



Memorandum

To: Medallion Loan Participant

From: Thomas J. O'Shea, President/CEO 

Date: September 28, 2017

Re: Medallion Market Update

Medallion Values

Medallion Transfers – July & August 2017

In July, there were 10 transfers ranging in value from a low of \$180,000 to a high of \$580,521.15. Throwing out the high and the low, yields an average of \$427,000. Eight of the ten were foreclosures, per the TLC, with one medallion, at \$468,000, being a wheel-chair accessible medallion. I would assume that the high values were foreclosures where the lender financed the transferred medallion with the new owner. (See next article about two recent auctions and the value of a medallion in a cash-sale scenario.)

In August, there were 21 medallions transferred in 17 transactions. Individual medallion values ranged from \$150,000 to \$450,000. Three transfers were of estates, at \$zero value. Once wheelchair accessible was transferred at \$300,000 and two alternate fuel vehicle medallions at \$400,000 each. Looking at all but the estate sales, the average calculates out to \$341,000 per medallion. All of the foreclosure sales, again assuming seller financing, were at \$400,000 to \$450,000 per medallion. While most transfers have been foreclosures, it's good to see activity in the market and stable values when financing is available.

In early October, our quarterly medallion valuation analysis will be produced by Teraverde. 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 John Millman at JMillman@aspirefunding.com to order a copy.

Medallion Auction Nets \$186,000 Per Medallion

A Greenwich, Connecticut hedge fund connected to Marblegate Asset Management purchased 46 medallions in an auction held on September 18. The 46 medallions were part of the empire of the 'Taxi King', Gene Freidman, which were repossessed and sold on behalf of Citibank. With a winning bid of \$186,000, adding the buyer's premium of 6%, puts the price of each medallion at just north of \$197,000. We don't believe that this cash price paid is indicative of the future value of the medallion. While you can't fully discount it when determining the market value for accounting purposes - it does set a benchmark of what the bottom-end could be – remember that this was a bulk sale of 46 medallions and it was a cash sale, to a hedge fund. There were two individuals at the auction that wanted to buy just one medallion each, however they weren't given the opportunity to bid. The auctioneer entertained bids for the entire lot and closed the bidding once the full-lot bidders were done and the seller was satisfied with the price. So, this was not a sale to someone that plans to make a living driving the medallion cab and would need to finance their purchase. Further, it doesn't indicate the value of a performing loan, which would come into play if you were interested in selling your loan to a firm such as this. (We could get an indication of the value of your loan, if you had an interest.)



A week prior to this auction Capital One attempted to auction off 49 foreclosed medallions. According to people attending the auction the opening bid was \$300,000. The bank wanted more than that and bought the medallions itself for \$335,000 each. Here again, these were cash bidders since there's no financing available in the market. The auction was quickly ended without any medallions selling. Considering both auctions, your NYC medallion is worth somewhere between 200,000 and \$300,000 in the cash-sales, bottom-feeder, vulture, hedge fund, market (with all due respect...).

Uber Kicked Out of London.

Last week, Transport for London ('TfL'), the government agency on London that oversees all modes of transport within the city, revoked Uber's license to operate effective October 1. The TfL was not overly clear as to why they revoked the license – though we can probably figure it out, simply stating that Uber 'is not fit and proper' to operate in the city (gotta love the British!). Some reports stated it was due to Uber taking too long to report, and in some cases a failure to report, serious crimes to the police and a lack of transparency over how they conduct their criminal background checks (this all sounds very familiar...) London accounts for about 5% of Uber's customer base, so the company has a lot at risk if it fails to regain its license to operate in the city. CNN.com had a good write-up of the many issues facing Uber and the losses that it has recently dealt with.



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

On Sept 25, the New York City Council's Committee on Transportation conducted a hearing on the introduction of a bill that would establish a task force to study and recommend ways to offer relief to medallion cabs and support their value. In his opening remarks, Councilman Ydanis Rodriguez, Chair of the Committee acknowledged the role of credit unions in building this industry and the issues and struggles that we face:

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"In recent years, major credit unions that have historically served the industry have faced mounting red ink and been taken over by State authorities. Many taxis now sit idle, even at the busiest times of day, instead of being out on the road serving passengers. And many individual medallion owners are facing foreclosure and bankruptcy, upending their personal lives and destroying their savings. These are small business owners, many of them immigrants who invested in a medallion in hopes of achieving their slice of the American Dream.", stated Chair Rodriguez. Thanks for the acknowledgement!

The following is a recap of the hearing provided by Windels Marx:

The City Council's Committee on Transportation held an oversight hearing on medallion values and on a bill, Int. 963, which would create a taskforce to study medallion values. Chair Ydanis Rodriguez, in his opening remarks, discussed the drop in taxi fares and ridership, which has caused the drop in medallion values. Commissioner Joshi testified on behalf of the Administration and discussed the initiatives the Taxi and Limousine Commission has done to help the taxi industry, including:

- Eliminating the owner must drive rule;
- Eliminating the distinction between independent and corporate medallions and lowering the transfer tax from 5% to .5% to bring liquidity to the market;
- Removing prohibition on non-cash payment from taxi garages to drivers and allowing electronic payment methods as long as they do not cost more;
- Extending the vehicle retirement periods;
- Allowing owners to choose whether to install a partition;
- Supporting the use of apps to hail and pay for taxis; and
- Creating a universal TLC license which allows more drivers to be recruited to drive taxis.

Commissioner Joshi stated that they support Int. 963, but that the task force should reflect the medallion industry, including eliminating the owner must driver representative, which no longer exists, and having representation for garages, taxi dispatchers and lessors, as well as drivers.

During Council Member questioning, Commissioner Joshi said:

- While TLC does not have a direct mandate to maintain medallion values, it has a role to ensure good service from its licensees, which increases revenues and the value of medallions.
- She spoke to TfL about the denial of Uber's license. Uber will be allowed to operate in London pending their appeal, which can take three years.
- Of the fleet of FHV's, at least 70,000 are app-based (not traditional black cars or limousines).
- There are currently 1,800 WAV taxis and 800 green taxi WAVs.

There were several panels of taxi industry stakeholders including medallion owners, industry organizations (including Metropolitan Taxicab Board of Trade, Taxicab Service Association, Committee for Taxi Safety, Taxis for All Campaign and others). Among some common themes of the testimony were there are too many FHV's, FHV's should have to pay an entrance fee to operate, the taxi industry is regulated much more than FHV's, and the City granted medallion owners a franchise and has done little to protect the exclusive right to street hails/on demand service.

There was no vote on the bill, but with TLC support, sponsorship by Chair Ydanis Rodriguez, and no one testifying against the bill, the Council will likely enact the bill shortly. Chair Rodriguez also mentioned he was introducing additional legislation to help the taxi industry, including a bill that would **allow medallion owners to have two cars on each medallion**. He did not give more specifics on the bill, but we should have more information shortly. *Thanks to Windels Marx for their report!*



Note Chair Rodriguez's comment (in **bold**, above) about allowing one medallion to cover two cabs instead of just one (more on that from the [NY Post](#)). While we are still trying to determine exactly what this bill would look like and how it could support medallion cab operators and lenders, it potentially would be a simple and elegant step to take to buttress the industry. If each medallion had two vehicles, with two revenue streams, you would increase the income of each medallion owner and could increase the value of each medallion over night. If the leases available to drivers were priced competitively – a bit lower than they are today – they could attract TNC (Uber) drivers, thereby increasing the pool of cab drivers and decreasing the number of TNC drivers.

We are following up with Chair Rodriguez's office to provide our input, to ensure that our current medallion would be the collateral for both vehicles and to better understand the bill. We think the bill will be introduced in October, so this could move rather quickly.

Bloomberg also had an article on the meeting, [article available here](#), most interesting was the comment by a Columbia Univ. faculty member and former city transportation commissioner...

"Lucius Riccio, an urban affairs faculty member at Columbia University and city transportation commissioner for former Mayor David Dinkins, told the council committee that the sinking market in taxi operating medallions is symptomatic of "several significant policy mistakes" stemming from the failure to regulate electronic-ride hailing companies.

The advent of medallions 80 years ago created order on what had been a "Wild West of vehicles and drivers," Riccio said. The failure to restrict the growth of black-car limousines and electronic-hail cars has reverted to "the out-of-control situation we now face."

By blaming this mess on the city council and reflecting on the reason the TLC was created in the first place, Mr. Riccio brought some perspective to the hearing- the city created this mess and needs to fix it.

Back to Reality...

Over the past few month's we've spoken about strategies to deal with hardship requests. Most drivers asking for relief are looking for a reduction in their payment and don't care how they get there. Cashflow is King. Our options to keep them driving our collateral and repaying our loan, which are available to sincere medallion owners that are truly making the effort, include rate reductions and A-B notes. There has been a reluctance to approve the A-B Note structure, with some credit unions telling us that their regulator has either directed them to not go that route or that the examiner hasn't gotten the memo that the A-B note structure is acceptable and even encouraged. Our goal is to recover your principal. Reducing rates while keeping the loan amortization periods relatively tight and moving to an A-B note all go towards that objective. If you have questions on these strategies, especially the A-B note approach, please talk to your regulator or reach out to us. We can give you more information to educate

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your staff or board so they can approve an update to your policy to include this strategy. If your regulator has flat out said 'don't do it' please reach out to us asap; they should all be on-board with this. The last thing we should do is repossess the medallion; that is unless you are prepared to sell the medallion for a small fraction of the loan balance and pursue a borrower who has very few if any assets and will most likely leave the country, forcing you to write-off the balance due, with no real chance of recovery.

Circling back to our lead-in story about recent medallion sales it boils down to these three options:

Repossess, foreclose and sell the medallion for about \$186,000 cash (tops, through a bulk sale, probably less for an individual medallion auction), or

Repossess, foreclose and sell for about \$350,000, with financing to the new owner who will be a new borrower, probably new to the business, so an unknown entity, and don't forget about the costs of repossessing and foreclosing, along with the lost time and pray they don't go bankrupt along the way and expect to finance a new cab to make the deal work, or

Work out a restructuring of the existing financing, probably in an A-B note structure though we consider all options, with your current borrower (who was a good risk at one point and has a lengthy track record of working in this industry), most likely with an A note of \$400,000 or slightly more, and retain the ability to possibly collect on the remainder through the B note.

Pick your poison...