

FARE SHARE PLAN

An Investment in Workers, Transit, and
Housing near Transit

Council Budget Committee Presentation
October 2, 2019

MAYOR DURKAN'S PLAN

- ✓ Mandate Seattle's minimum wage, plus benefits and expenses
- ✓ Invest in transit and fully fund the Center City Connector streetcar
- ✓ Invest in first-in-the-nation worker protections
- ✓ Build more housing near transit

A NEW ECONOMY OF WORKERS

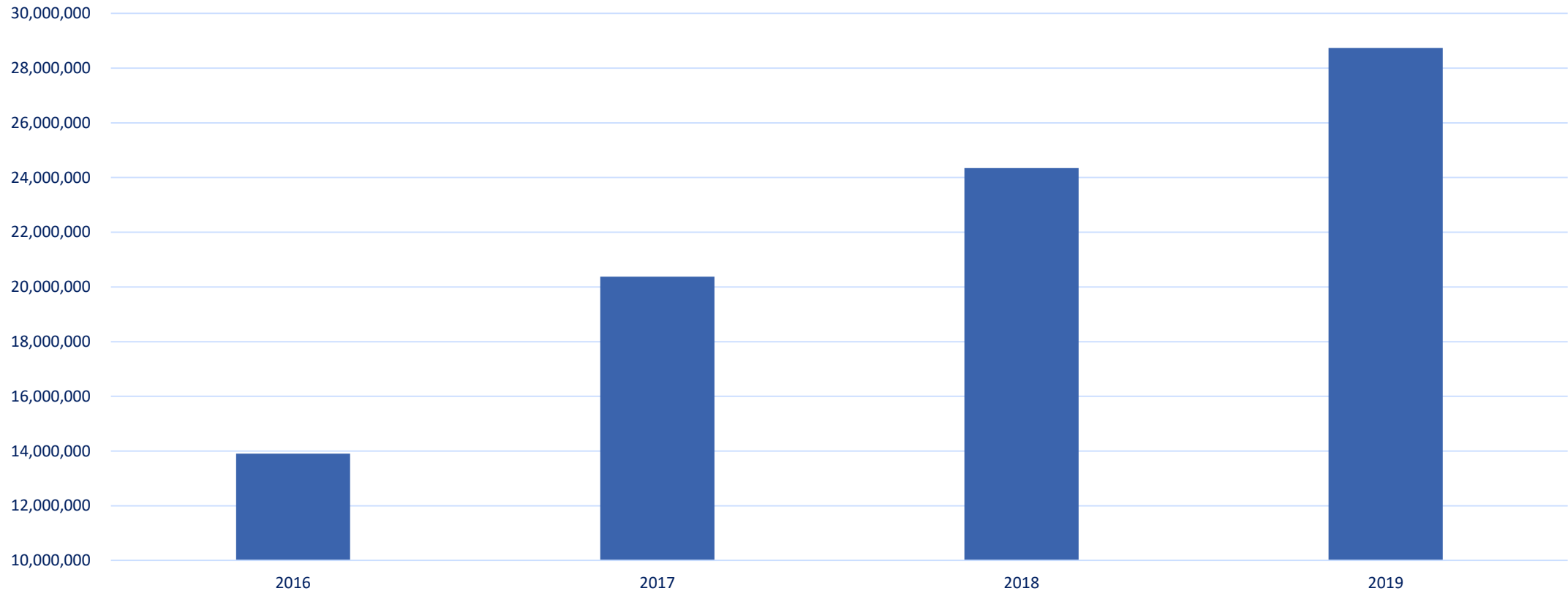
- Our economy is changing and long-term jobs are [giving way to gig work](#).
- Uber and Lyft drivers, like most gig workers, are **considered independent contractors**, which means they aren't subject to the City's policies that require all large employers in Seattle to pay their employees a \$16 minimum wage.
- After taxes, insurance and gas, many Uber and Lyft drivers **are not earning the minimum wage, and don't receive standard and critical benefits** like worker's compensation, sick leave or health insurance.
- Some Uber and Lyft drivers have also faced unwarranted deactivation.

