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City Policy Favoring Purchasers of Expensive Taxi Medallions Passed Constitutional Muster



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Taxi cabs

that operate in San Francisco and pick up riders from the San Francisco International Airport are regulated by the San Francisco Municipal Transportation Agency (SFMTA). Among other things, the SFMTA issues taxi cab medallions that allow the taxi cabs to operate within SFO. In 2010, the SFMTA enacted regulations that provided for the sale of medallions (at a price of \$250,000) and changed the medallion structure to create three tiers of drivers: (i) those issued medallions pre-1978, (ii) those issued medallions between 1978-2010, and (iii) those that purchased issued medallions after 2010. The only relevant difference among the tiers was that the post-2010 medallion holders paid \$250,000 to the City for each medallion. Uber, Lyft and other ride hailing technologies began to disrupt the industry shortly after the post-2010 medallion holders began purchasing taxi medallions. In response the SFMTA adopted regulations in 2018 that, among other things, disfavored pre-2010 medallion holders "from [airport] pickups with priority given at a fluctuating ratio to [p]urchased medallion holders depending on demand." The pre-2010 medallion holders sued the City, the SFMTA, and its directors for violations of substantive due process, equal protection, CEQA, and anti-age discrimination law. The court rejected the substantive due process claim, observing that the court was not free to engage in policy judgments regarding laws that were otherwise constitutional. The court also rejected the CEQA claim, holding that the 2018 regulations did not qualify as a "project" under CEQA and that plaintiffs' claim that the regulations would have indirect effects on physical environment was speculative. The court also held that the pre-2010 medallion holders did not plausibly state a claim for age discrimination. The court likewise found no equal protection violation because there were legitimate reasons for the distinctions the policy drew amongst medallion holders. The court upheld the trial court's ruling that the 2018 regulations rationally served several legitimate purposes,

including (1) reducing traffic congestion at the airport; (2) encouraging drivers to service the City; and (3) mitigating economic injury to holders of purchased medallions. The court reasoned the 2018 regulations did "not single out [p]urchased medallion holders for favorable treatment with no rational or logical reason for doing [so]." Purchased medallion holders obtained expensive permits from the City only "to have the rug pulled out from under them by an unexpected disruptive technology." Mitigating the adverse impact on those most affected by a shift in the market was a permissible state purpose, even if some might question its policy wisdom.