

**CITY OF HOUSTON - CITY COUNCIL**

Meeting Date: 10/6/2015

ALL

Item Creation Date: 9/15/2015

ARA-Amend Chapter 46 - Taxi Permit Distribution

Agenda Item#: 7.

**Summary:**

AN ORDINANCE RELATING TO THE ISSUANCE OF TAXICAB PERMITS;; CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; AND DECLARING AN EMERGENCY.

**Background:**

The Administration & Regulatory Affairs Department (ARA) recommends that City Council approve an ordinance to delay the distribution of 180 taxicab permits calculated to be issued in the 2015 taxicab distribution year until September 2017 and approve a pilot program that features the immediate release of the remaining lot of 25 permits in order to encourage the formation of a driver-owned and operated taxicab company.

Chapter 46 of the City of Houston Code of Ordinances provides for the City to accept and consider applications for the issuance of taxicab permits at three-year intervals. Although the ordinance directs that taxicab permits be distributed during these periods, permit issuance is not automatic. Section 46-63 of the Code provides for a mathematical determination of market demand for additional permits by comparing growth in population and airport trips since the last time permit issuance was considered. As a result of the application of this formula, it was determined that 205 additional taxicab permits should be distributed in 2014.

Following City Council's approval of an ordinance creating a regulatory framework for Transportation Network Companies (TNCs) to operate in Houston on August 6, 2014, the taxicab industry expressed concerns that the current computation formula may not adequately reflect actual market demand and the existing need for additional taxicab permits to accommodate the interests of the public. The current formula only takes into account growth in demand for taxicab trips at Houston's airport stands using population growth as a proxy for citywide or dispatch demand. The formula is not dynamic and it does not take into account external factors that may affect demand for taxicab services, such as growth in other forms of on-demand transportation services. Last October, City Council approved an ordinance postponing the 2014 taxicab permit distribution for one year to allow time for ARA and industry stakeholders to study the impact of the new TNC entrants on the on the demand for taxicab services.

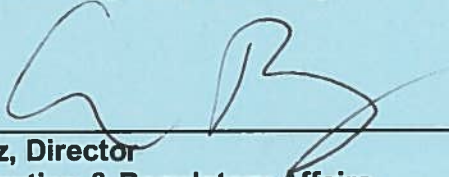
After over 12 months of review and consultation with industry stakeholders and the City's expert consultant, ARA has determined that distributing all 205 permits may adversely impact the taxicab market. A two-year delay in permit issuance was requested by taxicab companies, who claim their revenue has decreased significantly since TNCs entered the Houston market. The delay is substantiated by preliminary analysis conducted by Dr. James Cooper, the city's taxi industry expert, who found no evidence of increased demand for taxis in Houston to justify the issuance of additional permits. Additionally, the Houston Transportation Accessibility Task Force recommended a two-year delay in permit issuance, until comprehensive new vehicle-for-hire accessibility standards are implemented and their impact on the industry can be measured.

While market and industry forces call for a delay in issuing permits, encouraging small business development remains a priority for the City. When City Council approved the omnibus changes to Chapter 46 over a year ago, ARA committed to return to Council with a recommendation for a distribution methodology that would include a provision for the creation of a driver-owned and operated taxicab company.

Accordingly, ARA recommends that City Council approve the distribution of 25 of the computed 205 permits, specifically for the creation of a pilot program to explore the feasibility of driver-owned taxicab companies. The program would distribute 25 permits to a driver-owned company with the ability to meet specific "value added" criteria designed to improve the stability of such taxicab companies that are likely best positioned to develop into full service companies. The "value added" criteria include proof of financial responsibility; dispatch capabilities; a minimum fleet size; and, a uniform color scheme, company name, and phone number.

Permits will be awarded via random lottery if multiple qualifying applications are received. Permittees will have 180 days to place their vehicles into service. Failure to meet the "value added" criteria will result in permit revocation. ARA will review the success of the pilot program and bring a recommendation to City Council as to whether additional permits should be issued and/or if the pilot program should be incorporated into the taxicab permit distribution for 2017.

**Departmental Approval Authority:**



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**Tina Paez, Director  
Administration & Regulatory Affairs  
Department**

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**Other Authorization**

**Prior Council Action:**

8/6/2014; Ord. #2014-754

10//2014; Ord. #2014-915

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