



OXFORD
ECONOMICS

Economic and Fiscal Impacts of Increased Minimum Wage in San Diego

February 2025

Prepared on behalf of:



SAN DIEGO COUNTY
LODGING
ASSOCIATION

An aerial photograph of a city harbor, likely San Francisco, featuring a dense urban skyline with numerous skyscrapers and a waterfront area with docks and boats. The image is overlaid with a semi-transparent blue filter.

1 Key Findings

Key Findings

Oxford Economics prepared a detailed analysis of the expected economic impact of a potential \$25/hour minimum wage on behalf of the San Diego County Lodging Association.

With a \$25/hour minimum wage, less visitor spending and capital investment would result in the loss of \$333.3 million in business sales annually, resulting in the loss of an estimated 4,398 jobs in the San Diego economy, and \$57.8 million of Federal, state and local tax revenue relative to a baseline scenario.

This includes losses such as fewer jobs at hotels, fewer restaurant, retail, and arts and entertainment jobs, as well as fewer supply chain jobs, such as maintenance, building trades, and professional roles.

Annual Run-Rate of Losses



Note: Estimates measure total impact of lost visitor spending and capital investment due to the cost increase caused by a \$25/hour minimum wage.

Source: Oxford Economics

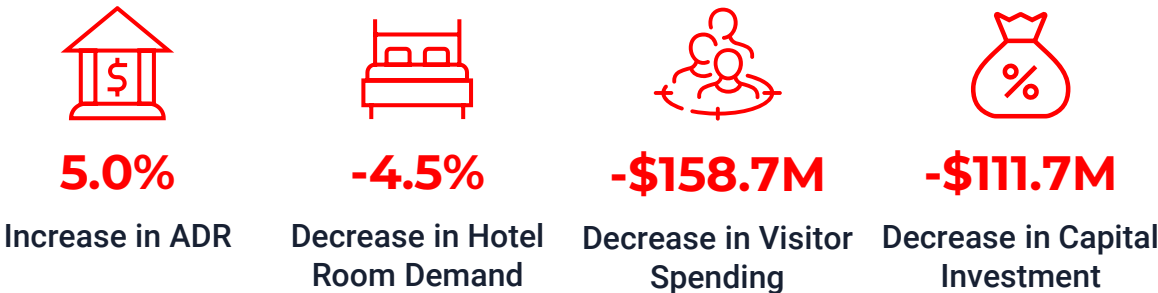
Key Findings

Hotel Impacts

With a \$25/hour minimum wage, the increased cost of payroll would cause hotel room rates and food and beverage prices to increase. ADR would increase by 5%, decreasing demand by over 500,000 occupied room nights (nearly 5% decrease). The lost room nights would result in a \$158.7 million decrease in visitor spending annually.

Higher operating costs would also cause a decrease in hotel profits, leading to reduced construction and development. This would result in a \$111.7 million decrease in capital investment annually.

Annual Run-Rate of Hotel Impacts



Note: Estimates measure direct impact of lost visitor spending and capital investment due to the cost increase caused by a \$25/hour minimum wage.
Source: Oxford Economics

Key Findings

A \$25/hour minimum wage, would have significant fiscal impacts, with \$57.8 million of total taxes lost annually due to a reduction of spending in San Diego.

The amount of local taxes lost reaches \$18.3 million including \$3.4 million in lost transient occupancy taxes and \$10.9 million in lost property taxes. The amount of state taxes lost reaches \$15.1 million, partially due to the reduction of sales tax revenue.

Annual Run-Rate Fiscal Losses



Note: Estimates measure total impact of lost visitor spending and capital investment due to the cost increase caused by a \$25/hour minimum wage.
Source: Oxford Economics

Key Findings

Ten-Year Impacts

The ten-year impact of a \$25/hour minimum wage would result in the loss of \$3.3 billion in business sales throughout San Diego. The total loss of tax revenue reaches \$577.8 million relative to a baseline scenario, with \$182.6 million in local tax losses, including \$33.8 million in lost transient occupancy taxes.

Ten-Year Time Period Losses



Note: Estimates measure total impact of lost visitor spending and capital investment due to the cost increase caused by a \$25/hour minimum wage. Amounts in real 2025 dollars.
Source: Oxford Economics

An aerial photograph of a city harbor, likely San Francisco, featuring a dense urban skyline with numerous skyscrapers and a waterfront area with docks and ships. The image is overlaid with a semi-transparent blue filter.

2 Scenario summary

Scenario description

Effect of minimum wage: We assume a scenario where the current minimum wage of \$17.25/hour would be increased to \$25/hour for all employees who make less than that currently, including tipped employees. With this increase, further wage compression would follow, meaning that employees who currently make more than \$25/hour would also receive a pay increase.

