

October 6, 1999

**Living Wages at the Airport and Port of San Francisco:
The Benefits and the Costs**

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Contents	2
Introduction and main findings	3
<i>Purpose of this report</i>	3
<i>Sources</i>	3
<i>Main findings</i>	4
Distinctive characteristics of property contracts	7
Living Wages at San Francisco Airport	9
<i>Background and economic context</i>	9
<i>Leases at the airport</i>	9
<i>Covered employment</i>	10
<i>Low-wage employment</i>	11
<i>Pay increases</i>	12
<i>Affordability</i>	13
Living Wages at Port of San Francisco	15
<i>Leases at the port</i>	15
<i>Port uses most affected by the ordinance</i>	16
<i>Covered employment</i>	17
<i>Pay increases</i>	18
<i>Restaurant survey results</i>	18
<i>The retail and restaurant sectors in San Francisco</i>	19
<i>Affordability</i>	20
The ordinance as a whole	21
Appendices	
<i>A: Port uses least affected by the ordinance</i>	22
<i>B: Revision to first release on service contracts</i>	23
Author biographies	26
List of tables	27

Introduction and main findings

Purpose of this report

San Francisco's proposed living wage ordinance would require covered employers to pay their workers a minimum of \$11 per hour plus health benefits or a cash equivalent. The covered employers are basically those who have more than five employees and who either have contracts with the city or lease property from the city.

This report constitutes the second of two installments of a comprehensive analysis of the proposed ordinance. The first part, released in June 1999 (and available on the web at <http://socrates.berkeley.edu/~iir/>) discussed the needs of San Francisco's workers and examined the costs and benefits of raising pay for employees of service contractors and home care workers. This second part discusses the costs and benefits of raising pay for employees of property contractors.

Most Living Wage ordinances that are in effect in the U.S. cover only employees who work for municipal service contractors. San Francisco's ordinance is more expansive in that it would also cover employees of private employers who are located on city-owned property. These employers are themselves tenants who have a rent or lease contract with the city or are subcontractors of such tenants. City agencies refer to these contracts as property contracts, as opposed to the service contracts that we analyzed in our first report.

The main purpose of this report is to estimate the costs and benefits of the proposed Living Wage Ordinance to the tenants of the City of San Francisco. Almost all the workers who are covered by the property contract sections of the living wage ordinance are employed at two sites: San Francisco International Airport and Port of San Francisco. For this reason we focus our analysis entirely on these two properties.

San Francisco is only the second city, after Los Angeles' additions in 1998, to include property contracts in a living wage ordinance. The San Francisco ordinance calls for workers to be paid a minimum of \$11 per hour, plus health benefits or a cash equivalent. The present report is the first comprehensive study of living wage impacts on a municipality's property contracts.

Sources

To conduct this study, we drew upon data provided by both the Airport and the Port concerning leases, rents and levels of economic activity. The Airport also provided employment figures and some pay rates. We supplemented these with our own onsite surveys at the Port, with government survey data, with data provided by business and union officials, and with interviews with leading officials at both the Airport and the Port. We carefully checked our data for biases in reporting by respondents and to conform with known benchmark aggregates.

Main findings

San Francisco International Airport

- Approximately 145 firms and 28,000 workers at San Francisco Airport are covered by the ordinance. Of these, about 11,500 workers would receive pay increases averaging about \$4,600 per year, for a total of \$53.2 m. About 9,500 workers would receive wages bringing them to \$11 per hour. An additional 2,100 who make near \$11 would be expected to benefit indirectly from “wage–push” pressures for equity that would raise their pay to \$13 per hour.
- The low-wage sectors at SFO include: baggage screeners, fuelers, cabin cleaners, ramp agents and customer service representatives; parking lot cashiers, retail and food concession workers, skycaps and rental car agents. Baggage screeners at SFO currently earn \$6-7 an hour. These positions, the frontline of security against airport terrorism, have extraordinarily high turnover rates. The living wage is expected to reduce turnover, increase productivity and enhance security at the airport.
- The increased payroll costs resulting from the ordinance amount to \$59 million, which is 2.7 percent of current business costs for the affected firms. About 75 percent of the increased payroll costs would be borne by airline companies-- such as United, American and Continental-- directly or through their subcontractors. The total cost to the airlines amounts to 0.6 percent of the fare revenue they receive at SFO each year; this works out to about \$1 per airline passenger.
- About 20 percent of the increased payroll costs would be borne by retail and food concessions, such as Host International, and would increase business costs by 12 percent. A large fraction of the cost increases would be offset by reduced turnover and increased productivity. Prices of many of the products that are provided by these concessions at SFO are regulated, suggesting that there is room for small price increases.
- SFO is United Airlines’ most profitable location in the U.S. Yet SFO has the fourth lowest landing fees of the ten largest U.S. airports. Airline passenger traffic at SFO increased by 18 percent between 1993 and 1997 and airlines earned \$7.5 billion in revenue from fares at SFO in 1998. With the new international terminal about to open, passenger traffic is projected to increase another 25 percent by 2006.
- The impact of the ordinance at the airport upon overall costs is moderate and would occur in an economic context of rising airport revenues and profits. Since rents at the airport have been increasing, any impact upon revenues

would be on the rate of increase of rents, and should be minimal. Since the airport is an independent entity, fiscal impacts on the City of San Francisco will also be negligible.

The Port of San Francisco

- The Port of San Francisco leases over 17 million square feet of property for a wide variety of land-uses. Many of these uses do not result in on-site employment, and thus will not be affected by the ordinance. We estimate that about 4,400 workers at 239 establishments located on the Port of San Francisco--at restaurants and retail establishments, fish processing sites, parking lots, and offices-- would be covered by the ordinance.
- Of these workers, about 2,600 low-paid workers would obtain increases averaging about \$6,500 per year as a result of the ordinance. About 2,300 of the benefiting workers would obtain pay increases directly because of the ordinance. An additional 300 could expect increases indirectly because of wage-push pressures for equity.
- Low-wage employment at the port is concentrated in restaurants and food stands, other retail establishments and fish-processing plants.
- The increased payroll costs due to the ordinance would total \$18.2 million, which amounts to 4.6 percent of business costs for the affected port tenants. This increase works out to less than \$1.40 for each of the 13 million tourist visits to the port each year. Of the port tenants who will be affected by the ordinance, the largest ten percent (or 29) account for 66 percent of the port's rental revenues, and the largest twenty percent (or 47) account for 79 percent of the port's rental revenues. The largest ten restaurants at the port account for 72 percent of all the restaurant business at the port.
- We found significant variation in wage rates at port restaurants, with little correlation between restaurant wage rates and menu prices. For example, the starting wage for dishwashers ran from \$6.43 to \$10.12 at restaurants with similar price structures. Nonetheless, the impact of the ordinance upon port restaurants would vary depending upon whether a tip credit is included in computing pay. Without a tip credit in the ordinance, the increase to port restaurants would average 13 percent of business costs. With a tip credit, the increased costs to restaurants would average 3 percent. These increases fall within the range of price variation for similar meals found within the port area and at nearby locations.
- Sales revenue for port businesses rose 16 percent between 1995 and 1998 and vacancy rates at the port are insignificant. The port is anticipating major expansion, including a cruise ship terminal, hotels and retail complexes. The

port's percentage lease arrangements help insulate tenants from swings in the business cycle, providing important benefits for many businesses. It is not likely that the ordinance would actually deter future development.

- Given the buoyant state of port business, the impacts of a living wage ordinance on employment and port rents would be negligible, as would any fiscal impact on the City of San Francisco. The restaurant industry in San Francisco has experienced larger percentage wage increases over the past decade and yet has maintained a positive job growth trend.

