

THIS PRINT COVERS CALENDAR ITEM NO. : 11

**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 (1) to specify SFMTA obligations to medallion purchasers and lenders that have financed medallion purchases in the event that the SFMTA Board decides that purchased medallions will no longer be transferable, and (2) to clarify certain procedures regarding a lender's perfection of a security interest and foreclosure of a medallion loan, and (3) to provide for continued operation of suspended medallions during the period of suspension, including allocation of monthly medallion payments to the Driver Fund.

SUMMARY:

- Prior to implementing the Taxi Medallion Sales Pilot Program, staff seeks Board approval in the form of an amendment to the Transportation Code to specify that in the event that the Board votes to declare that some or all of the previously purchased medallions are no longer transferable, the SFMTA would be obligated to repurchase taxi medallions at the original purchase price and, at the request of a 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.
- Transportation Code, Division II, Article 1100 requires technical amendment to clarify procedures for perfecting lender security interests and foreclosure on medallion loans.
- Transportation Code, Division II, Article 1100 requires amendment to specify procedures for continued operation of a medallion that has been suspended for disciplinary reasons during the period of suspension, including allocation of monthly medallion payments to the Driver Fund.

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: _____

PURPOSE

To amend the Transportation Code in order to (1) to specify SFMTA obligations to medallion purchasers and lenders that have financed medallions in the event that SFMTA Board decides that some or all of the purchased medallions will no longer be transferable, and (2) to clarify certain procedures regarding a lender's perfection of a security interest and foreclosure of a medallion loan, and (3) to provide for continued operation of suspended medallions during the period of suspension, including allocation of monthly medallion payments to the Driver Fund.

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:

- (1) Allow implementation of the Taxi Medallion Sales Pilot Program. The Pilot Program provides a retirement option for Taxi Drivers who are 70 years old or older, and who 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; and
- (2) Improve procedures in disciplinary cases where public safety requires medallion suspension.

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

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

Adoption of these proposed amendments would:

- (1) Allow implementation of the Taxi Medallion Sales Pilot Program that will improve the San Francisco taxi industry, as well as other modes of transportation that interact with taxis, for all stakeholders. These proposed amendments provide a remedy for medallion purchasers and lenders that finance medallion purchases by clarifying the SFMTA's obligations in the event that the Board decides that medallions that are purchased under the Pilot Program will no longer be transferable; and
- (2) Continue to define and professionalize the disciplinary procedures associated with enforcement of motor vehicle for hire regulations by the SFMTA.

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 Taxi Medallion Sales Pilot Program is anticipated to yield significant new revenues to the SFMTA, including \$15,000,000 from direct sale of 60 medallions, and between approximately \$4,000,000 and \$7,000,000 from transfer fees.

DESCRIPTION

Taxi Medallion Sales Pilot Program

One purpose of the proposed amendments is to clarify an aspect of the Taxi Medallion Sales Pilot Program (“Pilot Program”), pursuant to which the SFMTA Board of Directors has authorized the purchase and sale of certain taxi medallions at a fixed price by a qualified seller to a qualified purchaser.

This proposed legislation would clarify that in the event that the SFMTA Board acts to modify or terminate the Pilot Program in a manner that would render any purchased medallions no longer transferable, the SFMTA would be required, at the medallion holder's request, to re-purchase the medallion at the original purchase price (currently set at \$250,000), and, if applicable, deduct from that payment the outstanding balance on a loan financing the purchase of the medallion and remit that amount to the lender, which would then release its security interest in the medallion.

This provision would not place the SFMTA under any obligation to re-purchase medallions if the Board simply declined to authorize the purchase of medallions additional to those (approximately 100 to 200 medallions) that are eligible to be transferred as part of the Pilot Program. Nor would this provision apply if the Board terminated further medallion sales before all sellers who are qualified to sell under the Pilot Program had actually sold their medallions. As long as any medallions that had been actually been sold remain transferable, the SFMTA would not be required to re-purchase medallions under this proposed legislation.

However, if the Board acts to eliminate the attribute of transferability from a purchased medallion, then the SFMTA would be liable to compensate the owner of the medallion. The amount of that compensation -- the original purchase price -- is predetermined by this legislation. The SFMTA would also be obligated to deduct from that compensation any outstanding loan balance, and to remit that amount to the lender. The lenders' rights under this provision would be enforceable by lenders participating in the Taxi Medallion Sales Pilot Program by a “Lender Agreement” between the SFMTA and participating medallion lenders.

