



The City of San Diego

Staff Report

DATE ISSUED: September 16, 2025

TO: City Council

FROM: Council District 9

SUBJECT: Hospitality Minimum Wage Ordinance for Certain Workers at Hotels, Event Centers, and Amusement Parks, Within the Geographic Boundaries of the City of San Diego

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Council District(s): Citywide

OVERVIEW:

This item proposes the City of San Diego Hospitality Minimum Wage Ordinance, which would establish an hourly minimum wage of \$25 following four-year phase-ins that begins on July 1, 2026, for workers at hotels, event centers, and amusement parks. This item also proposes additional clean-up amendments to the Living Wage Ordinance to eliminate overlap between the Living Wage Ordinance and the Hospitality Minimum Wage Ordinance for hospitality employers.

PROPOSED ACTIONS:

Adopt an ordinance amending Chapter 3 of the San Diego Municipal Code relating to the minimum wage for hospitality employees with the following changes:

§312.0104:

Hospitality employer means any *person* who owns, operates, or manages:

- (a) a *hotel, event center, or amusement park*;
- (b) any contracted, leased, or sublet premises or facility on the grounds of a *hotel, event center, or amusement park* **and which are directly related to the operations of the *hotel, event center, or amusement park*** for at least 30 days in a calendar year; or
- (c) any contracted ***housekeeping, janitorial, security, parking, valet parking, food preparation, ushering, ticket-taking, concession, retail store, massage or spa, restaurant, bar, or landscaping*** services that are provided on the grounds of a *hotel, event center, or amusement park* **for at least 30 days in a calendar year.**

§312.0105 (a):

Hospitality employers shall pay *employees* no less than the *minimum wage* for all hours worked within the territorial boundaries of the *City*. ***Hospitality employers must pay all wages owed employees under section 312.0105, whether the amount is fixed or ascertained by the standard of time, task, piece, commission basis, or other method of calculation, in a manner and frequency consistent with the California Labor Code and***

wage orders published by the California Industrial Welfare Commission or the California Division of Labor Standards Enforcement.

Adopt an ordinance amending Chapter 2 of the San Diego Municipal Code relating to the Living Wage Ordinance to eliminate overlap between the Living Wage Ordinance and the Hospitality Minimum Wage Ordinance.

DISCUSSION OF ITEM:

Summary

The hospitality industry is one of San Diego's largest economic sectors. It is also the sector that pays some of the lowest wages. This impacts San Diegans' ability to live and thrive in the region, which is one of the most expensive in the United States. To address these issues and disparities, Councilmember Elo-Rivera proposes an ordinance that:

- Establishes a \$25 hourly minimum wage for workers at hospitality employers, which include hotels with at least 150 guest rooms, amusement parks, and event centers, which include Petco Park, Pechanga Arena San Diego, the San Diego Convention Center, and Civic Theatre.
- Protects workers from retaliation and provides remedies for violations of the ordinance.
- Includes a four-year hourly minimum wage phase-in for event centers (Living Wage Ordinance currently applies to event centers):
 - Beginning July 1, 2026: \$21.06
 - Beginning July 1, 2027: \$22.00
 - Beginning July 1, 2028: \$23.00
 - Beginning July 1, 2029: \$24.00
 - Beginning July 1, 2030: \$25.00
- Includes a four-year phase-in for hotels and amusement parks (Earned Sick Leave and Minimum Wage Ordinance currently applies to hotels and amusement parks):
 - Beginning July 1, 2026: \$19.00
 - Beginning July 1, 2027: \$20.50
 - Beginning July 1, 2028: \$22.00
 - Beginning July 1, 2029: \$23.50
 - Beginning July 1, 2030: \$25.00

This proposal follows similar actions in Los Angeles and Long Beach, and the goal of the ordinance is to address the cost of living by paying workers more. Workers' labor is what creates the value that drives corporate profits and that provides the foundation for our local economy.

Amendments to the Living Wage Ordinance include removing employers who are covered by the higher minimum wage required by the proposed Hospitality Minimum Wage Ordinance.

Background

In 2016, the City Council adopted the Earned Sick Leave and Minimum Wage Ordinance, which established a minimum wage within the geographic boundaries of the City. The hourly minimum wage established then was \$10.50 and has since risen to \$17.25.

The City's minimum wage is greater than California's and far exceeds the federal government's minimum wage, but San Diego's high cost of living makes it difficult to live here earning the hourly minimum wage. According to the Massachusetts Institute of Technology (MIT) Living Wage Calculator, a single-person household would need to earn \$30.71 per hour in San Diego County to support themselves while working full-time. A two-adult and one-child household would need to earn \$49.13 per hour.¹ This means a single San Diegan earning minimum wage would need to earn 78% more to properly support themselves in San Diego. A family of three would need to earn 42% more.

¹ Living Wage Calculation for San Diego County, California, "Massachusetts Institute of Technology Living Wage Calculator, <https://livingwage.mit.edu/counties/06073>

Hospitality industry wages

Low wages are an acute issue within the hospitality industry. The Economic Policy Institute (EPI), a nonprofit, nonpartisan think tank, found that, among all industries in the US, leisure and hospitality possess the largest share of workers earning less than \$18 per hour.² This reveals itself locally.

The median hourly wage in San Diego County for janitors and cleaners is \$17.79, which is just fifty-four cents more than the City's minimum wage. Entertainment attendants and related workers earn a median hourly wage of \$17.55. Maids and housekeeping cleaners earn a median hourly wage of \$18.71.³ None of these occupations within the hospitality industry earn a wage approaching the living wage in San Diego as determined by MIT.

The relatively low pay in the hospitality industry has significant impacts on the San Diego region because of the size of the industry. According to the San Diego Tourism Authority (SDTA), "Visitor activity supports 1 in 8 San Diego jobs in fields directly and indirectly related to the hospitality industry",⁴ and tourism is one of the four base sectors that constitute the backbone of San Diego's economy.⁵

As of March 2025, the city of San Diego had 726,600 jobs.⁶ Extrapolating SDTA estimates results in nearly 91,000 jobs in the city being supported by visitor activity. Therefore, the "backbone of San Diego's economy" is paying wages to tens of thousands of San Diegans that, depending on the household and job type, are roughly half of what is needed to live here.

Challenges for local low-wage workers

Housing

Housing is typically a household's greatest monthly expense, and the Legislative Analyst's Office (LAO), the California Legislature's nonpartisan fiscal and policy advisor, found that "housing in California's major metro areas... is unaffordable for minimum wage workers." The affordability problem becomes more extreme for working parents. "In eight coastal counties [including San Diego] ... a household of two minimum-wage workers and one child faces housing costs that exceed half of their gross income."⁷

Assuming each parent works 40 hours a week, the example household in the LAO report would earn roughly \$72,000 in San Diego. This household would then qualify as very-low income (VLI). As such, the household would be eligible for assisted housing programs, "including the Public Housing, Section 8 project-based, Section 8 Housing Choice Voucher, Section 202 housing for the elderly, and Section 811 housing for persons with disabilities programs."⁸

However, these resources are extremely scarce. The San Diego Housing Commission (SDHC) maintains a waiting list for rental assistance vouchers that exceeds 71,000 households. The estimated average time on the waiting list is 15 years.⁹ The vast majority of low-wage San Diegans, including workers in the hospitality industry earning the minimum wage, rely on the private market to provide for their housing needs. There is little respite there.

² "Low Wage Workforce Tracker," Economic Policy Institute, <https://www.epi.org/low-wage-workforce/>.

³ "May 2024 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates, San Diego- Chula Vista-Carlsbad, CA," US Bureau of Labor Statistics, <https://data.bls.gov/oes/#/area/0041740>

⁴ "San Diego County 2024 Visitor Industry General Facts," San Diego Tourism Authority, <https://www.sandiego.org/about/industry-research.aspx>

⁵ City of San Diego Economic Development Department, "Key Facts and Figures," <https://www.sandiego.gov/economicdevelopment/sandiego/facts>

⁶ "Labor Force and Unemployment Rate for Cities and Census Designated Places," California Employment Development Department, <https://labormarketinfo.edd.ca.gov/data/labor-force-and-unemployment-for-cities-and-census-areas.html>

⁷ "California's Low-Wage Workers and Minimum Wage: Is the Minimum Wage High, Low, or Somewhere in Between?" Legislative Analyst's Office, March 11, 2024, <https://lao.ca.gov/Publications/Report/4878/3>

⁸ "Income Limits," US Department of Housing and Urban Development, <https://www.huduser.gov/portal/datasets/il.html>.

