

To: Taxi Advisory Council, et al  
From: Carl Macmurdo  
Re: Taxi medallion distribution  
Date: November 2011

## **Proposal for future taxicab medallion distribution**

### Background information and commentary

San Francisco taxi service is lacking at times, and fleet increases are inevitable. In terms of defining a permitting mechanism for issuing future medallions, a major conflict exists between the following possibilities:

- (1) perpetuating the legacy system created under Proposition K of 1978, wherein over 3,000 persons have entered their names onto an expectation list hoping to obtain a non-purchased taxi medallion, or
- (2) effectuating the concept that future medallion issues might rightfully be sold by SFMTA as a valuable city asset, and that failure to do so actually is irresponsible public policy.

Four years ago, Mayor Gavin Newsom told the news media that the city needed to sell taxicab medallions, rather than give them away. The Mayor's Public Policy Director, Julian Potter, met with Jim Gillespie (now Yellow Cab's general manager), Martin Smith (former taxi commission president, now a Luxor manager), and myself. Ms. Potter asked us to find a way to transition from the waiting list to a new system allowing for medallion sales. She stated that top listers needed to be accommodated equitably in the transition, rather than having the city "pull the rug out" from beneath them. The proposal below intends to create an equitable transition policy.

Over time, the Prop. K permitting mechanism has become dysfunctional. As shown in the attached excerpt from data compiled by the taxi commission in 2004, many new medallion holders are at or beyond logical retirement age when their names finally make it to the top of the waiting list. Because regulators have determined that full-time driving is an essential requirement for holding a Prop. K medallion, many elderly permittees are pressured to drive beyond their physical capability. This ill-advised, malfeasant policy has caused many serious problems --- major accidents, large insurance liability losses by taxi companies, reduced public service, etc. At least two K permittees committed suicide --- rather than endure the ordeal, expense, and humiliation of revocation hearings --- after having had their medallions revoked because disabilities prevented them from meeting city-mandated driving requirements. Two lawsuits have resulted in about eight years of litigation basically regarding whether the city is in violation of Federal disability law.

The Americans with Disabilities Act lawsuit appeal recently pending before the Ninth Circuit was settled by allowing the two disabled named plaintiffs to sell their medallions to other taxi drivers under the Medallion Sales Pilot Program ("Pilot"). Notably, about

150 taxi drivers have purchased medallions under the auspices of Proposition A of 2007, so that 10% of permittees now hold “Prop. A” medallions.

This paper also addresses ancillary concerns related to medallion distribution ---- developing a small menu of additional exit options for the aging current generation of Prop. K and pre-K permittees, plus possibly increasing standards for new medallion holders.

### Proposal

(note: Attached is a chart describing new medallion issuance from 1978 to present.)

Issue 200 new taxi medallions during the next two years, the first 100 (technically Prop. K medallions) to be issued without purchase to waiting list applicants. The 101st medallion (technically a Prop. A medallion) is discounted, so that only \$50,000 is collected from the purchaser, the 102nd permit selling for \$52,000 , and so on with the 200th medallion selling for \$248,000. All subsequent medallions will sell for \$250,000 , or whatever full, set price is in effect. At this point the waiting list for non-purchased medallions will have morphed via a graduated discount feature into a preference list for purchasing a medallion for the full, set price in effect. Logically, medallions which are returned to SFMTA for reasons such as permittee death can be utilized as part of the 100 total medallions needed to effectuate the transition to a sales model at the full, set price.

These 100 discounted medallions are direct sales by sfmta to applicants atop the waiting list. Simultaneously, there can be ongoing transfers from older and disabled medallion holders to interested waiting list applicants at the set price.

Imminent legislation will assign transfer rights to purchasers of Prop. A medallions. The 20% resale fee currently defined in the Transportation Code is entirely out of line with resale fees in other cities and needs to be reduced. New York City, e.g., charges 5%.

### Positive and negative effects of the proposal

Per taxi staff’s request, here is a description of how the above proposal might impact the five specified stakeholder groups:

(1) Drivers: 200 extra taxis will increase competition and may reduce income somewhat. Adding extra taxis will provide jobs for more taxi drivers. Those on the waiting list will have a greater opportunity to obtain medallions.

(2) Permit holders: Increasing medallion supply by 200 may slightly decrease the value of an individual medallion.

(3) Cab companies: Having extra medallions to operate is beneficial.

(4) SFMTA: The city will receive significant revenue.

(5) Overall service to the public: The additional taxis should improve availability and overall service. If hundreds of younger drivers purchase medallions, that too may energize service.

## Menu of additional possible exit strategies

Prop. K rules are clear for pre-K's, who can operate a non-transferable medallion until death, whereupon the medallion reverts to the city for redistribution. The situation is more nebulous for K (also known as post-K) medallion holders. Prop. K's language required medallion holders to swear the intention to drive full-time. For the initial twenty years or so under Prop. K, older and disabled K medallion holders who quit driving were allowed to keep their permits until death. In 2002, the taxi commission resolved that full-time driving was an essential requirement for retaining a K permit and began enforcing a driving requirement.

The sales pilot program has created a suitable exit option for many pre-K and K medallion holders. The conditions and circumstances relative to these two groups of medallion holders are different in many ways, however. For example, the city has a public safety policy concern relative to the K's --- who have driving requirements --- which does not exist for the pre-K's, who are not obligated to drive.

Developing additional exit options for the approximately 1,000 K and 400 pre-K permittees will enhance medallion redistribution by improving incentives for qualified sellers. Here are some possibilities, which the Taxi Advisory Council or some other body might consider for policy development:

### Final option for pre-K medallion holders

(1) Allow an immediate, one-time opportunity period of sixty days for pre-K's to sign an irrevocable agreement to sell their medallions, while allowing the outgoing medallion holders to operate their medallions for an additional period suggested at two years. Heirs should be allowed to sell the medallion if the medallion holder dies prior to selling.

### Commentary

Pre-K's built the current industry and deserve respect and consideration. These individuals purchased medallions that were transferable, only to have Prop. K of 1978 abrogate the transferability aspect. It is fair and reasonable to provide a final sales opportunity. Additionally, the purchasers will be active drivers, which factor may improve service and medallion holder standards.

Conversely, the city receives only 15% of sales revenue from a transfer, as opposed to 95% if the medallion reverts back to the city for re-sale. Also, this is an aged population. In general, the city has minimal incentive to cater to pre-K's by crafting an exit option menu that might allow them to purchase transfer rights, or to sell their medallions just before death.

### Options for K medallion holders

(1) Have a one-month annual application process window to commit irrevocably to selling immediately, with the heirs of the medallion holder being allowed to sell the medallion if the permittee dies prior to the sale being effectuated.

(2) Allow a waiver of driving requirements for K permittees who agree to sell within a designated time frame, e.g., six years. As described in the next option, a process for purchasing transfer rights might be considered.

(3) Allow conditional purchase of transfer rights for K permittees who intend to drive full-time for years to come but also want to protect their heirs. The extra fee charged in such cases might be conditional as to the length of time the medallion can be retained prior to sale, or possibly linked to meeting full-time driving requirements.

(4) Allow a limited number of K permittees, suggested at 10%, to contractually cede their medallions to the city upon death, in exchange for operating their medallions for life without driving requirements. Many older K medallion holders have relied to their detriment on prior policies that allowed older and disabled medallion holders to operate their permits without personally driving. Taxi regulators such as DTAS should have wide-ranging latitude in crafting eligibility criteria and selecting participants if there are too many applicants for this option.

### Commentary

The K situation is complex and requires a variety of exit options. Many K medallion holders receive their permits at an advanced age and may need to keep the medallion for years to come, all the while figuratively limping their way through accomplishing the bare minimum driving requirements. This is not in the interest of public service, public safety, or industry functionality. Neither does it assist in the very important function of making a sufficient number of medallions available in a reasonable time frame to the hundreds of younger drivers who have already applied to buy the permits.

There are specific considerations underpinning each of the four options above. For the sake of brevity, the reasons are not articulated herein but can be discussed later. All of this is a work-in-progress.

### Increased standards for new medallion holders

The city may wish to improve medallion holder quality by setting higher standards for comprehensive geographical knowledge testing of prospective new medallion holders, having specific motor vehicle driving record standards, etc.