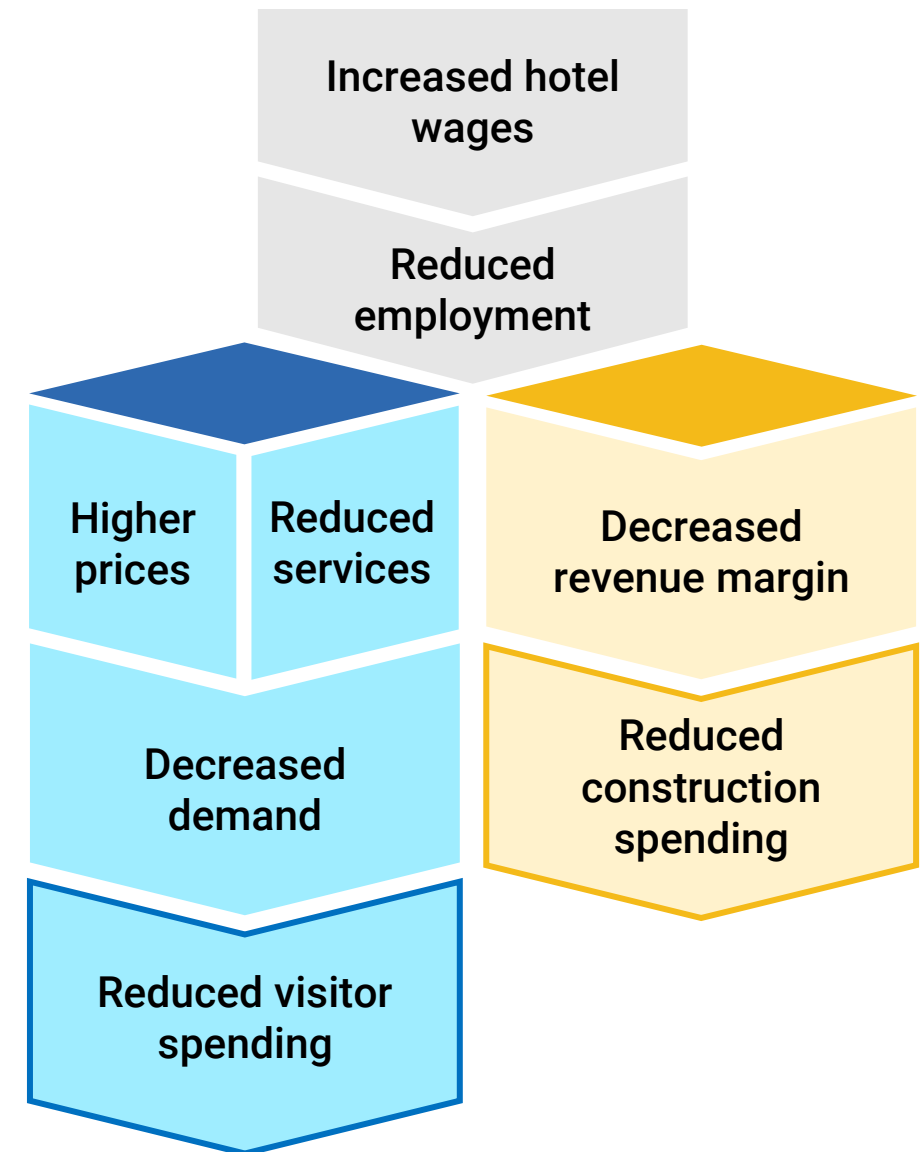
We estimate that the potential 45% minimum wage increase (from \$17.25 to \$25) would result in a 20% increase in hotel payroll with no mitigation steps.

Hotels would respond to this in several ways:

1. Reduce staff hours
2. Increase room rates and other prices
3. Scale back or eliminate services
4. Reduce capital investment

These responses would impact the San Diego economy by **reducing visitor spending** and **construction spending**. Tax revenue from transient occupancy taxes and hotel property taxes would also be negatively impacted over time.

Key scenario impacts



Hotels would reduce staff hours to mitigate payroll increase

1

Reduce staff hours

Hotels would likely reduce staff hours by reducing weekly hours or by removing non-essential positions entirely. Although hotel wages would increase in aggregate, overall hotel employment and hours worked would decrease.

Impacts

- Increased wages
- Decreased employment

Hotel Operator Insights

- Staff positions would have to be **removed** or **adjusted to cover more roles**.
- Restaurant hours and other services would be reduced.
- Several positions would be **converted from full-time to part-time** to give more flexibility in hours worked.
- Internship programs would be removed, and **training would be disincentivized**.
- We would install **check-in kiosks** and hope that **further automation** would become available to cover more front-desk jobs because we would be **unable to maintain the same level of employment**.

Hotels would increase prices to partially offset increased payroll

2

Increase prices

Hotel prices would have to increase to make up for the increased payroll. Hotels would increase room rates, raise food and beverage prices, and look for opportunities to increase charges for other services. Visitors will be less willing to pay the increased prices.

Impacts

- Decreased demand
- Decreased visitor spending
- Decreased revenue from food and beverage

Hotel Operator Insights

- The environment we're in makes it difficult to increase room rates, San Diego is **already one of the most expensive markets**.
- Highly likely that San Diego will become less desirable due to the **lack of affordability** for the average traveler.
- City-wide **conferences would look to leave** San Diego because they could stay elsewhere for a lot less.

Reduction of non-essential services further decreases demand

3

Scale back or eliminate services

With increased payroll eating into total revenue, and decreased staff to handle operations, hotels will have to scale back on services. The largest impacts will be felt in hotel food and beverage services – room service will no longer be offered, and restaurants, bars and event spaces may be closed. Reduced services result in less satisfied guests and make San Diego less competitive with other markets.

Impacts

- Decreased demand

Hotel Operator Insights

- Minimum wage increase on **tipped employees would have a dramatic impact** on restaurant operations. Many of these employees already make above the minimum wage because of tips.
- Food and beverage operations would be **modified or removed**, only services that are critical to the operation of the hotel would be offered.
- We would have to reduce hours of operations which would **hurt the guest experience**.
- Small businesses feel the brunt of the impact, as they are less able to distribute costs elsewhere, some may have to **close entirely**.

Reduced margins lead to reduced capital investment

4

Reduce capital investment

Hotels will be forced to absorb some of the increased payroll through profit reduction. With reduced profit, hotels will have less to spend on capital investment, likely causing owners to delay capital renovations. Lower profits will cause investors to seek to invest in other more profitable asset types or convert hotels to other uses. Property taxes will decline.