The ordinance as a whole

- The San Francisco Living Wage Ordinance as proposed would benefit a total of 26,900 low-wage workers. This figure consists of: 6,000 people working on city service contracts and 6,700 home care workers; and 11,600 employees at the Airport and 2,600 at the Port, as reported in this second part of the study. Of the 26,900 benefiting workers, about 23,000 workers currently earn below \$11 an hour. About 3,900 others earn near \$11 an hour and are projected to experience a wage increase to \$13 as a result of "wage-push" pressures for equity.
- Appendix B of this report revises some of the estimates in the first release, based upon more comprehensive data. We now estimate that 6,000 employees of city contractors would receive wage increases (down from 6,500 in the first release), as would 6,700 home care workers (as in the first release). Costs are comparably lower as well. These revisions do not change the conclusions we presented earlier.

Distinctive characteristics of property contracts

Property contracts require a separate analysis from service contracts. In the case of service contracts, the demand arises from the city's need for services for its resident inhabitants, visitors and businesses. These services must be performed within the city limits and the city wants to provide the services at the same or higher levels than before the ordinance. The associated increased costs to the city depend upon the degree of cost pass-through, which is likely to vary with the type of service provided and with the improvements in the degree of competition in bids that are becoming associated with living wage ordinances. In any case, since the city is committed to paying the pass-through costs, the adverse service level and employment effects of a Living Wage Ordinance can therefore be negligible.

Of course, the potential costs to the city and to employers could be substantial, as can be the benefits to the affected workers. In a previous report, we estimated such costs to the city as \$32 million. In an appendix to the current report, we provide updated and refined cost estimates for the service contractors and the home care workers discussed in our previous report. Our revisions focus on the universe of service contracts, the rate of employer-paid taxes and the value of health benefits. The revised results turn out to be very similar to the estimates in the first release.

In the case of property contracts, the demand arises from private employers who provide goods and services on the city-owned land and the city derives revenue from leases and rents. Wage increases may be passed on in higher prices to customers, such as air passengers or tourists visiting the wharf areas, or be absorbed by employers in lower profits, or result in some economic activity shifting to another site. The latter two cases could affect the value of the leases and therefore reduce rents received by the city. These outcomes could affect the level of employment at these areas as well.

As is the case for service contractors, employers who are property contractors with less than five employees are exempt from the ordinance; no minimum property contract is specified in the ordinance.

Our analysis of the effects of the ordinance upon the property contractors has had to confront a number of methodological issues. San Francisco's tenanted properties are far-flung and include land on many sites outside the city's boundaries. The property contracts themselves are bid, negotiated and administered by a variety of city departments and agencies. The structure of the leases varies from fixed rents to rents that combine a minimum payment with a variable component related to sales revenue and rents that have only a variable component. The term of the contract can vary from month/to/month at the low end to forty years or more at the high end. Long-term leases are subject to re-negotiation, particularly when repairs or improvements in the property are undertaken. The effort involved in tracking all these properties is complex. Moreover, the records on property contracts are decentralized in the relevant city bureaucracies.

To make our analysis tractable yet comprehensive, we exploit the fact that almost all the employees of property contractors who would be covered by the ordinance work in

just two areas: San Francisco International Airport and the Port of San Francisco. The airport alone accounts for nearly 30,000 such covered workers, with an additional 10,000 expected to be added with the opening of the new international terminal in May 2000.

The Port includes the wharf areas and some of the adjoining lands, such as at Ferry Plaza. These tenanted properties account for approximately 5,000 workers who would be covered by the ordinance. Given the wide variation in land uses and employment patterns, we disaggregate the analysis of the property contracts whenever possible. We collected property contract data provided from the relevant agencies and we use a variety of data sources to estimate employment and wage rates in each sector. These sources include our own surveys, surveys conducted by researchers at the Center for Labor Research and Education (CLRE), by consultants to the airport, as well as government census and survey data.

To analyze the impact of the ordinance, we also need to estimate the impact of wage increases upon employment, profits earned by contractors, rents received by the city and prices charged to consumers. In addition, the dynamic effects of the ordinance upon future development and job creation are also important. We consider each of these separately for the airport and for the port.

Living wages at San Francisco Airport

Background and economic context

San Francisco International Airport, the fifth busiest in the United States, served over 39 million passengers in 1997. As Table 1.1 shows, passenger traffic has been increasing steadily in recent years, from 32 million passengers in 1993 to 39 million in 1997. Passenger traffic is projected to grow even more rapidly with the completion of the multibillion-dollar international terminal project in May 2000. The airport is expected to handle 49 million passengers by 2006, with much of the increase consisting of Pacific Rim travelers.

Airport rents and concession revenue are large and have also been increasing. As detailed in Table 1.2, these revenue sources amounted to \$361 million in FY 1998/99, and they are projected to rise to \$437.9 million in FY 1999/2000. Again, the Airport expects further increases to occur in future years with the expansion of the airport's facilities.

The economic boom at the airport is reflected in the data on employment growth. The airport and its tenants account for 34,000 jobs, an amount that is ten percent higher than four years ago, and that is also expected to continue to grow significantly. A surge in employment is expected with the airport's expansion: 11,000 new jobs from the new International Terminal alone. Wage rates have also increased in recent years.

Leases at the airport

We begin with presentation of data on all the leases and tenants at the airport. We used airport, union, and public data sources to estimate the number of workers that would be covered by the proposed ordinance. Together with pay data, we then estimated the number of workers that would be affected by the ordinance and the pay increases they would obtain.

The number and distribution of airport leases, subleases, tenant agreements and concessions are shown in Table 1.3. The total number of such agreements is 145, including three service contracts for security workers and skycaps, but not including a number of much smaller contracts. Over half of the leases (76 out of 145) are with passenger and cargo airlines and an additional 23 are in aviation services. Retail and food concessionaires and rental car companies account for 39 of the leases.

The structure of leases varies considerably. Some assign more relative importance to fixed dollar rental amounts while others contain variable rent formulas. Almost all concession agreements appear to have a minimum annual guarantee that acts as a minimum rent. On top of this, most leases also include a revenue-sharing component, normally 10 to 20 percent of revenues achieved, and often on a sliding scale. We discuss

the implications of revenue-sharing leases further below when estimating the affordability of the ordinance.

The duration of leases also vary, from a month to 10 years, although most are less than 5 years in duration. This heterogeneity means that the implementation of a living wage ordinance in theory would occur over up to a decade as leases expire or are renegotiated. In order to simplify our analysis we proceed nonetheless as if the implementation of a living wage ordinance occurred simultaneously at all sectors of the airport. The benefit and costs estimates we generate consequently will be upwardly biased, since staggered implementation would imply lower numbers. The use of expiration dates to stagger the implementation also would imply the possibility of pay inequities among low-wage workers and their employers. We consider this issue as significant for implementation design but outside the scope of our report.

One key aspect of the analysis concerns the location-specific features of economic activity at the airport. Most airport-based work cannot be performed elsewhere and therefore property contractors at the airport generally are not competing with offsite employers. (The exceptions mainly comprise airline-catering services with offsite kitchens.) We consequently do not expect any adverse impacts upon airport employment because of relocation of firms outside the ordinance's jurisdictions.

The activities that are more likely to be affected by the Living Wage Ordinance include the aviation-related activities, where most employment is concentrated, and also retail concessions, food concessionaires, parking services, and security and sky cap services. Although unionization rates are quite high in some of these sectors, some negotiated agreements pay below the proposed living wage level (\$11 per hour). Large proportions of airport jobs provide health and other benefits.

Covered employment

Studies prepared for the Airport Commission (Economic Impact Report) find that there are approximately 33,900 permanent jobs at SFO. Not all of these workers are covered by the ordinance. To estimate the number of covered employees, we first excluded the employees who work directly for the airport, the federal government, the City and County of San Francisco, and the U.S. Postal Service. We then excluded shuttle and taxi drivers who apparently will not be covered by the ordinance, and workers at the airport hotel, which is under renovation. We also excluded construction workers, who are covered by prevailing wage agreements, consultants, who are assumed to be in high-paying positions, and truck drivers, who are also assumed to be in high-paying unionized positions.

We estimate that 28,310 jobs would be covered by the Living Wage Ordinance, based upon the coverage stated in the ordinance and contractual agreements between the tenants and SFO. (See Table 1.4.) As Table 1.4 details, about 22,000 of the 28,000 covered workers at the airport are employed directly by passenger and cargo airlines. An

additional 3,400 work under subcontracts with the airlines, in catering, as baggage screeners (security workers) and skycaps and aviation services. This concentration reflects the not surprisingly large role of the airlines as employers at SFO. About 3,000 covered workers are employed in retail and food concessions, at airport parking lots, or as employees of rental car companies.

Low-wage employment

To determine the number of covered workers who would be directly or indirectly affected by the ordinance we collected wage data by detailed occupation and tenure class. Our sources included prior research conducted by the Center for Labor Research and Education at UC Berkeley, which had estimated employment and wage data in each of the affected sectors. We updated and checked wage information with job postings from the airport employment website, with personal interviews of tenant employees at the airport, as well as with follow-up telephone calls with the human resource departments of the tenant employers and union officials. We used occupational wage data from the Bureau of Labor Statistics to complete the wage estimates in a number of cases.

To arrive at an estimate of the low-wage workforce, we focused on the major employers who account for a high proportion of employment in the sector and for whom more data are available. We then applied a multiplier to estimate total employment in the sector. We then checked these estimates with business and labor officials to insure their accuracy. We began with available information on job classifications, benefits, union status, job tenure and wage rates. We excluded known employment in job classifications that paid above \$13, and an estimate of other high paying positions, such as managerial and professional staff. Where appropriate and where available data allowed, we adjusted the estimated wage distribution to take into account that workers with longer tenure tend to earn higher wages. This is most common in jobs covered by union contracts that include a tenure-based sliding wage scale.

One carrier, United Airlines, dominates private employment at SFO. The large number of United workers—over 16,000-- reflects the presence at SFO of a major United aircraft maintenance centers as well as the large number of United flights at SFO. To illustrate the methods and results made above, we discuss briefly the method we used to estimate the structure of employment and pay at this firm.

At United we started by identifying the known high-wage job titles, which included the flight attendants, mechanics, pilots, computer technicians, and other professional staff. We then distributed the remaining jobs according to other estimates of employment at the United Maintenance Center (published in the Economic Impact Report) and from prior research. This allowed us to identify the number of workers in low-wage job classifications, those where some or all workers earn less than \$13 per hour.

The results for United are shown in Table 1.5. We obtained an estimate of about 750 high-wage workers earning an average of about \$37 per hour, about 11,150 medium-wage workers earning an average of about \$17 per hour, and about 4,100 low-wage workers earning an average of about \$9.70 per hour. Note, however, that because of tenure-based sliding wage scales, some workers in the ‘low-wage’ job titles earn more than \$13 per hour and were thus included in the medium-wage category (denoted as ‘senior’ workers). We include tenure effects when we estimate the costs and benefits of the Living Wage Ordinance.

Pay increases

The next step is to estimate the number of low-paid workers at SFO as a whole that are covered by the ordinance. In Table 1.6, we list the job titles of workers with pay levels below \$11 per hour and their current pay scales by detailed job classification. The number of workers has been estimated to conform with our knowledge of job aggregates and if some misclassifications among detailed job titles has occurred, they will cancel each other in the aggregate.

We aggregate these workers by sector and display the results in the first column of Table 1.7. Table 1.7 indicates that approximately 9,470 low-wage employees at SFO can expect a pay increase directly as a result of the ordinance. About three-fourths of the low-wage workers at SFO are employed by airlines or by companies that service the airlines directly. The remainder are distributed among the various airport services.

The second column of Table 1.7 shows the distribution of low-wage workers and workers earning \$11-13 at SFO. A substantial number of airline workers earn between \$11 and \$13 and would be affected through wage push effects. An additional 2,140 employees can expect increases because of indirect wage push pressures. The total getting increases would then be 11,610 workers.

To compute the magnitudes of these increases, we calculated the direct wage increases of those positions earning less than \$11 and the indirect wage increases of those positions earning between \$9 and \$13. For the indirect wage increases, we assumed as in our first report that workers in the \$9-11 range could potentially experience a wage push to \$11.50 and that workers earning between \$11 and \$13 could be pushed to \$13. We calculated total compensation based on average yearly hours worked, as obtained from the Current Population Survey for each sector. This method accounts for fewer hours among part-time workers. We applied an additional 11.15 percent to the total wage increase to account for employer-paid taxes. For the cost of health benefits, we assumed a rate of \$1.25 per hour to be applied to workers currently working without benefits. Using these parameters, we estimated the total compensation increases and total payroll cost increases for each of the affected sectors.

Next, we indicate the overall magnitudes involved in raising the pay of these workers. As shown in Table 1.8, we estimate the overall compensation increases as totaling \$53m. This figure indicates the economic benefits of the ordinance that result

from the inclusion of SFO. The pay increases are equivalent to an average increase of about \$4,600 per employee per year. With payroll taxes added in, the pay increases will cost employers about \$59.1m, or about a 2.7 percent increase in business costs.

The increased costs resulting from the ordinance are unequally distributed. In absolute dollars, the largest increase would be concentrated in the passenger airlines themselves. This sector, which constitutes over 80 percent of all covered payrolls at the airport, accounts for one-third of the total cost increase. Since the passenger airlines sector is so large and includes giant firms such as United Airlines and American Airlines, the percentage cost increases are much lower, amounting to only 1 percent of business costs.

Well over half of the cost increase due to a living wage is located in the broader airlines and airline service sector, which adds airline catering, security and skycap services and aviation services. This sector accounts for about 90 percent of all payroll covered by the ordinance at the airport. We estimate cost increases of 6 and 13 percent, respectively, for the airline catering and aviation services components of this sector.

The airport services sector, which includes retail and food concessions, security and skycaps, parking, rental car and shuttle services firms, is much smaller in overall size, but have larger percentages of low-wage workers. The increases in business costs due to the ordinance would vary from 4 percent among rental car and shuttle services to 12 percent among retail and food concessions.

Affordability

The costs of the ordinance to airport tenants appear to be quite moderate when expressed as a percentage of their business costs. The costs can also be expressed as a percentage of the fare revenues generated at SFO, using data presented in the airport's bond revenue proposals. We estimate that the cost to the airlines of conforming to the living wage ordinance amounts to only 0.6 percent of the fare revenue. This amount seems extremely small, especially considering that SFO is reputed to be the most profitable airport for United and other carriers. Moreover, this profitability may partly be due to the relatively low landing fees at SFO (see Table 1.9). The profitability is notable also because jet fuel is costlier in the Bay Area than in other regions of the U.S.

Another measure of affordability examines the cost per passenger served. Using the passenger data in Table 1.1, ordinance by the number of passengers we estimate the airlines' cost of the ordinance as equivalent to about \$1 per air passenger.

How much of the increase in costs would be offset by savings because of reduced turnover and increased productivity? A reliable quantitative estimate is not possible, but anecdotal data that we heard repeatedly suggests that airport lines would be considerably shorter if more airport personnel had more experience at their jobs. Moreover, baggage screeners, who are paid \$6 to \$7 per hours and yet are expected to be the first line of

defense against terrorism, are reputed to have very high turnover rates, with average tenure levels below six months. Clearly, some savings would occur reduced turnover.

About 20 percent of the increased costs would fall on food and other retail concessions at SFO. Large multinational companies, such as DFS and Host International hold some of these concessions; many others are national chains. The increase of 12 percent in their costs would again be offset somewhat by reduced turnover and increased productivity. Prices of some food products are regulated, indicating that there is some room for price increases without meeting customer resistance. Clearly, most customers at airport restaurants and shops represent a captured market relative to offsite competition. In this context, the demand for airport services is much more a function of the demand for air travel than of the cost of the ordinance.

The airport is experiencing prosperity, with sales, rents and numbers of workers increasing rapidly. Not all workers are sharing in this boom, however. Yet a case can be made that SFO is subsidizing its tenants. The variable rent structure—with rent proportional to revenue—of most of the leases means that the city absorbs a share of the costs of the variability in economic activity due to the business cycle. This cushions declines in profitability and constitutes a justification for a wage standard. Moreover, long-term lease agreements, which are common at the airport, constitute protection from competition as well as reduction in employer risk

These considerations suggest that the impact of a living wage ordinance upon airport rents would be minimal. Moreover, the airport constitutes a quasi-independent entity, required to recycle any surpluses within the airport rather than return them to the city. Consequently, any reduction in rental revenue would not have a fiscal impact for the city of San Francisco.

Living Wages at Port of San Francisco

Leases at the port

The Port of San Francisco is heterogeneous and calls for an even more disaggregated analysis than we conducted for the airport. The Port of San Francisco leases 643 properties, representing 17 million square feet of property, and receives rents of about \$3m per month. The lease contracts are with 497 different tenants, indicating that some companies have multiple leases.

Table 2.1 shows the level and trends in operating revenue and net operating income at the port from 1994 to 1998. Operating revenue grew from \$32.4 million in 1994 to \$38.5 million in 1998, a 19 percent increase. Since most of the leases at the port determine rents as a percentage of revenue, it is clear that the economic environment at the port is positive. This picture was confirmed when we looked only at percentage rent leases. These leases exhibited very little turnover and so also provide a reliable indication of economic trends at the port. (They do not, however, yet reflect any of the new developments taking place in the southern waterfront area.) The growth in rents and therefore in operating revenue for the port generated a nearly four-fold increase in the port's net operating income.

To provide a more concrete picture of the port's tenants, we delineate in Table 2.2 the twelve largest private tenants of the port, as measured either by number of square feet rented or the value of the rents paid. These tenants account for 42 percent of the square feet rented by the port and 32 percent of the revenue received by the port. One of these tenants, Pier 39 in the Fisherman's Wharf area, subleases to a number of restaurants and other retail shops, and we have taken this business structure into account in our subsequent employment and wage estimates.

Table 2.3 lists the number of leases by use and revenue type. The structure of the rent contract between the Port of San Francisco and the lessor has some implications for the Living Wage Ordinance. In 461 leases, monthly rent is a fixed amount, in 74 leases, the rent is determined as a percentage of revenue received by the tenant, while in the case of 108 maritime-related leases, the rent is determined on both fixed and/or variable bases. The percentage rent agreements normally include a minimum or base rental that guarantees the Port a minimum income regardless of revenue receipts.

The revenue-sharing rental agreements between the port and tenants probably originated when the waterfront was first being developed, and the venture was not yet firmly established. This system has the benefit of partly insulating tenants from swings in the business cycle - more pronounced here because the waterfront is so dependent on the tourist sector. This renting method is fairly common in defined development areas - such as shopping centers - where tenant mix and stability may be a desirable goal. From the point of view of the port, such revenue agreements are also a way of ensuring they capture benefits of localized growth very quickly.

The use of percentage rent agreements raises the possibility that tenants may have different incentives from comparable firms with other tenancy arrangements. This could occur if the minimum rent is artificially low or high. If it is too low, then the tenant has a reduced incentive to use the land most efficiently; if it is too high then the tenant may be squeezed out. Note however that the former scenario, low minimum rates, may be used to promote tenant diversity, mix and stability.

Of those percentage contracts for which we have data, 40 out of 63 paid more than the minimum rent. The minimum rent paid per month of the 63 would have been about \$499,000; the total rent paid was actually just over \$921,000. This suggests that these lessors are particularly successful at the moment, or that the minimum is too low, and thus there is reduced incentive to raise revenue.

One additional conceptual point about rents is necessary. Any port-specific costs or benefits of doing business at the port should already be factored into market rent calculations when Port officials and a business negotiate a lease. Nonwage issues at the port, such as public access, maintenance of piers, etc. have already affected rents relative to locations not on the port. They are not relevant when considering the impact of the living wage ordinance.

Port uses most affected by the ordinance

Using Table 2.4 as our reference, we discuss each of the types of uses of the port to determine the sectors that are most likely to be affected by the ordinance.

Restaurants and food stands: 48 leases account for close to \$500,000 per month. The most important zone is Fisherman's Wharf, where 21 leases account for \$320,000. The impact of a Living Wage Ordinance is likely to vary from restaurant to restaurant. Most restaurants pay rent on a percentage rent basis (35 of 48). These leases would include some low-wage employment. However, since it constitutes a prime location, the wage elasticity of demand for space is likely to be low on Fisherman's Wharf. This argument may not apply elsewhere.

Retail, excluding restaurants: 20 leases account for just over \$200,000 per month and 1.6m square feet of space. The most important area again is Fisherman's Wharf (15 leases), accounting for virtually all space and revenue. Most (15) leases are on percentage basis. These leases would include some low-wage employment.

Fish processing: 39 leases accounting for a very small amount of space and rent. Most leases are special maritime related contracts. Employment impacts of the ordinance in this sector differ considerably between unionized and non-unionized firms.

Office / office storage: 243 leases accounting for over \$460,000 per month, and a more modest amount of space. Most of the space is in the North-East Waterfront area and Ferry Plaza and most are month to month in duration. These leases would include some low-wage employment. All contracts are on fixed basis.

Parking: 20 lots generate \$280,000 per month in rent. These leases include some low-wage employment and are a mix of fixed and percentage contracts.

Industrial: 16 leases, mostly in the Southern Waterfront area. These account for over \$260,000 per month, and over 1.3m square feet of space. These leases include some low-wage employment. All are fixed contracts.

The remaining uses of the port — artist studios, tours and ferries, maritime support, wharves and marinas, storage and warehousing, roadways and parks, utilities and recreation-- are not likely to be covered or affected by the ordinance. We review each of these in an appendix to this report.

Covered employment

In order to estimate the impact of the Living Wage Ordinance, we followed a similar methodology to that employed in the rest of the study. Using the discussion above, we determined that the following categories of users would be likely to include low wage workers; restaurants, retail, fish processing, office/office storage, tours and ferries, parking and industrial. Our estimates do not include the recreation uses, where low wage employment may be substantial with the opening of the new Giants Baseball Stadium.

For all use types, we calculated the number of establishments and total rent paid per month. The number of establishments is smaller than the number of leases. Where one establishment has more than one lease, we combined the leases and allocated the use type of the largest (in revenue terms) lease to be the use type for that establishment. This insured that storage, parking and other space was associated with the dominant business activity (restaurant, retail, fishing, etc). Table 2.5 shows the number of lessees by use type and the amount of rent paid.