**SAN FRANCISCO TAXI COMMISSION**  
**MEDALLION HOLDERS**  
**by DATE OF BIRTH**

Medallion #	Color Scheme	Granted Date	Last Name	First Name	K	Birth Year
722	National	86/08/21	Ong	Sum <i>88-90</i>	K	16
269	Luxor	84/08/02	Moy	William <i>85-87</i>	K	19
662	Luxor	89/05/10	Kelly	John W.	K	20
744	Town	84/05/10	Tong	George	K	20
750	Yellow	84/05/10	Prenovitz	Simon	K	20
753	Royal	84/05/10	Wootton (Deceased 10/28/02)	Joseph	K	20
52	National	81/10/21	Rivera	Querida	K	23
200	United	97/05/01	Lorinez	Michael	K	23
167	United	95/08/09	Palat	Ilan	K	24
243	National	91/01/09	Lym	Neil	K	24
1105	Town	99/02/10	Loo	Taft	K	24
585	Luxor <i>203</i>	03/04/08	Tognotti	Frank <i>10-00 awarded 6 77 years</i>	K	25
718	Veterans	84/05/10	DeCausemaker	Richard	K	25
721	Yellow	84/06/14	Correll	William J.	K	25
728	National	84/05/10	Kelley	J. Howard	K	25
786	Regents	88/02/23	Whipple	George	K	25
805	Yellow	88/02/18	Stockfleth	Walter	K	25
832	Bay	94/12/21	Wong	Guey Mon	K	25
491	Yellow	89/01/04	Ramsey	Willie	K	26
232	Luxor	81/12/16	Quigley	Richard	K	27
794	Luxor	88/02/23	Horn	Ying	K	27
231	Yellow	92/08/19	Gee	Kwing Hung	K	28
320	Yellow	82/10/27	Cardona	Miguel	K	28
336	National	89/03/09	Angeli	Clement V.	K	28
435	Luxor	96/03/16	Brunt	Warren H.	K	28
798	Bay	88/03/03	Wong	Winston	K	28
914	United	97/02/26	McClure	Gerald G.	K	28
199	Luxor	93/03/03	DeLiege	Rene C.	K	29
206	SF Taxi	81/10/28	Trad	George	K	29
352	American	84/01/11	Bartholomew	John	K	29
376	Yellow	90/01/17	Matheson <i>Deceased</i>	James A.	K	29
537	DeSoto	92/12/02	Johnson	William S.	K	29
1035	Luxor	98/12/16	Bingham	Lucius Tom	K	29
1095	Bay	99/01/06	Le	Tri Quang	K	29
195	Arrow	93/02/04	Crittendon	Vernell M.	K	30
196	Veterans	93/01/13	Williams	Ralph	K	30
329	Town	81/12/16	Woon	Victor	K	30
738	Yellow	84/05/10	Mar	Henry Kwong Poy	K	30
741	Town	84/05/10	Shair-Ali	Romeo	K	30
784	Regents	88/02/18	Anton	Bruce Hernandez	K	30
826	Metro	94/11/10	Low	Al	K	30
842	National	95/01/11	Jung	Edmund L.	K	30
1133	Royal	99/01/06	Ruggiero	John	K	30
84	Luxor	92/01/22	Heywood, Jr.	Newell W.	K	31
355	Yellow	95/06/21	Broussard	Wilson	K	31
1073	DeSoto	98/12/16	Ward	Phillip	K	31
149	Regents	96/12/11	Ruiz	Joaquin	K	32
208	Luxor	81/10/28	Maldonado	John J.	K	32
219	Luxor	91/04/24	Palter	Noel	K	32
381	DeSoto	92/06/10	Davis	Curtis C.	K	32
762	Big Dog	87/12/03	McGee	Marguerite	K	32
781	Luxor	88/02/23	Craig	Robert	K	32
795	Yellow	88/02/23	Dorestant	Rene	K	32
800	National	88/02/23	Lee	Author	K	32

5/20/04

There were 711 San Francisco taxi medallions when Proposition K of 1978 became taxi law. As of August 2011, there are now 1,587 authorized medallions. The additional 876 medallions were issued after Public Convenience and Necessity hearings over the years, as conducted by the regulators (Police Commission and Taxi Commission). Now, the San Francisco Municipal Transportation Agency regulates the taxi industry. Here are the approximate dates of new medallion issuance since 1978:

1984 = 50 new medallions

1987 = 50

1992 = 50

1996 = 120

1998 = 300 (issued by the Board of Appeals)

2000 = 100

2007 = 50

2008 = 69

2011 = 87 (note: 50 regular medallions, 2 electrical vehicle permits, 50 part-time permits as a pilot program experiment)

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Total = 876

Notes:

1978-2011 = 33 years.

876 new medallions issued in 33 years = 26.5 per year on average.

Data provided by Carl Macmurdo.