Impacts

- Decreased renovation spending
- Decreased hotel investment
- Decreased property taxes

Hotel Operator Insights

- Increase in payroll will cause hotels to **postpone projects** that could help maintain or improve the hotel.
- Reduction in hotel profit would cause some hotels to close, others to lose investments. This decrease in capital investment would **deflate property values and property taxes**.
- Hotel owners could default on their debt or be **forced to leave the market**.

An aerial photograph of a city harbor, likely San Francisco, featuring a dense urban skyline with numerous skyscrapers and a waterfront area with docks and boats. The image is overlaid with a semi-transparent blue filter.

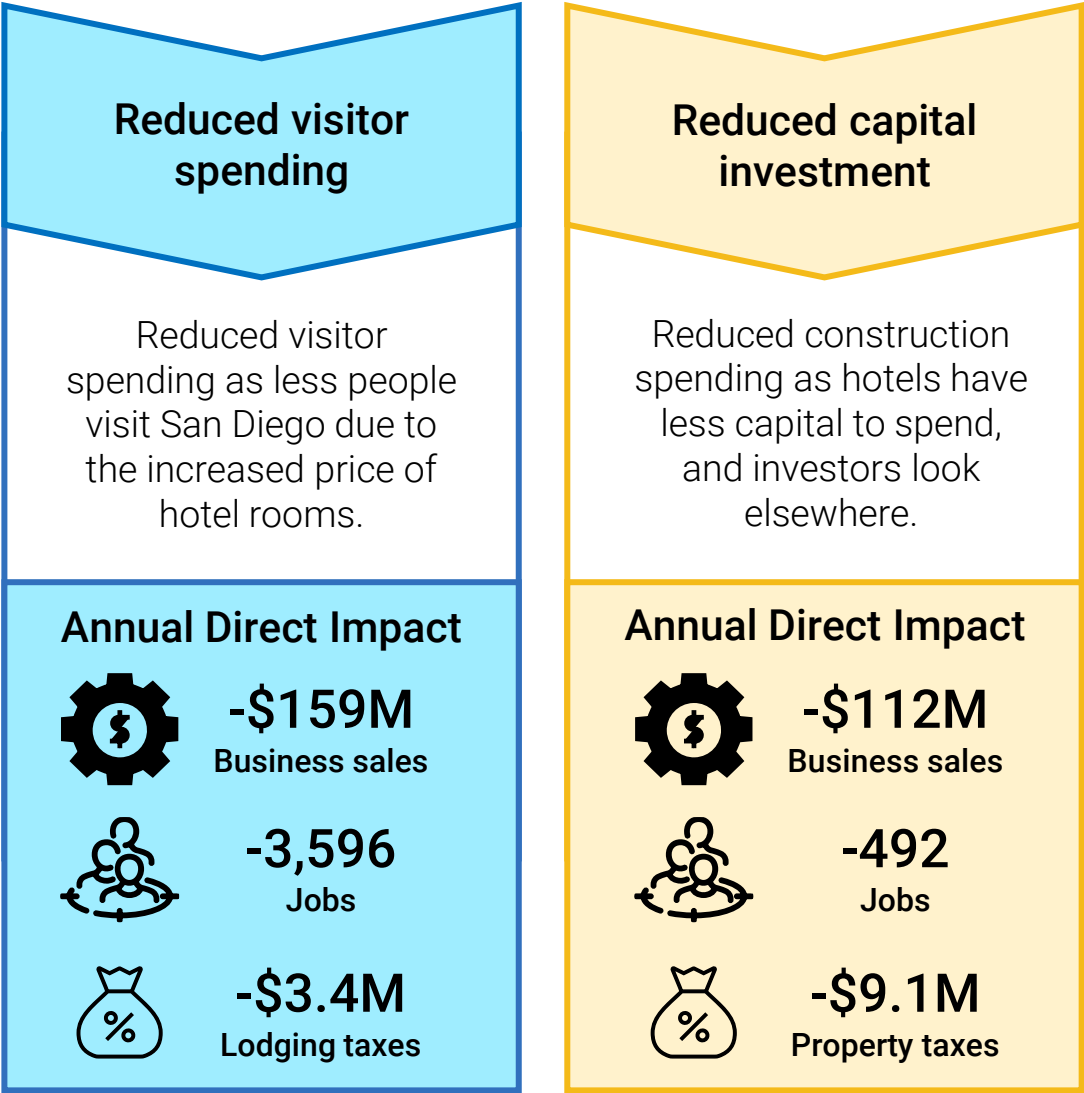
3 Scenario results

Primary impacts are shown in reduced visitor spending and capital investment

We analyzed the potential scenario where a \$25/hour minimum wage is passed. The economic impacts of the minimum wage increase are felt in two ways – reduced visitor spending and reduced construction spending.

As hotels increase their prices and reduce their workforce and services, demand for hotels in San Diego will decline. This will impact hotels, as people will be less willing to book rooms there, and the broader visitor economy. With less people visiting hotels, there will be less people spending money on other visitor-related establishments, such as restaurants. This will decrease direct visitor spending in San Diego by \$159 million annually.

With tighter margins caused by increased payroll and decreased food and beverage revenue, hotels will have less to spend on maintenance and renovations. This will lead to less hotel rooms being available. Additionally, with decreasing profit margins, investors will be less willing to invest in a more-volatile asset class, causing less hotels to be built over time. This will decrease construction spending in San Diego by \$112 million annually.



A \$25/hour minimum wage directly results in over \$270 million lost business sales

The direct results of the minimum wage increase are summarized in the accompanying table.

In our analysis, we estimated payroll costs would increase by approximately 20%. Hotels would attempt to pass on a portion of this cost increase by raising room rates, food and beverage prices, and other charges. In response to higher prices, reduced services, and less capital investment, some visitors would choose to reduce their length of stay or visit elsewhere. Additionally, group demand would decrease as organizers look to competitive markets to host their events. This would result in a loss of over 500,000 room nights annually, and over \$270 million lost business sales annually.

