

THIS PRINT COVERS CALENDAR ITEM NO. : _____

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Taxis and Accessible Services

BRIEF DESCRIPTION:

Requesting the Board of Directors to amend Transportation Code Division II, Sections 1102 and 1116 to transition the Taxi Medallion Sales Pilot Program into a long-term medallion transfer program.

SUMMARY:

- Prior to June 30, 1978, San Francisco taxi medallions were transferable. In 1978, voters passed Proposition K, which, among other things, made San Francisco taxi medallions non-transferable and limited new ownership of medallions to individual working taxi drivers.
- The SFMTA took over regulation of the taxi industry from the former Taxi Commission on March 1, 2009. One of the first initiatives that the SFMTA undertook was reform of the taxi medallion system.
- On February 26, 2010, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors adopted the Taxi Medallion Sales Pilot Program (Pilot Program), which allowed the transfer of taxi medallions by individuals age 70 or over or individuals with a disability. Under that program, a limited number of taxi medallions became transferable for the first time in 32 years. The Pilot Program was later modified to allow individuals over the age of 65 to transfer their medallions.
- Pursuant to the Pilot Program, 250 medallions have been transferred to new permit holders between August 2010 and July 2012, for a fixed transfer amount of \$250,000. The SFMTA has realized \$20,215,779.09 as of July 2012 from the Pilot Program, and the Driver’s Fund has accumulated \$3,125,000.00.
- The stock of transferable medallions under the Pilot Program will soon be depleted. The SFMTA Board is now in a position to consider permanent reform of the medallion system in light of the lessons learned from the Pilot Program.
- The proposal for medallion reform is outlined in this document.

ENCLOSURES:

1. Resolution
2. Amendments to Transportation Code Division II, Article 1100

APPROVALS:

DATE

DIRECTOR _____

SECRETARY _____

ADOPTED RESOLUTION
BE RETURNED TO Jarvis Murray

ASSIGNED SFMTAB CALENDAR DATE: _____

PAGE 2.

PURPOSE

Requesting the Board of Directors to amend Transportation Code Division II, Sections 1102 and 1116 to transition the Taxi Medallion Sales Pilot Program into a long-term medallion transfer program.

GOAL

Goal 3: Improve the environment and quality of life in San Francisco.

This proposal improves the environment and quality of life for aging or disabled medallion holders, allowing them to exit the industry with some assets. It also allows newer drivers an opportunity to become permit holders and invest in the industry.

DESCRIPTION

1. Current Program

Prior to June 30, 1978, San Francisco taxi medallions were freely transferable among individuals and corporations. In 1978, voters passed Proposition K, which among other things, made San Francisco taxi medallions non-transferable and provided that medallions could only be held by individual working taxi drivers.

The San Francisco Taxi Commission was created in 1999 to assume responsibility for governance of the taxi industry from the Police Commission, and continued to serve as the regulatory body of the taxi industry between 1999 and 2009. In accordance with the regulatory powers granted to the SFMTA by Proposition A, the SFMTA took over regulation of the taxi industry from the former Taxi Commission on March 1, 2009. One of the first initiatives that the SFMTA undertook was reform of the taxi medallion system.

Pursuant to the authority granted to the SFMTA Board by Proposition A, the SFMTA Board of Directors adopted the Taxi Medallion Sales Pilot Program (Pilot Program) on February 26, 2010. Under the Pilot Program a limited number of taxi medallions became transferable for the first time in 32 years: specifically, those medallions that were held by individuals age 70 or over or individuals with a disability. Pursuant to the Pilot Program, 250 medallions have been transferred to new medallion holders between August 2010 and July 2012 for a fixed transfer amount of \$250,000.

For each medallion transferred by an individual medallion holder under the Pilot Program, the SFMTA has received \$37,500, or fifteen percent in transfer fees, and the Driver Fund has received \$12,500, or five percent of the fixed transfer amount. The SFMTA has realized \$20,215,779.09 of new revenue as of July 2012 from the Pilot Program, and the Driver Fund has accumulated \$3,125,000.00 to be used for the benefit of San Francisco taxi drivers.

PAGE 3.

