

January 27, 2009

Prop K Charter Reform Proposal
Originally submitted June 14, 2008
Barry Korengold

I am strongly opposed to any form of selling or worse, the auctioning off of medallions in San Francisco. Though some adjustments need to be made, San Francisco has pioneered a more equitable system of distributing medallions to longtime working cabdrivers, who risk their lives and sacrifice their health on a daily basis. With Prop K, working drivers on the list eventually get rewarded after putting in years of dilligent service and may achieve a senior status, where they have more control of their working conditions, and can earn a higher level of income. It gives a sense of pride and professionalism to the industry, and improves the quality and number of longterm experienced drivers in San Francisco.

With the implementation of the “Daly/Ma Amendment”, which requires years of driving prior to attaining a medallion, non-drivers and those only interested in making a “fast buck” have virtually been eliminated from attaining new medallions, and the waiting list has been moving much faster.

Arguments for buying and selling medallions have arisen due to lack of a retirement plan, or an “exit strategy”. I believe this can be addressed with a gradual relaxation of the driving requirement. I would start by suggesting 25% be taken off every five years, and an additional 25% when a driver reaches the age of 65. This figure can be worked with, to include an age requirement, such as the driving requirement being reduced at a lesser rate or not at all, for younger drivers, say, under 40.

Since the Daly/Ma Amendment will soon require 5 years of driving, prior to receiving a medallion, once a driver has had a medallion for 5 years, they will have actually driven at least 10 years, usually many more. Most drivers are in their 40’s, 50’s, even 60’s before receiving a medallion. Some are already in their 70’s and have been driving 30 years or more.

In fairness, some changes should be made to the waiting list process also. A driver should automatically be placed on the list when receiving an A-Card, and only required to pay when they have met the driving requirement and wish to remain eligible for a medallion. So as not to string drivers along indefinitely, once a driver has met the requirement for 9 out of 10 continuous years, they should be allowed to remain qualified, whether they continue to drive or not. The driving requirement would resume if a permit was acquired.

Though the buying and selling of medallions may be a source of revenue for the city and those currently holding medallions, it would be a grave injustice to those who have been waiting on the list and adjusted their lives in order to comply with the strict driving requirement to qualify.

Even if auctioned medallions are offered only to drivers on the list, the drivers who don’t have the money, will be passed up by those further down the list, who do. If financing is offered to all those who reach the top of the list, they are still forced to start off in debt, and a huge chunk of revenue will go to the banks/lenders and the city, rather than to the permit holder.

If the city would seriously crack down on the illegal limosine operations, they would create significant revenue and be able to issue hundreds more permits for legitimate taxicabs as well as justify its fees.

March 2008

To: Charter Reform Committee (for revising taxi law, Proposition K of 1978)
From: Carl Macmurdo
Re: Enclosed proposal

Attached is my proposal for a medallion auction system to replace taxicab law Proposition K of 1978. During year 2004, a broad range of taxi industry participants held several meetings as an assigned committee chaired by Board President, Matt Gonzalez. The final recommendation, issued in July 2004, is the main foundation for my proposal. Upon learning that Supervisor Sean Elsbernd and others preferred an **enabling ordinance format**, I structured the proposal accordingly.

Part One is a lengthy narrative that intends to inform regulators and city hall officials of the details in the heavily nuanced taxi industry situation. From it can be culled a briefer preamble in the “Whereas and Wherefore... Therefore be it Resolved” format.

Part Two, the enabling ordinance, revokes Prop. K while authorizing the Board to draft a new law. Part Three contains minimal stipulations necessary to secure support from the voters, the taxi drivers who will bid on permits, and current permit holders. I strongly believe that the informational materials and guidelines in parts one and three are essential to a successful enabling ordinance.

In late 2005, the San Francisco Taxi Association and the Medallion Holders Association jointly presented the enclosure to the Mayor’s Public Policy Group and others. Largely at the behest of taxi commission staff, the topic of amending Prop. K was assigned to the Goldman Institute of Public Policy in Berkeley for further analysis. Goldman’s fundamental conclusion was that the city should convert to a medallion auction system.

Thank you for your consideration.

