

SUMMARY and FISCAL NOTE*

Department:	Dept. Contact:	CBO Contact:
Finance and Administrative Services	Matthew Eng	Lorine Cheung

** Note that the Summary and Fiscal Note describes the version of the bill or resolution as introduced; final legislation including amendments may not be fully described.*

1. BILL SUMMARY

Legislation Title: AN ORDINANCE relating to taxicabs and for-hire vehicles; separating and amending taxicab and for-hire vehicle industry regulations; adding a new Chapter 6.311 to the Seattle Municipal Code; and amending Sections 11.14.235 and 15.17.005 of the Seattle Municipal Code.

Summary and background of the Legislation: This legislation creates a new SMC chapter to regulate the taxicab and for-hire vehicle segments of the for-hire transportation industry. The new chapter aligns with a new chapter of King County Code and together, they reduce regulatory complexity, promote equity and innovation, modernize and better integrate for-hire transportation options and services, and ensure consumer protection and public safety. Regulation of the transportation network company (TNC) segment of the for-hire transportation industry remains in SMC Chapter 6.310. Please see companion legislation.

The City has long partnered with the County to jointly regulate the region's for-hire transportation industry. The County has transmitted for-hire legislation to the County Council to achieve the same goals as the City. Overall success depends on both the City Council and County Council adopting nearly identical legislation.

Some major changes include the following:

Change	Description
1. Create a reciprocity endorsement system to provide all vehicles with a taxicab or for-hire vehicle medallion a means to operate throughout the City and King County	Reciprocity endorsements will allow all licensed taxicabs and for-hire vehicles to operate without the geographical restrictions of the current medallion system, ¹ help to eliminate deadheading, and increase the availability of vehicles to meet customer demand. Endorsed TNC vehicles have been able to operate through King County this since 2014.
2. Require the transition of all for-hire vehicles (or flat-rate vehicles) to taxicabs and required affiliation	Regional dispatch agencies will replace taxicab associations and for-hire vehicle companies. This change, which represents a change in name and status, helps eliminate customer confusion between vehicle

¹ The current licensing system permits some vehicles to only operate in the City, some vehicles to only operate in the County, and some vehicles to operate in both jurisdictions.

Change	Description
with a regional dispatch agency	types and standardizes licensing requirements and operating responsibilities and privileges. Currently, the municipal code does not standardize operating responsibilities and privileges between taxicab associations and for-hire vehicle companies. The City currently licenses nine taxicab associations and recognizes four for-hire vehicle companies.
3. Require the adoption of smart taximeters by all taxicabs and requirement that each regional dispatch agency plan that adoption for its affiliated vehicles	Smart taximeters represent the next generation of taximeter technology as they use geographic positioning system (GPS) technology to meter trips, have the capability to program different fares, and record more extensive trip data than the analog taximeters currently in use. Maximizing the capabilities of smart taximeters requires adoption across all regional dispatch agencies. FAS estimates the cost of purchasing a tablet and other required hardware for a smart taximeter at \$2,000, which a vehicle owner would pay. The subscription fee for the software is built into the dispatch fee already incurred by vehicle owners (approximately \$125 per week). Further, calibrating individual smart taximeters may reduce downtime for vehicles. The proposal requires all regional dispatch agencies to adopt a smart taximeter system for their affiliated vehicles and those affiliated vehicles to have smart taximeters installed and ready to use by March 31, 2026.
4. Establish a regional taximeter rate but allow regional dispatch agencies to vary from this rate based on factors such as customer demand or time of day	The City and County propose maintaining the current taximeter rate as a regional taximeter rate (or base rate); regional dispatch agencies would now have authority to adjust the base rate. The City does not plan on placing a limit on such rate adjustments (TNCs do not have limits on their rates) beyond capping rates during a declared emergency. Rate flexibility benefits regional dispatch agencies and their drivers by responding to fluctuations in supply and demand. In practice, for example, taxicab brand A may have the regional rate in place between midnight and 6 a.m. on a Sunday in October but increase that rate after 6 a.m. and before 7 p.m. to take advantage of increased demand during a Seahawks game.

Change	Description
	FAS will still maintain requirements to keep a fare or a proposed/estimated fare transparent to the passenger before the passenger accepts a ride (if booking via an app, for example). FAS will issue a director's rule on how price transparency would work for taxicabs hailed from the street or booked over the phone, etc.
5. Create an enhanced regional for-hire driver's license to meet driver needs	The City and County will continue to issue for-hire driver's licenses, which will have regional operating privileges. An enhanced regional for-hire driver's license, which any driver has the option to obtain, adds a fingerprint-based background check to the vetting process. Certain organizations that serve vulnerable populations and contract with regional dispatch agencies require drivers who have successfully passed a fingerprint-based background check. FAS does not anticipate reduced availability of taxicabs and for-hire vehicles to passengers from the creation of an enhanced regional for-hire driver's license.
6. Simplify the penalty structure and adopt a more streamlined process for adjudicating enforcement actions	The proposal eliminates the current system of classifying types of violations and assessing points to each violation; those points have then been aggregated to further penalize the licensee. Under the new proposal, the City and County have also agreed to streamline the process for appealing enforcement actions so that a driver, for example, does not have to navigate a City hearing process and a separate County one.
7. Provide regulatory flexibility to address emerging for-hire transportation models	This provision gives the City the flexibility to regulate, on a pilot basis, emerging for-hire transportation models instead of simply saying they cannot operate because they do not fit within existing regulations. These models could resemble the prevailing TNC structure but with changes, for example, to the type of vehicle used or the customer base served.
8. Adjust insurance requirements to try to bring more competition into the current commercial vehicle market	By adjusting the current financial rating and cancellation notification requirements, FAS hopes to attract additional insurers to the Seattle market. The result of more insurers serving customers should help reduce commercial vehicle insurance rates for most owners/drivers. These rates can average upwards of \$500

