



## Request for City Council Committee Action from Licenses and Consumer Services

**Date:** July 8, 2014

**To:** Council Member Lisa Goodman, Chair  
Community Development and Regulatory Services  
Committee

**Subject:** Ordinance Amendments for Taxicabs and Transportation  
Network Companies

**Recommendation:** That the Community Development and Regulatory  
Services Committee approve amending Chapter 341 of  
the Minneapolis Code of Ordinances related to Taxicabs;  
adding Chapter 343 to the Minneapolis Code of  
Ordinances related to Transportation Network Companies  
to license and regulate Transportation Network  
Companies in Minneapolis; adding an annual license fee,  
a para-transit surcharge fee, and an inspection fee to the  
License Fee Schedule; and adding violation fines to the  
Administrative Fine Schedule.

**Previous Directives:** This issue was introduced to the Minneapolis City Council  
on March 7, 2014. At the April 29, 2014 Community  
Development & Regulatory Services Committee meeting,  
staff was directed submit a revised proposal at the July 8,  
2014 CD&RS meeting.

### Department Information

Prepared by: Grant Wilson, Manager of Business Licenses, 673-3902

Approved by:

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Cathy Polasky, Director of Economic Policy and Development

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Grant Wilson, Manager of Business Licenses

Presenters in Committee: Grant Wilson

### **Financial Impact**

- No financial impact. The fees imposed by the proposed amendment have been established to provide cost recovery for staff management of the activity.

### **Community Impact**

- Neighborhood Notification: Public hearing notices were electronically sent to all taxi driver, taxi vehicle and taxi service company license holders; neighborhood organizations; business associations; and posted on the Business Licenses' website.
- City Goals: A hub of economic activity and innovation: Businesses – big and small – start, move, stay and grow here.

### **Supporting Information**

Rapidly changing technology advances offer unimagined opportunities for entrepreneurs and the latest development to impact cities is the emerging for hire passenger service by transportation network companies (TNC). A smart phone enabled application (app) links a private citizen to a TNC endorsed driver who is operating his/her private vehicle. With fluctuating fares and fees, riders are transported to their requested destination. Public policy issues focus on the emerging definition of vehicles-for-hire as well as the regulations necessary to ensure safety, accountability, and equal opportunities for consumers.

Minneapolis regulates many varieties of vehicles-for-hire: taxicabs, pedicabs, and commercial pedal cars, for example. The state of Minnesota regulates limousines, black car services, and commercial busses. Local ordinances and state statutes provide strict definitions, vehicle inspection standards, safety requirements, proper insurance coverage, and minimum driver qualifications for each of these categories. Finally, standards are established and enforced to ensure universal accessibility and penalties for unlicensed operators.

Cities and states across the country are being forced to take action to regulate the transportation network companies as they have chosen to enter markets, including the Minneapolis market, without authority and have launched operations in violation of established laws that regulate small vehicle for hire transportation services. There are significant questions and concerns with respect to the insurance policies that are needed to serve the public interest during mishaps involving TNC vehicles.

City of Minneapolis staff from the Division of Licenses and Consumer Services along with regulatory staff from the City of St. Paul and the Metropolitan Airports Commission formed a regional task force over a year ago with a goal of synchronizing and streamlining taxicab regulations. Each of these jurisdictions has an elected policy maker to provide guidance to the team. This regional team has been studying the issues of transportation network companies for several months, met with TNC companies and traditional taxicab representatives, and prepared a model ordinance that could be used in all local jurisdictions.

The concept of this model ordinance is to require the least amount of regulation for the industry while ensuring that the public health and safety interests of the

community are met. It is likely that the concepts used in this ordinance for TNC services can be also used to lighten the regulations for traditional taxicab services. The model ordinance contains the following highlighted provisions:

- Transportation Network Companies will be the license holder for all activity associated with their license application.
- TNC drivers will not be required to obtain an individual TNC driver license or a TNC vehicle license. The drivers and vehicles will be backgrounded and inspected by the TNC companies, and upon approval, will be then endorsed.
- License inspection staff will perform inspections and audits to ensure that the TNC services are adhering to the requirements of this chapter.

Currently, TNCs are not providing services to persons who need to be transported in a vehicle that can accommodate a rider in a wheelchair or other similar special service needs. The license fee schedule should be amended to require that TNC licensees pay an annual surcharge that can be used to provide incentives to other licensed para-transit providers.

Two requirements of this chapter have been intentionally left vague. These include the location and by whom the vehicle inspections will be conducted, and who will provide the vehicle driver training. The current ordinance language states that these two functions will be approved by the License Official. This allows for several options such as having the vehicle inspections conducted by a neutral government inspection center, private licensed repair garages, or at a facility operated by a TNC. A similar option exists with respect to TNC driver training programs.

The final consideration includes determining license fees which are best calculated on a cost recovery formula. Implementation includes creating application materials, writing enforcement policies and standard operating procedures and then managing compliance audits and enforcement.

Unlike taxicabs where we charge license fees for every driver, vehicle, and company, the current proposal will charge one fee for the company regardless of the number of vehicles and drivers they have. A comparison of fee structures from other jurisdictions includes the following:

California	\$ 25,000
Chicago	\$ 35,000
Colorado	\$107,000 for the first municipal license; \$71,000 for three municipal licenses; \$53,000 for four municipal license; and if a municipality has five or more TNC company licenses, the rate will be determined and split equally among the companies.
Seattle	\$ 50,000

Staff recommends that the license fee for TNC licensees be established at a level that initially provides for the hiring of one license inspector. This inspector can oversee the implementation of the program, process the initial applications, and conduct audits and enforcement as required by the program.

A full time License Inspector will be able to manage the expected three or four initial licensees as we anticipate that it will take about 45-50 hours per month to assist and monitor each company. Committing approximately 540 hours/year for each company at the cost of one inspector, we will recoup our costs by charging \$35,000 per licensee as calculated below:

Hourly Rate	\$27.25
Factor for Active Time	0.80
"Working" Rate (27.25/8)*	\$34.06
Indirect Multiplier	2.00
Fully loaded hourly rate	\$68.13
Hours per month	45.00
Hours per year	540.00
<b>Annual Cost (540 x \$68.13)</b>	<b>\$ 36,787.50</b>

**Recommendation**

That the Community Development and Regulatory Services Committee approve amending Chapter 341, adding Chapter 343 to the Minneapolis Code of Ordinances to license and regulate Transportation Network Companies in Minneapolis, and adding the following to the License Fee Schedule and the Administrative Fine Schedule.

<b>License Fee Schedule</b>	
<b>License Type</b>	<b>Fee</b>
Transportation Network Company	\$35,000.00
Transportation Network Company Wheelchair Surcharge	\$10,000.00
Transportation Network Company Vehicle Inspection (per vehicle if done by the city)	\$135.00
Taxicab Vehicle Wheelchair Surcharge (Per Vehicle)	\$20.00

<b>Administrative Fine Schedule</b>		
<b>Description of Violation</b>	<b>Code Citation</b>	<b>Fine</b>
Operate a TNC without a license	343.20	\$1000.00
Allow an unauthorized driver to operate	343.20(b)	\$500.00
Allow TNC driver to operate unauthorized vehicle	343.80	\$500.00
Operate as a TNC driver without authorization	343.120	\$250.00
Operate as a TNC driver in unauthorized vehicle	343.150(5)	\$250.00
Operate as a TNC driver w/o prearrangement	343.150(6)(e)	\$250.00

# Wheelchair accessible taxicabs

To ensure that an adequate number of wheelchair accessible taxicabs are available 24 hours a day and seven days a week, the following incentives will be offered. The City of Minneapolis is seeking one or more transportation providers to provide this service. We propose the following:

## **Incentives:**

Service Company License fee waiver of \$1181.00	\$1181.00
Taxicab vehicle license fee waiver of \$950.00 per wheelchair accessible vehicle (based upon an estimate of 15 ADA vehicles and 15 common vehicles)	\$14,250.00
Driver training stipend \$400.00 per driver (based upon an estimate of 45 trained drivers per company)	\$18,000.00
Wheelchair vehicle fee waiver less than ten. \$475 X 10 =	<u>\$4,750.00</u>
Total incentive based upon a fleet of 15 vehicles, and 10 independent providers.	\$38,181.00

## **Taxicab and TNC Surcharge:**

TNC Company \$10,000.00 X 2 TNC's	\$20,000.00
Taxicab vehicle \$20.00 X 900 taxicabs	<u>\$18,000.00</u>
Total surcharges	\$38,000.00

Taxicab Service Company requirements and incentive qualifications:

1. Service companies must have at least eight (8) licensed wheelchair accessible taxicabs in their fleet to qualify for all incentives.
2. Service Companies with less than ten licensed wheelchair accessible taxicabs and have 24 hour dispatch services may qualify for an annual taxicab license fee reduction of \$475.00 per accessible vehicle.
3. Service companies must have a 24 hour per day dispatch system and provide wheelchair accessible taxicab services 24 hours a day, seven days a week.

4. Service companies shall provide driver training as recommended by the Licensing Official.
5. All wheelchair accessible taxicabs shall be inspected annually for mechanical and safety requirements as directed by the Licensing Official, and shall also be inspected annually by the Minnesota State Patrol for items such as tie down mounts, securement devices and ramps.
6. All wheelchair accessible vehicles shall be in compliance with ramp slope, access opening standards, and other related specifications of the federal Americans with Disability Act.