

September 11, 2023

MEMORANDUM

To: Finance and Housing Committee
From: Karina Bull, Analyst
Subject: For-Hire Transportation Regulations

On September 14, the Finance and Housing Committee (Committee) will discuss a legislative package intended to update and modernize the City of Seattle's (City's) regulation of for-hire transportation services. The legislative package includes the following Council Bills (CBs):

- CB 120652** **Transportation Network Company (TNC) Regulations Ordinance**, amending Seattle Municipal Code (SMC) 6.310 to conform with new state regulations for TNCs and their affiliated vehicles and drivers.
- CB 120653** **Taxi and For-Hire Vehicle Regulations Ordinance**, establishing Seattle Municipal Code (SMC) 6.311 to regulate the taxicab and for-hire vehicle industry.
- CB 120656** **For-Hire Interlocal Agreement**, authorizing an updated agreement between the City and King County to jointly administer and enforce for-hire transportation regulations.

This memo provides background on the City's regulation of the for-hire transportation industry, summarizes key policy changes in proposed legislation, describes pre-introduction changes in CB 120653, identifies an issue related to coordinating with the County Council's process, and provides next steps.

Background

The City currently regulates the for-hire transportation industry under [SMC 6.310](#). These regulations are administered by the Department of Finance and Administrative Services (FAS) and cover transportation services provided by for-hire vehicles (flat rates), taxicabs (metered rates), and vehicles associated with TNCs. The County regulates the for-hire transportation services under [King County Code \(KCC\) 6.64](#). The City and County share administrative authority to implement and enforce these regulations pursuant to an interlocal agreement last updated in 1995. The City and County jointly license vehicles, drivers, and companies each year and enforce regulations through inspections, audits, and related activities.

In 2022, the Washington State Legislature passed [Engrossed Substitute House Bill \(ESHB\) 2076](#), establishing statewide regulatory requirements for TNCs and drivers, and preempting the field of TNC regulations as of January 1, 2023. Under a narrow exception, ESHB 2076 allows the City and County to continue regulating the licensing and processing of applications, examinations, and background checks of TNCs and drivers per existing requirements. However, any amendments to these requirements must conform to state law, codified as Revised Code of Washington (RCW) 46.72.

In response to these statewide changes and growing interest in modernizing for-hire transportation services at the local level, the City partnered with the County to develop companion bills to comprehensively update for-hire transportation regulations. To continue joint implementation of these regulations, the companion bills propose substantially similar provisions (and must be adopted as such). The updates seek to align local regulations with state law and promote regulatory flexibility for taxi and for-hire drivers. The updates also reflect years of extensive stakeholder engagement, including surveys and input from drivers, companies, and advocacy groups.

CB 120652 – TNC Regulations Ordinance, SMC 6.310

CB 120652 would amend SMC 6.310 to (1) conform with state regulations established by RCW 46.72 that apply to TNCs and their affiliated vehicles and drivers, (2) make technical changes, and (3) remove provisions specific to taxicabs and for-hire vehicles.

The legislation would amend SMC 6.310 to align with state regulations for TNCs as follows:

1. Raise the maximum model age for a TNC vehicle from 10 years to 15 years;
2. Lower the minimum TNC driver and vehicle endorsement holder age from 21 years to 20 years;
3. Cap the maximum number of hours that a driver can provide network services to 14 consecutive hours in any 24-hour period;
4. Update the citation for TNC insurance requirements from RCW 48.177 to RCW 46.72B.180;
5. Modify language that prohibits additional charges for transporting persons with disabilities by replacing a reference to the federal Americans with Disabilities Act with a reference to RCW 46.72.B.112; and
6. Remove references to Washington state when referring to driver's licenses or vehicle registrations.

The County has developed companion legislation that would amend KCC 6.64 to conform with the state regulations and remove provisions specific to taxicabs and for-hire vehicles.

CB 120653 – Taxi and For-Hire Vehicle Regulations Ordinance, SMC 6.311

CB 120653 would establish SMC 6.311 as a new chapter regulating taxicab and for-hire segments of the for-hire transportation industry. The legislation would separate the City's regulation of taxicabs and for-hire vehicles from TNCs and propose new regulations to promote equity and innovation; integrate for-hire transportation options and services; and ensure consumer protection and public safety.

The legislation would propose new regulations for taxicab and for-hire vehicles as follows:

1. Allow vehicles with a taxicab or for-hire vehicle medallion to operate throughout the City and King County without the geographic restrictions of the current medallion system;
2. Require taxicab associations and for-hire vehicle companies to transition to “regional dispatch agencies,” subject to standardized licensing and operating requirements;¹
3. Require for-hire vehicles to transition to taxicabs and affiliate with a regional dispatch agency;²
4. Require taxicabs across all regional dispatch agencies to adopt “smart taximeter” technology to use geographic positioning system technology to meter trips, program different rates, and record more extensive trip data than analog taximeters;
5. Establish a regional taximeter rate but allow regional dispatch agencies to vary from the rate based on certain factors, such as customer demand or time of day;
6. Create an option for an enhanced regional for-hire driver’s license that would add fingerprint-based background checks required by certain organizations that partner with regional dispatch agencies to provide transportation for vulnerable populations;
7. Simplify the penalty structure by removing types of violations and streamlining the process for adjudicating enforcement actions;
8. Authorize the FAS Director to regulate emerging for-hire transportation models by attaching new conditions to licensing requirements;
9. Adjust insurance requirements for financial rating and cancellation notification to attract additional insurers to the Seattle market; and
10. Allow medallion owners to temporarily deactivate a medallion for up to 12 months to provide owners with more flexibility in managing their small business.

The County has developed companion legislation that would establish KCC 6.65 as a new chapter regulating taxicab and for-hire segments of the for-hire transportation industry and propose substantially similar regulations.

CB 120656 – For-Hire Interlocal Agreement

CB 120656 would authorize the execution of an interlocal agreement between the City and County to jointly administer and enforce regulations of for-hire transportation services. The agreement would restate the broad division of responsibilities between jurisdictions, reflect updates in state and local regulations, and establish a streamlined enforcement and appeals process utilizing City and County hearing examiners rather than the County Board of Appeals.

¹ Currently, the City licenses nine taxicab associations and four for-hire vehicle companies but does not standardize responsibilities and privileges between these entities. Requiring these entities to become “regional dispatch agencies” (i.e., adopt a change in name and status) aims to eliminate customer confusion between types of vehicles and services, and standardize licensing and operating requirements.

² For-hire vehicle rate structures could remain in effect until March 31, 2026, and then would transition to regional taximeter rates. Drivers could charge flat rates at the discretion of their affiliated regional dispatch agency.

The City would remain the County's non-exclusive agent for administering vehicle medallions, vehicle endorsements, and regional dispatch agency licenses. The County would remain the City's non-exclusive agent for administering for-hire driver's licenses and permits, and TNC licenses.

The County has developed companion legislation that would authorize the execution of the interlocal agreement.

Racial Equity Impacts

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.³ The proposed regulations in CB 120653 reflect recognition that taxicab and for-hire drivers have faced more extensive regulations than TNC drivers and aim to create more equitable opportunities for drivers to successfully compete within the for-hire transportation industry.

The impact of the proposed regulations on the cost of for-hire transportation, which could affect customer use and driver income, is unclear. While the legislation requires regional dispatch agencies to adopt smart taximeter technology by March 31, 2026, the option to use this technology for dynamic pricing is discretionary. For example, a regional dispatch agency could charge dynamic rates similar to TNCs or flat rates.

Financial Impacts

The Executive estimates that implementing CB 120652 (TNC Regulations Ordinance, SMC 6.310) and CB 120656 (For-Hire Interlocal Agreement) and conducting outreach on new regulations would not incur additional costs. The Executive states that outreach could include partnering with other departments, such as working with the Department of Neighborhoods Community Liaison program.

The Executive estimates that developing software to implement CB 120653 (Taxi and For-Hire Vehicle Regulations Ordinance, SMC 6.311) would incur additional costs. Seattle Information Technology forecasts that updating Accela, the software FAS uses to keep records on vehicle medallions, for-hire driver's licenses, and other parts of the regulatory program, would cost about \$600,000 and require up to nine months for implementation. The Executive states that additional appropriations for this expense, supported by projected regulatory fee revenues, will be reflected in the 2024 Proposed Budget.

³ A 2020 City-commissioned report describing results from the three-year 2016-8 American Community Survey's counting of "taxi drivers" in King County found that drivers were more likely to identify as foreign-born and persons of color: 72 percent of drivers identified as foreign born and 73 percent identified as Black, Hispanic, Asian, or other (27 percent identified as White non-Hispanic). While many of these drivers were likely affiliated with TNCs, the results provide insight into the demographics of taxi and for-hire vehicle drivers. Parrott, James and Reich, Michael. [A Minimum Compensation Standard for TNC Drivers: Report for the City of Seattle](#). Center for New York City Affairs, Center for Wage and Employment Dynamics. July 2020.

Pre-Introduction Changes

CB 120653 reflects technical and substantive pre-introduction changes sponsored by Councilmember Mosqueda. For more information, see the following attachments:

- A. CB 120653 – Chart with pre-introduction changes, and
- B. CB 120653 – Legislation with pre-introduction changes.

Coordinating with County Council's Process

The City and County have developed substantially similar legislative packages to update and modernize for-hire transportation regulations. Since the City and County plan to jointly administer these regulations, the legislative packages approved by both jurisdictions should remain nearly identical. Therefore, if one jurisdiction amends the proposed regulations, the other jurisdiction should consider approving the same or similar amendments.

Currently, the County's legislative package is awaiting sponsorship and may not be reviewed until October or November. County staff are identifying technical edits that could be proposed or considered during the County Council's deliberations. To synchronize the legislative packages, it is likely that Council will need to consider amendments to the City's proposed legislative package after the County Council has completed its review this fall.

If the Council approves the City's legislative package before the County completes their deliberations, the Council would need to introduce *new* legislation to incorporate any County amendments rather than amending the current package.

As an alternative, the Council could consider delaying a final vote on the City's legislative package until after County deliberations. If the County completes their review of legislation in November, delaying the Council vote until December 5 would likely provide sufficient time for Central Staff to prepare any amendments to synchronize the regulations. Notably, if the County makes extensive changes, the Council may want to consider amendments in committee before a Council vote.

Next Steps

The Committee will continue discussion of the proposed legislation, consider any amendments, and possibly vote on the legislative package at the next meeting on September 20. If Councilmembers would like to propose any amendments, please contact me by 12 pm on September 15.

Attachments:

- A. CB 120653 – Chart with pre-introduction changes
- B. CB 120653 – Legislation with pre-introduction changes

cc: Esther Handy, Director
Aly Pennucci, Deputy Director
Yolanda Ho, Supervising Analyst