

DATE ISSUED: March 14, 2001

REPORT NO. 01-050

ATTENTION: Rules Committee
Agenda of March 21, 2001

SUBJECT: City of San Diego Taxicab Permit Study

REFERENCE: City Manager's Reports 98-179 and 99-83

SUMMARY

Issues -

Should the City adopt changes to its existing Council Policy 500 Taxicab Permit to:

- a. Issue additional taxicab permits?
- b. Modify method of permit issuance?
- c. Limit transferability of taxicab permits?

Manager's Recommendations -

Adopt changes to Council Policy 500 Taxicab Permits to:

- a. Issue additional taxicab permits using a formula. The formula should be based on percent increases in population and visitation to the City.
- b. Issue 50% of the new and/or unassigned permits via lottery to drivers who have five or more years experience as San Diego taxi drivers, and 50% via a public auction to entities providing centralized ownership, management and control.
- c. Designate new and reassigned permits issued via lottery as nontransferable, while those issued via auction to be transferable. And, maintain status quo on transferability of existing permits.

Other Recommendation - The MTD Board visited the issue of taxicab permits and its recommendations are included as "Attachment A" and "Attachment B."

BACKGROUND

History

San Diego used several approaches to regulate the taxi industry. The policy through the mid-1970s provided that the City Council hold hearings to determine whether to issue certificates of convenience and necessity whenever specific requests were received from existing or prospective operators. In the late 1970s, the Council sought to increase the supply of taxicabs, competition and diversity; to allow drivers to own their own cabs; and to detach taxicab matters from the political process. A series of amendments to the Municipal Code were implemented

that set no limit on the total number of taxicabs and transferred licensing to an administrative process. The number of taxicabs more than doubled and increased to 928 in 1984. In 1984, the Council adopted a policy that capped the number of taxicab permit at 928.

City and MTDB's Roles Relative to Taxicabs

Beginning in January 1989, at the City's request, all taxicab licensing activities were transferred to MTDB via a written agreement between the City and MTDB. The MTD Board adopted an ordinance and permit policy identical to the City's. From time to time, the MTD Board has modified the taxi regulations. In 1994, the City Attorney determined that the City retains authority as to major policy relative to taxicabs.

Current City Taxicab Permits Policy

The current policy (Policy 500), set in 1984, caps the number of permits at 928 and states that no permits can be issued. Due to attrition, the number of permits has fallen to 870 active permits, thus, resulting in 58 (928 – 870) permits becoming unassigned. The current policy is silent as to what to do with permits that become unassigned.

Recent Events and Actions

For more than two years, the City has been reviewing possible changes to its Taxicab Permits policy. The review was prompted by a 1997 inquiry to MTDB from a group of taxi drivers concerning the process for obtaining some of the 58 unassigned permits.

In September 1998, the City Manager made recommendations to the Council concerning revisions to the policy. The Mayor subsequently appointed a Taxicab Task Force to make a recommendation concerning the number of taxicab permits needed to provide quality taxi service in San Diego and to consider the fairest way to issue any new or unassigned permits. After having a series of meetings, the Task Force recommended that the City issues 150 new taxicab permits over a two-year period and to designate 80 of the 150 new permits to four named taxi companies (20 permits each). "Attachment C" is a copy of the Task Force's final report. The Council reviewed the Task Force recommendations at its meeting on September 28, 1999. Due to controversy over the Task Force recommendation to designate 80 of the 150 new permits to four named taxi companies, no resolution was reached then.

Consequently, the City Manager was directed to hire a consultant to conduct a study and make recommendations as to the number of permits needed, how these permits should be distributed, look at the issue of transferability, and look at what other cities are doing in this area. The Manager was also directed to provide a more clear policy and that taxicabs in outlying districts and the concept of an open market be part of the discussion. The City retained the consultant services of Schaller Consulting in association with the Institute for Transportation Research and Education at North Carolina State University to conduct such study.