⁹ "At-A-Glance: Creating & Preserving Affordable Housing," San Diego Housing Commission, Updated March 31, 2025.

In San Diego County, rents rose roughly 25% between April 2021 to April 2025, a 6.25% annual rate of increase.¹⁰ Renters in San Diego County need to earn \$49.44 per hour, or 2.9 times the City's minimum wage, to afford the average monthly asking rent of \$2,571. Half of all VLI households are extremely burdened by housing costs (i.e. spending more than 50% of gross income on housing). And there is a shortfall of 135,211 homes affordable to extremely-low and very-low income households.¹¹

The primary cause of homelessness is the intertwined issue of a lack of affordable housing and income not keeping up with housing costs.¹² This is bearing out in San Diego. From October 2021 to October 2024, as rents increased 6.25% annually, the number of residents who became newly homeless exceeded the number of homeless residents who were permanently housed, and this was true in four of the first six months of the 2025 reporting period.¹³ The City, thus, has an interest in legislating higher wages to prevent furthering homelessness.

Other costs

At 4% in July, 2025, San Diego has the highest inflation rate in the nation. "Inflation has typically run hotter in San Diego than much of the U.S. because of high housing and gasoline costs," reported the *San Diego Union-Tribune*. On an annual basis, the areas where prices changed in San Diego County include:

- "Food: Cereals and bakery products were up 3.2%; dairy, also up 3.2%; fruits and vegetables, up 3.1%; and meats, poultry, fish and eggs were up 7.3%.
- Shelter, including rent and owners' equivalent of rent, was up 5%.
- Transportation costs, which include automobile maintenance, vehicle parts and car insurance, were up 5.1%. Used car and truck prices were up 5.3%."¹⁴

In 2021, the Consumer Price Index in San Diego rose 5.2%. In 2022, it rose 7.7%, and a year later another 5.2%.¹⁵ These cost increases impact consumers' purchasing power and depending on the occupation exceed wage growth in the same period.

Impacts to the City

The City does much to support the hospitality industry and the facilities subject to the proposed Hospitality Minimum Wage Ordinance, including:

- Establishing and maintaining the San Diego Tourism Marketing District, with a budget of \$62,243,615 for FY2026.
- Using City staff time to lobby for cruise and airline routes to San Diego.
- Administering Special Promotional Programs "focused on increasing tourism, promoting artistic and cultural amenities, attracting businesses and economic activity, and supporting visitor-related facilities."¹⁶
- Implementing Proposition C (2008) and Measure J (2016), which require that most lease revenue generated in Mission Bay Park be appropriated to capital improvements in Mission Bay Park.
- Maintaining roads, water, sewer, and stormwater utilities that serve the hospitality industry.

These expenditures support the hospitality industry and tourism and entertainment activities, with the rationale being that these investments result in greater returns in sales tax and transient occupancy tax (TOT) receipts. These in turn support general City programs and services. This gives the City an interest

¹⁰ "Rent of primary residence in San Diego-Carlsbad, CA, all urban consumers, not seasonally adjusted," US Bureau of Labor Statistics.

¹¹ "San Diego County 2025: Affordable Housing Needs Report," California Housing Partnership, May 2025, https://www.housingsandiego.org/s/San-Diego_Housing_Report.pdf

¹² "The Reality of Homelessness," National Alliance to End Homelessness, <https://endhomelessness.org/overview/>.

¹³ RTFH HMIS Monthly Data Reports, Regional Task Force on Homelessness, <https://www.rtfhsd.org/reports-data/>.

¹⁴ "San Diego's inflation rate is highest in nation at 4%," Philip Molnar, San Diego Union Tribune, August 12, 2025, <https://www.sandiegouniontribune.com/2025/08/12/san-diegos-inflation-rate-remains-highest-in-nation-at-4/>

¹⁵ "Consumer Price Index: San Diego MSA," California Employment Development Department, Accessed May 14, 2025.

