Committee on Transportation

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## THE COUNCIL OF THE CITY OF NEW YORK

COMMITTEE REPORT OF THE INFRASTRUCTURE DIVISION

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**COMMITTEE ON TRANSPORTATION**

Hon. Ydanis Rodriguez, Chair

**October 15, 2020**

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

**TITLE:** 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 a taxicab license

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

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

**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 section 19-504, subdivision d of section

 19-527, and subdivision d of section 19-530

**PROPOSED INT. NO. 1610-A:** By Council Members Torres, Rodriguez, the Speaker (Council Member Johnson), Brannan, Ayala, Louis and Rosenthal

**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 new section 19-555 to chapter 5 of title 19

INTRODUCTION

On October 15, 2020, the Committee on Transportation, chaired by Council Member Ydanis Rodriguez, will hold a hearing to vote on the following legislation: Proposed Int. No. 1584-A, 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 a taxicab license; Proposed Int. No. 1608-A, 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; and Proposed Int. No. 1610-A, 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. The Committee previously held a hearing on these pieces of legislation on June 24, 2019 jointly with the Committee on Oversight and Investigations. At that hearing, the committees heard testimony from representatives of the Taxi and Limousine Commission (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 remained outstanding. During the joint hearing held on June 24, 2019, the Committees examined 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.[[1]](#footnote-2) The Act imposed a moratorium on the issuance of new taxicab licenses, effectively capping the number of taxis on the streets.[[2]](#footnote-3) 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.[[3]](#footnote-4) Transferability, combined with limited supply and the exclusive right to pick up a street hail[[4]](#footnote-5) helped make taxi medallions valuable assets.[[5]](#footnote-6) 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).[[6]](#footnote-7)

## Creation and Powers of TLC

In 1971, TLC was created to license and regulate medallion taxicabs.[[7]](#footnote-8) 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.[[8]](#footnote-9) 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.[[9]](#footnote-10)

## 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”).[[10]](#footnote-11) 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[[11]](#footnote-12) accessible medallions increased from approximately $280,000 to $860,000—a 200% increase.[[12]](#footnote-13) The highest winning bid for an independent medallion reached almost $1 million in February 2014.[[13]](#footnote-14) 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.[[14]](#footnote-15) Between November 2013 and March 2014, TLC auctioned approximately 400 medallions in three auctions[[15]](#footnote-16) generating about $359 million.[[16]](#footnote-17)

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.[[17]](#footnote-18) Prospective owners were offered an opportunity to achieve “worry-free” retirement.[[18]](#footnote-19) 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.[[19]](#footnote-20) For many years, lenders issued large loans for medallions and requested very small, or even no, down payments.[[20]](#footnote-21) Some of these loans often had large balloon payments attached, which forced these borrowers to refinance once their loans matured.[[21]](#footnote-22) Additionally, others were encouraged to refinance as medallion prices continued to rise and the value of their asset increased.[[22]](#footnote-23) 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.[[23]](#footnote-24)

1. 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”[[24]](#footnote-25) and the ability to establish “[r]equirements for the maintenance of financial responsibility, insurance and minimum coverage.”[[25]](#footnote-26) TLC also has the power to define, adopt, and enforce licensing standards, and[[26]](#footnote-27) “[e]stablish and enforce standards to ensure all Licensees are and remain financially stable.”[[27]](#footnote-28) 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.[[28]](#footnote-29) 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[[29]](#footnote-30) 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.[[30]](#footnote-31) 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.[[31]](#footnote-32) 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.[[32]](#footnote-33) 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.[[33]](#footnote-34)

* + 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.”[[34]](#footnote-35) 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.[[35]](#footnote-36) 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.”[[36]](#footnote-37) 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.[[37]](#footnote-38) Proposed Int. No. 1584-A, 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.[[38]](#footnote-39) The financial disclosure report included questions about outstanding medallion loan balances, gross receipts, and net income.[[39]](#footnote-40) 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.”[[40]](#footnote-41) 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,”[[41]](#footnote-42) 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.[[42]](#footnote-43) According to the *Times*, TLC’s explanation for the halt in review was that “[r]eviewing these disclosures was an onerous lift for us.”[[43]](#footnote-44)

Proposed Int. No. 1610-A would require TLC to establish an Office of Financial Stability that 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 Proposed Int. No. 1584-A.