For the selected use types, we estimated the number of employees per establishment using our own surveys (especially in the case of parking, fish processing and restaurants) and County Business Patterns data for San Francisco County for 1996. In the case of the restaurant sector, where it is believed that restaurants on Port land are larger than average, we assumed that the number of employees would be close to twice the County average. We used the same source to derive an average total annual payroll per establishment (which was adjusted using the San Francisco Consumer Price Index).

As Table 2.6 shows, we estimate that 239 of the 624 establishments at the Port would be covered by the Living Wage Ordinance. These establishments employ about 4,400 employees. The largest number of workers are employed in restaurants and food stands, offices, and other retail establishments.

Next, we examine the number of low-wage workers. As Table 2.7 indicates, about 2,300 workers, or about half of the employees in the port establishments covered by the ordinance, are paid wages less than or equal to \$11 per hour, and another 300 are paid between \$11 and \$13 per hour. These figures do not include earnings from tips, which can be substantial for some restaurant workers. Therefore, Table 2.7 also includes our estimates if tips are included in the determination of pay. As Table 2.7 shows, of the 2,600 workers who would benefit from the ordinance, nearly three-fourths are employed in restaurants and other retail establishments, and most of the rest are employed in fish processing or in offices. Finally, in Table 2.8, we list the number of low-wage workers and their pay scales by detailed job title.

Pay increases

For each sector at the port, Table 2.9 shows the increase in pay that would accompany complying with the living wage ordinance. The total gains (wages plus health benefits) add up to \$16.7 million, or \$6,500 per benefiting worker per year. With payroll taxes added, these pay increases would cost the affected firms about \$18.2 million per year. These dollar costs are equivalent to an increase of about 4.6 percent in business costs for the affected port tenants.

As is the case at the airport, the incidence of these costs varies considerably. While the increase in business costs for the fish-processing sector is 26 percent, office lessors can expect an increase in business costs of less than 1 percent.

Restaurant survey results

Much of the concern over the impact of the Living Wage Ordinance at the port focuses on restaurants. To place this concern in perspective we surveyed a sample of restaurants, some of which were on the port and others near the port. As shown in Table 2.10, we collected price and wage data for paired comparisons of restaurants, according to their location (on the port or adjacent to the port) and union status. We surveyed both medium and large restaurants when possible.

The price information comes from dinner menus and take-out copies of the regular menus. The price of clam chowder reflects a bowl of clam chowder without a main course. The price of a Caesar salad reflects a medium-sized Caesar salad equivalent, not always called a "Caesar salad." Fish entrees reflect the price of a mid-priced main course seafood dish on each restaurant's menu. Because menus varied, the type of fish or the way in which it was prepared also varied. This item should be interpreted as the cost of a "mid-priced seafood entrée," which may vary according to the style of the restaurant as well as price and quality expectations.

The results indicate that restaurants on the port charge somewhat higher prices than those adjacent to the port. Union status and worker pay each are unrelated to

differences in menu prices. The variance in menu prices for a specific menu item exceeds any geographic differences. These data indicate that pay increases could have a very small impact upon menu prices.

Further data on restaurant worker pay is also provided in Table 2.10. We collected data in a port-area worker survey conducted for the purposes of this study. Volunteers asked restaurant workers to provide information on their jobs, salaries, benefits, and working conditions. Part of the way through the survey process, we improved the questionnaire. We asked for details on average weekly tips, and we changed the health insurance question so that it collected information on employer-paid insurance only, rather than including those covered by family insurance. Data on tips and health insurance are sensitive to the type of survey document used. We also provided Spanish-language surveys to Spanish-speaking workers.

The results indicate that average pay is slightly higher at restaurants located on the port, but the variation in pay within detailed occupations is much greater than any geographic differences. Unionized restaurants pay significantly higher scales regardless of location. Some of the pay rates in these occupations are already close to the living wage level in the proposed ordinance.

The retail and restaurant sectors in San Francisco

To develop a fuller context for the restaurant and retail labor market, we examine trends over the past decade in wages and employment in the city in these sectors. (We are referring to retail here as a shorthand label for retail, excluding eating and drinking establishments.)

Tables 2.11 and 2.12 present revenue and employment and payroll data for these sectors for San Francisco for the years 1987 to 1996. The tables show that both revenue and employment have varied with the economic cycle, as measured by the city's unemployment, but nonetheless have grown over time. This growth has occurred simultaneously with increases in the California minimum wage, from \$3.35 in 1987, to \$4.25 in 1988 and to \$5.75 in 1998. These figures suggest that substantial minimum wage increases have not reduced the size of the retail or restaurant sectors in San Francisco, contrary to the concerns expressed by some industry associations during this period.

We find that wages have increased substantially in restaurants and retail sectors in recent years, in percentages that are greater than those contemplated by the ordinance. These pay increases have occurred without creating visible adverse employment impacts. Employment levels in these sectors, which have been growing during the current economic boom, are much more sensitive to national and regional business cycles than they are to local wage rates. These patterns are only suggestive for the impacts of living wages at the port's restaurants, but they do indicate that the restaurant sector is not as vulnerable to mandated pay increases as it often fears.

Affordability

The Port of San Francisco is clearly undergoing an economic upswing and more of the same is predicted. The southern waterfront areas currently are undergoing major development, including the baseball stadium, a cruise ship terminal and proposed hotels and retail complexes. The vacancy rate at the Port's improved properties is negligible and developers have been expressing interest in the unimproved ones.

At present 13 million tourists visit the waterfront each year, making it one of the busiest tourist destinations in the U.S. The cost of the ordinance could thus be expressed as about \$1.40 per tourist visitor.

As at the airport, the level of economic activity at the port is much more a function of economic business cycles that are international and national in origin than it is a function of local wages. An increase of 5 percent in business costs, not counting once again savings in turnover costs and increased productivity, seems to be a quite modest objective.

Also as with the airport, the Port of San Francisco constitutes a quasi-independent fiscal entity. It is not likely that rents at the port will be visibly affected. Nonetheless, any surpluses cannot be shared with the city's taxpayers and consequently, the impact on city finances is nil.

The ordinance as a whole

The San Francisco Living Wage Ordinance as proposed would benefit a total of 26,900 low-wage workers. This figure consists of: 6,000 people working on city service contracts and 6,700 home care workers; and 11,600 employees at the Airport and 2,600 at the Port, as reported in this second part of the study. Of the 26,900 benefiting workers, about 23,000 workers currently earn below \$11 an hour. About 3,900 others earn near \$11 an hour and are projected to experience a wage increase to \$13 as a result of "wage-push" pressures for equity.

The following table provides a matrix of costs and benefits for the city:

	Costs	Benefits
Home Health Care Workers	\$16.9m to external sources \$16.7m to City/County	\$30.5m to 6,650 workers
Service Contracts	\$27.2m to City and Contractors (\$6.7m to for-profit contractors and \$20.5m passed through to City by contractors)	\$25.2m to 6,000 workers
San Francisco Airport	\$59.1m to Airport tenants and users	\$53.2m to 11,600 workers
Port of San Francisco	\$18.2m to Port tenants and users	\$16.7m to 2,600 workers
Other		Reduced public health expenditures to City Enhanced quality of city services Productivity gains Multiplier effect of injection of income from external sources

Appendix A: Port uses not covered or affected by the ordinance

Artist studios account for a small amount of space and revenue, mostly in Southern Waterfront area. Employment effects are likely to be negligible. All contracts are on a fixed basis.

Tours and ferries: 16 leases, many of which are concessions / stands, and thus not pure property leases. This sector accounts for a small amount of space and revenue. Most employment in this sector is unionized and thus includes virtually no low-wage employment. Most contracts (10 of 16) are on a percentage basis.

Maritime support / wharves / marinas: 32 leases, half of which are in the maritime port area. This sector accounts for over 7m square feet, but only just over \$310,000 per month. Low-wage employment is likely to be limited to service-type occupations in marinas. Shipping port employment likely to be unionized. Most leases (22 of 32) are special maritime contracts.

Storage / warehousing: 134 leases accounting for over 2.8m square feet of space and \$450,000 per month. Living Wage Ordinance effects are likely to be limited since storage involves limited employment on site. Half of all storage space is in Southern Waterfront area. Leases are on fixed basis, some under special maritime contracts.

Mixed use: This use category seems to apply to recently developed areas, particularly in the Southern Waterfront. The category applies to a small number of leases, space and revenue. All are fixed contracts. Employment impacts are not determinable.

Public use / roadways / parks: These leases are mostly San Francisco Redevelopment Agency sites. No or limited employment on these 8 sites.

Utilities, electricity, easements: Almost all of these 16 leases appear to be easements, infrastructure services, or substations with limited on-site employment.

Recreation: This sector includes the new baseball stadium, which currently involves only construction employment, and a recreation attraction, which includes general service-sector employment and thus may include some low-wage employment. Both leases are fixed rent contracts. We have not included these in the Living Wage analysis because these are current developments with long-term leases. Employment at the new ballpark can be expected to replace employment at the former Candlestick location.

Other (billboards, helipads, etc): accounts for small proportion of space and revenue. Property lessees in this category are unlikely to be influenced by the Ordinance since they are unlikely to have five employees on site.

Appendix B: Revision to first release on service contracts

The first release of this report, presented to the City of San Francisco, the public and the media in June 1999, generated considerable discussion and scrutiny. We received a number of useful comments and suggestions for refinement of the initial analysis, especially from the members of the Board of Supervisor's Living Wage Task Force as well as the Board's Legislative Analyst and other city officials. We have made some revisions based on these comments and present them here. The two main areas concern the universe of service contractors and refinements of the costs of health benefits and employer paid taxes. As we document below, these revisions affect some of the details but do not change the main findings of the first release.

The universe of service contracts

The San Francisco Controllers Office provided the original list of service contracts used in this study. After some discussion, we determined that this list combined data drawn from a number of sources: the City's FAMIS financial management database, the Purchaser's ADPICS system and other sources. This list included 2,152 contracts valued at \$1.559bn, awarded and paid to 884 firms and nonprofit organizations during the 1997/8 fiscal year. The list did not contain any contracts or grants under the value of \$50,000. After we had excluded contracts that would be exempt from the ordinance (firms employing fewer than 5 people, goods purchases, those covered by prevailing wage laws, interdepartmental and intergovernmental transfers), the list contained 1,295 contracts, valued at \$728.4m and paid to 214 firms and 293 nonprofit organizations.

Some participants in the public debate over the proposed ordinance raised doubts about the comprehensiveness of the list of contracts used in the first release. It should be recognized that correctly defining the universe of contracts that will be affected by the Living Wage Ordinance is difficult. First, the financial monitoring systems were not established with the intention of providing research data. We believe that we have an accurate reflection of City purchasing patterns, but there will be some gaps and misclassifications. Second, the wording and interpretation of the final Ordinance contains uncertainties. We cannot in advance know exactly all the contracts that will be affected by the ordinance. Third, the amount awarded for a contract (known by city officials as the encumbrance) is often different from the actual amount paid once the service has been provided. This distinction may affect the data in an uncertain direction. It will also affect data obtained from mail surveys of contractors and it may also affect the bidding responses of firms to the Ordinance.

We recognized these shortcomings and with the helpful collaboration of the Purchasers' office, we have attempted to resolve them. In the end we decided to continue to work with the original list. We do so because it distinguishes between for-profit and nonprofit service providers and because it provides the actual amounts paid during a complete fiscal year.

As mentioned, this dataset does not include contracts valued between \$25,000 and \$50,000. In order to estimate the effects of these contracts, we requested and obtained from the city a special extraction from the ADPICS database. This extraction revealed that there were at least 119 contracts valued between \$25,000 and \$50,000 in the 1997/8 fiscal year. However, these contracts together are only worth about \$4.5m, or about 0.6 percent of the total contract value. This amount is not only relatively small. It is also likely that many of these contracts were awarded to service providers that would be exempt, especially on the grounds of size. Consequently, we have not revised our estimates using this information.

The original list and our sectoral classification of service contracts contained a large number of contracts allocated to the ‘other’ category. This category accounted for around \$225m or around one-third of contract value. Since this category could have included non-service contracts we may have over-estimated the costs and benefits of the ordinance. Moreover, our wage impact estimates for this broad category may be subject to larger errors. Thus, for these revisions we invested further resources in correctly categorizing these contracts. In so doing, we identified and excluded some contracts that would not be covered by the Ordinance and also generated an additional “Arts and Entertainment” sector for estimation purposes. The revised service contract list includes 1,248 contracts, valued at \$695m. The category ‘other’ was reduced to \$29m in contract value, or only one-eighth of its previous size.

The net effect of these revisions is to decrease slightly the overall costs and benefits of the ordinance, to substantially reduce the costs and benefits associated with the ‘other’ category, and to moderately increase the costs and benefits estimates associated with specified sectors.

Cost of health benefits and employer-paid taxes

In the first release, we estimated the value of health benefits at \$1.50 per hour. Based on input from a variety of sources including the San Francisco Department of Public Health, and because of some revisions in the proposed ordinance, we have revised the value of health benefits to \$1.25 per hour. We have also reviewed the costs of employer-paid taxes for employers. These taxes, which are applied to increases in wages and salaries but not to increased health benefit costs, are now valued at 11.15 percent of the increased wage costs, and include social security payments, unemployment insurance, and training levies. One would expect that these two revisions would work in opposite directions in the aggregate, while falling differently upon individual employers.

Revised estimates

These revisions add up to a small reduction in the estimated costs and benefits of the ordinance, as compared to the first release. The changes may be summarized as follows.

We estimate that about 4,800 (down from 5,200) employees of the city's service contractors would benefit from the proposed ordinance. These directly affected workers will receive a total wage increase of \$14.3m, and \$7.6m in additional health benefits. Some 1,200 workers will receive wage increases of \$3.3m due to indirect wage push effects. Together this implies gains in wage and health benefits of some \$25.2m (down from \$33.7m) for 6,000 employees of service contractors.

Employer costs will increase by \$25.2m plus \$2m in employer-paid taxes. Of this \$27.2m increase in employer costs, \$10m (down from \$14.6m) will fall on for-profit firms and \$17.2m (up from \$16.4m) on nonprofits. The contrasting incidence of this revision on for-profit firms and nonprofits is attributable to two factors. First, a disproportionate amount of the contract value excluded from the 'other' category in the reclassification process was linked to for-profit firms. Second, nonprofit organizations are more likely to already be paying for health benefits, so they do not experience a downward revision in costs because of our lower valuation of health benefit costs.

Cost and benefit estimates for home care workers remain unchanged.

Costs to the city's finances will remain approximately the same as previously estimated. Contractor pass-through for pay and benefit increases will be slightly lower than previously estimated (around \$20.5m, down from \$21.3m) while savings from reduced public health expenditures may be marginally lower, since fewer workers will be affected. Benefits to the city economy due to the multiplier effect will be reduced to around \$17m (from \$21m) because of lower estimated worker benefits and leakage of employer-paid taxes.

Author biographies

Michael Reich is Professor of Economics at UC Berkeley and Director of the Center on Pay and Inequality at the Institute of Industrial Relations at UC Berkeley. A specialist in labor economics, he has published dozens of scholarly articles and nine books, including *Labor Market Segmentation*; *Racial Inequality*; *Social Structures of Accumulation*; and *Work and Pay in the United States and Japan*. He received his Ph.D. in Economics from Harvard University in 1974, has served as Editor of the scholarly journal *Industrial Relations* and as Research Director of the National Center for the Workplace. He was recently appointed to the University of California Advisory Group on the Code of Conduct for Trademark Licensees, which is addressing living wage issues in both the United States and abroad.

Peter Hall received an M.Sc. degree from the London School of Economics in 1995 and is also a graduate of the University of Cape Town in South Africa. He has worked as a research consultant and in local government economic development. He is currently a Ph.D. student in City and Regional Planning at UC Berkeley and a Graduate Student Researcher at IIR. He is especially interested in regional economic development analysis.

Fiona Hsu is a 1999 UC Berkeley graduate with a double major in Economics and Sociology. She is currently employed in Washington, D.C.

List of tables

- 1.1 Airport passenger levels, San Francisco International Airport
- 1.2 Revenue from rents and concessions, SFO
- 1.3 Leases, subleases, tenant agreements and concessions, SFO 1997
- 1.4 Number of covered workers and 1993 employment, SFO
- 1.5 United Airlines workforce at SFO
- 1.6 Low-wage employment at SFO
- 1.7 Number of workers affected by a living wage ordinance, SFO
- 1.8 Impact of living wage ordinance on SFO tenants and employees
- 1.9 Landing fees, top ten passenger airports and Bay Area airports

- 2.1 Operating revenue and net operating income, Port of San Francisco, 1994-8
- 2.2 Largest private tenants, Port of San Francisco
- 2.3 Type of leases by sector, Port of San Francisco
- 2.4 Number of leases by sector, Port of San Francisco
- 2.5 Summary of lessees and expected living wage impact, Port of San Francisco
- 2.6 Establishments and workers covered by a living wage ordinance, Port of San Francisco
- 2.7 Number of workers affected by a living wage ordinance, Port of San Francisco
- 2.8 Low wage employment at the Port of San Francisco
- 2.9 Impact of a living wage ordinance on port tenants and employees
- 2.10 Restaurant price and wage comparisons
- 2.11 Trends in retail trade, San Francisco, 1987-96
- 2.12 Trends in eating and drinking establishments, San Francisco, 1987-96

Revenue from rents and concessions, SFO

(\$ millions)

	Approved FY 1998/9	Proposed FY 1999/00
Rentals	121.5	161.2
Terminal concessions	46.0	49.0
Parking	64.0	70.0
Rental cars	34.0	34.5
All other sources	95.4	123.3
Total	360.9	437.9

Table 1.3

Leases, subleases, tenant agreements and concessions, SFO 1997

Sector	Number
Passenger airlines	55
Airline catering	3
Security / Skycaps	3
Aviation services	23
Cargo airlines	20
Retail concessions	19
Food concessions	10
Airport parking	1
Rental cars	10
TOTAL	144

Table 1.4

Number of covered workers and 1993 employment, SFO

Sector	Covered workers (1997/98)	1993 Employment
AIRLINES AND AIRLINE SERVICES		
Passenger airlines	21,800	21,400
Airline catering	1,340	370
Security/Skycaps	1,000	500
Aviation services	1,070	800
Cargo airlines	240	300
AIRPORT SERVICES		
Retail concessions	800	1,000
Food concessions	870	
Airport parking	150	140
Rental cars	1,040	1,200
TOTAL	28,310	25,710

Table 1.5

United Airlines workforce at SFO

Job Classification	Average wage	Employment
<i>HIGH-WAGE EMPLOYMENT (>\$20)</i>		
Pilots	40.00	500
Computer Technicians	30.10	250
Average pay and total high-wage employment	36.70	750
MEDIUM-WAGE EMPLOYMENT (\$13-\$20)		
Flight Attendants	19.10	4,000
Mechanics	15.10	6,100
Experienced Reservation Sales/Service Representative	16.00	100
Experienced Utility Maintenance	15.00	100
Experienced Ramp Service	17.00	450
Experienced Fueler and Ground Service	17.00	400
Average pay and total medium-wage employment	16.55	11,150
LOW-WAGE EMPLOYMENT (<\$13)		
Administrative Support	6.60	200
Crew Scheduler	7.60	200
Reservation Sales/Service Representatives	10.00	300
Customer Service Representatives	9.20	200
Utility Maintenance	9.00	300
Ramp	10.50	1,350
Fueler and Ground Service	10.50	1,150
Cabin Service	7.50	400
Average pay and total low-wage employment	9.70	4,100

Table 1.6

Low-wage employment at SFO

Sector	Job Titles	Number of Workers	Wage Range	Average Wage
Passenger Airlines	Administrative support		6.60	6.60
	Crew Scheduler	230	7.60	7.60
	Customer Service Representative	370	7.60-15.00	9.00
	Reservation Sales / Service Representative	450	8.40-16.00	11.50
	Fueler, Ground and other Aircraft Service	1,800	8.90-17.00	12.10
	Ramp Service	2,200	8.90-17.00	12.10
	Utility maintenance	530	7.60-16.00	10.60
	Cabin Service	470	7.50	7.53
Airline Catering	Clerk	200	9.60	9.60
	Utility worker	200	7.80	7.80
	Food preparation	400	9.00-9.80	9.40
Security / Skycaps	Baggage Handler	200	5.75-5.90	5.80
	Pre-board screener	200	6.00-7.00	6.50
	Wheelchair agents	200	5.75-6.00	5.90
	Skycap	180	6.00	6.00
	Security / guard	200	7.00-9.50	8.30
Aviation Services	Fuel agent	130	7.00	7.00
	Cabin Cleaner	290	6.00-8.00	6.40
	Ramp Agent	200	6.50-8.00	7.20
	Customer Service agent	120	5.75-8.50	6.40
Parking	Cashier	20	6.00	6.00
	Valet	20	9.00	9.00
	Audit clerk	20	6.80	6.80
Retail Concessions	Sales Associate / Representative	320	6.00-8.00	6.70
	Stock Person	320	6.00-7.90	6.50
	Supervisor	140	8.00-13.80	12.20
Food Concessions	Bartender / cocktail server	190	5.80-9.80	8.20
	Snack bar attendant / cashier	180	6.20-10.00	7.90
	Dishwasher / utility	110	6.30-8.00	7.10
	Busser	110	7.20-7.70	7.40
	Driver	110	7.40	7.40
	Food preparation	110	9.30-9.50	9.40
Rental Cars	Rental agent	190	8.70-10.00	9.40
	Service agent	170	8.24-8.60	8.40
	Shuttler / hiker	250	11.00	11.00

Table 1.7

Number of workers affected by a living wage ordinance, SFO

Sector	Directly affected workers (< \$11)	Indirectly affected workers (\$11-13)
AIRLINES AND AIRLINE SERVICES		
Passenger airlines	4,170	1,300
Airline catering	990	340
Security/Skycaps	980	0
Aviation services	1,000	50
Cargo airlines	20	170
AIRPORT SERVICES		
Retail concessions	780	10
Food concessions	820	0
Airport parking	70	0
Rental cars	640	270
TOTAL	9,470	2,140

Table 1.8

Impact of Living Wage Ordinance on SFO tenants and employees

(\$ millions)

Sector	Compensation	Payroll Increase	Wages and benefits increase	Increase in business costs (%)
AIRLINES AND AIRLINE SERVICES				
Passenger Airlines	673.0	20.5	18.4	1
Airline Catering	21.7	4.7	4.2	6
Security/Skycap	15.5	11.5	10.3	47
Aviation Services	14.4	6.9	6.2	13
Cargo Airlines	5.3	0.4	0.4	2
AIRPORT SERVICES				
Retail Concessions	8.9	6.1	5.5	12
Food Concessions	12.2	5.5	5.0	12
Airport Parking	3.7	0.5	0.4	8
Rental Cars	14.6	2.9	2.7	4
TOTAL	769.3	59.1	53.2	2.7

Table 1.9
Landing fees, top ten passenger airports and Bay Area airports
(November 1998)

Airport (City)	Airline Landing Fee Rate (per 1000 pounds)
Newark (New Jersey)	\$4.282
Kennedy (New York)	3.880
Denver (Denver)	2.808
O'Hare (Chicago)	2.606
Los Angeles (Los Angeles)	1.830
Dallas-Fort Worth (Dallas)	1.610
<i>San Francisco (San Francisco)</i>	<i>1.465</i>
Miami (Miami)	1.410
Metropolitan Oakland (Oakland)	0.940
San Jose (San Jose)	0.930
Sky Harbor (Phoenix)	0.750
Hartsfield (Atlanta)	0.500

Table 2.1

Operating revenue and net operating income, Port of San Francisco, 1994-98

(\$ millions)

Year	Operating Revenue	Net Operating Income
1994	32,431	2,297
1995	32,212	3,990
1996	32,057	5,312
1997	37,290	7,413
1998	38,490	8,472

Table 2.2

Largest private tenants, Port of San Francisco

(500,000 square feet or more or \$50,000 per month or more)

	Monthly rent (\$)	Space (sq ft)
Alioto's Restaurant	75,000	43,000
Allright Cal, Inc.	67,000	101,000
Blue & Gold Fleet	104,000	59,000
California Sealift Terminal	64,000	298,000
China Basin Ballpark Co.	171,000	1,164,000
Crowley Marine Services Inc.	23,000	595,000
Limbach & Limbach Attorneys	65,000	35,000
Marine Terminals Company	33,000	1,765,000
Pier 39 Ltd. Partnership	151,000	1,274,000
San Francisco Drydock, Inc	67,000	1,451,000
Scoma's Restaurant Inc.	76,000	20,000
West Coast Recycling, Inc	74,000	309,000

Table 2.3

Type of leases by sector, Port of San Francisco

	Fixed	Percentage	Other	Total
Restaurants and food stands	13	35		48
Retail excluding restaurants	4	15	1	20
Fish processing	3		36	39
Office / office storage	242		1	243
Artist studio	25			25
Tours and ferries	1	10	5	16
Maritime support /wharves /marinas	7	3	22	32
Storage / warehousing	97		37	134
Parking	11	8	1	20
Mixed use	9			9
Industrial	14		2	16
Public use / roadways / parks	8			8
Utilities, electrical, easements	13	2	1	16
Recreation	2			2
Other (helipads, vending machines, etc)	12	1	2	15
Total	461	74	108	643

Table 2.4
Number of leases by sector, Port of San Francisco

Sector	Leases	Total space (sq ft)	Monthly rent (\$)
Restaurants and food stands	48	424,000	492,000
Retail excluding restaurants	20	1,598,000	215,000
Fish processing	39	273,000	95,000
Office / office storage	243	437,000	462,000
Artist studio	25	43,000	17,000
Tours and ferries	16	165,000	189,000
Maritime support/wharves/marinas	32	7,062,000	311,000
Storage/ warehousing	134	2,816,000	451,000
Parking	20	1,170,000	285,000
Mixed use	9	492,000	77,000
Industrial	16	1,305,000	260,000
Public use / roadways/ parks	8	527,000	13,000
Utilities / electricity/ easements	16	12,000	22,000
Recreation	2	606,000	136,000
Other (helipads, vending machines, etc)	15	108,000	36,000
TOTAL	643	17,038,000	3,063,000

Table 2.5

**Summary of lessees and expected living wage impact,
Port of San Francisco**

	Lessees	Total Rent Paid (\$ per year)	Expected Living Wage Impact
Restaurants and food stands	60	6,427,000	Yes
Retail excluding restaurants	123	2,777,000	Yes
Fish processing	28	1,008,000	Yes
Office / office storage	190	5,208,000	Yes
Artist studios	23	198,000	Limited employment
Tours and ferries	14	2,280,000	Employment is unionized
Maritime support /wharves /marinas	28	3,600,000	Mostly use fees
Storage / warehousing	98	5,070,000	Limited employment on site
Parking	8	2,184,000	Yes
Mixed use	2	575,000	Unknown employment
Industrial	16	3,486,000	Yes
Public use / roadways / parks	4	637,000	Public sector and limited employment
Utilities, electricity, easements	14	381,000	Public sector and limited employment on site
Recreation and Ballpark	2	2,492,000	Currently construction employment
Other (helipads, vending machines, etc)	14	433,000	Limited employment on site
Total	624	36,755,000	

Table 2.6

**Establishments and workers covered by a living wage ordinance,
Port of San Francisco**

	Covered establishments¹	Covered Employees
Restaurants and food stands	55	1,730
Retail, excluding restaurants	61	750
Fish processing	28	380
Office / office storage	82	1,250
Parking	2	30
Industrial	11	270
Total	239	4,410

Table 2.7

**Number of workers affected by a living wage ordinance,
Port of San Francisco**

		Directly affected workers (< \$11)	Indirectly affected workers (\$11-13)
Restaurants and food stands	Without tip credit	1290	90
	With tip credit	690	30
Retail, excluding restaurants		380	70
Fish processing		280	20
Office / office storage		250	100
Parking		10	0
Industrial		80	10
Total (without / with tip credit)		2,290 / 1,690	290 / 230

Table 2.8

Low-wage employment at the Port of San Francisco

Sector	Job Titles	Number of low-wage workers	Wage range	Average wage
Restaurants and Food Stands	Busser	150	5.75-10.30	Without tip credit: 7.30
	Dishwasher	150	5.75-12.00	
	Cook, food preparation	300	7.75-13.50	With tip credit: 10.50
	Waiter, cocktail server, bartender	600	5.75-7.10	
Retail excluding restaurants	Cashier, stock clerk, etc.	450	N/a	9.40
Fish Processing	Packers	240	5.75-14.00	6.10
	Cutters	100	12.00-14.00	13.00
	Sales	80	5.75-14.00	6.10
Office	Receptionist, janitor, etc.	350	N/a	10.60
Parking	Parking attendant	10	8.00-10.80	8.50
Industrial	Utility, packer, etc.	90	N/a	12.10

Table 2.9

Impact of a living wage ordinance on port tenants and employees
(\$ millions)

		Wage bill of covered employers	Increased payroll costs¹	Wage and health benefits¹	Increased business costs² (%)
Restaurants and food stands	Without tip credit	23.8	10.3	9.5	13
	With tip credit		3.1	2.9	3
Retail		16.8	3.1	2.8	4
Fish processing		4.8	3.1	2.8	26
Office/ office storage		74.5	1.0	0.9	1
Parking		0.7	0.06	0.05	6
Industrial		10.8	0.7	0.6	3
Total (without / with tip credit)		131.4	18.2 / 11.0	16.7 / 10.1	4.6 / 2.8