

City of Toronto Commercial Parking Levy Report

Date: February 13, 2024

Version: 5

Prepared for:



Prepared by:

ACCESS.



Table of Contents

- 1. Executive Summary..... 2
- 2. Purpose of Report..... 3
- 3. Summary of Previous Work and Study 4
- 4. The Policy Basis for a Parking Levy..... 6
- 5. Experience from Peer Jurisdictions..... 10
- 6. Commercial Parking Inventory 13
- 7. Levy Design Parameters and Principles..... 15
- 8. Levy Design Components and Options Considered 18
- 9. Recommended Levy Design and Rationale..... 19
- 10. Statutory and Discretionary Exemptions 24
- 11. Recommended Levy Rates 27
- 12. Implementation Considerations..... 29

1. Executive Summary

The City of Toronto is exploring a range of revenue tools to address the City's significant funding shortfall over the coming decade. Among these revenue tools, the City is considering how best to move forward with a commercial parking levy. The City commissioned this external report to propose an implementation approach to introduce a parking levy that could satisfy revenue objectives and requirements set out by Council, and also support broader City objectives.

Over the past decades, the City has conducted a number of studies that have assessed the implementation of a parking levy. These generally concluded that such a funding mechanism has the potential to generate significant revenue while also supporting City policy goals, such as: tackling climate change, increasing mode share of sustainable travel modes, managing congestion, improving economic well-being, and intensifying land use.

Experience from other jurisdictions that have implemented similar parking levies, including Montreal and Vancouver, provide relevant insights on structuring and implementing such a measure in Toronto.

The structure of the proposed parking levy is guided by the parameters defined by direction from City Council and the City's legal authority, and also a series of design principles set out in this report that reflect broader policy and implementation objectives. These design principles aim to support fairness and consistency across properties; maintain a broad base of applicable properties, keeping levy rates lower; advance ease of implementation; and support Toronto's city-building objectives.

This report recommends that the Commercial Parking Levy:

1. Apply to the entire city of Toronto geography;
2. Include both private and publicly owned/operated properties;
3. Include fee-paid and unpaid parking facilities;
4. Include a minimum area threshold and exempt smaller parking areas;
5. And apply a flat levy rate based on area (m²).

A number of statutory exemptions are required under Section 268 of the *City of Toronto Act*. It is also proposed that discretionary exemptions align with the City's current property tax exemptions.

The recommendations in this report are based on a strategic-level policy analysis; a detailed assessment of quantitative impacts of a levy on travel demand, land development, equity and economic development is outside of this study's scope. The data on the city's commercial parking inventory have been drawn from previous studies. Validation of the inventory is outside this study's scope. However, it is deemed sufficient for this strategic-level assessment to support an implementation decision.

To implement the parking levy, a full city-wide inventory of commercial parking will be required in addition to the establishment of an implementation and operations administrative process. To meet the roll out date of 2025 for the levy, it is recommended that staff take immediate steps to prepare an implementation plan for the first year of the levy and identify resourcing needs.

This study concludes that there is a sufficient revenue and policy rationale for the levy, and that an initial implementation that is broad across geographies and properties, flat and simple to introduce can support the design requirements and principles outlined in later in this report. Over time, the City could pursue opportunities to refine and vary the structure to fine-tune policy outcomes and mitigate impacts. The development of a detailed inventory and preliminary performance assessments (for revenue, travel, land, equity and economic outcomes) that would accompany the initial implementation will provide a sound basis for ongoing refinement of the levy. The report provides guidance for refining the levy post-implementation, as well as for monitoring and evaluation.

2. Purpose of Report

The City of Toronto is exploring how to advance a commercial parking levy, a revenue tool available under the Ontario *City of Toronto Act*, to help address the fiscal challenges anticipated over the coming decade. As a transportation levy designed to support broader city-wide policies, the levy could, over time, be dedicated to transit, climate initiatives, and/or other city-building initiatives.

The purpose of this report is to identify the following:

- A policy basis for a commercial parking levy, which aligns with existing city-wide policy objectives around climate, sustainable transportation, and compact development;
- A recommended structural design for the commercial parking levy;
- A recommendation for commercial properties that should be exempt from the levy;
- A recommended levy rate(s) needed to generate revenue to support the City's long-term financial needs; The proposed approach is in range of other comparable jurisdictions and is expected to result in revenue of approximately \$100M-\$150M;
- Implementation considerations.

The recommendations in this report draw on the City of Toronto's previously commissioned studies on parking levies, jurisdictional reviews, discussions with City staff, and data analysis.

The City of Toronto has a high-level inventory of commercial parking. Therefore, the approach recommended in this report is based on an analysis of available data, the strength of policy rationale, and the ability to implement within a short timeframe. Development of a full commercial parking inventory will be needed to enable implementation of the levy, including any design refinements.

The scope of this report does not include a quantitative assessment of business, transportation, environmental or land use impacts of the levy, but does provide a high-level policy assessment based on experience for other jurisdictions and an extensive body of transportation practice. The report is structured as follows:

Section 3. Summary of Previous Work and Study – A summary of relevant studies that have explored a parking levy in the City of Toronto.

Section 4. The Policy Basis for a Parking Levy – A review of the city-wide policy framework and policies that align with a commercial parking levy.

Section 5. Experience from Peer Jurisdictions – Lessons learned and key takeaways from other cities that have implemented a parking levy.

Section 6. Commercial Parking Inventory – A summary of available data, assumptions, and limitations.

Section 7. Levy Design Parameters and Principles – An outline of parameters and principles to follow in the design of the Commercial Parking Levy structure.

Section 8. Levy Design Components and Options Considered – A list of components that form the structure of a levy and the range of design options considered.

Section 9. Recommended Levy Design and Rationale – Recommendations for the structure of the levy and the rationale for each recommendation.

Section 10. Statutory and Discretionary Exemptions - A summary of exempt properties and recommended approach to additional exemptions.

Section 11. Recommended Levy Rates.

Section 12. Implementation Considerations.

3. Summary of Previous Work and Study

The City of Toronto faces operating and capital pressures of \$46.5 billion over the next 10 years. The City is advancing a commercial parking levy as a new revenue source to address the City's fiscal challenges. Today's fiscal imperative sets the stage for near-term implementation of this measure which has been proposed and considered in the past but has never been adopted.

City studies in the last two decades include:

- *A Discussion of Public Policy Revenue Tools under the City of Toronto Act, 2006 (2007)*: This report is based on the 2006 Hemson report, *Assessment of Potential New Tax Measures Under the City of Toronto Act, 2006*. The report looked at the feasibility of several fiscal tools available under the *City of Toronto Act* to generate revenue, including a parking tax. The analysis concluded that the most defensible parking tax is likely to be a flat rate tax on parking lots, by area or number of stalls. The analysis excluded parking stalls for governments, hospitals, educational institutions, and residential properties.
- *Parking Taxes: Options for Toronto (2007)*: Concurrent with the above, the Toronto Parking Authority developed a discussion paper to explore options for introducing a parking tax in the City of Toronto. This paper evaluated various measures against several broad policy objectives (e.g., congestion reduction, revenue generation, greenhouse gas (GHG) emission reductions). The report concluded that while none of the parking tax measures would significantly reduce congestion or GHG emissions at the tax levels being considered at the time, it could potentially generate substantial amounts of revenue. The report did not specify how the generated revenue could be used.
- *Regional Transportation Investment Strategy (2013)*: The Metrolinx report explored dedicated revenues, including a parking levy, to fund regional transit expansion in the Greater Toronto and Hamilton Area (GTHA). The study recommended that the parking levy rate would vary across the region based on property value. This means that contributions would be equally distributed across commercial property owners based on assessed value.
- *City of Toronto - Revenue Options Study (2016)*: The City of Toronto retained KPMG to provide an update to the 2006 Hemson report (mentioned above). The report assessed eleven options for new sources of revenue, including a parking levy. It suggested that the levy should be charged on an area (\$/m²) basis, it should apply to both paid and unpaid commercial parking lots, and the City should implement different rates based on geographical area (e.g., a higher levy rate could be applied to downtown lots).
- *Fixing the Problem: Addressing the City's Immediate and Long-Term Financial Pressures*: In 2023 the City commissioned Ernst and Young to identify and analyze options for the City to mitigate and reduce its mounting fiscal pressures. The report identified that a downtown parking levy may provide annual revenues of up to \$490 million (based on a levy rate between \$0.50-\$1.50 per parking area/stall). At this rate, the report concluded that a levy could generate a high revenue relative to implementation and administrative costs (~\$2.5 million annually).

These reports all generally concluded that:

- A commercial parking levy has the potential to generate significant revenue for the City of Toronto while also supporting other city policy goals and objectives.

- A commercial parking levy should be a sustainable revenue source in the long run, although some parking users may shift to alternative modes of transportation, and some parking lot operators may convert existing parking to other uses. The greatest impact will be on the unpaid parking inventory, with some supply being removed or converted to paid parking.
- The City currently has the authority under the *City of Toronto Act* to implement a parking levy without major additional administrative costs.

4. The Policy Basis for a Parking Levy

As discussed in the previous section, the basis for a commercial parking levy stems from the City's need to raise revenue from a more diversified set of sources. At the same time, a commercial parking levy has the potential to move beyond a value-based commercial property tax for generating revenue, and to support and align with Toronto's broader policy objectives. Since parking provision services help to provide site access by automobile, and this car access brings both benefits to property owners and broader impacts to the City, a levy can provide a direct linkage between parking and policy goals such as tackling climate change, promoting compact development, and increasing transit and active trips. By broadening the revenue sources beyond a conventional value-based commercial property tax, the levy can generate revenue based on a commercial property function (parking) that has a specific set of city impacts. For example, parking drives infrastructure and service provision for roads and transit and those generally scale with the level of parking provided.

This section sets out the basis for the parking levy in the context of broader city-wide objectives.

Role of parking in the City

Parking is a critical component of the City's mobility and urban fabric. Roads and parking together provide access to businesses and services across the City. The availability of parking allows people to reach their destinations by driving and to have a place to park their cars when they reach their destinations¹. Parking is especially important for destinations and trip purposes where access by transit, cycling and walking may be less viable, or for individuals with mobility challenges who rely on a vehicle to travel for daily needs.

Parking has an impact on the use of land. Parking occupies a large share of land in the City of Toronto. Some retail uses, such as shopping malls, dedicate more surface area to parking than the retail businesses themselves². When businesses supply ample parking at low or no cost, it increases infrastructure development costs, reduces housing affordability, and encourages dispersed development patterns³. It also creates more impermeable, paved space, which contributes to stormwater runoff. Policies in the City of Toronto's *Official Plan* aim to reduce areas dedicated to surface parking and accommodate more trips by transit, walking, and cycling. A parking levy can highlight the true cost of parking for parking owners and operators. Over the medium- to long-term, a parking levy may incentivize parking owners to repurpose or "right-size" underperforming or underused parking lots to better match supply with demand.

The price of parking influences how people travel. When parking is appropriately priced, the rate of drive-alone trips is reduced, and the share of available parking is increased⁴. The *Official Plan* directs that parking should be managed to serve short-term parking demand and discourage all-day commuter parking. For access to downtown, the *Official Plan* prioritizes walking, cycling and transit (TTC and GO). In some parts of Toronto, parking is provided for free. If a levy results in users paying a greater portion of the true cost of parking, some users may re-assess how they travel and choose to shift to other travel modes.

Too much parking can increase congestion. Often, employers or commercial operations provide free parking for employees or customers, which strongly influences people's decision to drive to work and

¹ Inci, E. A review of the economics of parking. *Economics of Transportation 4*, 1-2, pp. 50-63.

² Inci, E. A review of the economics of parking. *Economics of Transportation 4*, 1-2, pp. 50-63.

³ Litman, T. (2013). Parking taxes: Evaluating option and impacts. *Victoria Transport Policy Institute*.

⁴ Mephram, D. (2023). *Rethinking Parking*. Taylor & Francis, 165.

contributes to traffic congestion⁵. Higher levels of driving and parking generate higher external costs (to environment, traffic, public expenditure, etc.). A parking levy could incentivize employers or property managers to implement transportation demand management measures that encourage their workforce to use transit instead of driving. Or property owners could decide to reduce their parking supply because of the levy cost. This is most applicable in employment areas where transit is highly accessible and there is an opportunity to reduce nonessential driving trips for work commutes, by either increasing the cost of parking or reducing the parking supply.

Parking creates infrastructure costs for the City. Parking provision generates travel demand and impacts city expenditure (road and transit state of good repair, operations, expansion) and also external impacts (emissions, congestion, and their mitigations costs). In general, normalized infrastructure costs (to population or density) are lower in dense areas compared to less compact areas, where the cost of delivering services such as roads, wastewater, and transit is higher by population or area.⁶ In dense areas, public transportation is a more efficient investment, serving more people than infrastructure for single-occupant vehicles and infrastructure is generally more cost-effective to provide at scale over the long run.

A levy provides a direct linkage of the costs the necessary level of supply has on the City's provision of transportation infrastructure and services (e.g., state of good repair, operations, and expansion for all modes) and to mitigating external impacts. It also supports direct investment in City services (e.g., transit expansion) to provide alternatives.

The City has a revenue imperative

City Council has identified the need to generate substantial new revenue to address pressing financial commitments for city services and infrastructure that support state of good repair, quality of life, and economic competitiveness. There is also a need to diversify its revenue sources, to broaden the tax base, and improve revenue stability.

The City's *Corporate Strategic Plan* sets out a key Corporate Priority for Financial Sustainability to "ensure value and affordability for taxpayers, adequately fund municipal services and infrastructure, make needed investments in the city, and improve our financial health."

The commercial parking levy is one opportunity to address the revenue imperative of growth and diversification. While a parking levy does land on commercial property owners, unlike a value-based increase it does not impact commercial tax rates and is instead directed towards an element of the commercial function that has benefit to the owner or bears a significant impact on the city (environmental, infrastructure, congestion, etc.). A levy on this commercial function creates a direct linkage between the provision of parking by landowners and the transportation demand and impacts their parking supply generates and, to some extent, they can control (via supply management or pricing).

The Commercial Parking Levy can advance Toronto's broader city-building goals

The City recognizes the need to manage parking and its impacts through major strategic and regulatory frameworks, including the *Corporate Strategic Plan*, the *Official Plan*, *TransformTO* and many other

⁵ Burchell, J et al. 2019. Implementation of the workplace parking levy as a transport policy instrument. *Journal of Transport Geography* 80.

⁶ Raghav, S. et al. Literature review of the costs of infrastructure provision for different development forms. iCity: Urban Informatics for Sustainable Metropolitan Growth. University of Toronto, Transportation Research Institute 2019, http://icity.utoronto.ca/Asset/ProjectPresentations/Project2.4/2%20LR_DevCosts_final.pdf.

related strategies, plans and initiatives. The parking levy design and implementation should support these policy goals and, where possible, mitigate any challenges to achieving these goals (Table 1).

Table 1: City of Toronto’s policy goals related to a parking levy

Policy goal	Key policy documents*	Levy impact considerations
Tackle climate change	<ul style="list-style-type: none"> • Corporate Strategic Plan • Official plan • Transform TO 	<ul style="list-style-type: none"> • Could lead to reduced parking supply or increased price of parking, resulting in: <ul style="list-style-type: none"> ○ Reduced non-essential private vehicle travel; ○ Greater use of alternative modes that have lower GHG impacts; ○ And reduced impermeable, paved space, which will improve stormwater runoff.
Increase mode share of transit, walking and cycling	<ul style="list-style-type: none"> • Corporate Strategic Plan • Transform TO • Official plan 	<ul style="list-style-type: none"> • Could lead to reduced parking supply or increased price of parking in areas where transit, walking and cycling are viable and attractive alternatives.
Manage congestion	<ul style="list-style-type: none"> • Corporate Strategic Plan • Official Plan 	<ul style="list-style-type: none"> • Could increase competition for reduced parking supply, making transit more attractive and taking cars off the road.
Improve economic well-being	<ul style="list-style-type: none"> • Corporate Strategic Plan • Official Plan 	<ul style="list-style-type: none"> • Could result in increased price of parking, which could discourage some commuter and discretionary trips such as shopping, dining out, and entertainment. This could challenge post-COVID economic recovery in some areas, impacting businesses that benefit from easy car access. May also create boundary effects at the municipal borders.
Intensify land use	<ul style="list-style-type: none"> • Official Plan 	<ul style="list-style-type: none"> • Could result in reduced parking supply and more compact and efficient use of land. • Could encourage land that is not needed for parking (excess supply) to be repurposed for needed uses like housing.

* These key policy documents are supported through numerous other related City strategies, plans and initiatives.

The differences in costs and benefits for different parts of the City is a key policy trade-off that is under consideration. This could impact levy design depending on competing policy arguments. For example, one perspective could be that the higher auto and transit infrastructure and service costs related to more auto-oriented uses justifies either higher levy rates or higher total (supply-driven) revenues for parking-rich land uses. Another perspective is that the greater range of mobility options, in particular for transit, and lower overall supply of parking in central/denser areas (e.g., Downtown) justifies a higher rate in these areas.

The reality is that both arguments have merit and the ultimate decision on varying the levy structure will need to be a policy decision that weighs these factors. However, given the limited inventory data

available, the rate at which the levy may be initially introduced, and a lack of information on the division of costs and benefits in these areas, such geography-based rate fine tuning may be challenging to establish on a quantitative basis at this stage. Tiered rate levels would have to be determined on a qualitative policy basis such as access to alternatives, fairness, costs to landowners or costs imposed by owner to the system.

5. Experience from Peer Jurisdictions

This peer review focuses on understanding how other cities have designed their parking levy or tax, which will help inform design principles for Toronto's parking levy (Section 7). While the review covers both taxes (on value or sales) and levies (on land area/stalls), the focus of this assessment is on levies. The outcomes experienced in other jurisdictions will also be used to evaluate and score design options for the parking levy.

Many cities worldwide have implemented a parking tax or levy to raise revenue, directly fund transportation infrastructure, reduce carbon emissions and congestion, or promote modal shifts to more sustainable forms of transportation. The jurisdictional scan includes Vancouver, Montreal, Nottingham (UK), Melbourne, Perth, Sydney, Chicago, New York, Seattle, San Francisco, and Los Angeles. The key lessons that are relevant to Toronto are summarized below.

Lesson 1: Think strategically about the geography of the levy.

Many jurisdictions apply a flat parking tax across their entire jurisdiction. This is the case for Seattle, Chicago, San Francisco, Los Angeles, and Vancouver. In the case of Vancouver, a region-wide levy had the explicit purpose of generating revenues to fund multi-modal (auto, bike, transit) improvements specified in a regional transportation plan, while positively shaping land and travel decisions. It also had the benefit of distributing the revenue requirement over a larger base (i.e. kept the levy rates lower versus applying it at a sub-area level only).

Other jurisdictions have strategically applied a levy to key areas, such as a central business district or downtown core, including Montreal, Nottingham, Sydney, Perth, Melbourne, and New York. In Montreal's case, its levy was designed to motivate property owners of large parking lots to redevelop their lands, resulting in more compact developments that are more appropriate for the downtown core (e.g., housing and mixed-use facilities). Sydney and Nottingham also developed their levy out of a desire to reduce congestion and overall car-use within the central business district. Areas that have a defined geography to which a levy or tax is applied to usually have an area-specific policy objective for doing so.

In Toronto's context, the levy's goal is to generate city-wide revenue for city-wide services, and also to develop a positive linkage to the costs and benefits related to parking. A wider geography would reflect city-wide benefits of greater revenue, minimize the burden on specific geographic groups of property owners, and reflect that parking generates impacts and benefits across parking owners city-wide.

Lesson 2: Collect the levy directly from property owners.

Most jurisdictions collect the parking tax or levy through the owner of the parking lot, either through the annual property tax collection process, or by having the levy remitted to the City from the owner. It is up to parking owners to decide whether, and how, to cover a portion or all the costs incurred by the levy. Vancouver's parking levy required significant one-time setup costs, primarily to establish a parking assessment roll and modify tax rolls. Ongoing administrative costs were small.

The City has the legislative authority to implement a parking levy on a per stall or area basis. While there are significant one-time setup costs for a parking levy, assuming the fee could be added to the commercial property tax bill, there would be minimal additional ongoing administrative costs to implement it. It is the responsibility of the property owners to remit the levy, which would be annually paid to the City.

Lesson 3: Funds raised should go directly back into the levied area.

Many jurisdictions invest the funds collected from their parking tax or levy to fund infrastructure and services in line with the supporting policy objectives for the levy:

- Transit expansions (e.g., light rail systems, bus facilities, expanded service, etc.);
- General transportation infrastructure and maintenance (including road improvements, interchanges, and parking facilities, etc.);
- Improved access to the levied areas (e.g., central business districts).

In the Toronto context, revenues will be used to support city-wide services and improvements. This could include the provision of transport infrastructure and services. As parking is part of the transportation system and the levy could influence the supply and demand of parking, part of the revenues could be allocated to sustainable transportation, in order to link the parking levy to City's policy objectives. The City has significant revenue requirements to support overall city services, of which transportation upkeep, operations and expansion are significant. To the extent the City can identify specific mobility investments (e.g., transit, mobility hubs, electrification, bike share, etc.) for the funds, it can establish clear linkages between the revenue and policy objectives and enhance transparency, communication, and acceptance of the levy.

Lesson 4: Be clear about the policy rationale and expected impacts of the levy.

Nottingham, Perth, Sydney, Melbourne, and Montreal implemented their parking levies to improve the quality of transit in their levied zones, while offering additional benefits such as lower congestion and infrastructure funding. The design and geographic scope of the levy should be determined based on ability to achieve specific transportation goals. Revenue from the parking levy should be directed towards specific investments that improve mobility in the areas where the parking levy is charged. In Montreal, the revenue from the parking levy contributes to Montreal's share of regional transit funding, as was the case in Vancouver where it was to support a specific plan for multi-modal regional transportation investments.

Public reception of the parking levy in Toronto could be improved by allocating specific funds to sustainable transportation or low carbon initiatives. This provides a clear link between the parking levy and city-wide policy objectives to encourage mode shifts and reduce GHG emissions. It will be clear that the levy is directly increasing the availability and quality of sustainable transportation options.

Lesson 5: Communicate the benefits of the levy widely and regularly to residents.

Most jurisdictions do not publicize the economic, social, or environmental impacts that result from the parking levy. There is an opportunity for cities to communicate the projected and actual benefits and impacts of a levy to garner support, improve public transparency, and facilitate design adjustments to the parking levy. Communication could include information related to the policy basis for the levy, such as reductions in emissions and emissions growth, and what infrastructure is funded by the levy (and by how much). Anecdotally, Montreal has seen a reduction in surface parking in the Central Business District and more compact developments on former parking lots. To be able to communicate the impacts, a monitoring and reporting framework that reflects the levy's policy basis and impacts of interest should be put in place. Unfortunately, in the case of Vancouver, there was no ongoing monitoring program established, so there was little data available to assess its baseline and first years of implementation, prior to the tax's repeal.

In Toronto, if a levy is established, a monitoring and evaluation program should provide a clear baseline condition and measure and report on changes to the parking supply, travel demand, land use and economic development among other variables. The monitoring and reporting framework can be based on the policy goals of the parking levy, which can clearly and succinctly communicate to the public and decision-makers the impact of the parking levy on progress toward city-wide policy objectives, as well as support ongoing refinement to levy rates or structure.

Lesson 6: Keep it simple.

The design of the initial parking levy should be simple. A more complex levy that includes variable rates, multiple geographies, and multiple eligibility requirements will require more administrative resources, a longer implementation timescale, and extensive consultation. A more complex levy is also more challenging to communicate. Vancouver took a broad approach with a flat levy across the Metro region. It took less than 2 years to implement the levy, and while the initial setup costs were in the \$5 – 10 million range, the ongoing administrative costs were marginal, as the levy was added to the existing property tax bill. In contrast, Montreal created a tiered-rate system by geography, and there are more resources needed to develop and audit the parking inventory.

In the long term, it may be beneficial for Toronto to introduce more design parameters to the parking levy. However, if the goal is to implement the parking levy by 2025, it is prudent to design a levy with the fewest parameters possible, while still achieving city policy objectives. Once a monitoring and evaluation program is developed and the impacts of the parking levy are better understood, Toronto's parking levy can be further refined to address additional policy objectives. These could reflect better understood difference in how transportation or parking costs and benefits are attributed to various areas (e.g., Downtown versus other), or same by parking type (e.g., paid versus unpaid).

6. Commercial Parking Inventory

The commercial parking inventory for the City of Toronto is based on high-level estimates from the 2016 KPMG report, with updated 2019 TPA and TTC figures from the City of Toronto. This study did not validate that inventory, except for the TPA off-street and TTC lots (some of which are TPA-operated). A more comprehensive inventory will be required to implement the parking levy.

The 2016 KPMG report estimated that there are over a million commercial parking spaces in Toronto, representing an estimated area of 30 km². The area is defined as the surface area of the parking facility and includes parking spaces, drive aisles, access/egress points, and any other parking amenities. This works out to 126 parking spots for every 100 vehicles in Toronto. These commercial spaces include TPA and TTC commuter lots. Unpaid parking represents around 85% of the parking supply, whereas only 15% of parking is paid (Table 2).

Table 2: Number of Spaces and Estimated Area (Adapted from City of Toronto, 2023 and KPMG, 2016)⁷⁸

Type	Estimated Parking Spaces	Estimated Lot Area (m ²)
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
University-Operated	20,000	600,000
Hospital-Operated	20,000	600,000
Total Paid Spaces	192,800	5,784,000
Total Unpaid	855,000	25,650,000
Total (Paid and Unpaid)	1,047,800	31,434,000

Table Note: Parking area is derived by assuming an average area of 30m² per stall, inclusive of all operational areas (e.g., access aisles, ramps, etc.). Some commercial parking areas are exempt by statute, reducing the overall inventory subject to levy. This is discussed in Section 10.

Since these data are from earlier than 2016, the total parking inventory could be different than it is now. For example, TPA reports that in 2023 they had 16,000 parking stalls in off-street lots and managed an additional 25,000 parking stalls. TPA manages some TTC parking lots, but there are additional TTC parking lots managed by different operators that are not captured in these figures. Looking at TPA off-street and TTC parking lots alone, there is likely more public parking now than there was ten years ago.

The currently available data for parking inventory is highly aggregated and does not provide information based on geography. Although certain facilities (e.g., hospitals and university operated parking) may be

⁷ All figures excluding university and hospital estimated parking are from City of Toronto, 2023 Operating Budget Briefing Note: Potential Implementation of a Commercial Parking Levy.

<https://www.toronto.ca/legdocs/mmis/2023/bu/bgrd/backgroundfile-233982.pdf>

⁸ University and hospital estimated parking spaces and lot area are from KPMG (2016). City of Toronto: Revenue Options Study.

<https://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94513.pdf>

exempted from the levy, these estimates are generally representative of city-wide supply, and sufficient for rate-setting and generating high-level revenue estimates for a flat city-wide levy.

This inventory at its current level of resolution, however, is not sufficient to support analysis, assessment of impacts and benefits, or policy justification of a parking levy applied to different parts of the city (e.g., city-wide vs. Downtown) or types of parking (paid versus unpaid). However, assuming that the 2016 KPMG inventory is a reasonable estimate of total supply, the data are sufficient to provide an analysis of a simplified levy structure, capable of achieving a broad set of design requirements and supporting policy principles, as outlined in the subsequent sections.

7. Levy Design Parameters and Principles

This section outlines a set of parameters and requirements for the design of the structure of the commercial parking levy, including:

- Design and performance parameters – the requirements/parameters for the structure of the levy, as defined by direction from City Council and the City’s legal authority; and
- Design principles to advance policy outcomes – the principles to guide the development and evaluation of options for structuring a Commercial Parking Levy, based on:
 - Best practices in establishing municipal fees, levies, and taxes;
 - Best practices for pricing transportation and parking;
 - Learnings from peer jurisdictions who have implemented parking taxes and levies; and
 - Direction from Toronto staff and Council on outcomes and policy priorities.

Design and Performance Parameters

The Commercial Parking Levy will:

Regulatory constraints:

- Be designed and administered as a special local municipality levy that is collected and administered as part of the annual property tax process. The City of Toronto does not have the authority to design or implement the levy as an ad valorem or sales tax.
- Be administered as a levy on the area designated for parking on a given property, not the number of parking stalls. Previous studies and analyses completed by the City of Toronto determined that a levy applied on a per-stall basis may be perceived as akin to a sales tax.
- Not apply to properties legally exempted, as defined in the *City of Toronto Act* or other Provincial and Federal laws or statutes.

City Council and staff direction:

- Be applicable to commercial class properties only. Residential, industrial, and other property classes are to be excluded.
- Apply to publicly available parking, which means any area designated for parking that is accessible and available to the public, employees, visitors, or patrons of a commercial property.
- Apply only to designated off-street parking areas. On-street parking areas are excluded from the parking levy.
- Not apply to sections of off-street parking lots where areas available for parking as defined by bylaw are permanently removed for other uses (e.g. immovable barriers to vehicle parking).
- Be capable of generating between \$100 million to \$150 million in annual net revenue.
- Be fully implementable by 2025.

Design Principles for Advancing Outcomes

In addition to the above design parameters, the following design principles have been established to guide the analysis of options and recommendations for the levy. The parking levy should support the following principles and corresponding outcomes:

Design Principle 1: Use the Levy to Support Advancement of Related City Policies

Support the City's commitment to climate action, reducing congestion, and encouraging transit ridership and the highest and best use of limited land.

- A higher parking levy is likely to incentivize property owners to optimize available parking supply, or indirectly encourage users to use other modes or reduce vehicle use.
- A parking levy should reflect the relative cost and benefits of providing city infrastructure and services for various urban contexts and parking types.
- As discussed in Section 4, costs of providing public infrastructure and services such as roads and transit are generally higher in lower-density areas, and there are trade-offs to be considered across policy areas.

Design Principle 2: Apply A Proportionate Level to Parking Impact and Benefits

Be commensurate with the costs, benefits, and impacts of parking across the City.

- As described in Section 4, factors such as the amount of parking provided and the location where parking is provided may impact levels of vehicle dependence and traffic congestion, transit usage, and road safety.
- Properties that provide a larger amount of parking generate more demand and realize commensurate benefits, also resulting in greater costs to the City. Impacts and benefits scale with the supply provided.
- While the proportion of impact may vary by property type or geography, there is a policy basis for a levy across all commercial parking at a baseline rate. Design Principle 5 allows for the future evolution of the levy structure.

Design Principle 3: Apply Levy Broadly to Distribute Revenue Requirement

Apply to as broad a base of commercial properties as possible to keep rates and levy bills lower.

- On the assumption the City has a minimum revenue objective, a broad property base allows the financial cost burden of the levy to property owners to be more widely distributed, supports lower average rates to generate the target level of revenue, and promotes greater resilience and sustainability of the levy as a funding source.
- This principle reinforces that all commercial property supplying parking benefits from network access, and the resulting parking and travel generated creates city cost. Minimizing exemptions and keeping geography broad both maintains this policy linkage and keeps the applicable properties and levy inventory larger.

Design Principle 4: Apply Levy to Broadly to Support Fairness

Apply consistently across commercial properties to minimize the risk of creating competitive disadvantages for some property owners or parking providers over others who provide parking for similar purposes or uses, or for some geographies over others.

- Applying the levy to all parking lots operated for commercial purposes, regardless of whether they are privately or publicly (i.e. City) owned, would promote both fairness and market efficiency.
- This principle also recognizes that some areas of the City (such as Downtown) are still experiencing lower rates of activity compared to pre-pandemic, and should not necessarily pay a larger share of a parking levy while they are still recovering economically.

Design Principle 5: Ensure Ease of Implementation for 2025 Introduction of Levy

Allow for relatively simple and straightforward implementation and ongoing administration, especially at the outset.

- A parking levy has the potential to have simplicity in ongoing collection and administration. However, it requires significant investment to establish a parking inventory and collections process.
- Until the first steps are taken to establish an inventory, and supporting technical and policy analysis are completed to understand differences between geographic and property type-based benefits and impacts, creating variable rates can be challenging.
- More simple levy designs are easier to implement in the near-term. Levy designs that are more complex (e.g., customized exemptions, variable rate structures) are difficult and more costly to implement.
- Implementation approaches that use readily available data are capable of being implemented more quickly.
- This principle does not preclude opportunities to adjust the structure and nature of the levy to respond to emerging needs and issues over time. Developing a more refined rate structure is better undertaken with the benefit of data that results from the initial implementation.

The factors above should not be considered an exhaustive list of principles that could shape and influence the design of a commercial parking levy. Exploration of other considerations such as public acceptability and impacts on users of commercial parking lots require more time, data, and consultation.

8. Levy Design Components and Options Considered

There are multiple approaches to designing and structuring a Commercial Parking Levy. Table 3 describes the different components that form the structure of a levy and the range of design options considered.

Design options were identified based on tax/levy structures from peer jurisdictions and what may be applicable for the City of Toronto's context. The options illustrate potential "bookends" of approaches for each component and options that can be reasonably evaluated with available information and data. Further variants may be possible for each component and option but were outside the scope of this study.

Considerations related to exemptions from a Commercial Parking Levy are described in Section 10.

Table 3: Levy design components and options

Component	Description	Options Considered
1) Geography	What area(s) does the levy apply to?	a) Downtown and Central Waterfront area only b) Entire City of Toronto
2) Property ownership type	What type(s) of commercial properties that provide parking should the levy apply to?	a) Privately owned/operated properties only (e.g., shopping malls, offices, etc.) b) Private and publicly owned/operated properties (e.g., Toronto Parking Authority properties, Toronto Transit Commission properties, etc.)
3) Parking fee type	What type(s) of user-pay models for parking should the levy apply to?	a) Fee-paid parking only (e.g., where a user pays an hourly, daily, or monthly rate to park) b) Fee-paid and unpaid (e.g., where a user does not pay a direct fee to access and use a parking area)
4) Parking area	Should a minimum area threshold be met before the levy comes into effect?	a) No minimum area threshold b) Minimum area threshold
5) Rate structure	What type of levy rate structure should be used?	a) Flat levy - same per unit area rate b) Variable levy - per unit area rate varies by area designated for parking and/or by location of property

9. Recommended Levy Design and Rationale

Table 4 provides our recommendations for how the City of Toronto should design their Commercial Parking Levy. For each of our recommendations, we have evaluated the degree of alignment (using “strong” or “weak”) with design principles for each component (e.g., geography, parking fee type, etc.).

In the absence of robust parking inventory data, the analysis on the following pages relies on the following inputs to assess alignment with design principles:

- Experience and learnings from peer jurisdictions; and
- Policy-based analysis.

As more data becomes available through the development of a parking inventory and monitoring implementation of the levy, it will be possible to refine the levy structure to better meet existing and emerging policy objectives.

A more detailed description with comments on the recommendations is provided after Table 4.

Table 4: Design principles and recommended options

	Component	Recommended Approach	Alignment with Design Principles				
			Policy Support	Proportionate to Impact	Broad Applicability	Fairness	Ease of Implementation
1	Geography What area(s) does the levy apply to?	City-wide. The levy should apply to any commercial property in the city that provides parking for commercial purposes.	Strong	Strong	Strong	Strong	Weak
2	Property Ownership Type What type(s) of commercial properties that provide parking should the levy apply to?	Private and publicly owned/ operated properties. The levy should apply to any commercial property that provides 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.	Strong	Strong	Strong	Strong	Strong
3	Parking Fee Type What type(s) of user-pay models for parking should the levy apply to?	Fee-paid and unpaid. The levy should apply to all properties that provide parking for commercial purposes, regardless of user-pay model used.	Strong	Strong	Strong	Strong	Weak
4	Parking Area Should a minimum area threshold be met before the levy comes into effect?	Minimum area threshold. The levy will only be applied to the portion of parking areas that are above a set area size.	Strong	Weak	Weak	Weak	Strong
5	Rate Structure What type of levy rate structure should be used?	Flat levy rate. The initial rate structure would be such that there is same per-unit area rate for parking areas provided for commercial purposes.	Strong	Weak	Strong	Weak	Strong

Recommendation 1: Apply levy city-wide

Description

The levy should be applied city-wide, to commercial properties in the City that provides parking for commercial purposes (i.e., non-residential). This allows the levy and associated cost burdens to be distributed over the largest possible base of eligible properties.

Rationale

- Reduces risks of the central area being at a competitive disadvantage relative to other parts of the City. This is especially relevant at this time, in light of the COVID recovery challenges facing downtown businesses and property owners with the return to office work generally taking a hybrid format across the many industries with workforces in the downtown.
- Ensures commercial properties that provide high amounts of parking regardless of location are eligible for levy.

Additional Comments

- A more distributed base of properties eligible for a levy will reduce the average per-unit levy rate needed to generate required revenue, which could result in both lower increases to the fee-paid parking costs and lower levels of underutilized parking being re-purposed. It follows that these outcomes may have a lower impact on reducing congestion and a lower uptake of alternative modes of transportation.
- The city-wide application of the levy will require more administrative effort to create the detailed inventory of parking areas and regularly validate parking area data on a site-by-site basis.

Recommendation 2: Apply levy to private and publicly owned/operated properties

Description

The levy should apply to all private and publicly owned 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

- 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.
- 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 parking market. Therefore, publicly owned parking should also be subject to the levy for fairness and market efficiency.

- 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.
- This approach ensures commercial properties that provide high amounts of parking, regardless of ownership type, are subject to the levy.

Recommendation 3: Apply levy to fee-paid and unpaid parking facilities

Description

The levy should apply to all commercial properties and it 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

- According to currently available data, roughly only 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 the City's target revenue. This approach allows the levy and associated cost burden to be distributed over the largest possible base of eligible properties. Applying a levy to fee-paid parking only could exclude up to 88% 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. Levy costs may result in higher prices at existing fee-paid commercial parking areas, which may support reduced vehicle use and congestion.
- Application to fee-paid and unpaid parking ensures commercial properties that provide higher amounts of unpaid parking, regardless of location, are subject to the parking levy.
- 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, which could suppress on-going COVID-19 recovery efforts (see Recommendation 1).
- Broader application will require more administrative effort to create the detailed inventory of parking areas and regularly validate parking area data on a site-by-site basis.
- As noted in Section 4, the TPA and other commercial parking providers 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. Insofar as 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.

Recommendation 4: Establish a minimum area threshold for levy

Description

The levy should only be applied to the portion of parking areas that are above a defined area size.

Rationale

- This approach supports small businesses and property owners.
- Excluding smaller properties, where accurately estimating available parking area may be challenging and time consuming, is more cost effective.

Additional Comments

- Excluding smaller properties will likely result in a significant share of commercial parking area to be excluded from the parking levy. This may result in higher per unit rates in order to generate the same target revenue.

Recommendation 5: Charge a flat levy rate

Description

The initial rate structure should set the same per unit area rate for all parking spaces.

Rationale

- A flat levy rate is simple and easy to communicate.
- Under a flat rate levy, commercial properties that provide a greater amount of parking will pay a greater total amount.

Additional Comments

- There is an opportunity to introduce a variable rate after initial implementation when more information about the city-wide parking inventory is available and levy implementation impacts are observed.

10. Statutory and Discretionary Exemptions

Authority for the imposition of a parking levy and exemptions is provided in Part X of the *City of Toronto Act (COTA)*. A number of exemptions are mandated by statute, which means City Council has no ability to apply the parking levy against these entities.

Under section 268 of COTA, the parking levy cannot be imposed on the following:

- 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; and
- Licensed long-term care homes.

Under Section 267 of COTA, the parking levy bylaw may provide for discretionary exemptions. The previous parking levy studies and reports mentioned in Section 4 of this report discussed the potential for exemptions on the basis of use (e.g., accessible parking, electric vehicle charging, carpooling, park & rides, car share, expectant mother parking, mixed use residential/commercial).

In reviewing the approaches of other jurisdictions that have implemented parking levies, discretionary exemptions generally fall into two categories:

1. Certain exemptions are used to refine the scope of ‘what’s in’ and ‘what’s out’ when it comes to defining parking areas. Examples would be exemptions for loading bays, areas used for storing motor vehicle inventory, and motor vehicle maintenance facilities.
2. Other exemptions reflect policy decisions made with a social dimension in mind. Examples would be exemptions for charities, religious bodies, museums, schools, hospitals, public parks, and accessible parking.

For the types of exemptions described in Category 1 above, it is recommended that the City adopt exemptions that are typically adopted in other jurisdictions.

For the types of exemptions that fall within Category 2, several of them are already mandated by way of statutory exemptions (e.g., universities, hospitals). For additional exemptions:

- One approach is to adopt the same full and partial exemptions that are currently in place for the assessment of property taxes, which include cemeteries, places of worship, childcare centres, charitable institutions, and municipal properties⁹. Such an approach would mirror the policy considerations that were at play in determining the basis for each exemption from property tax. It would be clear and simple to communicate the exemptions and is consistent with the design principle regarding simple and efficient administration of the levy, particularly from the outset. We note that the 2005 Metro Vancouver parking site tax bylaw adopted this approach.

⁹ Not all municipal properties are exempt from paying property tax. For example, municipal parking lots that provide public parking and generate revenue are required to pay property tax (i.e., Toronto Parking Authority).

- Alternative approaches include minimizing exemptions (which would mean a parking levy bylaw that does not include any discretionary exemptions) or formulating a custom policy framework for determining discretionary exemptions.

Given the desired timeline for implementation of the parking levy, simplicity of approach, and negligible policy impacts, it is recommended that the discretionary exemptions for the first parking levy bylaw (a) mirror those currently in place for property taxes, and (b) include exemptions that refine the definition of parking areas, similar to those adopted by other jurisdictions. The most important design principle at play is ease of administration – the recommended approach can be clearly understood, communicated, and administered expeditiously. The recommended approach also draws on the experience of other jurisdictions.

Table 5 generally summarizes the types of exemptions that would be captured by the parking levy bylaw (please refer to the relevant statutes noted for details regarding specific parameters that must be met in order to qualify for exemptions). Further refinements may be made during the parking levy bylaw drafting process.

Table 5: General summary of recommended exemptions

General Summary of Recommended Exemptions		
Statutory Exemptions (entity based) - COTA	Discretionary Exemptions – to refine definition of “parking area” (land based)	Discretionary Exemptions to mirror property tax exemptions (land based) - Ontario <i>Assessment Act</i>
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Bus layovers and garaging spaces for fleet vehicles • Storage of dealer inventory • Storage of inventory of motor vehicle rental vehicle companies • Storage of trailers for tractor trailer units • Storage of seized or impounded motor vehicles • Service bays and buffer zone of 4 metres at service stations, garages or similar businesses used for the maintenance or repair of motor vehicles • Fuel bays and buffer zone of 4 metres at gas stations • Storage or temporary parking of motor vehicles for servicing, maintenance, 	<ul style="list-style-type: none"> • Crown lands – owned by Canada or any Province • Cemeteries, burial sites • Religious or municipal cemetery land • Crematoriums • Places of worship • Public educational institutions • Child care centres • Non-profit philanthropic, religious, or educational seminaries of learning • Public hospitals • Children’s treatment centres • Care homes • Non-profit hospices • Long-term care homes

General Summary of Recommended Exemptions		
Statutory Exemptions (entity based) - COTA	Discretionary Exemptions – to refine definition of “parking area” (land based)	Discretionary Exemptions to mirror property tax exemptions (land based) - Ontario <i>Assessment Act</i>
	<p>repair, sale, or rental of motor vehicle businesses</p> <ul style="list-style-type: none"> • Parking of motor vehicles waiting to be loaded onto a ferry 	<ul style="list-style-type: none"> • Highways • Toll highways • Municipally-owned properties (subject to exceptions – e.g., revenue generating parking lots) • Boy Scouts and Girl Guides • Houses of refuge • Charitable institutions • Children’s aid societies • Scientific or literary institutions • Battle sites • Royal Canadian legion • Exhibition buildings of companies • Amusement rides • Airports • Conservation lands • Small theatres • Large non-profit theatres • Hydro-electric generating stations • Recreational lands owned by religious organizations

11. Recommended Levy Rates

Table 6 below summarizes the commercial parking inventory that would be subject to the recommended levy structure as described in the previous section. As universities and hospitals would be exempt from this levy (see Section 10), they have been excluded from consideration.

Table 6: Estimated Parking Inventory Subject to Proposed Levy Structure (City of Toronto, 2023)¹⁰

Type	Estimated Number of Parking Spaces	Estimated Parking Area (m ²)
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
Total Paid Spaces	152,800	4,584,000
Total Unpaid	855,000	25,650,000
Total (Paid and Unpaid)	1,007,800	30,234,000

Table Note: Parking area is derived by assuming an average area of 30m² per stall, inclusive of all operational area (e.g., access aisles, ramps, etc.). All numbers are rounded.

Table 7 describes the rate needed to meet an annual revenue target of \$150 million, which is the high end of the City's revenue target. The levy rate assumes that there is a commercial parking inventory of 30 km². If the actual commercial parking area is higher or lower than 30 km², or the City adjusts their revenue target, this will affect the levy rate. The rate uses the recommended structural components described in Section 9 and the commercial parking area data made available to the report authors summarized in Section 6.

Table 7: Sensitivity analysis of rate options

	Approximate Commercial Parking Area Subject to Levy	Levy Rate
Levy Rate (per m ² per day)	30,000,000 m ²	\$ 0.0140
Levy Rate (per m ² per year)		\$ 5.00
Estimated Gross Revenue		\$ 150 million

The recommended levy rate described here should be treated as illustrative only, for the purposes of supporting a decision to pursue further work to develop a detailed commercial parking levy structure.

¹⁰ City of Toronto. 2023 Operating Budget Briefing Note. Accessed at <https://www.toronto.ca/legdocs/mmis/2023/bu/bgrd/backgroundfile-233982.pdf>

Due to limitations with the available commercial parking inventory data described in Section 6, the recommended levy rate does not reflect the following:

- Most recent/current inventory of commercial parking area that may be subject to the parking levy.
- Exclusion of some commercial property types on the basis of statutory or discretionary exemptions, as described in Section 10.

The City of Toronto should prioritize validating the total commercial parking area that would be subject to the levy. This should be completed before finalizing the initial parking levy rate.

It is assumed that the rate would be adjusted for inflation over time.

Table 8 shows how the rates compare to average assessed property tax burden for a sample of properties. Note that the levy rate and impact on commercial properties may be adjusted once the actual commercial parking area, total levied area, is known.

Table 8: Illustrative examples of levy rates by commercial property type (adapted from City of Toronto, 2023)¹¹

Commercial Property Type	Illustrative Parking Area	Illustrative Property Tax (2022)	Commercial Parking Levy Rates at \$ 5.00 (per year per m ²)	Illustrative with the first 300m ² exempted
Large Shopping Centre	4,800 parking spaces or 144,000 sq m ²)	\$ 4.4 million	\$720,000	\$718,050
Large Office Building	1,420 spaces or 42,600 m ²	\$ 20 million	\$213,000	\$211,500
Medium Shopping Centre	160 spaces or 4,800 m ²	\$ 50,000	\$24,000	\$22,500
Local Grocery store	40 spaces or 1,200 m ²	\$ 160,000	\$ 6,000	\$4,500
Small Medical/Legal office building	12 spaces or 360 m ²	\$ 70,000	\$ 1,800	\$300

¹¹ This table has been adapted from the City of Toronto 2023 Operational Budget Briefing Note. The ratio of parking area to parking stalls in the original note is 32 m², whereas we have adjusted the ratio in this report to 30 m² for consistency with the rest of the data sources and analysis.

12. Implementation Considerations

Legal Authority

Legal authority for imposing the parking levy is set out in Part X of the *City of Toronto Act* (COTA). Under section 267 of COTA, a sales tax on a service, a wealth tax or an asset tax are all prohibited. This rules out a parking sales tax, or a parking tax based on land value.

Section 268 of COTA lists entities that are exempt from taxes levied under Part X (please refer to Section 10 of this report titled 'Statutory and Discretionary Exemptions'). The City may provide for additional discretionary exemptions in the bylaw.

Initial Set-Up and Ongoing Administration

Given the desired timeline for implementation of the parking levy, City staff should take immediate steps to appoint a project manager who can prepare an implementation plan for the first year of the levy and identify resourcing needs. A detailed implementation plan will validate whether it is feasible for the parking levy to be collected starting in 2025.

- The implementation plan should address preparation of the assessment roll, drafting of the bylaw, issuance of notices to property owners, application of partial exemptions, appeal mechanisms, collection and enforcement measures, processes for identifying changes in property use, communications plan, and logistics.
- The plan needs to set out the timeline with critical path items, key milestone dates, a description of the work needed to support each milestone. For example, appeal mechanisms need to be determined and communicated at the time that assessment notices are issued.

There are two key items need to be addressed as soon as possible:

- **Assessment Roll:** Preparation of the assessment roll is a time-consuming task and requires considerable effort. In the case of Metro Vancouver, the provincial property assessment authority (BC Assessment) had the expertise and was able to dedicate resources to the preparation of the parking site tax roll in a timely manner. Work included the review of drawings and plans, as well as site visits to undertake physical measurements of parking areas. It is recommended that the City of Toronto consider adopting a similar approach. The City could request that the Ontario Municipal Property Assessment Corporation assist with the preparation of the parking levy roll, given the limited timeframe for implementation and that fact that the Corporation will likely have the highest readiness and capability to complete it.
- **Issuance of Notices:** If the levy notices are to be issued by way of addition to the general property tax bill, software system changes may be needed. Such changes could have lead times that need to be factored into the implementation plan. The alternative would be to set up a stand-alone system to issue separate assessment notices, which would require considerable administrative effort and likely longer lead times than adding a parking levy line item to the property tax bill.

In terms of ongoing administration, a cross-functional team should be identified (during the initial set-up phase) that will be responsible for handling queries, annual notices, changes in use, appeals, collections, and enforcement.

Costs

The 2023 Operating Budget Briefing Note on the Potential Implementation of a Commercial Parking Levy (dated January 23, 2023) estimated the initial set-up costs to be \$7.2M to \$12.2M (depending on whether in-house resources or an external service provider is used to develop the detailed inventory). The City's current estimate of ongoing administration costs is \$1.5M per year.

According to an October 2006 case study conducted by the Urban Transportation Showcase Program, TransLink allocated \$6M for implementation of its parking site tax and approximately \$1M for post-2006 ongoing appeal and tax roll administration costs. The City of Toronto will need to allocate sufficient budget to cover the ongoing running costs of the levy.

Use of Funds

Having taxes, fees and levies allocated to general revenue always provides city administrations with maximum flexibility for use.

As noted in previous sections, dedicating parking levy revenues to specific plans, projects or organizations within the City can provide benefits for communications (clarity of linkage of the levy to policy goals), stakeholder acceptance and also transparency.

The City of Toronto has introduced dedicated funding to property taxes in the past. In 2015, Council approved a multi-year property tax increase to help fund the Scarborough subway. Currently, the City has a levy that is included on property taxes that is dedicated to the City Building Fund. Revenue from the City Building Levy was dedicated to major transit and housing.

As with the Vancouver and Montreal Levy, dedication of revenues could support mobility initiatives that mitigate impacts of parking or provide mobility alternatives. For example, committed capital or operating funding to micromobility/bike share initiatives such as those proposed by the TPA, access to transit investments (mobility hubs) in rapid transit station areas, electrification initiatives for cars or bikes or specific transit investments such as a station or major bus initiative. While probably not sufficient to fund a stand-alone rapid transit system, the initial annual revenue is significant enough to support a large and broad program of medium size initiatives city-wide, while advancing *Official Plan* goals.

The determination of use of funds will need to be balance financial flexibility with these supporting benefits for levy implementation.

Parking Guidelines

In 2022 the City of Toronto updated their parking requirements for new developments to provide parking maxima instead of minima. This means that there is no minimum parking requirement, but new developments cannot exceed the maximum parking requirement. This will help mitigate an increased parking supply in the City, and better align parking supply and demand.

The new parking requirements do not apply to existing buildings. For existing developments, the parking levy is one step in supporting the City's approach to providing less parking. A parking levy can be used as a market mechanism to encourage parking owners and operators to re-allocate space currently used for parking to other uses.

The City should provide guidance to parking property owners and operators on how to re-purpose parking spaces. This could include barricading the parking so it cannot be used, developing on the land,

or even using underused underground parking for other uses (e.g., social enterprises, entertainment, or retail).¹²

The TPA may need to consider reviewing rates for on-street parking following the implementation of the parking levy. On-street parking should be appropriately priced to continue to re-direct customers to off-street lots and continue to manage curbside demand and congestion.

Future Design Refinements

As a new levy, it is important to keep the rules and applicability of the parking levy simple at launch. This will make it easier for property owners to understand applicability to their sites and for staff to implement and collect levy fees.

As more information is collected on impacts such as public reception, revenue generation, and economic impact, the levy could be refined in the future to better achieve the City's policy objectives and work for property owners. On the assumption that revenue will grow relative to real growth over time, changes to the levy can be accommodated through growth. These are some considerations for the future evolution of the levy:

- Variable rate by geography
- Variable rate for paid parking vs unpaid parking
- Minimum area thresholds
- Changes to discretionary exemptions

Monitoring, Reporting and Transparency

Monitoring and evaluation will be important to understand the impacts of the parking levy - both positive and negative. Through monitoring, the levy can be refined and incorporate some of the potential design changes listed above. Once a comprehensive parking inventory is developed, it will be possible to assess how parking is distributed across the City, and whether there are disproportionate cost burdens to any geographic area or to a specific class of parking provider that could be addressed through variable rates or other refinements.

¹² PH29.3 - Recommended Parking Requirements for New Development, December 15, 2021.
<https://secure.toronto.ca/council/agenda-item.do?item=2021.PH29.3>