#### Fit to Hold a License

TLC’s “Fit to Hold a License” standard[[44]](#footnote-45) 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.”[[45]](#footnote-46) 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.”[[46]](#footnote-47) 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.[[47]](#footnote-48) 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.[[48]](#footnote-49) 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.”[[49]](#footnote-50)

### Other License Review Criteria

TLC’s rules enumerate a number of grounds TLC “can” invoke to deny an application.[[50]](#footnote-51) 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.[[51]](#footnote-52) In 2013, Freidman oversaw one of the five largest fleets in New York City with more than 880 medallions[[52]](#footnote-53) and was the managing owner of over 120 companies.[[53]](#footnote-54)

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.[[54]](#footnote-55) 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.[[55]](#footnote-56) 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.”[[56]](#footnote-57)

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.[[57]](#footnote-58) He was ordered to pay $1.2 million[[58]](#footnote-59) 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.[[59]](#footnote-60) 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.[[60]](#footnote-61)

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.[[61]](#footnote-62) 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.[[62]](#footnote-63) TLC assisted the State Attorney General in the above investigations, yet Freidman remained a licensed taxicab medallion owner throughout the pendency of these investigations.[[63]](#footnote-64)

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,[[64]](#footnote-65) but only “for failing to submit all required documents necessary for the renewal to proceed.”[[65]](#footnote-66) 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.[[66]](#footnote-67) Freidman agreed to pay restitution and judgments totaling $5 million dollars to New York State.[[67]](#footnote-68) On June 8, 2017, TLC notified Freidman of their intention to suspend his medallions.[[68]](#footnote-69)

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.[[69]](#footnote-70) Beginning in 2006, Cohen authorized Freidman to manage his medallions.[[70]](#footnote-71)

Cohen recently pled guilty to tax evasion after failing to report more than $4 million in income to the Internal Revenue Service.[[71]](#footnote-72) A substantial portion of this unreported income was said to be linked to Cohen’s income from his taxi medallions.[[72]](#footnote-73) 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.[[73]](#footnote-74)

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.[[74]](#footnote-75) Cohen and Garber have also accused each other of “forging signatures, stiffing lawyers and dodging debt collection efforts.”[[75]](#footnote-76) 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.[[76]](#footnote-77) In 2017, news outlets reported that Cohen had failed to pay approximately $40,000 in mandatory MTA tax surcharges.[[77]](#footnote-78) Additionally, Cohen maintained questionable relations with known mobsters for many years, with no apparent consideration, comment, or penalty by TLC.[[78]](#footnote-79)

In August 2018, TLC gave notice to Cohen that his medallions would be revoked unless he sold them.[[79]](#footnote-80) At the time, TLC Spokesman Allan Fromberg said the revocation was “standard operating procedure” after Cohen's guilty plea.[[80]](#footnote-81) 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 Proposed Int. No. 1608-A, 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.[[81]](#footnote-82) 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.[[82]](#footnote-83)

Brokers and agents have similar licensing requirements to medallion buyers. Both are required to be “fit to hold a license”[[83]](#footnote-84) and must be fingerprinted.[[84]](#footnote-85) 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.[[85]](#footnote-86) 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.[[86]](#footnote-87)

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.[[87]](#footnote-88) 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.[[88]](#footnote-89) 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].”[[89]](#footnote-90)

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.[[90]](#footnote-91)

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.”[[91]](#footnote-92) 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.”[[92]](#footnote-93) 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.

