

A Taxing Trend



2010 is quickly shaping up to be the year of the parking tax in cities across Canada. Most notably, Montreal and Vancouver have imposed significant new taxes on parking owners and operators.

In the case of Montreal, the City has imposed new taxes ranging from \$19.80 per square meter for a surface lot in the central business district to \$4.95 per square meter for an indoor lot farther out. The new tax is expected to raise \$20 million dollars a year, which will be used to support local transit.

Similarly, the City of Vancouver has also imposed additional taxes on parking to support transit. In that city, the Parking Sales Tax (PST) is being increased from 5% to 12%. However, the tax itself is taxable, so the real compounded hit to parking owners and operators is over 15%.

It is understandable that cities would want to promote transit. There are numerous social and political advantages to getting people out of their cars and off city streets and into trains, buses, and subways. However, all too often, elected officials and other municipal decision-makers decide to impose taxes or rules and regulations without considering all of the possible repercussions.

Unintended Consequences

Of course one of the most serious potential pitfalls is the potential to hurt local businesses. In fact, that's the concern of many business owners in Montreal and Vancouver today.

"This increase is too large for operators to absorb, and they are going to have to pass them along to parkers," according to Gerry Girard, General Manager of Vinci Park in Montreal. "What will happen to businesses in downtown Montreal when their customers decide to go elsewhere, rather than paying so much more for parking?"

This is a common concern among business owners when municipalities impose taxes and fees on parking resources, particularly in business districts.

"The tax inequitably targets downtown business" said Julian Jones, Senior Vice President at Impark in Vancouver. "A 15% increase is certainly more than the market can bear; it will have a clear impact on the decisions of patrons of those downtown stores, restaurants and arts venues that directly compete with those located in suburban areas."

Frankly, this is a common challenge for cities: how do you balance the need for revenues with the mission of supporting local businesses. Businesses always benefit from inexpensive, ample parking because it makes it easier for customers and employees to get to work or go shopping. But it's not always financially feasible—or sensible—for cities and towns to permit free parking in downtown areas. In addition to being an important source of revenue, downtown parking is a powerful planning tool that can help manage traffic flow and congestion, and when done strategically and creatively, promote the health of a downtown business district. But when parking planning isn't done strategically, such as imposing taxes without carefully considering all of potential implications, the results can be disastrous for local businesses.

"The City didn't use a parking planner to help make this decision," said Girard. "They just decided to implement a tax and slapped a number on it."

Cities that don't treat new parking rules or taxes as part of a larger planning effort may be flirting with disaster. Parking planning is a vital element of a municipal plan, and mistakes can be costly for the City, its businesses, and residents.

Strategic Parking Planning

So, how can cities determine whether a policy change or the implementation of a new parking tax makes sense? The answer is to closely study the unique characteristics of the areas that will be impacted, and to determine how the change will impact the city's overall municipal plan.

"The tax inequitably targets downtown business" said Julian Jones, Senior Vice President at Impark in Vancouver.

The first step is to survey stakeholders to determine how they see the tax or policy change impacting them. Through research, planners can invite input from all of the key constituencies, including visitors, residents, employees of local businesses, and people associated with local institutions. The best way to conduct this research is by developing a written survey asking questions about parking behavior, as well as perceptions of current parking resources and rates. Surveys can be distributed through the mail or in person through on-street interviews.

The answers to these queries can provide valuable insight into how people would react to the new tax or policy, and whether the proposed changes will impact their parking behavior. If it seems clear that the changes will affect drivers' behavior, the data that's collected can also help planners judge how significant the impact will or won't be on local businesses. The survey can also help determine whether new taxes will achieve their desired purpose.

It is equally important to collect data from other cities of similar size and demographics that have already gone through a similar process. Planners can gain invaluable understanding of how policy and tax changes will impact

their cities by studying the experience of similar cities. Only after compiling and studying all of the data, should planning decisions be made.

It is commendable that municipal planners want to promote the development and use of mass transit, and on a basic level, it's understandable that they would look to parking to help finance it. In addition to raising revenues that can be used for transit services, raising the cost of parking through these taxes could encourage people to commute by train or bus, rather than driving themselves.

However, when these decisions aren't approached strategically, they can undermine local businesses or even driving them out of the city and into suburban areas. That's why city planners shouldn't make decisions about whether to impose new parking taxes or change important parking regulations until they have compiled and studied all of the relevant data about their own communities and other comparable communities. These types of changes often have far-reaching consequences that extend well beyond what planners had originally intended, and city planners should proceed with care when considering them. ■

"This increase is too large for operators to absorb, and they are going to have to pass them along to parkers," according to Gerry Girard, General Manager of Vinci Park

