 minimum wage floor. While this floor would likely only be triggered in rare periods of economic stagnation, it ensures that wage erosion does not occur in deflationary years. Similarly, the 5% annual cap acts as a safeguard against extreme year-over-year spikes that could destabilize small businesses—though hitting this upper limit would also be infrequent based on historical data. Most years are expected to fall well within these bounds, allowing for measured, predictable increases that reflect both inflation and housing trends. This model balances worker protections with employer planning needs, offering a durable framework for wage setting through economic uncertainty.

Scenario E: Phased increase to \$17.50 by Jan 2027, then indexed

Scenario E proposes a two-step policy: first, a fixed schedule of annual increases raises Santa Fe’s minimum wage from \$15.00 to \$17.50 by January 1, 2027. After this transition period, the wage would be adjusted annually based on a blended index incorporating both CPI-W (Western Region) and local housing cost changes (e.g., HUD Fair Market Rent). This model offers a compromise between immediate cost-of-living adjustments and smoother long-term planning.

Step 1: Phased Increase

- January 1, 2026: \$16.00
- January 1, 2027: \$16.75
- January 1, 2028: \$17.50

Step 2: Blended Index-Based Adjustments (Post-2028)

- Beginning **January 1, 2029**, annual increases are tied to the average growth rate of:
 - The CPI-W (Western Region), and
 - Santa Fe HUD Fair Market Rent for a two-bedroom unit.
- Data from the prior calendar year is used.
- Adjustments are announced by June each year to take effect the following January.

To operationalize this approach, Santa Fe would commit to a clear, stepwise increase in the minimum wage beginning in 2025. Under this scenario, the wage would rise from \$15.00 to \$16.00 in 2026, reach \$16.75 in 2027, and achieve the \$17.50 target by 2028. Thereafter, annual adjustments would follow the blended index framework—factoring in both inflation (CPI-W) and local housing costs. This dual mechanism provides both predictability and responsiveness, allowing the wage to evolve with economic conditions while avoiding volatility in the early implementation years. The table below illustrates how the minimum wage might evolve from 2025 through 2034 under different percentile-based growth assumptions drawn from historical data.

	10th pct (0.00%)	25th pct (1.06%)	50th pct (2.6%)	75th pct (4.04%)	90th pct (11.0%)
2025	\$15.00	\$15.00	\$15.00	\$15.00	\$15.00
2026	\$16.00	\$16.00	\$16.00	\$16.00	\$16.00
2027	\$16.75	\$16.75	\$16.75	\$16.75	\$16.75
2028	\$17.50	\$17.50	\$17.50	\$17.50	\$17.50
2029	\$17.50	\$17.69	\$17.96	\$18.21	\$19.42
2030	\$17.50	\$17.88	\$18.43	\$18.95	\$21.56
2031	\$17.50	\$18.07	\$18.91	\$19.72	\$23.93
2032	\$17.50	\$18.26	\$19.40	\$20.52	\$26.56
2033	\$17.50	\$18.45	\$19.90	\$21.35	\$29.48
2034	\$17.50	\$18.65	\$20.42	\$22.21	\$32.72

Pros:

- **Employer Transition Time:** Gives businesses two full years to adapt to rising labor costs.
- **Clear Schedule:** Reduces uncertainty through 2028 with preset steps.
- **Responsiveness After 2028:** Indexing ensures that wages track local cost of living over time.

Cons:

- **Slow Initial Relief:** Workers may face continued affordability pressure during phase-in.
- **Complex Administration Post-2028:** Dual-index tracking and public communication require capacity.
- **Potential Volatility:** Without a cap or floor, indexing alone may create unpredictable wage swings in outlier years.

This revised Scenario E blends stability with long-term adaptability. By phasing in the wage increases over three years and then tying future adjustments to both inflation and housing costs, it recognizes the lived reality of affordability in Santa Fe while offering employers a measured ramp-up. Unlike Scenario D, this model does not impose a cap or floor on wage growth—an omission that could lead to greater volatility in extreme economic years, particularly if housing costs spike. Yet this openness also reflects a belief in aligning wages more directly with evolving costs. As a transitional framework, Scenario E offers a pragmatic compromise: it delivers near-term wage relief through predictable increases, while laying the groundwork for a responsive, data-driven system that can mature alongside Santa Fe’s economy. Whether to introduce caps or additional safeguards remains a key policy question—but this model provides a thoughtful starting point for equitable and sustainable wage setting.

Case Studies

On July 1, 2025, Alaska, Oregon and Washington, D.C. are increasing their minimum wage for almost 900,000 workers. In 2016 Oregon Legislators tied the state’s minimum wage floor to the Consumer Price Index - U.S. City Average for All Urban Consumers for All Items presented by the Bureau of Labor Statistics (CPI-W). The policy separates rates for the State, the Portland Metro Area, and Non-Urban Counties. Per the Department of Employment Services Office of Wage and Hour, Washington D.C. will see an increase to its minimum wage floor on July 1, 2025, from \$17.50 per hour to \$17.95 an hour due to a 2.7% rise of the Consumer Price Index within the Washington Metropolitan Area. Washington D.C. signed its “Fair Shot Minimum Wage Amendment Act” in 2016 which created a minimum wage floor tied to CPI with provisions to increase it further in subsequent years. Chicago, New York City, Portland, California, Connecticut and Washington D.C.’s minimum wages are all projected to surpass \$17 an hour by 2027 due to inflation adjustments to minimum wage.

Summer 2025 Locality Minimum Wage Increases

In Summer, 2025, 12 additional cities and localities are increasing their minimum wage with an inflation adjustment ranging from \$0.40 to \$0.59.

Locality	State	2024 minimum wage	2025 minimum wage	Minimum wage increase	% Increase	Type of increase
Alameda	California	\$17.00	\$17.46	\$0.46	2.71%	Inflation adjustment
Berkeley	California	\$18.67	\$19.18	\$0.51	2.73%	Inflation adjustment
Emeryville	California	\$19.36	\$19.90	\$0.54	2.79%	Inflation adjustment
Fremont	California	\$17.30	\$17.75	\$0.45	2.60%	Inflation adjustment
Los Angeles	California	\$17.28	\$17.87	\$0.59	3.41%	Inflation adjustment
Los Angeles County	California	\$17.27	\$17.81	\$0.54	3.13%	Inflation adjustment
Milpitas	California	\$17.70	\$18.20	\$0.50	2.82%	Inflation adjustment
Pasadena	California	\$17.50	\$18.04	\$0.54	3.09%	Inflation adjustment
San Francisco	California	\$18.67	\$19.18	\$0.51	2.73%	Inflation adjustment
Santa Monica	California	\$17.27	\$17.81	\$0.54	3.13%	Inflation adjustment
Chicago	Illinois	\$16.20	\$16.60	\$0.40	2.47%	Inflation adjustment
Montgomery County	Maryland	\$17.15	\$17.65	\$0.50	2.92%	Inflation adjustment

Data provided by the Economic Policy Institute, June 25, 2025.

Montgomery County, Maryland breaks down the increases by employer size, large employers (51 or more employees) will increase minimum wages by \$0.50 to \$17.65 an hour, medium sized employers (11-50 employees) by \$0.50 to \$16 an hour, and small employers (10 or fewer employees) by \$0.50 to \$15.50 an hour. These increases are based upon the Consumer Price Index for All Urban Wage Earners (CPI-W) in the Washington D.C.- Arlington-Alexandria metro area for the previous calendar year, which was 2.4% in 2024 per the Montgomery County Office of Human Rights. This strategy combines Scenario A and business size. Academic research published in 2022 from the [Mannheim Business Panel](#) in Germany studied the effects of increased minimum wages on “microbusinesses” revealed a “minimum wage-induced increase in market exits among microbusinesses with up to four dependent employees” (De Monte et al. 2022).

In Chicago, Illinois, the inflation adjusted increase is applied to businesses with four or more employees, and is based on the Consumer Price Index or 2.5%, whichever is lower, per the Chicago Department of Business Affairs and Consumer Protection. According to the University of California Berkely Labor Center’s [Inventory of US City and County Minimum Wage Ordinances](#), Santa Monica, San Francisco, Los Angeles, Los Angeles County, Berkeley, and Alameda increase their minimum wages based upon CPI-W. Pasadena, Milpitas, Fremont, Emeryville are based upon the standard CPI.

Contemporary Research Findings

[“How Do Firms Respond to Minimum Wage Increases? Understanding the Relevance of Non-Employment Margins”](#) published in the Journal of Economic Perspectives by Jeffery Clemens in 2021 gives a holistic view of employer responses to changes to the minimum wage. Clemens finds that employers that produce “non-tradable” goods and services face less challenges in adjusting prices in response to an increase in minimum wages (Clemens, p54). Clemens also stipulates that employers

might respond by reducing non-cash benefits to offset the costs of increasing the minimum wage. Research into employer supplied healthcare offerings is sparse as these values are often binary and are not adequately described in terms of quality and comprehension (Clemens 59). Additional non-cash benefits may be reduced as well, schedule flexibility, training opportunities and effort requirements are examples provided by Clemens (p59). Regardless of the employer response, measurable changes to employment, benefits and pass-through are not observable in the short term and continual monitoring is needed.

[“The Minimum Wage in Germany: Institutional Setting and a Systematic Review of Key Findings”](#) by Matthias Dütsch, Clemens Ohlert and Arne Baumann published in the Journal of Economics and Statistics in 2025 is a metanalysis of a series of academic research and policy studying the 2015 minimum wage introduction in Germany and subsequent 15% increase on October 1, 2022. The study was heavily impacted by the Covid-19 pandemic. The research posits shifting the theoretical framework from an hourly wage to a monthly wage. A monthly wage is able to capture differences that an hourly wage can not, such as hours worked, schedule flexibility, non-monetary benefits, and productivity. Dütsch et al, cite the Mario Bossler and Thorsten Schank paper titled [“Wage Inequality in Germany after the Minimum Wage Introduction”](#) that found “a 10-percentage- point increase in the applicability of the minimum wage caused an increase in monthly wages of approximately 4.4 percent in 2015 and 2016 and approximately 5.4 percent in 2017” (Bossler, Schank, p126).

Dütsch, Ohlert and Baumann, found substantial evidence for short impacts to raising the minimum wage, “Our literature survey shows that existing studies largely find reductions in working time, particularly directly after the introduction and the first increase in the minimum wage” (p128). Further metanalysis found a loss of employment in the year of the minimum wage introduction (2015) but found no effect in the following year, 2016, suggesting a short-term decline of “...0.025 percent in employment for every additional percentage point in the share of minimum wage” (Dütsch et al, p 138). Similarly, a short-term negative impact for investments in businesses was found with no observable “long-lasting negative effects” (Dütsch et al, p143). There is evidence of pass-through and a negative impact on employer profits specifically in businesses with contractual hourly wages, this however was not found in employers who did not have contractual hourly wages (Dütsch et al, p 145).

An analysis of the research conducted by Holger Bonin in 2018 titled [“The German Statutory Minimum Wage and Its Effects on Regional Employment and Unemployment”](#) and Nico Pestel, in 2020 titled [“Impact of the statutory minimum wage on employment and unemployment”](#) found “...the introduction of the minimum wage reduced overall employment by 0.6 percent in 2016 and by 0.9 percent in 2019 in regions with an above median wage gap (i.e. the difference between the actual wage in 2014 and the minimum wage) compared to regions with a below average wage gap” (Dütsch et al, p138). However, a paper by Christian Dustmann titled [“Reallocation Effects of the Minimum](#)

[Wage](#)” found that workers who’s wages would be increased by the new minimum wage legislation had a “...slightly greater probability of them being employed after the minimum wage had come into force. The authors also observed a reallocation of these workers to larger, higher paying firms due to the minimum wage” (Dütsch et al, p138).

Both the work by Bonin and Pestel found that the effects were more severely felt in locations with comparatively low GDP growth, “These negative employment effects were particularly driven by regions with relatively low GDP growth before the introduction of the minimum wage” (Dütsch et al, p138). The metanalysis found no evidence in an effect of worker productivity, “All the existing studies did not find evidence for minimum wage-induced effects on labour productivity in Germany...” (Dütsch et al, p142).

Dütsch, Ohlert and Baumann found notable benefits from the minimum wage introduction and 2022 increase. A metanalysis of the 2023 study conducted by Clemens Ohlert titled “Minimum Wage Effects on Gender Gaps in Working Hours and Earnings in Germany” published in the Society for the Study of Economic Inequality found that “the minimum wage effects on the average hourly wages of women and men in minimum wage establishments differed by 3.6 % points in 2015, which led to a reduction in the gender pay gap in these workplaces” (p126). Indeed it was found that overall wage variance was reduced “...the minimum wage reduced the wage dispersion in Germany” (Dütsch, p145). Dütsch et al conclude that “Due to strong economic growth in the years after its introduction, the minimum wage had no adverse effects on overall employment or unemployment levels” (Dütsch et al, p145).

[“Who Pays for the Minimum Wage?”](#) by Peter Harasztosi and Attila Linder published in the American Economic Review in 2019 is a comprehensive analysis of how Hungarian firms responded to minimum wage increases. It found that 75% of the minimum wage increase was paid by consumers as “pass-through” meaning the costs were passed through to consumers, the remaining 25% was paid by employers, though these figures vary by industry. Price responses and pass-through were greater in non-tradable industries than tradeable industries (Clemens, 2021). Santa Fe employers should be able to take advantage of greater pass-through due to the immutable nature of Santa Fe’s business sectors, tourism, culture and arts.

Summarized Q&A between Dr. White and the Mayor's Office June through August, 2025.

Q: What housing measure is used in the blended index?

A: The proposal relies on the U.S. Department of Housing and Urban Development's Fair Market Rent (FMR) for a two-bedroom apartment in Santa Fe. This measure is the most conservative published benchmark available, and it directly reflects local market rental conditions. Tying wage adjustments to HUD's FMR ensures that the formula is transparent, consistent, and relevant to Santa Fe's housing realities.

Q: Critics argue that raising the minimum wage will reduce job opportunities, especially for younger or minority workers. Is this a valid concern?

A: This argument is most closely associated with Walter Williams and others who oppose the existence of any minimum wage. It is important to note that every U.S. state, including the most conservative, has a minimum wage; the five states with no state-level wage utilize the federal minimum wage of Research consistently shows that unemployment among Black youth and other groups is shaped primarily by structural inequalities, not wage ordinances. Santa Fe's proposal is not intended to eliminate entry-level work but to ensure wages reflect the cost of living. With the median rent for a one-bedroom apartment now close to \$1,400 per month, stagnant wages create a much greater barrier to participation in the workforce than the proposed adjustments.

Q: Is this analysis being conducted by the Bureau of Business and Economic Research (BBER) at UNM?

A: No. The projections were prepared independently by Erebor LLC and Dr. Reilly White. Although Dr. White serves as a faculty member at UNM, the work was not conducted by BBER and is not affiliated with its research portfolio.

Q: How does the proposal address wage compression among workers who already earn more than the living wage?

A: Wage compression is a foreseeable outcome when minimum wages rise. Employers may respond by flattening pay scales, delaying promotions, or adjusting job expectations for staff earning in the \$17–20 per hour range. Evidence suggests that large-scale job losses are unlikely. More common responses include modest reductions in hours, tighter scheduling practices, or a preference for hiring more experienced workers. These adjustments must be weighed against the broader gains in worker stability, household spending power, and community well-being.

Q: What will the living wage look like ten years from now under this proposal?

A: Using the blended index with a \$17.50 floor in 2027 and a five percent annual cap (Scenario 'D'), the projected living wage in 2034 is approximately \$20.94 per hour, or about \$21.48 in 2035. Assuming a five percent cap on rates, the maximum possible wage level in 2034 would be \$24.62. Applying a Monte Carlo analysis – which simulates the results 10,000 times - produced a very similar central estimate of \$21.39 by 2034, reinforcing the reasonableness of these projections.

Q: What would today's living wage be if this formula had been in place since 2004?

A: The 2004 living wage of \$8.50 per hour, if indexed under the blended formula, would be approximately \$14.40 today. This aligns closely with the actual current living wage of \$15.00, suggesting the proposed approach is both realistic and sustainable.

Q: What risks do employers face under the new proposal?

A: The majority of economic studies show that higher minimum wages do not lead to widespread job loss. Where risks emerge, they tend to involve incremental changes such as reduced hours, more restrictive scheduling, or automation in certain industries. Employers may also prioritize older or more experienced applicants. These risks are offset by the benefits of higher wages, including improved worker retention, greater consumer demand, and reduced reliance on public assistance.

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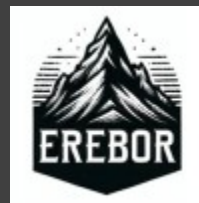
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Raising the Living Wage in Santa Fe: Potential impacts and analysis

This version: August 27, 2025



Overview

Santa Fe has long been a national leader in implementing a living wage ordinance, establishing higher minimum standards than both state and federal policy. The city’s original living wage ordinance, adopted in 2003, was among the first of its kind and quickly became a focal point for both local debates and national scholarship. Today, as the Santa Fe City Council considers another adjustment to the city’s living wage, many of the same themes have reemerged: particularly questions about timing, scope, and economic impact. At the same time, the policy conversation is occurring within a new macroeconomic context marked by higher inflation, rising housing costs, and shifting national priorities.

This analysis draws on the history of Santa Fe’s ordinance, recent empirical research, and specific concerns voiced by councilors during the most recent work session. The goal is to provide an evidence-based perspective on what a wage adjustment would mean for the city’s workers, businesses, and long-term economic, social, and cultural vitality.

Understanding the Santa Fe Economy

Assessing the implications of a living wage adjustment requires situating the policy within Santa Fe’s broader economic structure. The city’s sectoral composition, seasonal labor market patterns, and public-private balance provide essential context for evaluating potential outcomes.

Santa Fe’s economy remains anchored by its strong cultural, tourism, and arts sectors. Employment in Santa Fe is seasonal, with the nonfarm civilian workforce across Santa Fe County rising to 65k in the summer months, driving both increased demand for employment and higher unemployment rates as greater numbers of workers enter the labor force to seek employment.¹ The leisure and hospitality sector, which includes hotels, restaurants, and tourism-related services, is particularly central to the city’s economy, representing nearly 20% of total employment. Government remains the single largest sector at 22.8%, education and health services (17.7%) and trade, transportation, and utilities (15.7%). Professional and business services make up 8.3%, while industries such as construction, finance, and manufacturing contribute smaller but steady shares. Taken together, Santa Fe’s employment profile reflects its dual identity as both a government and service hub and a tourism-driven economy, with labor market conditions closely tied to seasonal visitor flows and the cultural calendar that sustains the city’s broader economic vitality.²

Largest Employment Sectors, Santa Fe County

June 2025

Government	14.8	22.8%
Leisure and Hospitality	12.7	19.6%
Education and Health Services	11.5	17.7%
Trade, Transportation, and Utilities	10.2	15.7%
Professional and Business Services	5.4	8.3%
Mining, Logging, and Construction	3.2	4.9%
Other Services	3.2	4.9%
Financial Activities	2.3	3.5%
Manufacturing	0.8	1.2%
Information	0.8	1.2%
Total Nonfarm Labor Force	64.9	100%

¹ https://www.bls.gov/eag/eag.nm_santafe_msa.htm

² <https://data.bls.gov/timeseries/SMU3542140700000001>

Largest Employers Located in Santa Fe, NM (2024-2025 Estimates)

Rank	Location	Employees	Source
1	State of New Mexico	5,900	https://www.spo.state.nm.us/wp-content/uploads/FY24-Compensation-Report.pdf
2	Christus St. Vincent	2,500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
3	Santa Fe Public Schools	1,800	https://www.sfps.info/page/sfps-sustainable
4	City of Santa Fe	1,500	https://santafenm.gov/
5	Santa Fe County	850	https://www.linkedin.com/company/santa-fe-county/
6	Santa Fe Community College	661	https://www.sfcc.edu/fast-facts/mission-vision-governing-board/
7	Presbyterian Santa Fe	545	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
8	Eldorado Hotel	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
9	Hotel Chimayo	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html
10	Hotel St. Francis	500	https://www.bizjournals.com/albuquerque/subscriber-only/2025/01/29/santa-fe-area-employers.html

In addition, an estimated 3,500 employees of Los Alamos National Laboratories live in Santa Fe, NM³

Santa Fe’s employment base is anchored by a mix of government, healthcare, education, and hospitality. The State of New Mexico is by far the largest single employer, with approximately 5,900 employees in the city. Healthcare is also a major driver, led by Christus St. Vincent with 2,500 employees, alongside Presbyterian Santa Fe with 545 employees. Education remains a central pillar, with Santa Fe Public Schools employing 1,800 and Santa Fe Community College supporting 661 faculty and staff. Local government contributes significantly as well, with 1,400 City of Santa Fe employees and 850 working for Santa Fe County. Santa Fe’s robust tourism and hospitality sector rounds out the top employers, with large hotel operations such as the Eldorado Hotel, Hotel Chimayo, and Hotel St. Francis, each employing around 500 workers. In addition, an estimated 3,500 employees of Los Alamos National Laboratory live in Santa Fe, contributing to the local labor market despite the lab’s physical location in neighboring Los Alamos County.

Prevailing wage data in Santa Fe is accessible via the Bureau of Labor Statistics Occupational Employment and Wage Statistics (OEWS) survey, most recently completed in May 2024.⁴ Comparing Santa Fe’s occupational wage profile to the United States as a whole highlights both the city’s structural reliance on service-oriented employment and the wage disparities that characterize its labor market. Overall, the mean hourly wage in Santa Fe is \$29.05, which is \$3.61 lower than the U.S. average of \$32.66. This differential reflects both sectoral composition and localized pay gaps across multiple occupational categories.

High-skill, high-wage professions in Santa Fe exhibit some of the largest negative differentials relative to the national average. For example, management occupations earn \$13.17 less per hour than their national peers, while legal occupations earn \$16.50 less per hour. Similar downward gaps are evident in business and financial operations (-\$9.49), computer and mathematical occupations (-\$10.37), and arts, design, and media (-\$7.53). These figures suggest that Santa Fe’s position as a cultural and governmental hub does not extend to supporting nationally competitive wages in many knowledge-based fields.

³ <https://losalamosreporter.com/2023/05/05/lanl-report-shows-37-7-percent-of-employees-lived-in-los-alamos-county-as-of-sept-30-2022/>

⁴ https://www.bls.gov/regions/southwest/news-release/occupationalemploymentandwages_santafe.htm

At the same time, Santa Fe wages are more competitive in several critical areas. Healthcare practitioners and technical workers earn \$6.18 more per hour than the national average, reflecting the scarcity of qualified healthcare workers locally and the influence of major employers such as Christus St. Vincent. Wages in food preparation and serving occupations are slightly above the U.S. average (+\$0.88), which is notable given the sector’s large share of Santa Fe employment (13.6% versus 8.8% nationally). Other large occupational groups, such as office and administrative support, education, and building and grounds maintenance, show wages roughly in line with national averages, with gaps of less than \$1 per hour. These sectors, while not highly paid, are crucial to Santa Fe’s labor market given their large shares of local employment. The figure below is adapted from the Bureau of Labor Statistics:

Major occupational group	Percent of total employment		Mean hourly wage (\$)		Pay Differentials (SF Pay - US Pay)
	United States	Santa Fe	United States	Santa Fe	
Total, all occupations	100.0	100.0	\$ 32.66	\$ 29.05	\$ (3.61)
Management	7.1	7.1	\$ 68.15	\$ 54.98	\$ (13.17)
Business and financial operations	6.7	7.6	\$ 45.04	\$ 35.55	\$ (9.49)
Computer and mathematical	3.4	2.6	\$ 56.16	\$ 45.79	\$ (10.37)
Architecture and engineering	1.7	1.2	\$ 49.99	\$ 47.09	\$ (2.90)
Life, physical, and social science	0.9	1.3	\$ 43.12	\$ 38.46	\$ (4.66)
Community and social service	1.7	1.7	\$ 30.31	\$ 30.42	\$ 0.11
Legal	0.8	1.4	\$ 66.19	\$ 49.69	\$ (16.50)
Educational instruction and library	5.8	4.9	\$ 31.69	\$ 31.02	\$ (0.67)
Arts, design, entertainment, sports, and media	1.4	1.5	\$ 37.04	\$ 29.51	\$ (7.53)
Healthcare practitioners and technical	6.2	5.1	\$ 50.59	\$ 56.77	\$ 6.18
Healthcare support	4.8	3.6	\$ 19.06	\$ 18.40	\$ (0.66)
Protective service	2.4	2.9	\$ 29.33	\$ 28.41	\$ (0.92)
Food preparation and serving related	8.8	13.6	\$ 17.32	\$ 18.20	\$ 0.88
Building and grounds cleaning and maintenance	2.9	4.3	\$ 19.01	\$ 18.59	\$ (0.42)
Personal care and service	2.0	2.4	\$ 18.95	\$ 18.18	\$ (0.77)
Sales and related	8.7	9.5	\$ 26.00	\$ 21.90	\$ (4.10)
Office and administrative support	11.8	14.5	\$ 24.12	\$ 23.42	\$ (0.70)
Farming, fishing, and forestry	0.3	0.2	\$ 20.06	\$ 20.13	\$ 0.07
Construction and extraction	4.1	3.8	\$ 30.73	\$ 24.51	\$ (6.22)
Installation, maintenance, and repair	3.9	3.4	\$ 29.63	\$ 25.17	\$ (4.46)
Production	5.7	2.3	\$ 24.08	\$ 23.73	\$ (0.35)
Transportation and material moving	8.9	5.0	\$ 23.44	\$ 20.10	\$ (3.34)

Rising living costs and a cooling housing market present significant challenges. As of August 2025, the average Santa Fe, NM home sells for \$590,845⁵, down 0.7% over the prior year and reflective of higher inventories and reduced absorption rates. Despite the slowdown, Santa Fe has emerged as the nation’s #2 luxury second-home market⁶, with a median listing price in the 90th percentile of nearly \$2.7 million with steady demand from affluent buyers and retirees. Mean rents in Santa Fe are currently between \$1,735 and \$1,860⁷ per month. The HUD 40th percentile Fair Market Rent for a two-bedroom rental is \$1,685 per month⁸.

⁵ <https://www.zillow.com/home-values/40760/santa-fe-nm/>

⁶ <https://www.realtor.com/research/july-2025-wsj-rdc-luxury-housing-market-ranking/>

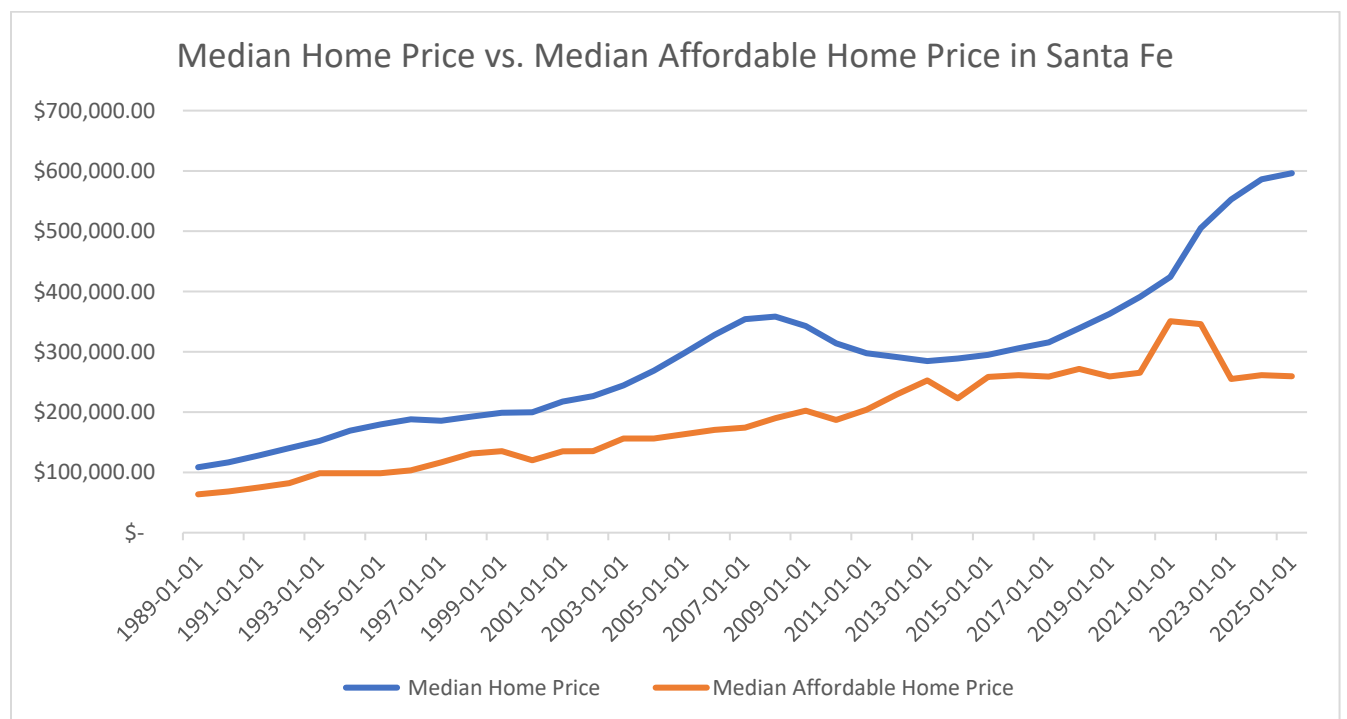
⁷ <https://www.apartments.com/rent-market-trends/santa-fe-nm/> and <https://www.rentcafe.com/average-rent-market-trends/us/nm/santa-fe/>

⁸ https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2026_code/2026summary.odn

The median household income in Santa Fe was \$78,366 in 2023, which, when adjusted for national wage growth, equates to \$83,567 in 2025.