2. Proposed New Program

The stock of transferable medallions under the Pilot Program will soon be depleted. The SFMTA Board is requested to adopt amendments to the Transportation Code that will implement a long term medallion transfer program going forward. The proposed amendments would allow certain medallion holders to surrender their medallions for consideration, allow the SFMTA to transfer each surrendered medallion to a qualified purchaser at a price fixed by the SFMTA, and allow the purchaser of the surrendered medallion, in turn, to retransfer that medallion to a qualified purchaser at the fixed price.

a. Surrender and Transfer by the SFMTA

The consideration for early surrender of the medallion so that the SFMTA may sell it would be \$150,000. When SFMTA sells the medallion to a qualified purchaser (qualified purchasers under the Pilot Program would be qualified purchasers under the long-term program) the SFMTA would transfer ownership of the medallion from the SFMTA to the purchaser. Thus, upon transfer from the SFMTA to the purchaser, the Medallion would become a transferable medallion.

b. Retransfer

The purchaser of a transferable medallion may retransfer the medallion to another qualified purchaser, at any time, for the fixed sales price set by SFMTA regulation. Upon retransfer, the transferor would remit 30 percent of the sales price to the SFMTA, and the SFMTA would contribute five percent of the sales price to the Driver's Fund. However, as to medallions that were purchased under the Medallion Sales Pilot Program, the medallion holder -- the individual who acquired the medallion under the Pilot Program -- would remit only twenty percent of the sales price to the SFMTA upon retransfer, although the SFMTA would still make a five percent contribution to the Driver Fund. The fixed sales price would be the same for an initial transfer by the SFMTA of a surrendered medallion, the first retransfer of a medallion acquired under the Pilot Program, and any other retransfer.

c. Involuntary Transfer

An involuntary transfer may occur under four possible circumstances: 1) when the medallion is revoked by the SFMTA, 2) when a medallion holder dies before retransferring the medallion, 3) when a medallion holder becomes disabled before retransferring the medallion, or 4) when a medallion holder has defaulted on a transferable medallion loan and the medallion is foreclosed upon by the lender.

Because the involuntary transfer may occur when there is little or no equity in the permit, the proposal includes a provision, identical to that contained in the Pilot Program, that would reduce the allocation of the sales price to the SFMTA and waive the contribution to the Driver Fund when there is an involuntary transfer within the first nine years of medallion ownership. Otherwise, a medallion holder or the family of a deceased medallion holder might be forced to pay money to the SFMTA which, when added to the money owed the lender, would exceed the proceeds from the retransfer. Therefore, it is proposed that in the event of an involuntary transfer within the first nine years, the Driver Fund contribution be waived and the SFMTA allocation reduced. If the

PAGE 4.

involuntary transfer occurs in the first year after the transfer, the SFMTA allocation would be zero. The transfer allocation percentage increases by 5% per year each year thereafter, until it reaches 100 percent in the tenth year.¹

3. Medallion Holders Eligible to Surrender for Consideration

a. Pre-K and Prop K Medallions

“Prop K” medallions consist of any medallions issued after June 30, 1978. They are principally distinguished from the “Pre-K” medallions, which were issued before June 30, 1978, by the following characteristics:

1. Prop K medallions require the medallion holder to drive at least 800 hours per year, whereas a Pre-K medallion holder has no driving requirement; and
2. Pre-K medallions were purchased by individuals prior to June 30, 1978 and were rendered non-transferable by Proposition K. Prop K medallions were not purchased, but were distributed to working taxi drivers for a nominal fee, and have never been transferable; and
3. Prop K medallions are issued only to individuals, some Pre-K medallions are owned by corporations.

