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February 28, 2024

Cathrine Regan
Mayor Olivia Chow, Executive Committee Chair
Members of Executive Committee
Toronto City Hall
100 Queen Street West
Toronto, ON M5H 2N2
To: exc@toronto.ca

RE: Executive Committee EX12.3 - Implementation of a Commercial Parking Levy

The Financial District BIA, NAIOP Greater Toronto, BOMA Toronto, the Toronto Region Board of Trade, the Retail Council of Canada and REALPAC appreciate the opportunity to submit our comments regarding the introduction of a commercial parking levy in the City of Toronto as outlined in item EX12.3.

We recognize the financial challenges the City of Toronto is facing, and we are pleased that the City has successfully negotiated a New Deal with the provincial government and has had success with securing federal funding to ensure a balanced 2024 budget. We commend the City on its continued commitment to work with both provincial and federal governments to ensure the City is supported in its delivery of important services. This will help ensure the City's financial stability and was something we advocated for in our deputation to the Executive Committee in August.

As representatives of businesses across Toronto, we would like to reiterate our concerns with the implementation of a proposed commercial parking levy, as we believe it will be inefficient, administratively burdensome, and counterproductive to overall economic growth and stability. The parking levy is effectively a tax on those who live, work, shop and do business in Toronto. We also believe it is inconsistent with the New Deal working group mandate to avoid new fees and taxes on residents.

An initial research paper from Altus Group, completed in May 2023, outlines the significant negative economic impacts of a parking levy. The report finds that the parking levy will function as a hidden tax, and result in higher costs for property owners, businesses, employees, and consumers in Toronto. It concludes that the commercial parking levy is a poor financing tool for the City, and will result in lost property tax revenue, reduced investment, lost jobs and have little to no impact on driving behaviour.

Altus Group has prepared an updated Economic Impact Analysis of the recommended commercial parking levy design as outlined in the Report from the Chief Financial Officer and Treasurer on Implementation of a Commercial Parking Levy (EX. 12.3). Key findings of this analysis are:

- The levy will be equivalent to a property tax increase.
- Retail will be disproportionately impacted by the tax, and some neighbourhood shopping centres will experience an increase of 27 to 54% above their current property taxes.
- **It will only generate $10 to $15 million in net revenues,** after accounting for a reduction in investment and assessed values of non-residential property.
- The levy will reduce the number of jobs in the City by 38,000 to 58,000 over a ten year period.

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- The levy will have little impact on driving preferences, resulting in double taxation and an undue burden on businesses and customers.

Additionally, because this parking levy will apply only within the City of Toronto, a new burden will be added to Toronto businesses but not to any others in the region, presenting an obvious economic disadvantage to Toronto businesses and residents. We believe it could drive investment elsewhere to more tax-friendly, lower-risk operating environments.

In light of these negative impacts and limited revenue estimates, we believe that a commercial parking levy is not an effective revenue tool for long-term financial sustainability and economic growth. Now is not the time to impose an additional cost burden on businesses, employers and residents, and we support the City in examining other options, including in ongoing negotiations with provincial and federal governments. We offer any support we can provide in this regard, and would like to be included in any future stakeholder engagements on the commercial parking levy or other revenue tools.

Respectfully,

Michael Brooks
Chief Executive Officer
REALPAC

Attachments:

- Report by Altus Group: *Updated Economic Impacts of City of Toronto Parking Levy-* February 27, 2024
- Letter to Mayor Chow and Executive Committee August 22, 2023

cc: Paul Johnson-City Manager
Steve Conforti Treasurer

February 27, 2024

Memorandum to: Real Property Association of Canada (REALPAC), BOMA Toronto, Toronto Financial District BIA

From: Peter Norman, VP & Chief Economist
and
Diana Petramala, Director
Altus Group Economic Consulting

Subject: Impact of a Commercial Parking Levy in the City of Toronto
Our File: **P-7176**

INTRODUCTION

Altus Group was retained by REALPAC, BOMA Toronto and the Toronto Financial District BIA to produce a study looking at the potential economic impacts of a new commercial parking levy in the city of Toronto.

Altus Group completed a study in May 2023 that looked at the impact of a $1.00 a day per stall levy, including the impact on municipal revenues, business investment and jobs in the city.

The City of Toronto released a Staff Report on February 22, 2024 recommending a commercial parking levy of:

- $6 per meter square (which works out to roughly $0.49 per day per off-street parking spot) in the Downtown and Central Waterfront Area (Zone A); and
- $3 per meter square (or, $0.25 per day per off-street parking spot in the rest of Toronto (Zone B).

In this memo, Altus Group updates the results of the May 2023 study to estimate the newly proposed commercial parking levy on municipal revenues, business investment, and jobs in the city of Toronto. The 2023 report concluded that a parking levy would be the equivalent to a property tax increase. Property tax increases get almost fully capitalized into assessment values, either through a reduction in investment or property values. It is estimated that every 1% increase in non-residential property tax payable reduces assessment values by 0.9% in the City of Toronto[1].

[1] Almos Tassonyi, Richard M. Bird, and Enid Slack, *"Can GTA Municipalities Raise Property taxes, An analysis of Tax Competition and Revenue Hills.",* Institute on Municipal Finance and Governance, 2010.

2024 UPDATE

Impact on Businesses

The City of Toronto Staff Report highlighted the impact the new commercial parking levy would have on a typical business, by business type (Figure 1) in the two zones.

Figure 1

Impact of a Parking Levy on a Typical Property, by Business Type

	Parking Area	Property Tax (2022)	Annual Rate*		Equivalent Increase in Property Tax	
			Zone A – \$6 / m²	Zone B – \$3 / m²	Zone A	Zone B
Commercial Property Type	*m²*		*Dollars (\$)*		*% Change*	
Large Shopping Centre	144,000	4,400,000	862,200	431,100	19.6%	9.8%
Large Office Building	42,600	20,000,000	253,800	126,900	1.3%	0.6%
Neighbourhood Shopping Centre	4,800	50,000	27,000	13,500	54.0%	27.0%
Local Grocery Store	1,200	160,000	5,400	2,700	3.4%	1.7%
Small Medical / Legal Office Building	360	70,000	360	180	0.5%	0.3%

Note: * Incorporates exemption of first 300m² in parking area
Source: City of Toronto staff report on the Implentation of Commercial Parking Levy (dated Februrary 14, 2024)

The figure shows that a commercial parking levy would be the equivalent of a hefty property tax increase for the retail sector, particularly in neighbourhood shopping centres (+27-54% - +54%).

Retail will be disproportionately impacted by the tax.

Overall Impact on Municipal Revenues

The City Staff Report recommendation is expected to collect \$100 million to \$150 million in additional annual revenue for the City of Toronto, after spending \$7.5 to 12 million dollars in implementation costs.

Altus Group updated the 2023 analysis using the revenue expectations presented in the Staff Report, creating a low (based on the \$100 million revenue estimate) and a high (based on the \$150 million in revenue estimate) scenario.

Figure 2 highlights the anticipated impact on municipal revenues. Overall, the commercial parking levy would act as an effective increase in the non-residential property tax payable in the City of Toronto of 3.6% to 5.4%.

The assessment value of non-residential property would decline by \$4.3-\$6.6 billion.

Accounting for a reduction in non-residential property values and resulting lower property taxes payable, the net gain in municipal revenues will only be \$10 to \$15 million per year.

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Figure 2 **Expected Non-Residential Property Tax Revenues Following the Implementation of a Commercial Parking Levy, City of Toronto**

		Long-Term Implication		Difference	
	Current (2022)	Lower Range	Higher Range	Lower Range	Higher Range
			Dollars ($)		
Total Assessment Value (2022)	135,227,904,662	130,849,423,411	128,660,182,785	(4,378,481,251)	(6,567,721,877)
Revenue Generation					
Proposed Parking Levy	-	100,000,000	150,000,000	100,000,000	150,000,000
Municipal Taxes	1,616,828,185	1,564,477,659	1,538,302,396	(52,350,526)	(78,525,789)
Education Taxes	1,162,791,213	1,125,141,739	1,106,317,002	(37,649,474)	(56,474,211)
Net Revenues	2,779,619,398	2,789,619,398	2,794,619,398	10,000,000	15,000,000

Source: Altus Group Economic Consulting based on information from the City of Toronto and its Financial Information Returns (2022)

Impact on Investment and Jobs

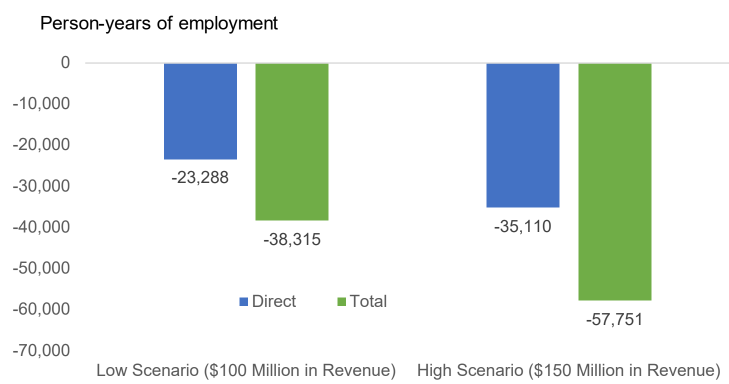
Higher taxes also lead to lower non-residential investment, as some of the business sector activity will locate to municipalities with lower property tax rates.

It is estimated that the commercial parking levy will reduce non-residential investment by $2.2 to $3.2 billion, or a total loss of 4.6 – 7 million square feet of non-residential space.

The total impact is expected to result in 38,000 to 58,000 job losses in the City of Toronto over a decade relative to the jobs that would be generated should a commercial parking levy not be introduced. These job losses include:

- 16,000-24,000 construction jobs from the loss in investment activity; and
- 22,000-34,000 jobs that would have filled the lost industrial, retail and office space.

Figure 3 **Jobs Lost from a Parking Levy over a Ten-Year Period, CIty of Toronto**



Source: Altus Group, based on Statistics Canada I/O Model and other sources

CONCLUSION

The recommended commercial parking levy as outlined in the City of Toronto Staff Report dated February 2024 is only expected to generate $10-15 million in net revenues, once accounting for a reduction in investment and non-residential property values.

The commercial parking levy will also reduce the number of jobs in the City by 38,000 to 58,000 over a ten year period.

The Altus Group 2023 report noted that the parking levy will also have little impact on driving preferences, will result in double taxation (which is inefficient) and will produce an undue burden on the business sector when its still struggling to recover from the impact of the 2020 pandemic.

Figure 4

Estimated Net Annual Municipal Revenue Gains/Losses After the Introduction of a Parking Levy as Recommended, City of Toronto

	Low Scenario	High Scenario
Gain (Parking levy)	100,000,000	150,000,000
Losses		
Municipal property tax	(52,350,526)	(78,525,789)
Education property tax	(37,649,474)	(56,474,211)
		15,000,000

Source: Altus Group, based on City of Toronto Staff Report (February 2023), FIR and IMFG

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August 22nd, 2023

Mayor Olivia Chow, Executive Committee Chair
Members of the Executive Committee
City of Toronto
100 Queen St W
Toronto, ON M5H 2N2

RE: Executive Committee Report EX7.1—Updated Long-Term Financial Plan

The Financial District BIA, NAIOP Greater Toronto, BOMA Toronto, the Toronto Region Board of Trade (TRBOT), and REALPAC appreciate the opportunity to submit our comments regarding the Updated Long-Term Financial Plan report. We understand and appreciate the difficult financial situation the City of Toronto is currently facing, which has been exacerbated by the COVID-19 pandemic.

We also understand the City delivers services that are more properly the remit of other governments and that the delivery of these services are not adequately supported by city property taxes alone. However, as the City considers how to address its current challenges, we believe it is critical the City looks carefully at any proposed revenue tools, as a number of those contemplated in the most recent report could have significant, negative, long-term consequences on Toronto's businesses and economy.

As representatives of businesses across Toronto, we are writing to register our concerns, in particular, with the possible implementation of a commercial parking levy. The attached research paper from Altus Group indicates the parking levy would create significant economic burden on small to medium-sized businesses struggling to recover from the pandemic, and would be slow and costly to implement, and only resulting in marginal revenues for the City.

The parking levy would have negative impacts on Toronto's economy. Rather than discouraging driving, the levy is effectively a tax on commercial, industrial, and retail properties, whose tenants would be paying 70% of the parking levy's revenue and would experience an additional tax on already taxed parking spaces. Altus estimates that the resulting decreased investment in the non-residential sector would lead to 54,500 lost construction jobs and 40,500 lost office, retail, and industrial jobs.

The parking levy would also have significant overhead and limited returns. In addition to the implementation costs to set up and administer, the levy would reduce market values on commercial properties, many of which have already suffered impacted valuations because of increased vacancies due to the pandemic. These reductions in values would correspondingly reduce commercial property taxes collected by the City by almost $155 million per year. This would result in a $1/spot/day levy having an effective revenue of only $72 million per year, far less than the originally planned $355 million – and at great economic cost.

The parking levy will unduly hurt small and medium-sized businesses, particularly those struggling to recover from the pandemic. In most cases, due to the structure of net commercial leases, the parking levy will not be paid by the property owner or landlord, but by the tenant.

Further, because this parking levy will be implemented under the City of Toronto Act, our understanding is it cannot be implemented in other jurisdictions outside the City of Toronto's boundaries. This means that a new burden will be added to Toronto businesses, but not to any others in the region – including those in some cases right across the street. This presents an obvious economic disadvantage to Toronto businesses, and we believe it could also drive investment elsewhere, to more tax-friendly, lower-risk operating environments.

City staff have also made clear the levy will be costly and time-consuming to implement, and the parking levy's revenue would not be realized this year. The levy would take 12–18 months to set up, and the City does not currently have an office prepared to administer such a levy, nor a comprehensive inventory of parking spots.

We understand the financial challenge the City is facing, which has been exacerbated by the pandemic, but is due in large part to the fact the City invests approximately $1.1 billion in extensions of federal and provincial responsibilities, such as housing, social services, and health services. However, we have serious concerns about the impact of a parking levy on businesses in Toronto, particularly those in sectors hardest hit by the pandemic, and still struggling to recover. These consequences will vastly outweigh the relatively minimal revenues a parking levy would ultimately recover for the City.

I look forward to speaking to the Executive Committee on August 24th about this matter.

Respectfully

Michael Brooks
Chief Executive Officer
REALPAC

Attachments:
- Report by Altus Group: *Potential Economic Impacts of Introducing a Parking Levy in the City of Toronto*