Baseline	Scenario
<i>Business as usual</i>	<i>Minimum wage increases to \$25/hour, payroll increases by 20%</i>

Annual run rate of losses

Scenario: Minimum wage increases

City of San Diego, stabilized year, real 2025 dollars, dollar amounts in millions

Impact of a \$25/hour minimum wage	
Direct impacts	
Room rate percent increase	5.0%
Lost hotel room nights, percent decrease	-4.5%
Lost hotel room nights	-513,790
Lost visitor spending	-\$158.7
Lost capital investment spending	-\$111.7
Total lost business sales	-\$270.4

Source: Oxford Economics

Although wages would increase, overall employment will decline

The objective of the minimum wage increase – to increase wages for hotel workers – is likely to be accomplished. However, this comes with consequences that extend beyond the hotels themselves.

Although wages are expected to increase by \$94 million at hotels, wages supported by other visitor spending will decrease by \$49 million, and wages supported by construction spending will decrease by \$36 million. These impacts will almost completely offset the increase in hotel wages.

When examining employment, the tradeoff for increased hotel wages is decreased hotel employees, with a reduction in employment of over 2,400 at hotels. Jobs supported by visitor spending will decrease by 1,200, and jobs supported by construction spending will decrease by 500, for a total direct job loss of 4,100.

Direct wage and employment impacts

Scenario: Minimum wage increase

City of San Diego, stabilized year, real 2025 dollars, dollar amounts in millions

	Wages	Employment
Hotels	\$93.5	-2,428
Other visitor-supported sectors	-\$48.7	-1,168
Construction	-\$36.1	-492
Total	\$8.8	-4,087

Source: Oxford Economics

Transient occupancy taxes will be negatively impacted over time

Transient occupancy taxes will be negatively impacted over time because fewer new hotels will be constructed in San Diego and because more hotels will close and/or be converted to other uses. By year 10, we estimate transient occupancy taxes will be \$7.7 million lower per year than in a baseline scenario without the minimum wage increase. Initially, as hotels increase room rates to partially offset higher payroll costs, we estimate transient occupancy tax will slightly increase. However, within five years, we expect the impact of reduced hotel inventory will have a larger effect, resulting in substantially reduced transient occupancy tax revenue. **During the first 10 years, we expect transient occupancy tax will be \$3.4 million lower than in the baseline on an annual average basis, which is equivalent to a \$33.8 million loss over 10 years.**

Annual run rate of economic impacts

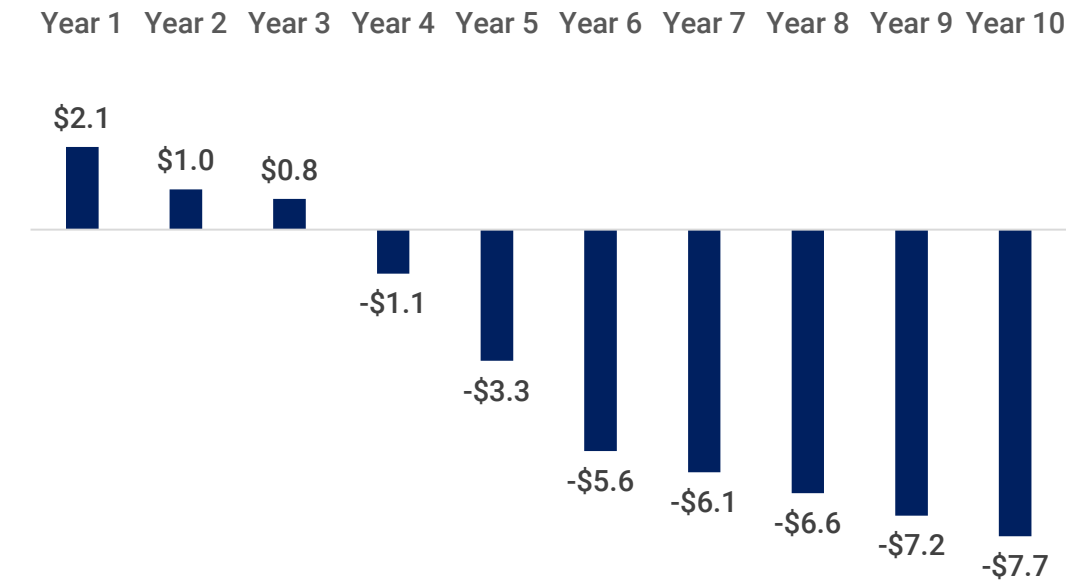
Scenario: Minimum wage increases

City of San Diego, stabilized year, real 2025 dollars, direct economic impacts

	Visitor spending (incl. hotels)	Capital investment	Total
Total taxes	-\$27,759,237	-\$20,724,099	-\$48,483,337
Local taxes	-\$6,922,004	-\$9,583,021	-\$16,505,025
Transient occupancy tax	-\$3,379,695	-	-\$3,379,695
Property tax	-	-\$9,091,876	-\$9,091,876
Sales tax	-\$2,324,194	-\$208,358	-\$2,532,552
State taxes	-\$10,307,441	-\$2,540,700	-\$12,848,141
Personal income tax	-\$1,194,135	-\$936,742	-\$2,130,877
Sales tax	-\$7,968,665	-\$739,690	-\$8,708,355
Federal taxes	-\$10,529,793	-\$8,600,378	-\$19,130,171
Personal income tax	-\$4,600,980	-\$3,606,461	-\$8,207,441
Social security	-\$4,950,888	-\$3,909,266	-\$8,860,154
Corporate tax	-\$604,525	-\$995,474	-\$1,599,999

Schedule of transient occupancy tax

Scenario relative to baseline



Source: Oxford Economics

Summary of direct impacts

Annual run rate of economic impacts
Scenario: Minimum wage increases
 City of San Diego, stabilized year, real 2025 dollars, direct economic impacts

The accompanying table summarizes the direct economic impacts of a \$25/hour minimum wage in San Diego as an annual run rate.

This analysis of direct economic impact includes spending by visitors, both at hotels and elsewhere, and capital improvement and development purchases by hotels operators.

The direct impact of lost business sales annually in San Diego surpasses \$270 million, with over 4,000 lost jobs. Although the wage impact for visitor spending is positive due to increased wages at hotels, it is partially offset by decreased capital investment wages.

The local tax impact is \$16.5 million annually, with \$3.4 million lost transient occupancy taxes, \$9.1 million lost property taxes, and \$2.5 million lost local sales taxes. With \$16.5 million in lost local taxes, \$12.8 million in state taxes, and \$19.1 million in Federal taxes, the total direct tax impact is \$48.5 million lost annually.

	Visitor spending (incl. hotels)	Capital investment	Total
Business sales	-\$158,712,380	-\$111,698,196	-\$270,410,576
Wages and salaries	\$44,820,299	-\$36,068,816	\$8,751,483
Jobs	-3,596	-492	-4,087
GDP	-\$68,224,447	-\$59,993,772	-\$128,218,219
Total taxes	-\$27,759,237	-\$20,724,099	-\$48,483,337
Local taxes	-\$6,922,004	-\$9,583,021	-\$16,505,025
Transient occupancy tax	-\$3,379,695	-	-\$3,379,695
Property tax	-	-\$9,091,876	-\$9,091,876
Sales tax	-\$2,324,194	-\$208,358	-\$2,532,552
State taxes	-\$10,307,441	-\$2,540,700	-\$12,848,141
Personal income tax	-\$1,194,135	-\$936,742	-\$2,130,877
Sales tax	-\$7,968,665	-\$739,690	-\$8,708,355
Federal taxes	-\$10,529,793	-\$8,600,378	-\$19,130,171
Personal income tax	-\$4,600,980	-\$3,606,461	-\$8,207,441
Social security	-\$4,950,888	-\$3,909,266	-\$8,860,154
Corporate tax	-\$604,525	-\$995,474	-\$1,599,999

Source: Oxford Economics

Minimum wage effects lead to broader impacts

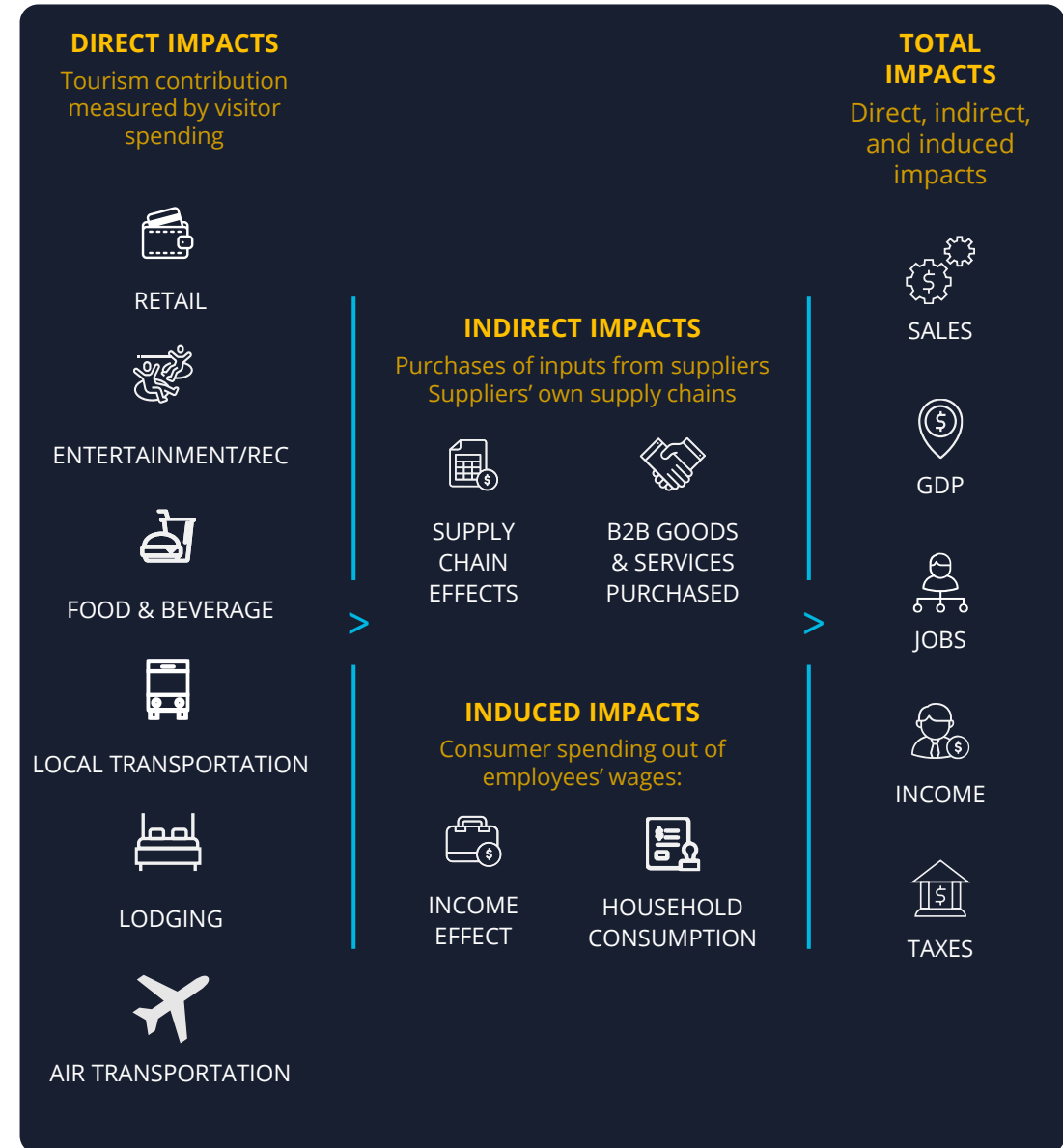
Our analysis of the economic impact of a \$25/hour minimum wage begins with reduced spending by visitors and on construction, but it also considers the downstream effects of this reduction of spending into the local economy. To determine the total economic impact in the City of San Diego, we input visitor and construction spending into a model created in IMPLAN. The model calculates three distinct types of impact: direct, indirect, and induced.

The impacts on business sales, jobs, wages, and taxes are calculated for all three levels of impact.

1. Direct Impacts: Visitors create direct economic value within a discrete group of sectors (e.g., recreation, transportation). This supports a relative proportion of jobs, wages, taxes, and GDP within each sector.
2. Indirect Impacts: Each directly affected sector also purchases goods and services as inputs (e.g., food wholesalers, utilities) into production. These impacts are called indirect impacts.
3. Induced Impacts: Lastly, the induced impact is generated when employees whose wages are generated either directly or indirectly by visitors spend those wages in the local economy.

IMPLAN is particularly effective because it calculates these three levels of impact – direct, indirect, and induced – for a broad set of indicators. These include the following:

- Spending
- Wages
- Employment
- Federal Taxes
- State Taxes
- Local Taxes



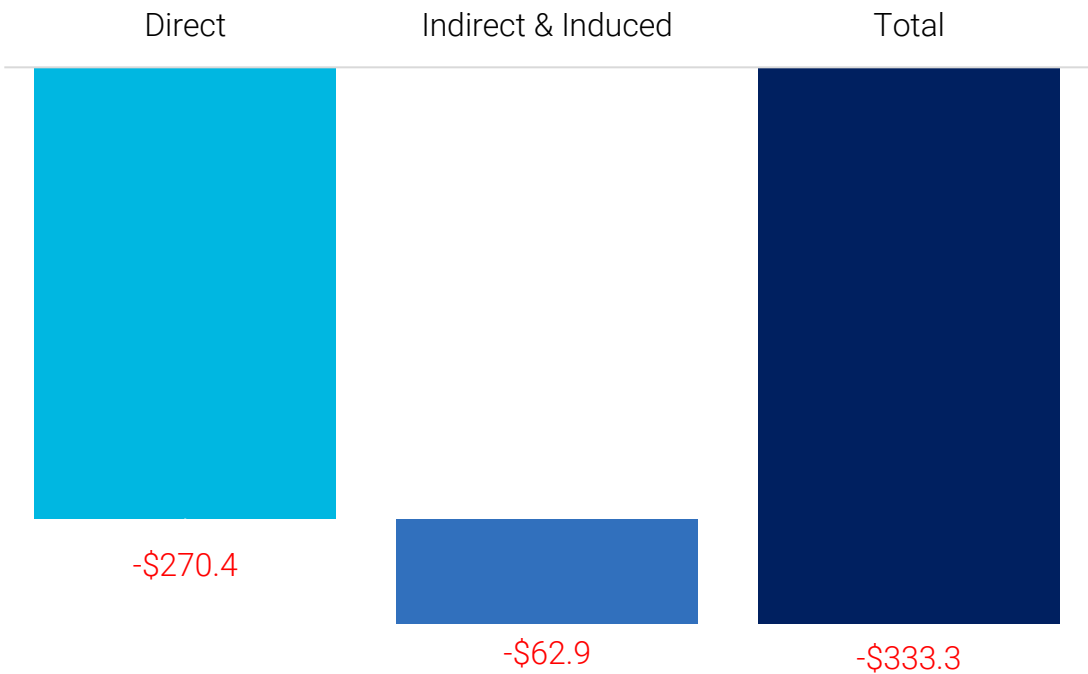
Economic impacts: Summary

The following chart provides an illustration of the economic impacts in San Diego. The direct effect, driven by reduced visitor spending and construction investment, results in a loss of \$270.4 million in business sales. The indirect and induced effects combine for an additional loss of \$62.9 million, for a total loss in business sales of \$333.3 million.

Economic Impact: Business Sales

Annual run rate in stabilized year, real 2025 dollars, in millions

City of San Diego



Source: Oxford Economics

Economic impacts: Total

Annual run rate of economic impacts

Scenario: Minimum wage increases

City of San Diego, stabilized year, real 2025 dollars, total economic impacts

The accompanying table summarizes the total economic impacts of a \$25/hour minimum wage in the City of San Diego as an annual run rate.

This analysis of total economic impact includes supply chain effects, such as reduced purchases by hotels of goods and services from local businesses, and income effects, such as wages spent by hotel employees.

Once these additional impacts are included, the total of lost business sales annually in San Diego reaches \$333 million, with nearly 4,400 lost jobs. The total tax loss surpasses \$57 million, with \$18 million in local tax revenue loss.

	Visitor spending (incl. hotels)	Capital investment	Total
Business sales	-\$167,442,645	-\$165,853,402	-\$333,296,047
Wages and salaries	\$39,174,097	-\$53,467,686	-\$14,293,589
Jobs	-3,654	-744	-4,398
GDP	-\$69,429,098	-\$94,045,589	-\$163,474,687
Total taxes	-\$27,834,604	-\$29,945,718	-\$57,780,322
Local taxes	-\$6,347,872	-\$11,914,611	-\$18,262,484
Transient occupancy tax	-\$3,379,695	-	-\$3,379,695
Property tax	-	-\$10,875,467	-\$10,875,467
Sales tax	-\$2,223,595	-\$612,128	-\$2,835,723
State taxes	-\$9,989,531	-\$5,078,769	-\$15,068,300
Personal income tax	-\$1,342,871	-\$1,387,598	-\$2,730,469
Sales tax	-\$7,611,529	-\$2,173,105	-\$9,784,635
Federal taxes	-\$11,497,201	-\$12,952,338	-\$24,449,539
Personal income tax	-\$5,177,651	-\$5,342,611	-\$10,520,262
Social security	-\$5,534,647	-\$5,787,562	-\$11,322,209
Corporate tax	-\$454,560	-\$1,560,175	-\$2,014,734

Source: Oxford Economics

Ten-year economic impacts

The accompanying table summarizes the total economic impacts of a \$25/hour minimum wage in the City of San Diego as a total over a ten-year period.

Over the ten-year period, the total of lost business sales surpasses \$3.3 billion. Total taxes would decrease by \$578 million and local taxes would decrease by \$183 million over the ten-year period.

We estimate transient occupancy tax revenue will be \$33.8 million lower over the ten-year period.

Ten-year economic impacts

Scenario: Minimum wage increases

City of San Diego, stabilized year, real 2025 dollars, total economic impacts

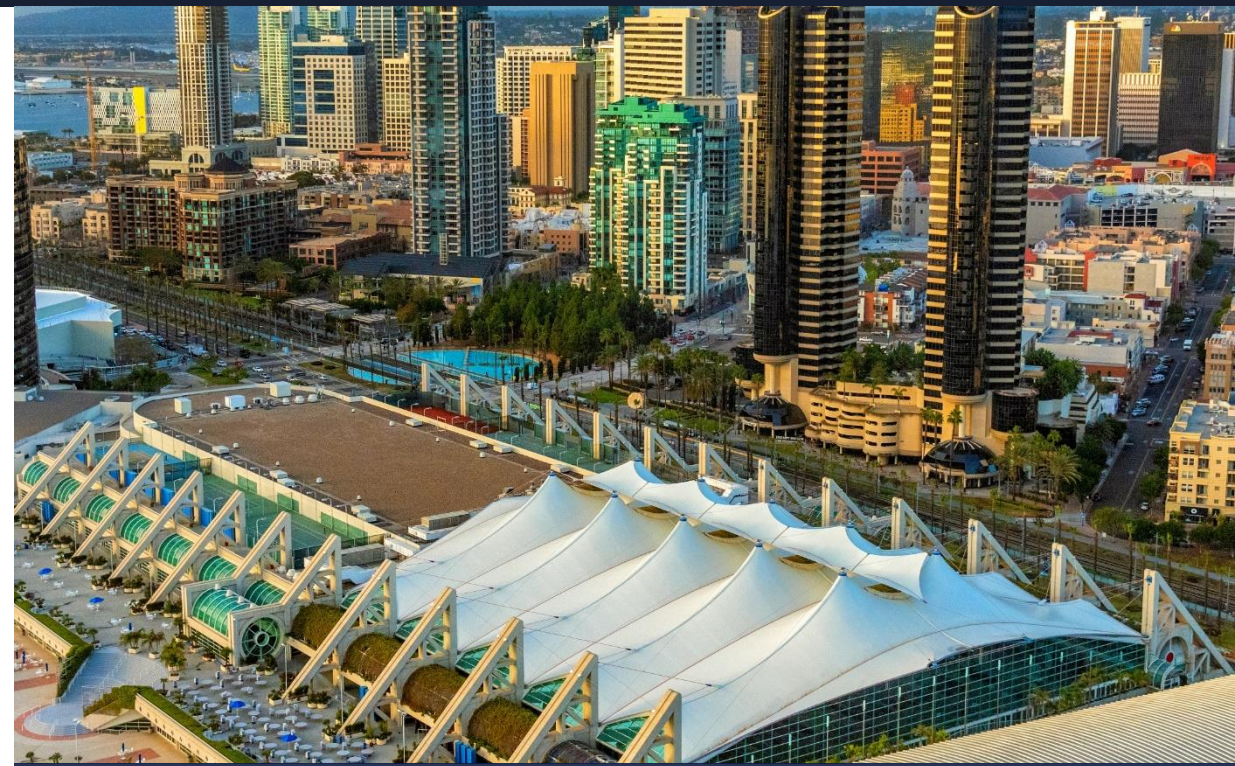
	Total
Business sales	-\$3,332,960,470
Wages and salaries	-\$142,935,894
Jobs (annual average)	-4,398
GDP	-\$1,634,746,871
Total taxes	-\$577,803,222
Local taxes	-\$182,624,835
Transient occupancy tax	-\$33,796,955
State taxes	-\$150,682,997
Federal taxes	-\$244,495,389

Source: Oxford Economics

Convention center impacts

How this could affect the San Diego Convention Center:

- San Diego competes to attract events that have the flexibility to choose other destinations with lower costs. Many of these events are contracted years in advance, helping to partly mitigate near term impacts. However, over time, higher costs would lead to reduced convention activity due to competitive pressures.
- Increased room prices can erode competitiveness over time. San Diego is already an expensive market, and major events can look to other cities for better rates.
- With fewer events comes reduced exhibitor and attendee spending in San Diego.
- Group demand at or near the convention center is currently over 850,000 room nights, making up over 7% of total hotel demand in San Diego. Losing these high-spending guests will have a larger negative impact on San Diego.



Convention center insights:

We understand it would be very difficult for the convention center to sustain its operations. It could price the convention center out of remaining competition for events, making it difficult for the region to recover from a tourism and hospitality standpoint.

Methodology

Minimum Wage Impact

We analyzed the potential cost increase caused by a \$25/hour minimum wage by building a model to quantify the impacts of the cost increase. The model was informed by our discussions with hotel operators in San Diego, data on the San Diego hotel market, including payroll cost information from CoStar-STR, and our experience analyzing the performance of hotel operations.

We estimated the loss of visitor spending in response to the cost increase caused by a \$25/hour minimum wage based on an assumed price elasticity of demand. This included recognition that many groups and leisure travelers considering a market such as San Diego have numerous alternatives.

We estimated reduced hotel capital investment based on the assumption of reduced incentive to re-invest in San Diego hotels, and reduced investment in the development of new hotels, due to lower profit margins and uncertainty on the future regulatory environment.

Economic Impact

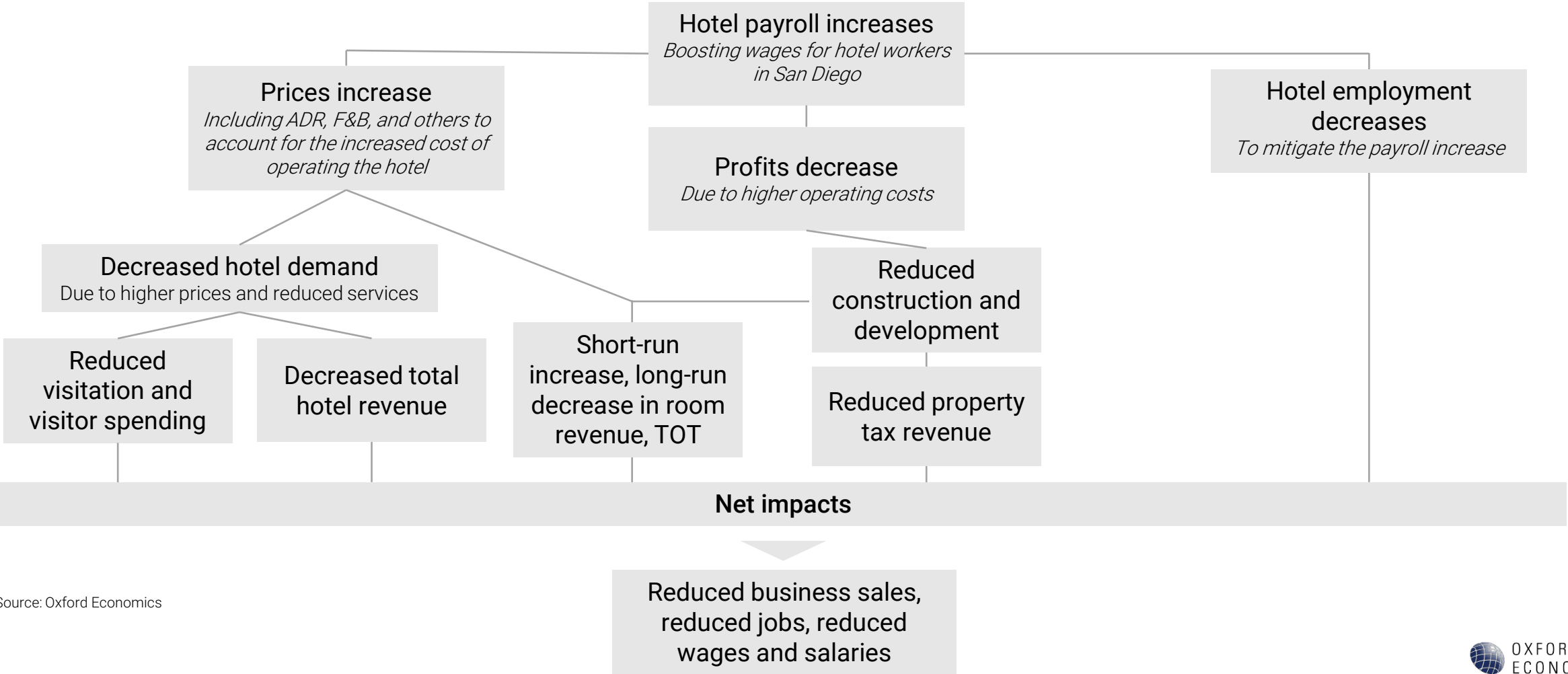
We prepared a customized IMPLAN input-output model to quantify impacts associated with changes in visitor spending and capital investment. This model incorporates industry data on employment, wages, and sales to analyze three streams of economic activity.

- Direct impact: Spending occurring directly at hotels, other travel purchases such as those made at restaurants or retail stores, and hotel construction and development.
- Indirect impact: Supply-chain effects that occur as hotels make intermediate purchases to support business operations.
- Induced impact: The effect of labor income on the economy, such as when hotel workers spend their income.

These three streams are added together to calculate the total economic impact.

Summary of assumptions and impacts

The following diagram shows the branching impacts and subsequent responses of a \$25/hour minimum wage:



Source: Oxford Economics

About Oxford Economics

Oxford Economics is one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on 200 countries, 100 industrial sectors and over 3,000 cities. Our best-of-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact. Headquartered in Oxford, England, with regional centers in London, New York, and Singapore, Oxford Economics has offices across the globe in Belfast, Chicago, Dubai, Miami, Milan, Paris, Philadelphia, San Francisco, and Washington DC, we employ over 250 full-time staff, including 150 professional economists, industry experts and business editors—one of the largest teams of macroeconomists and thought leadership specialists.

For more information:

www.oxfordeconomics.com