U B E R & L Y F T ' S I M P A C T O N S E A T T L E

- Our traffic congestion is among the worst in the country.
- Uber and Lyft rely on the City's right of way and curb space to operate.
- Last year, Uber and Lyft accounted for **24 million rides in the City of Seattle, half of which either started or ended downtown.**
- We know that Uber and Lyft contribute to congestion downtown, and slow down buses and clog streets and curbs. A recent UW analysis found vehicles picking-up/dropping-off passengers constitute on average between 29% to 39% of total traffic volume in South Lake Union during peak hours.

EXPLOSIVE GROWTH

From 2016 to 2018, rides in the City of Seattle increased by 75 percent. Growth is projected to continue.



Source: City Budget Office and Seattle Department of Transportation data and projections.

CURRENT WAGES FOR DRIVERS



City of Seattle

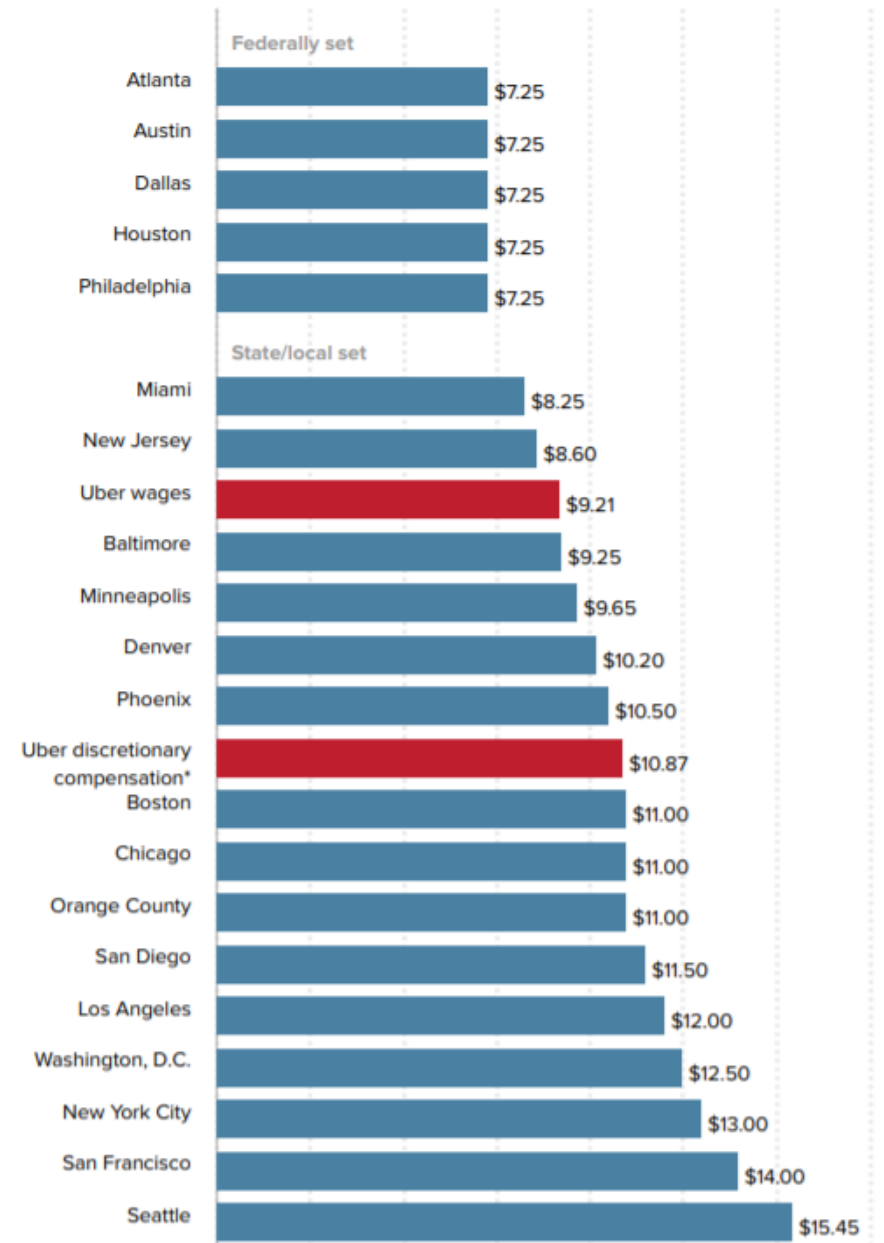
DRIVER WAGES ARE FREQUENTLY BELOW MINIMUM WAGE

Economic Policy Institute ([May 2018](#)):

Uber driver “discretionary compensation”—the income drivers get after deducting Uber fees and vehicle expenses and the mandatory extra Social Security/Medicare taxes that self-employed drivers must pay—averages \$10.87 an hour.