Part One: THE NEED FOR TAXICAB LEGISLATIVE REFORM

INTRODUCTION

Reform of Proposition K, enacted by the voters in 1978, is long overdue. Prop. K has an economically inefficient method for allocating taxi permits. It fails to provide incentives for taxi drivers to provide quality service, has led to public safety problems, and costs the tax payers millions of dollars in lost revenues. It is time to reform Prop. K. The proposal below benefits every stakeholder group --- the public who ride in taxis, the tax payers, and the taxi industry, including individual career cab drivers.

The taxi **permit**, also known as a **medallion**, should not be confused with a taxi driver's license. Although many people become cab drivers, very few ever acquire a taxi permit. **The taxi permit is a business license**, issued by the City and County of San Francisco. The permit holder must have a taxicab business in operation at all times to serve the public. The inherently valuable medallions (permits) are issued free, except for nominal processing fees, to taxi drivers from a waiting list. Permit value comes from its scarcity and leasing ability. Currently, there are 1,431 permits, i.e., 1,431 taxis operating in San Francisco.

(A) PROPOSITION K (1978)

In 1976, San Francisco's largest taxicab company went bankrupt. All of their permits (medallions), held by Westgate Corporation, were seized by the bankruptcy court. Hundreds of taxis were suddenly taken off the streets, causing great disruption in service.

New legislation was necessary to protect taxi service. Proposition K of 1978 phases out widespread corporate holding of medallions by assigning the permits only to individuals. Permits are defined as **city property** under Prop. K. In practical terms, this means permits cannot be sold, nor can the heirs of permit holders inherit any value. Thus, Prop. K contains the unnecessary and economically inefficient requirement that medallions --- which as income-generating assets have considerable value --- cannot be bought and sold.

Prop. K established an applicant waiting list to receive medallions (permits) as the permits become available. The permit is free, subject to modest filing and issuance fees. Prop. K fails to recognize or take advantage of the permit's value as an asset. As described below, this system of giving away valuable permits through a waiting list is irresponsible public policy, which deprives the general fund of millions of dollars annually, while leading to widespread abuses and industry dysfunction.

(B) STATUS REPORT: PROP. K, 30 YEARS LATER

Prop. K is dysfunctional in large part, because it assigns total permit value to permit holders while denying property rights. Disallowing permit sales has resulted in medallion turnover at an excruciatingly slow rate and with permit holders continuing to drive long

after they should retire, due to driving requirement rules. Permit holders are subject to a city-mandated, full-time driving requirement.

In 1990, twelve years after Prop. K became local law, Congress passed the Americans with Disabilities Act (ADA). Now, due in part to conflicts between Prop. K and current federal disability case law rulings, permit turnover has slowed to a trickle. Opportunities for young, qualified drivers to obtain permits have evaporated. More than 3,200 applicants are on the waiting list, whereas only about 30 or 40 permits have been issued each of the past few years. A permit usually becomes available only upon the death of an existing permit holder. At current permit turnover rates, a new driver-applicant may wait decades to receive a taxi permit.

The Prop. K applicant list moves so slowly that many drivers are issued permits late in their careers, close to or at retirement age. They are only marginally able or willing to drive full-time by then. Those who fulfill the driving requirement do so with increasing difficulty, to the major detriment of both personal health and public safety.

In addition, no one wants to relinquish an income-generating asset, particularly a permit only recently acquired after a career-long wait. Accordingly, many elderly permit holders continue to drive after reaching retirement age, even though less physically able to do so safely. Some actually commit fraud, pretending to drive in order to retain their permits. The city's Board of Appeals (BOA) has spent an inordinate amount of time and money adjudicating revocation hearings for elderly and feeble permit holders.

Recent ADA case law decisions --- and associated BOA rulings --- have led to a partnering relationship between the city's Department of Public Health and the Taxi Commission. During periods of disability, permit holders are allowed the accommodation of simply operating the permitted business, without personally driving a taxicab. However, no such protections exist for the elderly, frail, and feeble, who must drive full-time until contracting ADA-qualifying disabilities. This highly irresponsible policy will be corrected by creating an appropriate exit strategy for permit holders.

In summary, current taxi law allows neither a meaningful entry opportunity for younger drivers aspiring to hold permits, nor any exit strategy for older permit holders. **Prop. K of 1978 is a failed experiment, one that no other city in the world has emulated.** Far from an opportunity, the list --- currently moving at a slow pace --- is a cruel hoax. Also, major public safety issues associate with requiring elderly and feeble permit holders to drive full-time, if at all. Finally, the City is losing millions of dollars annually that the more functional auction system proposed below will generate.

(C) STATUS OF THE RAMP TAXI PROGRAM

About 15 years ago, the city began a **ramp taxi program** to provide taxi service for disabled persons who use motorized wheelchairs in their daily activities. Currently, 100 of the city's 1,431 medallions are categorized as **ramp taxi permits**. Ramp taxi vehicles are specially designed to lift and load the motorized wheelchairs and safely convey their users.

Nearly all agree the ramp program is in great disarray. Presently, many factors contribute to the inability of the taxi industry to provide the disabled community with the prompt and efficient service it deserves.

In order to improve service to the disabled community, Part Three of this ordinance allows the Board of Supervisors widespread discretionary authority, after holding public hearings for input, to define future rules for the ramp program. Issues as to whether all ramp taxis should be under a single company operation, and/or under a single dispatch operation, and/or with salaried drivers required to take service calls from the disabled community, remain to be determined. The guiding principle involved is to provide the best possible service to the disabled community.

(D) RECOMMENDED SOLUTION

A sealed bid auction system for medallions (permits), in which only taxi drivers are allowed to participate, is recommended. This creates a proper exit strategy for elderly permit holders to retire from the industry by selling their medallions. It also provides the opportunity now lacking for the vast majority of taxi drivers to obtain permits, while building equity in their future. The current 6,000 licensed, non-permitted taxi drivers will all bid with equal opportunity. Transferred permits are subject to a seller's transfer fee or percentage, which will accrue to the general fund.

In the successful New York City model upon which this proposal is based, lenders provide financing, knowing the medallion generates enough **additional income** to meet the monthly repayment note. During the estimated 15 years in which the loan is being repaid, new permit holders will build equity in an asset that can be used as a retirement fund when sold. As such, the auction system provides financial incentives for taxi drivers, rather than having them wait interminably on a long list in hope of receiving a free permit as a sort of entitlement. **Creating this unique equity-building opportunity is socially progressive, especially in the multi-cultural workforce of San Francisco taxi drivers.**

Prop. K permits being **city property**, the City has widespread discretion in creating policy for transitioning to the auction system. The City may choose, for example, to sell the medallions at a reduced rate to current permit holders. Alternatively, the City might assign property rights for free to current permit holders, while requiring a higher transfer fee than will apply later to drivers who purchase their permits at auction. These and other options will be considered by the Board during the public hearings required under Part Three of this ordinance.

The city benefits as well from an auction system. By requiring sellers to pay a percentage of the sales price to the general fund, San Francisco henceforth can receive millions of dollars annually from permit fees. If need arises for new, additional permits, the city will receive 100% of the auction monies. In 2004, New York City, which has a similar taxi-leasing system as San Francisco, auctioned off 300 new taxi permits to an eager group of drivers, garnering nearly 90 million dollars for the general fund.

Auctioning permits will also serve the City in several other important ways. Public transportation will be served, by having a revitalized taxi system with safer and more responsible permit-holding drivers, who are now financially vested and committed to the taxi industry. With a new and ongoing revenue source that will raise millions, San Francisco can continue subsidizing taxi services for the elderly and disabled and create benefits for all taxi drivers, permit holders or not.

Some Prop. K waiting list applicants, especially those near the top of the list, will oppose this ordinance. Attempting to soften the blow for these top K listers by setting aside future permits for them is illogical, impractical, or otherwise in conflict with the message and ideology of this ordinance. Additionally, no rationale exists for drawing cutoff lines, e.g., to compensate lister # 300 and then ignore # 301. Also, it is illegal to provide an advantage in the auction process. Those near the top of the K list upon its dissolution will have an equal opportunity to bid for auction permits and are encouraged to do so.

Alternatively, the City could choose to establish a hiatus period prior to the initial public auction and use existing rules to issue a specified number of new medallions to top listers. The medallions would be either free of charge, or otherwise set at a fixed price well below perceived sale market value, with both down payment and loan assistance being provided to buyers. The new medallions would be offered to qualified applicants in list order. Once all the medallions were taken, the applicant list would be dissolved, replaced by an auction system with a bidding pool consisting of all licensed taxi drivers bidding with equal opportunity.

Part Two: PROPOSED ENABLING ORDINANCE

SECTION 1. Preamble. The people of the City and County of San Francisco declare that:

All taxicab permits issued by the City and County of San Francisco are subject to municipal control and must be operated in the public interest, both from the standpoint of service as well as safety.

A change in the law is essential for the reform and revitalization of the San Francisco taxicab industry. Therefore, in order to place taxicab permits in the hands of working cab drivers, acknowledge and realize the value of those permits, and promote and enhance public safety, the people of the City and County of San Francisco adopt this ordinance.

SECTION 2. Repealing Proposition K of 1978. The ordinance providing for the regulation of taxicabs and other motor vehicles for hire, adopted by the voters at the June 6, 1978 election, is hereby repealed in its entirety. All other provisions of law relating to taxicabs and other motor vehicles for hire, including but not limited to provisions in the Police Code that may parallel provisions appearing in the aforementioned ordinance, shall remain in effect unless repealed or amended by the Board of Supervisors or the voters. All permits issued subsequent to the November 2008(?) election date will adhere to the new auction process.

SECTION 3. New taxi law. Within six months after passage of this enabling ordinance, the Board of Supervisors will draft and approve a new taxi law to replace Prop. K of 1978. The Board will hold Supervisors' committee hearings to solicit public input, prior to deciding on precise details of the new taxi law, including the numbers and/or percentages applicable to the provisions described in Part Three below. This ordinance intends to afford the Board flexibility in drafting the reform taxi legislation, except that the new law must be consistent with the list of guidelines and conditions in Part Three.

SECTION 4: Severability. If any section, subsection, subdivision, paragraph sentence, clause, or phrase in this Ordinance or any part thereof, is for any reason held to be unconstitutional or invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The qualified electors of the City and County of San Francisco hereby declare that they would have passed each section, subsection, subdivision, paragraph, sentence, clause, or phrase thereof irrespective of the fact that any one or more of the sections, subsections, subdivisions, paragraphs, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective.

Part Three: LIST OF GUIDELINES AND CONDITIONS

- (1) The K applicant list is dissolved. The Board may allow all K list applicants a four-month period to apply for a refund amount not to exceed the current application filing fee (\$345), to be granted in good faith because applicants paid to be on the list.
- (2) The Board of Supervisors may waive any of the principles listed above for ramped or wheelchair-accessible taxicab permits if the Board determines that such action is necessary to promote service to the disabled community. No current holder of a ramp permit will be deprived of the inherent or *de facto* value of such permit, unless equitable or fair compensation is provided.
- (3) Permits henceforth will be purchased and sold via an auction process. Participation by current permit holders in assigning permits to auction shall be entirely voluntary, except that permit holder death, or a permit revoked for cause, will result in the permit being assigned to auction.
- (4) Only taxi drivers may bid on permits. No more than one permit will be issued to any one person. All bidding pool participants will be afforded equal opportunity in the bidding process.
- (5) Successful auction bidders are subject to a full-time driving requirement. Variances to driving requirements will be allowed for periods of disability and/or short-term needs including illness, injury, personal or family emergencies, etc.
- (6) Permits held by corporations as of November 2008(?) will be transferred to existing individual shareholders within 30 days of passage of this ordinance. No transfer fee will apply to this particular transaction.
- (7) Whenever existing permits are transferred at auction, the seller will remit a transfer fee percentage to the general fund. If new permits are issued, 100% of auction revenue will accrue to the general fund. The Board may elect to

allocate a specific percentage of all such revenue back to the taxi industry and/or for the specific purpose of enhancing the well-being of taxi drivers, including the provision of health benefits.

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A Plan to Revise San Francisco's Taxi Medallion System

Current medallion holders

Current medallion holders would have the option to retain their **K and pre-K medallions** with absolutely no change whatsoever. They would surrender their permits either upon cessation of driving or upon death according to the current rules. Surrendered K and pre-K medallions would reissue to qualified driver-applicants on the waiting list exactly as happens now, i.e. without purchase.

K and pre-K medallion holders would have a second option. They could purchase a one-time transfer right for \$50,000 each. **Transfer right** means the right to sell the permit to a qualified driver-applicant. Once a transfer right to a K or pre-K permit has been purchased, the permit is called an **M medallion**.

The holder or purchaser of an M medallion must be a qualified driver (except for a pre-K permittee who converts to an M permit.) M medallions could be sold at auction, or could be transferred directly to a family member if the family member chooses to be a driver. **When an M medallion holder dies or ceases to drive**, he or she or the driver's estate must dispose of the medallion by auction or by direct transfer within a set period, e.g. 6 months.

Current non-driving K medallion holders would be required to purchase a transfer right as stated above or surrender the medallion. At Luxor, we anticipate securing a line of credit to assist disabled K medallion holders to purchase transfer rights.

The City would conduct periodic auctions of available M medallions. They would include M medallions voluntarily offered for sale, or required to be sold due to death or non-driving. Newly issued medallions would be available for auction, or the City can award those permits to applicants on the waiting list.

Future sales of M medallions would be subject to a transfer fee, e.g. 5% to 20% of the sale price or of the assessed value.

As in other cities that allow permit transfers, the transfer right would be an **intangible asset** in the nature of a license appurtenant to the permit, which may be collateralized or otherwise made the subject of a security interest to secure a third-party loan under the Uniform Commercial Code.

In the event of default on a loan, the lender could place a lien on the transferable M permit. The permit would be sold at auction to a driver-applicant. The lender would have first claim on proceeds from the auction.

Ideally, the City will allow M medallion holders to place the permit in the name of an individual corporation or other limited liability business structure. The purpose is to manage risk for the medallion holder.

Permit applicants on the waiting list

Permit applicants would retain their positions on the waiting list, and new applicants would be accepted.

A surrendered K medallion would be offered to the first qualified driver-applicant on the waiting list. The new medallion holder would have the option to retain the permit as a K medallion without the need to purchase any additional rights. Upon death or upon cessation of driving, the K medallion would revert to the City for issuance to the next qualified driver-applicant on the waiting list.

Newly issued permits could be made available as K medallions to qualified driver-applicants on the waiting list. Alternately, new permits could be sold as M medallions at auction.

A qualified driver-applicant who obtains a K medallion via the waiting list would have the option of purchasing a transfer right that converts the permit to a transferable M medallion. The transfer right would cost the same as for other medallion holders, e.g. \$50,000.

Once converted to an M medallion, the permit holder would be subject to the same driving and transfer rules as other M medallion holders.

The City may want to consider allowing qualified driver-applicants to transfer their positions on the waiting list. Sale of a list position is a way for drivers to accrue value even before they get to the top of the waiting list. This mechanism (known in economics as a Coasian exchange) offers applicants a tangible benefit in exchange for anticipated reduced turnover on the list.

Drivers who are not on the waiting list

Drivers who have not applied for a taxicab permit would be unaffected by changes to the medallion system. Their primary economic interest is protected by gate-control legislation that would remain in effect. Regulators would be expected to ensure that future gate increases are based solely on increases in operational costs, and not on costs related to medallion transfers.

The City may want to consider implementing a **point-structure for long-time drivers who are not on the waiting list**. In its simplest form, a driver is assigned one point for each year of service. Points could translate into a position on the waiting list, or access to special auctions reserved for long-time drivers, or some other advantage that recognizes long service.

Taxi riders, taxi regulators and taxpayers

Taxi customers would not be directly affected by changes to the medallion system. Riders' primary economic interest is protected by rate-setting regulation. Regulators would be expected to ensure that future rate increases are based solely on increases in operational costs, and not on costs related to medallion transfers.

To the extent that permit ownership by drivers results in increased pride of ownership, then the public will enjoy that benefit. Likewise, permit ownership fosters long-term interests and a more stable industry of persons with long-term commitments.

A new medallion system could result in an immediate infusion of tens of millions of dollars into the City treasury in the first year, and a steady stream of millions of dollars in medallion transfer fees every year thereafter.

Importantly, the proposed changes will allow taxi regulators to focus on service and safety instead of endlessly struggling with intractable medallion issues.

Taxi companies and dispatch services

The City may also want to award fleet-owned medallions to top-performing taxicab and dispatch companies. Such permits could enhance stability at companies and could encourage greater attention to satisfying service needs in underserved parts of the City.

Bottom line

This proposal has a lot of winners. It brings a lot of money into the City treasury right away during a time of economic crisis. The proposal protects the sweat-equity of current medallion holders, and preserves the interests of medallion applicants. It solves the difficult issue of medallion-holder disability by offering an exit by way of auction. It allows younger drivers to replace older drivers in an orderly manner determined by market values. It allows drivers to build equity where now there is only a series of gate payments.

Submitted by Luxor Cab Co. to the members of the Policy and Governance Committee of the San Francisco Municipal Transportation Agency

February 10, 2009



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Proposal for Permit Regulation

The city would sell the permits to individuals with their names on the waiting list under current rules and regulations. Permits would have to be sold voluntarily by the current holder. The city would regulate the maximum value at which a permit may be sold.

- The city already regulates the meter and gate fees hence regulating the revenue of a permit, so it would make no economical sense for the value of the permit to be market regulated / auctioned off.
- Setting a maximum value would keep drivers from buying the permit at a price that would take an extraordinary amount of time to recoup their investment.
- High prices would cause drivers to keep their permits longer to get their returns and reduce turnover of permits.
- Paying exorbitant amounts for permits may also perpetuate illegal brokers and illegal gouging on gate prices.

The city would take 20% of the sale price as a transfer fee. Pricing and city transfer fees should be set at a level by which the buyer can recoup their investment within 8-10 years and the seller of the permit would receive 6-8 years of income in a lump sum.

The driver would have to qualify under the current driving requirement to purchase the permit. They would also have to commit to the driving requirement for 6 years after purchasing their permit (after which they would be exempt from the driving requirement). This would make their commitment to serving the city 10 years.

After the initial 6 year period of owning the permit the driver would have 3 choices going forward:

- a) Resell their permit for the current market value or city maximum.
- b) Retain their permit, not drive, but pay a set fee to the city to retain it. (\$300-\$500/mo)
- c) Continue to drive full time.

If the permit is retained by the permit holder after the initial 6 years of ownership the city will automatically bill for the fees and it would be the permit holder's responsibility to prove that they are driving full time to have their fees refunded.

**ORDINANCE PROVIDING FOR
REGULATION OF TAXICAB OPERATIONS**

An ordinance providing regulations, policies and procedures relating to the issuance and operation of taxicab and ramp taxi permits; auctioning newly issued and reissued permits; acquisition of permit transfer rights upon payment of a specified fee; active driver requirements and exceptions thereto; ramp taxi regulations; repeal of Appendix 6 to the San Francisco Administrative Code; and providing a severability clause.

Be it ordained by the people of the City and County of San Francisco:

Section 1. The people of the City and County find that:

(a) Major modifications in taxicab regulations were last made in 1978. Since that time, significant changes and developments have occurred in the local taxicab transportation market prompting the need for further reform.

(b) While taxicab permits are and should remain the property of the people of the City and County, significant revenues are realized by permit holders over the life of the permit. Under current law, however, permits are issued essentially free of charge, thereby depriving the City and County of an opportunity to share in the revenue generated by its own property and more fully recover the cost of taxicab regulation.

(c) A permit holder who acquired a taxicab or ramp taxi permit after June of 1978 is required to regularly drive a taxicab in order to retain the permit. Current law, however, does not adequately take into account health and safety issues affecting permit operation that arise as a permit holder ages.

(d) Of the over thirteen hundred currently issued taxicab and ramp taxi permits, none may be sold or transferred. Yet many of the permits originally issued before 1978 were acquired for thousands of dollars each. Prohibitions on permit transfer fail to promote the public interest and retard growth in the taxicab industry while, simultaneously, depriving the City and County of yet another revenue-generating opportunity.

(e) In order to fairly operate taxicab permits under the principles of free enterprise, protect public safety and promote the City's fiscal stability, it is necessary that the regulatory system for taxicabs be both flexible and responsive, with a minimum need for submitting proposals to the voters and a maximum financial return to the City and County from the permit issuance process.

Section 2. Declaration of Policy.

(a) It is hereby declared that the policy of the City and County is to retain control over the process of issuing, operating and transferring motor vehicle for hire permits and to realize a fair return for authorizing persons to operate taxicabs and ramp taxis for profit.

(b) It is further declared that creating the opportunity for qualified persons to acquire a permit either by auction or by transfer from an existing permit holder, subject to appropriate regulation, will make the taxicab industry in this City vibrant and responsive to the transportation needs of the public. Such a process of permit issuance and transfer will also allow the City and County to share in taxi revenues while ensuring permit holders a reasonable return on invested capital.

Section 3. Permit Auctions.

The Board of Supervisors shall by ordinance direct the Taxi Commission to institute a system whereby newly issued or reissued taxicab and ramp taxi permits are auctioned to the highest qualified bidder, as herein provided. The conduct of such permit auctions shall be under the direction of a licensed and bonded auctioneer approved by the Taxi Commission. After deducting reasonable expenses, all net proceeds from the auction of such permits shall be deposited in and accrue to the City's general fund. Once a permit is issued through the auction process, no holder of that permit need acquire a separate right to transfer or pay the fee described in Section 4(b) below.

Section 4. Permit Transfers.

(a) On or after January 1, 2007, a taxicab or ramp taxi permit holder to whom a permit was issued prior to the effective date of this ordinance may acquire a right to transfer his or her permit(s) to a qualified person, a right which may be exercised either by the permit holder or his or her estate. A right to transfer must be acquired during the

lifetime of the permit holder and while the permit is active and in good standing. Only one right to transfer fee shall be required for each such permit, regardless of the number of subsequent transfers of that same permit.

(b) In order to acquire a right to transfer one or more taxicab or ramp taxi permits, the permit holder shall pay into the City's general fund an amount per permit determined, from time to time, by ordinance. Such right to transfer fees should bear a reasonable relationship to the average successful bid made at either the most recent permit auction or the auctions conducted over the preceding year, as the Board of Supervisors shall determine. Transfer fees may also take into account the average amount paid during the previous year by persons to whom permits were transferred pursuant to the authority set forth herein. Until adequate data is available from permit auctions and/or payment of a series of transfer fees, the right to transfer fee may be established in the discretion of the Board of Supervisors from available market data.

(c) (i) Once a permit is issued through the auction process described in Section 3 above, or a permit holder acquires a right to transfer as provided in this Section 4, the permit holder may, for valuable consideration, transfer the permit to a qualified person. All such transfers shall be subject to the approval, not unreasonably withheld, of the Taxi Commission.

(ii) In order to help defray the cost of taxicab regulation, the City and County shall be entitled to retain ten percent (10%) of the consideration paid by the

permit transferee, which the Commission shall deposit, from time to time, in the City's general fund.

(iii) The consideration to be paid by the transferee shall initially be deposited with the Taxi Commission in accordance with a no-interest escrow procedure provided for by regulation. Upon approval of the transfer, the net proceeds remaining in the escrow after authorized deductions shall be forthwith paid to the permit transferor.

(d) If a permit holder acquires a right to transfer, as herein provided, upon satisfactory compliance with an applicable driving requirement for a continuous period of ten (10) years, measured from the date the permit holder first acquired the permit, the permit holder shall be relieved of any further obligation to comply with the active driver requirement set forth in Section 5 below.

(e) (i) All taxicab or ramp taxi permits held by a corporate permittee shall be surrendered to the Taxi Commission no later than July 1, 2007. From and after that date, all permits held by corporate permittees shall be void and continued operation thereafter shall be prohibited.

(ii) From and after January 1, 2007 and on or before June 30, 2007, a corporate permittee may acquire a right to transfer to a qualified person, as herein defined, or to a natural person who, as of July 1, 1978, was a shareholder of record of the corporate permittee, by making a per-permit payment to the City's general fund in an amount determined by ordinance in accordance with subparagraph (b) of Section 4 of this

ordinance. Permits transferred to shareholders as herein provided shall be exempt from the active driver requirement set forth below.

(iii) Notwithstanding payment of a right to transfer fee by a corporate permittee, if the permit has not been transferred by June 30, 2008, the permit shall be surrendered to the Taxi Commission and continued operation thereafter shall be prohibited.

(iv) Each qualified person, as herein defined, and each natural person referred to in this section, to whom a corporate permit is transferred, shall be limited to holding one taxicab or ramp taxi permit.

(f) Except when a permit is acquired by auction, or a permit holder acquires a right to transfer as herein provided, taxicab and ramp tax permits are and remain non-transferable. In the event a right to transfer is not acquired, the permit shall be surrendered to the Taxi Commission upon the death of the permit holder and continued operation thereafter shall be prohibited.

Section 5. Permit Qualifications.

In order to acquire a taxicab or ramp taxi permit, whether by auction or transfer, the person acquiring the permit must satisfy the minimum qualifications, and comply with the restrictions, set forth herein. Additional qualifications not in conflict herewith may be established by ordinance.

Qualifications and restrictions shall include:

(a) No permit may be issued or transferred except to a natural person and in no case to any business, firm, partnership or corporation. No person, business, firm, partnership or corporation holding one or more motor vehicle for hire permits on the effective date of this ordinance may thereafter acquire an additional permit, whether by auction, transfer or otherwise.

(b) Each natural person to whom a permit is issued or transferred after the effective date of this ordinance shall be limited to acquiring one taxicab or ramp taxi permit.

(c) Each person seeking to acquire a permit as provided herein shall:

(i) Satisfy such requirements as may be established by ordinance respecting age, financial responsibility, driving record and criminal history and comply with such other provisions of municipal law not in conflict herewith.

(ii) Show to the Taxi Commission by satisfactory evidence that he or she has driven a taxicab and/or ramp taxi in the City and County for at least 800 hours during the twelve months immediately preceding the proposed effective date of the permit acquisition.

(iii) Swear under penalty of perjury his or her intention to actively and personally engage as a driver of the taxicab or ramp taxi for at least 800 hours in each

year of permitted operation thereafter, subject to any exceptions expressly provided herein.

(d) All persons holding taxicab or ramp taxi permits first issued after June 6, 1978 shall be subject to the active driver requirement set forth in subparagraph (c)(iii) of Section 5 of this ordinance, as well as any exceptions thereto expressly provided herein. Persons holding taxicab permits first issued to them before June 6, 1978 shall remain exempt from the active driver requirement set forth herein.

Section 6. Driving.

In addition to the exemption set forth in Section 4(c) above, a permit holder may be relieved of the obligation to actively and personally engage as a driver of his or her permitted taxicab or ramp taxi if:

(a) The permit holder reaches the age of 70 years or is determined by the Taxi Commission, on the basis of reliable and credible evidence, to be unable to safely operate the permitted motor vehicle for hire. In the event the permit holder's disability is not permanent, the duration of this exemption shall be appropriately limited by the Taxi Commission. Procedures for seeking an exemption as herein provided shall be established by ordinance. No temporary exemption shall exceed 180 days in duration unless the exemption is extended by the Taxi Commission. This exemption shall also apply to permit holders who become disabled during the ten-year driving period referred to in Section 4(c) above.

(b) Upon appropriate application, the Taxi Commission finds that the permit holder is engaged full-time in essential administrative or managerial employment by a color scheme operator or other taxicab company operating within the City and County. The duration of any such exemption shall be determined, from time to time, by the Taxi Commission.

Section 7. Ramp Taxis.

In order to ensure adequate taxicab service to those disabled persons needing to use specialized motor vehicles for hire, the Board of Supervisors shall provide by ordinance such rules, procedures, policies and practices, not inconsistent herewith, as it deems appropriate to govern permit issuance and operation of ramp taxis. The Board of Supervisors is also authorized to provide by ordinance for the issuance and operation of other specially adapted and/or limited use motor vehicle for hire permits in order to ensure the transportation needs of the disabled community are more adequately and appropriately served.

Section 8. Permit Surrender.

(a) In the event a permit holder dies without having acquired a right to transfer as herein provided, the permit(s) shall be surrendered to the City within two weeks of the permittee's death.

(b) If a permit holder dies after having acquired a right to transfer as herein provided, his or her estate must transfer the permit(s) within one year of the date of the

permit holder's death, unless this period is extended by the Taxi Commission upon a showing that despite the estate's due diligence, permit transfer for a specified period of time was impractical. During the period of time allowed for permit transfer, the estate may continue to operate the permit(s).

Section 9. Repeal of Appendix 6, S.F. Administrative Code.

(a) Appendix 6 of the San Francisco Administrative Code adopted June 6, 1978, also known as Proposition K, is hereby repealed.

(b) To the extent inconsistent or in conflict with the provisions of this ordinance, Chapter VIII, Part II, Article 16 of the San Francisco Municipal Code (Police Code) is hereby repealed. Provisions of Article 16 deemed consistent herewith may be reenacted by ordinance or adopted by rule or regulation of the Taxi Commission.

Section 10. Severability.

If any section, subsection, subdivision, paragraph, clause or phrase of this ordinance, or any part thereof, be for any reason held unconstitutional, invalid or ineffective by a court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this ordinance or any part thereof. It is hereby declared that this ordinance and each section, subsection, subdivision, paragraph, clause or phrase thereof would have been passed without regard to the fact that any one or more sections, subsections, subdivisions, paragraphs, clauses or phrases had been declared unconstitutional, invalid or ineffective.

Section 11. Effective Date.

The effective date of his ordinance shall be thirty days from the final certification of the results of the election approving this measure.