¹⁶ "Review of the Fiscal Year 2026 Proposed Budget," Office of the Independent Budget Analyst, <https://www.sandiego.gov/sites/default/files/2025-04/review-of-fy26-proposed-budget.pdf>

in creating the conditions for a skilled, stable, and experienced workforce to strengthen the competitiveness of San Diego's hospitality industry. Low wages are correlated with high employee turnover,¹⁷ and research shows that minimum wage increases result in local economic stimulus.¹⁸

Subsidizing low wages

Taxpayers subsidize corporations for workers' low pay when those workers are forced to rely on public assistance programs like rental assistance vouchers. At a national level, research has shown that US taxpayers pay \$152.8 billion in lieu of employers paying adequate living wages and benefits and that raising the federal minimum wage would decrease enrollment in SNAP and save taxpayers billions.¹⁹

With local funds, the City offers its own public assistance programs, including the Housing Instability Prevention Program and the Eviction Prevention Program. Additionally, the Fiscal Year 2026 budget proposes \$53.2 million in direct spending to support the City's homelessness efforts. Therefore, local taxpayers are subsidizing corporations for the low wages they pay San Diegans. The City has an interest in minimizing the need for public assistance programs.

Hospitality industry growth amid uncertainty

The hospitality and tourism industry found growth in the post-pandemic era. However, all industries are currently navigating economic uncertainty arising from policy decisions made at the national level, as well as the international response to those policies.

"San Diego concluded 2024 on a high note, cementing its position as one of the top-performing hospitality markets in the country and Best in the West for hotel occupancy rate," wrote the San Diego Tourism Authority in January. "According to the latest STR report, the county ranked third among the Top 25 U.S. markets for hotel occupancy over the course of 2024, reaching 74.3%, representing a 1.1% increase year-over-year." In 2024, San Diego exceeded market forecasts and booked 17.5 million rooms.²⁰

In May, 2025, the San Diego Tourism Authority indicated anticipating a slowdown following the growth in 2024, while acknowledging the increased uncertainty in the ability to forecast travel. Some San Diego hotels claimed lower hotel bookings, however, as the San Diego Union Tribune reports, "San Diego's Tourism Authority offered a more measured, almost hopeful, perspective when it presented its updated forecast to hoteliers." The Tourism Authority reported that "to a degree, the county's tourism industry... is insulated from some of the pullback in longer-haul travel because it has a close-in drive market of some 40 to 50 million people, from Southern California to Arizona and southern Nevada."²¹

In fact, other figures do not indicate a decline in tourism to San Diego. According to the San Diego County Regional Airport Authority, international travel to San Diego has increased from the first quarter in 2024 to the first quarter in 2025. In addition, while some hotels have experienced cancellations, they also see room for optimism. As one hotelier said to the Union-Tribune in May, "on the bright side... the summer season is looking especially strong for the company's eight properties, and that's encouraging because last summer was "great."²²

¹⁷ "Turnover, Prices, and Reallocation: Why Minimum Wages Raise the Incomes of Low-Wage Workers," Ben Zipperer, Economic Policy Institute, 2022, <https://escholarship.org/content/qt9nz5z03m/qt9nz5z03m.pdf?t=rj0xbp>

¹⁸ "Raising the Minimum Wage Would Boost an Economic Recovery—and Reduce Taxpayer Subsidization of Low-Wage Work," Center for American Progress, January 27, 2021, <https://www.americanprogress.org/article/raising-minimum-wage-boost-economic-recovery-reduce-taxpayer-subsidization-low-wage-work/>

¹⁹ Ibid.

²⁰ "A Review of the 2024 Hospitality Industry: San Diego Claims Best in the West Title for Hotel Occupancy Rate," San Diego Tourism, January 30, 2025, <https://connect.sandiego.org/2025/01/30/san-diego-review-of-2024-hospitality-industry/>

²¹ "It's a moving target': San Diego tourism industry prepares for slowdown amid Trump policies," Lori Weisberg, San Diego Union Tribune, May 1, 2025, <https://www.sandiegouniontribune.com/2025/05/01/its-a-moving-target-san-diego-tourism-industry-prepares-for-slowdown-amid-trump-policies/>

²² Ibid.

Covered facilities and employers

The local hospitality industry does face challenges, due in part to the policies of the Trump Administration. Tariffs and fiscal policies are driving up costs and roiling markets, while immigration policy and rhetoric around US allies like Canada are dampening tourism. This is why the Hospitality Minimum Wage Ordinance focuses on large facilities in the hospitality industry and is proposing a phase-in beginning on July 1, 2026.

The Pew Research Center found that businesses with 19 employees or fewer comprised 89% of all small businesses in the US, yet those businesses accounted for just 29% of the revenue.²³ The US Chamber of Commerce determined large corporations account for 56% of the country's gross domestic product.²⁴ Large facilities are better positioned to weather economic headwinds than small businesses.

Additionally, it should not be workers who bear the burden of economically harmful policies. San Diegans earning minimum wage are not who is driving up construction costs. They are not the ones diminishing consumer confidence. They are not limiting international tourism. San Diego's thriving and resilient hospitality industry will endure through emergent challenges, which means workers' labor will continue to have value. Their pay should be commensurate with that value.

The Great Recession offers an illustrative example. "What we saw in 2007, 2008, 2009 as the economy was getting ripped by the housing crisis and the great recession was that, honestly, travel and tourism performance held up really well here in San Diego," SDTA Director of Research Nate Kelley said to the Union-Tribune. "And that's because we have that immense number of people who, instead of going to Hawaii or Asia or Australia, will say, 'You know what, let's stick closer to home.'"²⁵

Amusement parks

The Hospitality Minimum Wage Ordinance defines an amusement park as a privately-owned facility comprised of at least 75 contiguous acres located within the geographic boundaries of the City which is open to the public for the purpose of entertaining or amusement and contains permanent amusement rides and is operated pursuant to the lease, operating agreement, or other contractual agreement with the City.

An example of an amusement park of at least 75 acres is SeaWorld San Diego, whose site encompasses nearly 200 acres on public land in Mission Bay Park. SeaWorld San Diego is owned by United Parks & Resorts, a publicly traded corporation headquartered in Orlando, Florida. In 2024, the company generated \$1.725 billion in revenue and reported an adjusted EBITDA, an unofficial measure of profitability, of \$700.2 million. The strong financial performance allowed United Parks & Resorts to return \$482.9 million to shareholders in the form of stock buybacks.

"We are pleased to report another quarter and fiscal year of strong financial results," Marc Swanson, Chief Executive Officer of United Parks & Resorts, Inc, said in a press release. "In the fourth quarter, we delivered near record attendance, record in park per capita and near record total revenue per capita despite particularly poor weather impacting the quarter. For the full year, we delivered near record revenue, record in park per capita and record total revenue per capita despite unfavorable weather during the year. We have now grown in park per capita for 18 of the last 19 quarters and total revenue

²³ "A look at small business in the U.S.," Rebecca Leppert, Pew Research Center, April 22, 2024, <https://www.pewresearch.org/short-reads/2024/04/22/a-look-at-small-businesses-in-the-us/>

²⁴ "Small Business Data Center," U.S. Chamber of Commerce, Updated June 6, 2025, <https://www.uschamber.com/small-business/small-business-data-center>

²⁵ "It's a moving target": San Diego tourism industry prepares for slowdown amid Trump policies," Lori Weisberg, San Diego Union-Tribune, May 1, 2025, <https://www.sandiegouniontribune.com/2025/05/01/its-a-moving-target-san-diego-tourism-industry-prepares-for-slowdown-amid-trump-policies/>

per capita for 7 straight years. Our revenue strategies are working and continue to demonstrate our pricing power and the strength of consumer spending in our parks.”²⁶

In 2025, United Parks & Resorts plans investments and improvements this year at SeaWorld San Diego, including “Jewels of the Sea,” a new aquarium exhibit, and reinventing the “Journey to Atlantis” coaster ride.²⁷

The Earned Sick Leave and Minimum Wage Ordinance currently applies to amusement parks and is \$17.25 per hour as of January 1, 2025. The updated minimum wage for 2026 will be announced by October 1, 2025, based on Consumer Price Index data. The Hospitality Minimum Wage Ordinance phase-in will begin at \$19.00 per hour on July 1, 2026, a 10% increase from the current minimum wage representing an increase of \$1.75 per hour for amusement park workers. It will increase every year on July 1 by \$1.50 until it reaches \$25.00 per hour in 2030.

Event Centers

The definition of ‘event center’ in the Hospitality Minimum Wage Ordinance includes the following City-owned facilities:

- Petco Park;
- Pechanga Arena San Diego;
- San Diego Convention Center; or
- Civic Theatre.

Event center also includes any structure constructed or operated at the same geographic location and used for the same purpose as one of the event center facilities identified above, namely, for public performances, sporting events, business meetings, or similar events.

The San Diego Padres, for example, lease and operate Petco Park and are worth an estimated \$2.1 billion. In 2024, the team generated \$468 million in revenue.²⁸ While the Padres currently abide by the City’s Living Wage Ordinance, current statutory minimum and living wages pale in comparison to costs of living, and the wealth generated by event centers like Petco Park is not being shared equitably with workers—in 2024, Major League Baseball generated a record \$12.1 billion, and league revenues have increased 33% in 10 years.²⁹

This is due in part to surging attendance. According to MLB, “The 2024 Major League Baseball season recorded increases in attendance, viewership, streaming, and fan engagement.”³⁰ The league recently announced record attendance for a Wednesday in April or May.³¹ In San Diego, the Padres broke an attendance record on Opening Day 2025.³² This followed a 2024 season in which the Padres set a single-season franchise attendance record.³³

²⁶ “United Parks & Resorts Inc. Reports Fourth Quarter and Fiscal 2024 Results,” United Parks & Resorts, February 26, 2025, <https://www.unitedparksinvestors.com/news-releases/news-release-details/2025/United-Parks--Resorts-Inc.-Reports-Fourth-Quarter-and-Fiscal-2024-Results/default.aspx>

²⁷ Ibid.

²⁸ “Here’s where the Padres rank in CNBC’s 2025 MLB valuations,” NBC7 San Diego, April 15, 2025, <https://www.nbcsandiego.com/news/sports/padres-cnbc-2025-mlb-valuations/3801036/>

²⁹ MLB reports record \$12.1 billion in revenues for 2024 season,” Matt Snyder, CBS Sports, January 27, 2025, <https://www.cbssports.com/mlb/news/mlb-reports-record-12-1-billion-in-revenues-for-2024-season/>

³⁰ “MLB Finishes 2024 Season With Highest Attendance in Seven Years,” MLB, October 1, 2024, <https://www.mlb.com/press-release/press-release-mlb-finishes-2024-season-with-highest-attendance-in-seven-years>

³¹ “Attendance surges to record high on Wednesday before June,” MLB, May 15, 2025, <https://www.mlb.com/news/mlb-attendance-reaches-high-for-wednesday-in-april-or-may>

³² Padres break Opening Day attendance record at Petco Park,” Domenick Canelieri, Yahoo! Sports, March 28, 2025, <https://sports.yahoo.com/article/padres-break-opening-day-attendance-234537005.html>

³³ Padres set franchise record for season attendance,” Mike Mazzeo, Sports Business Journal, September 23, 2024, <https://www.sportsbusinessjournal.com/Articles/2024/09/23/san-diego-padres-attendance/>

The San Diego Convention Center is another example of the hospitality industry's strength at event centers included in the ordinance. International tourism is softening, but the convention business is strong. "Five years post the pandemic, the meetings industry is firmly back in San Diego," wrote the SDTA in its FY2026 Report of Activities. "The San Diego Convention Center is hosting over 50 primary events annually and San Diego continues to deliver one of the nation's best 'return on experience' for attendees."

The Living Wage Ordinance currently applies to event centers. The current Living Wage is \$21.06 and therefore event centers' phase-in begins at that wage. The Hospitality Minimum Wage Ordinance includes a four-year phase-in for event centers:

- Beginning July 1, 2026: \$21.06/hour
- Beginning July 1, 2027: \$22.00/hour
- Beginning July 1, 2028: \$23.00/hour
- Beginning July 1, 2029: \$24.00/hour
- Beginning July 1, 2030: \$25.00/hour

Hotel

'Hotel' means a privately-owned building designated or used for lodging or other related services for the public located within the geographic boundaries of the City that contains at least 150 guest rooms or suites that may be rented for periods of 30 days or fewer.

A limited-service hotel is one with limited amenities such as restaurants or banquet facilities and a full-service hotel contains significant amenities such as restaurants, bars, well-equipped fitness centers, pools, business centers, and more." According to the hospitality management system Canary Technologies, limited-service hotels typically have 50-150 rooms whereas full-service hotels have over 150 rooms.^{34 35}

Limited-service hotels depend more on room revenue than their larger full-service counterparts. The primary revenue source for limited-service hotels is room revenue at 95% of all revenue at these types of hotels. The additional amenities in full-service hotels provide a wider variety of revenue streams. As a result, while full-service hotels still collect 70% of their revenue from rooms, 30% is generated from various other sources.³⁶

Based on industry data, there are 89 hotels in San Diego that contain at least 150 guest rooms. These properties offer over 27,000 rooms. Conversely, there are 180 hotels that contain fewer than 150 guest rooms, and together these hotels offer just over 12,000 rooms. Therefore, the Hospitality Minimum Wage Ordinance focuses on large corporations and properties that have an outsized impact on the local hospitality industry.

For example, the Manchester Grand Hyatt is San Diego's largest hotel, at 1,628 rooms. It is owned by Host Hotels & Resorts, a publicly traded company based in Maryland whose revenues in 2023 exceeded \$5 billion. The company recently announced a \$100 million renovation of the Manchester Grand Hyatt.

³⁴ U.S. Hotel Appraisals, Chris Elder, Part 1 of 3: Limited-Service Hotels, <https://www.ushotelappraisals.com/services/hotel-asset-classes-full-service-hotels/>

³⁵ Canary Technologies, Limited Service Hotels, <https://www.canarytechnologies.com/hotel-terminology/limited-service-hotels>.

³⁶ Wolfgramm Capital, Understanding the Economics of Hotels, <https://wolfgramm.com/education/understanding-the-economics-of-hotels/>

"The inspiration for the guestroom decor was the luxury feel of a classic yacht," wrote the San Diego Union-Tribune in a story about the renovation.³⁷

The headwinds facing the hospitality industry and the broader economy do not deter Host Hotels & Resorts president and CEO Jim Resoleo. On a recent earnings call, Resoleo acknowledged that tariffs may not even impact parts of their properties. "I think it's a little too early to tell exactly how tariff policy is going to play out. We are maintaining our CapEx guidance as we've discussed today. It's the same numbers that we gave you on the fourth-quarter call in February, and we have a diverse group of suppliers for our products. Obviously, the tariff risk is greatest probably whenever you're doing a guestroom... and it becomes less impactful on other spaces in the hotel."³⁸

Host Hotels & Resorts also owns the 1,366-room Marquis Marriott. The 1,190-room Hilton San Diego Bayfront is owned by Sunstone Hotel Investors, which is a publicly traded corporation based in Aliso Viejo, California. Sunstone's adjusted EBITDA in 2024 was \$229.7 million, and the company "expects to continue to pay a quarterly cash common dividend throughout 2025."³⁹ These three properties dominate San Diego's skyline. This means out-of-town, publicly traded corporations control the City's waterfront and benefit most from nearby tourist and entertainment draws.

The Earned Sick Leave and Minimum Wage Ordinance currently applies to hotels and is \$17.25 per hour as of January 1, 2025. The updated minimum wage for 2026 will be announced by October 1, 2025, based on Consumer Price Index data. The Hospitality Minimum Wage Ordinance phase-in will begin at \$19.00 per hour on July 1, 2026, a 10% increase from the current minimum wage representing an increase of \$1.75 per hour for hotel workers. It will increase every year on July 1 by \$1.50 until it reaches \$25.00 per hour in 2030.

Adjustments to the Hospitality Minimum Wage Following the Phase-In

The Hospitality Minimum Wage Ordinance includes annual cost of living increases and other adjustments, as necessary:

- Once a \$25/hour minimum wage is reached, annual cost of living adjustments are measured by the percentage increase, if any, as of December of the immediately preceding year over the level as of December of the previous year of the Consumer Price Index (Urban Wage Earners and Clerical Workers, U.S. City Average for All Items) or its successor index as published by the U.S. Department of Labor or its successor agency. Adjustments will be announced by April 1 of each year and become effective July 1 of that year.
- Matches the Federal, State, or City minimum wages, if such wages for the relevant occupations exceed the minimum wage for hospitality employees.

Examples of other cities/locations

San Diego now lags peer cities when it comes to offering competitive pay in the hospitality industry. The City of Los Angeles recently increased the minimum wage for hotel and airport workers. The hourly minimum wage for those workers will reach \$30 in 2028. In 2024, voters in Long Beach approved Measure RW, which will raise the hourly minimum wage for hotel workers to \$29.50 by July 2028.

The City of San Diego's minimum wage has increased 15% in the last three years. Projecting that forward, the City's minimum wage could reach \$19.84 by 2028. That is more than \$10 per hour less than what Los Angeles' minimum wage for hotel workers will be. Given the proximity and similar costs of living

³⁷ San Diego's largest hotel undertakes mammoth remodel — including its 40th-story bar," Lori Weisberg, San Diego Union-Tribune, May 8, 2025, <https://www.sandiegouniontribune.com/2025/05/08/san-diegos-largest-hotel-undertakes-mammoth-remodel-including-its-40th-story-bar/>

³⁸ "Hotel execs remain cautiously optimistic as potential tariffs threaten construction budgets," Natalie Harms, CoStar News, May 15, 2025, <https://www.costar.com/article/1531942225/hotel-execs-remain-cautiously-optimistic-as-potential-tariffs-threaten-construction-budgets>

³⁹ Sunstone Hotel Investors Reports Results For Fourth Quarter And Full Year 2024," Sunstone Hotel Investors, February 21, 2025, <https://www.sunstonehotels.com/investor-relations/press-releases/news-details/2025/SUNSTONE-HOTEL-INVESTORS-REPORTS-RESULTS-FOR-FOURTH-QUARTER-AND-FULL-YEAR-2024/default.aspx>

between the Los Angeles area and San Diego, it stands to reason that talented and experienced hospitality workers will be attracted to the higher pay in other jurisdictions. This is concerning because this could degrade the visitor experience in San Diego, making the local hospitality industry less competitive, and therefore result in less sales tax and TOT revenues to City.

Conclusion

San Diego is one of the most expensive cities in the country, and the hospitality industry is one of our region's largest economic sectors. The major corporations subject to this ordinance have told their shareholders — where they are legally obligated to paint an accurate picture — that they are confident in the industry and their business prospects. Meanwhile, hospitality workers earning the minimum wage are struggling to survive, even while they serve as the face of San Diego, greeting and serving visitors. San Diego should work for San Diegans, and raising wages for these workers will move the City closer to that vision.

City of San Diego Strategic Plan: This item relates to the Strategic Plan's priority area of Fostering Regional Prosperity. The first focus of that priority area is 'San Diego residents and businesses are supported by a strong local economy, with well-paying jobs, economic activity, and opportunities in every community.' The Hospitality Minimum Wage Ordinance would support this by improving workers' pay and therefore contributing well-paying jobs to the region.

Fiscal Considerations: The Compliance Department estimates that 2 full-time employees would be needed to support the additional enforcement workload as well as an education and outreach budget.

Charter Section 225 Disclosure of Business Interests: N/A

Environmental Impact: This activity is not a project as defined by the California Environmental Quality Act (CEQA) Section 21065 and CEQA Guidelines Section 15378(b)(5) as it is an organizational or administrative activity of government that will not result in direct or indirect physical changes in the environment. Thus, this activity is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).

Climate Action Plan Implementation: N/A

Equal Opportunity Contracting Information (if applicable): N/A

Previous Council and/or Committee Actions: On February 27, 2025, the Select Committee on Addressing the Cost of Living voted 3-0 to direct the Council District 9 office to work with the City Attorney's Office, the Independent Budget Analyst, City staff, and impacted workers and businesses to draft an ordinance that establishes a minimum wage for hotel, event center, and janitorial service workers in the tourism sector.

On June 25, 2025, the Select Committee on Addressing the Cost of Living voted 3-0 to direct the Council District 9 office to work with the City Attorney's Office to prepare a final Hospitality Minimum Wage Ordinance for City Council consideration.

Planning Commission Action: N/A

Key Stakeholders and Community Outreach Efforts: Amusement parks, event centers, and hotels and their workers.

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