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Taxi Medallions, Once a Safe Investment, Now Drag Owners Into Debt

By WINNIE HU SEPT. 10, 2017

Owning a yellow cab has left Issa Isac in deep debt and facing a precarious future.

It was not supposed to turn out this way when Mr. Isac slid behind the wheel in 2005. Soon he was earning \$200 a night driving. Three years later, he borrowed \$335,000 to buy a New York City taxi medallion, which gave him the right to operate his own cab.

But now Mr. Isac earns half of what he did when he started, as riders have defected to Uber and other competitors. He stopped making the \$2,700-a-month loan payment on his medallion in February because he was broke. Last month, it was sold to help pay his debts.

“I see my future crashing down,” said Mr. Isac, 46, an immigrant from Burkina Faso. “I worry every day. Sometimes, I can’t sleep thinking about it. Everything changed overnight.”

Taxi ownership once seemed a guaranteed route to financial security, something that was more tangible and reliable than the stock market since people hailed cabs in good times and bad. Generations of new immigrants toiled away for years to earn

enough to buy a coveted medallion. Those who had them took pride in them, and viewed them as their retirement fund.

Uber and other ride-hail apps have upended all that.

Just as homeowners faced ruin when housing markets sank, struggling cab owners in Chicago, Boston, San Francisco and other cities are now facing foreclosure and bankruptcy. Many took out loans to pay for taxi medallions, counting on business that has instead nose-dived amid fierce competition. They are falling behind on loan payments, being turned away by lenders and stand to lose not only the medallions that are their livelihoods but also their homes and savings.

Nowhere is the crisis more dire than in New York, which has the largest taxi fleet in the country. Medallions now sell for a fraction of the record \$1.3 million price in 2014, and in many cases, are worth far less than what their owners borrowed to buy them. Even if these owners sell their medallions, they still owe hundreds of thousands of dollars — far more than in many other cities where medallion prices were lower to begin with.

In an unprecedented fire sale of medallions, up to 46 of them are expected to go on the auction block later this month as part of bankruptcy proceedings against taxi companies affiliated with an embattled taxi mogul. While the city has previously held auctions to sell a limited number of new medallions — about 1,800 since 1996 — this is believed to be the first auction to dispose of foreclosed medallions, according to city officials.

While the auction has drawn attention to the precipitous fall of the once-mighty taxi industry, it does not reflect the hardship — and heartbreak — of individual owners like Mr. Isac. It is their stories that often get lost in the larger debate over new technology and commutes, and tell of the human cost of the city's rapidly evolving transportation landscape.

Since 2015, a total of 85 medallions have been sold as part of foreclosure proceedings, according to city records. In August alone, 12 of the 21 medallion sales were part of foreclosures; the prices of all the sales ranged from \$150,000 to \$450,000 per medallion.

Many more taxi owners say they do not know how much longer they can hold on. Didar Singh, 65, who took out a loan to buy two medallions for a total of \$2.6 million in 2013, said he can only afford to pay the interest — \$4,816 a month — on the loan. As it is, his taxis do not bring in enough to cover his expenses, forcing him to rely on savings and help from his children.

Sohan Gill once saw his medallion as such a good investment — “better than a house” — that his wife bought two more in 2001. Now they cannot find enough drivers for the cabs because business is so bad. And Mr. Gill, 63, who had retired from driving, had to go back on the road. “How many more years am I going to drive to take care of these medallions?” he asked.

Gone are the years when taxi medallions steadily rose in value, largely because there was a limited supply of them. The city controls the number of medallions — currently capped at 13,587 — to prevent an oversupply of cabs like what occurred in the 1930s when concerns over congestion, reckless driving and cut-rate fares prompted the city to step in. The last time there was an auction for medallions was when the city sold 350 new medallions in 2014 at the height of the market, generating \$359 million in revenue.

But today, yellow cabs are dwarfed by cars working for ride-hail apps, which face far fewer regulations. Taxi owners and their supporters complain that their competitors do not have a similar cap on their cars, and are not subject to strict rules on taxis that cover fares, vehicle equipment and access for disabled people, among other things.

There are more than 63,000 black cars providing rides in the city through five major app services: Uber, Lyft, Via, Gett and Juno. Of those, about 61,000 cars are connected with Uber, though they may also work for the other app services, too.

“We are not against competition, we are not against technology, but we want to compete fair and square,” said Nino Hervias, 58, a taxi owner and spokesman for the Taxi Medallion Owner Driver Association, which represents about 1,500 individual taxi owners, most of whom are immigrants.

Taxi owners have sought to sue the city over what they see as an unfair playing field, with little success. Earlier this year, a lawsuit filed against the city and taxi commission by taxi owners, trade groups and credit unions was dismissed by a federal judge who found that they had failed to show they were denied due process or equal protection.

Mr. Hervias and another driver have also taken legal action, known as an Article 78 proceeding, to compel the city and its regulators to establish and enforce standards that will make sure that all licensed cars — including yellow cabs — “are and remain financially stable.” The case is pending in State Supreme Court in Manhattan, with a court appearance scheduled in October.

Yellow taxis made an average of 277,042 daily trips and collected \$4 million in fares per day in July, down from 332,231 daily trips and \$4.9 million in fares the year before, according to city data.

Allan J. Fromberg, a spokesman for the taxi commission, said it had taken a number of steps to help struggling taxi owners, such as lifting a requirement for individual owners to personally drive their taxis at least 150 shifts a year, which was not only a burden for older people but also limited the pool of potential buyers for medallions. It has also supported laws that have eased restrictions on who could buy the medallions and significantly lowered the transfer tax on medallion sales.

The commission has also provided financial incentives to defray the cost and maintenance of handicap-accessible cars, Mr. Fromberg said. And it has created a pilot program that is intended to help fleet owners attract more drivers; the program allows drivers to pay a percentage of their earnings during a shift to lease the cab, in lieu of a flat fee up front that puts drivers under pressure and leaves them in the hole if they do not earn enough back.

But for many taxi owners, such measures have not been enough.

Mr. Isac is again leasing yellow cabs since he no longer has his own medallion. At times, he picks up only one passenger an hour. Even so, he is not ready to give up on yellow cabs yet.

“I’m still driving a yellow taxi because I want them to come back,” he said. “I don’t want to see yellow cars disappear from the streets.”

Uppkar Thind, 46, an immigrant from India, said he now has to drive 11 to 13 hours a day and can no longer take time off if he wants to break even. He is paying off a medallion that he bought for \$357,000 in 2006 with money borrowed from his relatives and a credit union.

“I worked hard,” he said. “I achieved my American dream and it turned into a nightmare.”

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