



Staff Report

File #: REPORT 17-0305, Version: 1

**Honorable Mayor and Members of the Hermosa Beach City Council
Regular Meeting of May 31, 2017**

**REQUEST TO RENEW EXCLUSIVE TAXICAB
FRANCHISE AGREEMENTS**
(Police Chief Sharon Papa)

Recommended Action:

Staff recommends that Council:

1. Authorize the City Manager to renew a one year Taxicab Franchise Agreement with all existing Franchisees -- All Yellow Taxi of Gardena, Bell Cab Company of Hawthorne, South Bay Yellow Cab of Gardena, and United Independent Taxi Drivers, Inc. of Los Angeles -- with the following amendments:
 - a. Change the minimum requirement per Franchisee from 40 taxis to 20 taxis, with the option of adding taxis above the minimum at \$100.00 per vehicle,
 - b. Reduce the Franchise fee from \$1,100 per taxicab to \$750 per taxicab.

Background

The Taxicab Franchise Agreement for all taxicab franchisees expired May 31, 2016. As a result of state legislation that was pending at that time (AB 650), which would have shifted the regulation of taxicabs from local municipalities to the state, a status quo Franchise Agreement was executed pending the outcome of the legislation.

On September 28, 2016, Governor Brown vetoed AB 650; however staff was informed that new or revised legislation would be introduced early in the 2017 calendar year.

The revised legislation, AB1069, which was introduced February 16, 2017, has been amended to make regulation of taxis a matter for counties not cities; however, county would be allowed to coordinate with the most populous city in the county to license taxis within that jurisdiction.

Among other things, this new legislation, if enacted, would prohibit a county from limiting or prohibiting a licensed taxicab transportation service from setting fares or charging a flat rate. The bill also would require that the county ensure that any charge imposed on a taxicab transportation service not exceed the reasonable regulatory costs of administering and enforcing the program.

Our taxi franchisees have reported a seventy percent industrywide decrease in revenue. There is also a noticeable decrease in the demand for taxis due to the popularity and convenience of

rideshare programs such as Uber and Lyft.

Because of these potential changes in the law and the overall fluidity of the situation, staff believes an amendment to the Franchise Agreement with the recommended concessions in line with what our neighboring cities are doing is a more reasonable alternative than simply extending the Agreement for an additional year or entering into an RFP process.

Given the fact that ordinarily new legislation would not go into effect until January 1 of the following year, amending the Franchise Agreement with an expiration date of May 31, 2018 seems reasonable and may coincide with any county mandates, assuming legislation is enacted and signed into law.

Analysis

There is a range of franchise fees that are collected throughout the South Bay:

Manhattan Beach: \$900.00 per taxicab per year, with a 30 taxicab minimum per franchisee.

Redondo Beach: \$610.00 per taxicab per year, with a 60 taxicab minimum collectively.

City of Los Angeles: \$128.00 per month per taxicab, no franchise. (\$1,536.00 annual)

The recommended reduction in franchise fees to \$750 per taxicab is the average charged by neighboring cities. The reduction in minimum requirements will ease the financial burden on the franchisees while also maintaining an adequate amount of taxicabs in our city to meet the current demand.

Although the current Franchise Agreement requires a minimum of 160 taxis total, in 2016-17, our franchisees were only able to license a total of 92 taxis due to the current fee amount and an inability to attract and retain taxi drivers. Neighboring cities have reported similar difficulties and have not held their franchisees to the minimum requirement.

Fiscal Implications:

The original projection for taxi franchise revenue for fiscal year 2016-2017 was \$160,596. The yearend revenue collection for actual registered taxis is anticipated to be \$101,200. With staff's recommendations, a minimum revenue collection of \$60,000 is projected for fiscal year 2017-2018. Thus, the impact for total taxi franchise fees is a revenue adjustment of approximately of \$41,200.

Attachments:

1. Taxicab Franchise Agreement

Respectfully Submitted by: Georgia Moe, Community Services Division Manager
Concur: Sharon Papa, Chief of Police

Noted for Fiscal Impact: Viki Copeland, Finance Director

Legal Review: Mike Jenkins, City Attorney

Approved: Sergio Gonzalez, City Manager