While the number fluctuates over time, there are currently approximately 1,135 Prop-K and 400 Pre-K (300 individual and 100 corporate) medallions in the San Francisco taxi fleet.

b. The 2010 Taxi Medallion Sales Pilot Program

The Pilot Program, approved by the Board at its meeting of February 26, 2010, pursuant to the authority granted by Prop A, represented the first departure from the Prop K system in 32 years. It allowed limited transferability of medallions based on age (at least 70 years old) or disability of a medallion holder. To qualify as a buyer a person has to show that he or she had driven a San Francisco taxi for at least 800 hours per year or 156 four-hour shifts during four out of the past five years.

c. Effects of February 6, 2012 Modifications to the Pilot Program: Pre-K

Permits

At its February 6, 2012 meeting, the Board expanded the opportunity of transferring a medallion to those aged 65 or older, or whose disability prevents them from meeting the medallion permit’s driving requirement. The modification to the Pilot Program excluded Pre-K medallion holders from transferring their medallions. Accordingly, except for those 34 Pre-K medallion holders aged 70

1. For example, a medallion is transferred at \$300,000 with a 20 percent down payment, leaving a loan balance of \$240,000 and an involuntary transfer occurs in third year. The permit is re-transferred to a new owner for \$300,000, leaving the transferor with \$60,000 after loan payoff. If the SFMTA's allocation is not reduced for this involuntary transfer, the medallion owner or his or her beneficiaries would be responsible for a \$90,000 transfer allocation, and would have to produce \$30,000 above and beyond the medallion transfer proceeds.

PAGE 5.

70 or older, or disabled, who had already elected to transfer between August 2010 and February 2012, the opportunity for medallion transfer was limited to Post-K medallion holders. Pre-K medallion holders who are over the age of 60 or are disabled will be eligible to surrender their medallions for consideration under the long-term medallion transfer program.

4. Proposed Change to Fixed Transfer Amount

The proposal includes raising the current fixed transfer price from \$250,000 to \$300,000, with all future changes in this amount to be recommended by the Director of Transportation and approved by the SFMTA Board. The Director of Transportation may, however, raise the sales price without SFMTA Board approval annually in accordance with increases in the consumer price.

5. Proposed Change to SFMTA's Allocation of Sales Price

Currently, Board-adopted regulations provide that a medallion permit belonging to person who is subject to a Post-K driving requirement and who is at least 65 years old or too disabled to meet the annual 800 hour driving requirement may be transferred to a new medallion holder based on waiting list, and then on A-Card seniority, at the current fixed transfer amount of \$250,000. The allocation to the SFMTA is currently set at 20 percent, of which 15 percent (\$37,500) is paid to the SFMTA, and five percent (\$12,500) is contributed to the Driver Fund. Medallion holders who purchased medallions under the Pilot Program would continue, under the proposed new program, to remit 20 percent of the sales price to the SFMTA upon retransfer. All subsequent retransfers of those medallions, and all other retransfers, would be subject to a 30 percent allocation to the SFMTA.

The City Attorney has reviewed this report.

ALTERNATIVES CONSIDERED

This proposal follows public discussion on a series of medallion reform proposals submitted by staff and by members of the San Francisco taxi industry, and by the Taxi Advisory Council over the six months preceding this meeting of the SFMTA Board.

FUNDING IMPACT

The proposed amendments are anticipated to result in substantial new revenue to the agency from medallion transfer fees.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

RECOMMENDATION

That the Board of Directors amend Transportation Code Division II, Sections 1102 and 1116 to transition the Taxi Medallion Sales Pilot Program into a long term medallion transfer policy.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, At the June 30, 1978 election San Francisco voters passed Proposition K, which, among other things, made San Francisco taxi medallions non-transferable and limited new ownership of medallions to individual working taxi drivers; and,

WHEREAS, The SFMTA assumed responsibility for regulation of the taxi industry from the former Taxi Commission on March 1, 2009 and undertook reform of the taxi medallion system; and

WHEREAS, On February 26, 2010 the Board of Directors adopted the Taxi Medallion Sales Pilot Program (Pilot Program), which allowed the transfer of taxi medallions by qualifying individuals; and

WHEREAS, Pursuant to the Pilot Program, 250 medallions have been transferred to new owners between August 2010 and July 2012 for a fixed purchase price of \$250,000; and

WHEREAS, The SFMTA has realized \$20,215,779.09 million to date from the Pilot Program, and the Driver's Fund has accumulated \$3,125,000.00 million; and

WHEREAS, The stock of saleable medallions under the Pilot Program will soon be depleted; now therefore be it

RESOLVED, The Board of Directors amends Transportation Code Division II, Sections 1102 and 1116 to transition the Taxi Medallion Sales Pilot Program into a long-term medallion transfer policy.

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

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

