

Note from the Medallion Holders Association (February 26, 2010):

The Taxi Medallion Sales Pilot Program was approved unanimously by the SF Municipal Transportation Agency Board of Directors on February 26. Below are the proposal and resolution.

The MTA will hold a follow-up vote on March 30 (not on March 2 as indicated in the text). Prior to March 30, taxi deputy director Chris Hayashi and others will develop details concerning the lending structure, the actual fixed sales price for medallions, and the composition of the taxi advisory council (see item # 8).

## **DESCRIPTION**

The primary purpose of the proposed amendments is to enact the Taxi Medallion Sales Pilot Program (“Pilot Program”), by which the SFMTA Board of Directors would approve the purchase and sale of certain Taxi Medallions at an established Medallion Sale Price by an authorized seller to a qualified purchaser.

The Pilot Program consists of the following major points:

1. Authorized Sellers: Any Medallion held by a natural person who: (1) has attained or will attain the age of 70 years old or older as of December 31, 2010; or (2) suffers from a permanent disability that prevents him or her from fulfilling the Full-Time Driving requirement and has notified the SFMTA of that disability on or before December 31, 2010, would be eligible to sell his or her Medallion. If any qualifying Ramp Taxi Medallion Holder desires to sell a Medallion, the SFMTA would exchange the Ramp Taxi Medallion for a regular Medallion to be sold by the Medallion Holder. No Ramp Taxi Medallion would be sold pursuant to the Pilot Program. This limited Medallion sales authorization would represent a benefit to public safety, as it would remove the incentive for elderly taxi drivers to continue driving at the risk of losing Medallion income.

2. Qualified Buyers: Medallions could only be purchased by individual Driver Permit Holders who meet all existing eligibility requirements for Medallion ownership, including Full-Time Driving. The SFMTA would offer available Medallions to each qualified Driver Permit Holder in the order of the Driver’s seniority on the Waiting List, and then in the order of A-Card Seniority. The proposed amendments clarify that person would not be eligible to receive a Medallion if he or she already holds a Medallion as an individual or if he or she is a shareholder in a corporation that holds one or more Medallions.

3. Fixed Medallion Sale Price: Any Medallion sold pursuant to these proposed regulations would be sold at a price established by the SFMTA, not to exceed \$400,000. In setting the initial Medallion Sale Price, SFMTA staff would be required to consider commercial loan terms available to Medallion applicants, and the affordability of the monthly payments under such loans, and the anticipated business revenue to be generated from a Medallion. The Medallion Sale Price would be adjusted annually in accordance with the percentage increase in the Consumer Price Index for Urban Wage Earners for the San Francisco Bay Area over the preceding year. The SFMTA would be able to increase or decrease the Medallion Sale Price at any time in accordance with the

procedure for setting the initial Medallion Sale Price. No Medallion could be sold until the SFMTA establishes a Medallion Sales Price in accordance with the regulations and notifies the public of that price.

4. Transfer Fees: The seller of a Medallion would be responsible for paying to the SFMTA the Medallion Sale Transfer Fee (15 percent of the Medallion Sale Price) and the Driver Fund Transfer Fee (5 percent of the Medallion Sale Price). The SFMTA would deposit the Driver Fund Transfer Fee into the Driver Fund.

5. Direct Medallion Sales by SFMTA: The SFMTA would be authorized to sell up to 60 Medallions that have been returned to the SFMTA directly to qualified Driver Permit Holders for the Medallion Sale Price as part of the Taxi Medallion Sales Pilot Program. The SFMTA would be responsible for payment of the Driver Fund Transfer Fee for each such Medallion sold.

6. Continued Medallion Re-Issuance to Waiting List: The SFMTA would be required to continue to issue Medallions to applicants on the Waiting List during the Pilot Program, with the goal of offering at least as many Medallions to the Waiting List during the Pilot Program as are sold directly by the SFMTA. This commitment, in addition to the Board's prior direction to staff to aggressively clean up the Waiting List, means that Waiting List applicants would not be negatively affected by the sale of Medallions. Staff expects the Waiting List to move much more quickly for applicants going forward than it has for many years. The attached resolution provides that any offers of Medallions made to Waiting List Medallion applicants after the Board's adoption of the Pilot Program on February 16, 2010 would be counted toward the number of Medallions offered to Waiting List applicants pursuant to the Taxi Medallion Sales Pilot Program. Otherwise SFMTA staff might hold back offering Medallions to the Waiting List until the first Medallion sales in order to be able to meet the demanding targets for Medallion offers that are part of the Pilot Program. There is no reason to make Waiting List applicants wait any longer than they already have for the implementation of this reform program.

7. Establishment of Driver Fund: The SFMTA would be required to establish a Driver Fund. Driver Fund Transfer Fees would be deposited into that Fund, along with any other funds that the SFMTA, in its sole and absolute discretion, elects to deposit into the Fund. The proposed regulation generally provides that the Driver Fund is to be expended by the SFMTA for the sole purpose of improving the quality of life of the Driver Permit Holders, particularly those Driver Permit Holders who are not Medallion Holders. However, specific expenditures that would be authorized from the Driver Fund would be the subject of continued consultation with the taxi industry during 2010.

8. Taxi Medallion Sales Pilot Program Advisory Council: An industry group would be appointed to monitor the Pilot Program, with a report and recommendations for a long-term Medallion reform solution due to the SFMTA Board of Directors no later than December 31, 2010.

9. End of the Proposition K Waiting List: After the Waiting List is exhausted, Driver seniority for the purpose of Medallion issuance would be determined by the date from which a person became a Driver and continuously maintained his or her Driver Permit with a lapse of no more than two years. During the Pilot Program, the SFMTA would work to reduce the accumulated Waiting List to see to what extent it can be cleaned of unqualified, deceased or disinterested applicants to reduce the waiting time for a Medallion through the seniority system. In anticipation of this pilot program the Proposition K Waiting List was closed by SFMTA staff effective December 16, 2009.

The proposed amendments are a result of extensive discussions with the taxi industry over

the past 12 months. Outreach has included extensive Town Hall Meetings at 1 South Van Ness and staff visits to taxi company facilities during Driver shift changes, and to the San Francisco International Airport taxi holding lot. There is not universal consensus on the staff recommendation, but the SFMTA staff proposal does represent a compromise position between many diverse interests and enjoys the support of a broad segment of the San Francisco taxi industry.

The Pilot Program is designed to be 1) temporary and 2) transitional.

The Program is “temporary” in that it is not intended to extend beyond the offer to not more than about 300 Taxi Medallions Holders the option to sell their Medallion during a limited window of time.<sup>1</sup> Even if qualified to sell under the Pilot Program criteria, those Medallion Holders who do not exercise the option to sell their Medallion during the Pilot Program period would not continue to be eligible to sell their Medallion in the future. However, purchased Medallions purchased through the Pilot Program could be re-sold to other qualified buyers over time. The SFMTA Board would be free to limit Medallion transferability to those purchased Medallions going forward. The SFMTA could also elect to purchase the Medallions from their owners and re-distribute them to Drivers by some other mechanism if it wished end the experiment of transferable Taxi Medallions.

The Program is “transitional” in that it is intended to transition certain populations out of the San Francisco taxi industry that had become locked in by virtue of historical events such as the adoption of Proposition K in 1978, the subsequent administrative neglect of the Waiting List and the inconsistency in the definition and enforcement of the Full-Time Driving requirement over time.

During the Pilot Program period, the SFMTA would collect information about the Program, Medallion sales, the Waiting List and other data and performance measures in order to inform the SFMTA Board’s policy decision about long-term Taxi Medallion reform.

The proposed resolution also ratifies SFMTA staff actions since March 1, 2009 in implementing the SFMTA Board’s Motor Vehicle for Hire regulations. The transition of functions between the former Taxi Commission and the SFMTA and the serial process of adopting comprehensive and updated Motor Vehicle for Hire regulations has resulted in a shifting regulatory framework within which staff has sometimes had to operate in accordance with its best judgment. The Board is requested to ratify those staff actions which include but are not limited to permit issuance, denials, revocations, and other decisions made under previous versions of the Transportation and Municipal Police Code, in the event that they are challenged due to any gaps in regulatory authority during the transition period.

The City Attorney has reviewed this report.

## **ALTERNATIVES CONSIDERED**

Staff conducted extensive outreach events over the past 12 months to discuss options for Taxi Medallion reform. These meetings were conducted on site at 1 South Van Ness, as well as at Color Scheme sites at time of Driver shift changes and the San Francisco

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<sup>1</sup> Staff estimates that there are 246 Medallion Holders who would qualify on the basis of age. The number of sellers who might qualify to participate on the basis of disability are as yet unknown. With the 60 Medallions to be sold by the SFMTA, the total number of transferable Medallions would be approximately 350 out of 1400 total San Francisco Taxi Medallions. There are an additional 100 Ramp Taxi Medallions that would not be subject to purchase and sale.

International Airport taxi holding lot. Staff also met with the Boards of Directors of two cab companies, attended (and continues to attend) meetings of industry groups when invited, including the San Francisco Taxi Coalition, the Medallion Holders Association and the San Francisco Cab Drivers' Association. Numerous written proposals were submitted and compiled during that process, and have been considered by staff in developing the recommendation for the Taxi Medallion Sales Pilot Program.

The staff recommendation does not preclude adoption of other alternative reform measures in the future. Rather, it is intended to be an interim measure that will move the taxi industry gradually away from the "Prop K" system that had resulted in the accumulation of many elderly Drivers without a viable retirement option as well as a large population of applicants on the Medallion Waiting List. These two populations, legacies of the Prop K system, tend to bog down the reform debate with expectations and assumptions that have been allowed to develop over decades of neglectful administration of the Medallion system.

