Oversight and Investigation Unit

Natasha Major, *Investigative Counsel*

Hailey DeKraker, *Investigative Counsel*

Lizzie Trinder, *Special Investigative Analyst*

Zachary Meher, *Investigator*

Cordero Perez*, Investigator*

Committee on Transportation

James DiGiovanni, *Counsel*

Elliott Lynn, *Counsel*

Emily Rooney, *Policy Analyst*

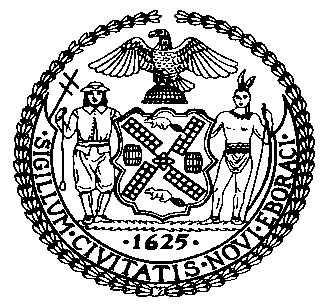
Rick Arbelo, *Policy Analyst*

Chima Obichere, *Finance Analyst*

John Basile, *Finance Analyst*

Division of Legal Counsel

Mark Chen, *Senior Counsel*



## THE COUNCIL OF THE CITY OF NEW YORK

# COMMITTEE REPORT OF THE OVERSIGHT AND INVESTIGATIONS AND TRANSPORTATION COMMITTEES

Jennifer L. Smith, Deputy Chief, Oversight and Investigations Unit

Jeffrey Baker, Legislative Director

Terzah Nasser, Deputy Director of the Infrastructure Division

**COMMITTEE ON OVERSIGHT AND INVESTIGATION**

Hon. Ritchie J. Torres, Chair

**COMMITTEE ON TRANSPORTATION**

Hon. Ydanis Rodriguez, Chair

**June 24, 2019**

**OVERSIGHT:** TLC’S Role in the Taxi Medallion Value Crisis

**INT. NO. 1584:** By Council Members Adams, Torres, Rodriguez and the Speaker (Council Member Johnson)

**TITLE:** A Local Law to amend the administrative code of the city of New York, in relation to requiring annual financial disclosures from each person who has any interest in any taxicab license

**ADMINISTRATIVE CODE:** Adds new § 19-556 to chapter 5 of title 19

**INT. NO. 1605:** By Council Members Moya, Torres, Rodriguez and the Speaker (Council Member Johnson)

**TITLE:** A Local Law to amend the administrative code of the city of New York, in relation to the approval of a purchase or transfer of a taxicab license

**ADMINISTRATIVE CODE:** Adds new § 19-554 to chapter 5 of title 19

**INT. NO. 1608:** By Council Members Rodriguez, Torres, the Speaker (Council Member Johnson) and Brannan

**TITLE:** A Local Law to amend the administrative code of the city of New York, in relation to requiring the taxi and limousine commission to evaluate the character and integrity of taxicab brokers, agents, and taxicab licensees

**ADMINISTRATIVE CODE:** Amends §§ 19-504, 19-527, and 19-530

**INT. NO. 1610:** By Council Members Torres, Rodriguez, the Speaker (Council Member Johnson) and Brannan

**TITLE:** A Local Law to amend the administrative code of the city of New York, in relation to the creation of an office of financial stability within the taxi and limousine commission

**ADMINISTRATIVE CODE:** Adds a new § 19-555 to chapter 5 of title 19

# INTRODUCTION

On June 24, 2019, the Committee on Oversight and Investigations, chaired by Council Member Ritchie J. Torres, and the Committee on Transportation, chaired by Council Member Ydanis Rodriguez, will hold a hearing on:

* Oversight: TLC’s Role in the Taxi Medallion Value Crisis;[[1]](#footnote-2)
* Int. No. 1584, a local law requiring annual financial disclosure from each person who has any interest in any taxicab license;
* Int. No. 1605, a local law requiring the approval of a purchase or transfer of a taxicab license;
* Int. No. 1608, a local law requiring TLC to evaluate the character and integrity of taxicab brokers, agents, and taxicab licensees; and
* Int. No. 1610, a local law creating of an office of financial stability within TLC.

The Committees expect to receive testimony from representatives of TLC, the taxi industry, and interested members of the public.

# BACKGROUND

The ability to operate an iconic New York City yellow taxicab requires a license symbolized by a small, numbered plate known as a medallion. Unlike other City licenses, taxicab licenses are limited in number and are sold at auction to the highest bidder. Medallions are also transferrable and there is a secondary market in medallions. TLC regulates the purchase, sale, resale, transfer, and licensing of these medallions. In addition to licensing owners and drivers, TLC’s regulatory oversight extends to the licensing of brokers, who act as intermediaries between medallion buyers and sellers in the transfer market, and agents who help medallion owners operate their taxi business. Medallions are owned by companies that have fleets of taxis as well as by individual driver owners. In recent years the taxi medallion market experienced a bubble in medallion values with prices reaching over $1 million in 2014. That year, the bubble burst and medallion values plummeted. As a result many medallion owners faced financial ruin.

In 2018, the Council’s Oversight and Investigations Unit (“OIU”) opened an investigation into the medallion bubble and TLC's and the City’s role in the hyperinflation of medallion prices. Specifically, OIU studied TLC’s processes surrounding the sale of medallions and licensing. OIU reviewed publicly available information and spoke with current and former TLC employees, regulators, and other stakeholders. In addition, OIU requested documents from TLC relevant to the agency’s organization and structure, the taxicab licensing process, taxicab license transfer process, and the medallion auction process. TLC’s responses to those requests while substantially incomplete included two complete medallion files, organizational charts, and a database containing a spreadsheet showing medallion transfers over time. The majority of requested documents remain outstanding. At today’s hearing, the Committees intend to examine TLC’s role in taxi medallion value bubble and the destabilization of medallion values that led to the financial ruin of hundreds of licensed medallion owners.

## History of the Medallion Market

In 1937, in response to “an overabundance of taxis that depressed driver earnings and congested city streets,” New York City’s Board of Aldermen, the predecessor to the City Council, adopted the Haas Act (“the Act”) which instituted the taxi medallion system that exists to this day.[[2]](#footnote-3) The Act imposed a moratorium on the issuance of new taxicab licenses, effectively capping the number of taxis on the streets.[[3]](#footnote-4) Further, the Act allowed for the transfer of taxicab licenses and their accompanying medallions between owners, as long as the new owners met certain qualifications.[[4]](#footnote-5) Transferability, combined with limited supply and the exclusive right to pick up a street hail[[5]](#footnote-6) helped make taxi medallions valuable assets.[[6]](#footnote-7) Medallion taxis are the only vehicles allowed to pick up street hails everywhere in all five boroughs, with the exclusive right to pick up street hails in the “exclusionary zone” (below East 96th and West 110th Streets in Manhattan as well as JFK and LaGuardia airports).[[7]](#footnote-8)

## Creation and Powers of TLC

In 1971, TLC was created to license and regulate medallion taxicabs.[[8]](#footnote-9) Specifically, TLC establishes the larger public transportation policy that governs the “taxi, coach, limousine, wheelchair accessible van services and commuter van services as it relates to the overall public transportation network” in New York City.[[9]](#footnote-10) TLC is charged with the regulation and supervision of the business and industry of transportation; including the protection of consumer rights, issuance and regulation of licenses, establishment and enforcement of fare rates, limitation of taxi lease rates, and oversight over the sale of taxi medallions.[[10]](#footnote-11)

## Medallion Sales

When new medallions are released, they are sold at an auction to the highest bidder. According to TLC’s rules, TLC sets the minimum bid price for a medallion at auction (the upset price”).[[11]](#footnote-12) All winning bidders must meet certain requirements and submit an application to TLC for approval prior to taking possession of the medallion. Between 1996, the year the City began selling medallions by closed-bid auction, and 2014, the year of the most recent auction, the City held 21 auctions. Between 2004 and 2014, the average winning bid at auction for independent[[12]](#footnote-13) accessible medallions increased from approximately $280,000 to $860,000—a 200% increase.[[13]](#footnote-14) The highest winning bid for an independent medallion reached almost $1 million in February 2014.[[14]](#footnote-15) During the same time period, the average winning bid for corporate accessible medallions at auction increased from approximately $550,000 to $2.3 million dollars—a 300% increase.[[15]](#footnote-16) Between November 2013 and March 2014, TLC auctioned approximately 400 medallions in three auctions[[16]](#footnote-17) generating about $359 million.[[17]](#footnote-18)

In order to encourage participation in the auctions, TLC undertook “targeted” outreach, promoting medallions as a safe investment and a steady path to a good living.[[18]](#footnote-19) Prospective owners were offered an opportunity to achieve “worry-free” retirement.[[19]](#footnote-20) At the same time, medallion prices continued to rise and many medallion owners purchased medallions with financing, because lenders considered medallions safe and secure collateral.[[20]](#footnote-21) For many years, lenders issued large loans for medallions and requested very small, or even no, down payments.[[21]](#footnote-22) Some of these loans often had large balloon payments attached, which forced these borrowers to refinance once their loans matured.[[22]](#footnote-23) Additionally, others were encouraged to refinance as medallion prices continued to rise and the value of their asset increased.[[23]](#footnote-24) The sharp decline in medallion values has been especially difficult for medallion owners who took out loans like these. Out of approximately 6,000 individual medallion owners, over 900 have declared bankruptcy in the last three years.[[24]](#footnote-25)

# tlc’S ROLE IN MAINTAINING THE Financial Stability OF MEDALLION OWNERS

TLC’s regulatory authority includes “the regulation and supervision of the business and industry of transportation of persons by licensed vehicles for hire in the city”[[25]](#footnote-26) and the ability to establish “[r]equirements for the maintenance of financial responsibility, insurance and minimum coverage.”[[26]](#footnote-27) TLC also has the power to define, adopt, and enforce licensing standards, and[[27]](#footnote-28) “[e]stablish and enforce standards to ensure all Licensees are and remain financially stable.”[[28]](#footnote-29) The term “financially stable” is, however, not defined or expanded upon in TLC’s rules nor does it appear that TLC ever established any informal standard for financial stability.

## TLC’s Medallion Licensing Process

TLC Rules require that applicants for medallion taxicab licenses meet certain general requirements. These requirements apply whether the applicant is an individual or business entity, or is applying for a license pursuant to the sale of a new medallion at auction, or via a medallion transfer.[[29]](#footnote-30) In reviewing an application for a medallion license, TLC must consider a number of factors in making its determination, including but not limited to: an applicant’s financial disclosures, whether an applicant is fit to hold a license, and an applicant’s good moral character. However, as is detailed below, TLC has failed to implement a meaningful license review process.

### The License Application Review Process

As a threshold matter, OIU’s investigation into TLC’s current and prior practices with respect to medallion licensing[[30]](#footnote-31) revealed that very little substantive review takes place during or after the licensing process. Witnesses describe the current application review process as a review conducted by a clerk for “completeness” of the documents included in an application, rather than for content. Further, there is no standard method for tracking these documents. Following a 2008 audit by the City Comptroller that called for stricter tracking controls, TLC implemented the use of a “checklist” and added a requirement that a supervisor review the checklist.[[31]](#footnote-32) Nevertheless, the use of a checklist appears discretionary and does not need to be completed or even retained with a medallion file, if one is used. Furthermore, a supervisor only becomes involved in the process if potential issues are brought forward by the clerk reviewing the file.

TLC has been called to task for failing to enforce its own rules. In 2007, after the Office of Management and Budget (“OMB”) alerted the City to a series of identical bids from three bidders that resulted in those bids winning all 54 medallions available at an auction, the New York City Department of Investigation (“DOI”) examined several medallion auctions.[[32]](#footnote-33) After interviewing TLC staff and the three winning bidders, DOI determined that TLC was not enforcing its rules because of a lack of awareness and understanding of those rules.[[33]](#footnote-34) TLC agreed to a number of reforms recommended by DOI, including clarifying the non-collusion clause in auction bid forms and issuing new rules prohibiting brokers from providing advice to multiple bidders in an auction.[[34]](#footnote-35)

* + 1. Financial Disclosures

TLC’s rules require that an applicant owning one or more medallions “must provide” a “financial disclosure statement” to TLC. The financial disclosure statement “must be completed on a form provided by the Commission and must include the disclosure of assets, liabilities, income and net worth of all Business Entity Persons of a Business Entity Applicant, as well as any other information required by the Commission.”[[35]](#footnote-36) However, the current medallion application form does not require any financial disclosure information. Further, a successful medallion application from 2014 provided to the Council did not require or contain any such information.[[36]](#footnote-37) Currently, TLC only requires that an applicant for a medallion license submit a financial disclosure “where the Applicant already owns one or more Medallion Taxicabs.”[[37]](#footnote-38) This would appear only to require financial disclosures from owners of multiple medallions, meaning that first time owners would not have to make such a disclosure. This is a change from the previous version of the rule, in place prior to 2010, which required that each individual medallion owner, whether a business entity or not, submit a financial disclosure.[[38]](#footnote-39) Int. No. 1584, which will require annual financial disclosures from each person who has any interest in any taxicab license, will remedy this deficiency.

TLC has lessened its requirements for financial disclosure over time. In 2003, a financial disclosure report was required of all medallion owners, while applicants had to furnish TLC with information specifically regarding the financing of the medallion.[[39]](#footnote-40) The financial disclosure report included questions about outstanding medallion loan balances, gross receipts, and net income.[[40]](#footnote-41) Notably, this report was much leaner than what was previously required of all medallion owners. An industry notice from 2003 advised that the required disclosure was “previously a 21-page document, [and] has been revamped in size and scope and is now a four-page document.”[[41]](#footnote-42) TLC explained that the redesign was “to make the information requested more valuable to TLC as a policy tool” and that the information was used to “analyze owners’ income [and] medallion equity,”[[42]](#footnote-43) emphasizing the importance of this data for review of financial stability. While the simplified 2003 form still asked for some substantive information, such as the outstanding loan balances of its drivers, the *New York Times* recently reported that TLC “never analyzed” annual financial disclosures submitted by industry participants, and stopped requiring the annual disclosures in the 2000s.[[43]](#footnote-44) According to the *Times*, TLC’s explanation for the halt in review was that “[r]eviewing these disclosures was an onerous lift for us.”[[44]](#footnote-45)

Int. No. 1610 will require TLC to establish an Office of Financial Stability that, in collaboration with DOI, will be required to monitor and evaluate the financial stability of the taxicab industry. The Office would utilize much of the information from the annual financial disclosures that would be required under Int. No. 1584.

#### TLC also requires bidders for medallions purchased at auction to provide a commitment letter from a bank or credit union that guarantees the funding “for no less than eighty percent of the bid amount.”[[45]](#footnote-46) According to TLC, the reason a commitment letter is required is to ensure the City will get paid, not to review the applicant’s loan terms. The rule does not require the applicant provide loan terms that might alert TLC to predatory lending practices, such as the amount of the down payment.

Medallion applications do contain a section entitled “Purchaser’s Source of Funds” which must be completed regardless of whether a medallion is purchased at auction or via transfer[[46]](#footnote-47) and which asks for information and supporting documentation regarding personal funds, gifts, personal loans, mortgages, and miscellaneous funds.[[47]](#footnote-48) When responding to the personal loan section of the application, if applicable, an applicant is required to submit a “statement from lender stating terms of repayment, date and amount.”[[48]](#footnote-49) Int. No. 1605 will expressly prohibit TLC from approving the purchase or transfer of any medallion without reviewing the source of funds, including loan terms if applicable.

### Fit to Hold a License

TLC’s “Fit to Hold a License” standard[[49]](#footnote-50) requires an applicant to “demonstrate to the satisfaction of the Commission that the Applicant is Fit to Hold a License of an Owner of a Taxicab License.”[[50]](#footnote-51) The “Fit to Hold a License” standard requires that an applicant or licensee “has been and will be candid and forthcoming with the Commission and honest in dealing with the public” and “has reliably complied with and will reliably comply with all of the rules and laws associated with holding the particular TLC License.”[[51]](#footnote-52) However, there appears to be no specialized part of the current medallion transfer application that involves a review under the Fit to Hold a License standard. Interviews conducted by staff suggest that TLC would only consider an application under this standard if it were somehow revealed that an applicant had intentionally misrepresented information on the application.

### Good Moral Character

TLC licensees are also subject to a “Good Moral Character” review.[[52]](#footnote-53) While a plain reading of the requirement for “Good Moral Character” might suggest the possibility of a broad interpretation, it is likely limited to a review of an applicant’s criminal history.[[53]](#footnote-54) In its review, TLC applies a provision of New York State Corrections Law that states that an agency can only deny a license on the basis of a previous criminal conviction or for a “finding of lack of ‘good moral character’” where there is a direct connection between the previous criminal offense and the specific license sought or the issuance of the license would “involve an unreasonable risk to property or to the safety or welfare of specific individuals or the general public.”[[54]](#footnote-55)

### Other License Review Criteria

TLC’s rules enumerate a number of grounds TLC “can” invoke to deny an application.[[55]](#footnote-56) These grounds tend to focus on driver behavior (e.g., assault of a passenger, passenger service refusals, and incidents of overcharging) rather than the type of actions those who own corporate medallions might engage in, such as withholding wages from drivers or violating lease cap amounts.

* + 1. Enforcement Against Bad Actors

Despite TLC’s own requirements for reviewing the character and fitness of applicants and license holders and its authority to deny and revoke licenses, bad actors have thrived in the medallion market. For example, former corporate medallion owner Evgeny “Gene” Freidman, who reportedly managed one of the largest taxi operations in the City, earning him the moniker “Taxi King” was found by DOI to have colluded in the 2004 and 2006 auctions.[[56]](#footnote-57) In 2013, Freidman oversaw one of the five largest fleets in New York City with more than 880 medallions[[57]](#footnote-58) and was the managing owner of over 120 companies.[[58]](#footnote-59)

The release of DOI’s Report in 2007 and TLC’s subsequent rule changes seemingly did little to deter Freidman from engaging in behavior that had potentially deleterious effect on the financial stability of other TLC licensees.[[59]](#footnote-60) Freidman not only continued to be an active participant in the medallion market, he freely admitted he purposefully bid up the value of medallions in order to increase the value of his portfolio of companies.[[60]](#footnote-61) Former TLC Commissioner Matthew Daus recently acknowledged that TLC was aware of Freidman’s practice of bidding up auction prices at the time, saying, “[w]ell, were we aware that they were bidding up the prices? Yes, I mean, the goal was to try to get the highest price.”[[61]](#footnote-62)

In 2013, an investigation by the State Attorney General and TLC led to a settlement agreement between Freidman and TLC after he was found to have been violating TLC’s lease-cap rules and routinely overcharging drivers of his taxicabs.[[62]](#footnote-63) He was ordered to pay $1.2 million[[63]](#footnote-64) in fines to TLC and restitution of $750,000 to drivers who were charged higher than the legally permissible lease amounts, and to hire an internal compliance officer to make sure his companies followed the law going forward.[[64]](#footnote-65) However, despite all these bad actions, public statements, and announced settlements, TLC allowed Freidman to participate freely in both the November 2013 and March 2014 auctions, winning 22 medallions in total.[[65]](#footnote-66)

In 2015, the New York State Attorney General brought a new action against Freidman for breach of the settlement agreement reached in 2013 and for violating taxi drivers’ rights.[[66]](#footnote-67) In 2016, the New York State Attorney General entered into a consent order with Freidman and levied fines and restitution amounts for violating taxi drivers’ rights—namely for charging drivers higher lease rates and making unlawful driver healthcare fund deductions.[[67]](#footnote-68) TLC assisted the State Attorney General in the above investigations, yet Freidman remained a licensed taxicab medallion owner throughout the pendency of these investigations.[[68]](#footnote-69)

In April 2017, TLC notified Freidman that he would no longer be allowed to be an agent for the 800 plus medallions that he managed,[[69]](#footnote-70) but only “for failing to submit all required documents necessary for the renewal to proceed.”[[70]](#footnote-71) In May 2017, Freidman pleaded guilty to failing to pay the New York State Department of Taxation and Finance $5 million in 50-cent MTA surcharges between 2012 and 2015.[[71]](#footnote-72) Freidman agreed to pay restitution and judgments totaling $5 million dollars to New York State.[[72]](#footnote-73) On June 8, 2017, TLC notified Freidman of their intention to suspend his medallions.[[73]](#footnote-74)

A number of Freidman’s associates in the medallion sector also raise serious questions regarding TLC’s oversight. Michael Cohen, best known as Donald Trump’s personal attorney, invested heavily in medallions, eventually owning a fleet of thirty.[[74]](#footnote-75) Beginning in 2006, Cohen authorized Freidman to manage his medallions.[[75]](#footnote-76)

Cohen recently pled guilty to tax evasion after failing to report more than $4 million in income to the Internal Revenue Service.[[76]](#footnote-77) A substantial portion of this unreported income was said to be linked to Cohen’s income from his taxi medallions.[[77]](#footnote-78) Specifically, $1.3 million dollars of this total income included money he received from his medallion portfolio manager at the time, Symon Garber. Cohen also obtained lines of credit collateralized by taxi medallions and failed to disclose them.[[78]](#footnote-79)

Even before Cohen’s recent high-profile legal troubles, he and Garber faced multiple sanctions for his behavior in the industry. Cohen and Garber have paid more than $1 million for overcharging their drivers.[[79]](#footnote-80) Cohen and Garber have also accused each other of “forging signatures, stiffing lawyers and dodging debt collection efforts.”[[80]](#footnote-81) In 2014, the State Attorney General and TLC reached an agreement with Garber for almost $1.6 million in fines and restitutions after they discovered that his corporation had been illegally charging drivers under the lease cap rules.[[81]](#footnote-82) In 2017, news outlets reported that Cohen had failed to pay approximately $40,000 in mandatory MTA tax surcharges.[[82]](#footnote-83) Additionally, Cohen maintained questionable relations with known mobsters for many years, with no apparent consideration, comment, or penalty by TLC.[[83]](#footnote-84)

In August 2018, TLC gave notice to Cohen that his medallions would be revoked unless he sold them.[[84]](#footnote-85) At the time, TLC Spokesman Allan Fromberg said the revocation was “standard operating procedure” after Cohen's guilty plea.[[85]](#footnote-86) Garber is still currently a licensed TLC medallion owner.

It appears that TLC had several grounds, including its own discretion, to revoke or summarily suspends the licenses of Freidman, Cohen, and Garber at various points, pending a hearing. TLC’s inaction underscores the need for Int. No. 1608, which will require TLC to investigate and assess the good character, honesty, and integrity of licensees like Freidman before issuing or renewing a license.

## TLC’s Broker and Agent Licensing Process

Taxicab brokers (“brokers”) help prospective medallion buyers purchase medallions either at auction or in the transfer market.[[86]](#footnote-87) Brokers also help sellers of medallions to facilitate sales in the transfer market and can assist applicants in completing necessary paperwork. A taxicab agent (“agent”) helps medallion owners operate their taxi businesses.[[87]](#footnote-88)

Brokers and agents have similar licensing requirements to medallion buyers. Both are required to be “fit to hold a license”[[88]](#footnote-89) and must be fingerprinted.[[89]](#footnote-90) Unlike medallion applicants, however, there are no clear rules relating to financial stability, disclosure, or reporting for brokers or agents. Two rules relating to brokers are especially relevant to this hearing. First, a broker must disclose in writing to an applicant any potential conflict of interest, including whether the broker is also acting as a lender, insurance broker, automobile dealer, or otherwise has a financial interest.[[90]](#footnote-91) The disclosure requirement illustrates that TLC is aware of the many potential conflicts created by brokers performing multiple roles. Indeed this very problem played a role in the current medallion crisis, as some medallion purchasers claim they were unaware their broker was also affiliated with their lenders.[[91]](#footnote-92)

Second, a broker must provide his or her principal(s) and TLC a “written closing statement” which includes the medallion sale price, names and address of lenders, amount of loan, and broker’s commission.[[92]](#footnote-93) However, as this requirement *follows* the completion of a closing, there is no reason to believe that the Commission would use the information provided to deny an application. It is unclear if TLC has used this information to gain insight into the medallion loan market.

## Other Opportunities to Understand the Financial Stability of its Licensees

In addition to the financial information and documentation TLC had access to through the licensing process, TLC also regularly held public hearings on a variety of topics, including rate setting and lease caps.[[93]](#footnote-94) At many of these hearings industry participants clearly articulated feelings of financial insecurity and doubt about medallion value. In 2004, one stakeholder opined that “selling new medallions will raise $200 million for the city but at loan shark rates [to buyers].”[[94]](#footnote-95)

In an exchange with a representative from a trade association for medallion owners at a 2012 hearing, then-Commissioner David Yassky asked about rates of return on medallions and was told that some medallion owners were paying their returns entirely to credit unions:

Yassky: So what you're saying is if I own the medallion and I operate it in a fleet fashion, my profit is that $32,000 plus the $5,000 down at the bottom for total of $37,000. So using that million dollar evaluation, that would be a rate of return of 3.7 percent which is probably actually competitive with other investments like T bills and S&P 500. I now realize -- I have been at a loss to understand what is the claim, how is it that saying well, I'm willing to pay a million dollars for a medallion, but it doesn't profit anything. It profits 32,000 a year or 37 which is a decent rate of return.

Peter Mazer: Put it this way. That would be a rate of return if somebody brought a medallion maybe 20, 30 years ago and you own it outright. Now, if you buy it today, that rate of return is in the form of a check that you pay out to your credit union.[[95]](#footnote-96)

The challenges of operating a taxicab were described again at a 2016 meeting when a medallion owner alleged that a program designed to increase public safety by limiting the number of hours a driver could work would have the unintended consequence of functioning as an “owners income reduction rule” due to “the catastrophic and highly leveraged loans on the medallions [the] commission sold between 2004 and 2014.”[[96]](#footnote-97) In 2018, then-Commissioner Joshi acknowledged the distress medallion owners faced due to their indebtedness, stating that TLC “will continue to advocate for lenders to write down principles and modify loan terms.”[[97]](#footnote-98) Regardless what TLC’s license review process revealed, the agency had ample notice through public hearings that the financial stability of its licensees was at risk.

# oversight of medallion Values

* 1. ***TLC’s Role***

While TLC does not set medallion values directly, it monitors and reports values, sets the upset price, and is the regulator of the medallion market.[[98]](#footnote-99) TLC also runs the process by which new medallions enter the market—the auction.[[99]](#footnote-100) Medallion prices grew dramatically starting in 2004. It is important to understand TLC’s role in relation to the market for, and the value of, the medallion. The City has been accused of having an improper stake in keeping the medallion value artificially high as higher medallion values meant more money going into City coffers.[[100]](#footnote-101) In 2011, Medallion Financial Corp. President Andrew Murstein explained: “[i]t’s a great income stream for the [C]ity also. That’s one of the reasons that they protect the market so well and regulate it because, again, they’re our partner and they’re getting 5%[[101]](#footnote-102) of the sale price.”[[102]](#footnote-103)

Throughout the 2000s, TLC made a number of public statements about why high medallion values should be viewed positively.[[103]](#footnote-104) During this same period, TLC also made unsubstantiated statements regarding medallion values, but did not include any disclaimers regarding the potential for values and expenses to fluctuate.[[104]](#footnote-105)

### Pre-1996: A Cautious Approach to Medallion Values

Prior to the advent of the auction process, TLC had concerns about rising medallion prices and recognized its duty to curb the excesses of the market. In 1987, in answering questions about a proposed new law to raise fares and release new medallions, then-Commissioner Gorman Gilbert stated that, “[w]hat we’ve created here is a currency in the medallions themselves. We’ve diverted the attention of the industry from serving the public to being concerned about the value of that commodity.”[[105]](#footnote-106) In 1990, TLC announced an investigation into “complaints that taxi-medallion brokers and lenders [were] selling the medallions at prices far above the prevailing market rate to unsuspecting buyers.”[[106]](#footnote-107) The probe, conducted along with three other City agencies, examined so-called “conditional” medallion sales to immigrants without credit that were financed through loans that resulted in default after missed payments, leaving the owners with no equity, regardless of amount already paid toward the loan.[[107]](#footnote-108) TLC’s early concern about potential predatory loan practices in medallion transactions was laudatory, but did not last.