- Under the standard 30 percent of gross income housing affordability threshold, a household earning the median income could reasonably afford a home priced at \$259,462, given current mortgage rates and property tax levels in Santa Fe.
- By contrast, to afford the median home price in Santa Fe, a household must earn at least \$172,375 annually. This difference produces an affordability gap of more than 106 percent, which is nearly double the 57 percent gap observed nationally.
- Approximately 81 percent of households in Santa Fe earn less than \$172,375, and therefore fall below the threshold required to afford a median-priced home, underscoring the severity of the city’s housing affordability crisis.

The figure below graphs the median home price in Santa Fe since 1989, and the median ‘affordable home price’ in Santa Fe, determined by the median household income of the town and prevailing tax and mortgage rates:



The high prices of real estate contributes to a cost of living index that is 16% higher than the national average and 28% higher than in New Mexico as a whole.⁹ While affordability pressures persist, particularly for working families, New Mexico’s broader fiscal picture is more optimistic: energy-driven state revenues have created fiscal flexibility to support housing, education, and infrastructure, indirectly benefiting Santa Fe. Compared to other U.S. regions, Santa Fe’s average costs for groceries,

⁹ <https://www.eri.com/cost-of-living/united-states/new-mexico/santa-fe>

health care, utilities, and transportation are broadly in line with national levels, but housing remains distinctly overpriced relative to the rest of the country, as well as New Mexico.

Evidence from the Literature: Employment, Prices, and Business Impacts

Santa Fe already operates with a city *living wage* that rose to \$15.00/hour on March 1, 2025 (the New Mexico state floor remains \$12.00). The mayor has proposed raising the city living wage to \$17.50, which would represent a 16.7% increase from today's level. Leisure and hospitality (hotels, restaurants, attractions) is an unusually large local employer, comprising nearly 20% of nonfarm jobs. Government employment remains the single biggest sector with nearly 23% of all employment. These shares matter because low-wage exposure (and thus policy sensitivity) is highest in restaurants, hotels, and certain retail services.

What are the benefits to increasing the minimum wage for businesses?

- *Reduced turnover:* Multiple studies show that higher minimum wages lower employee separation rates, particularly in service industries with historically high churn. Lower turnover directly reduces recruitment and training costs, which can be substantial in hospitality and retail where new employee onboarding and skill ramp-up take time. In Santa Fe, where seasonality drives frequent hiring cycles, a reduction in churn could stabilize scheduling and reduce operational disruptions (see Dube et. al. 2016; Hirsch et. al 2015).
- *Training cost savings:* Lower turnover translates into less frequent hiring, which means employers spend less on advertising, onboarding, and job-specific training. These savings are not trivial: research suggests that turnover costs for lower-wage service positions can amount to 16–20 percent of annual pay. Over time, these avoided costs help offset part of the wage increase and allow managers to invest resources elsewhere (see Boushey & Glynn, 2012; Dube et. al, 2016).
- *Productivity and morale gains:* Improved wages reduce financial stress and increase worker engagement, which can lead to measurable productivity improvements. In some studies, modest gains in output per worker have been observed following wage hikes, as employees reciprocate through better performance and attendance. In industries like food service and lodging, where customer satisfaction is tightly tied to staff attentiveness, even small productivity gains can have revenue impacts (See Reich et. al., 2014).
- *Customer service and quality stability:* A more stable and experienced workforce improves consistency in customer-facing roles. In the tourism-driven economy of Santa Fe, restaurants and hotels depend on reliable staff to deliver service quality that supports repeat visits and positive reviews. With higher wages, businesses may see not only smoother operations but also stronger reputational benefit (see Schmitt 2013; Hirsch et. al 2015).
- *Reduced absenteeism:* Higher wages are associated with lower absenteeism, as workers can better manage transportation, childcare, and health costs. For employers, this means fewer unexpected scheduling gaps and a more predictable workforce. Reliable attendance is particularly important in Santa Fe's leisure and hospitality sector, where understaffing during peak visitor seasons can have outsized consequences (see Boushey & Glynn, 2012; Cooper et. al, 2019).

- *Macro demand effects:* Because low-wage workers tend to spend additional earnings locally, higher wages can feed back into the local economy through stronger consumer demand. In Santa Fe, this dynamic means that wage increases at restaurants, hotels, and retailers can return in part as higher sales revenue in those same sectors, while also broadening the gross receipts tax base for the city (see Aaron et. al. 2008; Renkin et.al. 2022).

What does the research say about how minimum wage effects play out?

- *Employment effects:* The broad U.S. literature finds small to near-zero net job losses around typical increases, with clear wage gains for low-wage workers (Cengiz, Dube, Lindner & Zipperer 2019)¹⁰. But when increases are larger or rapid, some studies (Jardim et. al. 2022¹¹) find reductions in hours at the very bottom of the wage distribution, even as hourly pay rises. In short: modest aggregate employment effects on average, with possible hours compression for some groups at bigger jumps.
- *Prices & pass-through:* Firms often pass part of higher labor costs to consumers. Classic and newer evidence show measurable but modest price effects in consumer-facing sectors (e.g., restaurants and groceries): roughly 0.3–1.4% price increases for a 10% wage hike (Renkin et. al, 2020¹² Ashenfelter & Jurajda 2021¹³, depending on sector, market power, and exposure; fast-food pass-through is documented with minimal impact on entry/exit in some settings. For a 16.7% wage increase, that scale would translate to low-single-digit price changes for many items.
- *Income & poverty:* Minimum-wage hikes raise earnings for affected workers and can reduce poverty in net, though estimates vary with the size and timing of increases as well as the local labor market. The Congressional Budget Office (CBO)’s synthetic national scenarios (for large federal increases) show big wage gains and a mix of modest job loss with net income gains for low-income families, which become useful guardrails for thinking about distributional tradeoffs.¹⁴

Implications for Santa Fe if the city lifts the minimum wage from \$15.00 to \$17.50 per hour

- *Who’s affected:* The largest immediate exposure is in leisure and hospitality—a sector that is both central to Santa Fe’s economy and highly visible to visitors. Because much demand is tourism-driven, local firms often have more scope to pass through small price increases without large demand loss (visitors’ price elasticity is lower than residents’). That helps buffer employment impacts versus more tradable sectors.
- *Worker earnings:* A full-time employee at \$15 earns approximately \$31,200/yr; at \$17.50, they earn \$36,400, \$5,200 more per year. Given Santa Fe’s high housing and living costs, these gains directly raise purchasing power for lower-wage households (who also tend to spend locally), supporting gross-receipts-tax bases at the margin. This mechanism is consistent with CBO and broader literature on higher marginal propensity to consume for low-income households.
- *Business costs & prices:* In many cases, expect low-single-digit price adjustments in restaurants/hospitality/retail, phased as menus and rates reset; some firms will also retool operations (shift scheduling, technology adoption, and compressed wage ladders). Evidence from

¹⁰ https://www.nber.org/system/files/working_papers/w25434/w25434.pdf

¹¹ https://www.nber.org/system/files/working_papers/w23532/w23532.pdf

¹² https://gspp.berkeley.edu/assets/uploads/research/pdf/The_Pass-Through_of_Minimum_Wages_into_US_Retail_Price.pdf

¹³ https://gceps.princeton.edu/wp-content/uploads/2021/07/281_Ashenfelter.pdf

¹⁴ <https://www.cbo.gov/publication/55410>

restaurants (Aaronson 2001¹⁵) and groceries suggests partial pass-through (Renkin et. al, 2020) rather than a one-for-one move. In a tourism city, those small changes often do not materially deter demand but should still be factored into messaging for resident affordability.

- *Employment/hours risk pockets:* Aggregate job effects are likely small, but risk concentrates among very low-wage hours, marginal firms, and sub-sectors with thin margins. Close monitoring is warranted for independent restaurants, small retailers, and certain personal-services businesses during the first 12–18 months after implementation. Jardim et. al. (2022)¹⁶ flag the relationship between larger minimum wage increases and a reduction in hours for less experienced workers.
- *Sectoral nuance:* Government (the largest local employment sector) is largely insulated, however, spillover effects may arrive as vendors adjust rates on contracts. Health care and education face smaller direct exposure but may see wage compression pressures. The hospitality industry may see significant effects among its lower wage workers, but also has the greatest pricing latitude with visitors.

Fiscal Sustainability and Equity

- *City revenues:* Higher wages and prices may lead to more overall spending and the City’s gross receipts tax collections could rise slightly. Any losses from businesses cutting back are likely to be small, since national studies show that employment generally holds steady after wage increases (Cengiz et. al. 2019)¹⁷.
- *Distributional effects:* Gains accrue to low-wage workers, mainly in hospitality and services, which aligns with equity goals and can reduce income volatility. Pairing the policy with targeted supports (e.g., small-business tax assistance, phased-in schedules, and enforcement clarity) can mitigate transition frictions.¹⁸
- *Metrics to watch (quarterly):* Any evaluation of the economic impact of minimum wage adjustments must carefully account for prevailing macroeconomic and local factors to avoid misattribution. Situating the policy discussion within Santa Fe’s economic profile – for example, the composition of employment, sectoral dependencies, and seasonal patterns – provides the necessary context for assessing both direct and indirect effects. Data collection in the future should pay particular attention to:
 - Low-wage employment and hours in hospitality and retail sectors;
 - Business openings and closures in food service and lodging sectors;
 - Average menu and room rates vs. regional comps;
 - GRT trends in hospitality-linked NAICS codes;
 - Worker turnover and vacancy durations (research indicates wage hikes often reduce turnover, a potential productivity boost offsetting some cost).

¹⁵ <https://direct.mit.edu/rest/article/83/1/158/57251/Price-Pass-Through-and-the-Minimum-Wage>

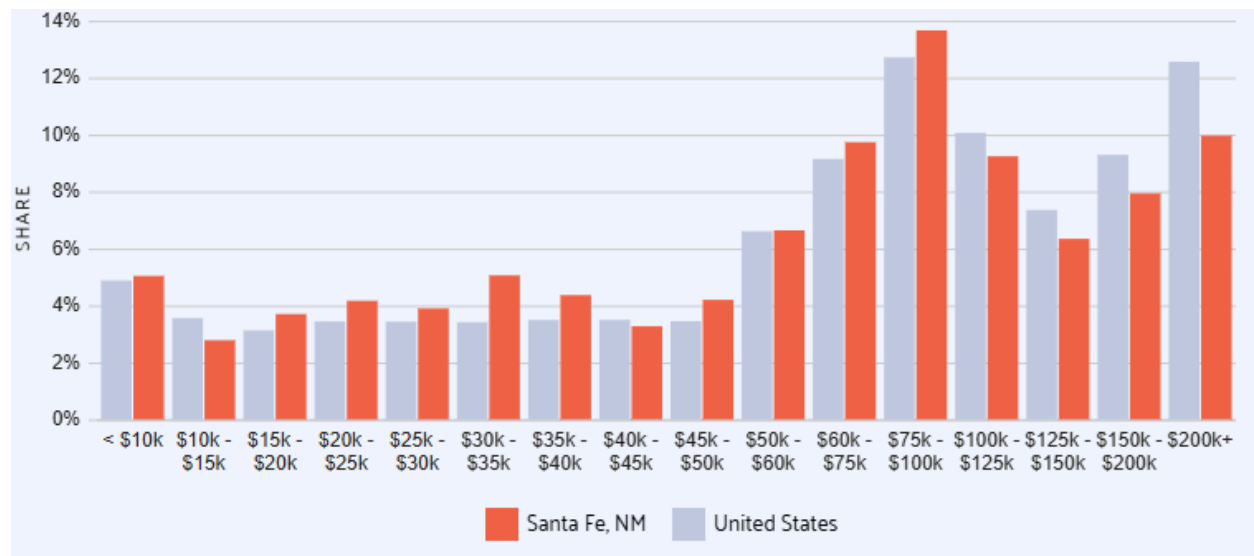
¹⁶ <https://www.aeaweb.org/articles?id=10.1257%2Fpol.20180578>

¹⁷ <https://academic.oup.com/qje/article-abstract/134/3/1405/5484905>

¹⁸ <https://www.cbo.gov/system/files/2019-07/CBO-55410-MinimumWage2019.pdf>

Santa Fe’s long history with a local living wage has also been studied by New Mexico researchers. A 2024 review by the University of New Mexico Bureau of Business and Economic Research (BBER) synthesizes decades of national and state findings. BBER concludes that:

- Employment impacts are small to negligible overall, but certain subgroups (especially young workers and those in restaurants) may see reduced hours or hiring opportunities. This aligns with Jardim et al. (2017, 2022) in Seattle, who found hours compression at the very bottom of the wage distribution, even as average pay rose.
- Earnings gains are reliable and disproportionately benefit women, younger workers, and Hispanic workers, groups that are overrepresented in Santa Fe’s hospitality and service industries (BBER; see also Allegretto, Dube, & Reich 2011). These distributional effects are particularly salient given Santa Fe’s housing affordability crisis.
- Dube and Lindner (2021) find that city-level minimum wages meaningfully reduce wage inequality. Supporting this statement, 2023 Census Bureau’s 5-year Estimate analyzed by Data USA comparing the income distribution in Santa Fe against the United States, notes the significant income inequality present¹⁹:



- Price increases are modest and concentrated in food services, with studies such as Aaronson (2001) and Lemos (2008) finding 0.3–1.0% restaurant price increases for a 10% wage hike. More recent evidence (Renkin et. al. 2020; Ashenfelter & Jurajda 2021) confirms partial but not complete pass-through. For Santa Fe, this suggests restaurants and hotels could adjust rates upward without significantly reducing visitor demand.
- Turnover declines when wages rise, reducing hiring and training costs. Dube, Lester, and Reich (2016) estimate that reduced churn offsets a significant portion of added labor costs. For Santa Fe’s seasonally dependent service sector, this may improve business stability and service quality.

¹⁹ <https://datausa.io/profile/geo/santa-fe-nm/>

What is the impact on the City of Santa Fe?

With data provided by the City's Finance Director, the direct fiscal impact of raising the City's living wage to \$17.50 per hour would be minimal. Based on payroll data from HR for the pay period ending August 1, 2025, only 18 City employees were earning below \$17.50 per hour. These employees are primarily located in Tourism, Public Works, and Public Utilities, with one additional position in Community Services at \$16.96 per hour. The Finance Director calculated the cost of bringing all 18 employees up to \$17.50 per hour, including a standard 40% inflator for benefits and annualizing the adjustment over a 2,080-hour work year. The resulting total cost was \$13,468 annually, or roughly \$15,000 per year as a conservative upper estimate. This represents less than one-tenth of one percent of the City's annual personnel budget, confirming that the budgetary impact would be negligible.

As a side observation, the Finance Director also noted that two-thirds of these employees are women, highlighting a small but meaningful gender equity dimension to the adjustment. While not central to the fiscal analysis, this finding illustrates how wage increases at the bottom of the pay scale can intersect with broader equity considerations.

What about a tiered minimum wage system?

A tiered minimum wage system sets different wage floors for employers depending on their size or type. In practice, this usually means that smaller firms (e.g., under 25 employees) are granted either (a) a lower minimum wage requirement or (b) a slower phase-in schedule than larger firms. Larger firms are expected to comply with the full wage floor earlier or at a higher level. This approach has been implemented in places such as California's state minimum wage law and in earlier versions of Santa Fe's own living wage ordinance (though the latter was later amended to remove size-based tiers). For example, California firms have different minimum wages based on the type of healthcare facility – for example, rural clinics versus large employers and integrated health systems have different minimums.

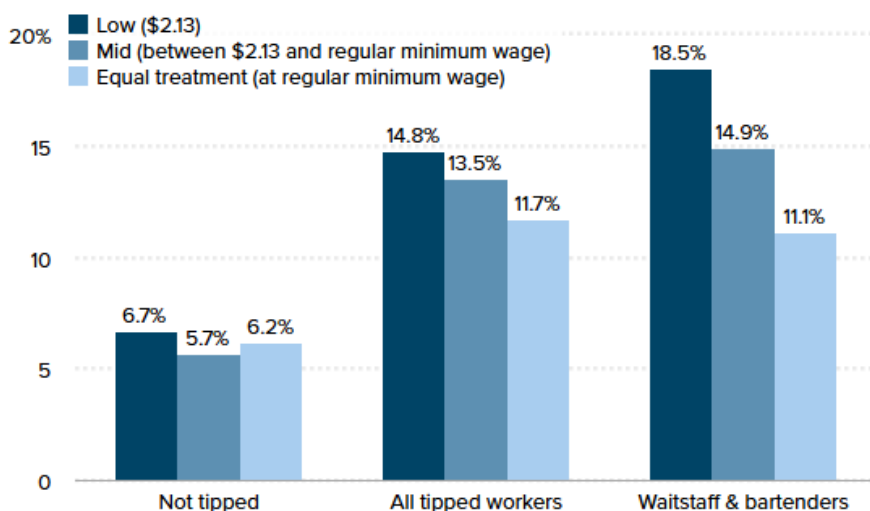
- *Pros to a Tiered System:* Tiered systems acknowledge that small, thin-margin firms often face greater difficulty absorbing cost increases, allowing them more time to adapt. Introducing differential thresholds can ease opposition from business groups, smoothing passage of legislation and helping to build consensus. By phasing in requirements, smaller employers may retain operational stability while larger employers (with more resources and scale) shoulder the burden sooner.
- *Cons to a Tiered System:* Regulators must track firm size, verify compliance, and monitor transitions across thresholds, all of which increase oversight costs. Firms may split operations into smaller legal entities or misreport workforce size ('gaming the system') to avoid crossing into higher-wage categories, undermining fairness and compliance. In 2003, similar systemic gaming was observed in Santa Fe's original living wage bill and consequently removed. Lastly, workers performing the same jobs may be paid differently depending only on the size of their employer, raising equity concerns and eroding clarity in the policy's intent.

In addition to the California system, Nevada's Assembly Bill 456 allowed for a lower tier minimum wage to be paid by employers who offer health benefits; New Jersey maintains a separate minimum wage for agricultural workers. Two-tier minimum wage models are more common in the tipped-wage context, where subminimum rates apply to tipped workers. Empirical evidence demonstrates that eliminating the tier for tipped workers raises earnings, reduces poverty, and diminishes gender and racial disparities,

without discernible negative employment effects (Schmitt, 2013; Hirsch, Kaufman, and Zelenska 2015; Alegretto and Nadler 2015).

In data analyzed from the Economic Policy Institute²⁰, tipped workers in states with equal treatment (where they receive the regular minimum wage before tips earn significantly higher hourly wages) face lower rates of wage theft, and experience greater income stability than their counterparts in states with a separate, lower tipped minimum wage. The figure below demonstrates the variation in poverty rates of tipped workers, nontipped workers, and waitstaff/bartenders by state tipped minimum wage level:

Poverty rates of tipped workers, nontipped workers, and waitstaff/bartenders by state tipped minimum wage level



Do benefits count in living wage calculations?

Under Santa Fe’s current living wage ordinance, certain employer-provided benefits can be counted toward compliance. Specifically, health insurance and childcare benefits may be included in the calculation of whether an employer meets the living wage requirement. This provision means that the required cash wage can be reduced if the employer contributes a qualifying value of benefits, though in practice the extent of this offset varies depending on the benefit package offered.

What has been the average inflation-only increase since 2008?

Using the overall CPI for the Western Region, ‘CPI-W’, prices have risen 51.8% since January 2008, or approximately 2.4% average per year.²¹

How many workers and employers in Santa Fe could be affected?

Santa Fe County has over 4,800 employer establishments²², with at least at least 3,000 in the city itself in 2022. While micro-level wage data is not available, the city’s service-oriented economic structure suggests that a significant portion of the labor force would be sensitive to changes in the minimum wage.

²⁰ <https://www.epi.org/publication/gradually-eliminating-the-two-tiered-wage-system-for-tipped-workers-in-new-york-will-improve-working-conditions-and-wages-for-tipped-workers-across-the-state/>

²¹ <https://fred.stlouisfed.org/series/CPIAUCSL>

²² https://data.census.gov/profile/Santa_Fe_County,_New_Me...?g=050XX00US35049

Drawing from national and regional evidence, it is reasonable to estimate that 10–20 percent of Santa Fe’s workforce could be directly affected by a higher wage floor through immediate pay adjustments. In addition, a further share of employees earning just above the proposed \$17.50 threshold may experience indirect effects, either through wage compression adjustments or to maintain internal equity within firms. Together, this indicates that the policy’s reach would extend well beyond those currently earning at or below the living wage level.

What are the ripple effects seen in other cities? Is there a “tipping point”?

The most comprehensive U.S. analyses generally find small to near-zero net employment effects at typical increases (with clear wage gains for affected workers). Some studies show hours reductions for less experienced workers, particularly for larger and faster hikes.

The economic research is clear that there is no single “bright line” beyond which minimum wage increases automatically become damaging. Instead, the threshold depends on local labor market conditions, the pace of increases, and the relative level of the minimum wage compared to median wages.

- The Kaitz Index (*defined roughly as ‘minimum wage ÷ median wage’*) is a common benchmark used by economists. In practice, increases that raise the minimum wage to around 50–60% of the median wage are generally viewed as sustainable without significant employment losses. In fact, the UK’s Low Pay Commission currently targets about two-thirds of median earnings, with careful monitoring. In Santa Fe, the median hourly wage of was \$29.05 in 2024, and a two-thirds level would be approximately \$19.35 per hour.
- Beyond two-thirds of the median wage, studies suggest the risk of disemployment, hours compression, and automation rises, particularly for youth and low-skill workers (Neumark & Wascher 2007; Jardim et al. 2017).
- Moving the wage floor from \$15 to \$17.50 represents a 16–17% increase, large enough to make a material difference in take-home pay for low-wage workers. At the same time, this level keeps Santa Fe’s Kaitz index (minimum-to-median wage ratio) in the 0.55–0.60 range, generally considered sustainable by both international practice and U.S. research.
- Service-oriented economies like Santa Fe, where nearly one in five jobs is in hospitality and restaurants, can handle modest price adjustments due to strong tourist demand. But small independent firms with thin margins are more sensitive, meaning that both the level and pace of the increase influence outcomes.

How will this effect small business vs. larger businesses? What are the firm-level effects?

Because this issue touches on multiple dimensions, I have divided the analysis into key subtopics. Each section draws on relevant research studies to provide brief evidence-based insights:

- *Price “spiral”/inflation:* Local studies show partial pass-through to prices rather than a runaway spiral; effects are concentrated in hospitality/food retail and typically low single digits for a 10–20% wage hike.
- *Reduced hours / reduced employment overall:* Average effects are small; some evidence of hours compression for the most affected, especially with larger, rapid increases. Net employment effects often hover near zero in broad data, but local margins vary.

- *Youth employment*: Classic reviews find more sensitivity for teens/very-low-skill groups; findings are mixed, but caution is warranted for youth employment at higher levels. Typically, employers respond by hiring more experienced workers and holding workers accountable to a higher level of productivity.
- *Closures of small/mom-and-pop firms*: Low-margin restaurants and small shops often feel the most strain. However, studies show closure rates do not rise significantly; instead, some firms pass costs to consumers while others absorb them. Larger firms typically adjust more easily, which can heighten competitive pressure on mom-and-pop businesses. At the same time, Santa Fe’s strong tourist economy provides an offsetting cushion, as steady visitor demand often helps small firms maintain customer flow and absorb cost adjustments more successfully than similar businesses in non-tourist markets.
- *Relocation to nearby low-wage areas*: Evidence of relocation to nearby areas is weak; businesses in location-specific industries (hotels, restaurants) cannot easily move.
- *Wage compression inside firms*: Raising the floor can compress pay ladders, prompting adjustments for supervisor and near-minimum workers; recent evidence finds intra-firm spillovers upward and some narrowing of wage dispersion.²³
- *More temp vs. permanent*: Some evidence suggests substitution toward part-time or temporary contracts to maintain flexibility, but it is not widespread.
- *Favoring big over small*: Larger chains can spread costs and adapt technology faster, which can shift competitive balance.
- *Technology substitution*: Over the long run, higher labor costs can accelerate automation (self-order kiosks, scheduling software), but adoption is incremental, not immediate.

Synthesis: Implications of a Living-Wage Adjustment in Santa Fe

Taken as a whole, the evidence indicates that raising Santa Fe’s living wage primarily functions as an income transfer to low-wage workers in a service-intensive economy, with modest price adjustments, small average employment effects, and important distributional gains. National quasi-experimental studies find clear wage increases for directly affected workers and little to no net job loss on average at typical policy magnitudes (Allegretto, Dube, Reich, & Zipperer, 2017; Cengiz, Dube, Lindner, & Zipperer, 2019). Where risks arise, they tend to appear as hours compression at the very bottom of the wage distribution following larger or faster hikes, with youth and very low-experience workers most sensitive (Jardim et al., 2017). On the cost side, firms partially pass through higher labor costs—especially in restaurants and hospitality—producing low single-digit price changes for mid-teens percentage increases in the wage floor (Aaronson, 2001; Lemos, 2008; Renkin, Montialoux, & Siegenthaler, 2020). Offsetting these costs, multiple studies document declines in turnover and improvements in retention that recoup a portion of higher payroll outlays, a channel that is salient in Santa Fe’s seasonal, visitor-facing sectors (see summaries in UNM BBER, 2024).

²³ https://elizaforsythe.web.illinois.edu/wp-content/uploads/2023/07/Effect_of_Minimum_Wage_on_Establishments.pdf

With Santa Fe’s structure (20% leisure and hospitality employment, large public-sector employment, and elevated housing costs) conditions both the reach of the policy and the channels through which it operates. A material share of the workforce is clustered near the wage floor in food service, lodging, retail, and building/grounds maintenance; consequently, a living-wage adjustment will directly lift earnings for thousands of workers and indirectly raise near-floor wages through internal equity adjustments (“wage compression”). Because a substantial portion of local demand is tourism-based, the city’s visitor economy provides greater pricing latitude than in tradable-goods industries, which helps buffer employment impacts even as menu and room rates adjust incrementally. For public finance, higher nominal wages and small price pass-throughs tend to support gross-receipts-tax bases at the margin; the literature and BBER’s synthesis suggest little aggregate employment drag, so revenue downside risks are most likely to be sector-specific rather than city-wide (CBO, 2019; UNM BBER, 2024).

Overall, the research indicates that Santa Fe’s living wage policy is likely to achieve its core goal: raising earnings for thousands of low-wage workers while producing only modest and manageable adjustments for employers. With a strong tourism base, a large share of public-sector employment, and a diversified service economy, Santa Fe is well positioned to absorb these changes. In practice, the policy functions as a targeted income transfer that strengthens household purchasing power, stabilizes local demand, and supports long-term workforce retention. Far from being a drag on growth, the evidence suggests Santa Fe’s living wage can enhance both equity and resilience, ensuring the city’s economy remains vibrant while delivering tangible gains for workers and families.

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Summary of Value

This proposal offers the City of Santa Fe a clear, evidence-based framework for evaluating potential minimum wage adjustments. By combining updated scenario modeling, a comprehensive companion analysis, and public engagement, Erebor LLC will provide tools for both policymakers and community stakeholders to better understand the economic tradeoffs at stake. Our approach balances scholarly rigor with practical application, ensuring that projections are grounded in robust data and communicated in accessible terms. This integrated approach reflects Erebor's commitment to supporting transparent, informed policymaking that advances both economic vitality and equity in Santa Fe.

1 CITY OF SANTA FE, NEW MEXICO

2 BILL NO. 2025-21

3 INTRODUCED BY:

4
5 Mayor Alan Webber

6
7
8
9
10 A BILL

11 AMENDING SFCC 1987, SECTION 28-1.5 (“LIVING WAGE ORDINANCE”), TO
12 INCREASE THE CITY’S BASE MINIMUM WAGE AND UPDATE THE FORMULA FOR
13 CALCULATING THE MINIMUM WAGE ANNUALLY.

14 BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF SANTA FE:

15 Section 1. Section 28-1.1 of SFCC 1987 (being Ord. No. 2002-13, § 1) is included
16 for reference without amendments:

17 28-1.1 Short title.

18 This section may be cited as the "Living Wage Ordinance".

19 Section 2. Section 28-1.2 of SFCC 1987 (being Ord. No. 2007-43, § 1) is amended
20 to read as follows:

21 28-1.2 Legislative findings.

22 A. _____ The governing body of the city [~~has determined that~~] made findings in 2002,
23 amended in 2003, and then amended again in 2007 as follows:

24 [A] (1). The public welfare, health, safety and prosperity of Santa Fe require
25 wages and benefits sufficient to ensure a decent and healthy life for

[bracketed material] = delete

underscored material = new

workers and their families;

[B] (2). Many Santa Fe workers earn wages insufficient to support themselves and their families;

[C] (3). Many Santa Fe workers cannot participate in civic life or pursue educational, cultural, and recreational opportunities because they must work such long hours to meet their households' most basic needs;

[D] (4). Minimum wage laws promote the general welfare, health, safety and prosperity of Santa Fe by ensuring that workers can better support and care for their families through their own efforts and without financial governmental assistance;

[E] (5). The average earnings per job in Santa Fe County is twenty-three percent (23%) below the national average and the cost of living is eighteen percent (18%) higher than the national average;

[F] (6). Housing costs in Santa Fe are much higher than in most other parts of New Mexico, and low income workers must therefore spend a disproportionate percentage of their income sheltering themselves and their families;

[G] (7). Livable wages also benefit employers and the economy as a whole by improving employee performance, reducing employee turnover, lowering absenteeism, and thereby improving productivity and the quality of the services provided by employees;

[H] (8). When businesses do not pay a livable wage, the community bears the cost in the form of increased demand for taxpayer-funded social services including homeless shelters, soup kitchens and healthcare for the uninsured. Coupled with high real estate values, low wages reduce

1 the ability of low- and moderate-income residents to access affordable
2 housing. As a result, the city has had to invest significant tax dollars to
3 support affordable housing including funding to nonprofit
4 organizations, purchasing land, building infrastructure and waiving
5 fees. In addition, the city has allocated significant tax dollars to operate
6 after school and summer recreation programs and to support nonprofit
7 organizations offering an array of human services and children and
8 youth services, all of which are needed by very low-income residents
9 and their families;

10 [F] (9). It is in the public interest to require certain employers benefiting from
11 city actions and funding, and from the opportunity to do business in the
12 city, to pay employees a minimum wage, a "living wage", adequate to
13 meet the basic needs of living in Santa Fe;

14 [F] (10). According to the 2000 Census, approximately twelve and three-tenths
15 percent (12.3%) of the Santa Fe community lives below the poverty
16 level; and

17 [K] (11). According to the New Mexico department of labor, twenty-three and
18 one-half percent (23.5%) of Santa Feans who are employed in the
19 nongovernmental sector earn hourly wages of ten dollars and fifty cents
20 (\$10.50) per hour or less.