DISCUSSION

Consultant's Study

The consultant team collected and analyzed a range of information to understand the city's taxi service needs, the current taxi industry and the broader transportation market. Sources of

information include MTDB; SANDAG; taxi industry permit holders, drivers and managers; and the hospitality industry. Information was also gathered from regulatory officials in 12 cities across the U.S. to draw on their experiences. The consultant's key findings, conclusions and recommendations are briefly summarized in the Executive Summary of the Final Report ("Attachment D," Pages i-iv).

The following is a synopsis of the consultant's recommendations:

1. Periodically issue permits using a formula reflecting growth in population and visitors to San Diego to be applied beginning in fall of 2001, and immediately issue the 58 unassigned permits. The formula would result in about 20 new permits per year. ("Attachment D," Pages 44 & 45).
2.
 - a. Issue 50% of new and/or unassigned taxi permits via lottery to drivers with five or more years of driving experience in San Diego, and issue the other 50% via auction to entities with centralized ownership, management and control. ("Attachment D," Pages 45-47)
 - b. Issue additional permits to taxi operators for wheelchair-accessible vehicles using a ratio of the number of dispatching vehicles. This would result in the issuance of about 20 permits for wheelchair accessible vehicles. ("Attachment D," Pages 54 & 55).
3. Designate taxicab permits issued via lottery as nontransferable, and permits issued via auction as transferable. Permits issued for wheelchair accessible vehicles should be nontransferable. Existing taxicab permits should remain transferable. ("Attachment D," Pages 47-50).
4. Under Limited permits, amend current policy to create a subcategory of "neighborhood" permits to better serve outlying areas of the City. Neighborhood permits would allow taxi drivers to operate anywhere in the City except in a central area. The central area is defined as the area with a northern boundary of Mission Bay Park and Friars Road, an eastern boundary of I-15 and a southern boundary of the U.S. Naval Station along 32nd Street. ("Attachment D," Pages 52-54).

The report also contains a description of other cities' experience with a range of regulatory approaches as well as discussions about experience with open markets, formulas, lotteries and auctions to issue additional permits, geographically limited permits and minimum standards for taxi operators.

For further information regarding these recommendations, please refer to the Final Report by the consultant ("Attachment D").

MTDB Recommendations

As the administrator of the City's taxicab licensing program, the MTD Board visited the issue of taxicab permits at its meeting on October 12, 2000. The Board recommended a two-phase plan to issue additional taxicab permits. The first phase includes issuing 150 permits over two years (75 each year) and the second phase includes issuing permits using a population-based formula. The Board recommended that an administrative process be used to issue these permits. The Board also recommended that the City evaluate the open entry system in 2003. The Board's recommendations are described in the attached letter dated October 16, 2000 ("Attachment A"). Furthermore, the MTDB Taxicab Committee formed a subcommittee to develop

recommendations as to the administrative process for issuing taxicab permits. The subcommittee recommended two alternatives (“Attachment B”), the first alternative entails appointing a selection panel by the City Council that would recommend qualified applicants, ranked based on qualifications, to the Council for final selection. This applies to entities applying for multiple-permit blocks. Individual permits would be distributed via a lottery. The second alternative is to use a lottery to issue all permits, both multiple-permit blocks and individual permits.

In reviewing MTD Board recommendations, it appears that the random selection of 150 permits to be issued over two years coincides with the Task Forces recommendation. Furthermore, MTDB Taxi Committee’s first alternative recommendation for defining the administrative process to be used for issuing taxicab permits appears to be vague. Specifically, it does not describe the criteria for qualifying and ranking applicants for multiple-permit blocks. Unless the criteria are defined and established, equitable distribution of permits would continue to be an issue. Additionally, this alternative inundates the issuance of permits in the political process.

