

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Administration, Taxis and Accessible Services

**BRIEF DESCRIPTION:**

Requesting that the San Francisco Municipal Transportation Agency Board of Directors amend Transportation Code, Division II, Article 1100 governing Motor Vehicles for Hire, to require taxi drivers to accept credit cards, to require taxi companies to cash credit card payments at no cost to drivers except as approved by the SFMTA, and to provide a pro-rated Medallion Sale Transfer Fee schedule for the Taxi Medallion Sales Pilot Program.

**SUMMARY:**

- Before Paratransit Debit Card equipment was universally installed in the San Francisco taxi fleet (scheduled to be completed July 2010) the standard practice among reputable taxi companies was to accept credit cards and to cash credit card transaction receipts for their drivers on their own company merchant accounts without charging processing costs to the drivers. Section 1106(p)(6) prohibits charging credit card merchant account fees to drivers.
- The volume of credit and debit card transactions has substantially increased, and taxi companies are finding that the merchant account costs for cashing driver credit card receipts is reaching unsustainable levels.
- Taxi companies have expressed the intention to take advantage of a lag in the regulations that do not yet require credit cards to be accepted as payment of taxi fare, and that do not expressly require companies to cash drivers' credit card receipts. At least one company proposes to transfer the discretion of whether to accept credit cards to drivers. This company has stated that it will cease providing credit card payment cashiering services to drivers, forcing each driver to open a credit card merchant account if he or she wants to accept credit card payments from customers. Transportation Code Section 1122(b)(5) allows drivers to open their own individual credit card merchant accounts, but prohibits retaliation by companies against drivers if they choose not to do so.
- Taxi Services staff recommends that regulations require all drivers to accept credit cards as a matter of public service and public safety, and that all companies be permitted to charge credit card processing costs to drivers only as approved by the SFMTA and subject to certain limitations specified below.
- The Taxi Medallion Sales Pilot Program requires amendment to prevent hardship when there is an involuntary sale of a medallion soon after the purchase. A pro-rated Medallion Sale Transfer Fee is proposed so that an involuntary sale in the first 10 years of the loan would not require payment of a transfer fee greater than the equity in the medallion.
- The proposed regulations are presented for the SFMTA Board of Directors' consideration and adoption as amendments to Transportation Code Division II, Article 1100.

**ENCLOSURES:**

1. SFMTAB Resolution
2. Proposed Amendments to Article 1100

**APPROVALS:**

**DATE**

DIRECTOR OF DIVISION

PREPARING ITEM \_\_\_\_\_

FINANCE \_\_\_\_\_

EXECUTIVE DIRECTOR/CEO \_\_\_\_\_

SECRETARY \_\_\_\_\_

ADOPTED RESOLUTION BE RETURNED TO Chris Hayashi

**ASSIGNED SFMTAB CALENDAR DATE:** \_\_\_\_\_

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### **PURPOSE**

To require taxi drivers to accept credit cards, to require taxi companies to cash credit card payments at no cost to drivers except as approved by the SFMTA, and to provide a pro-rated Medallion Sale Transfer Fee schedule for the Taxi Medallion Sales Pilot Program.

### **GOAL**

Goal 1: Customer Focus: To provide safe, accessible, clean, environmentally sustainable service and encourage the use of auto-alternative modes through the *Transit First* Policy.

Objective 1.1: Improve safety and security across all modes of transportation.

#### **1. Credit Card Regulations.**

Adoption of these amendments would improve customer service, safety and security.

Creating a system that requires the universal acceptance of credit cards will allow customers to travel without having to find and carry cash, with a corresponding improvement in peace of mind, personal security and convenience for customers.

Regulating the amount of credit card processing fees that can be passed on to drivers will insure that mandating acceptance of credit cards does not create an unsustainable burden on either taxi companies or taxi drivers. If the SFMTA does not offer any interim solution to taxi companies for credit and debit card processing costs, they will look for other ways to reduce other expenditures that could involve the quality and safety of service to the public and/or the working conditions of taxi drivers.

If credit card processing costs are simply passed on to drivers, drivers will be incentivized to simply refuse to accept credit cards from customers. Refusal of credit cards by taxi drivers could result in stranding customers without transportation alternatives.

The incentive that currently exists under the regulations for taxi drivers and taxi companies to refuse credit cards from customers is addressed by this proposed amendment by authorizing companies to adopt interim solutions as approved in advance by the SFMTA subject to certain limitations specified by the Board below, including future review by the Taxi Advisory Council.

#### **2. Taxi Medallion Sales Pilot Program Medallion Sale and Driver Fund Transfer Fees**

Adoption of these proposed amendments would further the implementation of the Taxi Medallion Sales Pilot Program. The Pilot Program includes a retirement option for taxi Drivers who are 70 years of age or older, many of whom would otherwise be required to continue driving or suffer the loss of medallion lease income. Creating a retirement alternative for these Drivers will immediately improve the safety of San Francisco taxi customers, pedestrians, bicyclists and other drivers. The current Medallion Sale Transfer Fee structure creates a disincentive

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for medallion holders to participate in the Pilot Program because they or their heirs may suffer unintended economic hardship if there is an involuntary transfer of the medallion within the first ten years of the loan.

Goal 3: External Affairs/Community Relations: To improve the customer experience, community value, and enhance the image of the SFMTA, as well as ensure SFMTA is a leader in the industry.

Objective 3.1: Improve economic vitality by growing relationships with businesses, community, and stakeholder groups.

1. Credit Card Regulations.

The geometrically increasing burden of credit card processing costs on taxi companies has become an immediate and serious threat to the sustainability of San Francisco's taxi industry.

Uncertainty on the part of the public about whether a particular taxicab will accept particular forms of payment will be detrimental to the taxi industry as a whole, undermining public confidence in taxis as a safe and convenient form of transportation. To the extent that this lack of confidence in the availability of taxis results in more personal vehicles on the streets of the City, it will negatively impact all segments of the community by increasing traffic congestion, parking competition and carbon emissions. Reduced reliance on taxis as a mode of transportation will reduce the income of roughly 5,000 full-time taxi drivers who are also regional residents and local consumers.

1. Taxi Medallion Sales Pilot Program Medallion Sale and Driver Fund Transfer Fees.

Adoption of these proposed amendments would further the implementation of the Taxi Medallion Sales Pilot Program, a taxi industry reform effort initiated by the SFMTA in 2009. The success or failure of the Pilot Program, including any unintended economic detriment that results to the Pilot Program participants, will have ongoing impacts to the credibility of the SFMTA as a regulator of the San Francisco taxi industry.

**DESCRIPTION**

1. Credit Card Regulations.

A. Acceptance of Credit and Debit Cards as a Form of Payment

Taxi Services staff recommends that SFMTA regulations be amended to require universal acceptance of credit cards by taxi companies and taxi drivers from customers in payment of taxi fare.

Until now, motor vehicle for hire regulations have left the decision of whether to accept credit cards as a form of payment of taxi fare up to each taxi company and each taxi driver. Given that many taxi rides are short local rides with a fare of \$20 or less and that San Francisco taxi customers had not yet come to expect universal acceptance of credit or debit cards, their use to pay taxi fares has not been particularly common.

However, consumers' credit and debit card use is steadily increasing because they are accepted for almost all

purchases and are more convenient than carrying cash. Consumers have greater flexibility in using cash-alternative forms of payment, including credit cards, debit cards, pre-paid cards, gift cards, and other forms of magnetic-stripped “plastic” that eliminate the unnecessary step of continually retrieving and carrying cash to make payments for goods and services.

At the same time, equipment capable of reading the San Francisco Paratransit Debit Card is currently being installed in every taxicab in San Francisco to comply with Paratransit Program regulations, creating the fleet-wide capacity for credit and debit card acceptance in San Francisco taxicabs for the first time. In addition, as of May 1, 2010, the San Francisco International Airport required that all taxi drivers who pick up passengers at SFO accept credit cards as a form of payment.

Now that the use and acceptance of credit and debit cards is becoming nearly universal, it would be unsafe and inconvenient to require customers to find and carry cash in order to be sure of being able to use taxi service, and it would be detrimental to the taxi industry for the public to be confused about what forms of payment may or may not be accepted in a particular taxicab. Accordingly, the proposed amendments to the Transportation Code would require that all taxi drivers and all taxi companies accept credit and debit cards as payment of taxi fare.

#### **B. Taxi Industry Costs of Processing of Credit and Debit Card Payments**

Until now it has been the standard practice among reputable taxi companies to accept credit cards and to cash credit card transaction receipts for their drivers on their own company merchant accounts without charging drivers for the merchant account costs. However, now that the volume of credit and debit card transactions has substantially increased, taxi companies that had not previously accepted credit cards have a large and growing new business expense, and companies that always accepted credit cards assert that the cost of such transactions has increased to unsustainable levels.

Some companies are taking advantage of the fact that the SFMTA has not yet promulgated regulations requiring all taxi drivers to accept credit cards pending completion of Paratransit Debit Card equipment installation throughout the fleet (scheduled to be completed in July 2010). Nor are taxi companies expressly required by the regulations to provide credit card receipt cashing services for drivers, notwithstanding the implicit prohibition in Transportation Code Section 1106(p)(6), which prohibits companies from passing credit card merchant account fees to drivers, and Section 1122(b)(5), which allows drivers to open their own individual credit card merchant accounts, but prohibits retaliation by companies against drivers if they choose not to do so.

Taxi Services staff requests the Board to amend the regulations to conform to the industry standard practice of requiring all taxi companies to cash credit card payments tendered to the drivers of its vehicles without passing on credit card merchant account processing fees to taxi drivers.

In order to address the business needs of taxi companies and to explore solutions to these changing business circumstances, Taxi Services staff also requests the Board to authorize the SFMTA to waive Section 1106(p)(6) prohibiting taxi companies from charging merchant account costs to drivers only under the following conditions:

- i. A taxi company must seek and obtain prior written approval from the SFMTA to pass credit card merchant processing fees to taxi drivers in advance of Section 1106(p)(6) being waived; and
- ii. Such waiver is granted as a limited pilot program until such time as it can be reviewed by the Taxi Advisory Council; and

- iii. Any cost for credit card transaction cashing services that is passed on to drivers pursuant to a waiver of Transportation Code Section 1106(p)(6) cannot exceed six percent of total credit card fares for that driver, and
- iv. SFMTA determination that such waiver provides convenience and/or other services to both taxi customers and drivers that demonstrably improve the quality of taxi service to the public and driver working conditions, and
- v. Such waiver shall not include any change in fees charged to customers who pay taxi fare with a Paratransit Debit Card, and
- vi. Such pilot program remains subject to future regulatory actions by the Board of Directors.

2. Taxi Medallion Sales Pilot Program Medallion Sale and Driver Fund Transfer Fees.

Currently the Medallion Sale and Driver Fund Transfer Fees under the Taxi Medallion Sales Pilot Program (“Pilot Program”) are set at 20 percent, 15 percent to the SFMTA and five percent to the Driver Fund, Transportation Code Sections 1102(j), (x). The seller of the medallion is responsible for paying those transfer fees at the time of sale. Sellers participating in the Pilot Program today will pay those transfer fees from the proceeds of the sale. Transportation Code Sections 1109(e)(4), (e)(10). If a medallion purchaser is forced to re-sell the medallion due to any of the following involuntary surrender events: (1) revocation; (2) disability that prevents compliance with the full-time driving requirement, (3) death of the medallion holder; or, (4) foreclosure upon the medallion in the event of default of any outstanding loan against the medallion, there could be a harsh and unintended result to the medallion holder or their family if the re-sale is during the first 10 years of the loan when there may be insufficient equity in the medallion to cover the cost of the transfer fee from the proceeds of the sale.

Accordingly, Taxi Services staff recommends that the Board adopt a graduated Medallion Transfer Fee schedule for the first years of a medallion purchase loan that would apply in the event of an involuntary transfer, as follows:

During the first ten years of a taxi medallion loan:

- a. The five percent amount allocated to the driver fund be waived.
- b. The 15 percent paid to SFMTA for the transfer be pro-rated according to the following schedule:

Year of Involuntary Event	Percent of Medallion Sale Transfer Fee due upon involuntary surrender	Percent of Medallion Sales Price
1	0%	0.00%
2	5%	0.75%
3	10%	1.50%
4	15%	2.25%
5	20%	3.00%
6	35%	5.25%
7	50%	7.50%
8	75%	11.25%
9	90%	13.50%
10	100%	15.00%

The City Attorney has reviewed this report.

## **ALTERNATIVES CONSIDERED**

### **1. Credit Card Regulations.**

If the proposed amendments are not adopted San Francisco taxi companies will have to consider restructuring their business models to account for credit card processing costs, which are likely to include passing the discretion as to whether to accept credit cards and the costs and risks of credit card processing onto drivers. Without a remedy, it is likely that both taxi companies and taxi drivers will be economically incentivized to either refuse credit cards or find other less direct and potentially unauthorized means to absorb or pass on this substantial new business cost, and as a result the public will consider San Francisco taxi service to be a less safe, less convenient and less reliable transportation option.

### **2. Taxi Medallion Sales Pilot Program Medallion Transfer Fee.**

If the proposed amendment is not adopted, disabled medallion holders and the families of deceased or incapacitated medallion holders could find themselves having to produce up to \$50,000 of their own funds in order to comply with the legal requirement of re-selling a San Francisco taxi medallion.

## **FUNDING IMPACT**

There could be a slight decrease in anticipated revenues from the Taxi Medallion Sales Pilot Program to the extent that there will be forced medallion sales due to death, incapacity, or disciplinary revocation early in the term of a medallion purchase loan.

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

No further approvals are required.