ANALYSIS OF PROPOSED INT. NO. 1584-A

 Section one of Int. No. 1584-A 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 person who is a taxicab license owner, agent, 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 person has an interest;

2. Whether such interest is as an owner, agent, member of a partnership, shareholder, director, or officer;

3. Any other licenses issued by the Commission held by the person or in which the person has an interest;

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

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

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

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

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

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

10. Any other interests the person 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-A provides that the local law would take effect 120 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 PROPOSED INT. NO. 1608-A**

Section one of Int. No. 1608-A amends subdivision d of section 19-504 of the Administrative Code with respect to the licensing and renewal process for taxicab licensees, section two amends subdivision d of section 19-527 with respect to the licensing and renewal process for taxicab brokers, and section three amends subdivision d of section 19-530 with respect to taxicab agents. 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 four of Int. No. 1608-A provides that this local law would take effect 180 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 PROPOSED INT. NO. 1610-A**

Section one of Int. No. 1610-A 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 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 for any medallion auction planned for the following year;

3. potential market manipulation, speculation or collusion by any participant in a taxicab license auctions or transfer or any other business licensed by the commission relating to taxicabs, including, but not limited to brokers and agents;

4. the number of bankruptcy proceedings involving taxicab licensees;

5. 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;

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

7. income and expenses associated with operating a taxicab.

Subdivision b of this new section would require the Office, beginning November 1, 2021 and no later than every November 1 thereafter, to submit to the Speaker of the Council and the Mayor and post on the Commission’s website a report including details of the Office’s activities 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 to also submit the report to the Department of Investigation, which would be required to consider the report and determine whether to conduct further investigation of any issue reported by the office.

 Section two of Int. No. 1610-A provides that this local law would take effect 120 days after it becomes law.

Proposed Int. No. 1584-A

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

..Title

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 a taxicab license.

..Body

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 natural person who is a taxicab license owner, agent, 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 or in such format and manner as otherwise specified by the commission. Such financial disclosure statement shall include:

1. Each taxicab license in which such natural person has a financial interest;

2. Whether such financial interest reflects the interest of an owner, agent, member of a partnership, shareholder, director, or officer;

3. Any other licenses issued by the commission that are held by such natural person and any other licenses issued by the commission in which such natural person has an interest;

4. Such natural person’s gross income from taxicab operations in the prior calendar year;

5. Such natural person’s gross expenses related to taxicab operations in the prior calendar year;

6. The total amount of taxicab liability insurance premiums paid by such natural person in the prior calendar year, and where such natural person is a member of a partnership owning one or more taxicab licenses, or shareholder, director or officer of any corporation owning one or more taxicab license, the total amount of taxicab liability insurance premiums paid by such partnership or corporation;

7. The outstanding balances of all loans secured by taxicab licenses in which such natural person has an interest as of December 31 of the prior calendar year;

8. The number of taxicab licenses in which such natural person has an interest that serve as collateral for a secured loan;

9. The number of taxicab licenses in which such natural person has an interest that do not serve as collateral for a secured loan;

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

11. Any other information the commission determines is relevant to such natural person’s finances.

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

§ 2. This local law takes effect 120 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/EL

LS #11038

10/07/20 9:30 AM

Proposed Int. No. 1608-A

By Council Members Rodriguez, Torres, the Speaker (Council Member Johnson), Brannan, Louis and Rosenthal

..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

..Body

Be it enacted by the Council as follows:

Section 1. Section 19-504 of the administrative code of the city of New York is amended by adding a new subdivision d-1 to read as follows:

d-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. Each application and renewal 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.

1. In addition to any other information required by the commission, each applicant and renewal applicant shall provide:

(a) Fingerprints unless the applicant has previously submitted fingerprints to the commission;

(b) Proof of payment of all penalties, fines, fees, taxes and surcharges, including any tax or surcharge required to be paid pursuant to section 1281 of the tax law or article 29-C of the tax law, and proof of compliance with subdivision q of this section; and

(c) The applicant's current mailing address, business address where applicable, and an email address for the applicant and for each officer if the applicant is a partnership or corporation.; and

(d) The applicant’s social security number.

2. In addition to other information required by this section, each applicant that is a business entity shall also provide proof of active status with the department of state and the following information:

(a) An applicant that is a sole proprietorship shall provide a copy of the certificate required to be filed with the clerk of the county in which such sole proprietor conducts or transacts business pursuant to section 130 of the general business law.

(b) An applicant that is a partnership shall provide a copy of the certificate required to be filed with the clerk of the county in which such partnership conducts or transacts business pursuant to section 130 of the general business.

(c) An applicant that is a corporation shall provide a certified copy of its certificate of incorporation, a list of all officers and shareholders and a certified copy of the minutes of the meeting at which the current officers were elected.

(d) An applicant that is a limited liability company shall provide a copy of its articles of organization and a list containing the name of each member and the percentage of such company owned by each member.

3. Before issuing a taxicab 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:

(a) Failure by such applicant to provide truthful information in connection with the application;

(b) A conviction of such applicant or any officer thereof for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis for the refusal or revocation of such license;

(c) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant or an officer thereof to conduct the business for which such license is sought;

(d) Whether the applicant or an officer thereof is or has been a principal or officer of a business entity conducting business as a licensed taxicab business where the commission would be authorized to deny a license to such business entity pursuant to this paragraph;

(e) Failure to pay any tax, fine, penalty or fee related to the applicant's business for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and

(f) Any other relevant information.

4. A taxicab license shall be valid for a period of one year, upon the expiration of which a taxicab licensee may submit an application for renewal. Where a renewal application has been submitted prior to the expiration date, a license shall remain in full force and effect until a determination to approve or deny such renewal application has been made.

5. In addition, the commission may also deny or revoke a 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; or

(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 such licensee or applicant out or acting temporarily or otherwise as a taxicab licensee.

 § 2. Subdivision d of section 19-527 of the administrative code of the city of New York is amended to read as follows:

d. 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 and renewal 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 and renewal application shall contain an affirmation by the person so subscribing that the statements therein are true under the penalties of perjury.

1. In addition to any other information required by the commission, each applicant and renewal applicant shall provide:

(a) Fingerprints, unless the applicant has previously submitted fingerprints to the commission;

(b) Proof of payment of all penalties, fines, and fees owed to the commission, department of finance, or department of motor vehicles;

(c) The applicant's current mailing address, business address where applicable, and an email address for the applicant and for each officer if the applicant is a partnership or corporation; and

(d) The applicant’s social security number.

2. In addition to other information required by this section, each applicant that is a business entity shall provide proof of active status with the department of state and the following information:

(a) An applicant that is a sole proprietor shall provide a copy of the certificate required to be filed with the clerk of the county in which such sole proprietor conducts or transacts business pursuant to section 130 of the general business law.

(b) An applicant that is a partnership shall provide a copy of the certificate required to be filed with the clerk of the county in which such partnership conducts or transacts business pursuant to section 130 of the general business law.

(c) An applicant that is a corporation shall provide a certified copy of its certificate of incorporation, a list of all officers and shareholders and a certified copy of the minutes of the meeting at which the current officers were elected.

(d) An applicant that is a limited liability company shall provide a copy of its articles of organization and a list containing the names of each member and the percentage of such company owned by each such member.

3. Before issuing a taxicab broker 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:

(a) Failure by such applicant to provide truthful information in connection with the application;

 (b) A conviction of such applicant or any officer thereof for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis for the refusal of such license;

(c) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant or an officer thereof to conduct the business for which such license is sought;

(d) Whether the applicant or an officer thereof is or has been a principal or officer of a business entity conducting business as a taxicab broker where the commission would be authorized to deny a license to such business entity pursuant to this paragraph;

(e) Failure to pay any tax, fine, penalty, or fee related to the applicant's business for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and

(f) Any other relevant information.

4. A taxicab broker license shall be valid for a period of one year, upon the expiration of which a taxicab broker may submit an application for renewal. Where a renewal application has been submitted prior to the expiration date, a license shall remain in full force and effect until a determination to approve or deny such renewal application has been made.

§ 3. Subdivision d of section 19-530 of the administrative code of the city of New York, as added by local law number 83 for the year 1995, is amended to read as follows:

d. 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 and renewal 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 or renewal application shall contain a sworn and notarized statement by such individual that the statements therein are true under the penalties of perjury.

1. In addition to any other information required by the commission, each applicant and renewal applicant shall provide:

(a) Fingerprints, unless the applicant has previously submitted fingerprints to the commission;

(b) Proof of payment of all penalties, fines and fees owed to the commission, department of finance, or department of motor vehicles;

(c) The applicant's current mailing address, business address where applicable, and an email address for the applicant and for each officer if the applicant is a partnership or corporation; and

(d) The applicant’s social security number.

2. In addition to other information required by this section, each applicant that is a business entity shall provide proof of active status with the department of state and the following information:

(a) An applicant that is a sole proprietor shall provide a copy of the certificate required to be filed with the clerk of the county in which such sole proprietor conducts or transacts business pursuant to section 130 of the general business law.

(b) An applicant that is a partnership shall provide a copy of the certificate required to be filed with the clerk of the county in which such partnership conducts or transacts business pursuant to section 130 of the general business law.

(c) An applicant that is a corporation shall provide

a certified copy of its certificate of incorporation, a list of all officers and shareholders and a certified copy of the minutes of the meeting at which the current officers were elected.

(d) An applicant that is a limited liability company, shall provide a copy of its articles of organization and a list containing the names of each member and the percentage of such company owned by each such member.

3. Before issuing a taxicab agent 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:

(a) Failure by such applicant to provide truthful information in connection with the application;

 (b) A conviction of such applicant or any officer thereof for a crime which, considering the factors set forth in section 753 of the correction law, would provide a basis for the refusal of such license;

(c) A finding of liability in a civil or administrative action that bears a direct relationship to the fitness of the applicant or an officer thereof to conduct the business for which such license is sought;

(d) Whether the applicant or an officer thereof is or has been a principal or officer of a business entity conducting business as a taxicab agent where the commission would be authorized to deny a license to such business entity pursuant to this paragraph;

(e) Failure to pay any tax, fine, penalty, or fee related to the applicant's business for which judgment has been entered by a court or administrative tribunal of competent jurisdiction; and

(f) Any other relevant information.

4. A taxicab agent license shall be valid for a period of one year, upon the expiration of which a taxicab agent may submit an application for renewal. Where a renewal application has been submitted prior to the expiration date, a license shall remain in full force and effect until a determination to approve or deny such renewal application has been made.

§ 4. This local law takes effect 180 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 person or 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/EL

LS # 11040

10/7/20 7:05PM

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Proposed Int. No. 1610-A

By Council Members Torres, Rodriguez, the Speaker (Council Member Johnson), Brannan, Ayala, Louis and Rosenthal

..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

..Body

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 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 for any license auction planned for the following year;

3. Potential market manipulation, speculation, or collusion by any participant in a taxicab license auction or transfer or any other business licensed by the commission relating to taxicabs, including, but not limited to brokers and agents;

4. The number of bankruptcy proceedings involving taxicab licensees;

5. 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;

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

7. Income and expenses associated with operating a taxicab.

b. Beginning November 1, 2021 and no later than every November 1 thereafter, the office shall 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.

c. The office shall also transmit the report required by subdivision b to the department of investigation. The department of investigation shall consider such report and determine whether to conduct additional investigation of any issue reported by the office.

§ 2. This local law takes effect 120 days after it becomes law.

EL

LS 11158

10/7/20 7:10PM

1. 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-2)
2. *Id*. [↑](#footnote-ref-3)
3. *Id*. [↑](#footnote-ref-4)
4. 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-5)
5. N.Y.C Admin. Code § 19-512, 531. [↑](#footnote-ref-6)
6. 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-7)
7. 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-8)
8. N.Y. City Charter § 2300. [↑](#footnote-ref-9)
9. *See* 35 R.C.N.Y. § 52. [↑](#footnote-ref-10)
10. 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-11)
11. 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-12)
12. N.Y.C. Taxi and Limousine Comm’n, *Medallion Auction*, https://www1.nyc.gov/site/tlc/businesses/medallion-auction.page. [↑](#footnote-ref-13)
13. *Id*. [↑](#footnote-ref-14)
14. *Id*. [↑](#footnote-ref-15)
15. *Id*. [↑](#footnote-ref-16)
16. 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-17)
17. 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-18)
18. 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-19)
19. 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-20)
20. *Id*. [↑](#footnote-ref-21)
21. 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-22)
22. *Id*. [↑](#footnote-ref-23)
23. *The Myth of the Medallion*, *The Weekly* 19:20 (June 9, 2019) (available through Hulu). [↑](#footnote-ref-24)
24. N.Y. City Charter § 2303(a). [↑](#footnote-ref-25)
25. N.Y. City Charter § 2303(b)(7). [↑](#footnote-ref-26)
26. N.Y. City Charter §§ 2300, 2301; 35 R.C.N.Y. § 52-03(b). [↑](#footnote-ref-27)
27. 35 R.C.N.Y. § 52-04(a)(4) (effective 2011). [↑](#footnote-ref-28)
28. 35 R.C.N.Y. § 58-43(b)(4). [↑](#footnote-ref-29)
29. 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-30)
30. 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-31)
31. 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-32)
32. *Id.* at 25. [↑](#footnote-ref-33)
33. *Id.* at 25-28. [↑](#footnote-ref-34)
34. 35 R.C.N.Y. § 58-04(f)(2). [↑](#footnote-ref-35)
35. 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-36)
36. 35 R.C.N.Y. § 58-04(f)(1). [↑](#footnote-ref-37)
37. *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-38)
38. 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-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. [↑](#footnote-ref-40)
40. 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-41)
41. 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-42)
42. 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-43)
43. *Id*. [↑](#footnote-ref-44)
44. “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-45)
45. 35 R.C.N.Y. § 58-04(d) (effective 2011). [↑](#footnote-ref-46)
46. 35 R.C.N.Y. § 51-03. [↑](#footnote-ref-47)
47. 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-48)
48. 35 R.C.N.Y. §§ 58-04(c)(2). [↑](#footnote-ref-49)
49. *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-50)
50. 35 R.C.N.Y. § 58-08. [↑](#footnote-ref-51)
51. 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-52)
52. 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-53)
53. 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-54)
54. *See supra* Note 32. [↑](#footnote-ref-55)
55. 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-56)
56. *The Myth of the Medallion*, *The Weekly* 19:20 (June 9, 2019) (available through Hulu). [↑](#footnote-ref-57)
57. 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-58)
58. *Id.* [↑](#footnote-ref-59)
59. 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-60)
60. 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-61)
61. 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-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. 35 R.C.N.Y. § 58-04(d). [↑](#footnote-ref-64)
64. 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-65)
65. 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-66)
66. 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-67)
67. *Id.* [↑](#footnote-ref-68)
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69. 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-70)
70. *Id.* [↑](#footnote-ref-71)
71. 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-72)
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73. 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-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. 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-77)
77. 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-78)
78. 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-79)
79. 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-80)
80. *Id*. [↑](#footnote-ref-81)
81. 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-82)
82. 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-83)
83. 35 R.C.N.Y. §§ 62-04(c), 63-04(k). [↑](#footnote-ref-84)
84. 35 R.C.N.Y. §§ 62-04(c), 63-04(d). [↑](#footnote-ref-85)
85. 35 R.C.N.Y. § 62-05(c). [↑](#footnote-ref-86)
86. *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-87)
87. 35 R.C.N.Y. § 62-19 (b)(2). [↑](#footnote-ref-88)
88. 35 R.C.N.Y. § 52-04(b)(3) and (4). [↑](#footnote-ref-89)
89. *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-90)
90. *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-91)
91. *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-92)
92. *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-93)