There are approximately 200 medallion owners who have indicated an interest in selling, but who have not made a commitment to sell, their medallions. In addition, the SFMTA is authorized to sell up to 60 medallions directly under the Pilot Program. It is likely that approximately 100-200 medallions will be sold during the course of the Pilot Program. The purchase price, fixed by regulation, is currently \$250,000. Accordingly, the total potential liability to the SFMTA, if the

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Board were to vote to terminate the transferability of all purchased medallions, could total \$25

million to \$50 million. Again, the Board may terminate the Pilot Program at any time without incurring any liability if it does not, at the same time, declare that some or all of the medallions purchased under the Pilot Program are no longer transferable.

The proposed legislation also includes clarifying changes to Section 1109(e)(14) regarding perfecting lenders' security interests in a medallion loan and procedures to be followed in the event of foreclosure.

If approved by the Board, the provisions of this legislation would be memorialized in a contract between the SFMTA and lenders that make medallion purchase loans as part of the Pilot Program. Including these provisions in the contracts with the lenders will encourage lender participation in San Francisco's as-yet untested taxi medallion market at rates and upon terms that are as favorable as possible to medallion buyers and sellers and thereby maximize the chances for success of the Pilot Program.

Continued Operation of Suspended Medallions

SFMTA Taxi Services recently argued a case before the Board of Appeals that resulted in the suspension of a medallion for the period of one year. In the past, the Taxi Commission made no provision for the continued operation during suspension of medallions that were suspended for disciplinary reasons. While this policy results in effective discipline of the medallion holder, it also results in the removal of the taxicab from service and reduces the level of taxi service to the public, in addition to reducing the employment opportunities for taxi drivers.

Accordingly, staff proposes an amendment to the regulations that would allow for the continued operation of suspended medallions during the period of suspension. In determining who should receive the income generated by the medallion during the suspension period, staff considered several possibilities.

Currently, when medallions become detached from the medallion holder for non-disciplinary reasons (*e.g.* death or surrender) the color scheme operating the medallion makes monthly payments to the SFMTA. But use of the same system in the context of disciplinary suspensions would create the appearance of a conflict of interest for the agency, as the permit holder might claim that the SFMTA's disciplinary proceedings are motivated by the desire to make money for the agency. Staff also considered and rejected the possibility of allowing the color scheme to operate the medallion free of charge, as this would result in a windfall to the color schemes.

Another possibility, at least in the context of purchased medallions, would be to require the color scheme to make monthly payments to the lender if the loan made to finance the purchase of the medallion is still outstanding at the time of suspension. This is the procedure that will be used when a participating color scheme operates a medallion in the interim between foreclosure and resale of the medallion. The color scheme will make monthly payments to the lender, and those payments will be credited against the outstanding loan balance. But if the color scheme continues making payments to the lender during disciplinary suspension, the suspension would not be punitive --it would not cause any economic loss to the medallion holder. Thus, staff proposes that the revenue from continued operation of suspended medallions be directed to the Driver Fund.

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The City Attorney has reviewed this report.

ALTERNATIVES CONSIDERED

If the Board does not adopt this legislation, (1) the Taxi Medallion Sales Pilot program cannot proceed until alternative arrangements are reached with financial institutions for financing of San Francisco taxi medallion purchases; and (2) medallions that have been suspended will have to be removed from service to the public during the period of suspension.

FUNDING IMPACT

The Taxi Medallion Sales Pilot Program is anticipated to yield significant new revenues to the SFMTA, including \$15,000,000 from direct sale of 60 medallions, and between approximately \$4,000,000 and \$7,000,000 from transfer fees.

There is no funding impact related to the continued operation of suspended medallions.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

RECOMMENDATION

Staff recommends that the SFMTA Board adopt the proposed amendments to Transportation Code Division II, Article 1100 in order to (1) to specify SFMTA obligations to medallion purchasers and lenders that have financed medallion purchases in the event that the Board decides that some or all medallions purchased under the Taxi Medallion Sales Pilot Program are no longer transferable, and (2) to clarify certain procedures regarding a lender's perfection of a security interest and foreclosure of a medallion loan, and (3) to provide for continued operation of suspended medallions during the period of suspension, including allocation of monthly medallion payments to the Driver Fund.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, Implementation of the Taxi Medallion Sales Pilot Program requires the participation of financial institutions willing to loan funds for the purchase of San Francisco taxi medallions; and,

WHEREAS, The SFMTA Board is willing to make a commitment to potential taxi medallion lenders that it will not act to eliminate the transferability of purchased taxi medallions unless it is willing to re-purchase such medallions at the original purchase price; and

WHEREAS, Certain clarifying amendments are necessary to protect a lenders' ability to perfect a security interest in a medallion and foreclose on a medallion loan; and

WHEREAS, There are currently no regulations authorizing the continued operation of a medallion that has been suspended for disciplinary reasons; and

WHEREAS, In the absence of regulations authorizing the continued operation of taxi medallions during a period of disciplinary suspension the level of taxi service available to the public, shifts available to taxi drivers and revenues of taxi companies will be reduced whenever a medallion is suspended; now, therefore, be it

RESOLVED, That the Board adopts the amendments to Article 1100 of Division II of the San Francisco Transportation Code (1) to specify SFMTA obligations medallion purchasers and lenders that have financed medallions in the event that the Board decides that some or all medallions purchased under the Taxi Medallion Sales Pilot Program are no longer transferable, and (2) to clarify certain procedures regarding a lender's perfection of a security interest and foreclosure of a medallion loan, and (3) to provide for continued operation of suspended medallions during the period of suspension, including allocation of monthly medallion payments to the Driver Fund.