21 [E] (12). The governing body has reviewed the impact of previous minimum
22 wage increases, relevant studies and other appropriate data, and finds
23 that the city's minimum wage should be upwardly adjusted each year to
24 keep pace with increases in the cost of living.

25 [M] (13). The governing body has found that limiting coverage of the minimum

1 wage just to businesses with twenty-five (25) or more employees has
2 hindered compliance and has created an uneven playing field among
3 local businesses.

4 B. In 2025, the governing body of the city finds as follows:

5 (1) The legislative findings in SFCC 1987, Section 28-1.2, numbered 1 through
6 4, 6 through 8, 12, and 13 remain relevant today.

7 (2) Updating the legislative findings in SFCC 1987, Section 28-1.2, numbered
8 5 and 9 results as follows:

9 i. The average earnings per job in Santa Fe County are twelve
10 percent (12%) below the national average.

11 ii. According to the 2023 Census, approximately twelve and two-
12 tenths percent (12.2%) of the Santa Fe community lives below the
13 poverty level.

14 (3) According to American Community Survey data, median gross rent for
15 occupied units paying rent in the city of Santa Fe increased by twenty eight
16 percent (28%) between 2015 and 2021, rising from \$970 to \$1,245.

17 (4) The city has implemented, or attempted to implement, numerous strategies
18 to address housing affordability, including, but not limited to, the Santa Fe
19 Homes Program, Low Priced Dwelling Units, Affordable Housing Trust
20 Fund, three percent (3%) High-End Excise Tax for Affordable Housing, and
21 donation of City-owned land.

22 **Section 3. Section 28-1.3 of SFCC 1987 (being Ord. No. 2003-8, § 2) is included**
23 **for reference without amendments:**

24 **28-1.3 Authority of the city of Santa Fe.**

1 This Living Wage Ordinance is adopted pursuant to the general welfare and police powers
2 conferred upon the city of Santa Fe by Section 3-17-1 et seq. and Section 3-18-1 et seq. NMSA
3 1978, pursuant to the powers conferred upon the city of Santa Fe by New Mexico Constitution,
4 Article X §§ 6(D) and 6(E) and the Municipal Charter Act Section 3-15-1 et seq. NMSA 1978,
5 which have been exercised by the city's adoption of its "Santa Fe Municipal Charter".

6 **Section 4. Section 28-1.4 of SFCC 1987 (being Ord. No. 2003-8, § 3) is included**
7 **for reference without amendments:**

8 **28-1.4 Purpose.**

9 The purposes of this section are:

10 A. To have the city of Santa Fe set an example for the public and private sectors by
11 paying its employees a minimum wage adequate to meet the basic needs of living in Santa Fe.

12 B. To raise the income of low-income employees of employers who contract with the
13 city, receive grants, subsidies or other benefits from the city or benefit from the opportunity to do
14 business in Santa Fe.

15 **Section 5. Section 28-1.5 of SFCC 1987 (being Ord. No. 2007-43, § 2) is amended**
16 **to read as follows:**

17 **28-1.5 Minimum wage payment requirements.**

18 A. The following entities shall pay the minimum wage:

19 (1) The city of Santa Fe to all full-time permanent workers employed by the
20 city. However, the provisions of this section are expressly limited by and subject
21 to future union negotiations in compliance with the Fair Labor Standards Act and
22 subsequent appropriations by the governing body in compliance with the Bateman
23 Act;

24 (2) Contractors for the city, that have a contract requiring the performance of
25 a service including construction services but excluding purchases of goods, shall

1 pay the minimum wage to their workers and subcontractors performing work under
2 the contract if the total contract amount with the city is, or by way of amendment
3 becomes, equal to or greater than thirty thousand dollars (\$30,000.00); and

4 (3) Businesses receiving assistance relating to economic development in the
5 form of grants, subsidies, loan guarantees or industrial revenue bonds in excess of
6 twenty-five thousand dollars (\$25,000.00) to those employed by such entity for the
7 duration of the city grant or subsidy; and

8 (4) Businesses required to have a business license or business registration
9 from the city of Santa Fe and nonprofit organizations shall pay the minimum wage
10 to their workers for all hours worked within the city of Santa Fe that month. For
11 purposes of this paragraph, worker shall not include any person who is related by
12 blood or by marriage to any person who may have or possess any ownership
13 interest in the business that employs them. For purposes of identifying persons
14 entitled to be paid the minimum wage, all individuals employed by or providing
15 work to the business for compensation, whether on a part-time, full-time or
16 temporary basis, during a given month shall be counted as a worker. This definition
17 shall include contingent or contracted workers, and persons made available to work
18 through the services of a temporary service, staffing or employment agency or
19 similar entity. However, interns working for a business for academic credit in
20 connection with a course of study at an accredited school, college or university or
21 persons working for an accredited school, college or university while also
22 attending that school, college or university, or persons working for a business in
23 connection with a court-ordered community service program such as teen court or
24 workers who are in an apprenticeship program in a 501C(3) organization (such as
25 the Santa Fe opera) shall not be counted as a worker for such purposes.

1 B. Beginning January 1, 2004, the minimum wage shall be an hourly rate of eight
2 dollars and fifty cents (\$8.50). In computing the wage paid for purposes of determining compliance
3 with the minimum wage, the value of health benefits and childcare shall be considered as an
4 element of wages. On January 1, 2006 , the minimum wage shall be increased to an hourly rate of
5 nine dollars and fifty cents (\$9.50). Beginning January 1, 2009, and each year thereafter, the
6 minimum wage shall be adjusted upward by an amount corresponding to the previous year's
7 increase, if any, in the consumer price index for the western region for urban wage earners and
8 clerical workers.

9 C. Beginning January 1, 2027, the minimum wage shall be an hourly rate of seventeen
10 dollars and fifty cents (\$17.50). In computing the wage paid for purposes of determining
11 compliance with the minimum wage, the value of health benefits and childcare shall be considered
12 as an element of wages. On March 1, 2028, the minimum wage shall be increased by the average
13 of the annual increase of the following two factors:

- 14 (1) the United States Bureau of Labor Statistics Consumer Price Index for All Urban
15 Consumers, the Western Region, as published by the United States Bureau of Labor
16 Statistics (“Western Region CPI-U”); and
17 (2) Fair Market Rent (“FMR”)for a two-bedroom unit in Santa Fe, New Mexico, as
18 published annually by the United States Department of Urban Development (“HUD”).

19 If either factor is unchanged or decreases, then the minimum wage shall increase by a rate that is
20 equal to half the percent increase of the other factor. If both factors are unchanged or decrease, then
21 the minimum wage shall remain the same. In other words, the annual increase to the minimum
22 wage shall be calculated as follows: annual increase = 0.50 (annual percent increase (if there is
23 one) to Western Region CPI-U) + 0.50 (annual percent increase (if there is one) to the HUD’s FMR
24 for a two- bedroom unit in Santa Fe). Increases to the minimum wage rate shall not exceed five
25 percent and the minimum wage shall not decrease.

1 [C] D. For workers who customarily receive more than one hundred dollars (\$100.00) per
2 month in tips or commissions, any tips or commissions received and retained by a worker shall be
3 counted as wages and credited toward[s] satisfaction of the minimum wage provided that, for tipped
4 workers, all tips received by such workers are retained by the workers, except that the pooling of
5 tips among workers shall be permitted.

6 [D] E. Nonprofit organizations whose primary source of funds is from Medicaid waivers
7 are exempt.

8 [E. — Staff shall contract for a study or studies to review the impact of changes made to
9 the Living Wage Ordinance approved as Ordinance No. 2007-43 on businesses of less than ten (10)
10 employees and on the student drop-out rate. The study shall be presented to the governing body no
11 later than July 1, 2009.]

12 **Section 6. Section 28-1.6 of SFCC 1987 (being Ord. No. 2003-8, § 5) is included**
13 **for reference without amendments:**

14 **28-1.6 Prohibitions against retaliation and circumvention.**

15 A. It shall be unlawful for any employer or employer's agent or representative to take
16 any action against an individual in retaliation for the exercise of or communication of information
17 regarding rights under this section. This section shall also apply to any individual that mistakenly,
18 but in good faith, alleges noncompliance with this section.

19 B. Taking adverse action against an individual within sixty (60) days of the
20 individual's assertion of or communication of information regarding rights shall raise a rebuttable
21 presumption of having done so in retaliation for the assertion of rights.

22 C. It shall be unlawful for any business or employer to intentionally circumvent the
23 requirements of this section by contracting portions of its operation or leasing portions of its
24 property.

25 **Section 7. Section 28-1.7 of SFCC 1987 (being Ord. No. 2004-38-, § 1) is included**

1 **for reference without amendments:**

2 **28-1.7 Reserved.**

3 Editor's note— Former subsection 28-1.7, Compliance Through Collective Bargaining Process,
4 previously codified herein and containing portions of Ordinance No. 2002-13, was repealed in its
5 entirety by Ordinance No. 2004-38.

6 **Section 8. Section 28-1.8 of SFCC 1987 (being Ord. No. 2003-8, § 6) is amended**
7 **to read:**

8 **28-1.8 Enforcement; remedies.**

9 A. *Administrative Enforcement.* The city manager, or ~~his/her~~ their designee, is
10 authorized, as appropriate and as resources permit, to enforce this section. The city manager is
11 authorized to investigate possible violations of this section. Where the city manager, after a
12 proceeding that affords a suspected violator due process, concludes that a violation has occurred,
13 the city manager may issue orders to the employer appropriate to effectuate the complaining
14 person's rights, including but not limited to back pay and reinstatement. The city manager also has
15 the power to order termination of any and all economic benefit derived by any offending party from
16 the city and has the power to revoke the employer's business license or registration.