The proposed interim, consensus solution is intended to be a compromise that will bridge the transition into a new model for the San Francisco taxi industry. It is not intended to predetermine any outcome in the ongoing policy debate about a long-term taxi industry model for San Francisco. To the contrary, staff believes that more alternatives can be considered in the long-term reform discussion if this interim measure is adopted by the Board.

## **FUNDING IMPACT**

The Taxi Medallion Sales Pilot Program is anticipated to yield the following new revenues (final amounts depend on the fixed Medallion Sale Price to be established by SFMTA staff):

- Approximately \$15,000,000 from the direct sale of Taxi Medallions by the SFMTA to qualified taxi Drivers;
- Approximately \$9,000,000 from Medallion Sale Transfer Fees to be paid to the SFMTA by Medallion sellers.

The actual amount of revenue expected will depend upon the Medallion Sale Price, which would be established by the Executive Director/CEO in accordance with the parameters established in these proposed regulations following meetings with potential lending institutions regarding available loan terms.

The timing of these revenues depends on the ability of staff to process Medallion applicants through the normal Medallion qualification process to establish applicants' compliance with Full-Time Driving and other eligibility requirements.

## **OTHER APPROVALS RECEIVED OR STILL REQUIRED**

None.

Staff will bring additional regulations to the SFMTA Board at its meeting of March 2, 2010 to finalize the details of the Medallion sales procedures following discussions with potential lenders scheduled in February, 2010 (such as procedures for default, foreclosure, death, revocation or incompetency, or to record security interests), as well as to establish the composition of the industry group that would monitor the interim Pilot Program.

## **RECOMMENDATION**

Staff recommends that the SFMTA Board adopt the proposed amendments to Transportation Code Division II, Article 1100.

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

WHEREAS, SFMTA staff has conducted extensive outreach in public meetings and at taxi company facilities on the subject of reform of the San Francisco taxi industry; and,

WHEREAS, Many members of the taxi industry have submitted ideas and comments on the topic of San Francisco taxi industry reform which have been compiled for public review and which were considered by staff in its recommendation that the Board adopt the Taxi Medallion Sales Pilot Program; and,

WHEREAS, The Taxi Medallion Sales Pilot Program represents an interim measure that would allow the San Francisco taxi industry to gradually transition away from the Waiting List system of Medallion distribution that has characterized the San Francisco taxi industry for 32 years; and

WHEREAS, The Taxi Medallion Sales Pilot Program represents an opportunity to collect information, monitor results and elicit industry recommendations for the purpose of adopting a long-term Taxi Medallion reform solution; and

WHEREAS, The Taxi Medallion Sales Pilot Program represents a compromise position between many diverse interests of the San Francisco taxi industry and enjoys consensus support of a broad segment of the San Francisco taxi industry; and

WHEREAS, The Taxi Medallion Sales Pilot Program will enhance public safety by removing the incentive for elderly taxi drivers to continue driving at the risk of losing Medallion income; and

WHEREAS, The Taxi Medallion Sales Pilot Program will generate substantial new revenue for the SFMTA from the proceeds of direct sales of 60 Medallions and Medallion Transfer Fees to be paid by qualified Medallion sellers; and

WHEREAS, Prior to authorizing any Medallion sale, SFMTA staff will return to the Board to inform the Board of the established Medallion Sale Price and to propose additional regulations governing (1) Medallion financing following meetings with potential lenders, and (2) the composition of an industry group to monitor the results of the Pilot Program that will provide recommendations for long-term taxi industry reform; and

WHEREAS, The Taxi Medallion Sales Pilot Program should be implemented in a manner that expedites the offer of Medallions to applicants on the Medallion Waiting List; and

WHEREAS, The transition of functions between the former Taxi Commission and the SFMTA and the serial process of adopting comprehensive and updated Motor Vehicle for Hire regulations has resulted in a shifting regulatory framework within which staff has had to operate in accordance with its best judgment; now, therefore, be it

RESOLVED, That the Board adopts the Taxi Medallion Sales Pilot Program, allowing the SFMTA to sell up to 60 Taxi Medallions that have been returned to the SFMTA, and allowing Taxi Medallion Holders age 70 and above and other Taxi Medallion Holders who are disabled to sell their Medallions at a price to be established by the SFMTA to qualified taxicab Drivers, as set forth in amendments to Transportation Code Division II, Article 1100; and, be it further

RESOLVED, That no Taxi Medallion shall be purchased sold pursuant to the Taxi Medallion Sales Pilot Program until the Executive Director/CEO adopts a Medallion Sale Price and provides notice to the public of such Medallion Sale Price; and, be it further

RESOLVED, That any Medallion offered to an applicant on the Waiting List after February 16, 2010 shall be counted toward the number of Medallions offered to Waiting List applicants pursuant to the Taxi Medallion Sales Pilot Program; and, be it further

RESOLVED, That the Board ratifies the decision of SFMTA staff to close the Waiting List effective December 16, 2009 and all other actions by SFMTA staff between March 1, 2009 to February 15, 2010 taken for the purpose of implementing Transportation Code, Division II, Article 1100.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of \_\_\_\_\_.

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Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency