

Medallion Market Update

a Publication of Aspire Federal Credit Union

November 2017



Medallion Values

Medallion Transfers – September & October 2017

In **September**, there were seven transfers ranging in value from a low of \$130,000 to a high of \$660,000. Excluding stock transfers and estate sales, there were 4 independent medallion transactions (3 unrestricted & 1 hybrid) averaging \$242,686; and 2 corporate medallion transactions (WAV & hybrid) of \$1,320,000 (or \$660,000 for a single corporate medallion).

In **October**, there were seven independent unrestricted medallion transactions averaging \$273,327.; and ten corporate unrestricted medallion transactions averaging \$820,000 (or \$410,000 for a single corporate medallion). The unrestricted medallion transactions ranged from \$400,000 to \$200,000. Most of the corporate medallions ranged from \$500,000 to \$400,000 (\$467,000 average) with two outlier transactions at \$175,000 per medallion that pushed the overall average down to \$410,000.

YTD Analysis (January – October 2017)

- Excluding sales at artificially low prices (\$0/\$1), special circumstance transactions such as estate, partnership split and stock transfers, there are 64 medallion transactions thus far this year.
- Out of these 64 transactions, there are 45 independent and 19 corporate medallion asset sales (sold in pairs – 38 medallions total).

Independent Medallion

- The current average price of the independent medallion is **\$321,846**.
- This is **41% lower** than the average price in 2016 (\$545,342). Note: There were 24 independent medallion sales in 2016.



Corporate (Mini-fleet) Medallion

- The average price of a corporate medallion is **\$828,422** (or \$414,211 for a single corporate medallion).
- This is **36% lower** than the average in 2016 (\$1,286,809). Note: There were 15 corporate medallion (sold in pairs – 30 medallions total) sales in 2016.

Thanks to Windels Marx for this analysis!

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So...What is a Medallion Worth?

Our Q3 quarterly medallion valuation analysis produced by Teraverde Management Advisors has been released. Based on the methodology that Aspire has adopted, the current value of a medallion is **\$390,000**. This is a **\$50,000** reduction in the value over the previous report. While all indicators were down slightly, this reduction was driven primarily by two factors, first was the auction conducted on September 18th at which 46 medallions were purchased, in bulk, for \$197,000 each. Recall that this was a 'Gene Freidman Foreclosure' auction, won by an equity fund, for the full package of medallions. This was an all-cash sale; the medallions were not financed by the seller. So, a rather different buyer than your usual owner-operator seeking traditional financing for their purchase. The second factor was the reduced lease rates observed in the market. Medallion leases are now running around \$1,000 to \$1,200 per month.

The methodology we are using considers actual transfers and broker price quotes, along with factoring in two Income Approaches - using a Capitalization Model and a Discounted Cash Flows Model. These four approaches are combined into a weighted average to derive a composite value. The model includes valuations for Chicago, Boston, Cambridge, NYC and Philadelphia. A complimentary copy of the March 2017 report is available for your review. If you would like to purchase a copy of the September QE report we have negotiated a discounted price of \$750 for the report with Teraverde. Reach out to us to order a copy.

Uber Set to Pass Taxicabs in Total Number of Monthly Trips in NYC

Besides the analysis of September, October and year-to-date transfers discussed at the top of this report, Windels Marx also put together the following chart & dataset, which is based on TLC trip data from 2015 through 2017 (YTD). Based on the latest trip data that we have, it looks as if the number of yellow cab and Uber trips have reached a convergence point. It is most likely that the number of Uber trips will soon surpass those of yellow cabs.

Here is the breakdown of average monthly trips from 2015 to 2017:

Yellow Taxicab

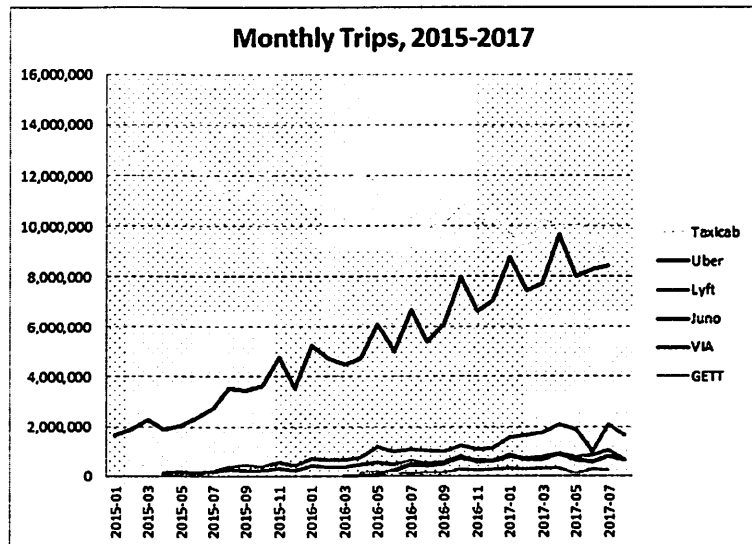
2015: 12,175,589
 2016: 10,931,822 (↓10.2% from 2015)
 2017: 9,652,169 (YTD)

Uber

2015: 2,813,428
 2016: 5,838,995 (↑108% from 2015)
 2017: 8,321,759 (YTD)

Lyft

2015: 292,227
 2016: 951,453 (↑226% from 2015)
 2017: 1,690,105 (YTD)



New York Post Editorial

The New York Post published an editorial stating that the City shouldn't try to save the Yellow Cab on the backs of New Yorkers. The NY City Council is looking for ways to improve the Yellow Cab Industry, they don't want it to go away. In the editorial, the writer suggests that the yellow cab is operating in a free market, stating: "...it was still an investment — and where the free market is concerned, there are no guarantees. Nor should there be..." Unfortunately, this statement couldn't be further from the truth. The medallion industry has not been operating in the 'free market' since the Haas Act created the TLC back in the 1937. The city created a rigid, government-directed and controlled transportation system due to "an overabundance of taxis that depressed driver earnings and congested city streets" (sound familiar??). The TLC dictates the amount of the fare that can be charged, vehicle type, color and age limits, driver qualifications, lease and rental rates, and on and on. The medallion does not operate in a 'free market'. As a result, the city has the responsibility to fix this situation. They created the system and have a moral, ethical and probably a legal obligation to correct things. The corrections include controls and restrictions on Transportation Network Companies and the easing of outdated regulations on the Yellow Taxi Cab. We look forward to seeing what ideas the Task Force comes up with.

New York City Council Looks for Ways to Support the Medallion Cab Industry

In the September edition of *MMU* we reported that New York City Council Transportation Committee Chair Ydanis Rodriguez, planned to introduce a bill that would allow medallion owners to have two cars on each medallion. That bill was introduced on October 17, 2017. Councilman Rodriguez is busy collection co-sponsors and supporters and the TLC is now reviewing the proposed legislation. As reported by Newsday on their amyork.com site, the bill would allow taxi medallion owners to add a second vehicle under one medallion. Manhattan Councilman Ydanis Rodriguez, the bill's sponsor, said this would provide an additional stream of revenue for the medallion owner, making the medallion itself a more attractive investment.



"If e-hail companies like Uber and Lyft can roll out more cars without regulation, the yellow cab industry should be able to increase its footprint, too," he reasoned. He also commented that this bill is just the beginning of the conversation. *Thanks to Chair Rodriguez for taking a leadership position on this important issue and coming up with what could be a simple yet effective solution to a big problem.*

Uber Background Checks Back in the Spotlight

We are all too familiar with the tragedy that unfolded in New York City on Halloween, where a terrorist, driving a rented truck, killed 8 and injured 11. The terrorist, Sayfullo Saipov was an Uber driver! Saipov passed the Uber – and Lyft – background checks in New Jersey, even though he was under investigation by federal authorities. He had made over 1,400 Uber trips and 180 Lyft trips. This once again shines the spotlight on the background check processes used by these companies and their refusal to perform basic fingerprinting of drivers. When will this madness end and the adults in the room take over the background check process?

Back to Reality...

At the September 28, 2017 meeting of the NCUA board, the Board approved a plan to close the Temporary Corporate Credit Union Stabilization Fund on Oct. 1, 2017, nearly four years ahead of schedule, and set the Share Insurance Fund's normal operating level at 1.39 percent. Credit unions will avoid a SIF premium in 2017 and possibly receive a distribution in 2018. The vote on closure included setting the SIF's normal operating level at 1.39%, up 9 basis points from the previous normal level of 1.30%, making 1.39% the 'new normal'.

In NCUA Board Member Rick Metsger's prepared remarks made prior to the vote, he commented-

"...We also know that losses to the Share Insurance Fund are at historically low levels and are likely to increase due to institutions we already have in conservatorship, and losses that may result from the recent hurricanes. We can't ignore these risks. They are real."

Notwithstanding the loss and tragedy surrounding Hurricane's Harvey and Irma, note Mr. Metsger's comment on the **"...institutions we already have in conservatorship."**, which include LOMTO and Melrose credit unions. Further, in a September 2017 speech to credit unions attending the NAFCU Congressional Caucus, Mr. Metsger called out the **"...dwindling values of taxicab medallions."** Clearly the potential loan losses associated with falling medallion values are very much on the minds of the NCUA board and were a factor in the decision to merge the Temporary Corporate Credit Union Stabilization Fund into the Share Insurance Fund. Having the money available to pay losses through a merger of the two funds instead of invoicing each of us a premium assessment – and having to explain to Congress why this all happened – made a merger of the funds the far more palatable medicine to take.

Now that NCUA has shored up its Fund to handle the impending losses from medallion loans, they are able to move on weakened lenders without undue political consequences. You and I need to do all that is necessary to avoid their grasp, which is why we have been stressing that we work out an alternative payment arrangement with a willing borrower. Our goal is to recover principal. The more principal we get back, the lower our loan loss provision, the better our earnings and the less stress we put on the credit union share insurance fund. And it might even help support the recovery of the medallion value and restart lending in this industry – a rising tide lifts all boats. If we continue to foreclose and repossess when there is a better way we'll just be that much closer to circling the drain.

The Common Interest Agreement

Speaking of foreclosure, as we move down the path of a repossession, foreclosure and eventual sale or refinance of a medallion, we are asking for your credit union to sign a Common Interest Agreement. The CIA allows our legal counsel to frankly and candidly speak with you about the strategies and issues surrounding a particular loan under the protection of Attorney-Client Privilege. The Common Interest Agreement allows us to collaborate concerning our common legal interests concerning the loans and allow us to share, on a strictly confidential basis, information and resources related to collection efforts and bankruptcy matters without risking loss of the protection of the attorney-client privilege or other legal protections.

Some Participants have taken the position that the CIA is unnecessary, since the Master Loan Participation Agreement covers these concerns. When we spoke with Guy Messick of Messick, Lauer & Smith, the author of the MLP, Guy was clear that the CIA is beneficial towards supporting open and free communications –

“...While the Loan Participation Agreement contemplated that Aspire would take the lead in collecting from a borrower in default and that all the interests of the parties are aligned, that does not mean that the Loan Participation Agreement covers all potential issues.

This Common Interest Agreement protects all the participants in that all participants can freely communicate and cooperate with each other in actions involving borrowers...”

The Common Interest Agreement allows us to speak freely under the protection of Attorney-Client Privilege, protecting us all. Once we need to engage counsel for direct communications on a specific borrower's case we will be needing a counter-signed CIA to allow us to speak clearly and frankly.

If you have any questions on the CIA or would like a copy of the model Agreement for review feel free to contact us at Nseymour@aspirefunding.com.