TORONTO PARKING AUTHORITY PRIVATIZATION

A Review of the Proposed Privatization of the TPA

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Privatizing the Toronto Parking Authority – what does it mean for the city?

The Toronto Parking Authority provides an affordable public service to those looking to park in various parts of the city. Additionally, it provides the city of Toronto with tens of millions of dollars in income through parking fees, taxes and rental payments every year.

Adding up Toronto's portion of revenue (75% of TPA revenue) through parking fees, taxes, and rent from the TPA between 2010 and 2015, the most recent year of data, shows that the city took in over $476 million. This on-going and reasonably predictable income generator allows for long-term financial planning for the city. Additionally, it allows for those living in and visiting Toronto to park in convenient locations around the city at an affordable rate compared to private parking lots.

Should the city of Toronto move ahead with selling off and/or privatizing the Toronto Parking Authority, issues that are commonplace today would be amplified, namely a lack of affordability within the city, congestion and hinderances to small business.

TPA Revenue Chart

On the next page is a breakdown of TPA revenue, costs, and parking spaces from years 2010 to 2015, the most recent year of data:

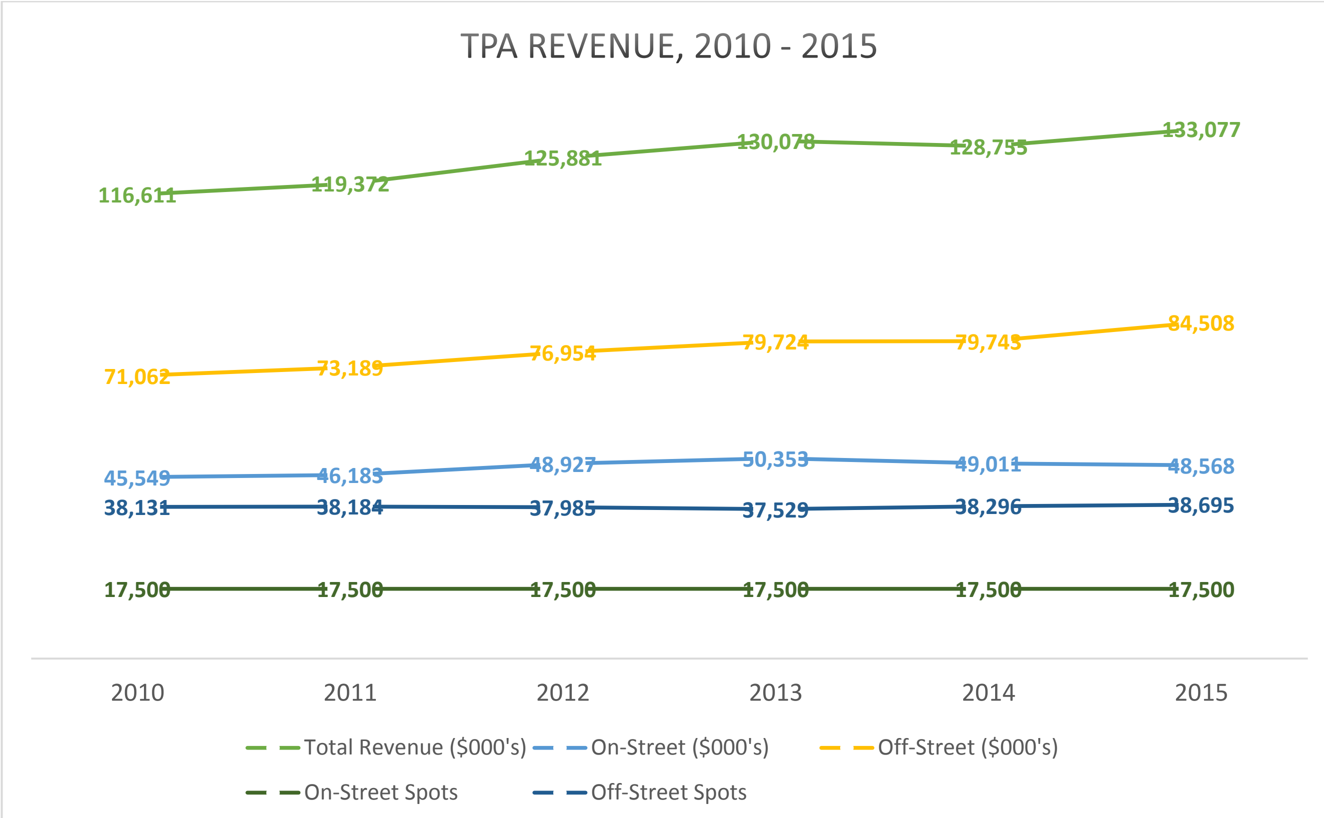
TPA Revenue Chart: Breakdown of TPA revenue, costs, and parking spaces from years 2010 to 2015, the most recent year of data.

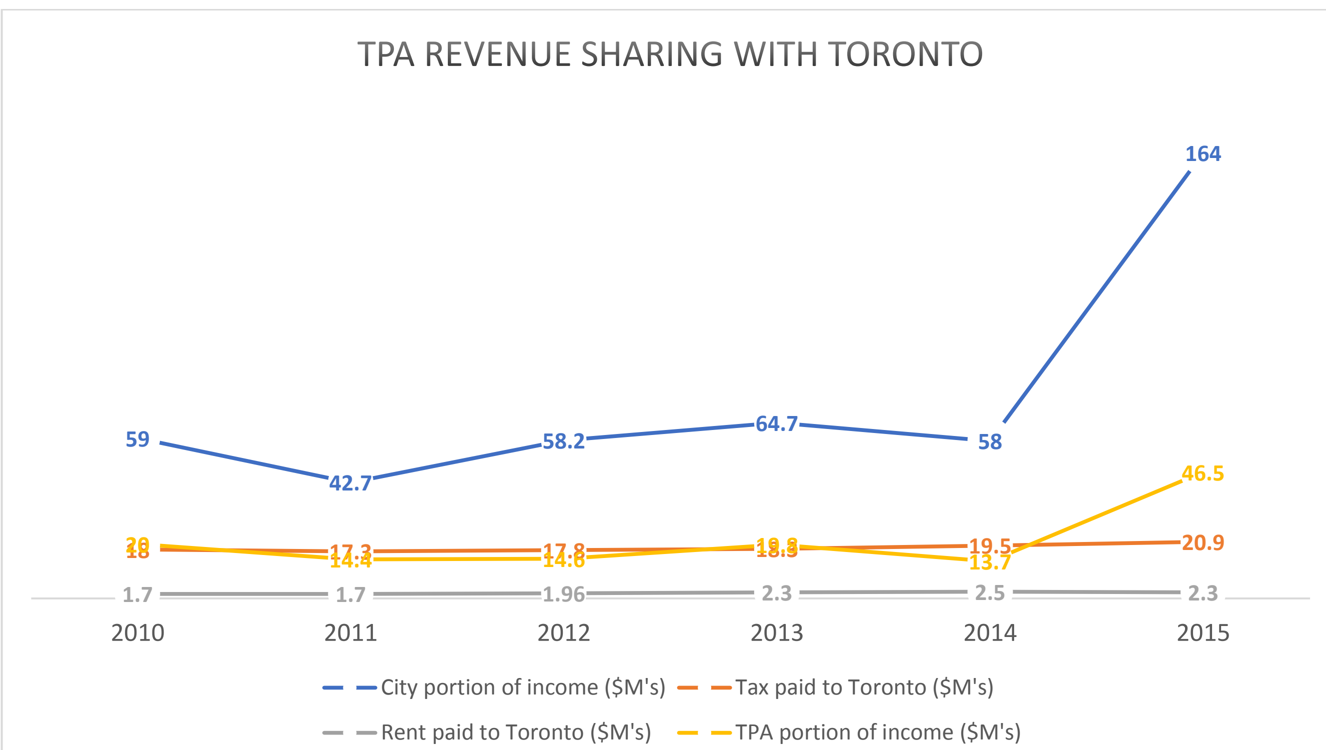
Year	Revenue	Change in Parking Revenue +/-	Net Income	City Portion of Income (75%)	TPA Portion of Income (25%)	Payroll & Benefits	Number of Parking Spots
2010	**On-Street:** $45,549,065 **Off-Street:** $71,062,473 **Total:** $116,611,538	+ $2.5M in revenue over 2009	**$79M***	**$59M** + $18M in Tax + $1.7M Rent	**$20M**	**+ $1M** **On-Street:** $2,323,120 **Off-Street:** $13,327,612 **Total:** $15,650,732	**On-Street:** 17,500 **Off-Street:** 38,131
2011	**On-Street:** $46,183,324 **Off-Street:** $73,189,030 **Total:** $119,372,811	+ $2.8M in revenue over 2010	**$57.1M**	**$42.7M** + $17.3M in Tax + $1.7M in Rent	**$14.4M**	**+ $0.6M** **On-Street:** $2,345,103 **Off-Street:** $13,810,700 **Total:** $16,164,803	**On-Street:** 17,500 **Off-Street:** 38,184
2012	**On-Street:** $48,927,111 **Off-Street:** $76,954,392 **Total:** $125,881,503	+ $6.5 M in revenue over 2011	**$58.2M**	**$43.6M** + $17.8M in Tax + $1.96M in Rent	**$14.6M**	**+ $1.2M**** **On-Street:** $2,394,524 **Off-Street:** $14,310,687 **Total:** $16,705,211	**On-Street:** 17,500 **Off-Street:** 37,985
2013	**On-Street:** $50,353,197 **Off-Street:** $79,724,847 **Total:** $130, 078,044	+ $4.2M in revenue over 2012	**$64.7M**	**$44.9M** + $18.3M in Tax + $2.3M in Rent	**$19.8M**	**Same** **On-Street:** $2,424,760 **Off-Street:** $14,289,057 **Total:** $16,713,817	**On-Street:** 17,500 **Off-Street:** 37,529
2014	**On-Street:** $49,011,989 **Off-Street:** $79,743,245 **Total:** $128,755,234	-$1.3M in revenue from 2013	**$58M**	**$44.3M** + $19.5M in Tax + $2.5M in Rent	**$13.7M**	**-$134,771** **On-Street:** $2,006,086 **Off-Street:** $14,089,834 **Total:** $16,528,949	**On-Street:** 17,500 **Off-Street:** 38,296
2015	**On-Street:** $48,568,659 **Off-Street:** $84,508,402 **Total:** $133,077,061	+ $4.3M in revenue over 2014	**$164M*****	**$117.5M** + 20.9M in Tax + $2.3M in Rent	**$46.5M**	**+ $1.6M** **On-Street:** $2,554,445 **Off-Street:** $14,539,991 **Total:** $17,094,326	**On-Street:** 17,500 **Off-Street:** 38,695

*An additional $26 million in revenue was generated due to the gains on air rights sales

**An increase of $1.6 million is partially attributed to $0.2 million in severance, $0.3 million in pension rate increases, and $0.15 million in increased sick leave.

***The $106M increase in Net Income between 2014 and 2015 is due to the sale of above grade strata title to air rights over land that the TPA owns.


TPA REVENUE, 2010 - 2015
116,611
119,372
125,881
130,078
128,755
133,077
71,062
73,189
76,954
79,724
79,743
84,508
45,549
46,183
48,927
50,353
49,011
48,568
38,131
38,184
37,985
37,529
38,296
38,695
17,500
17,500
17,500
17,500
17,500
17,500
2010
2011
2012
2013
2014
2015
Total Revenue ($000's)
On-Street ($000's)
Off-Street ($000's)
On-Street Spots
Off-Street Spots


TPA REVENUE SHARING WITH TORONTO
164
59
42.7
58.2
64.7
58
46.5
20
18
17.3
14.4
17.8
14.8
18.3
19.5
13.7
20.9
1.7
1.7
1.96
2.3
2.5
2.3
2010
2011
2012
2013
2014
2015
City portion of income ($M's)
Tax paid to Toronto ($M's)
Rent paid to Toronto ($M's)
TPA portion of income ($M's)

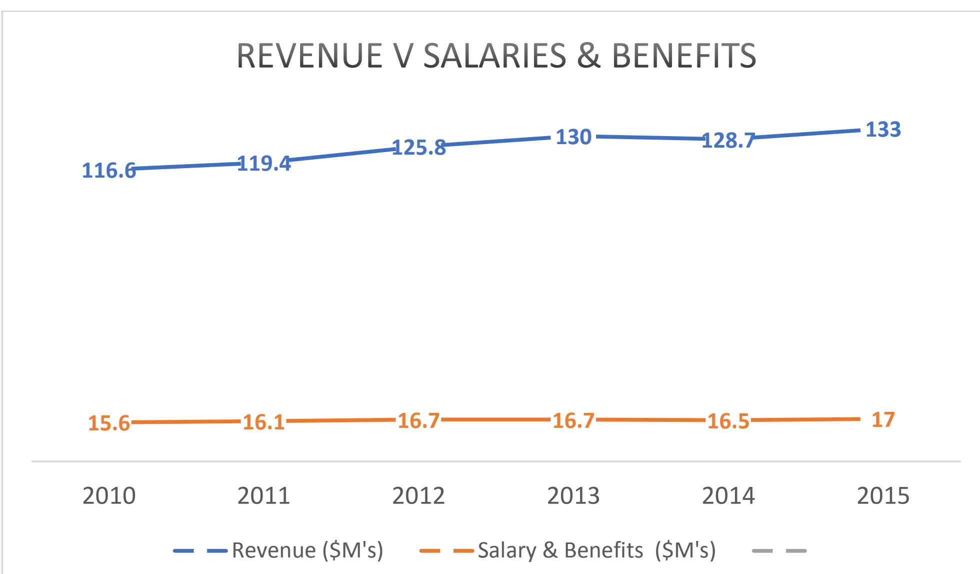
SELLING OR LEASING THE TPA: AN IDEA THAT SHOULD BE PARKED AWAY

Higher Parking Rates – a Lack of Affordability

A private TPA, or even be leased out through a profit-sharing agreement with the private service manager, would certainly see parking rates increase. A government-sanctioned monopoly on parking would create unaffordable parking rates given the lack of serious competition. Even with a shared venture between Toronto and a private operator in which both entities are looking to make an income will ensure parking fee increases to satisfy the needs of both parties. This is further amplified should Toronto be looking to keep the same level of income generation as the current model provides. Even if Toronto kept its current 75% stake in parking fees, plus taxes and rent, a private investor would be looking to make a good return on their investment as well as an ability to pay off the initial up-front fee the city would demand, which could be over $1 billion. This would result in much higher parking rates for those living in and visiting Toronto. As one of Canada's most expensive cities to live in, an increase in parking fees would only further hinder those trying to get by.

Job Losses

Privatizing the TPA would ensure the loss of jobs. This, despite the fact that increases to revenue outpace the increases in administration costs as the below chart demonstrates. The increase in revenue has not translated to an equal increase in salaries and benefits for the employees of the TPA. When comparing salaries and benefits to the correlating



year's revenue, it shows a drop from 13.3% of the overall cost compared to revenue in 2010 to 12.7% in 2015. This shows that despite the on-going success of the TPA's revenue stream, salaries and wages are taking up less of the overall cost. Conclusively, this shows that salaries, wages and employees are not an issue when it comes to the TPA's operating budget. Privatizing the TPA would simply result in unnecessary job losses effectively hindering a part of the organization that poses no issues.

Congestion

An alternative option to selling or TPA lots for private parking would be selling off lots for development. This would generate on-time payments in the millions and provide on-going property tax revenue, but would ultimately only further the traffic problem and hinder businesses that rely on parking to attract people. Moreover, the TPA already pays property tax to the city alongside the income generation that lots provide. The development of the lots would simply add more cars on the road due to more people moving to the area with less places to park. This will inevitably drive up parking rates across the city as more people compete for few parking spots. Additionally, less places to park means less people going to places where public transit is lacking.

The Transit Fallacy

Privatizing the TPA and/or selling off parking lots to pay for additional transit services will ultimately create more congestion. Funding from a sell-off or leasing of the TPA would not address the issue of out-of-towners who come into work and rely on GO Transit, a provincial operator, and that new transit within the city heavily relies on provincial and federal infrastructure funding to move forward. Privatizing the TPA would not fill the many billions of dollars needed for some of the proposed projects. For example, the proposed Scarborough subway station is slated to cost some $3.22 billion. Selling lots on the West end of the city to pay for a subway stop on the East end would simply create a new problem, expensive parking and further congestion, in order to solve another.

Skyrocketing housing prices have driven many people away from Toronto and into the suburbs and beyond. The lack of public transit from outside of Toronto into the city means many are still driving in. A lack of parking will only make congestion worse.

Transit project should be moving forward to better allow people to get around in an affordable and reliable manner, but privatizing the TPA to pay for said transit projects would not help get people moving within Toronto. All forms of transportation and their support networks should be moving ahead in conjunction with one another.

Hidden Costs

As demonstrated in the case studies further in this document, privatization has led to cities having to pay out more money to the private investors they did not intend to. Private investors want to ensure that their investments are secure, as such and as shown in Chicago and Indianapolis, should the city shut down a street for construction, an event, or must remove a parking meter or garage for any reason, they are charged for loss of revenue by the investors. Given Toronto's vibrate cultural landscape, the numerous events that take part in the city throughout the year that requires streets to be shut down, or the on-going construction to replace waterpipes, roads, and other infrastructure would all cost the city even more in order to ensure the investors are receiving their compensation. These added costs would quickly eat up any benefit that the city would receive for privatizing the TPA. In fact, in Chicago, hidden fees are on track to eat up the entire up-front payment the city received due to closures, construction, and the city building new parking garages in which they operate.

Bad for Business

Expensive parking means less money for people to spend on local businesses. Additionally, if Toronto wishes to continue to be a world leader in attracting businesses, affordable parking, access to transit, and dealing with congestion during peak hours are essential ingredients to bringing in new business. Privatizing and/or selling off the TPA and TPA lots would lead to more expensive parking, less parking options, and therefore, more congestion. Amazon's HQ2 RFP criteria lists access to transit and information on congestion during peak hours as criteria the company will be considering when choosing their new location (Amazon, 2017). Toronto should be working to better congestion, not exploring ideas which could hinder progress.

Privatizing Parking Meters and Lots

As demonstrated in the below examples, it has widely been accepted that privatization through leasing lots and meters is not in the best interest of the city. Chicago and Indianapolis are the only two examples of large cities who have privatized parking meters and lots. Both have costed the taxpayer hundreds of millions in lost revenue. Toronto should not follow the same path.

CASE STUDIES

Chicago

In 2006 and 2008, Chicago decided to contract out the rights to 4 parking garages and all 36,000 parking meters a private consortium under 99 and 75 year leases for a one-time, up-front payments of $563 million and $1.15 billion respectively in order to fill budget immediate gaps. The deal was that the consortium would manage the parking meters and garages for the designated time and be able to collect all revenues. This created a government-sanctioned private monopoly on parking within Chicago giving way to increased parking rates and lost revenue for the City. (Dumke & Fusco, 2016)

The results were less than desirable for the city and parking users; rates doubled to quadrupled overnight, parking meters overflowed with change due to a lack of infrastructure in place by the private consortium to properly manage the meters, residents were upset at the changes, and the city lost out on hundreds of millions of dollars in revenue. In fact, its projected that by just 2020 the original investment of $1.15 billion by the consortium will be paid leaving 60 years of profit to come. (Dumke & Fusco, 2016)

Additionally, clauses within the contract said the city had to pay for any lost meter revenue incurred. So when Chicago built new parking garages, they were charged some $61 million by the consortium for the projected lost revenue due to the new garages. Further, if any meters were taken out of service for any reason, such as construction, public events, or free handicapped parking, the City was billed. In 2012 alone, the consortium billed the City some $48 million for this reason. With this track record, over 75 years the consortium could recoup all of their $1.15 billion investment funds through out-of-service meters fees alone. (Dumke & Fusco, 2016)

In 2015, revenue generated by the private parking meters topped $156 million with none going to the City of Chicago. (Dumke & Fusco, 2016)

"In many cases, Donahue said, privatization and contracting save governments money not through increased efficiency but by undercutting public-sector wages and pensions or, as in the case of the parking meters, by effectively robbing the future to pay for the needs of the present. (By mid-2011, the city had spent all but $125 million of the $1.2 billion parking-meter payment.)" (Ball, 2014)

New York City

New York was exploring the idea of privatizing its 85,000 parking meters in 2012 but has since decided not to move forward with the initiative after witnessing what has happened in Chicago. Ideas including having a private company operate the meters in exchange for a percentage of the revenue were scrapped in favour of keeping the meters public. This was determined to be the best option for the City which took in $149 million in revenue in 2011. Instead, the City is moving ahead with a modernization program. (New York Business Journal, 2013)

Los Angeles

In 2011, Los Angeles explored privatizing 6 parking garages in order to fill an immediate budget gap. The privatization of street parking was not recommended by staff. By 2013, the plans had been scrapped out of fear of parking rate increases and public backlash. (Willon, 2010) (Dawid, 2013)

Pittsburgh

In 2010, Pittsburgh explored privatizing their parking meters in a similar way that Chicago had. Ultimately, the City Council voted to kill the idea and keep the meters in public hands. (Nettler, 2012) (Dawid, 2013)

Indianapolis

At first, Indianapolis provided a positive example of privatizing city parking. The city privatized their 3,700 parking meters through a 50 year lease with revenue-sharing benefits for the city. The city was excepted to net between $300 and $600 million over the 50 year lease. Between 2011, when the meters were privatized, to 2013, revenues had jumped from $2.8 million to $6 million. Reasons for the increase include:

- 20% of the uptick is attributed to increase in parking rates
- 43% is attributed to better parking meter maintenance allowing for more meters to be in operation
- 23% is attributed to more predictable enforcement through use of data analytics leading to more legal parking
- 14% is attributed to new forms of payment, including pay-by-phone. (Tuohy, 2014)

As of 2016, revenues have dropped and hidden costs, such as having to reimburse the company for meters taken out of service due to construction or events, have left the City with a below than expected intake of revenue. At the current rate, the City will only net $158 million over the 50 year lease, far short of the estimated $300 million to $600 million just a few years ago. (Tuohy, 2016)

Cincinnati

In 2013, Cincinnati was looking at privatizing their parking to fill budget gaps and pay for city projects. The deal they were exploring would have seen an immediate up-front payment to the city for the amount of $85 million with $3 million in revenue per year afterwards for the duration of the 30 year lease. Since then the deal was killed and city parking remained in public hands. In hindsight, many who originally supported the idea are now glad it didn't go through:

"Even supporters of the original privatization plan told The Enquirer this month that killing it was the right choice. At the time, city leaders were worried about major deficits and potential layoffs; selling the city's parking system seemed like an easy solution." (Coolidge, 2017)

"It's best the city didn't sell it," said former City Councilman Cecil Thomas, who supported the parking deal at the time." (Coolidge, 2017)

"Thomas, D-North Avondale, was a councilman at the time and one of five members who supported privatizing the parking system. He remembers the fear that 300 city employees would be laid off. But today says "it's best the city didn't sell it." (Coolidge, 2017)

"When I look back if I had to do it all over again given what I know now is that I would not have done it," Thomas said. "It's not a good idea to generate revenue for a budget by sacrificing the future value of an asset." (Coolidge, 2017)

Fears of the City being short-changed, and increased parking rates led to the demise of the deal. Additionally, the city would have lost control over one of its biggest assets.

CONCLUSION

In conclusion, the only other major cities to privatize their parking, Chicago and Indianapolis, ended up with bad deals leading to lost revenue for the city, increased parking rates, and long-term financial burdens the tax-payers are ultimately pay for. Despite the best efforts, privatizing parking in the city of Toronto would lead to similar circumstances. Toronto should look to other means to raise funds for projects; privatizing the TPA and/or selling off lots would only cause financial harm to the city in the long-run, increase parking rates, and ultimately, leave the taxpayer on the hook for a loss of long-term, guaranteed revenue.

ADDITIONAL INFORMATION

2015 On-Street vs Off-Street Revenue

On-Street: $48,568,659/17,500 spots

$2,775.35 per spot per year, on average

Toronto City Portion = $2,081.51

TPA Portion = $693.83

OR

$7.60 per spot per day, on average

Toronto City Portion = $5.70

TPA Portion = $1.90

Off-Street: $73,683,585/38,695 spots

$1,904.21 per spot per year, on average

Toronto City Portion = $1,428.16

TPA Portion = $476.05

OR

$5.22 per spot per day, on average

Toronto City Portion = $3.92

TPA Portion = $1.31

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