

THIS PRINT COVERS CALENDAR ITEM NO. : 11

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Taxis and Accessible Services

BRIEF DESCRIPTION:

Requesting that the Board of Directors amend Division II, Article 1100 of the Transportation Code to amend the vehicle standard requirements for San Francisco taxicabs, to change the Medallion Re-Transfer Fee from 20% to 5% and to waive the Ramp Medallion Use fee through June of 2016.

SUMMARY:

- The SFMTA proposes to change the vehicle age and mileage requirements for taxi vehicles.
- Currently the SFMTA charges a 20% fee for all medallion re-transfers, and proposes to reduce that fee to 5% to come into alignment with the fees in other jurisdictions, and to enhance the value of the medallion asset.
- As the number of Ramp Taxi drivers has decreased, the SFMTA proposes to incentivize Ramp medallion lessees by waiving their monthly use fees through June 2016.

ENCLOSURES:

1. SFMTAB Resolution
2. Transportation Code Amendment

APPROVALS:

DATE

DIRECTOR _____

11/20/14

SECRETARY _____

11/20/14

ASSIGNED SFMTAB CALENDAR DATE: December 2, 2014

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PURPOSE

Requesting that the Board of Directors amend Transportation Code Division II, Article 1100 to amend the vehicle standard requirements for San Francisco taxicabs, to change the Medallion Re-Transfer Fee from 20% to 5% and to waive the Ramp Medallion Use fee through June of 2016.

GOAL

Goal 1: Create a safer transportation experience for everyone.

Goal 2: Make transit, walking, bicycling, taxi, ridesharing, and carsharing the preferred means of travel.

Objective 2.1: Improve customer service and communications.

Objective 2.3: Increase use of all non-private auto modes.

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

Objective 3.2: Increase the transportation system's positive impact to the economy.

Objective 3.4: Deliver services efficiently.

Goal 4: Create a workplace that delivers outstanding service.

Objective 4.4: Improve relationships and partnerships with our stakeholders.

DESCRIPTION

As San Francisco's taxicab system competes with the influx of new motor vehicle for hire companies, which are essentially unregulated, SFMTA Taxi Services has determined that in order for San Francisco taxicabs to remain viable as a transit mode for customers and a business for drivers, current regulations must be changed to allow more flexibility for the industry to grow and eventually thrive.

Vehicle Mileage Standards

To increase regulatory flexibility and introduce cost savings into the market, the SFMTA proposes changing vehicle mileage standards to make the rules more consistent with other jurisdictions throughout the country.

Transportation Code 1113(q) and (r) outline the vehicle standards for entry and exit from the fleet.

“(q) **Vehicle Mileage.** Starting mileage may not be more than 70,000 miles when a vehicle is placed into service. No vehicle may be operated as a Taxi or Ramp Taxi after the vehicle has reached 325,000 miles.

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(r) **Vehicle Age.** No vehicle older than six model years may be placed into service as a Taxi or Ramp Taxi vehicle, and no vehicle older than eight model years may remain in service as a Taxi or Ramp Taxi vehicle.”

The SFMTA proposes allowing a vehicle to enter the fleet with a starting mileage of up to 100,000 miles and for it to remain in operation through 375,000 miles.

Further, SFMTA proposes to increase the entry age of the vehicle to no more than seven model years, with continuous service through nine model years.

This change will allow companies to purchase lower-priced, functional and safe vehicles for use in the fleet, as well as allow companies to keep a well-maintained vehicle longer.

Because the inspection schedule for San Francisco taxicabs will not change, SFMTA staff believes that the change in mileage caps will not present an increased safety risk; furthermore, the lack of mileage caps in other jurisdictions suggests that maintenance is equally as important as mileage.

Staff has also verified through the Sustainable Streets Division that this change creates no impact as it relates to greenhouse gas emissions.

Below is a chart of other jurisdictions and their vehicle standards

City/Jurisdiction	Mileage Cap for Entry	Mileage Cap for Exit	Vehicle Age Requirement
BOSTON	None	None	None, but if a vehicle is driven full time; the maximum use is six years. For single-shifted vehicles, it is twelve years.
NEW YORK	None	None	None, but if vehicle is driven full-time, the maximum use is three years, with some exceptions. Otherwise, it is five years.
ORANGE COUNTY	None	None	Vehicle may not be older than ten model years.
SEATTLE	None	None	None
MIAMI	None	None	Vehicle may be no older than three model years for entry. Vehicle may not stay in fleet more than six model years
SAN FRANCISCO	Proposed (100,000)	Proposed (375,000)	Vehicle may be no older than seven model years at entry. Vehicle age may never exceed nine model years.

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Medallion Re-Transfer Fee

Under Transportation Code Section 1116(f) (1), the current Medallion Transfer Allocation is 20% of the transfer price. This is commonly referred to as the “re-transfer fee.”

“The Transferor shall distribute to the SFMTA the Medallion Transfer Allocation at the time of Retransfer. The Medallion Transfer Allocation shall be twenty percent of the Medallion Transfer Price.”

While re-transfers of the purchased medallions are expected to remain minimal, it is important for the integrity of the medallion system that the medallion maintains its proper value.

The National Credit Union Administration (NCUA) regulates the lending practices of credit unions in the United States. San Francisco taxi medallions are primarily financed through credit unions. The NCUA has indicated to the San Francisco Federal Credit Union, the primary medallion lending partner that because the 20% medallion re-transfer fee in San Francisco is so substantial, it essentially creates a situation where all medallion financing exceeds the 80% loan-to-value-ratio that is generally required for acceptable lending under Code of Federal Regulations section 723.7. (12 CFR 723.7).

The NCUA has suggested that the San Francisco Federal Credit Union should subtract that fee from the transfer price of the medallion in order to establish the overall true asset value of the medallion on which they may lend. Currently, the medallion transfer price is set at \$250,000. The Medallion Transfer Allocation (“re-transfer fee”) is set at 20% of the transfer price, or \$50,000. If the re-transfer fee (\$50,000) were subtracted from the transfer price to determine the asset value, the value of the medallion asset would be reduced to \$200,000. Because the credit union can only legally loan up to a maximum 80% of the asset value, the maximum loan amount would then be reduced to \$160,000. In that situation the borrower would have to come up with a down payment of at least \$90,000. The current down payment required is \$50,000. Currently, the typical medallion buyer makes a \$12,500 down payment and the SFMTA’s down payment assistance program makes up the difference (\$37,500).

If the asset value is downgraded, medallion purchasers who need to finance or refinance their medallion purchase would experience a substantial burden. It also reduces the equity of those permit holders who are re-transferring their permits upon exiting the industry. Furthermore, a decrease in the asset value along with an increase in the loan down payment creates a situation that could potentially remove many buyers from the medallion pool.

San Francisco’s medallion system is unique in that it rewards the working driver with his or her own medallion as a lifetime asset. This is evidenced through the old Prop. K system, which between 1978 and 2010, allowed medallions to be given to working drivers for free. Prior to 1978, medallions were bought and sold on an open market. When the SFMTA began the transfer of medallions for a fee in 2010, the idea was to maintain a system that allows for a level of affordability for the average

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working taxi driver to become a permit holder. Staff believes that reducing the Re-Transfer Fee will help maintain the integrity of the medallion system by not devaluing the medallion, and by maintaining a certain level of financing affordability for the average working driver that will ensure that an available pool of drivers that are willing to invest in San Francisco’s medallion system are not excluded based upon an improper valuation.

Finally, when San Francisco’s fee is compared to the transfer fees of other major cities that have a medallion sales market, it is clear that San Francisco’s transfer fee is far above the average.

City	San Francisco	Philadelphia	Chicago	San Diego	New York	Boston
Price of Medallion	\$250,000	\$440,000 (Median Price)	\$370,000 Highest price paid in 2014: (Market sets price)	\$110,000 Highest price ever paid: (Market sets price)	\$1,050,000	\$500,000
Transfer Fee	20% (Current)	\$3,000 or 3.5% (Whichever is greater)	25% of purchase price if transferred after less than one year of ownership. 5% of purchase price if transferred after 2 or more years of ownership	Range between \$1,992 - \$4,400 based upon varying conditions.	5%	\$250

As this chart demonstrates, San Francisco receives \$50,000 for each re-transfer of a taxi medallion. That is substantially more than the other jurisdictions, with the exception of New York, which receives approximately \$50,000 based on a medallion price of over \$1 million dollars.

Even at 5%, San Francisco would still continue to receive a higher re-transfer fee than other jurisdictions, while still maintaining some uniformity and consistency with other major jurisdictions.

Ramp Taxi Medallion Use Fee

As the medallion sales program has continued, the taxi industry has transitioned away from individually held legacy ramp medallions, and gravitated toward a newer form of incentive-based ramp medallion leasing. In January of 2014, the SFMTA Board approved a plan that would allow a Color Scheme or individual Driver that has demonstrated exceptional wheelchair service to lease ramp medallions directly from the SFMTA for \$500 per month.

Because ramp taxi vehicles are expensive to purchase and maintain, and do not provide any fuel savings because there are few cost effective alternative fuel ramp vehicles on the market, the SFMTA is proposing to waive the cost of the permit that is being issued to drivers who have a history of providing exemplary service in order to incentivize increased service to this elderly and disabled community.

The SFMTA proposes to waive the use fee temporarily and to extend this reduction throughout the length of the SFMTA's two-year budget cycle, which ends on June 30, 2016. At the end of this period, the SFMTA will revisit the issue of whether the fee should revert back to its initial \$500 per month, or whether the temporary reduction should become permanent. The decision will be based on the economic conditions of the taxi industry at that time, as well as the service levels for the disabled community through the paratransit debit card system.

ALTERNATIVES CONSIDERED

Staff considered several alternatives to the vehicle age and mileage requirements, and after conducting industry outreach came up with the current model that is being proposed. Staff also reviewed taxi medallion fees in other jurisdictions and consulted with lending institutions to determine a fair and equitable transfer allocation fee. Regarding the Ramp Taxi Medallion Use Fee, the alternative would be to enforce the current fee of \$500 without any significant improvement in ramp vehicle pickups.

FUNDING IMPACT

There is no impact on the operating budget. Lowering the medallion allocation fee would reduce the amount received by the SFMTA when a transferrable medallion is re-transferred. However, this amount is not a part of the SFMTA budget

Staff would also not collect any fees for Ramp Medallion Leases; however, no fees are currently being collected under this program due to the high costs of operating a ramp medallion permit.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None

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RECOMMENDATION

Staff recommends that the Board of Directors amend Transportation Code Division II, Article 1100 to amend the vehicle standard requirements for San Francisco taxicabs, to change the Medallion Re-Transfer Fee from 20% to 5%, and to waive the Ramp Medallion Use fee through June of 2016.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, Taxicab vehicles are expensive to purchase and maintain, and the SFMTA would like to lower the costs associated with them without compromising safety; and,

WHEREAS, The SFMTA charges a 20% fee for all medallion re-transfers, which likely will have the effect of increasing down payments on financed medallions, and lowering the value of the medallion asset; and,

WHEREAS, It is difficult to find Ramp Taxi drivers, and thus difficult to ensure an adequate number of wheelchair pickups; now therefore be it

RESOLVED, That the SFMTA Board of Directors amends Transportation Code Division II, Article 1100 to amend the vehicle standard requirements for San Francisco taxicabs, to change the Medallion Re-Transfer Fee from 20% to 5%, and to waive the Ramp Medallion Use fee through June of 2016.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of December 2, 2014.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

[Taxi Fees and Vehicle Standards]

Resolution amending the Transportation Code to waive the ramp taxi medallion use fee through June 30, 2016, to change taxi vehicle requirements by allowing taxi vehicles with mileage up to 100,000 miles to be placed in service, allowing vehicles with mileage up to 375,000 miles to remain in service, allowing taxi vehicles of up to seven-model-years of age to be placed into service, and allowing vehicles of up to nine-model-years of age to remain in service, and to reduce the medallion transfer allocation from twenty percent to five percent.

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 300 of Division II of the Transportation Code is hereby amended by amending Section 320, to read as follows:

SEC. 320. TAXI PERMIT FEES.

The following is the schedule for taxi-related permit and permit renewal fees:

Permit Type*	Current Fee	FY 2015 Effective July 1, 2014	FY 2016 Effective July 1, 2015
Driver Permit Application	\$152.00	\$252.00	\$265.00
Medallion Holder Application	\$1,863.00	N/A	N/A
Ramp Taxi Application	\$766.00	N/A	N/A
Monthly Ramp Taxi Medallion Use Fee	\$500.00	\$500.00 (<u>fee waived as of Jan. 1, 2015</u>)	<u>N/A</u> \$500.00

Monthly Taxi Medallion Use Fee (8000 series)	\$2,000.00/ \$100.00 to Driver Fund	\$2,000.00/ \$100.00 to Driver Fund	\$2,000.00/ \$100.00 to Driver Fund
Medallion Waiting List Application	\$505.00	N/A	N/A
Dispatch Application	\$5,688.00	\$5,688.00	\$5,972.00
Color Scheme Change	\$608.00	\$608.00	\$638.00
Lost Medallion	\$227.00	\$100.00	\$105.00
Metal Medallion	\$71.00	N/A	N/A
New Color Scheme - 1 to 5 Medallions	\$1,805.00	\$1,805.00	\$1,895.00
New Color Scheme - 6 to 15 Medallions	\$2,647.00	\$2,647.00	\$2,779.00
New Color Scheme - 16 to 49 Medallions	\$5,299.00	\$5,299.00	\$5,564.00
New Color Scheme - 50 or more Medallions	\$6,621.00	\$6,621.00	\$6,952.00
Taxi Wrap - fee is per vehicle/month	\$162.00	N/A	N/A
Driver Renewal	\$98.00	\$98.00	\$103.00
Medallion Holder Renewal	\$1,410.00	\$1,000.00	\$1,010.00
Ramp Taxi Renewal	\$244.00	N/A	N/A
Color Scheme Renewal - 1 to 5 Medallions	\$1,485.00	\$1,485.00	\$1,559.00
Color Scheme Renewal - 6 to 15 Medallions	\$2,182.00	\$2,182.00	\$2,291.00
Color Scheme Renewal - 16 to 49 Medallions	\$4,534.00	\$4,534.00	\$4,761.00
Color Scheme Renewal - 50 to 149 Medallions	\$6,802.00	\$6,802.00	\$7,142.00
Color Scheme Renewal - 150 or More Medallions	\$9,069.00	\$9,069.00	\$9,522.00
Dispatch Renewal	\$6,284.00	\$6,284.00	\$6,598.00

Section 2. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1113, to read as follows:

SEC. 1113. TAXI AND RAMP TAXI EQUIPMENT REQUIREMENTS.

* * * *

(q) Vehicle Mileage. Starting mileage may not be more than ~~70,000~~ 100,000 miles when a vehicle is placed into service. No vehicle may be operated as a Taxi or Ramp Taxi after the vehicle has reached ~~325,000~~ 375,000 miles.

(r) Vehicle Age. No vehicle older than seven model years may be placed into service as a Taxi or Ramp Taxi vehicle, and no vehicle older than ~~eight~~ nine model years may remain in service as a Taxi or Ramp Taxi vehicle.

* * * *

Section 3. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1116, to read as follows:

SEC. 1116. TAXI MEDALLION TRANSFER PROGRAM.

* * * *

(f) Medallion Transfer Allocation and Driver Fund Retransfer Contribution.

(1) The Transferor shall distribute to the SFMTA the Medallion Transfer Allocation at the time of Retransfer. The Medallion Transfer Allocation shall be ~~twenty~~ five percent of the Medallion Transfer Price.

(2) Notwithstanding Subsection (f)(1) above, and Subsection (j), below, in the event that a Transferee is required to Retransfer a Transferable Medallion within ten years of the Initial Transfer, or most recent Retransfer, due to any of the following involuntary surrender events: (1) disability that prevents compliance with the Full-time Driving Requirement, or (2) death of the Medallion Holder, the Driver Fund Retransfer Contribution shall be waived and the Transferor shall distribute to the SFMTA the following reduced Medallion Transfer Allocation at the time of Retransfer:

Year of Involuntary Event	Percent of Medallion Transfer Allocation Due Upon Involuntary Surrender
1	0%
2	5%
3	10%
4	15%
5	20%
6	35%
7	50%
8	75%

9	90%
10	100%

* * * *

Section 4. Effective Date. This ordinance shall become effective 31 days after enactment. Enactment occurs when the San Francisco Municipal Transportation Agency Board of Directors approves this ordinance.

Section 5. Scope of Ordinance. In enacting this ordinance, the San Francisco Municipal Transportation Agency Board of Directors intends to amend only those words, phrases, paragraphs, subsections, sections, articles, numbers, letters, punctuation marks, charts, diagrams, or any other constituent parts of the Transportation Code that are explicitly shown in this ordinance as additions or deletions in accordance with the "Note" that appears under the official title of the ordinance.

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 December 2, 2014.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency