

# Parking Master Plan

Appendix B  
Financial Assessment

## Historical Financial Performance

The historical revenues and expenditures of Whitby’s parking operations between 2013 and 2017 are illustrated in Error! Reference source not found.1.

### Exhibit B- 1: Historical Revenues and Expenditures

2013 2017 Financial Summary				
Year	Total Revenue	Total Expenditure	Surplus/Deficit	Revenue/Expense Ratio
2013	\$931,734.47	\$835,698.42	\$96,036.05	1.11
2014	\$917,416.16	\$804,149.81	\$113,266.35	1.14
2015	\$990,695.50	\$835,319.43	\$155,376.07	1.19
2016	\$1,053,027.71	\$875,214.90	\$177,812.81	1.20
2017	\$1,388,029.46	\$1,011,650.54	\$376,378.92	1.37
<b>Total</b>	<b>\$5,280,903.30</b>	<b>\$4,362,033.10</b>	<b>\$918,870.20</b>	<b>1.21</b>

\*Note: Expenses presented in Error! Reference source not found.**B-1** do not include capital costs. Capital costs are accounted in the parking price optimization.

Based on Error! Reference source not found.**B-1**, the following is observed:

- Annual revenues and expenditures were both observed to increase between 2013 and 2017. Revenues increased at a faster rate than expenses as indicated by the increasing revenue/expense ratio;
- The revenue/expense ratio varies between 1.11 (2013) and 1.37 (2017). In other words, parking revenues annually exceeded expenses between 2013 and 2017. Whitby’s historical parking operations are therefore considered to be financially sustainable; and
- Parking operations has experienced a net surplus of approximately \$920,000 and a revenue/expense ratio of 1.21 over the 5 year period. In other words, for every dollar spent, \$1.21 is recovered through revenue.

As of February 2020, the Town’s reserve fund balance is at **\$2,321,211.07**. The parking reserve is used to fund parking operations and parking related capital projects.

The parking reserve fund is also used to maintain and operate Municipal Lot 8 (Marina), however, the parking revenues generated by Lot 8 are currently not placed back into the reserve fund. Whitby is recommended to address this inconsistency by placing the collected revenue into the reserve fund.

## Parking Price Optimization

In order to test the financial sustainability of the existing prices as well as explore other possible price plans, there were 9 scenarios evaluated, which are summarized in Error! Reference source not found.**B-2**.

Given that it may not be possible to construct a parking structure in the near future, and the significant capital cost associated with such a development, parking prices were assessed with and without the associated capital cost. The first scenario represents the Do Nothing scenario, scenarios 2-5 were developed assuming the parking structure is not constructed, and scenarios 6-9 assume the parking structure is constructed.

**Exhibit B- 2: Evaluated Parking Price Plans**

Scenario	Hourly (On Street)	Hourly (Off Street)	Monthly
1	No change	No change	No change
2	\$0.25 increase every 5 years (except 2023 and 2028)	\$0.25 increase every 5 years	Proportional increase based on hourly increase
3	\$0.25 increase every 5 years (except 2023)	\$0.25 increase every 5 years (except \$0.50 in 2023)	Proportional increase based on hourly increase
4	\$0.25 increase every 5 years	\$0.25 increase every 5 years	Proportional increase based on hourly increase
5	\$0.50 increase every 5 years (except 2023)	\$0.50 increase every 5 years	Proportional increase based on hourly increase
6	\$0.75 increase every 5 years (except \$0.25 in 2023)	\$0.75 increase every 5 years	Proportional increase based on hourly increase
7	\$1.00 increase every 5 years (except \$0.50 in 2023)	\$1.00 increase every 5 years	Proportional increase based on hourly increase
8	\$1.25 increase every 5 years (except \$0.75 in 2023)	\$1.25 increase every 5 years	Proportional increase based on hourly increase
9	\$1.50 increase every 5 years (except \$1.00 in 2023)	\$1.50 increase every 5 years	Proportional increase based on hourly increase

Note: All parking rate increases are considered in present day dollars.

The costs and/or revenues associated with the following factors were included in the parking price optimization:

- Parking enforcement;

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- Parking revenue counting and collecting;
- Parking fleet maintenance;
- Parking lot maintenance;
- Capital costs;
- Asset management; and
- Development charges.