### 1996-2009: Prices Rise and So Does City Revenue

In the early 1990s the City received approval to auction 400 medallions “as a money-raising measure.”[[108]](#footnote-109) These auctions occurred in 1996 and 1997, setting record prices and raising about $85 million for City.[[109]](#footnote-110) In 2003 TLC passed new rules dictating how medallion auctions must be conducted.[[110]](#footnote-111) Along with these new rules, TLC was looking for new potential buyers. In its 2003 Annual Report, TLC stated that it had:

“begun the process of developing a business, outreach, and marketing plan to develop public interest in and enthusiasm for a taxicab medallion sale. To this end, TLC will be ***targeting*** both industry insiders, including businesses that already own taxicab medallions, ***as well as newcomers to the industry*** who are either looking for new career opportunities or a solid investment.”[[111]](#footnote-112)

Prior to the scheduled auctions in 2004, TLC conducted a marketing blitz, complete with “professionally produced television and radio spots,” as well as a print campaign.[[112]](#footnote-113) The winter 2004 edition of *TLC Times* was advertised as the “Special Medallion Sale Issue” and the main article was entitled “TLC Medallion Auction Offers Unique Opportunity to ‘Drive Your Future.’”[[113]](#footnote-114) The article claimed that:

New York City Taxicab medallions have a long history as a solid investment with steady growth. Taxi medallions also provide both a reliable and consistent income and guaranteed employment. In addition, a medallion is collateral that can assist in home financing, college tuition, or even “worry-free” retirement.[[114]](#footnote-115)

TLC also conducted medallion sale information seminars for potential bidders. At these seminars, TLC presented information regarding the benefits of and qualifications for ownership, the bidding and closing processes, and financing options.[[115]](#footnote-116) Purchasing a medallion was portrayed as a stable path to steady income, and a long-term investment strategy.[[116]](#footnote-117) TLC provided date-driven calculations as to how an individual medallion owner could make a profit while paying back a loan. For example, TLC created a sales presentation in 2004 that assumed a 20% down payment on a $250,000 medallion, and described it as an “average down payment” along with an approximate $50,000 net driver income.[[117]](#footnote-118) Using these numbers, TLC could have calculated net income for drivers at different medallion loan prices. This also suggests they could have been doing similar calculations at future auctions to provide guidance. Meanwhile, as discussed above, TLC began the process of reducing its financial disclosure requirements. Thus, going forward, TLC had less insight into the types of loans that would involve no down payments on much larger amounts.[[118]](#footnote-119)

Then-Commissioner Matthew Daus stated that at least one of the goals of the 2004 auctions was to increase City revenue.[[119]](#footnote-120) The 2004 auctions, taking place in April and October, far surpassed the expectations of observers at the time,[[120]](#footnote-121) with medallion bid prices reaching $360,000 for a single independent medallion and $815,103 for a package of two corporate medallions.[[121]](#footnote-122) After the auction took place, Daus “said medallions continue to be attractive even with the recent fleet growth because the long-awaited May fare hike boosted cab income, interest rates are relatively low and the city economy is improving.”[[122]](#footnote-123) Prices at an auction in 2006 surpassed even the 2004 numbers, with the highest winning bid for a package of two alternative fuel corporate medallions reaching $1,108,295.[[123]](#footnote-124) At the May 2008 auction, the highest winning bid for a package of two accessible corporate medallions was $1,312,000.[[124]](#footnote-125)

On the eve of his departure from TLC, then-Commissioner Daus looked back over his tenure and wrote, “I maintained the economic health of the industry for many years where, during my tenure, average medallion prices soared from approximately $200,000 to over $775,000.”[[125]](#footnote-126)

### 2010-2013: TLC Employees Raise Concerns about the “Major Agency Accomplishment” of High Medallion Prices

In 2010 a TLC employee, Gary Roth, became concerned that drivers were taking loans they could not afford to buy medallions.[[126]](#footnote-127) Roth wrote a report and “he and several colleagues warned that if the city did not take action, the loans would become unsustainable and the market could collapse.”[[127]](#footnote-128) At the same time, former-Commissioner Daus was highlighting the willingness of banks to lend with no down payments as evidence of the strength of the medallion industry, stating:

It’s amazing. When we did our medallion sales, we raised over $200 million dollars for the City of New York and basically what happened is at the time some of these folks offering zero percent down, you tell me what bank walks around asking for zero percent down on a loan? It’s just it’s really amazing and it’s a testament to the strength of the medallion….very, very limited down payment on this is an investment which if you read the press clippings on this…the medallion whether you like it or not, whether the values in your opinion are real or not has outperformed practically every other type of investment that exists.[[128]](#footnote-129)

In fact, financial institutions specializing in lending to immigrants without credit or the ability to make meaningful down payments were prominent actors and began to operate in plain slight with little scrutiny from TLC. A 2011 *WNYC* story highlighted the business model of one of the industry’s most successful lenders, Murstein’s Medallion Financial Corp., whose loans allowed medallions to be easily repossessed and resold upon default. Murstein boasted to WNYC that his firm “lent over $5 billion dollars to the taxi industry with zero losses.”[[129]](#footnote-130)

A year later, medallions prices reached new highs when two sold on the transfer market for $1 million.[[130]](#footnote-131) Daus’s successor David Yassky echoed his confidence in market, arguing that new transfer records show “that people believe in the NYC economy, and that we know that we’re going to have a nice healthy flow of businesspeople and tourists and New Yorkers in and out of yellow cabs for a good long time.”[[131]](#footnote-132) When asked about the possibility of a medallion bubble, Yassky said he did not think there was one:

I’m not going to say the price can only go in one direction, because nothing acts that way, but I do think that the fundamentals of the industry are sound, and that people are paying based on their expectation that the revenue from the taxicab will continue to be there, year in and year out.[[132]](#footnote-133)

However, a TLC presentation the following year about proposed fare and lease cap rules revealed that driver revenue, which would have affected individual medallion owners, was flat between 2006 and 2012.[[133]](#footnote-134) In the same presentation, TLC compared the rate of return on medallions positively to the returns of the S&P 500 and DJI Corporate Bond Index.[[134]](#footnote-135) It is unclear how TLC could reconcile flat driver revenue with ongoing growth in medallion prices.

By 2013, TLC was trumpeting high medallion values as evidence of a job well done. For example, in its presentation entitled “Major Agency Accomplishments (2002-2013),”[[135]](#footnote-136) TLC listed an “increase in medallion values” and highlighted that medallion prices rose over 500% since 2001.[[136]](#footnote-137)

### 2014-Present: The Bubble Peaks, Then Bursts

Auction prices peaked in 2014 for both independent and corporate medallions. For its February 2014 auction, TLC set an all-time high independent medallion upset price at $650,000.[[137]](#footnote-138) At the auction, the highest price paid for an independent medallion was $965,000, with an average price of $863,742.[[138]](#footnote-139) In March 2014, in what would prove to be its final auction up to the present day, TLC set an upset price of $1,700,000 for a lot of two accessible corporate medallions.[[139]](#footnote-140) The ultimate high winning bid was $2,420,500 with an average price of $2,328,757.[[140]](#footnote-141)

Shortly after the market highs of these auctions, the National Credit Union Administration (“NCUA”) published guidance regarding standards for examination of loans secured by taxi medallions and warning that a bubble could occur if medallion prices exceed the income generated.[[141]](#footnote-142) In addition to cautioning about stagnant medallion owner income, NCUA noted that while medallion prices were increasing, fare and lease rates remained unchanged.[[142]](#footnote-143)

By mid-2014, prices of medallions started to behave erratically.[[143]](#footnote-144) Confidence in the market and TLC’s oversight began to erode. That year, the *New York Times* reported that, in calculating and publishing average monthly medallion transfer prices, TLC excluded any transaction at a price more than $10,000 below the previous month’s reported average.[[144]](#footnote-145) There were concerns that this method of calculation may have mischaracterized the market value of medallions during a time when prices were falling in other cities due to the entry of app-based companies like Uber. TLC responded by pointing to the published disclaimer language on its average price reports that states, “[average prices] may be misleading and may not accurately convey trends in medallion prices, among other things.”[[145]](#footnote-146)

In 2015, amid dropping prices, the City suspended plans for future medallion sales, but continued to project revenue in their budgets.[[146]](#footnote-147) Following pushback from the Council to acknowledge that no revenue from the sale of medallions would materialize in fiscal year 2016, expected medallion revenue was removed from the budget and pushed to later years.[[147]](#footnote-148) The next year, the Administration further delayed anticipated revenue, but continued to expect that the City would sell additional medallions.[[148]](#footnote-149)

By January 2018, medallions were selling in the transfer market for an average of $188,796, marking one of the lowest months of sale averages in recent years.[[149]](#footnote-150) In May 2018, the City stopped including future revenue from the sale of medallions in its budget.[[150]](#footnote-151) As of May 2019, the average medallion transfer price for the month was approximately $183,000.[[151]](#footnote-152) The majority of these medallions sold due to foreclosure.[[152]](#footnote-153)

## OMB’s Role

While TLC is the primary regulator of the medallion sector, OMB plays an important role as a monitor and advisor. OMB develops the City’s budget, working with each agency to evaluate its potential expenses and revenues.[[153]](#footnote-154) Though OMB’s responsibilities regarding the medallion sales are not set forth in law or rules, it appears that OMB has taken an active and significant role in monitoring the medallion market. This kind of oversight would be logical as TLC has provided considerable revenue to the City through medallions sold at auction, transfer taxes, and licensing fees. For example, according to then-Commissioner Meera Joshi, the upset price was determined by OMB based on past transactions, stating they “look at what the most recent out-of-auction transactions are, and they come up with an upset price.”[[154]](#footnote-155) Joshi testified that OMB also monitored the frequency of transfers and medallion foreclosures before deciding whether TLC should auction new medallions.[[155]](#footnote-156) According to Joshi, TLC “rel[ied] heavily” on OMB in making decisions regarding auctions.[[156]](#footnote-157)

# The value of a taxi medallion—what tLc knew or should have known

Based on a staff review of loan documents and the financial analysis performed by TLC, it appears TLC should have realized that medallion prices were approaching their maximum by the time they hit $800,000, and sirens should have been going off by the time prices reached $1 million. At that price, taxi drivers were entering into contracts to take on crushing levels of debt for the privilege of bringing home less than minimum wage. The analysis required to come to this conclusion is not substantially different from analysis TLC has already performed, and it beggars belief that they did not come to these conclusions themselves.

## The Value of a Taxi Medallion has an Upper Limit

The maximum intrinsic[[157]](#footnote-158) value of a taxi medallion can be approximated because the value is derived from the revenue stream it can produce. If a taxi medallion can generate $6,500 in monthly income (gross revenues minus operating expenses, but not including loan payments) then it would not be rational to finance[[158]](#footnote-159) the purchase of the medallion if the interest payments exceed $6,500 a month. This represents a hard ceiling—no reasonable person would go into debt in order to work a full time job for zero net gain, they would literally be better off doing nothing. The soft ceiling is somewhere below that amount. Even if interest payments do not eat up *all* of the taxi driver’s revenues, we would not expect someone to knowingly go deep into debt in order to eke out a below-minimum wage living.

The value of that soft ceiling on medallion value is impossible to calculate with precision. It differs from person to person and is dependent on an almost innumerable list of economic factors. In some ways the actual medallion price is the best guide to the true intrinsic value; if medallion prices reach $1 million then it suggests that, at least for some people, the purchase makes sense even if it provides a very poor standard of living. However, medallion markets were imperfect and there was a great deal of information asymmetry between the brokers and lenders on the one side and borrowers on the other, meaning that the market price was influenced by factors not reflective of the true value of the medallion.[[159]](#footnote-160) As a quick gut check with respect to the soft ceiling, the *New York Times* exposé estimates that at $1 million, Mr. Mohammed Hoque’s medallion provided the right to work a grueling job in order to take home $1,400 a month[[160]](#footnote-161)—roughly equivalent to a part-time minimum wage job. That is a price point that strongly suggests *something* is wrong.[[161]](#footnote-162)

## TLC Performed its own 2004 Analysis which Implied a Maximum Value in the Ballpark of $800,000

In 2004 TLC created a PowerPoint presentation titled “Medallion Sale.” The presentation is divided into five sections titled “What is a Medallion?” “Who Can Own a Medallion?” “Why Should I Buy a Medallion?” “How Do I Buy a Medallion?” and “When Can I Buy a Medallion?” In the section “Why Should I Buy a Medallion?” TLC provided tables containing Owner/Driver Cost and Revenue Analysis.

TLC’s analysis concludes that a $250,000 medallion financed with $1,500 monthly payments and 20% down would result in a net income of $49,532. Such an analysis should have immediately led to the next question: what happens when the price goes up? Loan amount goes up, monthly payments go up, and net income goes down). Using the same values in their analysis,[[162]](#footnote-163) *except for the loan terms*[[163]](#footnote-164) which are based on the loans staff reviewed,[[164]](#footnote-165) increased medallion prices correspond (roughly) to the following driver income:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Medallion price | Down payment | Loan | Monthly payment | Annual opportunity cost | Annual income | Annual income if no down payment |
| $400,000 | $80,000 | $320,000 | $1,689 | $1,816 | $45,448 | $42,195 |
| $600,000 | $120,000 | $480,000 | $2,534 | $2,724 | $34,405 | $29,528 |
| $800,000 | $160,000 | $640,000 | $3,378 | $3,632 | $23,362 | $16,860 |
| $1,000,000 | $200,000 | $800,000 | $4,223 | $4,540 | $12,320 | $4,192 |

In this table we see that although the medallion is technically profitable even at a $1 million price point in 2004, it does not provide a real livelihood for purchasers. Below that point, the line becomes much murkier with many soft factors coming into play. While one individual might consider over half a million dollars of debt to be untenable in return for a minimum wage income, another individual with limited prospects could see it as a rare opportunity.

One metric to guide our consideration of these soft factors is the poverty threshold. A 2008 report by the Center for Economic Opportunity determined that the appropriate poverty measure for a family (two adult two children) living in New York City was approximately $26,138.[[165]](#footnote-166) Framed in this way, the $800,000 price point (and the $600,000 price point if financed entirely) results in a poverty-level income. Another comparison point is the minimum wage. New York State’s minimum wage in 2004 was $5.15, $6.00 in 2005, and $6.75 in 2006 (a three year period to match the three year terms of the loan).[[166]](#footnote-167) Assuming 12 hours a day, five days a week, 50 weeks a year, that represents an average income of $17,900 (without accounting for overtime), comparable to the income provided by the $800,000 medallion but without the debt. Given these figures, it is very hard to justify a price point above $800,000. And even if there is room for disagreement with respect to the soft ceiling, the numbers paint a clear picture that the hard ceiling is *rapidly* approaching by the time the price of medallions hit $1 million.[[167]](#footnote-168)

## In 2014 TLC Provided Additional Values Which, Although They Require Some Supplementation and Guesswork, Imply a Similar Maximum Value

The 2014 TLC Taxicab Factbook (“Factbook” or “TLC Factbook”) provides a more recent source of official values for average gross and net revenue per hour.[[168]](#footnote-169) Staff notes, at the outset, that these figures are highly misleading and difficult to use for a number of reasons. TLC described vehicle lease payments on an *hourly* basis, but those payments are fixed monthly payments independent of the hours worked. TLC *only* appears to only have subtracted vehicle lease payments and fuel costs from gross revenues in order to calculate the “net” revenues per hour; there is no indication that TLC accounted for any other operating expenses such liability insurance, vehicle depreciation and cost, maintenance, motor vehicle tax, general and administrative costs, etc.[[169]](#footnote-170) The misleading nature of this value is compounded when TLC claims the resulting $22.50 “net” hourly income is roughly equivalent to the $21 hourly wage earned by bus drivers – but a bus driver has no business expenses while the taxi driver still has to pay for a litany of operating costs out of his or her “net” income.

