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Lyft Lauches in Houston Friday, but with City Eyeing Enforcement.

Lyft is avoiding fines by not charging or accepting donations.

An app-based ridesharing service is charging into the Houston market without waiting for the city to revise rules that could subject the company and its drivers to fines if customers paid for their rides.

But the company, Lyft, is avoiding any immediate confrontation with city officials by temporarily refraining from charging or accepting donations. The city, meanwhile, will continue work on changes in its taxi and limousine ordinance that could enable Lyft and similar services to operate and accept payments. The service begins on Friday.

The company, which connects riders with drivers who use their own vehicles, has evaluated the city's ordinance and believes existing law allows it to operate, Lyft spokeswoman Erin Simpson said.

The service doesn't charge a prescribed fee - payments are made via mobile phone and are technically donations - and it conducts its own background checks of drivers.

"Lyft is not a taxi or limo service," Simpson said. Houston officials disagree, however, saying the city ordinance covers all sorts of fees and tips.

"There are some working girls that work the streets of Houston who say, 'We're legal because it is just a donation,'" Mayor Annise Parker said Wednesday. "I'm sorry, we will enforce our ordinances."

After more detailed conversations on Wednesday, the company indicated it would - for an unspecified time - forgo any exchange of money between drivers and riders, said Christopher Newport, chief of staff for the city's regulatory affairs department.

Anyone who accepts payment for a ride would be operating an illegal taxi service, Newport said. And Lyft could be cited for operating an unregulated dispatch service by connecting drivers and riders, he said.

Both infractions are Class C misdemeanors, punishable by a \$500 fine for each occurrence.

Newport said Lyft's decision not to allow payments stalls the conflict for a while, though the company didn't give city officials a guaranteed date when payments would begin changing hands.

"We're going to watch them, but for now this resolves it," Newport said.

At the earliest, the changes in city rules could take effect about two months from next Tuesday, when two City Council committees will meet jointly to discuss the matter, Newport said.

DRIVERS, CARS CHECKED

Lyft uses a smartphone app to connect drivers and riders. The drivers' backgrounds are checked by the company, and drivers must operate a four-door car newer than model year 1999 that has passed a 19-point safety checklist.

Each driver, when operating as a Lyft driver, is covered by a \$1 million insurance policy in addition to the driver's own liability insurance.

Riders log in and look for a ride. The driver and rider can see one another via the app, and both must agree to the trip before it is booked via smartphone.

The route is mapped, so both the driver and rider know the path before they leave. Once at the destination, the two part ways. Each then fills out a survey rating the other, respectively. The rider is also given a suggested donation for the driver, but can alter that to whatever he or she likes.

Lyft takes a 20 percent cut of all donations for its role.

Simpson said the company sees itself as a solution to traffic congestion. Solo motorists can offset their vehicle operating costs by driving others, while those interested in getting a ride can avoid paying for parking and spending money for fuel.

Paul Gutierrez, interviewed in downtown Houston, said he's wanted Lyft as a local ride choice for some time.

"I am glad they're finally just going to jump in," Gutierrez said. "I'll use it this weekend."

Lyft will debut in Houston with service within most of Loop 610. and in nearby areas like Garden Oaks and the Galleria. As more drivers are introduced and riders respond, Lyft's service will expand, said Simpson, the company spokeswoman.

SUCCEEDING ELSEWHERE

In similar markets, the service has grown quickly.

"I think of (Los Angeles) as a really great example where many people rely on their cars to get around," Simpson said. "L.A. has been one of Lyft's fastest growing cities, which really speaks to people wanting to have options."

Houston officials agree, which is why they have spent the past few months preparing for changes to the city code. Officials have stressed safety and giving residents as many options as possible.

A study released last month found Houston's taxi and limo industry is unlikely to suffer from the entrance of newer companies like Lyft.

BY DUG BEGLEY, MCCLATCHY NEWS SERVICE / FEBRUARY 20, 2014 0

Reporter Mike Morris contributed to this story.

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