## **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

RESOLUTION No. \_\_\_\_\_

WHEREAS, Until the recent installation of Paratransit Debit Card equipment in the San Francisco taxi fleet, the standard practice of taxi companies was to accept credit cards and to cash credit card transaction receipts for their drivers on their own company merchant accounts without charging drivers for the merchant account costs; and

WHEREAS, Transportation Code Section 1106(p)(6) prohibits companies from passing credit card merchant account fees to drivers; and

WHEREAS, With universal availability of credit card processing equipment in San Francisco taxicabs the volume of credit and debit card transactions substantially increased and taxi companies assert that the cost of such transactions has increased to unsustainable levels; and

WHEREAS, Transportation Code regulations have not yet been amended to reflect the universal availability of credit card processing equipment in San Francisco taxicabs such that it is not expressly required that drivers accept credit cards as payment of taxi fares, nor is it expressly required that taxi companies provide the service to drivers of cashing drivers' credit card fare receipts; and

WHEREAS, Taxi Services staff recommends requiring all drivers to accept credit and debit cards as a matter of public service and public safety, that all taxi companies be required to provide credit card payment cashing services to drivers and that the taxi companies only be allowed to pass on credit card processing costs to drivers in a manner approved by the SFMTA and subject to certain limitations specified herein; and

WHEREAS, The Taxi Medallion Sales Pilot Program Medallion Sale Transfer Fee schedule should be amended to prevent hardship when the medallion must be involuntarily surrendered within ten years of the purchase; and

RESOLVED, The Board of Directors approves and adopts amendments to Article 1100 of Division II of the Transportation Code, regulating Motor Vehicles for Hire, to require taxi drivers to accept credit cards, to require taxi companies to cash credit card payments at no cost to drivers except as approved by the SFMTA, and to provide a pro-rated Medallion Sale Transfer Fee schedule for the Taxi Medallion Sales Pilot Program; and be it further

RESOLVED, That the SFMTA may waive Transportation Code Division II, Section 1106(p)(6), prohibiting color schemes from passing on credit card merchant account processing fees to taxi drivers, only under the following conditions:

1. Color scheme seeks and obtains prior written approval from the SFMTA to pass credit card merchant processing fees to taxi drivers in advance of a violation of Section 1106(p)(6); and
2. Such waiver is granted as a limited pilot program until such time as it can be reviewed by the Taxi Advisory Council, and
3. Any cost for credit card transaction cashing services that is passed on to drivers pursuant to a waiver of

Transportation Code Section 1106(p)(6) cannot exceed six percent of total credit card fares for that driver, and

4. Such waiver must provide convenience and/or other services to both taxi customers and drivers that demonstrably improve the quality of taxi service to the public and driver working conditions, and
5. Such waiver shall not include any change in fees charged to customers who pay taxi fare with a Paratransit Debit Card, and
6. Such pilot program remains subject to future regulatory actions by the Board of Directors.

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



[Amending Article 1100 of Division II of the Transportation Code]

**Resolution amending Article 1100 of the Transportation Code regulating Motor Vehicles for Hire.**

NOTE: Additions are single-underline Times New Roman;  
deletions are ~~strike-through Times New Roman~~.

The Municipal Transportation Agency Board of Directors of the City and County of San Francisco enacts the following regulations:

Section 1. Article 1100 of Division II of the Transportation Code is hereby amended by amending section 1106(p), to read as follows:

Sec. 1106 (p) Color Scheme Obligations Related To Drivers

(1) Each Color Scheme shall ensure that every Driver starts and ends each shift at the Color Scheme's principal place of business, except with the prior written approval of the SFMTA.

(2) Each Color Scheme shall ensure that every affiliated Driver holds a valid A-Card, and shall not allow any Driver to operate a vehicle affiliated with the Color Scheme if the Driver does not have a valid California drivers' license or a valid A-Card.

(3) A Color Scheme shall not charge an applicant for a Driver Permit for the statement of affiliation required by Section 1103(c)(1)(F).

(4) A Color Scheme shall issue receipts for payments received from any Driver for fuel, Gate Fees, Lease Fees or other payments.

(5) Medical Certification of Drivers

Every Color Scheme shall ensure that all affiliated Drivers undergo any medical examination required by the SFMTA in accordance with SFMTA requirements.

**(6)** A Color Scheme shall provide cashiering services to any Driver for credit and debit card transactions collected by that Driver as payment of taxi fare while that Driver was driving a vehicle affiliated with that Color Scheme, and shall not charge a Driver for any merchant account processing fees for fares paid by credit or debit card.

Section 2. Article 1100 of Division II of the Transportation Code is hereby amended by adding Section 1122(g) as follows:

(g) Drivers must accept major credit cards (including at a minimum Visa, MasterCard, American Express and Discover), as payment of taxi fare.

Section 3. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1109(e) as follows:

**(e) Taxi Medallion Sales Pilot Program**

**(1) Qualified Taxi Medallion Sellers**

**(A)** Any natural person who: (1) has attained or will attain the age of 70 as of December 31, 2010; or (2) has demonstrated to the satisfaction of the SFMTA that he or she has a bona fide disability that permanently prevents him or her from satisfying the Full-Time Driving requirement, and who, by May 14, 2010, has notified the SFMTA of his or her interest in participating in the Taxi Medallion Sales Pilot Program, is eligible to sell his or her Medallion in accordance with this subsection (e). This subsection (e)(1)(A) does not confer on a Medallion Holder who meets the age or disability requirements of this subsection a vested right to sell a Medallion. The SFMTA Board of Directors may declare at any time that the Taxi Medallion Sales Pilot Program is terminated, suspended or otherwise not operational, and that no further sales by eligible Medallion Holders eligible under this subsection (e)(1)(A) are permitted. No Medallion Holder against whom a revocation proceeding is filed prior to completion of the sale of the Medallion is eligible to sell his or her Medallion under this subsection (e)(1)(A) unless and until the revocation proceeding and any resultant administrative appeal or court proceeding is concluded upon a determination that the Medallion will not be revoked.

**(B)** Any Purchaser of a Medallion under this subsection (e) is eligible to sell the purchased Medallion in accordance with this subsection (e). The Purchaser may not transfer ownership of the Medallion by gift, bequest or in any manner other than by a bona fide sale in accordance with this

subsection (e). A Medallion purchased under this subsection (e) shall expire upon the death or mental incompetence of the Medallion Holder, upon the foreclosure by a Qualified Lender under subsection (e)(14), or upon revocation of the Medallion under Section 1120 of this Article.

**(C)** In all instances in which sale of a Medallion is allowed under this subsection (e), the SFMTA may elect to purchase the Medallion from the Qualified Seller or to allow the Qualified Seller to offer the Medallion for sale to a Qualified Purchaser.

### **(2) Qualified Taxi Medallion Purchasers**

The SFMTA shall authorize Medallion sales under the Pilot Program only to Driver Permit Holders who meet all eligibility requirements for Medallion ownership in Sections 1103 and 1104 of this Article and who acknowledge and agree that the Medallion purchased is subject to the provisions of this subsection (e). The SFMTA shall make offers of sale to such Qualified Purchasers in the order of seniority on the Waiting List, and then in the order of A-Card Seniority.

### **(3) Fixed Medallion Sale Price**

Any Medallion sold pursuant to this subsection (e) shall be sold under the supervision of the SFMTA at a price established by the SFMTA. The initial Medallion Sale Price shall be established by the Director of Transportation after a public hearing and shall not exceed \$400,000. In setting the initial Medallion Sale Price, the Director of Transportation shall consider the commercial loan terms available to Medallion applicants, the affordability of the monthly payments under such loans, the anticipated business revenue to be generated from a Medallion, and other commercially relevant factors. Upon setting the initial Medallion Sale Price, the Director of Transportation shall notify the SFMTA Board of Directors and the public of the Medallion Sale Price. The Director of Transportation may adjust the Medallion Sale Price no more frequently than annually in accordance with the percentage increase in the Consumer Price Index for Urban Wage Earners for the San Francisco Bay Area since the date that the Medallion Sale Price was last set or adjusted. The Director of Transportation may increase or decrease the Medallion Sale Price at any time in accordance with

the procedure for setting the initial Medallion Sale Price, subject to the restrictions set forth in any agreement between the SFMTA and a Qualified Medallion Lender described in Section 1109(e)(12)(C).

#### **(4) Medallion Transfer Fees**

(A) The seller of a Medallion shall pay to the SFMTA the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee at the time of sale. The SFMTA shall deposit the Driver Fund Transfer Fee into the Driver Fund.

(B) Notwithstanding Subsection (4)(A), above, in the event that a Medallion purchaser is required to re-sell the Medallion within ten years due to any of the following involuntary surrender events: (1) revocation; (2) disability that prevents compliance with the full-time driving requirement, (3) death of the medallion holder; or, (4) foreclosure upon the medallion in the event of default of any outstanding loan against the Medallion, then the and Driver Fund Transfer Fee shall be waived and the Seller shall pay to the SFMTA the following Medallion Sale Transfer Fee at the time of sale:

<u>Year of Involuntary Event</u>	<u>Percent of Medallion Sale Transfer Fee due upon involuntary surrender</u>	<u>Percent of Medallion Sales Price</u>
<u>1</u>	<u>0%</u>	<u>0.00%</u>
<u>2</u>	<u>5%</u>	<u>0.75%</u>
<u>3</u>	<u>10%</u>	<u>1.50%</u>
<u>4</u>	<u>15%</u>	<u>2.25%</u>
<u>5</u>	<u>20%</u>	<u>3.00%</u>
<u>6</u>	<u>35%</u>	<u>5.25%</u>
<u>7</u>	<u>50%</u>	<u>7.50%</u>
<u>8</u>	<u>75%</u>	<u>11.25%</u>
<u>9</u>	<u>90%</u>	<u>13.50%</u>
<u>10</u>	<u>100%</u>	<u>15.00%</u>

#### **(5) Medallion Sales by City**

As part of the Taxi Medallion Sales Pilot Program, the SFMTA may sell up to 60 Medallions that have been returned to the SFMTA for any reason to Qualified Purchasers at the Medallion Sale Price. The SFMTA shall be responsible for payment of the Driver Fund Transfer Fee for each such

Medallion sold. The SFMTA shall continue to issue Medallions to applicants in accordance with Sections 1103 and 1104 of this Article during the pendency of the Taxi Medallion Sales Pilot Program.

**(6) Taxi Medallion Purchase and Sale Procedures**

**(A)** Sale of a Taxi Medallion may only be accomplished by a purchase and sale transaction that complies with all requirements of this Article. Transfer of a Medallion upon sale to a Qualified Purchaser is not effective until the transfer is approved by the Director of Transportation.

**(B)** The Director of Transportation may require a Medallion purchaser to provide documentation in a form satisfactory to the SFMTA of the source of the funds used to purchase the Medallion.

**(C)** The Director of Transportation may establish such purchase and sale procedures and other procedures as he or she deems appropriate to carry out the Taxi Medallion Sales Pilot Program.

**(7) Purchased Medallions Subject to all Regulations**

A Medallion purchased pursuant to this subsection (e) remains subject to all applicable laws and regulations and may be suspended or revoked for cause.

**(8) Resale of Medallions**

Medallions acquired pursuant to this subsection (e) are eligible for resale by the Purchaser in accordance with the provisions of this subsection (e).

**(9) Ramp Taxi Medallions**

If any Ramp Taxi Medallion Holder who would qualify to sell a Medallion under subsection (e)(1) notifies the SFMTA that he or she elects to sell the Medallion, the SFMTA shall exchange the Ramp Taxi Medallion for a Taxi Medallion to be sold by the Medallion Holder. Such exchange shall not diminish the size of the Ramp Taxi fleet. No Ramp Taxi Medallion shall be sold pursuant to this subsection (e).

**(10) Driver Fund**

The SFMTA shall establish a Driver Fund. The SFMTA shall deposit all Driver Fund Transfer Fees into the Driver Fund and may, in its sole and absolute discretion, elect to deposit other monies into the Fund. Monies in the Driver Fund may be expended by the SFMTA.

**(11) Taxi Medallion Sales Pilot Program Advisory Council**

**(A)** The SFMTA shall establish a Taxi Advisory Council ("Advisory Council"), which shall monitor the issues that arise during the Taxi Medallion Sales Pilot Program, evaluate the effects of the Pilot Program on all sectors of the taxi industry, and provide advice to the SFMTA Board of Directors and the Director of Transportation.

**(B)** The Advisory Council shall consist of 15 members appointed by the Director of Transportation. Three of the members shall be representatives of each of the following companies: Yellow Cab Cooperative, Luxor Cab Company and DeSoto Cab Company. Three of the members shall be representatives of other Color Scheme Permit Holders. Three of the members shall be Medallion Holders who do not represent a Color Scheme, and who are not employed as managers, dispatchers, cashiers, mechanics, or administrative staff of a Color Scheme. Three of the members shall be Drivers who are not Medallion Holders and who are not on the Waiting List. Three of the members shall be Drivers who are not Medallion Holders and who are on the Waiting List. Members shall serve for a term of two years and shall serve at the pleasure of the Director of Transportation. In the event that a vacancy occurs during a member's term, the Director of Transportation shall appoint a successor for the unexpired term.

**(C)** The Advisory Council shall prepare and provide to the Director of Transportation, no later than December 31, 2010, a report containing its assessment of the Taxi Medallion Sales Pilot Program and its recommendations regarding a long-term Medallion reform program. The Advisory Council shall be staffed by personnel from the Taxi Services section of the SFMTA.

**(D)** The Advisory Council shall terminate by operation of law two years year after the date that all members have been appointed, unless the SFMTA Board by resolution extends the term of the Council.

**(12) Medallion Lender Qualification**

**(A)** A Purchaser of a Medallion may enter into a loan agreement for the purchase of a Medallion only with a Qualified Lender. A Qualified Lender shall not assign, sell or otherwise transfer the Qualified Lender's rights under the loan agreement and ancillary documents with respect to more than 90% of the original loan balance without the express, written consent of the Director of Transportation.

**(B)** A Qualified Lender must be a financial institution chartered by a state government or the federal government, and may not impose any penalties or otherwise constrain the payment of the balance owed on the loan prior to the expiration of the loan term. The Director of Transportation shall adopt rules setting forth additional requirements for designation by the SFMTA as a Qualified Lender. If the SFMTA determines that a lender has failed to meet or maintain the requirements to be a Qualified Lender, the SFMTA shall deny the application to become a Qualified Lender or suspend or revoke the lender's current status as a Qualified Lender.

