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## 2023 OPERATING BUDGET BRIEFING NOTE

### Potential Implementation of a Commercial Parking Levy

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#### Issue:

At the January 13, 2023 Budget Committee meeting, a motion was put forward requesting the Chief Financial Officer and Treasurer report back on the potential of implementing a city wide commercial parking levy and the challenges associated with the implementation.

The implementation of this revenue stream will have significant cost implications and implementation challenges that are summarized below.

- It is anticipated that a commercial parking levy would take 12 to 18 months to implement following an initial Council direction.
- The development of a comprehensive inventory of commercial parking spaces across the City would reflect the most time-consuming component of implementing a commercial parking levy.

The commercial parking levy can be assessed on either the total parking area or based on the number of spaces for both paid and unpaid parking. Any potential implementation would require City Council to decide:

- How and where the levy would be applied;
- Geographic considerations;
- If applicable to both paid and unpaid parking;
- Applied to parking spaces versus parking areas; and
- Identifying exemptions for certain property types or parking spaces.

In addition to potentially providing a dedicated revenue stream for transit and climate initiatives, a parking levy may encourage operators to change the use of under-valued and under used spaces, and shift consumer habits to use public transport due to increased parking fees.

Businesses and operators will bear the cost of the levy as it will be viewed as a tax on commercial and industrial property, especially if applied to unpaid parking where property owners cannot pass the levy onto consumers in the form of higher parking

fees. While there are climate and financial benefits, the economic and business impacts of a commercial parking levy in a post-COVID environment must be considered.

**Background:**

A 2016 report prepared by KPMG LLP entitled [City of Toronto - Revenue Options Study](#) provided an overview of eleven different revenue options that were identified by the City for consideration. One of the options considered was a parking levy which could be implemented under the authority of the City of Toronto Act, 2006.

The parking levy can be assessed on either the total parking area or based on the number of spaces for both paid and unpaid parking. Prior to any potential implementation, City Council must decide on how and where the levy would be applied and this would include geographic considerations, whether to levy both paid and unpaid parking, parking spaces versus parking areas and identifying exemptions for certain property types or parking spaces.

**Key Points:**

- A levy on parking is an annual charge levied against commercial property. The levy amount may be calculated based on the total number of parking spaces associated with a property (may include both paid and/or unpaid parking spaces), or the total property area used for parking. KPMG, as part of a prior review, recommended that a parking levy in Toronto should be based on the total area of a property used for parking rather than per parking stall. Levying on the number of parking spaces could be viewed as an indirect tax which is not permitted under the City of Toronto Act, 2006.
- The development of a comprehensive inventory of commercial parking space would be the most time-consuming and costly component of implementing a commercial parking levy.
- It can be expected to take approximately 12-18 months to develop the inventory and program criteria, modifications to the billing system, and testing and implementation, including notification to commercial and industrial property owners.
- Certain property types including institutional parking (hospitals, colleges, universities), and municipal properties (not including Toronto Parking Authority) should be considered exempt from the levy as well as consideration should be given to spaces that provide accessibility, electric vehicle charging, carpool, park-and-ride, car share and expectant mother parking.
- Once the levy is implemented, the criteria for exemptions may increase as other groups, organizations, and marginally profitable business may seek relief from the levy impacting overall revenues.
- The costs to develop and implement the parking levy and ongoing annual costs are summarized in Table 1 below.

Table 1: Parking Levy Implementation Costs in First Year (in millions)

Program and Inventory Development and Set-up Costs <sup>1</sup>	\$7.2 to \$12.2
Annual Ongoing Program Administration Costs	\$0.95

1. Development of inventory costs vary depending on if in-house resources or if an external service provider is used.

- In Table 2, the parking space figures used by KPMG are updated using the number of TPA-off street parking and TTC commuter car park spaces obtained from the 2019 TPA Annual Report. As institutions may be considered exempt from the parking levy, hospitals and university operated parking are not included. Using an average of 30 square metres per parking space including driveways and lanes, the estimated area for each parking type is summarized below. All other figures remain the same from KPMG's report.

Table 2: Number of Spaces and Estimated Area

Type	Number of Spaces	Estimated Area (m2)
TPA-off street	21,300	639,000
TTC	11,500	345,000
Commercial	100,000	3,000,000
Destination based (zoo, racetrack)	20,000	600,000
<b>Paid Spaces</b>	<b>152,800</b>	<b>4,584,000</b>
<b>Non-charged</b>	<b>855,000</b>	<b>25,650,000</b>
<b>Total</b>	<b>1,007,800</b>	<b>30,234,000</b>

- The 2016 report prepared by KPMG LLP estimated revenue potential from a parking levy based on pre-pandemic information and assuming a uniform ranging from \$0.50 to \$1.50 per parking space per day being applied, resulting in revenue estimates of:
  - \$35 million to \$107 million annually for a parking levy applied to paid spaces; and
  - \$171 million to \$535 million annually if also applied to unpaid spaces.
  - ***It is important to note that the above estimates did not consider any exemption to the levy, but rather estimated the revenue potential of all parking spaces being included in the implementation.***
- Ultimately the above estimates will be overstated as the potential revenue associated with a parking levy will depend on various factors including but not limited to:
  - Exemptions given based on property type (institutions, municipal properties excluding TPA and TTC, mixed residential/commercial, other groups) and type of parking spots (accessible, electric vehicle charging, carpool)

- Establishing a minimum area threshold to protect smaller businesses and property owners.
- Geographic considerations through implementation of graduated rates as a parking levy will have varying impacts in different parts of the City.
- Non-residential tax competitiveness – a parking levy resembles a commercial property tax and is contradictory to existing City policies to reduce the impact on assessment related increases on commercial properties.
- Impacts on post-pandemic efforts to boost the local economy as a parking levy on unpaid parking would likely be absorbed by businesses, and higher parking fees passed onto drivers may push consumers to other jurisdictions near municipal borders.
- Changing consumer habits as employers adopt hybrid or continued remote working models, resilience of online shopping, and other restrictions that may continue to impact the need to travel for work and leisure in the foreseeable future.
- Impacts of a proposed storm water charge and a parking levy on larger horizontal properties (shopping malls, industrial properties, car dealerships).

## Comparison of Commercial Parking Levy for Sample Property Types

The chart below provides a comparison of the amount of a commercial parking levy that may apply for sample property types, and for a range of parking levy rates assuming a rate per square metre approach, as well as a comparison to actual 2022 property taxes payable for these property types.

Property Type	Commercial Parking Levy (various rates/m <sup>2</sup> )					Property Taxes (2022)
	\$1	\$5	\$10	\$20	\$25	
Large Shopping Centre (4,800 parking spaces; 153,600 sq m*)	\$153,600	\$768,000	\$1,536,000	\$3,072,000	\$3,840,000	\$4,402,892
Large Office Building (1,420 parking spaces; 45,440 sq m)	\$45,440	\$227,200	\$454,400	\$908,800	\$1,136,000	\$19,879,811
Strip Mall (160 parking spaces; 5,120 sq m)	\$5,120	\$25,600	\$51,200	\$102,400	\$128,000	\$48,420
Local Grocery store (40 parking spaces; 1,280 sq m)	\$1,280	\$6,400	\$12,800	\$25,600	\$32,000	\$158,264
Small Medical/Legal office building (12 parking spaces; 384 sq m)	\$384	\$1,920	\$3,840	\$7,680	\$9,600	\$66,596

\*Note 1. Average parking spot assumed to be 30 square metres

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**Prepared by:** Casey Brendon, Director, Revenue Services, 416-392-8065,  
[casey.brendon@toronto.ca](mailto:casey.brendon@toronto.ca)

**Further information:** Andrew Flynn, Controller, Finance & Treasury Services, 416-392-8427, [andrew.flynn@toronto.ca](mailto:andrew.flynn@toronto.ca)

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