



Taxis and Accessible Services Division Medallion Reform Background May 1, 2018

Introduction:

SFMTA's Taxis and Accessible Services Division is responsible for the regulation of the private businesses that make up the San Francisco taxi industry, including qualifying and licensing permit holders, monitoring regulatory compliance, and administering discipline for regulatory violations. As part of that mandate, SFMTA's Taxis and Accessible Services strives to ensure that the San Francisco taxicab industry remains a safe public transportation choice.

The Taxis and Accessible Services Division has been engaging in an ongoing effort to reform and modernize taxicab rules and regulations to ensure a high standard of public safety, and customer service while modernizing requirements to better allow innovation and competition. Staff specifically focused on medallion reform efforts over the past few years. Starting in April 2016, staff engaged the industry regarding medallion reform and prepared a thoroughly vetted proposal that was intended to go before the SFMTA Board in December 2016.

The reform package did not go before the Board, and it was decided at that time to engage an outside consultant to provide a broad review of the taxi industry in San Francisco and to develop recommendations for regulatory solutions. PFM/Schaller Consulting has completed the study.

This document provides background on the medallion program and a summary of efforts to stimulate medallion demand, including the recent medallion reform effort.

Background: Existing Taxicab Medallion Program

Prior to 1978, San Francisco taxicab medallions were freely transferable among individuals and corporations. On June 6, 1978, voters passed Proposition K, which among other things, made San Francisco taxi medallions non-transferable and provided that medallions could only be held by individual working taxi drivers.

The San Francisco Taxi Commission was created in 1999 to assume responsibility for governance of the taxi industry from the Police Commission, and continued to serve as the regulatory body of the taxi industry between 1999 and 2009. In 2009, the Board of Supervisors transferred regulation of the taxi industry from the Taxi Commission to the SFMTA. One of the first initiatives that the SFMTA undertook was reform of the taxi medallion system.

On February 26, 2010, the San Francisco Municipal Transportation Agency (SFMTA) Board of Directors adopted the Taxi Medallion Sales Pilot Program (Pilot Program), which allowed Pre-K and Post-K medallion holders who were disabled or age 70 or older to participate. The participating medallion holders were able to surrender their medallions to the SFMTA and the SFMTA would concurrently transfer those medallions to taxi drivers wishing to purchase, in the order of their seniority on the medallion waiting list. The medallion holder that surrendered their

medallion received \$200,000 from the transfer, and the purchasing driver paid \$250,000 (the price established by the SFMTA Board). The SFMTA received a \$50,000 transfer fee, and five percent of that fee went to the Driver Fund.

These surrendered medallions then became part of the pool of transferable medallions in the Pilot Program. The holder of a transferable medallion was free to retransfer, regardless of age or disability status, at the set medallion sales price to qualified buyers identified by the SFMTA. The Pilot Program was later modified to allow holders of Pre-K and Post-K medallions who were over the age of 65 to surrender the medallions.

When the SFMTA Board adopted the permanent Medallion Sales Program on August 16, 2012, medallions were no longer issued free of charge to drivers at the top of the waiting list. In recognition of the many people who had been on the waiting list for years to “earn” a medallion, the SFMTA Board approved the sale of half-price medallions to the first 200 people on the waiting list. This program to ease the transition from the Post-K earned medallion program to the transferable medallion program has concluded.

Types of Medallions

There are currently seven types of medallions:

- **Pre-K Corporate:** Prior to Prop-K (1978), medallions could be owned by a corporation. The corporation cannot change ownership by more than ten percent or the medallion will revert to the City. Corporations can hold more than one medallion and there is no driving requirement. These medallions cannot be transferred or surrendered.
- **Pre-K:** Prior to Prop-K (1978), medallions could be held by anyone and could be held by more than one person. Pre-K medallion holders are not subject to the driving requirement. Currently, these medallions can be surrendered if the medallion holder is at least 60 years old or has a permanent disability. Individuals can hold more than one medallion.
- **Post-K Earned:** These medallions (after 1978) are limited to one per taxi driver and can only be held by an individual. There is a driving requirement and these medallions can be surrendered if the medallion holder is at least 60 years old or has a permanent disability. The minimum allowable age to surrender was lowered from 65 years of age to 60 during the adoption of the permanent Medallion Transfer Program in 2012. These medallions are not, however, transferable.
- **Purchased:** These medallions were transferred (purchased) under the Medallion Sales Pilot Program that started 2010 and the Medallion Transfer Program that replaced the Medallion Sales Pilot Program in 2012. Any individual who purchased a medallion under either program may retransfer their purchased permit for sale at any time with no restriction on age or disability. There is a driving requirement for these permits.
- **Ramp:** The medallions operate in wheelchair accessible ramp vehicles. Some medallions are operated by drivers and some are leased to color schemes. Ramp Medallions cannot be transferred or surrendered.

- **8000 Series:** Medallions that are leased by SFMTA to the taxi companies for a monthly use fee of \$750 (\$100 going towards the driver fund). These medallions cannot be transferred or surrendered.
- **“S” Series:** Under the Single Operator Permit pilot program, these medallions were offered to drivers that weren't on the waitlist, never owned a medallion, in order of A-Card seniority. The term of permit is four years. These permits are restricted to no more than 90 hours per week. This pilot program is being phased out and “S” series medallions are no longer being issued. These medallions cannot be transferred or surrendered.

Currently, the relevant distinctions between medallion types pertain to the driving requirement (at least 156 four-hour shifts or 800 hours during a calendar year) and ability to transfer or surrender. Corporate, Ramp, 8000-Series and “S” Series medallions can neither transfer nor surrender. Pre-K medallions have no associated driving requirement and can be surrendered for consideration if the medallion holder is at least 60 years old or has a permanent disability. Post-K medallions have a driving requirement and can also be surrendered for consideration if the medallion holder is at least 60 years old or has a permanent disability. It’s important to note that both surrender and retransfer transactions require a buyer.

Current Industry Snapshot

There are a total of 1,575 medallions on the street today. Each medallion is affiliated with one of 24 Color Schemes (Taxi Companies). All Color Schemes are required to affiliate with one of the eight permitted Dispatch Services. The Taxi Industry currently consists of:

Color Schemes:	24
Dispatch Services:	8
Pre-K Corporate:	84
Pre-K:	180
Post-K Earned:	577
Purchased:	599
Ramp:	42
8000 Series:	7
“S” Series:	11 (By September 2018, all “S” Series will be termed out)
Foreclosed:	119

Surrender

Under the Transportation Code, the surrender payment (the amount paid by the SFMTA to the Pre-K or Post-K medallion holder for surrender of a medallion, after the SFMTA has identified a new transferee and a properly executed transfer agreement has been received from the transferee) is presently \$200,000. A Pre-K or Post-K medallion holder does not have a vested right to surrender a medallion for consideration. The SFMTA Board may decide to terminate the surrender program at any time. There are currently 481 Pre-K and Post-K medallions who want to surrender their medallion.

Re-Transfer

Under the current regulations, holders of transferable medallions have a driving requirement and are eligible to transfer the medallion at any time, regardless of age or disability status. There are currently 397 transferable medallion holders who want to re-transfer their medallion.

The total number of medallion holders on the list to either surrender or re-transfer is 870. However, both the surrender and re-transfer transactions require the identification of a new transferee. The last medallion retransfer occurred in April 2016.

Table 1: Taxi Medallion Sales Since Beginning of Pilot Program

	2010	2011	2012	2013	2014	2015	2016
TOTALS	30	147	106	209	168	65	11

A total of 736 medallions have been transferred or re-transferred under the Medallion Sale Program since its inception. The sales are higher than the number of transferable medallions in service because a medallion can be transferred more than once.

Efforts to Stimulate Demand

The waiting list to purchase a medallion was closed in January 2015 because all those on the list had been offered the opportunity to purchase a medallion. Since that time, pursuant to the current Transportation Code requirement, the SFMTA has offered the opportunity to purchase a medallion based on A-Card Seniority. In an effort to stimulate demand in spring 2015, Taxi Services sent a letter of interest to purchase a medallion to all potentially qualified drivers, and revised application procedures to streamline the process. Nearly 8,000 letters were mailed and a total of 780 responses were received. Out of those responses, 50 medallions were sold.

Throughout 2015, the waiting lists to surrender and re-transfer a medallion outpaced demand to purchase, and in the fall of 2015, the SFMTA Board amended the Transportation Code to reduce the driving eligibility requirement for medallion applicants. With the change, a medallion applicant must have been a full time driver for at least one year, instead of four out of the last five years. Taxi Services sent out two rounds of interest letters following the reduction in the driving requirement. Approximately 7,000 letters were sent, and 30 responses were received. Since the change in medallion eligibility was enacted, there have been 23 medallion sales.

The annual medallion renewal fee for transferable medallions was waived in April 2017.

The efforts to stimulate demand did not have the desired results and therefore Taxi Services developed a comprehensive medallion reform package.

Medallion Reform 2016-2017

Taxicab medallion reform is critical because the taxicab medallion sales program is experiencing a notable decrease in demand, as is the case in medallion programs nationally. This decrease in demand is generally attributed to the rise of Transportation Network Companies (TNCs) in San Francisco and the ability of TNC drivers to operate commercially as for-hire drivers without a medallion. Based on a report in the November 7, 2016 San Francisco Examiner, there are potentially 45,000 possible Uber and Lyft drivers operating commercially in San Francisco providing for hire transportation services, as compared to approximately 2,000 authorized taxicab medallions.

In conjunction with taxi industry feedback, staff prepared a medallion reform package beginning in April 2016 that was vetted for nine months. Given the scale of the proposed amendments, staff worked hard to ensure that there has been significant time for the taxi industry stakeholders to provide input. Transportation Code reform was discussed at Taxi Color Scheme Management meetings on May 3, May 24, June 2 and October 11, 2016; Taxi Town Hall meetings on May 25, July 22, and October 14, 2016; and Taxi Task Force meetings on April 13, May 11, June 8, July 13, August 10, September 14, October 12, and November 9, 2016. The Transportation Code amendments were also discussed at the August 10, 2016 Paratransit Coordinating Council, the July 21, 2016 Multimodal Accessibility Advisory Committee, and at the July 15 and October 21, 2016 Policy and Governance Subcommittee of the SFMTA Board meetings.

Given the level of engagement of the taxi industry and the variety of perspectives from different stakeholder groups, SFMTA received significant feedback. Many medallions holders support medallion reform and stated that the bold measures proposed are needed at this time. Others indicated that the proposed reform should allow medallion applicants to hold more than 50 medallions. Comments were made that do not support the proposed reform and instead propose a study of the medallion system. All comments provided were carefully considered.

Proposed medallion reforms that were intended to go before the SFMTA Board in December 2016 included:

- Elimination of the requirement that only SF Taxi drivers be allowed to purchase a medallion
- Elimination of the driving requirement for medallion holders
- Allowing individuals, groups or business entities to purchase up to a maximum of 50 medallions

As noted earlier, the reform package was not brought before the Board, and instead, it was decided to engage an outside consultant to provide a broad review of the taxi industry. PFM/Schaller Consulting began the study in the spring of 2017.

Medallion Reform 2017-2018

PFM/Schaller was on-site conducting key stakeholder interviews in May 2017 and again in October 2017 to present some of their research results and to discuss potential regulatory options. Town

Hall discussions were held with all stakeholder groups, including Color Scheme and Dispatch Service managers, Medallion Holders and Drivers. The consultants also met with Airport Management regarding the taxi industry.

The PFM/Schaller report has been completed and the proposed recommendations in the report will be vetted with the taxi industry and interested stakeholders.

Additional Efforts

In addition to the other ongoing reform, SFMTA has made significant efforts to “level the playing field” for taxis with the goal of helping the health and stability of the Taxi Industry.

- Eliminated vehicle age requirements. Prior restrictions required vehicles over nine model years to be taken out of service. Vehicles over nine model years and/or 200,000 miles are now subjected to inspections every six months to ensure safety.
- Eliminated mileage limits for cabs on introduction, allowing Medallion Holders and Color Schemes more flexibility in their choices of new vehicles. Prior restrictions prevented vehicles with over 100,000 miles from being introduced as a Taxi.
- Reduced and eliminated various taxi industry fees from FY14 through FY18 estimated at \$9.5M in foregone revenue (see Table 1 on page 7)
- Eliminated the requirement that Color Scheme facilities be located in San Francisco. Given the current real estate market, SFMTA allows Color Schemes more flexibility in finding facilities to house their operations.
- Eliminated the requirement that shift changes occur at Color Scheme yards. This requirement was costly, as it required cabs to return to the yard to during shift changes, which took cabs out of circulation at peak times.
- Transitioned the new driver onboarding to a purely online format to speed up the process. The new system allows a successful applicant to receive their permit in a more streamlined and efficient manor, reducing the average processing time from two weeks to two days.
- Reduced the medallion retransfer fee from 20% (\$50,000) to 5% (\$12,500)
- Added \$300,000 to the budget to expand the Ramp Taxi Incentive Program, allowing for incentives for vehicle purchase, maintenance and operating costs. This augments the existing program, which provides per trip incentives for the drivers and a fleet incentive for the color scheme.
- Proposed further reductions in medallion renewal fees, color scheme renewal fees and taxi stand fees as part of the FY19-20 budget process.
- SFMTA is a party to the CPUC rulemaking on TNCs and to date has submitted over 30 sets of extensive comments with recommendations for appropriate rules and regulations. [SFMTA Comments on the CPUC's TNC Rulemaking](#).

Table 1: Taxi Fee Reductions/Waivers

Fee Description	Original Amount	Reduced Amount	Status & Timeframe	Forgone Revenue FY14-15	Forgone Revenue FY15-16	Forgone Revenue FY16-17	Projected Forgone Revenue FY17-18
Metal Plate Fee	\$75	\$0	Eliminated in FY13-14	\$138,750	\$138,750	\$135,150	
New Driver Application Fee	\$252	\$0	Eliminated in FY13-14	\$201,600	\$113,148	\$63,000	
Color Scheme Change Fee	\$608	\$400	Reduced 2015	\$4,576	\$38,272	\$31,200	
8000 Series Use Fee	\$2,000	\$1,000	Reduced 2014	\$842,000	\$482,000	\$137,000	
Medallion Re-Transfer Fee	\$50,000 (20%)	\$12,500 (5%)	Reduced 2014	\$862,500	\$1,275,000	-	
Dispatch Permit Renewal Fee	\$6,284	\$0	Waived FY14-15	\$56,556	-	-	
Color Scheme Renewal Fee	Varies based on fleet size: \$1,485-\$9,069	\$0	Waived FY14-15	\$110,753	-	-	
Medallion Renewal Fee (Reduced)	\$1,410	\$1,000	Reduced for all FY14-15	\$671,170	\$38,950	\$738,820	
Medallion Renewal Fee (Waived)	\$1,000	\$0	Waived for all but corporate medallions FY15-16	-	\$1,755,000	-	
Medallion Renewal Fee for Transferable Medallions (eliminated)	\$1,134	\$0	Eliminated FY17-18				\$793,800
Driver A-Card Renewal	\$100	\$0	Waived FY15-16	-	\$906,900	-	
Annual Forgone Revenue				\$2,887,905	\$4,748,020	\$1,105,170	\$793,800
Total Estimated Forgone Revenue FY14-FY18							\$9,534,895