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 Sections 1109(e) and 1120 of Division II of the San Francisco Transportation Code.]

Resolution approving an amendment to Section 1109(e) of Division II of the San Francisco Transportation Code setting forth the SFMTA's obligations to Medallion Holders and Lenders if the SFMTA Board declares in future that Medallions purchased under the Pilot Program will no longer be transferable, and clarifying certain procedures regarding a lender's perfection of a security interest and foreclosure of a medallion loan; approving an amendment to Section 1120 of Division II providing for the continued operation of Medallions during periods of disciplinary suspension.

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 pPurchased 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) If the SFMTA chooses at any time to prohibit the future transfer or assignment of Purchased Medallions issued 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 will buy back, at the Purchase Price paid by the Medallion Holder, a Purchased Medallion that is no longer transferable or assignable. At the request of a Qualified Lender who has complied with the requirements of Section 1109(e)(13) of this Article, the SFMTA will 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 shall 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.

(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:

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%

(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~~ security-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 a copy of 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~~ security 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, notwithstanding any other provisions herein to the contrary, the Qualified Lender may foreclose upon its security interest and possess the foreclosed Medallion as an owner of the Medallion with full right, title, and interest thereto, except that Lender shall not be permitted to operate the Medallion. ~~and~~ If 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 ~~without delay once the Qualified Lender determines~~ the date on which the Qualified Lender it 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 ~~deducting amounts payable to the SFMTA~~ ~~payment to the SFMTA of the Medallion Sale Transfer Fee and the Driver Fund Transfer Fee~~, the Qualified Lender shall retain sufficient proceeds of such sale to satisfy Medallion Holder's debt to the Qualified Lender as determined by reference to the unpaid balance under the loan agreement between the Medallion Holder and the Qualified Lender. The Qualified Lender shall then, without delay, remit the amount payable to the SFMTA. ~~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.

Section 2. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1120 to read as follows:

SEC. 1120. REVOCATION AND SUSPENSION OF PERMITS

(a) Revocation or Suspension for Cause

Any permit issued under this Article may be suspended or revoked by the SFMTA for good cause after a noticed hearing. "Good cause" hereunder shall include, but shall not be limited to, the following:

- (1) A Medallion Holder ceased to be a Full-Time Driver.
- (2) A Permit Holder failed to pay a permit fee within 90 days following notice of nonpayment.
- (3) A Permit Holder or the lessee of a Permit Holder's permit operated without the insurance required by this Article.
- (4) A Permit Holder or an agent of a Permit Holder knowingly made false statements to or concealed information from the SFMTA or the Chief of Police.
- (5) A Permit Holder has failed to satisfy any judgment for damages arising from unlawful or negligent operation under any permit issued under this Article without legal authorization.
- (6) A Permit Holder has been convicted of any crime that would disqualify them from holding a permit pursuant to Section 1103(c)(2)(F), or has had a complaint sustained for violation of regulations contained in this Article.
- (7) A Permit Holder obtained their permit by presenting false or fraudulent evidence, or presented false or fraudulent evidence to the SFMTA or the Chief of Police for the purpose of supporting another person's permit application.
- (8) The Permit Holder has been convicted of violating any statute or ordinance governing the operation or licensing of the vehicles and services regulated by this Transportation Code.

(b) Revocation of More Than One Permit

Where a person violating this Article holds more than one permit to operate a Motor Vehicle for Hire in the City, the SFMTA may revoke or suspend all such permits.

(c) Operation During Suspension

In the event that a Taxi or Ramp Taxi Medallion is suspended for disciplinary reasons, the Color Scheme with which it is affiliated may continue to operate the Medallion during any such period of suspension by paying a monthly fee of \$1,900 to the Driver Fund. The total of the monthly fees for the entire suspension period is due as of the 15th day following the commencement of the suspension period. If the suspended Medallion is affiliated with a Color Scheme that is on Administrative Probation upon the date that the suspension commences, the Medallion may be operated by a Color Scheme designated by the Medallion Holder from among those Color Schemes that are not on Administrative Probation and have notified the SFMTA of their willingness to operate the Medallion during the suspension period.

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