17 B. *Criminal Penalty.* A person violating this section shall be guilty of a misdemeanor
18 and, upon conviction, for each offense may be subject to fines and imprisonment as set forth in
19 Section 1-3 SFCC 1987. A person violating any of the requirements of this section shall be guilty
20 of a separate offense for each day or portion thereof and for each worker or person as to which any
21 such violation has occurred.

22 C. *Other Remedies.* The city, any individual aggrieved by a violation of this section,
23 or any entity the members of which have been aggrieved by a violation of this section, may bring
24 a civil action in a court of competent jurisdiction to restrain, correct, abate or remedy any violation
25 of this section and, upon prevailing, shall be entitled to such legal or equitable relief as may be

1 appropriate to remedy the violation including, without limitation, reinstatement, the payment of
2 any wages due and an additional amount as liquidated damages equal to twice the amount of any
3 wages due, injunctive relief, and reasonable attorney's fees and costs.

4 D. *Nonexclusive Remedies and Penalties.* The remedies provided in this section are
5 not exclusive, and nothing in this section shall preclude any person from seeking any other
6 remedies, penalties, or relief provided by law.

7 **Section 9. Section 28-1.9 of SFCC 1987 (being Ord. No. 2002-13, § 9) is included**
8 **for reference without amendments:**

9 **28-1.9 Effect.**

10 Nothing in this Living Wage Ordinance shall be deemed to nor shall be applied in such a manner
11 so as to have a constitutionally prohibited effect as an ex post facto law or impairment of an existing
12 contract within the meaning of New Mexico Constitution, Article II, § 19.

13 **Section 10. Section 28-1.10 of SFCC 1987 (being Ord. No. 2003-8, § 7) is included**
14 **for reference without amendments:**

15 **28-1.10 Severability.**

16 The requirements and provisions of this section and their parts, subparts and clauses are severable.
17 In the event that any requirement, provision, part, subpart or clause of this section, or the application
18 thereof to any person or circumstance, is held by a court of competent jurisdiction to be invalid or
19 unenforceable, it is the intent of the governing body that the remainder of the section be enforced
20 to the maximum extent possible consistent with the governing body's purpose of ensuring a living
21 wage for persons covered by the section.

22 **Section 11. Section 28-1.11 of SFCC 1987 (being Ord. No. 2003-8, § 8) is included**
23 **for reference without amendments:**

24 **28-1.11 Notice; posting; and publication.**

25 Any business subject to the provisions of this section shall as a condition to obtaining and holding

1 a city of Santa Fe business license or registration, post and display in a prominent location next to
2 its business license or registration on the business premises a notice, in English and Spanish, that
3 the business is in compliance with the provisions of this section and in particular post the text of
4 subsections 28-1.5, 28-1.6 and 28-1.8 SFCC 1987. Failure to comply with this subsection shall be
5 construed a violation of this section and, in addition, shall be considered grounds for suspension,
6 revocation, or termination of the business license or registration.

7 **Section 12. Section 28-1.12 of SFCC 1987 (being Ord. No. 2003-8, § 9) is amended**
8 **to read as follows:**

9 ~~[The city shall conduct a review of this section on or before July 1, 2005. In conducting~~
10 ~~said review the governing body may, at its discretion and pursuant to a duly adopted resolution,~~
11 ~~appoint an ad hoc committee to advise and assist in making recommendations regarding this section~~
12 ~~and to investigate the economic and social effects of this section on Santa Fe. The city will contract~~
13 ~~with an independent third party to develop an evaluation that will generate objective measures on~~
14 ~~the effect of the Living Wage Ordinance on the health, security, and livelihood of Santa Feans by~~
15 ~~March 31, 2003. Data necessary for such an evaluation on Santa Fe city businesses will be compiled~~
16 ~~and presented to the governing body for their review on or before July 1, 2003. In compiling the~~
17 ~~data, consideration should be given to potential impacts on youth employment and possible~~
18 ~~recommendations that might prevent unforeseen consequences hurting children in the community]~~
19 The city shall contract for a study or studies to determine the effects of the Living Wage Ordinance
20 No. 2025- including, but not limited to, effects on the following: low-wage employment and
21 hours in hospitality and retail sectors; business openings and closures in food service and lodging
22 sectors; Gross Receipts Tax trends in hospitality linked North American Industry Classification
23 System codes; worker turnover and vacancy durations; and youth employment. The study shall be
24 presented to the governing body no later than July 1, 2029.

25 PASSED, APPROVED, and ADOPTED this _____ day of _____, 2025.

1 APPROVED AS TO FORM:

2

Erin McSherry
Erin McSherry (Sep 4, 2025 11:17:35 MDT)

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4 ERIN K. McSHERRY, CITY ATTORNEY

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25 *Legislation/Bill/2025/Living Wage*

FISCAL IMPACT REPORT

General Information:

(Check) **Bill:** X **Resolution:** _____

Short Title(s): Living Wage Ordinance Update

Sponsor(s): Mayor Alan Webber

Reviewing Department(s): City Attorney’s Office

Staff Completing FIR: Rod Gould, Senior Advisor and Public Engagement Coordinator

Date: 8/26/2025 **Phone:** 505-637-1907

Reviewed by City Attorney: Erin McSherry **Date:** 09/04/2025
[Erin McSherry \(Sep 4, 2025 11:17:35 PDT\)](#)

Reviewed by Finance Director: Emily K. Oster **Date:** 09/04/2025

Summary:

The proposed bill would amend SFCC 1987, Section 28, the Living Wage Ordinance, to increase the living wage in the city of Santa Fe, beginning January 1, 2027, to an hourly wage of seventeen dollars and fifty cents (\$17.50). The proposed bill retains the existing exceptions. Additionally, the bill establishes a new formula for calculating annual increases to the living wage by using an average of the rate increases United States Bureau of Labor Statistics’ Western Region Consumer Price Index (“Western Region CPI”) and the United States Department of Housing and Urban Development’s (“HUD”) fair market price rental of a two-bedroom unit in Santa Fe. Lastly, the annual adjustments to the living wage would be limited to five percent (5%) of the prior year’s wage, and the bill prohibits decreases to the wage, preventing the living wage from going down in the case of an economic crisis.

Departments Affected:

City Attorney’s Office, Finance Department, Economic Development Division, Tourism Division, Public Works Department, Public Utilities Department, Constituent Services, and Community Services Division.

Consequences of Not Enacting Legislation:

If this legislation is not adopted, then the City would not update its living wage law to calculate annual increases by using the average of the rate increases of the Western CPI and HUD’s fair market rental price of a two-bedroom unit in Santa Fe. The gap between what entry and low-skilled workers are paid and the annual wage required to live in Santa Fe would widen.

Conflict, Duplication, Companionship, or Relationship to Other Legislation:

This legislation relates to adopted legislation aimed at increasing the supply of affordable housing in Santa Fe and making living and working in Santa Fe more affordable. Examples of such laws are the Santa Fe Homes Program, requirements for Low Priced Dwelling Units, Affordable Housing Trust Fund, and resolutions donating City-owned land, Community Development Block Grant Funding, and zoning ordinances providing density bonuses for affordable housing.

Performance and Administrative Implications:

None at this time.

Fiscal Implications:

According to the most recent Position Organization Listing from the City's Human Resources Department for the pay period ending August 1, 2025, the City employs eighteen (18) employees whose hourly pay rate was less than \$17.50 per hour. These employees work mostly in Tourism, Public Works, and Public Utilities. There is one person in Community Services, who has a pay rate of \$16.9591 per hour. Although they all have a significant benefits package that places their compensation for Living Wage purposes above \$17.50, it is advisable to bring their base pay to that level. The amount needed to increase all eighteen (18) employees' hourly rates to \$17.50, including adding forty percent (40%) for benefits) annualized based on 2080 work hours in a year equates to \$13,467.71. The cost to contract for a study or studies to determine the effect of the Living Wage Ordinance would be \$50,000 and the study would be presented to the Governing Body no later than July 1, 2029. There also may be changes to the Gross Receipts Tax; however, the details are not currently known.

Fiscal Impact

_____ Check here if no fiscal impact

Expenditures

Expenditure Type	FYE 2026	FYE 2027	FYE 2028	Require BAR (Y/N)	Recurring (R) or Non-recurring (NR)	Fund	3-Year Total Cost
<u>Personnel and Benefits*</u>	\$ _____	\$ 7,000	\$ _____	<u>N</u>	<u>R</u>	<u>General</u>	
	\$ _____	\$ _____	\$ _____	_____	_____	_____	
<u>Capital Outlay</u>							
<u>Contractual/ Professional Services</u>	\$ _____	\$ _____	\$ 50,000			<u>Economic Development</u>	
<u>Operating</u>	\$ _____	\$ _____	\$ _____				\$ _____
<u>Total:</u>	\$ _____	\$ 7,000	\$ 50,000				\$ 57,000

Expenditure Narrative:


The increase in the Living Wage is to take effect in early 2027. The \$7,000 in FYE 2027 is half the annual cost increase for the affected employees. The \$50,000 budgeted for FYE 2028 is allocated for the study to determine the effect of the Living Wage Ordinance.

Revenue

Revenue Type	FYE 2025	FYE 2026	FYE 2027	Recurring (R) or Non-recurring (NR)	Fund
General Fund	\$ _____	\$ _____	\$ _____	_____	_____
Special Revenue	\$ _____	\$ _____	\$ _____	_____	_____
CIP	\$ _____	\$ _____	\$ _____	_____	_____
Enterprise	\$ _____	\$ _____	\$ _____	_____	_____
Internal Service	\$ _____	\$ _____	\$ _____	_____	_____
Trust and Agency	\$ _____	\$ _____	\$ _____	_____	_____
Federal	\$ _____	\$ _____	\$ _____	_____	_____
Other	\$ _____	\$ _____	\$ _____	_____	_____
<u>Total</u>	\$ _____	\$ _____	\$ _____		

Revenue Narrative:

None

Signature: 
ROD GOULD (Sep 4, 2025 17:18:54 MDT)

Email: rsgould@santafenm.gov