

Update on the Implementation of a Commercial Parking Levy

Date: January 14, 2025

To: Executive Committee

From: Chief Financial Officer & Treasurer

Wards: All

SUMMARY

Staff presented preliminary guiding design principles of a commercial parking levy to Executive Committee in February 2024. Since that time, staff have completed targeted stakeholder engagement which provided impactful input and feedback, leading to refined estimates and design scenarios for a potential commercial parking levy. Staff have also engaged with the Municipal Property Assessment Corporation (MPAC) throughout the year to determine an appropriate implementation approach and to develop a preliminary inventory for surface parking in the City.

Through this work, it has been made clear that in order to successfully implement a commercial parking levy and ensure it is applied fairly, consistently and clearly, MPAC's involvement is critical based on their unique service offerings. This includes access to property assessment data, support for technology upgrades, and ability to develop and maintain audit, request for reconsideration, and appeal processes. MPAC has indicated that their commitment to participate further in this work is subject to their Board's approval and may require engagement with the appropriate provincial government officials.

Staff are recommending that any consideration by City Council of an implementation plan for a commercial parking levy be deferred while engagement continues with MPAC on their potential involvement in supporting the administration of a possible levy.

During consideration of the City's Updated Long-Term Financial Plan (LTFP), City Council directed staff to develop an implementation plan for a commercial parking levy, in direct response to the City's financial needs. The LTFP identified a combined operating and capital pressure of \$46.5 billion over 10 years. It also outlined opportunities to address these significant and unprecedented financial challenges, including expenditure reviews, new revenue tools, capital prioritization and intergovernmental funding required.

In the absence of sustainable intergovernmental funding or structural changes to the City's fiscal framework, the City has limited options to implement new or expanded revenue tools and has focused on actions within the City's direct control and authority to

implement. With estimated revenue potential of \$100 to \$108 million annually, the commercial parking levy may represent a reliable and significant source of annual revenue to the City which could be used to sustain critical municipal services, including transit.

In parallel to work conducted on a potential commercial parking levy, City staff continue to advocate to the provincial government for access to permanent sustainable funding sources that grow with the economy, such as a portion of the sales tax. Staff will also continue to engage on this topic, while confirming MPAC's commitment to support implementation of a commercial parking levy, prior to Council's consideration of a detailed program design. Should the City receive confirmation from MPAC and the provincial government that they will support introduction of a commercial parking levy, staff will report back to City Council with a comprehensive implementation plan.

RECOMMENDATIONS

The Chief Financial Officer & Treasurer recommends that:

1. Executive Committee receive this report for information.

FINANCIAL IMPACT

As was reported in February 2024 to Executive Committee, initial projections, based on a 2016 KPMG revenue tools study and geographic estimates developed by Metrolinx in 2013, estimated the annual revenue potential of the commercial parking levy (CPL) to be between \$100 million and \$150 million.

Following additional analysis and potential design updates as a result of stakeholder engagement, the **revised annual revenue potential is estimated to range from \$100.0 million to \$108.0 million**. This revenue estimate incorporates statutory exemptions and consideration of a refined definition of 'parking area'. This figure would be subject to further revisions upon development of a comprehensive parking inventory.

As part of the work conducted in 2024 with MPAC, the City has been provided a preliminary surface parking inventory, however, further refinement is necessary to verify and ensure accuracy. Current preliminary estimates suggest that the City has approximately 22 million square metres of surface parking area, which incorporates statutory exemptions. When considering a potential minimum exemption for all properties, it's expected that a levy on surface parking area could generate approximately \$58 million annually.

In addition to refining the above estimate, MPAC would need to comprehensively capture all commercial parking lots within the City, including underground and above-grade parking garages, which will increase the total parking area in the City. It is expected these parking areas could generate up to an additional \$50 million in revenue, resulting in up to a total \$108 million in annual revenue from the CPL.

Actual annual net revenue of a commercial parking levy would also be impacted by:

- Implementation approach and timing - including potential option to phase-in impacts over a period of time;
- Exemptions and final definition of 'parking area' - including minimum exemptions provided to all properties, and consideration of applicable property classes and uses;
- Rate structure - including consideration of a tiered rate based on geography, and provision of discounted rates for small businesses;
- Financial impact to City properties - should a commercial parking levy be introduced, staff's preliminary guiding design principles had recommended that it apply to City-owned and operated parking facilities also to ensure fairness and market efficiency; and
- Implementation costs - including one-time upfront costs and annual costs to administer, both incurred by the City of Toronto and potentially by MPAC, the preferred service provider.

Should the Province and MPAC confirm their commitment to support the introduction of a commercial parking levy, staff will report back with a final implementation plan for Council's consideration, which will include detailed financial impacts associated with the above.

DECISION HISTORY

At its meeting on July 24, 2024, City Council directed the Chief Financial Officer & Treasurer, in consultation with the General Manager, Toronto Water and the Executive Director, Environment and Climate, through the planned consultations referenced in Item 2024.IE15.4, to assess and consult on opportunities to reduce stormwater run-off from non-residential properties whose impermeable surfaces drive up flooding, stormwater costs, beach closures, and water pollution.

Item MM20.24: <https://secure.toronto.ca/council/agenda-item.do?item=2024.MM20.24>

At its meeting on July 3, 2024, the Infrastructure and Environment Committee requested the Executive Director, Environment and Climate, General Manager, Toronto Water and Chief Financial Officer to coordinate internally to align consultation for building emission performance standards for commercial and industrial buildings, the commercial parking levy and stormwater charge as a suite of related climate action tools.

Item IE15.4: <https://secure.toronto.ca/council/agenda-item.do?item=2024.IE15.4>

At its meeting on February 29, 2024, the Executive Committee referred Item EX12.3 "Implementation of a Commercial parking Levy", back to the Chief Financial Officer & Treasurer with direction to report prior to the 2025 Budget Process on the results of public communications and stakeholder engagements, a refined estimate and program design, and a final implementation plan for 2025, in consideration of any additional revenue tools secured as part of intergovernmental negotiations.

Item EX12.3: <https://secure.toronto.ca/council/agenda-item.do?item=2024.EX12.3>

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 February 7, 2023, City Council directed the City Manager and the Chief Financial Officer & Treasurer, to report back with an updated assessment of revenue generating options available under the *City of Toronto Act*, 2006, including the feasibility of implementing a parking levy.

Item MM3.5: <https://secure.toronto.ca/council/agenda-item.do?item=2023.MM3.5>

At its meeting on January 24, 2023, Budget Committee recommended the Mayor advocate to both the Provincial and Federal governments for new fiscal framework for the City of Toronto, including new revenue tools and / or funding commitments for services which the other levels of government has downloaded onto the City, and request City Officials to continue to explore revenue tools which are currently permitted under the *City of Toronto Act* and which do not require Provincial cooperation to administer, including but not limited to a commercial parking levy.

Item BU3.1: <https://secure.toronto.ca/council/agenda-item.do?item=2023.BU3.1>

At its meeting on June 28, 2016, Executive Committee received a presentation from KPMG LLP on "City of Toronto – Revenue Options Study". 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.

Item EX20.2: <https://secure.toronto.ca/council/agenda-item.do?item=2016.EX20.2>

COMMENTS

Background and Financial Context

A CPL was proposed during the City's Updated Long-Term Financial Plan as a revenue tool, in direct response to the City's financial needs. The LTFP identified a combined operating and capital pressure of \$46.5 billion over 10 years. It also outlined opportunities to address these significant and unprecedented financial challenges, including expenditure reviews, new revenue tools, capital prioritization and intergovernmental funding required.

In the absence of sustainable intergovernmental funding or structural changes to the City's fiscal framework, the City has limited options to implement new or expanded revenue tools and has focused on actions within the City's direct control and authority to implement. With revenue potential of \$100 to \$108 million annually, the commercial parking levy was considered a reliable and significant source of annual revenue to the City.

Staff presented preliminary guiding design principles to Executive Committee in February 2024 for the implementation of a commercial parking levy, based on advice and support from a third-party consultant, Access Planning. Since that time, staff have completed targeted stakeholder engagement to seek feedback on final design principles and approaches and have been working with MPAC on an approach for implementation.

Stakeholder Engagement

During summer 2024, staff conducted a series of focused stakeholder engagement sessions with impacted organizations and property owners who reflected a variety of perspectives. The engagement sessions asked participants to provide feedback on the [proposed guiding design principles](#) presented to Executive Committee in February 2024 and sought additional comments and considerations on the CPL. The sessions also addressed Council's direction to consult on opportunities to reduce stormwater run-off from non-residential properties with impermeable surfaces ([Item MM20.24](#)). Staff sought feedback on opportunities to fund potential incentive programs for private property with the aim to reduce impermeable surface area and stormwater runoff.

Overall, staff engaged with a variety of sectors and representatives including:

- Commercial property owners
- Industry, hotel, restaurant, and motel representatives
- An assortment of Business Improvement Areas (BIAs)
- Mixed-use commercial and industrial property owners
- Subject matter experts and advocacy groups regarding accessibility, climate, transit and municipal finance

Staff would like to thank all organizations who participated in these engagement sessions for productive and meaningful discussion and feedback. In addition to external organizations, staff also engaged with a variety of City divisions and agencies to ensure alignment with related initiatives. Should an implementation plan be brought forward in the future, feedback collected as part of these engagement sessions will be incorporated into final program recommendations.

Implementation Updates

Throughout 2024, staff have engaged with MPAC to determine an appropriate implementation approach and to develop a preliminary inventory for surface parking in the City. Through this work, it has been made clear that in order to successfully implement a CPL and ensure it is applied fairly, consistently and clearly, MPAC's involvement is preferred based on their unique service offerings. This includes access to property assessment data, support for technology upgrades, and ability to develop and maintain audit, request for reconsideration, and appeal processes.

Overall implementation timelines would be subject to the successful and timely execution of the agreement with MPAC, and would include developing the necessary infrastructure, training staff, and establishing administrative processes. MPAC has indicated that they will need to complete a legal and risk management review before

they seek their Board approval. There also may need to be engagement with the appropriate provincial government officials. As a result, this report recommends staff continue to engage with both the Province and MPAC to confirm its commitment before presenting a final implementation plan for Council's consideration.

If MPAC ultimately do not enter into an agreement with the City, staff anticipate that there are no immediate alternative service providers who can provide the same services, which would include data collection, assessment and verification, and annual administration of the CPL including audit and appeal processes. Seeking out an alternative service provider, would impact program timelines, design, and net revenue potential.

Parking Inventory Updates

While MPAC requires further approval to proceed with supporting the City in implementation, they have provided a preliminary parking data set for surface area parking in the City of Toronto. There are an estimated 22 million square metres of applicable surface parking area in the City of Toronto, of which 19 million square metres would be subject to the CPL following estimated exemptions.

A parking inventory would need to be continuously maintained, with data being refined and adjusted over time to ensure accuracy. MPAC has advised that site inspections are required for certain properties, particularly for underground and above-grade parking garages, as their current data does not capture the necessary parking area information. They are also aware of the City's considered program parameters, such as exempting commercial areas used for vehicle storage.

Should an agreement with MPAC proceed, they would need to be granted authority as the City's agent to enter on to commercial land for the purposes of verifying appropriate parking area for the CPL. As well, they continue to estimate at least a 12-18 month timeframe to complete the parking inventory, including the validation process. The complexity of gathering and analyzing comprehensive parking lot data requires thorough attention to detail to ensure all variables are accounted for. Timelines would also facilitate communication with commercial property owners, providing them with ample notice and transparent information prior to any implementation.

Consideration of Alternative Revenue Tools

The *City of Toronto Act* provides limited mechanisms to generate revenue that grows with the economy, such as sales or income taxes. The City is currently exploring implementation of available revenue tools permitted under existing legislation, as reflected in the Long-Term Financial Plan, while advocating for expanded legislative authority for longer-term sustainable funding. The potential revenue estimated to be generated by CPL would help to maintain essential City services, such as public transit.

The CPL was proposed as an administratively feasible and efficient revenue source that aligns with City priorities. In addition to providing a stable revenue stream, the CPL indirectly supports broader City goals including potential shifts to sustainable transportation alternatives, encouraging the efficient use of land, and supporting climate

action objectives. By comparison, other similar potential revenue tools considered in the Long-Term Financial Plan, such as a Downtown Parking Sales Tax or a Right-of-Way Delivery Tax, would require provincial legislative changes, be administratively complex, or yield limited financial returns. For example, a Right-of-Way Levy, which is a payment for the use of the City's infrastructure and roads to deliver goods to residents on a per-package or per-delivery basis (also referred to informally as a "click tax"), would require an amendment to the *City of Toronto Act* and provincial approval. Given these constraints, the CPL was prioritized as one of the initial priorities to consider from the LTFP.

This report recommends that the City Manager and the Chief Financial Officer & Treasurer continue to engage with the Province to seek a sustainable funding source that grows with the economy. For example, a 1% municipal sales tax would be expected to yield approximately \$800 million in annual revenue. Should the City of Toronto be granted access to more permanent sustainable funding sources that grow with the economy, such as a portion of the sales tax, or the authority to introduce new municipal revenue tools, staff will reconsider continued exploration of a commercial parking levy.

Conclusion

As the largest city in Canada, the City of Toronto requires access to ongoing sustainable funding sources. Annual revenues of \$100 million that could be expected from a CPL would significantly contribute to the City's multi-year budgeting strategy and ensure preservation of critical services, including transit. While staff will continue to discuss the implementation of a commercial parking levy with MPAC, ultimately, they hope to also secure access to greater revenue tools that reflect Toronto's contributions to the economy. Should MPAC and the Province support the implementation of a CPL, staff are committed to ensuring a final implementation plan is presented to City Council for their consideration, which would detail how to implement it in a fair, clear and consistent manner across the commercial property class, in consideration of the meaningful feedback collected as part of the stakeholder engagement conducted in 2024.

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SIGNATURE

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