In the second alternative administrative process to use a lottery, the Taxicab Committee did not define the pre-qualification criteria for entry into the lottery. This may have a detrimental impact on the quality of driver/owner, and consequently the taxicab service. Furthermore, using a lottery to issue individual taxicab permits as well as multiple-permit blocks has couple of disadvantages: it does not permit existing operators from expanding their fleets and it creates a windfall of substantial gains for lottery winners, particularly those winning multiple-permit blocks.

In light of the above, MTDB’s recommendations appear to be incomplete and inconclusive, and it lacks the cohesiveness, and therefore, it is conducive to more controversy over the issuance of taxicab permits.

Revised Council Policy 500 - Taxicab Permits

At its September 28, 1999 meeting, the City Council directed the City Manager to develop a clear taxicab policy. The current Council Policy 500 *Taxicab Permits* has been revised to reflect changes in the issuance of additional permits, issuance of unassigned permits, distribution of new permits and transferability of permits. The proposed revisions to Policy 500 are included as “Attachment E.” Specific revisions include:

1. Removing the cap of 928 taxicab permits authorized for issuance and applying a formula to issue additional permits. The formula is based on percent increases in population and visitors to San Diego.

Rationale – All previous efforts including the recent taxicab study concluded that there is a need for additional taxicab permits to adequately serve both residential and visitors taxi customers. The formula reflects growth in population as well as visitors to the City, two equally important factors that should be considered when determining the number of needed permits. Applying the formula would result in about 20 new permits to be issued annually.

2. Issuing unassigned permits.

Rationale – The current policy is silent as to what to do with unassigned permits. The aforementioned revisions would remove the ambiguity relating to issuance of unassigned

permits.

3. Using a lottery process to issue 50% of the new and/or unassigned permits to drivers with driving experience of five years or more in San Diego. And, using an auction process to issue the other 50% of new and/or unassigned permits to operators with centralized ownership, management and control.

Rationale - In light of SANDAG's survey results that the majority of taxi users are satisfied with the existing taxicab service, mirroring the current segmentation of the industry between relatively large and small taxi operators is prudent to continue with the current taxi service levels. Therefore, 50/50 allocation of new permits to drivers versus larger operators equitably achieves this purpose.

4. Designating all future new and reissued permits distributed via a lottery process as nontransferable, and those distributed via auction as transferable. Existing permits would continue to be transferable.

Rationale - Designating permits issued via lottery as nontransferable would prevent lottery winners from gaining a windfall by selling these permits immediately at a substantial profit. Issuance of auctioned permits eliminates the possibility of windfall profits, since permit value is captured by the City. Maintaining the status quo for the transferability of existing permits does not impact the existing taxi industry. These actions along with issuing additional permits and removing the cap on the maximum number of taxicab permits should gradually diminish the artificial price of transferred permits.

Furthermore, to improve taxi response times to outlying areas, it is recommended to expand the category of Limited Permits to include Neighborhood Permits that can be used in any part of the City outside the central area. The central area is being defined as the area with a northern boundary of Mission Bay Park and Friars Road, an eastern boundary of I-15 and a southern boundary of the U.S. Naval Station along 32nd Street.

Conclusions

The above changes will accomplish a number of objectives. Issuance of additional permits based on the formula ensures that the supply of taxi service keeps pace with increased demand from population growth and visitation to the city. Creating neighborhood permits could improve taxi service to under-served areas. Issuance of new permits to driver-owners and taxi operators with centralized management and control will strengthen accountability in the industry. Finally, these changes can be accomplished without undue disruptions to current taxi operators who are providing satisfactory service to residents and visitors in San Diego.

ALTERNATIVE

Do not adopt the aforementioned changes to Council Policy 500 Taxicab Permits. This is not recommended because these changes are needed to enable the taxi industry to adequately serve residents and visitors to the City.

Respectfully submitted,		
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D. Cruz Gonzalez Director, Transportation		Approved: George I. Loveland Senior Deputy City Manager
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GONZALEZ/AH/SAH

Note: Attachments A, B, C, and D are not available in electronic format. A copy is available for review in the Office of the City Clerk.