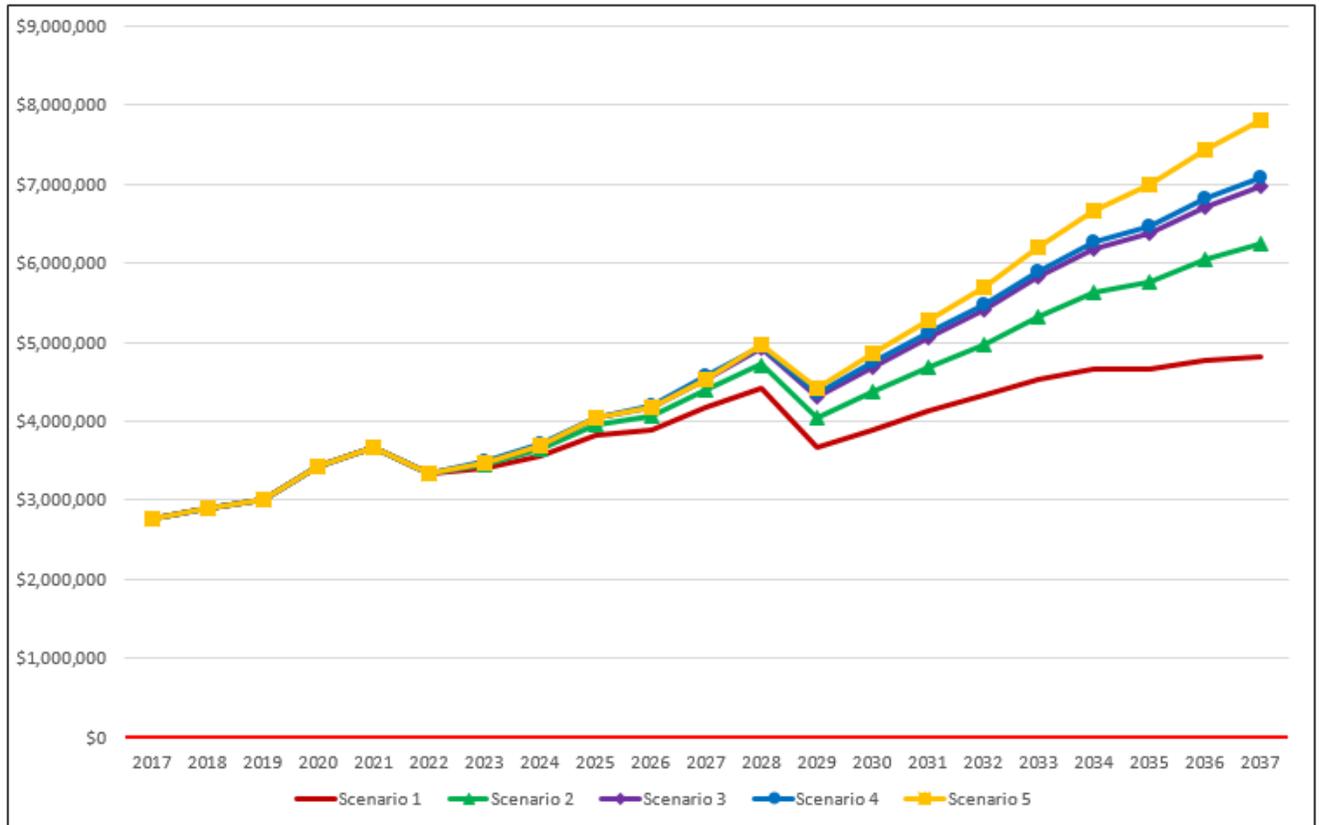
Through discussions with Whitby staff, the costs related to the following expenses were assumed to grow by 2% annually: enforcement, counting and collecting, fleet maintenance, and maintenance. Additionally, Whitby provided a 20 year projection for capital costs, asset management, and development charges.

An increase in the price of parking will result in a decrease in the demand for parking. According to Canadian Parking Association, the price elasticity of parking demand is generally in the order of -0.37. In other words, a 1% increase in the price of parking would result in a 0.37% decrease in the demand for parking. With the developed price plans and the price/demand elasticity, parking revenues can be projected for each scenario.

### **Financial Projections (Parking Structure Excluded)**

The projected reserve fund balance associated with the Do Nothing scenario and scenarios 2-5 are displayed in Error! Reference source not found.**B-3**.

**Exhibit B- 3: Reserve Fund Projections (Scenarios 1-5)**



All of the five scenarios (with no parking structure) are anticipated to result in an annually increasing reserve fund balance and therefore sustainable financial operations. The estimated reserve fund balance in 2037 is:

Scenario 1: + \$4,810,000;

Scenario 2: + \$6,250,000;

Scenario 3: + \$6,970,000;

Scenario 4: + \$7,090,000; and

Scenario 5: + \$7,800,000.

While the parking price increase will result in increased revenues, it is also anticipated to manage parking demand. Considering the price plan scenarios and the parking demand / price elasticity (-0.37), parking demand is anticipated to be impacted as displayed in Error! Reference source not found. **B-4.**

**Exhibit B- 4: Anticipated Parking Demand Changes (Scenarios 1-5)**

Scenario	Hourly (On Street)	Hourly (Off Street)	Monthly
1	6.2%	6.2%	6.2%
2	-0.4%	-16.3%	-0.4%
3	-5.6%	-23.1%	-5.6%
4	-10.0%	-16.3%	-10.0%
5	-15.5%	-31.2%	-15.5%

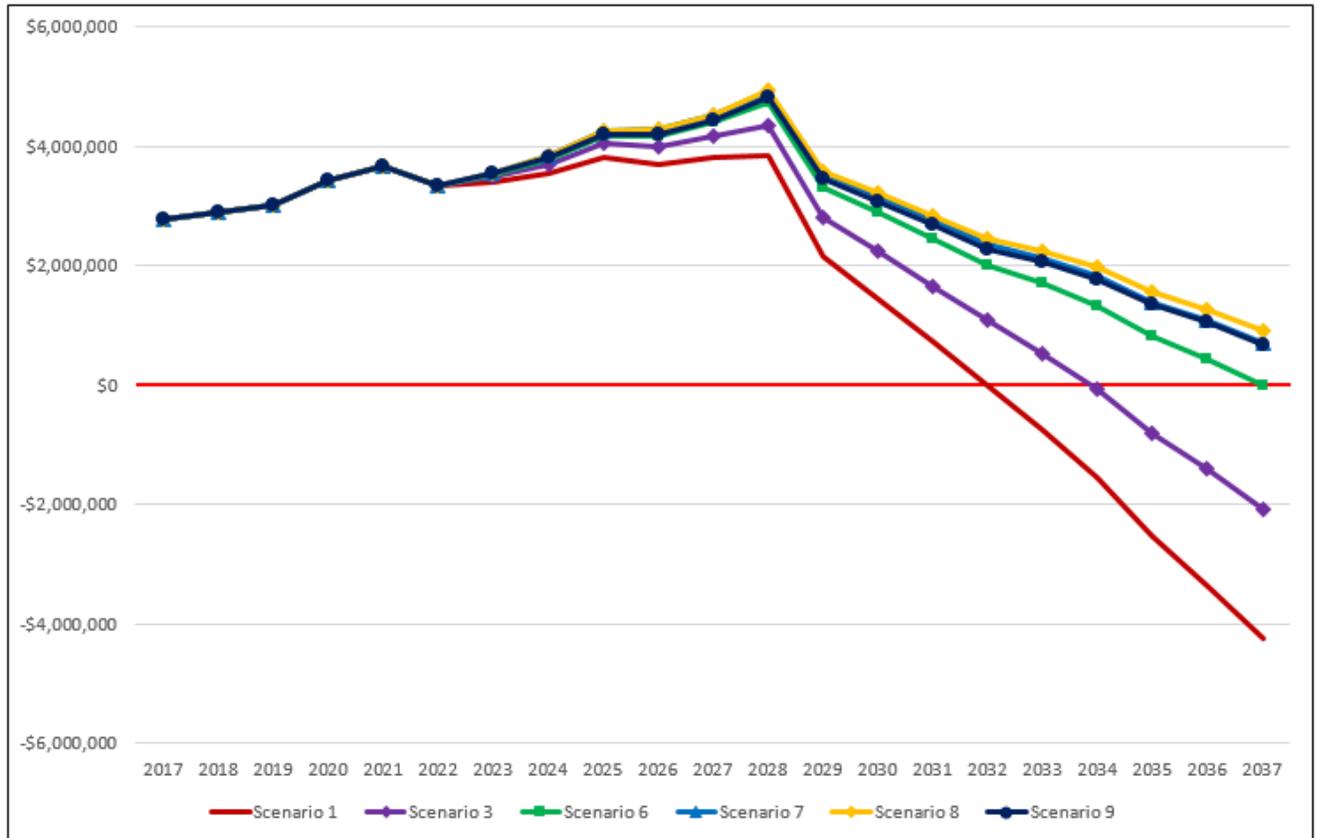
The Scenario 3 price plan is intended to match on- and off-street hourly rates when prices are first increased in 2023 by increasing the off-street hourly price by \$0.50. After consistency is achieved, the hourly parking rates are increased every 5 years by \$0.25. Daily parking and permit price increases are recommended to be proportionally increased based on the on-street hourly price increase.

**Financial Projections (Parking Structure Included)**

As provided by the Town of Whitby, \$2,000,000 is included in the budget in 2025 and \$8,000,000 in 2028 to fund a parking structure. Town staff indicated a 20 year payment plan with a 7% interest rate was a reasonable assumption when assessing the parking structure.

The projected reserve fund balance associated with the Do Nothing scenario, scenario 3, and scenarios 6-9 are displayed in Error! Reference source not found. **B-5**. For comparison purposes, scenario 3 (recommended when excluding the parking structure) was also included.

**Exhibit B- 5: Reserve Fund Projections (Scenarios 1, 3, and 6-9)**



While no loan is projected by 2037 for scenarios 7-9 (as illustrated by the positive 2037 reserve fund balance), all of the five scenarios are anticipated to result in an annually decreasing reserve fund balance. Therefore, a loan is anticipated to be required shortly after the 2037 horizon year regardless of the adopted price plan. The estimated 2037 reserve fund balance is:

- Scenario 1: - \$4,250,000;
- Scenario 3: - \$2,090,000;
- Scenario 6: - \$20,000;
- Scenario 7: + \$690,000;
- Scenario 8: + \$920,000; and
- Scenario 9: + \$670,000.

Note that Scenario 9, which includes the largest parking price increases, is projected to result in a smaller 2037 reserve fund balance than scenarios 7 and 8. This indicates that parking demand has decreased to a point where further price increases are projected to result in less overall revenue. Considering the price plan scenarios and the parking demand / rate elasticity (-0.37), parking demand is anticipated to be impacted as displayed in Error! Reference source not found..

**Exhibit B- 6: Anticipated Parking Demand Changes (Scenarios 6-9)**

Scenario	Hourly (On Street)	Hourly (Off Street)	Monthly
6	-25.5%	-42.6%	-25.5%
7	-33.5%	-52.2%	-33.5%
8	-40.3%	-60.7%	-40.3%
9	-46.4%	-68.3%	-46.4%

As displayed in Error! Reference source not found., scenarios 6-9 all result in significant parking demand reductions. The displayed reductions do not account for parking demand changes due to population growth and personal vehicle mode split reduction.

When including the parking structure, adoption of Scenario 3 as the long term parking price plan is still recommended. While the reserve fund is anticipated to be exhausted by 2034, the parking price increases are not as excessive as those of Scenarios 6-9. Once the 20 year parking structure payment period as passed, the Whitby parking system is anticipated to generate a surplus and the loan can be paid (as illustrated by the parking price optimization when excluding the garage). In other words, long term financial sustainability is projected.

## Cash-in-Lieu of Parking

The provision of funds necessary to operate, maintain, and improve the existing parking system is always a key challenge faced by municipalities. Currently, Whitby funds their parking operations and maintenance through the revenue collected from paid parking, leased parking, and enforcement violations. Whitby’s parking operations have historically been financially sustainable. In other words, revenues exceed expenses, with the excess revenue placed in a parking reserve fund saved for future parking related improvements.

Cash-in-lieu of parking allows developers to contribute funds to a reserve as an alternative to providing the minimum number of parking spaces required by the Zoning By-law. The collected funds are placed in the parking reserve fund, which are normally used for the acquisition, improvement, and construction of municipally owned parking facilities.

Cash-in-lieu of parking is used by many Canadian municipalities as a mechanism to address parking supply management. It can also be used to:

- Facilitate redevelopment where providing parking on-site is either too costly or difficult due to site configuration or condition (i.e. heritage);
- Encourage shared or short-term parking strategies, discourage vehicle use, and encourage and potentially fund transit;

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- Intensify and re-urbanize Downtown cores (especially former surface lots); and
- Assure property owners that sufficient parking opportunities will be available.

Cash-in-lieu of parking policies generally focus on a specific geographic area, often a Downtown or area that the municipality has targeted for intensification or redevelopment.

The construction of municipal parking through cash-in-lieu funds allows a municipality to own parking Downtown, and therefore control the parking supply and pricing, while supporting desired land uses. Cash-in-lieu is most commonly used for office developments, but is also seen in some municipalities for retail and residential buildings. Municipalities may build additional parking in order to encourage a mix of uses in the Downtown core and support economic development policies.

In the past, the Town of Whitby accepted cash-in lieu of parking, but this has been infrequent with no formal rate. Through a 2016 jurisdictional review, the Town noted the Mississauga model, which applies a 50% cost of the price of a parking space for new buildings. The Town estimated that as of 2016, the cost of a surface parking space was \$7,500 and the cost of an above-ground or underground space ranges from \$35,000 to \$45,000 per space. Whitby adopted an interim cash-in-lieu of parking rate of \$3,250 - \$3,750 per space until a formal cash-in-lieu policy is developed.

Through consultation with other similar sized municipalities, the cash-in-lieu rates were gathered and compared, Error! Reference source not found. summarizes the results.

### Exhibit B- 7: Cash-in-lieu of Parking Rate Comparison

Municipality	Rate per Space	Notes
Burlington	-	No current cash-in-lieu of parking policy
Oakville	-	Variable depending on case-by-case assessment. A range is not provided, the exact amount is determined through coordination with Oakville staff.
Oshawa	-	No current cash-in-lieu of parking policy
Richmond Hill	Variable	The rate for a given development is equal to 50% of the cost of providing parking on-site
Mississauga	Variable	The rate for a given development is equal to 50% of the cost of providing parking on-site
Cambridge	\$10,000.00	-

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Municipality	Rate per Space	Notes
Barrie	\$5,075.00	\$5,075 per surface space in zone C1 (City Centre) or \$15,225 elsewhere
St. Catharines	-	No current cash-in-lieu of parking policy
Kingston	\$1,904.70	-
Guelph	-	No current cash-in-lieu of parking policy
Waterloo	-	No current cash-in-lieu of parking policy
<b>Whitby</b>	<b>\$3,750.00</b>	<b>Interim rate until a formal rate is developed as part of this study.</b>
<b>Average</b>	<b>\$5,182.43</b>	-

As presented in Error! Reference source not found., approximately half of the consulted municipalities do not have a cash-in-lieu of parking policy. When assessing the rates of municipalities that have a policy, the cash-in-lieu rates range between \$2,000 and \$10,000 with an average rate of approximately \$5,182.43.

As mentioned above, many larger municipalities use a cash-in-lieu rate that represents approximately 50% of the costs to provide municipal parking, either in structures or surface lots. The rationale for this is due to the shared use nature of municipal parking, where a single space is able to serve the parking needs of various land uses.

Based on the review's results, Whitby's interim cash-in-lieu rate is slightly lower than the average cost in similar sized municipalities. The current rate is more in line with the costs for the municipality to provide surface parking. Given that structured parking supply expansion is anticipated to be necessary to accommodate future demand, there is an argument that an appropriate cash-in-lieu rate could be as high as \$17,500 to \$22,500 per space (assuming a 50% contribution).

Given the above discussion, it is recommended to increase the current cash-in-lieu of parking rate to \$10,000 per space. However, it is proposed that the increase be phased at 5% increase per year from a rate of \$5,000 until the \$10,000 per space is achieved. The \$10,000 per space recommendation represents a balance between surface and structured parking costs.

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A formula based approach, similar to Richmond Hill, where the cash-in-lieu of parking rate for any given development can be determined by the following formula could be considered:

$$CL = ((LV \times GFA) + CC) \times 50\%$$

Where:

- CL = cash-in-lieu of parking rate for a given development (\$/parking space);
- LV = land value for the given development (\$/m<sup>2</sup>);
- GFA = gross floor area per parking space according to Whitby zoning by-law specifications (m<sup>2</sup>/parking space). The parking aisle area required to service each parking space should also be included in this estimate; and
- CC = construction cost per parking space (\$/parking space).

The formula approach is anticipated to result in a more accurate reflection of the costs Whitby would incur to make up for the parking deficiency. However, it would also require higher staffing costs as the cash-in-lieu of parking rate will need to be calculated for each individual application.

The decision to accept cash-in-lieu of parking should remain fully at the discretion of the Whitby Town Council rather than an automatic right. This strategy will allow the Town to ensure that if cash-in-lieu of parking payment is accepted, the excess parking demand generated by the proposed development can be accommodate by the municipal parking system.