

## Implementation of a Commercial Parking Levy

**Date:** February 14, 2024

**To:** Executive Committee

**From:** Chief Financial Officer & Treasurer

**Wards:** All

### SUMMARY

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At its meeting on September 6, 2023, as part of [Item EX7.1: Updated Long-Term Financial Plan](#) (LTFP), City Council directed staff to report back on the development of a levy on commercial parking within the City. It was requested that the report outline a recommended tax, collection and enforcement design, estimated revenues, and required timelines for implementation in 2025.

This report identifies and seeks Council's endorsement on the guiding design principles of a commercial parking levy and provides information that responds to Council's requests. Following the consideration of this report, staff will undertake the development of a comprehensive parking inventory and conduct additional engagement with stakeholders to further refine and finalize implementation plans, and report back with a status update in advance of the 2025 budget process.

To develop overall design principles, City staff engaged a third-party consultant, Access Planning Ltd., to advise on how to best advance a commercial parking levy, based on their previous experience and expertise in a related file in Vancouver. Access concluded that a commercial parking levy has sufficient policy and revenue rationale to introduce within Toronto and recommended keeping the rules and applicability of the parking levy as simple as possible during the launch. As the City collects more information on the economic and social impacts of the levy, further refinements to the program may be considered to optimize policy objectives.

As a result of this research, staff are recommending the following parking levy design principles in the application of a commercial parking levy:

1. Apply a commercial off-street parking levy to the entire City of Toronto;
2. Include both private and publicly owned or operated commercial properties;
3. Include both unpaid and fee-paid parking facilities including surface parking, underground parking and parking garages;
4. Include a minimum area threshold, which provides an automatic exemption for the first 300m<sup>2</sup> for all properties (equivalent to approximately 10 parking spaces)

to reduce the burden of the levy on small businesses; and

5. Apply a two-zone rate structure based on geographic area:
  - a. Zone A – Downtown & Central Waterfront
  - b. Zone B – Entire City of Toronto, excluding Zone A.

The proposed parking levy will apply to properties within the Commercial tax class, and the levy will be calculated based on the total areal extent of the property that is used for parking multiplied by a per-square metre rate. An exemption from the levy will apply for the first 300 square metres for all properties. In addition to the mandatory statutory exemptions from taxation established under Section 268 of the *City of Toronto Act*, it is recommended that the property tax exemptions of Section 3 of the *Assessment Act* also apply for various property types. Staff are also recommending refining the definition of “parking area” to exclude certain situations where parking is directly associated with a business use, e.g., vehicle storage for certain commercial operations, as explained later in the report.

The effectiveness of billing and collecting a parking levy will rely on the City's ability to develop and maintain an accurate inventory of parking areas. As a next step, staff will continue to identify opportunities to compile this information using a combination of approaches and multiple data sources, as there is no single source of information available at this time. This may include geographic data, on-site inspections, data from the Municipal Property Assessment Corporation (MPAC), and owner-supplied information through self-reporting. As part of this report, staff are seeking authorization to engage with third-party resources, as required, to successfully complete the development of a parking inventory. Staff have previously advised that it may take up to 12-18 months to develop the inventory, modify billing systems, complete testing, and notify all commercial property owners in advance of implementation.

Implementation of a commercial parking levy is expected to impact stakeholders and economic and business activities. Following Council's endorsement of the overarching design principles identified in this report, staff will further engage with the industry on potential impacts. Overall, the introduction of a parking levy is expected to have a positive impact on City priorities and objectives, including reducing congestion and positively contributing to climate action by encouraging Torontonians to use transit or other means to travel. The parking levy will also positively contribute to the City's multi-year budgeting strategy and long-term financial sustainability. Preliminary estimates based on the proposed design principles indicate the City may generate gross revenues from \$100 million to \$150 million annually. These estimates have been reflected in the City's enhanced multi-year budget modelling introduced in 2024 and are intended to offset one-time bridging actions applied to the 2024 budget that enabled critical investments in transit services.

## RECOMMENDATIONS

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The Chief Financial Officer and Treasurer recommends that:

1. City Council endorse the overall Guiding Design Principles outlined in Attachment 2 of this report to outline initial parameters, and be leveraged for the purposes of consultation, in advance of implementation of a commercial parking levy in 2025.
2. City Council authorize the Chief Financial Officer and Treasurer, as required, to procure third-party support to conduct a comprehensive parking inventory in 2024 and enter into any necessary agreements with such third parties, and to authorize a one-time withdrawal from the Tax Rate Stabilization Reserve Fund within the 2024 Operating Budget for Non-Program to fund the associated costs, with an equivalent amount to be replenished from future revenues generated by the commercial parking levy, subject to implementation.
3. City Council direct the Chief Financial Officer and Treasurer to conduct further stakeholder engagement to identify impacts to commercial businesses, and to procure third-party resources as required, to support the engagement and enter into any necessary agreements with such third parties.
4. City Council direct the Chief Financial Officer and Treasurer to report back prior to the 2025 Budget Process with an update and final tax design recommendations following the completion of the parking inventory and stakeholder engagement, referenced above, for implementation in 2025.

## FINANCIAL IMPACT

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The introduction of a commercial parking levy was proposed in the context of the City's Updated Long-Term Financial Plan, which identified opportunities to address the significant and unprecedented financial challenges the City faces over the next 10 years. Overall, the **total annual revenue potential of a commercial parking levy is approximately \$100 million - \$150 million**, based on the considerations discussed below, including estimated parking area in the City of Toronto and application of a two-tiered rate structure for the levy. Estimates will continue to be refined as the comprehensive parking inventory is completed.

### *Estimated Parking Spaces*

The estimated annual revenues of a parking levy cannot be verified until the City conducts a comprehensive parking inventory which will be completed throughout 2024. As a preliminary estimate, staff are using the data referenced in Table 1 below, which indicates the City has approximately one million commercial parking spaces in total.

This analysis leverages a 2016 KPMG revenue tools study which was informed by geographic estimates developed by Metrolinx in 2013. The data for the Toronto Parking

Authority (TPA) and Toronto Transit Commission (TTC) have been updated to reflect more current estimates. The table also converts the number of spaces to estimated parking area in square metres, as the commercial parking levy is recommended to be imposed on a per square metre basis. At this time, staff are unable to respond to Council's request for an estimate of the current number of commercial, paid and unpaid parking spaces in the City of Toronto broken down by ward and will be conducting a parking inventory to obtain accurate up-to-date information.

For the purpose of this analysis, it is assumed that one parking space is equivalent to 30 square metres. A typical parking space in Toronto may range from 15 to 20 square metres however this does not account for driveways, access lanes and ramps. An areal measure of 30 square metres accounts for this and is the same size used in the Montreal parking levy model. This analysis is purely for the purposes of determining the approximate square metres used for commercial parking which would be subject to the recommended commercial parking levy.

**Table 1: Preliminary Estimate of Number of Spaces and Estimated Parking Area**

Type	Number of Parking Spaces	Estimated Parking Area (m <sup>2</sup> )
TPA-off street	21,300	639,000
TTC	11,500	345,000
Commercial	100,000	3,000,000
Destination based (e.g., zoo, racetrack)	20,000	600,000
<b>Total Paid Spaces</b>	<b>152,800</b>	<b>4,584,000</b>
<b>Total Unpaid</b>	<b>855,000</b>	<b>25,650,000</b>
<b>Total (Paid and Unpaid)</b>	<b>1,007,800</b>	<b>30,234,000</b>

*Application of a Two-Tiered Rate Structure*

Staff are recommending the application of a two-zone rate structure based on geographic area, in recognition of alternative travel modes available in the downtown area which help to manage congestion, improve travel times and positively impact climate action, and of the relative cost of parking and impacts on businesses. Generally, paid parking facilities charge more per hour in the downtown area due to high parking demand. In addition, the current assessed value of commercial properties located downtown is higher than comparable properties in surrounding areas. Furthermore, the application of a tiered rate avoids a flat commercial parking levy that would have had a proportionately greater impact on commercial businesses located outside of the downtown area.

Figure 1 later in the report provides a Zone Map which corresponds with the proposed geographic areas. Table 2 below identifies the estimated annual and daily impacts per parking space in Zones A and B based on an assumed annual rate of \$6 per square metre in Zone A and \$3 per square metre in Zone B. An annual rate of \$6 per square metre for commercial properties within Zone A would result in an estimated annual levy of \$180 per 30 m<sup>2</sup> (equivalent to approximately one parking space), or 49 cents per day per space. An annual rate of \$3 per square metre for commercial properties in Zone B would have an estimated annual levy of \$90 per 30m<sup>2</sup> of parking area (equivalent to approximately one parking space), or 25 cents per day. Staff feel that these rates will not have an overly negative impact on businesses, with an amount of under 50 cents per day (per 30m<sup>2</sup>, equivalent to 1 parking space), applied after an automatic exemption for the first 300m<sup>2</sup>, while positively contributing to overall policy objectives and generating a significant amount of revenue for the City in support of Toronto’s path to long-term financial sustainability.

As noted, all commercial properties used for parking will benefit from the exemption for the first 300m<sup>2</sup> of parking area from the levy. This means that properties will not pay any levy on approximately the first 10 parking spaces.

As more information becomes available following the development of a parking inventory and/or, at a future point, through monitoring the implementation of a parking levy, the rate structure could be reviewed and adjusted, if required, to ensure alignment with existing and emerging policy objectives. Staff will continue to review as more data is collected. In addition, should the City identify possible alternative sources of revenue or be granted access to new revenue tools that that are able to grow with the economy and do not exist currently, the City can review whether a commercial parking levy continues to be appropriate.

**Table 2: Proposed Rate per Square Metre by Zone**

<b>Zone</b>	<b>Annual Rate (\$/m<sup>2</sup>)</b>	<b>Equivalent Estimated Annual Impact per Parking Space*</b>	<b>Equivalent Estimated Daily Impact per Parking Space</b>
<b>Zone A</b> (Downtown and Central Waterfront)	\$6.00	\$180	\$0.49
<b>Zone B</b> (Entire city excluding Zone A)	\$3.00	\$90	\$0.25

*\*Assumes that 1 parking space is the equivalent of 30 square metres (including a portion of access lanes, ramps and driveways). This provides the estimated impact for parking spaces beyond the first 300 square metres which will be exempt.*

*Annual Revenue Potential*

Based on the estimated number of total parking spaces referenced in Table 1 above, of one million, and on the assumption a parking space is approximately equivalent to 30

square metres, in consideration of the proposed two-tiered rate structure identified in Table 2, staff estimate that the total **annual revenue potential of a commercial parking levy is approximately \$100 million - \$150 million**. Estimates for 2025 have been reflected in the City’s enhanced multi-year budget modelling introduced during the 2024 budget process.

Table 3 below identifies gross annual revenue potential based on rate per square metre of parking area. Actual revenue estimates will be informed by the completion of the comprehensive parking inventory and will be impacted by the distribution of parking spaces across geographic areas and the application of the minimum area threshold exemption of 300m<sup>2</sup>. In addition, further analysis is required to determine which properties will be exempt in accordance with existing statutory requirements.

**Table 3: Gross Annual Revenue Potential by Annual Rate per Square Metre**

<b>Annual rate per square metre of parking area</b>	<b>\$3.00</b>	<b>\$4.50</b>	<b>\$6.00</b>
Annual Revenue: Paid Areas Only (\$ millions)	13.8	20.7	27.6
Annual Revenue: Unpaid Areas Only (\$ millions)	77.1	115.7	154.2
<b>Annual Revenue: Paid and Unpaid Areas (\$ millions)</b>	<b>90.9</b>	<b>136.4</b>	<b>181.8</b>

As revenue estimates are further refined, staff can validate estimates included in enhanced multi-year budget modelling introduced in the 2024 budget, where annual commercial parking levy revenue generated in 2025 and future years is intended to offset one-time bridging actions applied to the 2024 budget that enabled critical investments in transit services.

*Financial Impact to Commercial Properties*

As referenced in Table 2 above, 30m<sup>2</sup> or the equivalent of one parking space, will result in an estimated daily rate ranging from 25 cents to 49 cents, depending on where the property is located. This equates to an annual rate of \$90 to \$180 per 30m<sup>2</sup> (approximately the equivalent to one parking space).

Table 4 below illustrates how a commercial parking levy may impact different commercial property types using 2022 property tax estimates. Note that these amounts include the first 300m<sup>2</sup> in parking area as exempt from the levy.

Overall, it is expected that approximately 23,000 commercial properties would be subject to the parking levy. In consideration of the total one million parking spaces in the City as identified above, it is estimated than an average impact to a business with 43 parking spaces (approximately 1,290 square metres of parking area) would result in a total annual levy amount of \$2,970 to \$5,940 depending on where in the City it is located. For properties which contain multiple tenants, the individual impacts to units will be even less.

**Table 4: Illustrative Example of an Annual Levy by Commercial Property Types**

<b>Commercial Property Type</b>	<b>Parking Area</b>	<b>Property Tax (2022)</b>	<b>Zone A – Annual Rate* \$6 / m<sup>2</sup></b>	<b>Zone B – Annual Rate* \$3 / m<sup>2</sup></b>
Large Shopping Centre	144,000m <sup>2</sup>	\$4.4 million	\$862,200	\$431,100
Large Office Building	42,600m <sup>2</sup>	\$20 million	\$253,800	\$126,900
Neighbourhood Shopping Centre	4,800m <sup>2</sup>	\$50,000	\$27,000	\$13,500
Local Grocery Store	1,200m <sup>2</sup>	\$160,000	\$5,400	\$2,700
Small Medical / Legal Office Building	360m <sup>2</sup>	\$70,000	\$360	\$180

*\*Incorporates exemption of first 300m<sup>2</sup> in parking area*

#### *Estimated Implementation Costs*

It is expected that the total cost to develop and implement the commercial parking levy will be between \$7.2 and \$12.2 million based on approximately 23,000 commercial properties that would be subject to the levy. These one-time costs include:

- Internal services, such as legal, policy, I&T start-up development and programming, which may be accommodated in existing budgets through prioritization of this work.;
- Materials and equipment, such as notifications and mailings to properties, and equipment for in-field data measurement, capture and upload to billing system; and
- Development and verification of a parking inventory, which may include City staffing and expenditures, or support by an external service provider.

In addition, the commercial parking levy will be subject to annual ongoing program administration costs, estimated to be \$1.3 million per year, including:

- Salaries and benefits for staff resources; and
- Materials and equipment.

It is recommended that, should the City require third-party support to conduct a comprehensive parking inventory in 2024, that a one-time withdrawal from the Tax Rate Stabilization Reserve Fund be authorized within the 2024 Operating Budget for Non-Program, with the amount in the reserve fund to be replenished from future revenues generated by the commercial parking levy, subject to implementation. Annual ongoing costs associated with the administration of the commercial parking levy can be fully recovered through the revenue generated.

## DECISION HISTORY

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At its meeting on September 6, 2023, as part of the Updated Long-Term Financial Plan, City Council directed the Chief Financial Officer & Treasurer to report back on the development of a levy on commercial parking, with an implementation plan including a recommended tax, collection, and enforcement design, estimated revenues and required timelines for implementation in 2025.

Item EX7.1: <https://secure.toronto.ca/council/agenda-item.do?item=2023.EX7.1>

At its meeting on June 28, 2016, Executive Committee received a presentation from KPMG LLP on "City of Toronto – Revenue Options Study" (Item EX16.3). The study was undertaken as directed by City Council to engage an external consultant to perform an updated assessment on the revenue potential of certain new taxes permitted under the *City of Toronto Act, 2006*. A copy of the report can be accessed at: [City of Toronto – Revenue Options Study](#)

At its meeting on October 22 and 23, 2007, City Council adopted the report EX10.1 "New Taxation Measures – *City of Toronto Act, 2006*", which detailed the results of public and stakeholder consultations on potential tax measures including a parking levy, and provides information on potential implementation, estimation of net revenues and economic impact of potential tax measures. A copy of this report can be accessed at: [EX10.1. New Taxation Measures - City of Toronto Act, 2006](#)

## COMMENTS

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### Background

In February 2016, City Council directed staff to commission an external consultant to perform an update to a March 2007 report prepared by Hemson Consulting Ltd., entitled "Assessment of Potential New Tax Measures under the *City of Toronto Act, 2006*" on various options for generating non-tax revenues under existing or amended legislative authority. In response to Council's direction, City staff retained KPMG LLP in April 2016 to provide an updated assessment of the revenue options permitted under the *City of Toronto Act, 2006* and to review other revenue options that the City does not currently have legislative authority to implement. The "Revenue Options Study" provided an overview of various revenue options including the implementation of a parking levy or a parking sales tax.

A commercial parking levy was further identified as an opportunity as part of the LTFP presented to City Council in September 2023. Expected to positively contribute to the City's corporate strategic priorities of "keeping Toronto moving" and "tackling climate change", the parking levy was noted as being relatively easy to implement while having significant revenue potential. City Council directed the Chief Financial Officer & Treasurer to report back with an implementation plan to implement the levy in 2025.

A levy on commercial parking differs from a parking sales tax as it is an annual amount levied on commercial property used to provide commercial parking, rather than a tax on paid parking transactions. Unlike a parking sales tax, a parking levy may include both



paid and unpaid parking areas and can be assessed based on the total area of a property used for parking or on number of spaces. Since COTA does not permit the City to levy sales taxes or indirect taxes, it is recommended that a parking levy be implemented based on the area used for parking on commercial property. A levy based on number of parking spaces is not recommended for various reasons including possible increased disputes as the number of parking spaces can vary and be adjusted by property owners.

## **Proposed Design**

Revenue Services staff have engaged the consulting firm Access Planning Ltd. to study and provide feedback on the design of a commercial parking levy for implementation in 2025. Access is a strategic advisory consultancy and a transportation planning firm whose team members were directly involved in Metro Vancouver's implementation of a parking levy. Access' Report is available in Attachment 1.

The report concluded that there is sufficient revenue and policy rationale for the levy and that it is important to keep the rules and applicability of the commercial parking levy simple during the launch to support the proposed design. Over time, the City could pursue opportunities to refine and vary the levy structure to fine-tune policy outcomes and mitigate impacts, as more information is available. Overall, this report seeks Council endorsement of a commercial parking levy based on the following five guiding tax design principles:

1. Levy to apply to the entire City of Toronto geography: The parking levy should be applied city-wide to commercial properties in the City that provides parking for commercial purposes (off-street parking only). This allows the levy and associated cost burdens to be distributed over the largest possible base of eligible properties.

### **Rationale:**

- Applying the levy city-wide reduces risks of any one geographic area in the City being at a competitive disadvantage relative to other parts of the City. This is especially relevant at this time, as sustained changes to travel behaviour associated with the pandemic have impacted activity for businesses and property owners.
  - Ensures the levy will be applicable to commercial properties that provide high amounts of parking regardless of location, promoting fairness among businesses.
2. Levy to apply to both private and publicly owned/operated properties: The levy should apply to all private and publicly owned (with the exception of legislatively exempt provincial properties) commercial properties that provide parking for commercial purposes, regardless of ownership type. This includes properties owned or operated by the City of Toronto, Toronto Parking Authority, and Toronto Transit Commission. This allows for fairness and market efficiency among parking owners and operators.

Rationale:

- Applying the levy to both private and publicly owned commercial properties ensures all commercial properties that provide public parking are subject to the levy. It reduces the risk that City-owned or operated commercial properties that provide parking have a competitive advantage over other properties that provide parking for similar users or purposes.
  - City-owned parking lots are still part of the commercial parking market. Therefore, publicly owned parking should also be subject to the levy for fairness and market efficiency.
  - Publicly owned and operated commercial parking properties account for less than 5% of total commercial parking space city-wide. The City already has good data on the size and area of parking on these properties. This scale is not expected to materially increase administrative effort.
  - A majority of City-owned or operated properties that provide commercial parking are in the central area of the city or in proximity to frequent transit corridors. Ensuring these properties are subject to a potential parking levy may lead the City – like others – to increase parking pricing or optimize parking supply, which could support reducing auto use and congestion.
3. Levy to apply to fee-paid and unpaid commercial parking facilities: The levy should apply to all commercial properties (surface parking and parking garages) and should not distinguish between fee-paid and unpaid parking. This will reflect the reality that the costs and benefits of parking are city-wide, and the parking levy applies to all parking areas, regardless of whether the property owner decides to charge for parking or not.

Rationale:

- This approach allows the levy and associated cost burden to be distributed over the largest possible base of eligible properties. According to currently available data, approximately 15% of the City's parking supply is paid parking. If unpaid parking is exempt, a smaller set of properties will be responsible for paying a much higher parking levy rate in order to generate comparable levels of revenue. Applying a levy to fee-paid parking only could exclude up to 85% of commercial parking areas in the City.
- This approach may result in some optimization of under-utilized parking spaces on properties that offer both fee-paid and unpaid parking. Properties may review their availability of parking spaces, which may support reduced vehicle use and congestion, which positively contributes to climate action and keeping Toronto moving.
- Most commercial properties that provide parking in Downtown Toronto are fee-paid. Excluding unpaid commercial parking properties increases risk of disproportionate impacts on the Downtown area, leading to potential unfairness.

- The TPA and other market providers of commercial parking will need to decide how to manage the cost of the levy. These may be absorbed as business costs or incorporated into revised pricing for parking. If the TPA decides to amend its off-street rates, it may need to consider reviewing rates for on-street parking since they are linked markets.
4. Levy to include a minimum area threshold for all eligible properties that will exempt smaller parking areas: The levy should only be applied to the portion of parking areas that are above a defined areal extent. The first 300 square metres of parking area (equivalent to 10 parking spaces) should be exempt from the levy.

Rationale:

- This approach supports small businesses and property owners who may only have smaller parking areas. Any properties with 300 square metres of parking space or less would not be subject to any levy. All other properties will have an equal and fair application of an exemption of the first 300 square metres
  - By excluding smaller properties, where accurately estimating available parking area may be challenging and time consuming, the proposed approach is more cost effective for the City to administer.
5. Levy to be calculated based on a two-zone levy flat rate based on area (m<sup>2</sup>): The rate structure should set different rates for the downtown and central waterfront zone than the rest of the city, in accordance with the map included in Figure 1 below.

Rationale:

- Applying a tiered rate will ensure that the levy is applied in an equitable manner, by ensuring the incremental impact on businesses is fair based on their geographic area.
- A tiered rate structure will ensure that a commercial parking levy is not having a disproportionately negative incremental impact on properties outside of the downtown.
- Generally, paid parking facilities charge more per hour in the downtown area due to high parking demand, which allows operators to proportionately absorb the levy to accommodate a tiered rate structure.
- This approach is consistent with other property-related programs which recognize the varying impacts across the City, including the Small Business Property Subclass which establishes different eligibility criteria for the rate reduction depending on geographic area.

## **Two-Zone Rate Structure**

Implementing a city-wide parking levy on both fee-paid and unpaid commercial off-street parking will have varying impacts in different parts of the city. A two-zone rate structure is a way to minimize those impacts and ensure that the levy is applied equitably.

The greatest impact of a commercial parking levy is expected to be on unpaid parking areas, especially among those in less dense or suburban areas. Those property owners and businesses may be more likely to have to absorb the levy, as converting to a paid parking model may drive consumers to conduct their business at alternative locations. While it may encourage the supply of spaces to be converted to other uses, this may have a lasting negative impact on businesses in areas where transit service is lower. A reduced commercial parking levy rate for businesses outside of the downtown area is therefore recommended to mitigate economic impacts to businesses where the costs of the levy cannot be directly recovered by implementing paid parking fees

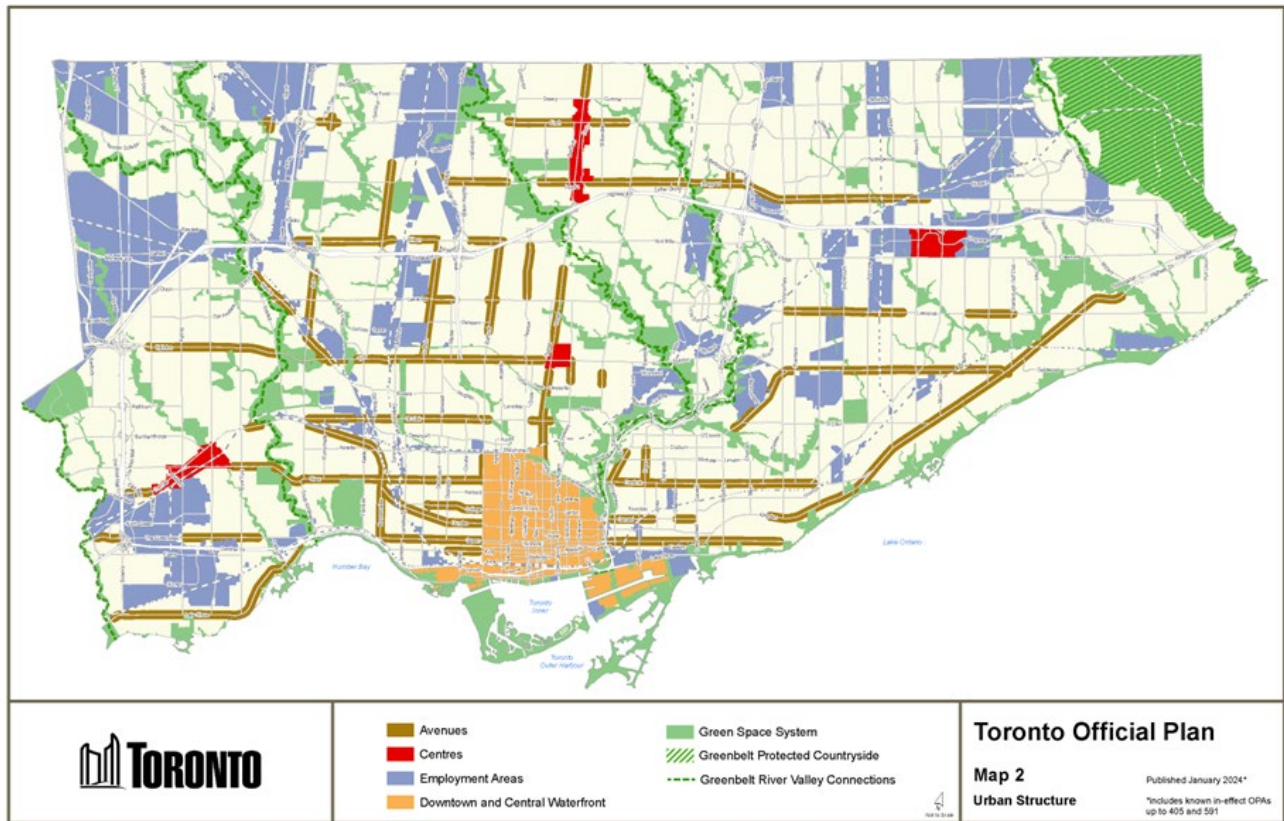
Determining the geographic boundaries of parking levy rates is challenging. As an initial recommendation, staff have identified the map below in Figure 1 as an appropriate separation between Zone A and Zone B, based on economic activity, alternative travel modes available, and the relative cost of properties and parking.

Zone A covers the downtown and central waterfront area, as identified in the City of Toronto Official Plan, and Zone B covers the rest of the city. While determining the appropriate boundaries, staff considered the City's policy objectives of increasing transit ridership, reducing congestion, and positively contributing to climate action. They also considered Council's request, during its consideration of the updated Long-Term Financial Plan, to consider the feasibility of graduated fees based on proximity to higher-order transit service. The City's Downtown area generally has increased access to transit options.

As previously identified in Table 2, staff are recommending an annual rate of \$6 per square metre for commercial properties within Zone A, resulting in an estimated equivalent annual impact of \$180 per parking space, or 49 cents per day. The report also recommends an annual rate of \$3 per square metre for commercial properties in Zone B, which has an estimated annual impact of equivalent to \$90 per parking space, or 25 cents per day. Staff feel that these rates will not have an overly negative impact on businesses, with an amount of under 50 cents per day (per 30m<sup>2</sup>, equivalent to 1 parking space), applied after an automatic exemption for the first 300m<sup>2</sup>, while positively contributing to overall policy objectives and generating a significant amount of revenue for the City in support of Toronto's path to long-term financial sustainability.

Following the adoption of this report, staff will conduct further engagement on the implementation of the commercial parking levy with impacted stakeholders and complete a comprehensive parking inventory. Should staff have any changes to recommended geographic area prior to implementation in 2025, they will report back to Council as required. In addition, as more data accumulates through monitoring the levy's implementation, adjustments can be made to ensure alignment between the rate structure with existing and emerging policy goals.

**Figure 1: Area identified in the City of Toronto Official Plan as Downtown and Central Waterfront (full version online [here](#))**



## Implementation

A parking levy should be applied to all parking lots associated with a commercial property, whether fee-paid or unpaid. The billing and collection of the parking levy can be implemented using the existing property tax billing system, and existing resources can be leveraged to implement the levy into the regular property tax billing cycle to make it efficient to bill and collect.

The key challenge for the City is to develop and continually update a comprehensive inventory of parking lots for the levy to be effective. To build this inventory, the City will use a combination of sources including GIS data, assessment roll data, on-site inspections, data from the Municipal Property Corporation and owner supplied information through self-reporting. Estimates from 2017 indicate that there are approximately 23,000 commercial properties that would be subject to the levy..

Overall, the development of a commercial parking levy is estimated to take between 12-18 months. This includes developing the inventory, program criteria, and modifications to the billing systems, as well as testing, implementation, and notification to commercial property owners. The inventory can be developed using external contractors or in-house resources. Hiring and training staff may take up to four months and it is expected to take four to six months to develop, implement, and test changes to the billing system as identified by Technology Services. A dispute process will also be established to allow property owners the opportunity to address any discrepancies, ensuring the

maintenance of accurate and current data. Overall, the implementation timeline is in line with the estimated implementation timelines identified by KPMG for Vancouver and Montreal.

City staff have been actively evaluating and exploring optimal strategies to both acquire and maintain a commercial parking inventory. Given their expertise on property-related matters, the City recommends that collaboration with the Municipal Property Assessment Corporation to acquire an inventory may be the most appropriate option. Metro Vancouver sought the expertise of their property assessment authority (BC Assessment), who successfully prepared their parking site roll in a timely manner.

As part of the implementation of the commercial parking levy, staff will develop a policy that clearly defines how the City will:

- Compel property owners to provide any necessary information through a clear and enforceable by-law that establishes:
  - How the levy is applied and administered
  - How parking areas are defined
  - Fines or other measures for non-compliance
- Designate mixed-use facilities as either residential or commercial
- Designate mixed-class properties that have both a commercial and an exempt component as either exempt or commercial; and
- Implement a dispute resolution process that allows property owners the opportunity to address any discrepancies, ensuring the maintenance of accurate and current data.

## **Exemptions**

Staff are recommending the application of the parking levy to properties which fall within the commercial property class. This means that all properties not included in this class, including those that are currently exempt from existing property taxes, will not be subjected to the commercial parking levy.

Based on Access Planning's jurisdictional review, discretionary exemptions for parking levies in other jurisdictions generally fall into two categories. The first category includes exemptions that refine the scope of defining parking areas, such as exemptions for loading bays, areas used for storing motor vehicle inventory, and motor vehicle maintenance facilities. The second category includes exemptions that reflect policy decisions made with a social dimension in mind, such as exemptions for charities, religious bodies, museums, schools, hospitals, public parks, and accessible parking.

While the *City of Toronto Act* provides the authority to impose a parking levy, Section 268 of the Act also prohibits a parking levy from being applied to the following categories of exempt property::

- The Province of Ontario and provincial agencies
- District school boards and school authorities;
- Universities in Ontario, colleges of applied arts and technology, and post-secondary institutions in Ontario;

- Public and private hospitals;
- Licensed long-term care homes.

Additionally, as the parking levy will be applied to properties that are classified within the commercial tax class, it is recommended that all other property types that are currently classified as exempt from property taxes by virtue of the *Assessment Act* should also be exempt from the application of the parking levy. These exemptions include cemeteries, places of worship, childcare centres, charitable institutions, religious seminaries, etc. A list of these statutory exemptions under the *Assessment Act* is provided in Attachment 2 to this report. As these properties are not currently included in the commercial property tax class, it would be increasingly challenging to implement a parking levy on properties that are otherwise exempt from property taxes.

Additionally, exemptions should be included to refine the definition of parking areas, similar to those adopted by other jurisdictions, to recognize where portions of a property are being used for auto-related commercial operations (e.g., vehicle storage for fleet operations). This approach is expected to be simple and have negligible policy impacts. Further details are available in Attachment 2.

Furthermore, to reduce the burden of the levy on small businesses, it is recommended that the first 300 square metres of parking area be exempt from the levy. Setting a minimum area threshold for the parking levy can help alleviate the burden on small businesses. This approach is also adopted by the City of Montreal.

## **Impacts**

Implementing a commercial parking levy and a likely associated increase in parking rates may encourage transit ridership or alternative means of transportation, positively contributing to the City's climate goals. The levy may also help to reduce congestion, which supports the City's goal of "keeping Toronto moving" through shifting travel behaviours. A parking levy may encourage operators to repurpose under-valued and under-used spaces to other uses, which could have a positive impact on the public realm.

However, it is important to consider that introduction of a commercial parking levy may result in an increased cost for property owners to operate, which may impact businesses. The increased costs of the parking levy may be passed on by owners and businesses to the consumer, either directly, on the price of parking, or indirectly, through increasing costs of other goods and services offered. With fee-paid parking, the owner or operator may be able to pass on a portion or the entire cost of the levy to parking users through increased rates. Any introductions of or increases to parking fees as an indirect result of this levy may alter driving habits and ease congestion. This in turn may cause consumers to shift their shopping or business activities to areas outside of Toronto, and businesses may look to move their operations to a nearby municipality where the cost to operate may be lower, which may impact Toronto's competitiveness compared to neighbouring municipalities. Property owners may opt to convert their parking options, which might have a particularly negative impact in areas where transit is under-served, if no alternative travel modes exist.

In recognition of current sustained impacts associated with the pandemic, staff acknowledge that the commercial parking levy may impact the recovery of businesses and property owners. To mitigate this, staff are proposing a maximum rate equivalent to 49 cents per day per parking space (or 25 cents per day if located in Zone B), which is a lower amount than has been previously considered. For example, during the LTFFP, Ernst and Young’s analysis considered a levy of \$0.50 - \$1.50 per parking space per day.

**Other Canadian Jurisdictions**

Many cities worldwide have implemented a parking tax or levy to generate revenue, fund transportation infrastructure, reduce carbon emissions and traffic congestion, or promote the use of eco-friendly modes of transportation. Montreal and Vancouver are the cities in Canada that have implemented a parking tax or levy. Gaining insight into how these cities have implemented their parking tax or levy has been valuable in Toronto’s parking levy design.

*Montreal*

Since 2010, the City of Montreal has implemented a parking levy for off-street parking facilities. The levy uses graduated rates based on the location of the parking facility within the boundaries of four sectors: business district, downtown, and a secondary downtown area further from the business district. The fourth sector includes all other non-residential outdoor parking areas of Montreal not captured in the first three sectors. The levy is a flat rate based on the size of the parking area, with the first 390 square metres of parking space being exempt, except for vacant lots where parking businesses are operated. The rates also depend on whether the parking is indoor or outdoor. Outdoor parking lots are charged significantly higher rates to encourage development of these areas as they are generally on larger properties. In the 2023 Budget, the parking tax was expected to raise \$24.1 million. The 2023 rates are provided in the table below.

**Table 5: 2023 Annual Parking Levy Rates in Montreal**

<b>By Sector</b>	<b>Indoor (\$/m<sup>2</sup>)</b>	<b>Outdoor (\$/m<sup>2</sup>)</b>
Sector A (business district)	\$12.45	\$50.10
Sector B (downtown Montreal; excluding sector A)	\$6.25	\$37.60
Sector C (downtown; further away from business district)	\$6.25	\$18.80
Sector D (entire City of Montreal; excluding sectors A, B and C)	N/A	\$2.00



## Vancouver

In 2006, the Greater Vancouver Area implemented an off-street parking levy on non-residential properties within a specified transit zone. The levy was applied to both fee-paid and unpaid parking and was intended to generate revenue for road and transit expansion. Initially, the rate was set at \$0.78 per square metre, and this model raised an average of \$22.2 million annually. In 2010, the levy model was eliminated, and the province transferred administration of the parking sales tax to the city. Currently, the parking sales tax rate is 24%, and is collected by the parking vendor and remitted to TransLink, the transit agency. In 2022, the parking sales tax collected \$75 million in revenue.

### Engagement Considerations

Following the adoption of this report, staff will leverage the Council-endorsed design principles and conduct focused engagement opportunities with key stakeholders that may be impacted by the commercial parking levy. Staff will report back to City Council with a status update and key findings from that consultation process together with detailed tax design and implementation recommendations. This report will comment on key stakeholders impacted by a commercial parking levy and results, consistent with Council's request.

Staff have engaged with other City Divisions and Agencies in the development of this report. However, it is important to consider the commercial parking levy in the context of ongoing initiatives at the City including the City-Wide Parking Strategy, currently under development by Transportation Services, and consultations on the potential implementation of a stormwater charge by Toronto Water. Staff will ensure that any engagement efforts for the commercial parking levy align with key objectives and communications tactics being presented in other engagement forums.

### Conclusion

The parking levy design outlined in this report aims to keep policies and applicability simple during its initial launch. This approach will help property owners understand how it applies to their property and makes it easier for staff to implement and to collect the levy. As more data is gathered on revenue generation and economic impacts, the levy can be refined to better align with the City's policy goals and property owner needs. Monitoring and evaluation will play a crucial role in assessing both positive and negative impacts, allowing for informed adjustments as needed.

### CONTACT

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## **SIGNATURE**

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Stephen Conforti  
Chief Financial Officer & Treasurer

## **ATTACHMENTS**

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- Attachment 1: City of Toronto – Commercial Parking Levy Report (Prepared by Access Planning Ltd., January 2024)
- Attachment 2: Guiding Design Principles of a Commercial Parking Levy