Report for the New York City Taxi and Limousine Commission ([July 2018](#)):

85% of drivers in New York City did not earn a minimum wage equivalent for independent contractors (\$17.22 in NYC).



DEFINING MINIMUM WAGE PLUS REASONABLE EXPENSES

- **Minimum Wage:** Currently, Seattle minimum wage is typically applied to “hours worked,” but we know app-based work is currently only compensated for time that a passenger is in the vehicle.
- **Mileage Expenses:** Drivers are currently not reimbursed for gas, maintenance and repair, insurance, and depreciation.
- **Non-Mileage Expenses & Benefits:** In 2020, Seattle employers must pay employer-side payroll taxes and provide paid sick and safe time, rest breaks and meal periods, paid family medical leave, unemployment insurance, and workers compensation. Many employers also provide health care or retirement.

UNDERSTANDING DRIVE TIME

A driver's time can be broken down into three primary phases: P1, P2, and P3

P1: Available platform time

- A driver is logged in to a driver platform waiting for a trip request

P2: Dispatch platform time

- A driver has accepted a trip and is driving to pick up the passenger

P3: Passenger platform time

- Passenger is in vehicle and is being driven to the drop-off location

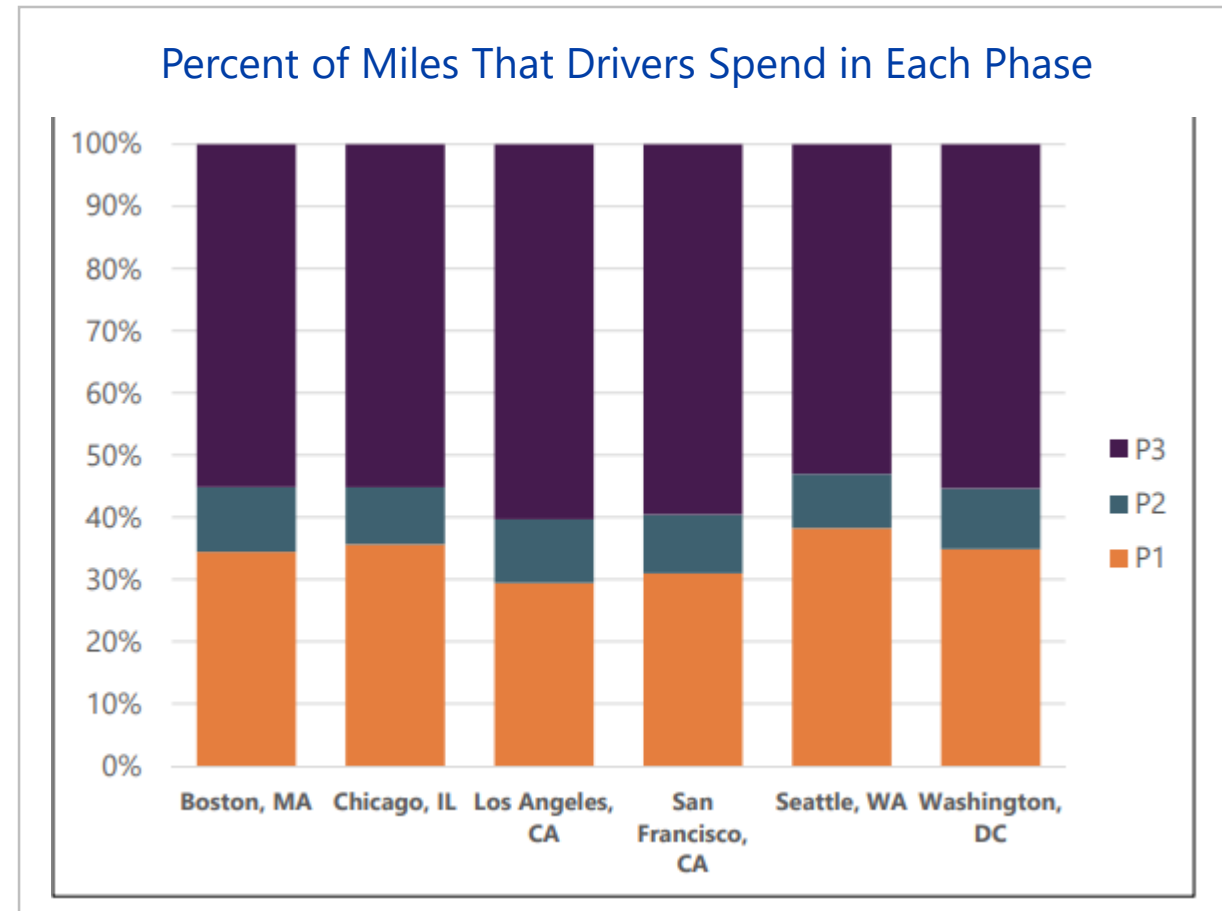
TOTAL TIME ON APP

CIRCLING, DEADHEADING OR P1

Studies in other cities have shown that Uber and Lyft drivers typically spend some of their time waiting for a ride request – **i.e. circling, deadheading or P1.**

Fehrs and Peers (August 2019): A [study commissioned by Uber and Lyft](#) of miles traveled in September 2018 initially found that two thirds of miles traveled in Seattle are when a driver is waiting for a ride request. Since the initial release, it has been revised to nearly 40 percent.

Report for the New York City Taxi and Limousine Commission (July 2018): “Idle time for both dedicated Uber and Lyft drivers is about 25 minutes [per hour].”



*Fehr & Peers (August 2019)

A FARE SHARE FOR SEATTLE WORKERS



City of Seattle

CREATING WORKER STANDARDS