Nevertheless, as an official source of medallion prices, revenue, and expenses, the Factbook provides useful insight into what the TLC realized, or should have realized, at the time. Giving TLC the benefit of a doubt, we assume that TLC accounted for all hourly (and debatably hourly) vehicle related expenses (e.g., maintenance, depreciation, liability insurance, etc.) and rolled it all into their calculation for “amortized hourly vehicle lease payments” of $9.58 to $11.58 per hour.[[170]](#footnote-171) Gas is an additional $1.43 per hour,[[171]](#footnote-172) and the motor vehicle tax is a flat $1000 a year.[[172]](#footnote-173) Average hourly revenue (dependent on day and time of day) is $26 - $44 per hour.[[173]](#footnote-174) Taking a naive[[174]](#footnote-175) average of revenues and expenses, and assuming a working schedule of 12 hours a day, five days a week, 50 weeks a year, we arrive at an annual income (after paying operating expenses but before loan payments) of $67,970 a year. The Factbook reported that the average price of an independent medallion in the previous year was $967,000**.** Assuming 20% down, the monthly loan payment would have been $4,083[[175]](#footnote-176) while the annual opportunity cost of the down payment would have been $1,509.[[176]](#footnote-177) This brings the taxi driver’s annual income down to $17,461. If the borrower made no down payment (the *New York Times* reported that by 2013 many medallion buyers were not making any down payments) then the expected annual income drops to $6,720. As a point of comparison, a worker making minimum wage and working the same hours (without overtime) would earn $24,000 a year,[[177]](#footnote-178) and the bus driver in TLC Factbook making $21 an hour and working only 40 hours a week would earn $42,000.

## The Value of a Medallion can Appreciate, but not Beyond its Maximum Intrinsic Value

The value of a medallion is dependent on what people are willing to pay for it. The amount that a purchaser is willing to pay is inversely proportional to the return (taxi-driving income) they are willing to accept. Back in 2004, when medallion prices were $250,000, that price corresponded to buyers willing to accept approximately $50,000 in annual taxi-driving income. A buyer who was willing to undercut that (e.g., someone happy to earn $48,000), could take out *slightly* more debt (raising their monthly payments and depressing their monthly income) and bid *slightly* higher (raising prices). This process continued over the years until around 2014 when prices reached $1 million. At that point there was very little room for drivers to undercut each other any further.[[178]](#footnote-179) Someone who purchased a medallion at $1 million could not rely on the value to significantly appreciate beyond that point[[179]](#footnote-180) because it would require a other people willing to “bid” an even more grueling working schedule while taking home less than minimum wage. Beyond the soft ceiling any appreciation is almost purely speculative, while appreciation beyond the hard ceiling is basically nonsensical.

## Summary

The analysis conducted above involves very rough calculations and more than a little guesswork. It should not be relied upon to set a *true* ceiling for medallion prices, and some might argue that it should not even be relied upon to set a *rough* ceiling because the analysis fails to account for factors such as job availability (it takes for granted that minimum wage work is available as an alternative, for example) as well as other factors that staff may not be aware of. However, there are two points that strengthen our confidence in the conclusions reached by the analysis.

First, the analysis is independent with respect to the crash in medallion prices. Nothing in the analysis depends on knowledge that medallion prices peaked at $1 million[[180]](#footnote-181) and then crashed, yet the results of the analysis are entirely consistent with that crash. The analysis shows that at $1 million, taxi driver income reaches below-poverty levels, and so the price is unlikely to appreciate much further. But many purchasers at that price would have depended on appreciation in the value of the medallion in order to make up for the below-poverty wage; indeed, growth in medallion value was a major selling point in TLC’s 2014 Taxicab Factbook. Given the large balloon payments, the high costs in re-financing the loans, and the low equity buildup, it would not be surprising to see a wave of defaults as medallion prices hit this ceiling and then stagnated. That is not to say that this analysis suggests that the crash was inevitable even if Uber had not entered the picture, only that the analysis is consistent with the crash.[[181]](#footnote-182)

Second, the strength of the analysis is not necessarily that it approximates the *true* price ceilings for taxi medallions, it is that it identifies *what TLC thought or should have thought* the price ceiling was, because it is based off of their calculations. In 2004, if TLC extended their driver cost and revenue analysis (which would not have taken much time), they would have concluded that medallion prices were unsupportable much past $600,000 or $800,000 depending on the loan terms used. In 2014, if TLC accounted for operating costs and medallion loan payments,[[182]](#footnote-183) they would have concluded that the $1 million price point represented a below-minimum wage for taxi drivers and that it was unreasonable to expect much further appreciation. Alarms should have been ringing as they realized that many of their driver-purchasers were in unsustainable positions. It would have taken almost willful blindness for TLC to put out the calculations it did and not arrive at the conclusions presented in this memo.

# Bill analysis

**ANALYSIS OF INT. NO. 1584**

Section one of Int. No. 1584 amends chapter 5 of title 19 of the Administrative Code by adding a new section 19-556. Subdivision a of this new section requires each individual taxicab license owner, member of a partnership owning one or more taxicab licenses, or shareholder, director or officer of any corporation owning one or more taxicab license, annually to complete and file with TLC a financial disclosure statement, executed under oath, on a form provided by the Commission. The financial disclosure statement would include:

1. Each taxicab license in which the filer has an interest;

2. Whether such interest is as an owner, shareholder, director, or officer;

3. Any other licenses issued by the Commission that are held by the filer;

4. The filer’s gross income from taxicab operations in the prior calendar year;

5. The filer’s gross expenses related to taxicab operations in the prior calendar year;

6. The total amount of taxicab liability insurance premiums paid by the filer in the prior calendar year;

7. The outstanding balances of all loans secured by taxicab licenses in which the filer has an interest as of the end of the prior calendar year;

8. The number of taxicab licenses in which the filer has an interest that are collateral for a secured loan;

9. The number of taxicab licenses in which the filer has an interest that are not collateral for a secured loan;

10. Any other interests the filer has in any taxi, livery, or for-hire vehicle business, whether or not licensed by the Commission; and

11. Any other information requested by the Commission.

Subdivision b of this new section would require that all such financial disclosure statements include all attachments and documentation required by the Commission.

Section two of Int. No. 1584 provides that the local law would take effect 90 days after it became law, except that TLC could take all necessary action, including the promulgation of rules, prior to such effective date.

**ANALYSIS OF INT. NO. 1605**

Section one of Int. No. 1605 amends chapter 5 of title 19 of the Administrative Code by adding a new section 19-554. Subdivision a of this new section prohibits TLC from approving the purchase or transfer of any taxicab license or any interest in a taxicab license unless:

1. The prospective purchaser or transferee provides documentation in a form satisfactory to the Commission detailing the sources of the funds such prospective purchaser or transferee intends to use for such purchase or transfer;

2. If such purchase or transfer is financed in whole or in part by a loan, the Commission reviews the terms of the loan and makes a determination that the prospective purchaser or transferee could reasonably be expected to make the required payments; or

3. If such purchase or transfer is financed in whole or in part by a loan containing a confession of judgment.

Subdivision b of this new section requires TLC to promulgate rules, consistent with this section, enumerating factors the Commission shall consider in evaluating whether a prospective purchaser or transferee could reasonably be expected to make the required payments.

Section two of Int. No. 1605 provides that this local law would take effect 90 days after it became law, except that TLC could take all necessary action, including the promulgation of rules, prior to such effective date.

**ANALYSIS OF INT. NO. 1608**

Section one of Int. No. 1608 amends subdivision d of section 19-527 of the Administrative Code with respect to the licensing and renewal process for taxicab brokers, section two amends subdivision d of section 19-530 with respect to the licensing and renewal process for taxicab agents, and section three amends subdivision d of section 19-504 with respect to taxicab vehicle licensees. Such application processes would be amended by requiring applicants, including business entities, to disclose certain information as part of their applications. The Commission would then be required to investigate and assess the good character, honesty, and integrity of each applicant, and the Commission could refuse to issue or renew a license subject to such investigation. Additionally, taxicab broker, agent, and vehicle licenses would be required to be renewed annually.

Section two of Int. No. 1608 provides that this local law would take effect 120 days after it became law, except that TLC could take such measures as are necessary for its implementation, including the promulgation of rules, before such date and except that the law would not apply to any business that was issued a license by TLC on or prior to such date until the next renewal of such license.

**ANALYSIS OF INT. NO. 1610**

Section one of Int. No. 1610 amends chapter 5 of title 19 of the Administrative Code by adding a new section 19-555. Subdivision a of this new section would require TLC to establish an Office of Financial Stability. The Office, in collaboration with the Department of Investigation, would be required to monitor and evaluate the financial stability of the taxicab industry. In conducting such monitoring and evaluation, the Office would consider, at a minimum:

1. the long and short-term financial stability of the market for taxicab licenses;

2. the method for calculating the minimum bid price for taxicab licenses;

3. potential market manipulation, speculation, and/or collusion in taxicab license auctions and transfers;

4. the number of bankruptcy proceedings involving taxicab licensees;

5. the number of purchases or transfers of taxicab licenses not approved by the Commission due to a determination that prospective purchaser or transferee could not reasonably be expected to make required loan payments;

6. common terms and conditions of loans used to finance a taxicab license purchase or transfer, including the number of loans that did not require a down payment, utilized interest-only payments, or included a confession of judgment;

7. the annual financial disclosures from each person who has any interest in any taxicab license; and

8. income and expenses associated with operating a taxicab.

Subdivision b of this new section would require the Office, beginning February 1, 2020 and no later than every February 1 thereafter, to submit to the Speaker of the Council and the Mayor and post on the Commission’s website a report including, but not limited to, details of the Office’s activities pursuant to subdivision a of this section conducted during the prior calendar year, an assessment of the financial stability of the taxicab industry, and any recommendations regarding the financial stability of the taxicab industry.

Subdivision c would require the Office of to conduct any investigation relating to the financial stability of the taxicab industry directed by the Council. The direction would be submitted to the office by the Speaker of the Council.

Section two of Int. No. 1610 provides that this local law would take effect 90 days after it became law.

Int. No. 1584

By Council Members Adams, Torres, Rodriguez and the Speaker (Council Member Johnson)

A Local Law to amend the administrative code of the city of New York, in relation to requiring annual financial disclosure from each person who has any interest in any taxicab license

Be it enacted by the Council as follows:

Section 1. Chapter 5 of title 19 of the administrative code of the city of New York is amended by adding a new section 19-556 to read as follows:

§ 19-556 Annual financial disclosure. a. Each individual taxicab license owner, member of a partnership owning one or more taxicab licenses, or shareholder, director or officer of any corporation owning one or more taxicab license, shall annually complete and file with the commission a financial disclosure statement, executed under oath, on a form provided by the commission. Such financial disclosure statement shall include:

1. Each taxicab license in which the filer has an interest;

2. Whether such interest is as an owner, shareholder, director, or officer;

3. Any other licenses issued by the commission that are held by the filer;

4. The filer’s gross income from taxicab operations in the prior calendar year;

5. The filer’s gross expenses related to taxicab operations in the prior calendar year;

6. The total amount of taxicab liability insurance premiums paid by the filer in the prior calendar year;

7. The outstanding balances of all loans secured by taxicab licenses in which the filer has an interest as of the end of the prior calendar year;

8. The number of taxicab licenses in which the filer has an interest that are collateral for a secured loan;

9. The number of taxicab licenses in which the filer has an interest that are not collateral for a secured loan;

10. Any other interests the filer has in any taxi, livery, or for-hire vehicle business, whether or not licensed by the commission; and

11. Any other information requested by the commission.

b. Such financial disclosure statements shall include all attachments and documentation required by the commission.

§ 2. This local law takes effect 90 days after it becomes law, except that the taxi and limousine commission shall take all necessary action, including the promulgation of rules, prior to such effective date.