- Attachments:
- A. MTD Board Recommendations
 - B. MTDB Taxi Committee Recommendations
 - C. Taxicab Task Force Recommendations
 - D. City of San Diego Taxicab Study - Final Report
 - E. Proposed Revisions to Policy 500 - Taxicab Permits

CITY OF SAN DIEGO, CALIFORNIA COUNCIL POLICY	
SUBJECT TAXICABS – PERMITS	POLICY NUMBER 500 - 03
	EFFECTIVE DATE
<p>BACKGROUND</p> <p>Regulation of taxicab service is in the interest of providing the citizens and visitors to the City of San Diego with a good quality local transportation service. Towards this end, the City finds it desirable to regulate the issuance of taxicab permits.</p> <p><u>PURPOSE</u></p> <p>To establish a policy with guidelines for the issuance of taxicab permits.</p> <p><u>POLICY</u></p> <p>The City will periodically issue additional taxicab permits using a formula that reflects growth in population and visitation to the City. The City will issue 50% of the new and/or unassigned permits via lottery to drivers who have five or more years experience as San Diego taxi drivers, and 50% of the new and/or unassigned permits via a public auction to entities providing centralized ownership, management and control. The City will also issue additional permits to taxi operators for wheelchair-accessible vehicles using a ratio of the number of dispatching vehicles.</p> <p>New and reassigned permits to be issued via lottery are designated as nontransferable, while those to be issued via auction are transferable. Permits issued for wheelchair accessible vehicles are nontransferable and should revert to the City if no longer used for the purpose. New permits will be issued on a full recovery basis to eligible applicants. No ongoing waiting list of applicants for permits will be maintained.</p> <p>The process through which permits are issued will limit the concentration of permits. No permits will be issued or transferred to any person, company, business, corporation, or other entity if such issuance or transfer would result in any permit holder having an interest in more than 40% of the existing permits. No permits will be issued or transferred to any</p>	

person if such issuance or transfer would result in single permit holders in aggregate having interest in more than 20% of the existing permits.

IMPLEMENTATION

The following guidelines and procedures should be observed with respect to the issuance of taxicab permits.

1. On an annual basis, calculate the number of additional permits using the following formula:

$$\text{Number of Nights Using } \left(\frac{\% \text{ Growth in Population} + \text{Two Year Rolling Average}}{2} \right) \times \text{Hotel Room Nights Using (Current Number of Permits)}$$

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CITY OF SAN DIEGO, CALIFORNIA
COUNCIL POLICY

SUBJECT

TAXICABS – PERMITS

POLICY NUMBER

500 - 03

EFFECTIVE DATE

IMPLEMENTATION (Continued)

2. Issue additional permits when the formula yields an increase of at least 20 additional permits since the previous issuance.
3. If the calculated sum of % growth in population plus the % growth in hotel room nights is negative, no permits are to be issued.
4. Apply the formula subsequent to the 58 permits presently unassigned are issued following the process described in this policy.
5. In the first year the formula is applied, current number of taxicab permits to be used is 928.
6. Any permits that become unassigned are added to the pool of new permits to be issued.
7. Permits for wheel-chair accessible vehicles are issued as follows:
 - a. One permit for taxi operators dispatching 25

- or more cabs;
- b. Two permits for taxi operators dispatching 50 or more cabs;
- c. Three permits for taxi operators dispatching 100 or more cabs; and
- d. Four permits for taxi operators dispatching 200 or more cabs.

HISTORY

Taxicabs – Certificates of convenience and Necessity

Adopted by Resolution R-172292 08/21/62

Amended by Resolution R-216590 08/11/76

Amended by Resolution R-217293 12/15/76

Amended by Resolution R-222474 12/19/78

Repealed by Resolution R-258090 03/14/83

Taxicabs – Permits

Added by Resolution R-260636 05/07/84

Amended by Resolution R-261739 10/15/84

Amended by Resolution R-271307 06/28/88

Amended by Resolution R-