- Mayor Durkan is proposing an ordinance that requires minimum wage and expenses for drivers effective **July 1, 2020.**
- An independent study will immediately commence to determine a fair minimum compensation standard. This will also include extensive community engagement process to ensure drivers' voices are heard. The City will expect the study to conclude by March 2020.
- We will create a model to ensure we're appropriately compensating drivers for the hours they truly work, the expenses they are shouldering, and the benefits they deserve, even if they are currently classified as independent contractors.

STUDYING MINIMUM COMPENSATION

Similar to the study conducted in New York City during their minimum wage implementation, we will examine drivers in Seattle and factors including but not limited to:

- Minutes and miles on the app including available platform time (P1), dispatch platform time (P2), and passenger platform time (P3)
- Average driver mileage expenses like insurance, depreciation, maintenance, repairs and gas for Seattle
- Non-mileage expenses and benefits such as payroll tax, paid sick and safe time, and workers compensation
- Impact of minimum wage and benefits on driver earnings

In addition, the City will engage in robust outreach to inform the study.

WORKER PROTECTIONS

- The City of Seattle will establish a first-in-the-nation independent, nonprofit **Driver Resolution Center**, which will provide Uber and Lyft drivers support through an impartial arbitration and appeals process for resolving claims of unwarranted deactivation by the companies.
- In addition, it will offer culturally responsive outreach and education services on driver rights since many drivers are immigrants and refugees.

WORKER PROTECTIONS

Deactivation

- Create a right to be free from **unwarranted deactivation**

Resolution

- Require **informal resolution** process
- Establish a **neutral venue** to challenge unwarranted deactivations at arbitration proceeding

Representation

- Fund a **Driver Resolution Center** to represent drivers at arbitration
- Provide culturally competent **outreach and education** to drivers