NAB

LS #11038

6/11/19

|  |
| --- |
| Int. No. 1605    By Council Members Moya, Torres, Rodriguez and the Speaker (Council Member Johnson)    A Local Law to amend the administrative code of the city of New York, in relation to the approval of a purchase or transfer of a taxicab license    Be it enacted by the Council as follows:    Section 1. Chapter 5 of title 19 of the administrative code of the city of New York is amended by adding a new section 19-554 to read as follows:  § 19-554 Approval of purchase or transfer of taxicab license. a. The commission may not approve the purchase or transfer of any taxicab license or any interest in a taxicab license unless:  1. The prospective purchaser or transferee provides documentation in a form satisfactory to the commission detailing the sources of the funds such prospective purchaser or transferee intends to use for such purchase or transfer;  2. If such purchase or transfer is financed in whole or in part by a loan, the commission reviews the terms of the loan and makes a determination that the prospective purchaser or transferee could reasonably be expected to make the required payments; or  3. If such purchase or transfer is financed in whole or in part by a loan containing a confession of judgment.  b. The commission shall promulgate rules, consistent with this section, enumerating factors the commission shall consider in evaluating whether a prospective purchaser or transferee could reasonably be expected to make the required payments.  § 2. This local law takes effect 90 days after it becomes law, except that the taxi and limousine commission shall take all necessary action, including the promulgation of rules, prior to such effective date.              NAB  LS # 11042  6//11/19 |
| Int. No. 1608    By Council Members Rodriguez, Torres, the Speaker (Council Member Johnson) and Brannan    A Local Law to amend the administrative code of the city of New York, in relation to requiring the taxi and limousine commission to evaluate the character and integrity of taxicab brokers, agents, and taxicab licensees    Be it enacted by the Council as follows:    Section 1. Subdivision d of section 19-527 of the administrative code of the city of New York is amended to read as follows:  d. Licensing application process. 1. Applications for taxicab broker licenses and for the renewal thereof shall be filed with the commission in such form and containing such detail as the commission shall prescribe. Each application shall be subscribed by the applicant; or if made by a partnership it shall be subscribed by a member thereof; or if made by a corporation it shall be subscribed by an officer thereof. Each application shall contain an affirmation by the person so subscribing that the statements therein are true under the penalties of perjury. In addition to any information required by the commission, each applicant shall:  (a) Submit to fingerprinting;  (b) Provide proof of payment of any outstanding penalties, fines, or fees owed to the commission, department of finance, or state department of motor vehicles;  (c) Provide the applicant's current mailing address and electronic mail address; and  (d) An applicant that is a business entity shall also provide the following:  (1) Partnerships. If the applicant is a partnership, it must file a certified copy of the partnership certificate from the clerk of the county where the partnership's principal place of business is located.  (2) Corporations. If the applicant is a corporation, it must file with its application:  (A) A certified copy of its certificate of incorporation;  (B) A list of officers and shareholders; and  (C) A certified copy of the minutes of the meeting at which the current officers were elected.  (3) Limited Liability Companies If the applicant is a limited liability company, it must file with its application:  (A) A copy of its articles of organization;  (B) A copy of its operating agreement; and  (C) A list of the members, with the percentages owned by each.  d-1. Before issuing such a license or the renewal thereof, the commission shall investigate and assess the good character, honesty, and integrity of each applicant. The commission may refuse to issue or renew such a license upon finding that an applicant lacks good character, honesty, and integrity. As part of such assessment, the commission shall consider:  (1) Failure by such applicant to provide truthful information in connection with the application;  (2) A pending indictment or criminal action against such applicant for a crime which under section 753 of the correction law would provide a basis for the refusal of such license, or a pending civil or administrative action to which such applicant is a party and which directly relates to the fitness to conduct the business or perform the work for which such license is sought, in which cases the commission may defer consideration of an application until a decision has been reached by the court or administrative tribunal before which such action is pending;  (3) Conviction of such applicant for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis under such law for the refusal of such license;  (4) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant to conduct the business for which such license is sought;  (5) Having been a principal in a taxicab broker business where the commission would be authorized to deny a license to such predecessor business pursuant to this subdivision;  (6) Failure to pay any tax, fine, penalty, or fee related to the applicant's business for which liability has been admitted by the person liable therefor, or for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and  (7) Any other relevant information.  d-2. Taxicab broker license period and renewal process. 1. A taxicab broker license shall be valid for a period of one year upon the expiration of which such taxicab broker shall submit an application for renewal.  2. Where an applicant is seeking to renew a taxicab broker license, the commission shall reassess the character, honesty, and integrity of such applicant pursuant to the criteria set forth in subdivision d-1. In addition, the commission shall also deny or revoke the taxicab broker license where the licensee or applicant has:  (a) Made a material misstatement or misrepresentation on an application for a taxicab broker license or the renewal thereof;  (b) Made a material misrepresentation or committed a fraudulent, deceitful, or unlawful act or omission while engaged in the business or occupation of or holding himself, herself, or itself out or acting temporarily or otherwise as a taxicab broker; or  (c) Violated any provision of this section or any rule or regulation of the commission.  3. Upon submission of an application for renewal of a taxicab broker license, the applicant shall also provide the following:  (a) The physical address of the location where the applicant will conduct business; and  (b) Information on the prior business or occupation of the individual applicant or, if a business entity, information on the applicant's business entity persons during the two years immediately before the date of the application. The information must specify the place or places of the business or occupation and the name or names of employers.  § 2. Subdivision d of section 19-530 of the administrative code of the city of New York is amended to read as follows:  d. Licensing application process 1. An application for a license required by subdivision a of this section and for the renewal thereof shall be filed with the commission and shall be in such form as the commission shall prescribe. An application for such license shall be submitted on behalf of a sole proprietorship by the proprietor; on behalf of a partnership by a general partner thereof; on behalf of a corporation by an officer or director thereof; or by any other type of business entity by the chief executive officer thereof, irrespective of organizational title. The application shall contain a sworn and notarized statement by such individual that the statements therein are true under the penalties of perjury. In addition any information required by the commission, each applicant shall:  (a) Submit to fingerprinting;  (b) Provide proof of payment of any outstanding penalties, fines or fees owed to the commission, department of finance, or state department of motor vehicles;  (c) Provide the applicant's current mailing address and electronic mail address; and  (d) An applicant that is a business entity must provide the following documents:  (1) Partnerships. If the applicant is a partnership, it must file with its application a certified copy of the partnership certificate from the clerk of the county where the partnership's principal place of business is located.  (2) Corporations. If the applicant is a corporation, it must file with its application:  (A) A certified copy of its certificate of incorporation;  (B) A list of officers and shareholders; and  (C) A certified copy of the minutes of the meeting at which the current officers were elected.  (3) Limited Liability Companies. If the applicant is a limited liability company, it must file with its application:  (A) A copy of its articles of organization;  (B) A copy of its operating agreement; and  (C) A list of the members, with the percentages of the applicant owned by each.  d-1. Before issuing such a license or the renewal thereof, the commission shall investigate and make an assessment of the good character, honesty, and integrity of each applicant. The commission may refuse to issue or renew such a license upon finding that an applicant lacks good character, honesty, and integrity. As part of such assessment, the commission shall consider:  (1) Failure by such applicant to provide truthful information in connection with the application;  (2) A pending indictment or criminal action against such applicant for a crime which under section 753 of the correction law would provide a basis for the refusal of such license, or a pending civil or administrative action to which such applicant is a party and which directly relates to the fitness to conduct the business or perform the work for which such license is sought, in which cases the commission may defer consideration of an application until a decision has been reached by the court or administrative tribunal before which such action is pending;  (3) Conviction of such applicant for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis under such law for the refusal of such license;  (4) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant to conduct the business for which such license is sought;  (5) Having been a principal in a taxicab agent business where the commission would be authorized to deny a license to such predecessor business pursuant to this subdivision;  (6) Failure to pay any tax, fine, penalty, or fee related to the applicant's business for which liability has been admitted by the person liable therefor, or for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and  (7) Any other relevant information.  d-2. Taxicab agent license period and renewal process. 1. A taxicab agent license shall be valid for a period of one year upon the expiration of which such taxicab agent shall submit an application for renewal.  2. Where an applicant is seeking to renew a taxicab agent license, the commission shall reassess the character, honesty, and integrity of such applicant pursuant to the criteria set forth in subdivision d-1. In addition, the commission shall also deny or revoke the taxicab agent license where the licensee or applicant has:  (a) Made a material misstatement or misrepresentation on an application for a taxicab agent license or the renewal thereof;  (b) Made a material misrepresentation or committed a fraudulent, deceitful, or unlawful act or omission while engaged in the business or occupation of or holding himself, herself, or itself out or acting temporarily or otherwise as a taxicab agent; or  (c) Violated any provision of this section or any rule or regulation of the commission.  3. Upon submission of an application for renewal of a taxicab agent license, the applicant shall also provide the following:  (a) The physical address of the location where the applicant will conduct business; and  (b) Information on the prior business or occupation of the individual applicant or, if a business entity, information on the applicant's business entity persons during the two years immediately before the date of the application. The information must specify the place or places of the business or occupation and the name or names of employers.  § 3. Section 19-504 of the administrative code of the city of New York is amended to read as follows:  d-1. Taxicab licensing application process 1. An application for a taxicab license and for the renewal thereof shall be filed with the commission and shall be in such form as the commission shall prescribe. An application for such license shall be submitted on behalf of a sole proprietorship by the proprietor; on behalf of a partnership by a general partner thereof; on behalf of a corporation by an officer or director thereof; or by any other type of business entity by the chief executive officer thereof, irrespective of organizational title. The application shall contain a sworn and notarized statement by such individual that the statements therein are true under the penalties of perjury. In addition any information required by the commission, each applicant shall:  (a) Submit to fingerprinting;  (b) Provide proof of remission of any outstanding taxes or surcharges including surcharges required to be remitted to the state pursuant to section 1281 of the tax law and article 29-C of the tax law and compliance with subdivision q of this section;  (c) Provide the applicant's current mailing address and electronic mail address; and  (d) An applicant that is a business entity must provide the following documents:  (1) Partnerships. If the applicant is a partnership, it must file with its application a certified copy of the partnership certificate from the clerk of the county where the partnership's principal place of business is located.  (2) Corporations. If the applicant is a corporation, it must file with its application:  (A) A certified copy of its certificate of incorporation;  (B) A list of officers and shareholders; and  (C) A certified copy of the minutes of the meeting at which the current officers were elected.  (3) Limited Liability Companies. If the applicant is a limited liability company, it must file with its application:  (A) A copy of its articles of organization;  (B) A copy of its operating agreement; and  (C) A list of the members, with the percentages of the applicant owned by each.  d-2. Before issuing such a license or the renewal thereof, the commission shall investigate and make an assessment of the good character, honesty, and integrity of each applicant. The commission may refuse to issue or renew such a license upon finding that an applicant lacks good character, honesty, and integrity. As part of such assessment, the commission shall consider:  (1) Failure by such applicant to provide truthful information in connection with the application;  (2) A pending indictment or criminal action against such applicant for a crime which under section 753 of the correction law would provide a basis for the refusal of such license, or a pending civil or administrative action to which such applicant is a party and which directly relates to the fitness to conduct the business or perform the work for which such license is sought, in which cases the commission may defer consideration of an application until a decision has been reached by the court or administrative tribunal before which such action is pending;  (3) Conviction of such applicant for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis under such law for the refusal or revocation of such license;  (4) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant to conduct the business for which such license is sought;  (5) Having been a principal in a licensed taxicab business where the commission would be authorized to deny a license to such predecessor business pursuant to this subdivision;  (6) Failure to pay any tax, fine, penalty or fee related to the applicant's business for which liability has been admitted by the person liable therefor, or for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and  (7) Any other relevant information.  d-3. Taxicab license period and renewal process. 1. A taxicab license shall be valid for a period of one year upon the expiration of which such taxicab licensee shall submit an application for renewal.  2. Where an applicant is seeking to renew a taxicab license, the commission shall reassess the character, honesty, and integrity of such applicant pursuant to the criteria set forth in subdivision d-2. In addition, the commission shall also deny or revoke the taxicab license where the licensee or applicant has:  (a) Made a material misstatement or misrepresentation on an application for a taxicab license or the renewal thereof;  (b) Made a material misrepresentation or committed a fraudulent, deceitful or unlawful act or omission while engaged in the business or occupation of or holding himself, herself or itself out or acting temporarily or otherwise as a taxicab licensee; or  (c) Violated any provision of this section or any rule or regulation of the commission.  3. Upon submission of an application for renewal of a taxicab license, the applicant shall also provide the following:  (a) The physical address of the location where the applicant will conduct business; and  (b) Information on the prior business or occupation of the individual applicant or, if a business entity, information on the applicant's business entity persons during the two years immediately before the date of the application. The information must specify the place or places of the business or occupation and the name or names of employers.  § 4. This local law takes effect 120 days after it becomes law, except that the taxi and limousine commission may take such measures as are necessary for its implementation, including the promulgation of rules, before such date and except that this local law shall not apply to any business that was issued a license by the taxi and limousine commission on or prior to such date until the next renewal of such license.  JG  LS # 11040  6/11/19 |

|  |
| --- |
| Int. No. 1610    By Council Members Torres, Rodriguez, the Speaker (Council Member Johnson) and Brannan    A Local Law to amend the administrative code of the city of New York, in relation to the creation of an office of financial stability within the taxi and limousine commission    Be it enacted by the Council as follows:    Section 1. Chapter 5 of title 19 of the administrative code of the city of New York is amended by adding a new section 19-555 to read as follows:  § 19-555 Office of Financial Stability a. The commission shall establish an office of financial stability. Such office, in collaboration with the department of investigation, shall monitor and evaluate the financial stability of the taxicab industry. In conducting such monitoring and evaluation, the office shall consider, at a minimum:  1. the long and short-term financial stability of the market for taxicab licenses;  2. the method for calculating the minimum bid price for taxicab licenses;  3. potential market manipulation, speculation, and/or collusion in taxicab license auctions and transfers;  4. the number of bankruptcy proceedings involving taxicab licensees;  5. the number of purchases or transfers of taxicab licenses not approved by the commission due to a determination that prospective purchaser or transferee could not reasonably be expected to make required loan payments;  6. common terms and conditions of loans used to finance a taxicab license purchase or transfer, including the number of loans that did not require a down payment, utilized interest-only payments, or included a confession of judgment;  7. the annual financial disclosures from each person who has any interest in any taxicab license; and  8. income and expenses associated with operating a taxicab.  b. Beginning February 1, 2020 and no later than every February 1 thereafter, the office shall submit to the speaker of the council and mayor and post on the commission’s website, a report including, but not limited to, details of the office’s activities pursuant to subdivision a of this section conducted during the prior calendar year, an assessment of the financial stability of the taxicab industry, and any recommendations regarding the financial stability of the taxicab industry.  c. The office shall conduct any investigation relating to the financial stability of the taxicab industry directed by the council. Such direction shall be submitted to the office by the speaker of the council.  § 2. This local law takes effect 90 days after it becomes law.  LS 11158  6/11/18 |

1. The New York City Taxi & Limousine Commission, (“TLC” or the “Commission”). [↑](#footnote-ref-2)
2. Bruce Schaller and Gorman Gilbert, *Villain or Bogeyman? New York’s Taxi Medallion System* (1996), http://www.schallerconsult.com/taxi/taxi2.htm. The number of medallions is determined by New York State. [↑](#footnote-ref-3)
3. *Id*. [↑](#footnote-ref-4)
4. *Id*. [↑](#footnote-ref-5)
5. A street “hail” is “a request either through a verbal (audio) action such as calling out, yelling, or whistling, and/or a visible physical action such as raising one’s hand or arm . . . for on-demand Taxicab or Street Hail Livery service at the metered rate of fare as set forth in § 58-26 and § 82-26 of [TLC Rules] by a person who is currently ready to travel.” 35 R.C.N.Y. § 51-03. [↑](#footnote-ref-6)
6. N.Y.C Admin. Code § 19-512, 531. [↑](#footnote-ref-7)
7. N.Y.C. Taxi and Limousine Comm’n, *Taxicab Rate of Fare*, https://www1.nyc.gov/site/tlc/passengers/taxi-fare.page. A “Hail Exclusionary Zone” is defined as “the area in which Street Hail Liveries are NOT permitted to accept a passenger by hail. The Hail Exclusionary Zone is: (1) Manhattan south of East 96th St. and West 110th St. and (2) The New York City Airports.” 35 R.C.N.Y. § 51-03. [↑](#footnote-ref-8)
8. N.Y. City Charter § 2300. *See also*, N.Y.C. Taxi and Limousine Comm’n, *About TLC*, https://www1.nyc.gov/site/tlc/about/about-tlc.page. [↑](#footnote-ref-9)
9. N.Y. City Charter § 2300. [↑](#footnote-ref-10)
10. *See* 35 R.C.N.Y. § 52. [↑](#footnote-ref-11)
11. 35 R.C.N.Y. § 65-05 (b)(1) (“The Chairperson will set a minimum upset price for Medallions to be sold.”) and 35 R.C.N.Y. § 65-05 (b)(2) (“The Chairperson will establish different upset prices for each type of Medallion sold.”) However, in testimony before the Council in 2017, then-Commissioner Meera Joshi stated that the upset price was determined by “the Office of Management and Budget based on past transactions . . . they look at what the most recent out-of-auction transactions are, and they come up with an upset price.” *Hearing before the N.Y.C. Council Comm. on Transp., 32* (N.Y.C. Sept. 25, 2017) (statement of Taxi and Limousine Comm’r), *available at* https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3153662&GUID=B0D0F018-4149-4EFF-8D82-69557323290A&Options=&Search=. [↑](#footnote-ref-12)
12. Prior to the passage of Local Law 59 of 2017, there were two types of medallions: independent (individual) and mini-fleet (corporate); Local Law 59 eliminated this distinction. Historically, an “Independent Medallion” was defined as “a class of Medallion Taxicab License, the owner of which may only own one Medallion” and a “Minifleet Medallion” was defined as “a Medallion Taxicab License that is classified and must be owned in groups of at least two” 35 R.C.N.Y. § 51-03 (repealed 2017), *available at* https://web.archive.org/web/20160513104557/http://www.nyc.gov/html/tlc/downloads/pdf/rule\_book\_current\_chapter\_51.pdf. [↑](#footnote-ref-13)
13. N.Y.C. Taxi and Limousine Comm’n, *Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-14)
14. *Id*. [↑](#footnote-ref-15)
15. *Id*. [↑](#footnote-ref-16)
16. *Id*. [↑](#footnote-ref-17)
17. James Fanelli and Jeff Mays, *Uber Could Take $500M Bite Out of City’s Taxi Medallion Income*, dnainfo, Jul. 23, 2015, https://www.dnainfo.com/new-york/20150723/new-york-city/citys-projected-revenue-from-taxi-medallion-sales-drops-by-500m/. [↑](#footnote-ref-18)
18. Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n, 13 (2003), https://www1.nyc.gov/assets/tlc/downloads/pdf/2003\_annual\_report.pdf. (emphasis added). [↑](#footnote-ref-19)
19. TLC Times (Winter 2004), *available at* https://web.archive.org/web/20120326225112/http://www.nyc.gov/html/tlc/downloads/pdf/newsletter\_winter\_2004\_external.pdf. [↑](#footnote-ref-20)
20. Felipe De La Hoz, *Credit Union Holding Taxi Medallion Loans Shutters, Leaving Drivers in Limbo*, Documented, Sept. 19, 2018, https://documentedny.com/2018/09/19/credit-union-holding-taxi-medallion-loans-shutters-leaving-drivers-in-limbo/. [↑](#footnote-ref-21)
21. *Id*. [↑](#footnote-ref-22)
22. Brian M. Rosenthal, ‘*They Were Conned’: How Reckless Loans Devastated a Generation of Taxi Drivers*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/nyc-taxis-medallions-suicides.html. [↑](#footnote-ref-23)
23. *Id*. [↑](#footnote-ref-24)
24. *The Myth of the Medallion*, *The Weekly* 19:20 (June 9, 2019) (available through Hulu). [↑](#footnote-ref-25)
25. N.Y. City Charter § 2303(a). [↑](#footnote-ref-26)
26. N.Y. City Charter § 2303(b)(7). [↑](#footnote-ref-27)
27. N.Y. City Charter §§ 2300, 2301; 35 R.C.N.Y. § 52-03(b). [↑](#footnote-ref-28)
28. 35 R.C.N.Y. § 52-04(a)(4) (effective 2011). [↑](#footnote-ref-29)
29. 35 R.C.N.Y. § 58-43(b)(4). [↑](#footnote-ref-30)
30. N.Y.C. Taxi and Limousine Comm’n, *Application for a Taxicab Owner’s License*, https://www1.nyc.gov/assets/tlc/downloads/pdf/os\_1\_application\_reg.pdf. [↑](#footnote-ref-31)
31. Audit Report on the Taxi and Limousine Commission’s Controls over Taxi Medallions, N.Y.C. Office of the Comptroller 16 (2008), https://comptroller.nyc.gov/wp-content/uploads/documents/FM08\_075A.pdf. [↑](#footnote-ref-32)
32. Taxi and Limousine Commission Medallion Auction Report, N.Y.C. Department of Investigation 25 (2007), *available at* http://archive.citylaw.org/doi/TLC%20Medallion%20Auction%20Report.pdf. [↑](#footnote-ref-33)
33. *Id.* at 25. [↑](#footnote-ref-34)
34. *Id.* at 25-28. [↑](#footnote-ref-35)
35. 35 R.C.N.Y. § 58-04(f)(2). [↑](#footnote-ref-36)
36. On file with OIU. *See also* Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*, N. Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html?action=click&module=Top%20Stories&pgtype=Homepage (“[O]fficials [at TLC] never analyzed the forms filed by buyers, and in the 2000s, they stopped requiring the annual disclosures altogether.”) [↑](#footnote-ref-37)
37. 35 R.C.N.Y. § 58-04(f)(1). [↑](#footnote-ref-38)
38. *See* 35 R.C.N.Y. § 1-02(l) (repealed 2010), *available at*  https://web.archive.org/web/20150906032532/http:/www.nyc.gov/html/tlc/downloads/pdf/ownrules.pdf (“Each individual medallion owner, member of a partnership owning one or more medallion taxicabs, or shareholder, director or officer of any corporation owning one or more medallion taxicabs shall furnish to the Commission a financial disclosure statement, executed under oath, together with all attachments and documentation required by the Commission. This disclosure statement will be completed on a form provided by the Commission, and shall include but not be limited to the entire disclosure of assets, liabilities, income and net worth of the owner, partner, shareholder, officer or director.”). [↑](#footnote-ref-39)
39. N.Y.C. Taxi and Limousine Comm’n, *Financial Disclosure Form* (May 1, 2003), *available at* https://web.archive.org/web/20040219073638/http://www.nyc.gov/html/tlc/downloads/pdf/financial\_disclosure030503.pdf (“Pursuant to Title 35 of the Rules of the City of New York, Rule 1-02(L), each individual medallion owner, member of a partnership owning one or more taxicab medallions, or shareholder, director or officer of any corporation owning one or more medallion taxicabs, shall furnish to the Commission a Financial Disclosure Report.”). *See also* 35 R.C.N.Y. § 1-02(c)(5) (repealed 2010), *available at*  https://web.archive.org/web/20150906032532/http:/www.nyc.gov/html/tlc/downloads/pdf/ownrules.pdf (stating that an applicant must “furnish[] to the Commission all required information concerning the financing of the purchase price of the medallion and/or taxicab.”). [↑](#footnote-ref-40)
40. N.Y.C. Taxi and Limousine Comm’n, *Financial Disclosure Form* (May 1, 2003), *available at* https://web.archive.org/web/20040219073638/http://www.nyc.gov/html/tlc/downloads/pdf/financial\_disclosure030503.pdf. [↑](#footnote-ref-41)
41. N.Y.C. Taxi and Limousine Comm’n, *Industry Notice #03-11* (Mar. 11, 2003), *available at* https://web.archive.org/web/20150906024442/http:/www.nyc.gov/html/tlc/downloads/pdf/industry\_notice\_03\_11.pdf. [↑](#footnote-ref-42)
42. Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n 13 (2003), https://www1.nyc.gov/assets/tlc/downloads/pdf/2003\_annual\_report.pdf. (emphasis added). [↑](#footnote-ref-43)
43. Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*,

    N. Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html?action=click&module=Top%20Stories&pgtype=Homepage. [↑](#footnote-ref-44)
44. *Id*. [↑](#footnote-ref-45)
45. 35 R.C.N.Y. § 65-06(a)(3)(iii). [↑](#footnote-ref-46)
46. 35 R.C.N.Y. § 58-45 (g). *See also* N.Y.C. Taxi and Limousine Comm’n, *Application for Taxicab Owner’s License*, https://www1.nyc.gov/assets/tlc/downloads/pdf/os\_1\_application\_reg.pdf; N.Y.C. Taxi and Limousine Comm’n, *OS 1 Auction Application for Taxicab Owner’s License*, https://www1.nyc.gov/assets/tlc/downloads/pdf/auction\_application\_for\_taxicab\_owner.pdf. [↑](#footnote-ref-47)
47. N.Y.C. Taxi and Limousine Comm’n, *Application for Taxicab Owner’s License*, https://www1.nyc.gov/assets/tlc/downloads/pdf/os\_1\_application\_reg.pdf [↑](#footnote-ref-48)
48. *Id*. [↑](#footnote-ref-49)
49. “Fit to Hold a License” is defined as follows:

    “The Applicant or Licensee meets and will continue to meet all of the qualifications for the License or Authorization sought or held as established by applicable Rules and laws.

    The Applicant or Licensee is of good moral character.

    The Applicant or Licensee has been and will be candid and forthcoming with the Commission and honest in dealing with the public.

    The Applicant or Licensee has reliably complied with and will reliably comply with all of the rules and laws associated with holding the particular TLC License.

    Where an Applicant has engaged in conduct that resulted or could have resulted in the suspension or revocation of a TLC License, the Applicant shows that he or she will not engage in similar conduct in the future.”

    35 R.C.N.Y. § 51-03. [↑](#footnote-ref-50)
50. 35 R.C.N.Y. § 58-04(d) (effective 2011). [↑](#footnote-ref-51)
51. 35 R.C.N.Y. § 51-03. [↑](#footnote-ref-52)
52. With respect to “Good Moral Character,” Rule 58-04(c) states:

    “(1) An individual or all Business Entity Persons of a Business Entity applying for a Taxicab License must be fingerprinted and must be of good moral character. Fingerprinting for the purpose of investigating good moral character is also required of the following, unless waived by the Chairperson in his or her discretion:

    Any new Business Entity Persons added by a Licensee;

    Any individual or Business Entity Persons of a Business Entity that provides funds for any Owner, unless the provider is a licensed bank or loan company.

    (2) Applicant’s criminal history will be considered in a manner consistent with the Corrections Law of the State of New York.”

    35 R.C.N.Y. §§ 58-04(c). [↑](#footnote-ref-53)
53. 35 R.C.N.Y. §§ 58-04(c)(2). [↑](#footnote-ref-54)
54. *Id.* N.Y. Correct. Law § 752 (McKinney). Unfair discrimination against persons previously convicted of one or more criminal offenses prohibited “No application for any license or employment, and no employment or license held by an individual, to which the provisions of this article are applicable, shall be denied or acted upon adversely by reason of the individual's having been previously convicted of one or more criminal offenses, or by reason of a finding of lack of “good moral character” when such finding is based upon the fact that the individual has previously been convicted of one or more criminal offenses, unless: (1) there is a direct relationship between one or more of the previous criminal offenses and the specific license or employment sought or held by the individual; or (2) the issuance or continuation of the license or the granting or continuation of the employment would involve an unreasonable risk to property or to the safety or welfare of specific individuals or the general public.”;

    N.Y. Correct. Law § 753 (McKinney). Factors to be considered concerning a previous criminal conviction; presumption. These factors include “(b) The specific duties and responsibilities necessarily related to the license or employment sought or held by the person” and “(c) The bearing, if any, the criminal offense or offenses for which the person was previously convicted will have on his fitness or ability to perform one or more such duties or responsibilities.” [↑](#footnote-ref-55)
55. 35 R.C.N.Y. § 58-08. [↑](#footnote-ref-56)
56. Sarah Maslin Nir, *Taxi King Is Charged with Stealing $5 Million in State Fees*, N.Y. Times, June 7, 2017, https://www.nytimes.com/2017/06/07/nyregion/taxi-king-is-charged-with-stealing-5-million-in-state-fees.html. [↑](#footnote-ref-57)
57. Office of the N.Y.S. Att’y Gen., A.G. Schneiderman And TLC Secure First-of-its-kind Agreement Protecting Rights Of Taxicab Drivers (Dec. 19, 2013), https://ag.ny.gov/press-release/ag-schneiderman-and-tlc-secure-first-its-kind-agreement-protecting-rights-taxicab-0. [↑](#footnote-ref-58)
58. Office of the N.Y.S. Att’y Gen., A.G. Underwood And Acting Tax Commissioner Manion Announce Conviction Of “Taxi King” Evgeny Freidman For Stealing Nearly $5 Million In MTA Taxes(May 22, 2018), https://ag.ny.gov/press-release/ag-underwood-and-acting-tax-commissioner-manion-announce-conviction-taxi-king-evgeny [↑](#footnote-ref-59)
59. *See supra* Note 32. [↑](#footnote-ref-60)
60. Videotape: *Yeshiva University*, *Evgeny Friedman [sic], chief executive of Taxi Club Management at Syms School of Business* 19:35 (Feb, 9, 2012) (available through YouTube) (“So then I’d go to auctions and I’d bid crazy prices. People were looking at me like crazy, and I didn’t really care. Because I’d go back to prices, and say that this is market value, there was just an auction there… I go, I need to refinance, they go, no problem. So I did that for a while.”); Simon Van Zuylen-Wood, *The Struggles of New York City’s Taxi King*, Bloomberg LP, August 27, 2015, https://www.bloomberg.com/features/2015-taxi-medallion-king/ (“I’d go to an auction, I’d run up the price of a medallion, then I’d run to my bankers and say, ‘Look how high the medallions priced! Let me borrow against my portfolio.’ And they let me do that.”). [↑](#footnote-ref-61)
61. *The Myth of the Medallion*, *The Weekly* 19:20 (June 9, 2019) (available through Hulu). [↑](#footnote-ref-62)
62. Office of the N.Y.S. Att’y Gen., A.G. Schneiderman Obtains Consent Order Requiring Evgeny Freidman’s Taxi Companies To Hire Independent Monitor To Protect Drivers’ Rights(April 19, 2016), https://ag.ny.gov/press-release/ag-schneiderman-obtains-consent-order-requiring-evgeny-freidman%E2%80%99s-taxi-companies-hire. [↑](#footnote-ref-63)
63. *Id.* [↑](#footnote-ref-64)
64. Press Release, Office of the N.Y.S. Att’y Gen., *A.G. Schneiderman And TLC Secure First-of-its-kind Agreement Protecting Rights Of Taxicab Drivers,* (Dec. 19, 2013) *available at* <https://ag.ny.gov/press-release/ag-schneiderman-and-tlc-secure-first-its-kind-agreement-protecting-rights-taxicab-0>. [↑](#footnote-ref-65)
65. Based on data of medallion auction winners compiled by OIU from TLC’s website. N.Y.C. Taxi and Limousine Comm’n, *Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-66)
66. Office of the N.Y.S. Att’y Gen., A.G. Schneiderman Sues Evgeny Freidman And His Taxi Management Companies For Allegedly Violating Taxi Drivers’ Rights And Breaching Settlement Agreement (Apr. 23, 2015),https://ag.ny.gov/press-release/ag-schneiderman-sues-evgeny-freidman-and-his-taxi-management-companies-allegedly. In this lawsuit, the N.Y. Attorney General alleged that Freidman did not provide accurate proof that drivers had been fully reimbursed for the healthcare fund portion of the settlement, as was required by the agreement. Freidman and his companies also purportedly failed to comply with provisions that required them to cooperate with ongoing compliance monitoring by the N.Y. Attorney General. In addition, the lawsuit asserted that one of Freidman’s companies committed new violations by paying drivers late for rides charged to credit cards. Further, this company allegedly provided drivers and the N.Y. Attorney General with false receipts in an effort to hide the violations. [↑](#footnote-ref-67)
67. Office of the N.Y.S. Att’y Gen., A.G. Schneiderman Obtains Consent Order Requiring Evgeny Freidman’s Taxi Companies To Hire Independent Monitor To Protect Drivers’ Rights(April 19, 2016), https://ag.ny.gov/press-release/ag-schneiderman-obtains-consent-order-requiring-evgeny-freidman%E2%80%99s-taxi-companies-hire. [↑](#footnote-ref-68)
68. 35 R.C.N.Y. § 58-04(d). [↑](#footnote-ref-69)
69. Danielle Furfaro, *Taxi King no longer allowed to manage hundreds of medallion*, N.Y. Post, Apr. 6, 2017, https://nypost.com/2017/04/06/taxi-king-no-longer-allowed-to-manage-hundreds-of-medallions/. [↑](#footnote-ref-70)
70. Apr. 24, 2017 Letter to Hon. Vyskocil, *In re: Red Bull Taxi Inc.*, No. 16-13153-MK (S.D.N.Y. Apr. 27 2017), ECF No. 43. [↑](#footnote-ref-71)
71. Office of the N.Y.S. Att’y Gen., A.G. Underwood And Acting Tax Commissioner Manion Announce Conviction Of “Taxi King” Evgeny Freidman For Stealing Nearly $5 Million In MTA Taxes(May 22, 2018), https://ag.ny.gov/press-release/ag-underwood-and-acting-tax-commissioner-manion-announce-conviction-taxi-king-evgeny. [↑](#footnote-ref-72)
72. *Id.* [↑](#footnote-ref-73)
73. Dec. 15, 2017 Letter to Hon. Craig, *In re: Wolverine Taxi LLC*, No. 1-17-45660-CEC (Bankr. E.D.N.Y. Dec. 15 2017), ECF No. 180. Note that it is unclear what provided the basis for this revocation. [↑](#footnote-ref-74)
74. William K. Rashbaum, Danny Hakim, Brian M. Rosenthal, Emily Flitter and Jesse Drucker*, How Michael Cohen, Trump’s Fixer, Built a Shadowy Business Empire*, N. Y. Times, May 5, 2018, https://www.nytimes.com/2018/05/05/business/michael-cohen-lawyer-trump.html. [↑](#footnote-ref-75)
75. *Id.* [↑](#footnote-ref-76)
76. Kelly Phillips Erb, *Cohen Pleads Guilty To Tax Evasion, Bank Fraud & Campaign Finance Law Violations,* Forbes, Aug. 21, 2018, https://www.forbes.com/sites/kellyphillipserb/2018/08/21/cohen-pleads-guilty-to-tax-evasion-bank-fraud--campaign-contribution-charges/#1827e8906da0. [↑](#footnote-ref-77)
77. Dana Rubinstein, *New York City taxi regulator orders Michael Cohen to divest of his medallions*, Politico, Aug. 22, 2018, https://www.politico.com/states/new-york/city-hall/story/2018/08/22/new-york-city-taxi-regulator-orders-michael-cohen-to-divest-of-his-medallions-572801. [↑](#footnote-ref-78)
78. Sentencing Memorandum at 11, *U.S. v. Michael Cohen*, No. 1:18-cr-00850, (S.D.N.Y. Dec. 7, 2018), https://www.documentcloud.org/documents/5453401-SDNY-Cohen-sentencing-memo.html. [↑](#footnote-ref-79)
79. William K. Rashbaum, Danny Hakim, Brian M. Rosenthal, Emily Flitter and Jesse Drucker*, How Michael Cohen, Trump’s Fixer, Built a Shadowy Business Empire*, N. Y. Times, May 5, 2018, https://www.nytimes.com/2018/05/05/business/michael-cohen-lawyer-trump.html. [↑](#footnote-ref-80)
80. *Id.*  [↑](#footnote-ref-81)
81. Office of the N.Y.S. Att’y Gen., A.G. Schneiderman & TLC Recover Over $1.6 Million In Restitution, Penalties From NYC Taxicab Company That Overcharged Drivers, (Aug. 12, 2014), https://ag.ny.gov/press-release/ag-schneiderman-tlc-recover-over-16-million-restitution-penalties-nyc-taxicab-company. [↑](#footnote-ref-82)
82. Dan Rivoli and Reuven Blau, *Trump’s personal lawyer owes New York State nearly $40G in unpaid taxi taxes*, N.Y. Daily News, Aug. 8, 2017, https://www.nydailynews.com/news/politics/trump-personal-lawyer-owes-40g-unpaid-taxi-taxes-article-1.3392192. Note:Cohen has recently stated publicly that any other outstanding taxes that he owes to the State of New York for his taxicab companies are in fact owed by Freidman. [↑](#footnote-ref-83)
83. William K. Rashbaum, Danny Hakim, Brian M. Rosenthal, Emily Flitter and Jesse Drucker, *How Michael Cohen, Trump’s Fixer, Built a Shadowy Business Empire*, N.Y. Times, May 5, 2018, https://www.nytimes.com/2018/05/05/business/michael-cohen-lawyer-trump.html. [↑](#footnote-ref-84)
84. Dan Rivoli and Reuven Blau, *Trump’s personal lawyer owes New York State nearly $40G in unpaid taxi taxes*, N.Y. Daily News, Aug. 8, 2017, https://www.nydailynews.com/news/politics/trump-personal-lawyer-owes-40g-unpaid-taxi-taxes-article-1.3392192. [↑](#footnote-ref-85)
85. *Id*. [↑](#footnote-ref-86)
86. N.Y.C Admin. Code § 19-527(a) (“For purposes of this section ‘taxicab broker’ means a person, partnership or corporation who, for another and whether or not acting for a fee, commission or other valuable consideration, acts as an agent or intermediary in negotiating the purchase or sale of a taxicab or of stock of or in a corporation which is an owner as defined in subdivision i of section 19-501 of this chapter, or in negotiating a loan secured or to be secured by an encumbrance upon or transfer of a medallion, vehicle license or licensed vehicle. A purchase or sale under this subdivision shall include a purchase or sale of or under a reserve title contract, conditional sales agreement or vendor lien agreement.”); 35 R.C.N.Y. § 62-03(c) (“Broker or Taxicab Broker is an individual or Business Entity licensed by the Commission to act as an agent for another person or Business Entity in negotiating either of the following: (1) The transfer of any interest in a Medallion (2) A loan to be secured by a Medallion or a Taxicab.”) [↑](#footnote-ref-87)
87. N.Y.C Admin. Code § 19-502(s) (“‘Agent’ means an individual, partnership or corporation that acts, by employment, contract or otherwise, on behalf of one or more owners to operate or provide for the operation of a taxicab in accordance with the requirements of this chapter and any rule promulgated by the commission. The term ‘agent’ shall not include an attorney or representative who appears on behalf of one or more owners before the commission or an administrative tribunal, and taxicab drivers licensed pursuant to this chapter when acting in that capacity.”); 35 R.C.N.Y. § 63-03(a) (“Agent is an individual or Business Entity that has been Licensed by the Commission to operate or facilitate the operation of one or more Taxicabs on behalf of the Taxicab owner.”) [↑](#footnote-ref-88)
88. 35 R.C.N.Y. §§ 62-04(c), 63-04(k). [↑](#footnote-ref-89)
89. 35 R.C.N.Y. §§ 62-04(c), 63-04(d). [↑](#footnote-ref-90)
90. 35 R.C.N.Y. § 62-05(c). [↑](#footnote-ref-91)
91. *See e.g.* Brian M. Rosenthal, ‘*They Were Conned’: How Reckless Loans Devastated a Generation of Taxi Drivers*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/nyc-taxis-medallions-suicides.html (“Borrowers instead trusted their broker to represent them, even though, unbeknown to them, the broker was often getting paid by the bank.”). [↑](#footnote-ref-92)
92. 35 R.C.N.Y. § 62-19 (b)(2). [↑](#footnote-ref-93)
93. 35 R.C.N.Y. § 52-04(b)(3) and (4). [↑](#footnote-ref-94)
94. *N.Y.C. Taxi and Limousine Comm’n Meeting,* 66-67 (N.Y.C. Mar. 20, 2004),https://www1.nyc.gov/assets/tlc/downloads/About/commission\_meeting\_transcript/transcript\_03\_30\_04.pdf. [↑](#footnote-ref-95)
95. *N.Y.C. Taxi and Limousine Comm’n Meeting,* 103-104 (May 31, 2012), https://www1.nyc.gov/assets/tlc/downloads/pdf/transcript\_05\_31\_12.pdf. Note that the respondent is Peter Mazer, General Counsel to the Metropolitan Taxicab Board of Trade. [↑](#footnote-ref-96)
96. *Hearing before the* *N.Y.C. Taxi and Limousine Comm’n,* 75 (Jun. 23, 2016), https://www1.nyc.gov/assets/tlc/downloads/pdf/transcript\_06\_23\_16.pdf. [↑](#footnote-ref-97)
97. *Hearing before the* *N.Y.C. Taxi and Limousine Comm’n,* 9 (Dec. 4, 2018), https://www1.nyc.gov/assets/tlc/downloads/About/commission\_meeting\_transcript/transcript\_12\_04\_2018.pdf. [↑](#footnote-ref-98)
98. *Metropolitan Taxicab Board of Trade vs. City of New York*, No. 08 Civ. 7837, 2008 WL 4866021 (at \*11) (S.D.N.Y. Oct. 31, 2008) (“The City’s argument that the nature of the TLC’s medallion system makes the City a market participant is fanciful. At oral argument, Defendants claimed that the medallion regulation system gives the City ownership and control of the industry, and that this role as gatekeeper into the taxicab business somehow makes the TLC a market participant . . . . The Defendants’ position on their role as taxicab industry participant, rather than regulator, is not supported by the City Charter, by case law, or by common sense.”). [↑](#footnote-ref-99)
99. N.Y.C Admin. Code § 19-531; *see also*, N.Y. City Charter § 65-04. [↑](#footnote-ref-100)
100. *See e.g.* Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html?action=click&module=Top%20Stories&pgtype=Homepage. [↑](#footnote-ref-101)
101. Prior to the passage of Local Law 58 of 2017 there a 5% transfer tax was imposed on each transfer of a taxicab license; Local Law 58 reduced the transfer tax on each taxicab license to 0.5%. “On or after the effective date of the local law that amended this subdivision, there is hereby imposed and there shall be paid a tax on each transfer of a taxicab license or interest therein, at the rate of 0.5 percent of the consideration given for such transfer.” N.Y.C. Admin. Code § 11-1402(a) (eff. Mar. 21, 2017). [↑](#footnote-ref-102)
102. *Zack Miller: Making 16% a year investing in taxi medallions—with Andrew Murstein*,” Tradestreaming (Aug. 19, 2011) (podcast transcript available athttps://web.archive.org/web/20180816205542/http:/www.tradestreaming.com/2011/08/19/making-16-a-year-investing-in-taxi-medallions-with-andrew-murstein/). [↑](#footnote-ref-103)
103. *See e.g.*, Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n 7 (2004), https://www1.nyc.gov/assets/tlc/downloads/pdf/2004\_annual\_report.pdf (“While maintaining the price of the medallion is not a regulatory purpose of TLC, strong medallion values may be viewed as a barometer of the overall health of the industry.”); HAIL Market Analysis, N.Y.C. Taxi and Limousine Comm’n 27-28 (Dec. 19, 2013), *available at* https://web.archive.org/web/20141110042920/http://www.nyc.gov/html/tlc/downloads/pdf/boro\_taxi\_market\_study.pdf (regarding the introduction of Boro taxis, TLC claimed that “[t]axi medallion prices are a key indicator of the health of the yellow taxi industry. Medallion prices are based on an investor’s expected return on investment, and higher purchase prices indicate that the marketplace sees taxi medallion ownership as a reliable revenue stream . . . . [M]edallion prices have continued to increase after even after Boro Taxis have begun rolling out and providing trips . . . . These high bid prices indicate that the Boro Taxi Program—which was well underway by the time of this medallion auction—has not dampened seasoned industry investors’ expectations for the future health of the yellow taxi industry.”). [↑](#footnote-ref-104)
104. *See e.g.*,Factbook, N.Y.C. Taxi and Limousine Comm’n 12 (2014), https://www1.nyc.gov/assets/tlc/downloads/pdf/2014\_tlc\_factbook.pdf (“TLC does not set the price of a medallion; instead, the market sets the price of the medallion. The price of a medallion depends on a number of factors. • Taxi fares and tips • Demand for taxi service • Availability and cost of taxicab medallion financing • Market for the medallion • Anticipated return on the investment to acquire a medallion as compared to other investments • Cost of operating a taxi.”). [↑](#footnote-ref-105)
105. Katherine Roberts, *The New Taxi Fare: How Fair and Who For?*, N.Y. Times, May 3, 1987, https://www.nytimes.com/1987/05/03/weekinreview/the-new-taxi-fare-how-fair-and-who-for.html. [↑](#footnote-ref-106)
106. Calvin Sims, *Taxi Commission Investigates Medallion Pricing and Loans*, N.Y. Times, Oct. 13, 1990, https://www.nytimes.com/1990/10/13/nyregion/taxi-commission-investigates-medallion-pricing-and-loans.html. [↑](#footnote-ref-107)
107. *Id*. [↑](#footnote-ref-108)
108. Schaller Consulting, *The New York City Taxicab Fact Book* (March 2006), http://www.schallerconsult.com/taxi/taxifb.pdf. [↑](#footnote-ref-109)
109. *Id*. [↑](#footnote-ref-110)
110. Taxi and Limousine Commission Medallion Auction Report, N.Y.C. Department of Investigation 25 (2007), *available at* http://archive.citylaw.org/doi/TLC%20Medallion%20Auction%20Report.pdf. [↑](#footnote-ref-111)
111. Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n 13 (2003), https://www1.nyc.gov/assets/tlc/downloads/pdf/2003\_annual\_report.pdf