**(C)** All Qualified Lenders must enter into a written agreement with the SFMTA, in a form approved by the SFMTA. The agreement shall include, at a minimum, the Qualified Lender's acknowledgement of the provisions of this subsection (e), the Qualified Lender's agreement to be bound by these provisions, and the SFMTA's promise not to set the Medallion Sale Price below the highest Medallion Sale Price paid by a Medallion Holder to whom a Qualified Lender made a loan that is still outstanding.

**(13) Security Interests**

**(A) Qualified Lender's Security Interest.** Notwithstanding any other provisions herein to the contrary, a Medallion Purchaser may encumber a Medallion with a security interest pursuant to an agreement entered into with a Qualified Lender to finance the purchase of the Medallion.

**(B) Filing Security Interests.** A Qualified Lender wishing to evidence a secured interest in a Taxi Medallion shall file a notice of the security interest with the Taxi Services Section of the SFMTA in a form approved by the SFMTA within ten business days of closing the relevant loan transaction, and shall provide to the SFMTA the promissory note, loan agreement, security agreement, any other underlying contracts or documents memorializing the terms and conditions of the debt that is secured by the Medallion, and any documents memorializing the perfection of the security interest. The SFMTA will not recognize any secured interest in a Medallion that is not filed and reported in compliance with this rule.

**(C) Release of Secured Interest.** Upon repayment of the loan secured by an interest in a Medallion, the Qualified Lender must file notice of release of the secured interest within 5 business days of the release with Taxi Services Section of the SFMTA along with any underlying contracts or documents memorializing the terms and conditions of the release.

#### **(14) Foreclosure and Transfer of Medallion**

**(A)** If the Purchaser defaults under the agreement with the Qualified Lender beyond any applicable notice and cure period, and the Qualified Lender intends to foreclose on the security interest, the qualified Lender shall notify the Taxi Services Section of the SFMTA at least 14 days prior to the date on which the Qualified Lender intends to foreclose. The notice shall include the name of the Medallion Holder, the intended date of foreclosure, and the contact information for the representative of the Qualified Lender to whom inquiries may be made.

**(B)** Provided that the Qualified Lender has provided notice to the SFMTA under subsection (e)(14)(A), upon foreclosure in accordance with applicable law and the terms of the security agreement between the Qualified Lender and the Medallion Holder, the Qualified Lender may sell



the Medallion pursuant to the provisions of this subsection (e) to the Qualified Purchaser identified by the SFMTA at the Medallion Sales Price. After payment to the SFMTA of the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee, the Qualified Lender shall disburse the proceeds of the sale in compliance with applicable law.

**(15) Disciplinary Revocation and Resale**

**(A)** In the event that the SFMTA brings disciplinary revocation proceedings under Section 1120 of this Article against a Medallion that has been sold in accordance with this subsection (e), the SFMTA shall provide notice of the filing of such proceedings to any Qualified Lender holding a secured interest in the Medallion if the Qualified Lender has complied with all notice and reporting requirements of this subsection (e).

**(B)** Disciplinary revocation of a Medallion shall not affect the validity of the lien of a Qualified Lender against the Medallion. Resale of the Medallion after revocation for any reason shall be subject to the lien of the Qualified Lender.

**(C)** Conduct of Sale. Upon revocation for any reason, the SFMTA shall identify the next qualified applicant and proceed to sell the Medallion in accordance with the procedures set forth in this subsection (e).

**(D)** Disbursement of Sale Proceeds. At the time of sale of the revoked Medallion, the outstanding balance of the loan secured by a secured interest of a Qualified Lender in such Medallion on file with the SFMTA shall be satisfied with the Medallion sale proceeds after deducting the expenses of the sale and the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee. Any remaining proceeds shall be disbursed to the former Medallion Holder or his or her designees

**(E)** Continued Operation During Resale. Upon revocation of the Medallion, the SFMTA shall repossess and sell the Medallion. If the Medallion cannot be repossessed, the SFMTA shall issue a temporary Medallion to replace the Medallion during the pendency of the resale. The Medallion need not be in the possession of the SFMTA in order to proceed with resale. Upon revocation, and until

the Medallion is transferred to a new Medallion Holder, the Medallion shall continue to be operated by the Participating Color Scheme with which it is affiliated.

**(16) Participating Color Schemes**

Any Color Scheme Permit Holder who wishes to participate in the Taxi Medallion Sales Pilot Program as a Participating Color Scheme must enter into a written agreement with the SFMTA. The agreement shall include, but need not be limited to, the agreement of the Color Scheme Permit Holder to allow Medallions purchased under this subsection (e) to affiliate with the Color Scheme in accordance with all applicable rules and regulations, and to continue to operate any such affiliated Medallion during the period commencing on the revocation of such Medallion and ending on the resale of the Medallion, and at any other time upon the request of the SFMTA. During such periods of operation, the Color Scheme shall continue to make the payments that would otherwise have been payable to the Medallion Holder to the SFMTA in accordance with the agreement between the SFMTA and Participating Color Schemes.

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By: \_\_\_\_\_  
STEPHANIE STUART  
Deputy City Attorney

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

**THIS PRINT COVERS CALENDAR ITEM NO. : 13**

**SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY**

**DIVISION:** Administration, Taxis and Accessible Services

**BRIEF DESCRIPTION:**

Requesting the San Francisco Municipal Transportation Agency Board of Directors to adopt amendments to Transportation Code, Division II, Article 1100 governing Motor Vehicles for Hire in order to initiate the Taxi Medallion Sales Pilot Program.

**SUMMARY:**

- The proposed amendments to Transportation Code, Division II, Article 1100 represent the staff recommendation to initiate San Francisco Taxi Medallion reform.
- The Taxi Medallion Sales Pilot Program is expected to produce revenues sufficient to meet the SFMTA's revenue target goals for the Taxi Medallion reform program.
- The Taxi Medallion Sales Pilot Program requires amendment to protect the value and investment of the Purchaser and the Lender of the medallion.
- In the event that the SFMTA decides that some or all Medallion Purchasers may no longer sell their medallions in accordance with Section 1109(e)(1)(B) of the San Francisco Transportation Code, the proposed amendment will require the SFMTA, at the request of the Medallion Holder, to re-purchase the Medallion for the Medallion Sale Price paid by the Purchaser, and, at the request of the Lender with a security interest in the Medallion, deduct the remaining loan balance from the payment to the Medallion Holder and pay that amount to the Lender.

**ENCLOSURES:**

1. SFMTAB Resolution
2. Proposed Amendments to Article 1100

**APPROVALS:**

**DATE**

DIRECTOR OF DIVISION PREPARING ITEM \_\_\_\_\_

FINANCE \_\_\_\_\_

EXECUTIVE DIRECTOR/CEO \_\_\_\_\_

SECRETARY \_\_\_\_\_

ADOPTED RESOLUTION

BE RETURNED TO Chris Hayashi

**ASSIGNED SFMTAB CALENDAR DATE:** \_\_\_\_\_

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### **PURPOSE**

To amend the Transportation Code allowing the SFMTA to implement an interim Taxi Medallion Sales Pilot Program for the reform of the system of distribution of Taxi Medallions in San Francisco.

### **GOAL**

Goal 1: Customer Focus: To provide safe, accessible, clean, environmentally sustainable service and encourage the use of auto-alternative modes through the Transit First Policy.

Objective 1.1: Improve safety and security across all modes of transportation.

Adoption of these proposed amendments would allow the Taxi Medallion Sales Pilot Program to begin. The Pilot Program includes a retirement option for Taxi Drivers who are 70 years old or older, many of whom would otherwise be required to continue driving or suffer the loss of Medallion lease income. Creating a retirement alternative for these Drivers will immediately improve the safety of San Francisco taxi customers, pedestrians, bicyclists and other drivers.

Goal 3: External Affairs/Community Relations: To improve the customer experience, community value, and enhance the image of the SFMTA, as well as ensure SFMTA is a leader in the industry.

Objective 3.1: Improve economic vitality by growing relationships with businesses, community, and stakeholder groups.

These amendments would allow implementation of San Francisco taxi industry reforms that have been subject of debate among industry stakeholders for decades. Furthermore, these amendments provide a level of trust that the SFMTA is committed to Taxi Reform, and will help grow relationships with Lending institutions based here in San Francisco, as well as the small business independent taxi driver who wants to ensure that his investment in a transferable medallion is sound.

Common goals of the reform process were identified as:

- public service/public safety;
- driver quality of life;
- business stability;
- SFMTA revenue;
- opportunities for career advancement for Drivers (incentive to stay in the profession); and
- retirement opportunities for career Drivers.

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The recommendation contained within these proposed amendments represents a sound public policy decision. Staff offers these proposed amendments with the expectation that they will provide as great an improvement over the status quo to the public, the industry and to the SFMTA as could be achieved during this interim, transitional phase of San Francisco taxi reform.

Goal 4: Financial Capacity: To ensure financial stability and effective resource utilization.

Objective 4.1: Increase revenue by 20 percent or more by 2012 by improving collections and identifying new sources.

The adoption of the amendments to the Transportation Code will allow the Taxi Medallion Sales Pilot Program to move forward. The Taxi Medallion Sales Pilot Program is expected to yield substantial new revenues for the SFMTA in the form of revenue from the direct sale of 60 Taxi Medallions by the SFMTA, and revenue from a transfer fee to be paid by qualified Medallion sellers.

### **DESCRIPTION**

The primary purpose of the proposed amendments is to clarify an aspect of 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. In the event that the SFMTA decides that some or all Medallion Purchasers may no longer sell their medallions in accordance with Section 1109(e)(1)(B) of the San Francisco Transportation Code, the proposed amendment will require the SFMTA, at the Medallion Holder's request, to re-purchase the medallion for the Medallion Sale Price paid by the Purchaser, to deduct from that payment the outstanding balance on a loan made by a Qualified Lender to finance purchase of the Medallion, and to remit that amount to the Lender, who will then release its security interest in the Medallion.

The Pilot Program as it relates to these amendments 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.

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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

3. Fixed Medallion Sale Price: The Medallions being sold pursuant to this Medallion Sales Pilot Program will be sold at an initial price of \$250,000.00 which has already been established by the SFMTA. In setting the initial Medallion Sale Price, SFMTA staff considered the 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 regulation allowing re-purchase of the Medallion under the following circumstance.

4. Re-Purchase of Medallion: In the event that the SFMTA decides that Medallion Purchasers may no longer sell their medallions in accordance with Section 1109(e)(1)(B) of the San Francisco Transportation Code, the proposed amendment will allow the SFMTA to re-purchase the medallion for the Medallion Sale Price paid by the Purchaser or the remaining loan balance, whichever is lower.

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 300 Taxi Medallions Holders the option to sell their Medallion during a limited window of time. 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 decide that the some or all of the Medallions purchased under the Pilot Program are no longer transferable. But the SFMTA would then be required to pay the Medallion Holder, upon request, the Purchase Price of the Medallion. The SFMTA, upon request of a Qualified Lender, would deduct the amount of any outstanding loan balance from the Purchase Price, and would remit that amount to the Lender. The SFMTA could distribute these Medallions to Drivers by some other mechanism if it wished end the experiment of transferable Taxi Medallions.

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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 City Attorney has reviewed this report.

### **ALTERNATIVES CONSIDERED**

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:

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 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.

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**OTHER APPROVALS RECEIVED OR STILL REQUIRED**

The Taxi Medallion Sales Pilot Program was approved by the Board under Resolution 10-029 on February 26, 2010. These amendments will allow for the implementation and execution of the 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

RESOLUTION No. \_\_\_\_\_

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, The initial sale price of the Medallions has been set at \$250,000.00 by the SFMTA.

WHEREAS, In setting the initial Medallion Sale Price, SFMTA staff considered the 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.

WHEREAS, No Medallion can be sold until the SFMTA establishes a program whereby the SFMTA can guarantee that in the event that the SFMTA decides that some or all Medallion Purchasers may no longer sell their medallions in accordance with Section 1109(e)(1)(B) of the San Francisco Transportation Code, that the SFMTA will repurchase said Medallions for the Medallion Sale Price paid by the Purchaser; now, therefore, be it

RESOLVED, That the Board adopts the amendment to Section 1109(e) of Division II of the San Francisco Transportation Code acknowledging SFMTA's right to decide that some or all Medallions purchased under the Pilot Program are no longer transferable, to provide for SFMTA purchase of such Medallions upon request of the Medallion Holder, and to provide for repayment, upon Lender's request,

of any outstanding loan from a Qualified Lender that is secured by the Medallion.

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

[Amending Section 1109(e) of Division II of the San Francisco Transportation Code -- Taxi Medallion Sales Pilot Program.]

**Resolution approving an amendment to Section 1109 of Division II the San Francisco Transportation Code acknowledging SFMTA's right to declare nontransferable Medallions purchased under the Pilot Program, to provide for SFMTA purchase of such Medallions upon request of Medallion Holder, and to provide for repayment of outstanding loan to Qualified Lender upon Lender's request.**

NOTE: Additions are single-underline Times New Roman;  
deletions are ~~strike-through Times New Roman~~.

The Municipal Transportation Agency Board of Directors of the City and County of San Francisco enacts the following regulations:

Section 1. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1109(e) to read as follows:

**(e) Taxi Medallion Sales Pilot Program**

**(1) Qualified Taxi Medallion Sellers**

**(A)** Any natural person who: (1) has attained or will attain the age of 70 as of December 31, 2010; or (2) has demonstrated to the satisfaction of the SFMTA that he or she has a bona fide disability that permanently prevents him or her from satisfying the Full-Time Driving requirement, and who, by May 14, 2010, has notified the SFMTA of his or her interest in participating in the Taxi Medallion Sales Pilot Program, is eligible to sell his or her Medallion in accordance with this subsection (e). This subsection (e)(1)(A) does not confer on a Medallion Holder who meets the age or disability requirements of this subsection a vested right to sell a Medallion. The SFMTA Board of Directors may decide at any time that the Taxi Medallion Sales Pilot Program is terminated, suspended or otherwise not operational, and that no further sales by eligible Medallion Holders eligible under this subsection (e)(1)(A) are permitted. No Medallion Holder against whom a

revocation proceeding is filed prior to completion of the sale of the Medallion is eligible to sell his or her Medallion under this subsection (e)(1)(A) unless and until the revocation proceeding and any resultant administrative appeal or court proceeding is concluded upon a determination that the Medallion will not be revoked.

**(B)** Any Purchaser of a Medallion under this subsection (e) is eligible to sell the ~~p~~Purchased Medallion in accordance with this subsection (e). The Purchaser may not transfer ownership of the Medallion by gift, bequest or in any manner other than by a bona fide sale in accordance with this subsection (e). A Medallion purchased under this subsection (e) shall expire upon the death or mental incompetence of the Medallion Holder, upon the foreclosure by a Qualified Lender under subsection (e)(14), or upon revocation of the Medallion under Section 1120 of this Article.

**(C)** In all instances in which sale of a Medallion is allowed under this subsection (e), the SFMTA may elect to purchase the Medallion from the Qualified Seller or to allow the Qualified Seller to offer the Medallion for sale to a Qualified Purchaser.

**(D)** The SFMTA has the right at any time and for any reason to decide that some or all of the Purchased Medallions are no longer transferable or assignable under Section 1109(e)(1)(B) of this Article. At the request of the Medallion Holder, and upon ten days' notice to a Qualified Lender who has a security interest in the Medallion, the SFMTA shall buy a Purchased Medallion that is no longer transferable or assignable at the Purchase Price paid by the Medallion Holder. At the request of a Qualified Lender who has complied with the requirements of Section 1109(e)(13) of this Article, the SFMTA shall deduct from the payment made to any Medallion Holder under this Section 1109(e)(1)(D) an amount **sufficient to satisfy** any outstanding balance on a loan made by

the Qualified Lender and secured by an interest in the Medallion and immediately remit that amount to the Qualified Lender. Upon receipt of this amount, the Qualified Lender shall comply with Section 1109(e)(13)(c) and release its security interest in the Medallion. Upon purchase the of Medallion under this Section 1109(e)(1)(D), the SFMTA shall reissue the Medallion to the Medallion Holder. The reissued Medallion and the Medallion Holder will be subject to all the provisions of this Article, including Section 1105(a)(4), which provides that permits issued under this Article are not transferable or assignable.

### **(2) Qualified Taxi Medallion Purchasers**

The SFMTA shall authorize Medallion sales under the Pilot Program only to Driver Permit Holders who meet all eligibility requirements for Medallion ownership in Sections 1103 and 1104 of this Article and who acknowledge and agree that the Medallion purchased is subject to the provisions of this subsection (e). The SFMTA shall make offers of sale to such Qualified Purchasers in the order of seniority on the Waiting List, and then in the order of A-Card Seniority.

### **(3) Fixed Medallion Sale Price**

Any Medallion sold pursuant to this subsection (e) shall be sold under the supervision of the SFMTA at a price established by the SFMTA. The initial Medallion Sale Price shall be established by the Director of Transportation after a public hearing and shall not exceed \$400,000. In setting the initial Medallion Sale Price, the Director of Transportation shall consider the commercial loan terms available to Medallion applicants, the affordability of the monthly payments under such loans, the anticipated business revenue to be generated from a Medallion, and other commercially relevant factors. Upon setting the initial Medallion Sale Price, the Director of Transportation shall notify the SFMTA Board of Directors and the public of the Medallion Sale Price. The Director of Transportation may

adjust the Medallion Sale Price no more frequently than annually in accordance with the percentage increase in the Consumer Price Index for Urban Wage Earners for the San Francisco Bay Area since the date that the Medallion Sale Price was last set or adjusted. The Director of Transportation may increase or decrease the Medallion Sale Price at any time in accordance with the procedure for setting the initial Medallion Sale Price, subject to the restrictions set forth in any agreement between the SFMTA and a Qualified Medallion Lender described in Section 1109(e)(12)(C).

**(4) Medallion Transfer Fees**

(A) The seller of a Medallion shall pay to the SFMTA the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee at the time of sale. The SFMTA shall deposit the Driver Fund Transfer Fee into the Driver Fund.

**(5) Medallion Sales by City**

As part of the Taxi Medallion Sales Pilot Program, the SFMTA may sell up to 60 Medallions that have been returned to the SFMTA for any reason to Qualified Purchasers at the Medallion Sale Price. The SFMTA shall be responsible for payment of the Driver Fund Transfer Fee for each such Medallion sold. The SFMTA shall continue to issue Medallions to applicants in accordance with Sections 1103 and 1104 of this Article during the pendency of the Taxi Medallion Sales Pilot Program.

**(6) Taxi Medallion Purchase and Sale Procedures**

**(A)** Sale of a Taxi Medallion may only be accomplished by a purchase and sale transaction that complies with all requirements of this Article. Transfer of a Medallion upon sale to a Qualified Purchaser is not effective until the transfer is approved by the Director of Transportation.

**(B)** The Director of Transportation may require a Medallion purchaser to provide documentation in a form satisfactory to the SFMTA of the source of the funds used to purchase the Medallion.

**(C)** The Director of Transportation may establish such purchase and sale procedures and other procedures as he or she deems appropriate to carry out the Taxi Medallion Sales Pilot Program.

**(7) Purchased Medallions Subject to all Regulations**

A Medallion purchased pursuant to this subsection (e) remains subject to all applicable laws and regulations and may be suspended or revoked for cause.

**(8) Resale of Medallions**

Medallions acquired pursuant to this subsection (e) are eligible for resale by the Purchaser in accordance with the provisions of this subsection (e).

**(9) Ramp Taxi Medallions**

If any Ramp Taxi Medallion Holder who would qualify to sell a Medallion under subsection (e)(1) notifies the SFMTA that he or she elects to sell the Medallion, the SFMTA shall exchange the Ramp Taxi Medallion for a Taxi Medallion to be sold by the Medallion Holder. Such exchange shall not diminish the size of the Ramp Taxi fleet. No Ramp Taxi Medallion shall be sold pursuant to this subsection (e).

**(10) Driver Fund**

The SFMTA shall establish a Driver Fund. The SFMTA shall deposit all Driver Fund Transfer Fees into the Driver Fund and may, in its sole and absolute discretion, elect to deposit other monies into the Fund. Monies in the Driver Fund may be expended by the SFMTA.

**(11) Taxi Medallion Sales Pilot Program Advisory Council**



**(A)** The SFMTA shall establish a Taxi Advisory Council ("Advisory Council"), which shall monitor the issues that arise during the Taxi Medallion Sales Pilot Program, evaluate the effects of the Pilot Program on all sectors of the taxi industry, and provide advice to the SFMTA Board of Directors and the Director of Transportation.

**(B)** The Advisory Council shall consist of 15 members appointed by the Director of Transportation. Three of the members shall be representatives of each of the following companies: Yellow Cab Cooperative, Luxor Cab Company and DeSoto Cab Company. Three of the members shall be representatives of other Color Scheme Permit Holders. Three of the members shall be Medallion Holders who do not represent a Color Scheme, and who are not employed as managers, dispatchers, cashiers, mechanics, or administrative staff of a Color Scheme. Three of the members shall be Drivers who are not Medallion Holders and who are not on the Waiting List. Three of the members shall be Drivers who are not Medallion Holders and who are on the Waiting List. Members shall serve for a term of two years and shall serve at the pleasure of the Director of Transportation. In the event that a vacancy occurs during a member's term, the Director of Transportation shall appoint a successor for the unexpired term.

**(C)** The Advisory Council shall prepare and provide to the Director of Transportation, no later than December 31, 2010, a report containing its assessment of the Taxi Medallion Sales Pilot Program and its recommendations regarding a long-term Medallion reform program. The Advisory Council shall be staffed by personnel from the Taxi Services section of the SFMTA.

**(D)** The Advisory Council shall terminate by operation of law two years year after the date that all members have been appointed, unless the SFMTA Board by resolution extends the term of the Council.

**(12) Medallion Lender Qualification**

**(A)** A Purchaser of a Medallion may enter into a loan agreement for the purchase of a Medallion only with a Qualified Lender. A Qualified Lender shall not assign, sell or otherwise transfer the Qualified Lender's rights under the loan agreement and ancillary documents with respect to more than 90% of the original loan balance without the express, written consent of the Director of Transportation.

**(B)** A Qualified Lender must be a financial institution chartered by a state government or the federal government, and may not impose any penalties or otherwise constrain the payment of the balance owed on the loan prior to the expiration of the loan term. The Director of Transportation shall adopt rules setting forth additional requirements for designation by the SFMTA as a Qualified Lender. If the SFMTA determines that a lender has failed to meet or maintain the requirements to be a Qualified Lender, the SFMTA shall deny the application to become a Qualified Lender or suspend or revoke the lender's current status as a Qualified Lender.

**(C)** All Qualified Lenders must enter into a written agreement with the SFMTA, in a form approved by the SFMTA. The agreement shall include, at a minimum, the Qualified Lender's acknowledgement of the provisions of this subsection (e), the Qualified Lender's agreement to be bound by these provisions, and the SFMTA's promise not to set the Medallion Sale Price below the highest Medallion Sale Price paid by a Medallion Holder to whom a Qualified Lender made a loan that is still outstanding.

**(13) Security Interests**

**(A)** Qualified Lender's Security Interest. Notwithstanding any other provisions herein to the contrary, a Medallion Purchaser may encumber a

Medallion with a security interest pursuant to an agreement entered into with a Qualified Lender to finance the purchase of the Medallion.

**(B) Filing Security Interests.** A Qualified Lender wishing to evidence a secured interest in a Taxi Medallion shall file a notice of the security interest with the Taxi Services Section of the SFMTA in a form approved by the SFMTA within ten business days of closing the relevant loan transaction, and shall provide to the SFMTA the promissory note, loan agreement, security agreement, any other underlying contracts or documents memorializing the terms and conditions of the debt that is secured by the Medallion, and any documents memorializing the perfection of the security interest. The SFMTA will not recognize any secured interest in a Medallion that is not filed and reported in compliance with this rule.

**(C) Release of Secured Interest.** Upon repayment of the loan secured by an interest in a Medallion, the Qualified Lender must file notice of release of the secured interest within 5 business days of the release with Taxi Services Section of the SFMTA along with any underlying contracts or documents memorializing the terms and conditions of the release.

**(14) Foreclosure and Transfer of Medallion**

**(A)** If the Purchaser defaults under the agreement with the Qualified Lender beyond any applicable notice and cure period, and the Qualified Lender intends to foreclose on the security interest, the qualified Lender shall notify the Taxi Services Section of the SFMTA at least 14 days prior to the date on which the Qualified Lender intends to foreclose. The notice shall include the name of the Medallion Holder, the intended date of foreclosure, and the contact information for the representative of the Qualified Lender to whom inquiries may be made.

**(B)** Provided that the Qualified Lender has provided notice to the SFMTA under subsection (e)(14(A), upon foreclosure in accordance with applicable law and the terms of the security agreement between the Qualified Lender and the Medallion Holder, the Qualified Lender may sell the Medallion pursuant to the provisions of this subsection (e) to the Qualified Purchaser identified by the SFMTA at the Medallion Sales Price. After payment to the SFMTA of the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee, the Qualified Lender shall disburse the proceeds of the sale in compliance with applicable law.

**(15) Disciplinary Revocation and Resale**

**(A)** In the event that the SFMTA brings disciplinary revocation proceedings under Section 1120 of this Article against a Medallion that has been sold in accordance with this subsection (e), the SFMTA shall provide notice of the filing of such proceedings to any Qualified Lender holding a secured interest in the Medallion if the Qualified Lender has complied with all notice and reporting requirements of this subsection (e).

**(B)** Disciplinary revocation of a Medallion shall not affect the validity of the lien of a Qualified Lender against the Medallion. Resale of the Medallion after revocation for any reason shall be subject to the lien of the Qualified Lender.

**(C)** Conduct of Sale. Upon revocation for any reason, the SFMTA shall identify the next qualified applicant and proceed to sell the Medallion in accordance with the procedures set forth in this subsection (e).

**(D)** Disbursement of Sale Proceeds. At the time of sale of the revoked Medallion, the outstanding balance of the loan secured by a secured interest of a Qualified Lender in such Medallion on file with the SFMTA shall be satisfied with the Medallion sale proceeds after deducting the expenses of the sale and the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee. Any remaining

proceeds shall be disbursed to the former Medallion Holder or his or her designees

**(E)** Continued Operation During Resale. Upon revocation of the Medallion, the SFMTA shall repossess and sell the Medallion. If the Medallion cannot be repossessed, the SFMTA shall issue a temporary Medallion to replace the Medallion during the pendency of the resale. The Medallion need not be in the possession of the SFMTA in order to proceed with resale. Upon revocation, and until the Medallion is transferred to a new Medallion Holder, the Medallion shall continue to be operated by the Participating Color Scheme with which it is affiliated.

**(16) Participating Color Schemes**

Any Color Scheme Permit Holder who wishes to participate in the Taxi Medallion Sales Pilot Program as a Participating Color Scheme must enter into a written agreement with the SFMTA. The agreement shall include, but need not be limited to, the agreement of the Color Scheme Permit Holder to allow Medallions purchased under this subsection (e) to affiliate with the Color Scheme in accordance with all applicable rules and regulations, and to continue to operate any such affiliated Medallion during the period commencing on the revocation of such Medallion and ending on the resale of the Medallion, and at any other time upon the request of the SFMTA. During such periods of operation, the Color Scheme shall ~~continue to make the payments~~ in exchange for the privilege of operating the Medallion as required under that would otherwise have been payable to the Medallion Holder to the SFMTA in accordance with the agreement between the SFMTA and Participating Color Schemes.

APPROVED AS TO FORM:  
DENNIS J. HERRERA, City Attorney

By:

\_\_\_\_\_  
Mariam Morley  
Deputy City Attorney

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