**FARE SHARE FOR
TRANSIT AND
HOUSING NEAR
TRANSIT**



City of Seattle

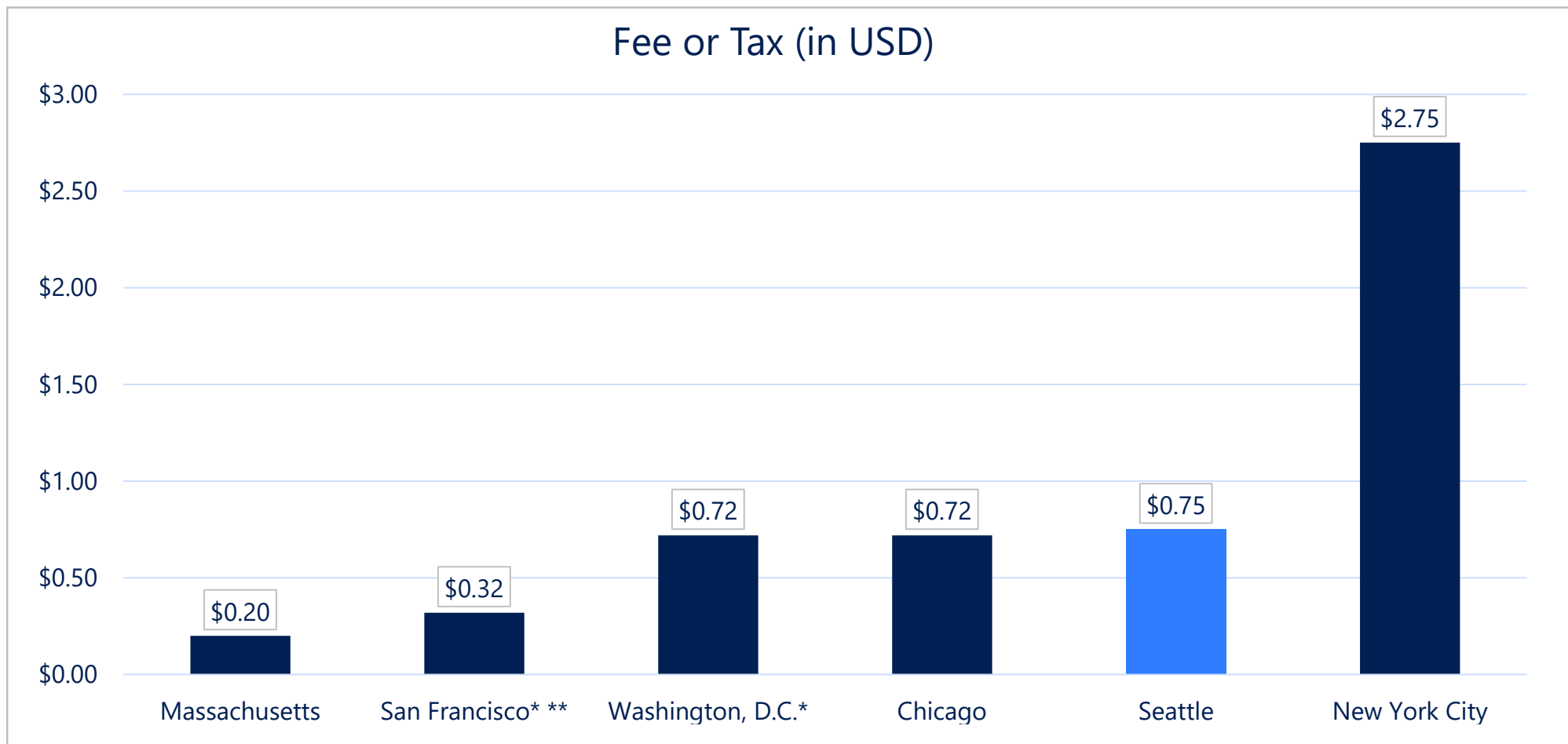
INVESTING IN OUR VALUES

Right now, Uber and Lyft riders in Seattle pay an existing City fee of **\$0.24 per ride** to fund wheelchair accessible taxis and regulation of the industry. Mayor Durkan is proposing a total of a **\$0.75 per ride charge, which is an increase per trip of \$0.51**. Investments will:

- Establish the first-in-the-nation Driver Resolution Center
- Fund downtown mobility including the Center City Connector streetcar
- Allow the City to invest in more than 500 affordable units of housing near transit hubs

FAS is currently examining the right size of the current FAS fee, which is applicable to all for hire rides. Tax will only apply to transportation network companies (TNC) with at least one million rides per quarter in Seattle.

COMPARING OTHER CITIES' APPROACHES



* Value calculated based on an average \$12 fare

** Measure currently on the ballot

BY THE NUMBERS

The first \$126 million* will support:

- **\$17.75M** for worker protections
- **\$56M** to fully fund the Center City Connector
- Over **\$52M** for housing near transit

*After administrative expenses



A GENERATIONAL OPPORTUNITY TO CONNECT OUR CENTER CITY

Proceeds from the tax on Uber and Lyft will fully fund the Center City Connector (C3) streetcar by closing the \$56M unfunded gap.

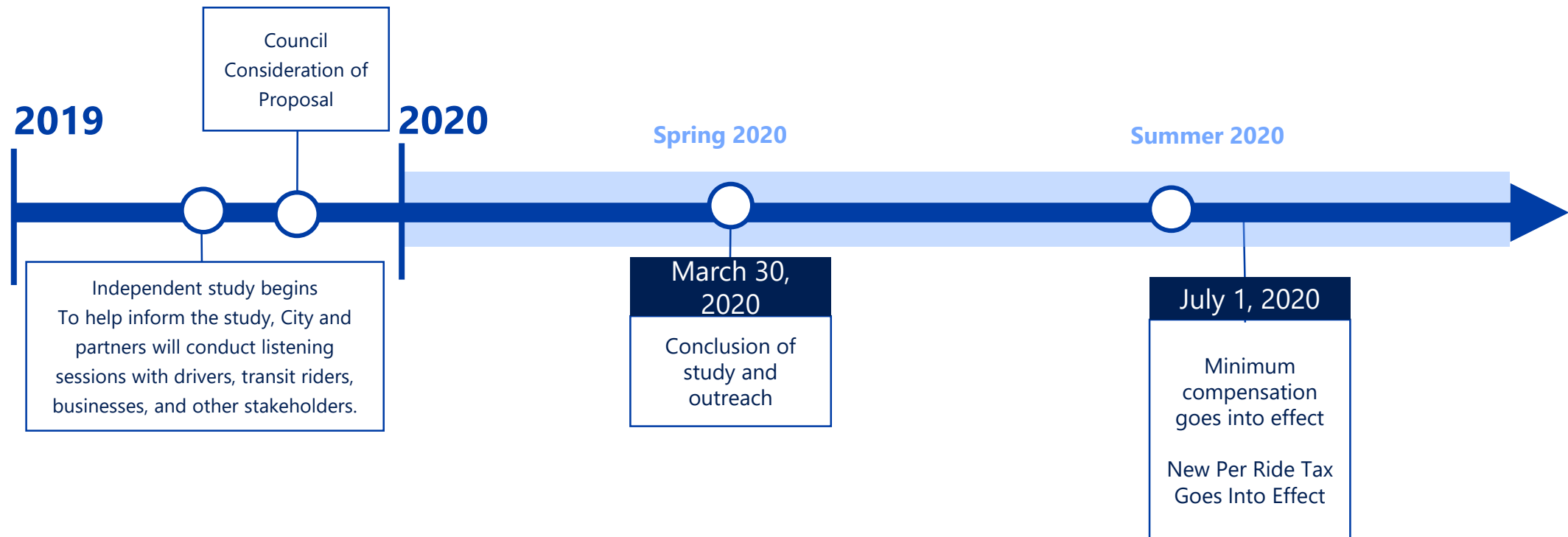
- A unified streetcar route will provide residents and tourists with easy, fast access in and around downtown.
- We know that [streetcar ridership is growing](#):
 - In 2018, the streetcar program saw an 18% ridership increase
 - A 31% increase on the First Hill line

INVESTING IN HOUSING NEAR TRANSIT FOR WORKING FAMILIES

Proceeds from the tax on Uber and Lyft will generate \$52 million to keep working families in our City and ensure they can live near transit hubs.

- These investments will allow the City and our partners to build over 500 units of housing near transit.
- Housing built from these funds will be intended for people making between \$15 and \$25 per hour.

TIMELINE AND NEXT STEPS



BUDGET LEGISLATION

4 Proposed Ordinances and 1 Resolution:

- TNC Driver Minimum Compensation ORD
- TNC Driver Deactivation Rights ORD
- TNC Per-Ride Fee ORD
- TNC Tax ORD
- TNC Tax Spending Plan RES

Supplement to 2020 Proposed Budget Book:

- 2020 Estimated Revenue: \$9.66M
- \$8.11M appropriation to Finance General
- \$1.55M appropriation to FAS for tax implementation

Q & A