

## WHAT

The San Francisco Municipal Transportation Agency (SFMTA) Board of Directors adopted a short-term pilot program for buying and selling Taxi Medallions on February 26, 2010. The Board also scheduled a public hearing for Friday, March 30, beginning at 2 p.m., in City Hall Room 400, to discuss and act on related Taxi reform measures.

Under the pilot program, only certain Medallions could be sold: those held by individuals 70 years old or older or who are permanently disabled and cannot fulfill the driving requirement. There are approximately 300 Medallion Holders who could elect to sell their Medallions on the basis of age, but no Medallion holder would be required to sell.

Medallion buyers would be subject to the same rules as other Medallion Holders. The Full-Time Driving requirement would not change under this pilot program. When a Medallion owner dies or becomes unable to drive, the Medallion would have to be sold to the next qualified buyer within a certain period of time. The buyer or his/her family could keep any financial equity in the Medallion, but not the Medallion itself.

The right that is purchased allows for the transfer of ownership through the SFMTA's system for transferring Medallions (not on the private market), and to keep the proceeds when the Medallion is sold.

The SFMTA would identify the next qualified buyer by seniority. The seller could not choose his/her buyer, and children cannot inherit the Medallion. The SFMTA would set a single price for Medallions during this pilot program to ensure that these purchases are for reasonable prices that could be financed by affordable loans.

The Medallion seller would pay a Transfer Fee from the sale proceeds, with 15 percent going to the SFMTA, and five percent to a Driver Fund. Through consultation with the industry appropriate uses of the Driver Fund would be identified, such as assistance to injured taxi drivers. Those authorized uses have not yet been defined.

Under this pilot program, the SFMTA also could sell up to 60 Medallions from those that are revoked or returned to the SFMTA for other reasons. These SFMTA sales would generate the emergency funding that is needed for the current fiscal year. During the pilot program, for every medallion it sells the SFMTA would also issue one to a Waiting List applicant using the same procedure that we use today. The SFMTA would not issue any new Medallions during the pilot program above the currently authorized 1500 Medallions. Any new Medallions will require a Public Convenience and Necessity hearing.

The SFMTA would also work diligently to clean up the Waiting List as fast as possible to end it by getting through everyone on the list. Accordingly, the SFMTA stopped accepting applications for the Waiting List in December 2009. Once there are no longer any names on the Waiting List, the SFMTA will begin using original A-Card dates to establish Driver seniority so that individuals do not have to sign up and pay to wait for a Medallion. All active Drivers would automatically be on the list for a Medallion in the order that they started working (and so long as they continue working) as a Taxi Driver.

A taxi industry advisory group made up of industry representatives, including non-Medallion holding Drivers, would monitor this pilot program and make recommendations to the Board of Directors at the end of this calendar year about long-term options for Taxi Medallion reform.

The pilot program is designed to keep future options open. However, once Medallions are transferred under this program, those Medallions would remain transferable under the SFMTA's transferability program unless the SFMTA were to repurchase them from the holders.

## WHY

Proposition K (Prop K) was passed by the voters in 1978. It created the current system of Taxi Medallion distribution through the waiting list. Prop K required, among other things, that: (a) Medallions only go to working Drivers, not to companies; (b) a person could only hold one Medallion at a time; (c) Medallions could not be bought and sold, but would be distributed by the City to applicants based on the date of the application; and (d) Medallions are the property of the City. The list of applicants is also called the Medallion Waiting List. Today there are 3,200 names on the list. The people who are getting Medallions today waited about 14 years.

Proposition A, passed by San Francisco voters in November 2007, gave the Board of Supervisors the power to merge the Taxi Commission with the SFMTA, and as of March 1, 2009, the power to regulate San Francisco Taxis was passed to the SFMTA.

In the event that such merger happened, Prop A gave the SFMTA Board of Directors the power to adopt Taxi regulations that would override "any prior ordinance." Prop K was passed by the voters as an "initiative ordinance," and so under Prop A, regulations adopted by the SFMTA Board can legally override the provisions of Prop K as well as Article 16 of the Police Code that governs motor vehicles for hire.

The system established by Prop K has not been changed in 32 years. One of the lessons that the industry has learned over time is that the Prop K requirement that Medallions only be held by working Drivers has resulted in many elderly Drivers being unable to stop driving because they cannot afford to lose the Medallion income. This is one of many features of today's taxi industry that has remained stagnant over time. The SFMTA welcomes the opportunity that Prop A has presented to learn from experience and to keep those elements of Prop K that are most important and discard those that have not worked well.

SFMTA staff recommends this short-term, pilot program for several reasons:

1. It would be a one-time event to allow elderly Medallion holders to leave the industry to relieve the pressure that has built up under the Prop K system and to allow the industry to move forward without Prop K “baggage.”
2. It would be an opportunity to test assumptions about things such as the availability and affordability of Medallion financing, the ability to get the Waiting List/A-Card seniority system moving faster than it has in the past and to identify what unintended consequences might result from Medallion sales.
3. It would not preclude reform options for the long-term based on lessons learned from Medallion sales, positive or negative.
4. The pilot program would not affect qualified people on the Waiting List; they could remain where they are and wait for a Medallion under the Prop K system.

During the Taxi Town Hall Meetings, the participants identified the following goals for Taxi Medallion reform:

- Public service and public safety
- Driver quality of life
- City revenue: In other cities Taxi Medallions are treated as a business franchise, the use of a public resource by a private business. To identify new sources of revenue to support the surface transportation mission of the SFMTA, consideration is being given to Medallion Sales as a possible alternative to the Prop K system. In this budget year this revenue is urgently needed, and the SFMTA’s goal is to generate \$11 million from this pilot program during the first half of 2010.
- Business stability: Taxi companies are part of the San Francisco system. For a prosperous industry, all of its parts must be economically secure.
- Entry strategy: Career advancement opportunities for drivers to keep them in the industry, such as the opportunity to get a Medallion.
- Exit strategy: Retirement options for Medallion holders and non-Medallion holders who make their careers as San Francisco taxi drivers.

## WHO

**Sellers:** Any pre-Prop K or post-Prop K Medallion holder who is 70 years old or older as of December 31, 2010, or who notifies the SFMTA of a disability that renders him/her permanently unable to meet the driving requirement, could choose to sell his/her Medallion. There would be a time limit for Medallion holders to notify SFMTA of interest in selling.

**Buyers:** All the same requirements as for a Medallion applicant today: At least four out of five years as a full-time driver. Available Medallions would be offered to qualified buyers in the order of seniority on the Waiting List, and then in order of A-Card seniority. The decision to buy a Medallion is voluntary. There would be a time limit for potential buyers to notify the SFMTA of their interest in buying as part of this pilot program.

## HOW

In developing this proposal, the SFMTA held many hours of Taxi Town Hall Meetings on the subject of Taxi Medallion reform. Written proposals from the industry were solicited, collected and reviewed and published for public review. Free copies of the compiled proposals are available at the SFMTA Taxi Services office, One South Van Ness Avenue, 7<sup>th</sup> Floor.

Meeting dates are posted in advance on the SFMTA website, [www.sfmta.com/taxis](http://www.sfmta.com/taxis). The regulations that have already been adopted are also posted on the Web site, and soon they will be published with the rest of the San Francisco Municipal Code, which can be accessed through the publisher’s website at [www.municode.com](http://www.municode.com) (search their library for the San Francisco Municipal Code), or through the City’s [www.sfgov.org](http://www.sfgov.org) website (follow the City Services link and select “SFGTV Channel”). Free copies of the most current regulations as adopted by the SFMTA Board also are available at the Taxi Services office.

A further vote on the short term pilot program will be taken by the SFMTA Board of Directors at the meeting of March 30, beginning at 2 p.m. in City Hall Room 400.

**SFMTA**

Municipal Transportation Agency

## SAN FRANCISCO TAXI MEDALLION REFORM:

### SFMTA STAFF PROPOSAL

TO THE

BOARD OF DIRECTORS

OF THE

SAN FRANCISCO

MUNICIPAL TRANSPORTATION AGENCY

MARCH 2010