     (emphasis added). [↑](#footnote-ref-112)
112. Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n 7 (2004), https://www1.nyc.gov/assets/tlc/downloads/pdf/2004\_annual\_report.pdf. [↑](#footnote-ref-113)
113. TLC Times (Winter 2004), *available at* https://web.archive.org/web/20120326225112/http://www.nyc.gov/html/tlc/downloads/pdf/newsletter\_winter\_2004\_external.pdf. [↑](#footnote-ref-114)
114. *Id*. [↑](#footnote-ref-115)
115. Annual Report to the New York City Council, N.Y.C. Taxi and Limousine Comm’n 7 (2004), https://www1.nyc.gov/assets/tlc/downloads/pdf/2004\_annual\_report.pdf. [↑](#footnote-ref-116)
116. Medallion Sale, N.Y.C. Taxi and Limousine Comm’n (2004), *available at* https://web.archive.org/web/20160329080142/http://www.nyc.gov/html/tlc/downloads/pdf/presentation.pdf. [↑](#footnote-ref-117)
117. *Id*. [↑](#footnote-ref-118)
118. Brian M. Rosenthal, ‘*They Were Conned’: How Reckless Loans Devastated a Generation of Taxi Drivers*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/nyc-taxis-medallions-suicides.html. [↑](#footnote-ref-119)
119. *See e.g.*,Pete Donohue, *All Hail To the Victors! 300G Bid Earns Immigrant a Prized N.Y.C. Taxi Medallion in Rare Auction*, N.Y. Daily News, April 24, 2004, https://www.nydailynews.com/archives/news/hail-victors-300g-bid-earns-immigrant-prized-n-y-taxi-medallion-rare-auction-article-1.610409 (“The auction was part of the city’s plan to sell 900 medallions—the metal plate on the top of a cab that lets it operate in the city—over three years. The goals: to increase the size of the fleet, boost the chance of getting a cab and generate revenue for city coffers, Daus said.”). [↑](#footnote-ref-120)
120. *See* Michael Luo, *2 Medallions Fetch $712,101 As Taxi Auction Sets Record*, N.Y. Times, April 17, 2004, https://www.nytimes.com/2004/04/17/nyregion/2-medallions-fetch-712101-as-taxi-auction-sets-records.html?searchResultPosition=5 (“Although deep-pocketed fleet owners typically dominate the market for corporate medallions, even veteran observers of the industry were stunned by the prices.”). [↑](#footnote-ref-121)
121. N.Y.C. Taxi and Limousine Comm’n, *Taxicab Medallion: Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-122)
122. Pete Donohue, *Wheels and Deals Value of Taxi Medallions has gone up 12,060%*, N.Y. Daily News, October 25, 2004, https://www.nydailynews.com/archives/news/wheels-deals-taxi-medallions-12-060-article-1.657382. [↑](#footnote-ref-123)
123. N.Y.C. Taxi and Limousine Comm’n, *Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-124)
124. *Id.* [↑](#footnote-ref-125)
125. TLC Times (Winter/Spring 2010), *available at* https://web.archive.org/web/20120415153450/http://www.nyc.gov/html/tlc/downloads/pdf/news\_letter\_winter\_spring\_2010.pdf. *See also* Matthew Daus, *New York City Medallion Auction Recap*, Chicago Dispatcher, Jan. 30, 2014, *available at* https://web.archive.org/web/20140418031936/http://chicagodispatcher.com/new-york-city-medallion-auction-recap-p2468-1.htm (listing the following as reasons for the medallion price increase under his tenure: “holding several ‘competitive bid’ auctions . . . for only the second time since the Great Depression – helping drive-up prices; successful efforts to alleviate once and for all the taxi driver shortage of the 1990s culminating with a record number of licensed taxicab drivers that continues to this date; a once stable regulatory environment; the competitive pricing nature of sealed bid auctions; well-timed fare increases that have continued the living wage trend started in 2004 with steady cash flow for owners and drivers; technology and service improvements; low interest rates . . . ). [↑](#footnote-ref-126)
126. Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html?action=click&module=Top%20Stories&pgtype=Homepage. [↑](#footnote-ref-127)
127. *Id*. [↑](#footnote-ref-128)
128. Videotape: *2010 - Session 5 - Matthew Daus - Closed Systems and Medallion/Permit Auctions - Part 3* 6:50 (2010) (available through YouTube). [↑](#footnote-ref-129)
129. Ilya Marritz, *In Good Times and Bad, Taxi Medallions Far Outpace Other Assets*, WNYC News, Oct. 31, 2011, https://www.wnyc.org/story/167501-good-times-and-bad-taxi-medallions-outpace-other-assets/. [↑](#footnote-ref-130)
130. Michael M. Grynbaum, *2 Taxi Medallions Sell for$1 Million Each*, N.Y. Times, Oct. 20, 2011,https://cityroom.blogs.nytimes.com/2011/10/20/2-taxi-medallions-sell-for-1-million-each/. [↑](#footnote-ref-131)
131. Bob Moon, *Want to drive a NYC taxi? It could cost you $1 million?* Marketplace, Oct. 21, 2011, https://www.marketplace.org/2011/10/21/want-drive-nyc-taxi-it-could-cost-you-1-million/. [↑](#footnote-ref-132)
132. *Id*. [↑](#footnote-ref-133)
133. Proposed Fare and Lease Cap Rules, N.Y.C. Taxi and Limousine Comm’n 5 (July 9, 2012), *available at* https://web.archive.org/web/20170629223237/http://www.nyc.gov/html/tlc/downloads/pdf/fare\_and\_lease-hearing\_presentation.pdf. [↑](#footnote-ref-134)
134. *Id*. at 11. [↑](#footnote-ref-135)
135. Major Agency Accomplishments 2002-2003, N.Y.C. Taxi and Limousine Comm’n, *available at* https://web.archive.org/web/20140211053603/http://www.nyc.gov/html/tlc/downloads/pdf/tlc\_accomplishments\_12\_19\_13.pdf. [↑](#footnote-ref-136)
136. *Id*. [↑](#footnote-ref-137)
137. N.Y.C. Taxi and Limousine Comm’n, *Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-138)
138. *Id*. [↑](#footnote-ref-139)
139. *Id*. [↑](#footnote-ref-140)
140. *Id*. [↑](#footnote-ref-141)
141. Supervisory Letter from Nat’l Credit Union Admin. to All Field Staff re: “Taxi Medallion Lending” (Apr. 1, 2014), https://www.ncua.gov/files/letters-credit-unions/SupervisoryLetter\_TaxiMedallion.pdf. [↑](#footnote-ref-142)
142. *Id*. at 4. [↑](#footnote-ref-143)
143. *See e.g.* Danielle Furfaro, *Taxi medallion owners find their dreams dashed by Uber, Lyft*, N.Y. Post, July 5, 2016, https://nypost.com/2016/07/05/city-lets-uber-and-lyft-cannibalize-the-american-dream/. [↑](#footnote-ref-144)
144. Josh Barro, *Under Pressure from Uber, Taxi Medallion Prices are Plummeting*, N.Y. Times, November 27, 2014, https://www.nytimes.com/2014/11/28/upshot/under-pressure-from-uber-taxi-medallion-prices-are-plummeting.html. [↑](#footnote-ref-145)
145. *Id*. [↑](#footnote-ref-146)
146. Comments on New York City’s Fiscal Year 2016 Executive Budget, N.Y.C. Office of the Comptroller 24 (June 9, 2015), https://comptroller.nyc.gov/wp-content/uploads/documents/June\_2015\_FY2016\_CommentsExecBudget.pdf (“The City contends that all taxi medallion auctions planned for FY 2016 has been postponed because the Taxi and Limousine Commission needs to updates rules and monitors trends in the yellow taxi and the ‘for hire’ industries before it auctions more medallions.”). [↑](#footnote-ref-147)
147. N.Y.C. Council Comm. on Transp., Report on the Fiscal Year 2016 Preliminary Budget and the Fiscal 2015 Preliminary Mayors’ Management Report Taxi and Limousine Comm’n at 6 (Mar. 5, 2015), *available at* https://council.nyc.gov/budget/wp-content/uploads/sites/54/2015/06/fy2016-tlcp.pdf; N.Y.C. Council Comm. on Fin. & Comm. on Transp., Report to the Committees on Finance and Transportation on the Fiscal Year 2016 Executive Budget for the Taxi and Limousine Comm’n at 4 (Jun. 1, 2015), *available at* https://council.nyc.gov/budget/wp-content/uploads/sites/54/2015/06/fy2016-tlc.pdf. [↑](#footnote-ref-148)
148. N.Y.C. Council Comm. on Fin. & Comm. on Transp., Report on the Fiscal 2017 Executive Budget Taxi and Limousine Comm’n at 3 (May 17, 2016), *available at* https://council.nyc.gov/budget/wp-content/uploads/sites/54/2016/05/156-TLC.pdf. [↑](#footnote-ref-149)
149. N.Y.C. Taxi and Limousine Comm’n, *Medallion Transfers*, https://www1.nyc.gov/site/tlc/businesses/medallion-transfers.page. [↑](#footnote-ref-150)
150. N.Y.C. Council Comm. on Fin. & Comm. on For-Hire Vehicles, Report on the Fiscal 2019 Executive Budget for Taxi and Limousine Comm’n at 4 (May 10, 2018), *available at*  https://council.nyc.gov/budget/wp-content/uploads/sites/54/2018/05/156-TLC.pdf (“The Fiscal 2019 Executive Budget no longer anticipates any revenue from the sale of taxi medallions during the years of the Financial Plan”).

     *See also* Dan Rivoli and Erin Durkin, *City sets aside sale of taxi medallions as their value plummets*, N.Y. Daily News, May 10, 2018, https://www.nydailynews.com/new-york/city-sets-sale-taxi-medallions-plummets-article-1.3982966. [↑](#footnote-ref-151)
151. N.Y.C. Taxi and Limousine Comm’n, *Medallion Transfers*, https://www1.nyc.gov/site/tlc/businesses/medallion-transfers.page. Note that this number excluded the two that transferred at $0 from the average. [↑](#footnote-ref-152)
152. *Id*. [↑](#footnote-ref-153)
153. The Mayor’s Office of Management and Budget, *About OMB*, https://www1.nyc.gov/site/omb/about/about-omb.page. *See also* N.Y.C. Charter §§ 225, 231. [↑](#footnote-ref-154)
154. *Hearing before the N.Y.C. Council Comm. on Transp., 32* (N.Y.C. Sept. 25, 2017) (statement of Taxi and Limousine Comm’r), *available at* https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3153662&GUID=B0D0F018-4149-4EFF-8D82-69557323290A&Options=&Search=. [↑](#footnote-ref-155)
155. *Hearing before the N.Y.C. Council Comm. on Transp.,* 141 (N.Y.C. May 17, 2017), *available at* <https://legistar.council.nyc.gov/LegislationDetail.aspx?ID=3028961&GUID=C3133FF7-6D16-4E45-940F-43ED302F5F5E&Options=&Search=> [↑](#footnote-ref-156)
156. *Id.* at 145. [↑](#footnote-ref-157)
157. The value of the asset as determined by its inherent characteristics, as opposed to the market value determined by what people are willing to pay for it. [↑](#footnote-ref-158)
158. This does not include the subset of the population who buy a taxi medallion outright. However that population is likely small, and the calculation in that case is not substantially different due to opportunity and other costs. [↑](#footnote-ref-159)
159. Not to mention outright price manipulation of medallion prices, such as that practiced by Evgeny Freidman. [↑](#footnote-ref-160)
160. Brian M. Rosenthal, ‘*They Were Conned’: How Reckless Loans Devastated a Generation of Taxi Drivers*, N.Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/nyc-taxis-medallions-suicides.html.. [↑](#footnote-ref-161)
161. Brian M. Rosenthal, *As Thousands of Taxi Drivers Were Trapped in Loans, Top Officials Counted the Money*,

     N. Y. Times, May 19, 2019, https://www.nytimes.com/2019/05/19/nyregion/taxi-medallions.html?action=click&module=Top%20Stories&pgtype=Homepage. [↑](#footnote-ref-162)
162. TLC estimates $90,747 in revenues and $23,215 in operating expenses (not including loan payments). [↑](#footnote-ref-163)
163. This analysis is based on actual loan terms after 2014, and therefore isn’t representative of what TLC would have seen in 2004 when they conducted their analysis. The reason this analysis uses more recent observed data instead of a stab at TLC’s data is threefold. First and most importantly, it gives TLC the benefit of a doubt because these loan terms are more generous, i.e., if an $800,000 medallion looks questionable with these loan terms then it looked much worse with TLC’s 2004 loan terms. Second, it more closely tracks with what TLC would have observed (lower interest rates) as time went on. And third, by using this more recent observed data, we can see that *even if* TLC were updating its models to take into account better loan terms over time (which would support higher medallion prices), they still should have realized that medallion prices were approaching a ceiling. [↑](#footnote-ref-164)
164. The loans come from the dockets of the New York State courts, although staff also reviewed the dockets of the SDNY, EDNY, and the bankruptcy courts. The loans were attached as exhibits to lawsuits filed by the four major lenders identified in the New York Times article: Medallion Financial, Progressive Credit Union, Melrose Credit Union, and Lomto Credit Union. The terms were consistently around 4% interest with 25-30 year amortization rates and a three year term. The bulk of the payments (70%) went towards interest, leaving 95% of the borrowed principal outstanding when the balloon payment came due. [↑](#footnote-ref-165)
165. The CEO Poverty Measure, N.Y.C. Center for Economic Opportunity (Aug. 2008), https://www1.nyc.gov/assets/opportunity/pdf/08\_poverty\_measure\_report.pdf. [↑](#footnote-ref-166)
166. New York State Department of Labor, *History of General Hourly Minimum Wage in New York State*, https://labor.ny.gov/stats/minimum\_wage.shtm. [↑](#footnote-ref-167)
167. The ceiling based off of the 2014+ loan terms. Using the loan terms used by TLC in their 2004 PowerPoint, they would have arrived at a soft ceiling around $600,000 and a hard ceiling around $800,000. [↑](#footnote-ref-168)
168. Factbook, N.Y.C. Taxi and Limousine Comm’n 12 (2014), https://www1.nyc.gov/assets/tlc/downloads/pdf/2014\_tlc\_factbook.pdf [↑](#footnote-ref-169)
169. These expenses were included by TLC in their 2004 analysis. [↑](#footnote-ref-170)
170. This is a conservative approach because it prevents double-counting of expenses (and risks not accounting for some expenses at all), which keeps net revenue high and the supportable medallion price high. [↑](#footnote-ref-171)
171. We know gas is not included in the $9.58-$11.58 value because it is accounted for separately in the 2014 TLC Factbook. [↑](#footnote-ref-172)
172. The motor vehicle tax is not rolled into TLC’s “amortized hourly vehicle lease payments” because it bears no relation to hours worked. [↑](#footnote-ref-173)
173. Factbook, N.Y.C. Taxi and Limousine Comm’n 12 (2014), https://www1.nyc.gov/assets/tlc/downloads/pdf/2014\_tlc\_factbook.pdf [↑](#footnote-ref-174)
174. Without taking into account nuances involving timing. [↑](#footnote-ref-175)
175. Based off of 4% interest on a 25-year amortization rate. [↑](#footnote-ref-176)
176. Based on the 2014 three-year treasury rate of 0.78%. https://www.multpl.com/3-year-treasury-rate/table/by-year [↑](#footnote-ref-177)
177. Based off of an $8 minimum wage, 12 hours a day, 5 days a week, 50 weeks a year. New York State Department of Labor, *History of General Hourly Minimum Wage in New York State*, https://labor.ny.gov/stats/minimum\_wage.shtm. [↑](#footnote-ref-178)
178. This analysis is in contrast to the rosy picture presented by TLC in its 2014 Taxicab Factbook. TLC reported a 19.5% annualized growth in medallion prices in the past ten years and compared it to the 3.9% annual return in the S&P over the same period. The difference is that growth in the stock market typically comes from economic growth (companies expanding their business, increasing revenues, etc.) whereas the growth in medallion prices was caused by a race-to-the-bottom of drivers willing to take on more and more debt while taking home less and less money. [↑](#footnote-ref-179)
179. There are outside factors that can affect a medallion’s value. Lower interest rates, higher fares, and increased demand for taxi rides can all contribute to an increase in price by allowing the purchaser to bid a higher amount while retaining the same net annual income. [↑](#footnote-ref-180)
180. For independent medallions. The value for mini-fleet medallions is higher for a number of reasons including higher utilization. [↑](#footnote-ref-181)
181. If, for example, the analysis concluded that the soft ceiling for medallion prices was $500,000, or $5 million, then the difference between observed and predicted prices would raise serious questions about the analysis. [↑](#footnote-ref-182)
182. Their failure to do so is almost inconceivable. [↑](#footnote-ref-183)