Change	Description
	per month. While the City has no control over <u>most</u> factors influencing these rates, regulators can adjust some requirements.
9. Create a process for a medallion owner to temporarily deactivate a medallion for up to 12 months	In creating a temporary deactivation process, FAS hopes to give medallion owners some flexibility in managing their small business. A temporary deactivation may occur for any reason including an inoperable or unavailable vehicle, a temporary lack of affiliation with an agency, or owner convenience.

Many of these proposed changes directly address the City Council’s work plan outlined in Resolution 31808 from March 2018. That work plan included a review of the administrative rules and regulations governing the for-hire industry, with the goal of improved customer service, and an examination of ways to ensure equal market access for all participants. The proposed changes also respond to parameters set by recently adopted state legislation (ESHB 2076).

The City maintains a cooperative agreement with the County to regulate the for-hire transportation industry. As such, FAS collaborated with its counterparts at the County’s Department of Executive Services (DES) on companion legislation for the County Council to deliberate. Our legislation reinforces the City/County partnership and success depends on continued coordination and cooperation.

The City and County must each adopt substantially similar legislation. With a common foundation in place, the taxicab and for-hire vehicle segments of the industry must then actively capitalize on a modernized regulatory structure to serve customers.

2. CAPITAL IMPROVEMENT PROGRAM

Does this legislation create, fund, or amend a CIP Project? ___ Yes ☒ No

3. SUMMARY OF FINANCIAL IMPLICATIONS

Does this legislation amend the Adopted Budget? ___ Yes ☒ No

Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs? In the near term, changes to the municipal code and the suite of administrative rules affecting the for-hire transportation industry will necessitate changes to Accela, the enterprise permitting

system that FAS uses to keep records on vehicle medallions and for-hire driver's licenses and other parts of the regulatory program.

FAS will work with Seattle IT to estimate and manage these costs, which are currently unbudgeted and which FAS plans to fund through existing regulatory licensing fees. To the extent feasible, FAS will leverage Accela's existing functions to minimize the amount of new coding required for implementation. Nevertheless, Accela changes could possibly lead to increased ongoing operating and maintenance costs in the future. At this time, Seattle IT estimates a project costing approximately \$590,000 and requiring six to eight months to implement all system changes proposed by the legislation.

Is there financial cost or other impacts of *not* implementing the legislation? If taxicabs and for-hire vehicles leave altogether because they can no longer compete and succeed within the larger for-hire transportation market, then FAS could lose medallion, license, and other fee revenue from not implementing the legislation. Please also see Section 4e below.

4. OTHER IMPLICATIONS

- a. **Does this legislation affect any departments besides the originating department?** No; however, FAS partners with King County DES to jointly regulate the for-hire transportation industry.
- b. **Is a public hearing required for this legislation?** No.
- c. **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?** No.
- d. **Does this legislation affect a piece of property?** No.
- e. **Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?** Most taxicab and for-hire vehicle medallion owners and drivers are immigrants and/or refugees, speak a language other than English as their primary language, and are persons of color. FAS recognizes taxicab and for-hire vehicle owners and drivers face more extensive regulation than drivers affiliated with TNCs and their economic positions have generally worsened due to the COVID-19 pandemic.

FAS partnered with the Department of Neighborhoods' community liaison program to conduct extensive stakeholder outreach and engagement prior to finalizing the proposed legislation. This work included administering surveys, translated into four languages, and holding small focus groups, with interpretation provided in five languages.

f. Climate Change Implications

- 1. **Emissions: Is this legislation likely to increase or decrease carbon emissions in a material way?** This legislation does not contain any provisions to directly affect carbon emissions. Nevertheless, as owners of for-hire transportation vehicles consider options to

replace aging vehicles, the availability of electric vehicles (and access to charging infrastructure) and incentive programs (e.g., rebates) to purchase those vehicles could lead to decreased carbon emissions. Of the approximately 1,050 taxicabs and for-hire vehicles licensed in 2019, for example, 86% had hybrid engines (and 0% had electric engines).

2. **Resiliency: Will the action(s) proposed by this legislation increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way? If so, explain. If it is likely to decrease resiliency in a material way, describe what will or could be done to mitigate the effects.** No actions proposed by this legislation will increase or decrease Seattle’s resiliency (or ability to adapt) to climate change in a material way.
- g. **If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program’s desired goal(s).** This legislation does not expand the existing for-hire regulatory program but rather amends it with the intention of helping the taxicab and for-hire vehicle segments of the industry better compete and succeed within the for-hire transportation market. Success would be measured by the number of trips provided by taxicabs and for-hire vehicles, when compared to previous years, and by the number of taxicabs and for-hire vehicles actively working, when compared to previous years.

Summary Attachments: