



Jim Watson

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The Hon. Steve Clark

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RE: Support for Ottawa Energy Evolution Strategy

Dear Minister Clark,

Climate change is the biggest threat facing our generation, and ambitious action to fight it presents significant economic opportunities for all Canadians. The urgency of reducing greenhouse gas (GHG) emissions and implementing climate adaptation measures is well-understood scientifically and documented by the 2021 International Panel on Climate Change “Code Red” report. The latest science shows—and our residents are demanding—that we do more to fight climate change and protect their health, and on a faster timeline.

Municipalities realize the importance of their position to catalyze climate action. In October 2020, Ottawa City Council unanimously approved the Energy Evolution Strategy, an ambitious plan to reduce greenhouse gas emissions in Ottawa to zero by 2050. Reaching this target will require an unprecedented scale of action and investment. It also estimates a yield of \$12 billion in net returns to the community over the life of the investments, along with health and resiliency benefits. This colossal work cannot be done without support from senior levels of government.

The City of Ottawa recommends the following changes to the Ontario Municipal Act:

- **Authorize municipalities to require low carbon heating and cooling systems by discouraging or disallowing expansion of the natural gas network and, in areas served by low-carbon district energy systems, requiring new construction to either connect or employ low carbon heating and cooling systems;**
- **Amend the regulations to allow municipalities to fund transit from parking revenues and licensing fees; and**
- **Provide municipalities authority to implement road user fees, cordon/congestion charges, private parking levies, high emitting car registration fees, etc.**

Such changes in municipal authority over the transportation and buildings sectors could have significant impact, given that these two sectors combined accounted for approximately 90% of Ottawa’s community-wide greenhouse gas emissions in 2020. A more detailed whitepaper on private parking levies is attached to this letter for consideration.

The Energy Evolution Strategy identified the following actions, which would require additional authorities for the City of Ottawa:



- Reducing the 24-hour mode share for cars by 19% and increase the mode share for transit, walking, and biking by 7%, 5%, and 7% respectively by 2050; and
- Retrofitting 98% of all homes to achieve reductions of 70% of thermal energy and 30% of electrical energy by 2040; and
- Retrofitting 98% of commercial, industrial, and institutional buildings to be 60% more energy efficient by 2040.

The pending review and update of the Ontario Municipal Act presents an opportunity to provide additional authorities for Ontario municipalities as they implement their GHG reduction plans. By providing additional authorities to municipalities, the Ministry of Municipal Affairs and Housing can remove barriers to the realization of municipal GHG targets and the resulting health and financial benefits to taxpayers.

Steve Willis, General Manager for Planning, Infrastructure and Economic Development, would be pleased to meet with your Deputy Minister to discuss more thoroughly how we can work together to achieve our shared goal of a healthy future.

Sincerely,

Jim Watson

Mayor

City of Ottawa

Attachments:

Whitepaper regarding Pricing Private Parking

c.c.: Brenda Vloet, Manager, Ministry of Housing and Muni Affairs

Carol Saab, Chief Executive Officer at FCM:

Michael Savage, Mayor of Halifax and Chair of BCMC

Jamie McGarvey, Mayor of Parry Sound and President of AMO

Stephen Willis, General Manager, Planning, Infrastructure and Economic Development,
City of Ottawa



Private Parking Sales Tax or Levy Authority for Ontario Municipalities

Executive Summary

The City of Ottawa is requesting the authority to impose a price on private parking to both shift behaviour towards sustainable modes of transportation and to fund sustainable transportation infrastructure. The ability to price private parking is an important policy instrument as municipalities strive to achieve ambitious targets for reducing community greenhouse gas emissions. Many municipalities in North America and worldwide use property tax levies and/or sales taxes on private parking spaces to assist in achieving their goals for land use, transportation, and climate change mitigation. Ontario municipalities including the City of Ottawa should also have access to these tools.

A property tax levy on parking spaces is preferable as it can apply more equitably to all parking spaces to effect behaviour. A second option would be a sales tax approach, which could either be implemented by the municipality or the province.

Providing this authority may require a change to the Ontario Municipal Act, 2001. It may also require the province to create a new tax class for properties with greater than a set number of parking spaces (20 is suggested by Ottawa) where parking is not the main property use. Enabling legislation must be developed allowing public sector monitoring and enforcement on private property.

These parking pricing tools are equitable and good public policy as they involve reducing or removing subsidies for parking. Parking is currently underpriced (often free), and the real cost of providing parking is unfairly borne by those who do not drive vehicles. These market distortions result in significant costs to the municipality and reduced use of municipal transit systems. Parking pricing tools are effective because they simultaneously correct market distortions – sending a price signal that helps to shift drivers towards more sustainable options – and provide revenue for improvements in sustainable municipal transportation systems. Enabling this municipal authority will provide municipalities a valuable tool to shift transportation behavior towards sustainable options and achieve climate change mitigation targets.

Background

Rationale

Based on research by the Victoria Transport Policy Institute, a typical automobile is used about one hour each day and parked for the balance of the time. Storing unused vehicles requires significant land, as typically there are three to six parking spaces per vehicle. Each of these spaces costs has annualized land, construction and operating



costs that total \$500 to \$1,500¹. For unpriced parking spaces, these costs are borne indirectly through taxes, rents, higher prices for retail goods, and lower employee benefits.

Underpricing parking increases the amount of parking needed to meet demand, and contributes to problems such as traffic congestion, housing unaffordability, sprawl and pollution². Charging users directly for parking results in a more efficient and equitable system, while also generating revenues that can finance new services or reduce taxes and rents.

Additional benefits of parking pricing can include³:

- Reduces the number of excess spaces provided, encourages more compact development, and supports the redevelopment of parking lots to higher value uses. This helps to increase urban density and create walkable, amenity-rich neighbourhoods.
- Encourages travelers to use alternative modes. Research shows that parking prices have a 0.02 elasticity factor impact on use of public transportation. That is, a 10% increase in parking prices increases the use of public transportation by 0.2%. Their impact on active transportation is higher, at an elasticity factor of 0.03⁴. This helps to reduce total vehicle traffic and associated problems such as traffic congestion, accidents, energy consumption, and polluting emissions.
- Generates revenue to help achieve municipal objectives such as constructing transit and active transportation infrastructure.
- Ensures that direct users pay their share of parking costs.
- Pricing of short-term spaces increases parking turnover, which supports business activity.
- Pricing of long-term spaces helps to reduce household vehicle ownership, which contributes to longer term shifts towards sustainable transportation modes.

Mode shift will not happen until price signals shift drivers towards more sustainable options. Pricing parking is one of many tools in the toolkit to reduce driving⁵. Since municipalities bear the cost of low-density developments, and since municipalities have mode-share targets and greenhouse gas targets, the tools to influence mode share should be available to the municipality. Transportation pricing mechanisms are also a key revenue source to fund sustainable transportation options.

¹ <https://www.vtpi.org/parkpricing.pdf>

² <https://www.vtpi.org/parkpricing.pdf>

³ <https://www.vtpi.org/parkpricing.pdf>

⁴ <https://trimis.ec.europa.eu/sites/default/files/project/documents/trace.pdf>

⁵ <https://www.vtpi.org/parkpricing.pdf>



Municipalities across Ontario are developing ambitious Community Energy and Emissions Plans⁶ to both stimulate local economies by keeping energy dollars local, and to reduce emissions to meet emissions reduction targets. Transportation fuels contribute approximately 50% of all emissions so their reduction is a crucial element of their climate plans. Based on community energy modeling, a dramatic mode shift from driving to transit and active transportation is critical to achieving greenhouse gas emissions reduction targets, even after accounting for personal vehicle electrification trends.

Parking Pricing Mechanisms

Two pricing mechanisms have been widely used by municipalities to reflect the costs of private parking: parking lot property tax levies, and parking sales taxes. The differences of the two mechanisms are summarized in Table 1.

Table 1: Comparison of Parking Pricing Mechanisms

	Parking Sales Tax	Parking Lot Property Tax Levy
Applicable parking spaces	Spaces where a fee is charged	All spaces in lots above a set number of spaces or area
Can be applied differently across the City	No	Yes
Visible to the parker	Yes	No
Potential for revenue	Mid	High

A sales tax applies to parking lots where a fee is charged for parking. This can include parking lots where access to parking is provided by an employer. It would be similar in implementation to the municipal accommodations sales tax that is currently applied in some municipalities in Ontario as per Ontario Regulation 435/17.

A parking lot property tax levy can apply to all properties with more than a set number of parking spaces or based on surface area, which ensures non-marked lots can be included⁷. Such a levy can be structured to support specific planning objectives, such as applying a levy only on unpriced parking, to encourage property owners to price parking. It can also be applied differently in various areas of the city.

⁶ In alignment with Ontario's Municipal Energy Plan program which supports comprehensive long-term plans to improve energy efficiency, reduce energy consumption and greenhouse gas emissions, foster green energy solutions and support economic development.

⁷ Office of State Revenue, New South Wales, Australia
<https://nsfsakai.nthsydney.tafensw.edu.au/access/content/group/0f4ea869-0e76-4936-b16e-7407f58a3a5d/AccountingAndFinance/NB%20Cert%204%20Accounting/2015%20-%20CIV%20Accounting/Process%20bus%20tax/Parking%20space%20Levy.pdf>



By increasing the cost of providing parking, parking pricing mechanisms can reduce free parking as well as the total parking supply. Parking levies are more effective at this, as they capture parking lots that are currently free to users. For this reason, they are also capable of generating significantly more revenue than a parking sales tax. The study done for Toronto found a 15-fold difference, with a parking levy generating up to \$3 billion and a sales tax generating up to \$200 million⁸.

Pricing parking at private facilities has a low cost and a high influence; minimal technology is needed to implement these tools, and municipalities already have the ability to align municipally-provided parking pricing to further support the market transformation signal.

Jurisdictional Scan

A scan of the leaders internationally and in Canada provides some insight into the various ways a price on private parking could be implemented. Both pricing mechanisms were reviewed as part of the jurisdictional scan, as they are similar in implementation and risk. See Appendix A for more details on the policy approach in each municipality.

Canada

In Canada, both Montreal and Vancouver have implemented a form of private parking pricing. Metro Vancouver has both a parking sales tax at 24% and a parking property tax levy of \$25 to \$40 per space⁹. The parking levy came into effect in 1999 and the sales tax was implemented in 2008. Both have increased in price since they were first adopted with the tax now at 24% and the per space levy at \$1.45 per square meter. In Montreal, the parking levy applies in the central business district where parking spaces are charged a levy of \$5 to \$47 per square meter of lot, depending on location. Exterior lots are charged more to encourage the redevelopment of parking lots and increase transit use. Both cities use the funds collected to pay for transit.

United States

In the United States, a parking sales tax of private parking revenue is the most common approach and at least 14 cities have implemented such a policy. The tax rates vary from 6.3% in Connecticut to 50% in Pittsburgh. In most cases, the sales tax is passed through to the user. In all the cities studied, the revenue generated from the sales tax contributed significantly to funding for sustainable transportation services including public transit, seniors transit passes, and active transportation. In Pittsburgh, parking sales tax revenue was \$9.8 million in 2017, representing 13% of the City's tax revenue¹⁰. Baltimore's revenue was \$5.8 million in 2010.

⁸ https://www.metrolinx.com/en/regionalplanning/funding/IS_Appendix_A_EN.pdf

⁹ <https://www.translink.ca/about-us/about-translink/taxes-and-charges#:~:text=The%20Parking%20Tax%20rate%20of,Tax%20in%20the%20purchase%20price>

¹⁰ <https://www.allegheynstitute.org/comparing-city-parking-tax-collections/>



Australia

Parking space levy schemes have been predominantly used in Australia where experience has shown that their introduction, along with the transport improvements they fund, have resulted in mode shift away from car-based modes¹¹; however, lessons regarding effective implementation can be gleaned. When parking lot operators are allowed to apply the cost of the levy to parkers of their choosing, the desired impact on congestion and commuter choices is not achieved as effectively¹².

Europe

In Europe, a parking levy was implemented in Ireland in 2008. It specifically applies to employees who receive free parking as part of their conditions of employment. The levy requires that the value of the parking space be deducted from the employee's remuneration.

Current Status in Ontario

In Ontario, a municipality looking to implement either a parking sales tax or a parking space levy would require provincial authority. A precedent for a sales tax exists for short term accommodations and may provide insights into a simple implementation approach. However, since free parking is commonly provided by employers and commercial facilities in Ontario, a parking space levy would be a more equitable approach and be a more effective way to raise revenues to help offset various parking costs to municipalities and shift transportation behaviour.

Policy Request

As is done by many municipalities worldwide who are climate leaders, the City of Ottawa requests the authority to impose a price on private parking to both shift behaviour towards sustainable modes of transportation and to fund sustainable transportation infrastructure. A property tax levy on parking spaces is preferable but a parking sales tax would also be acceptable. If a sales tax approach is selected, it could either be implemented by each municipality or at the provincial level. If implemented by the province, the sales tax must be broadly applied and targeted to be effective and parking prices resulting from the taxes must be relatively high to be effective. Enabling legislation must be developed allowing public sector monitoring and enforcement on private property.

The regulation should be flexible enough to allow the municipality to implement the parking price mechanism for their specific goals, including:

¹¹https://repository.lboro.ac.uk/articles/journal_contribution/The_impact_of_the_Nottingham_Workplace_Parking_Levy_on_travel_to_work_mode_share/10067039

¹²<https://blogs.ubc.ca/lisatam/2013/03/22/melbournes-car-parking-levy-effective-on-reducing-congestion/>



- variable by area (e.g. higher in dense areas with the most traffic);
- variable by purpose (e.g. long versus short term parkers);
- variable by situation (e.g. degree of employer subsidy).

Providing this authority may require a change to the Ontario Municipal Act, 2001. It may also require the province to create a new tax class for properties with greater than a set number of parking spaces (20 is suggested) where parking is not the main property use.

In order to ensure the parking price is publicly acceptable and results in the desired mode shift, directing the revenues to sustainable transportation options as well as other municipal objectives is desirable.

Now is an opportune time to make these changes since the province is revisiting the Municipal Act. The province can collaborate with leading municipalities such as the City of Ottawa to deliver parking pricing options and support emissions reduction programs.

Appendix A

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
Parking Sales Tax					
Canada					
Metro Vancouver, BC	TransLink implements a parking sales tax in the Metro Vancouver area under the South Coast British Columbia Transportation Authority Act ¹³ . It applies to all revenues from the sale of parking rights for the hour, month, year, or any other basis. Taxable parking can be defined as a parking site, space or area, in which a motor vehicle may, for a price or other consideration, be parked for any period of time.	24%	Fund transit and roads	Residential parking spots, those that are for cars that do not run, and those for car rental companies ¹⁴ .	
USA					
San Francisco, CA	Occupant pays tax to the parking operator. Parking operator responsible for collecting and remitting the tax to the City.	25%	City's general revenue, public transportation, and senior citizen funds	City parking lots; hotel guests; parking at residential units; active-duty military service; vehicles stored for not less than 75 days.	Demand for parking went down in some locations and up in others, depending on how the tax was passed on to occupants.
Pittsburg, PA	Tax applies to all revenues from paid parking spaces in the city including valet parking. The	50%		Public streets; parking at residential units where the	Parking lots were redeveloped.

¹³ South Coast British Columbia Transportation Authority Act

¹⁴ https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/221_2010#section2

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
	majority is paid by the user however the operators are responsible for paying a portion of the tax.			owners reside at the same address; hotels; apartment hotels; tourist courts or trailer parks.	\$9.8M (in 2017) to the City.
Miami, FL	Parking operator is responsible for the collection and transmittal of the tax to the City. The tax is applicable to all parking facilities, public or private, where there is a charge, fee or exchange for parking including valet services, events and parking validations.				Miami Downtown Development Authority found no decline in business activity or increase in vacancies due to this tax ¹⁵ . Commercial parking operators indicated a negative impact on operating income except in the wealthiest business districts due to the high supply of parking downtown.
Hartford, CN	State-mandated sales tax on parking services, including self-service metered parking facilities. This sales tax will be collected by the Town and remitted to the State as a 10 cents/hr adder to parking rates.	6.35% This totals \$125/space/year, or 25 cents/	The State receives the funds.		Incentivizes the better use of urban space and discourages excessive car travel.

¹⁵ Berk & Associates (2002), Seattle Parking Tax Analysis, City of Seattle (www.seattle.gov/transportation/parking/parkingtax.htm).

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
	The Hartford ordinance establishes a sliding scale of fees for parking lots and structures based on the number of parking spaces ¹⁶ . The fee starts in 2022 and will be phased in.	day/ space			
Los Angeles, CA	Cost of tax passed on to consumers in high demand areas by not in low demand areas. Los Angeles Municipal Code requires all auto park operators of private spaces to post a bond to ensure payment of parking taxes.				Important source of revenue for the City. Could have an impact on businesses not in a high traffic area and/or attract high income spenders.
SeaTac, Bainbridge Island, Bremerton, Mukilteo, and Tukwila, WA	Tax applies to all businesses that own, lease, operate, or manage a commercial parking lot in which fees are charged, whether covered or uncovered, with stalls for the purpose of parking motor vehicles. Tax may either be on the commercial parking business gross proceeds, on the number of stalls, or on the customer (similar to an admissions tax).	30% of gross revenue	General transport purposes, capital and operating costs.	Carpools, vehicles with handicapped decals, and government vehicles	

¹⁶ [The Hartford ordinance](#)

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
Baltimore, MD	Paid by the user of a parking lot or a garage	20%			Employers have been offering employees the option to “cash out” of their existing parking space to avoid the tax.
Cleveland, OH	Tax applied to the patron of any parking space in lots of 10 spaces or more, in which a single motor vehicle may be parked, housed, stored, or kept at any time, regardless of if that space is designated or designed for such use.	8%	School recreation programs; City capital/ operational costs and deficits.		
Detroit, MI		27% at the airport	City operational and capital budgets		
New York, NY	Tax applies to the services of parking, garaging and storing of motor vehicles within New York City (rates vary by district)	4% state, 6% City, 3/8% district 8% Manhattan	Rebates to install EV charging stations.	Vehicles that are: - Individually owned by the operator Registered to the owner's primary residence in Manhattan - Parked in a long-term rented space for a month or more, and	In Joseph, a civil rights class action suit commenced in 2009, the plaintiffs were commuters who parked in the city. They asserted that the residential exemption was discriminatory.

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
				- Driven for personal use only.	
Oakland, CA	Applies to all parking venues operated by the Port of Oakland, including the marina where boats are docked. Parking lot operators are responsible for collecting and remitting this tax. They can absorb or pass on the cost.	18.5%			Drivers may circle more in search of free or underpriced curb parking.
Per Space Levy					
Canada					
Montreal, QC	A levy on downtown parking spaces applies to two zones of taxation. Parking lots in the central business district are taxed at a higher rate. Exterior surface parking is billed at a higher rate than indoor parking ¹⁷ .	\$5 - \$47 /m2/yr based on location and indoor/outdoor lot ¹⁸	Improving public transit	Bus parking	Promotes residential development on parking lots ¹⁹ . Downtown businesses fear competition from suburban malls.
South Coast BC	TransLink implemented a Parking Site Tax in 1999 across all 21 municipalities in which they operate. Applies to all classifications of land ²⁰ .	\$1.43/yr/ m2 or \$45/space ²¹	Funds transit through TransLink	Lowest tax rate for non-profits, recreational, residential, and farm use classes.	

¹⁷ <http://spacing.ca/montreal/2010/01/17/the-parking-lot-tax/>

¹⁸ <http://ville.montreal.qc.ca/sel/sypre-consultation/afficherpdf?idDoc=31880&typeDoc=1>

¹⁹ <https://globalnews.ca/news/385451/taxes-on-montreal-parking-lots-have-doubled/>

²⁰ https://www.translink.ca/-/media/translink/documents/about-translink/governance-and-board/bylaws/bylaw_137_2021.pdf

²¹ https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/98030_01

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
Toronto	Levy is permitted under the <i>City of Toronto Act</i> . Is levied against the owner of the parking space.				Concern is higher cost of goods or rent or an incentive for companies to relocate to the suburbs ²²
Australia					
Sydney	Implemented through <i>Parking Space Levy Act 2009</i> (NSW). The levy applies to all privately owned, non-residential, off-street parking.	\$2500/ yr/ space downtown, \$900/yr/ space in other areas	Transport capital costs	It is prorated for parking facilities that are only used occasionally, such as church parking lots.	Reduces traffic congestion by discouraging car use in key business districts.
Perth	Implemented in 1999 through <i>Perth Parking Management Act 1999</i> (WA). Applies to any area that is covered by a parking bay license, including all non-residential off-street parking areas within the Perth Parking Management Area. Includes parking lots that are not marked out.	\$169/ yr/ spacer short-stay \$195/ yr/ space commuter	Raises \$9 million/yr for transportation projects	Businesses with five parking stalls or less are exempted. Owners only pay for the number of parking spaces that are actually in use.	Approximately 10% of spaces were removed in the first year. Some businesses decommissioned spaces to meet the <5 stalls exemption, and some long-stay parking was

²² https://cdn.ymaws.com/www.bomatoronto.org/resource/resmgr/news/Parking_Levy_Report_Press_Re.pdf

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
					<p>converted to short-stay²³.</p> <p>There was a 98% compliance rate the first year due to extensive consultation</p>
Melbourne	<p>Implemented 2006 under the <i>Congestion Levy Act 2005</i> (Vic). Applies to any off-street parking space that is within Category 1 or 2 and is used or set aside for parking a motor vehicle. The levy covers: municipal, commercial, private, and non-residential parking. A sign or temporary barrier around a space does not result in an exemption.</p>	<p>\$980 - \$1,380/s pace</p> <p>Special rate for long-term parking</p>			<p>Was moderately successful at shifting long-term to short-term parking and reducing traffic²⁴</p> <p>Had a modest effect on increasing public transit trips possibly because owners of lots paid the levy rather than passing it on to parkers²⁵. In some cases, the levy was passed on unequally to parkers, resulting in a skewing</p>

²³ https://www.vtpi.org/parking_tax.pdf

²⁴ <https://blogs.ubc.ca/lisatam/2013/03/22/melbournes-car-parking-levy-effective-on-reducing-congestion/>

²⁵ https://www.australasiantransportresearchforum.org.au/sites/default/files/2009_Hamer_Currie_Young.pdf

Location	Implementation Method	Levy/ Tax rate	Use of Revenues	Exemptions	Impact
					of the intended impact.
Europe					
Ireland	<p>Since 2008, a levy applies where an employee has an entitlement to use a parking space in a designated urban area and the space is provided directly or indirectly by his or her employer²⁶.</p> <p>The employer must deduct the levy from employees' remuneration.</p>	€200/ yr/ space		For part-time workers and those on parental leave, a reduction in the levy, up to a maximum of 50%.	

²⁶ <https://www.thejournal.ie/parking-levy-department-of-finance-budget-public-service-opw-427408-Apr2012/>