Sustainable Funding Tools for Edmonton Transit Service

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Executive Summary

The immediate pressures of the COVID-19 pandemic have accelerated the need for new revenue sources for transit, a need that was already growing due to existing revenue challenges and planned transit growth that is required to meet the objectives of the City Plan.

The pandemic has had major impacts on transit agencies' operating budgets. The Federal and Provincial governments met this challenge by providing unprecedented levels of operating subsidy to transit, but the longevity of this funding is unknown. In addition to immediate operating funding challenges, the transit growth outlined in the ambitious new City Plan places ETS in a pivotal role, with a target of 50 percent of trips made by transit and active transportation for a future population of 2 million. Current challenges and future city-shaping opportunities have opened the door to new possibilities for transit funding, and indeed, on April 19th, 2021 Edmonton City Council passed the following motion:

> *That Administration provide a report to Committee with recommendations outlining a predictable, sustainable funding formula that sees incremental but impactful increases to the transit system going forward and an outline of current capacity for service growth.*

This report responds to this motion by presenting a collection of possible revenue tools for public transit in Edmonton. These revenue tools are analyzed, evaluated, and compared in order to provide the City with the information needed to make choices about which revenue options to pursue for further study. This report provides an initial qualitative assessment of the policy precedents, potential benefits, major considerations and applicability to Edmonton for each of these tools.

Of an initial twenty tools that were identified for study, ten were selected through a primary screening process based on precedence, applicability, and ability to assess. The other ten are addressed in the appendix to this report along with the rationale for why they did not proceed to a detailed assessment. The ten tools selected for study were evaluated against five project objectives: Travel Choices, Implementation, Equity, Alignment with City Objectives, and Revenue Potential. See the Methodology and Objectives sections below for a full discussion of this process.

No single municipal revenue source will be able to provide for all of transit's future operating and capital needs. A mix of tools will likely offer stronger performance and resiliency against unexpected changes in the City's financial outlook. An additional question that will need to be answered through further study is how several of these tools might work together in terms of administration, revenue generation, and impact on Edmontonians.

Introduction

This report seeks to provide City Council with information and a technical assessment exploring a diversified set of revenue sources that both works for Edmontonians and could provide the Edmonton Transit Service with flexible, resilient, and sustainable funding.

In April 2021, Council requested administration provide a report to Committee with recommendations outlining a predictable, sustainable funding formula that sees incremental but impactful increases to the transit system going forward and an outline of current capacity for service growth. Operating revenue sources currently available to the Edmonton Transit Service (ETS), which largely consist of passenger fares and an annual municipal subsidy, do not provide predictable and sustainable funding. Capital funding is primarily based on a project level (e.g. LRT expansion) or program level (e.g. state of good repair). The sudden and unexpected ridership and revenue drop resulting from the COVID-19 pandemic has compromised ETS's ability to rely on transit fares to offset operating costs to meet Council's revenue-cost ratio target of 40-45%. Even before the COVID-19 pandemic, ETS was seeing declining revenue vehicle hours per capita, a standard indicator of the amount of service provided compared to population growth. Meanwhile, the City Plan has set highly ambitious targets for transit growth as Edmonton grows to become a city of 2 million residents. New, sustainable revenue sources will be needed in order to address existing operating cost pressures and to meet the objectives laid out in the City Plan. Without new sources of revenue, the short-and long-term goals of transit growth in Edmonton are in jeopardy.

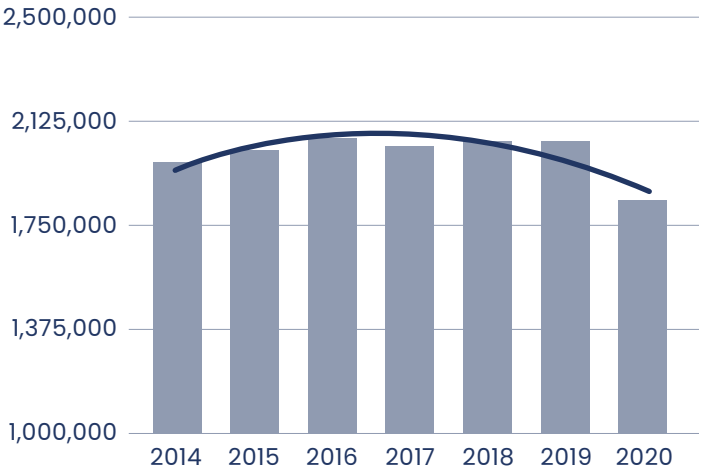
This report does not make recommendations as to exactly which revenue tools to pursue; this is not a decision that can be made at this point. Rather, it will support Council and Administration in making the decision as to which promising revenue tools should undergo further quantitative study, financial analysis, and modelling. To be clear, ETS's budgetary needs have little flexibility, so in any given year, as the economic, political, and social environment fluctuates, the most appropriate course of action may be to tap different revenue sources to different degrees in order to cover operating costs, provide for growth, and minimize the tax burden on Edmontonians.

Background

Existing revenue tools are not keeping up with growth.

Edmonton Transit Service relies primarily on property tax and transit fares to fund day-to-day transit operations. For many years, these two funding streams were reliable and provided certainty in terms of maintaining current service levels while accommodating small increases in operating costs. These two existing revenue tools have not allowed ETS to accommodate additional service hours to match growth across the city. Since 2014, ETS service has hovered at approximately 2 million revenue hours per year, while the revenue hours per capita has been trending downward, showing that service hours are not keeping up with population growth. For a portion of 2020, ETS provided a reduced level of service during the first stages of the pandemic, largely due to the reduction in ridership resulting from the initial introduction of public health measures, and in anticipation of workforce shortages. *Figure 1* below depicts Revenue Vehicle Hours/Year and Revenue Vehicle Hours per Capita/Year.

Figure 1: **Revenue Vehicle Hours/Year**



Revenue Vehicle Hours per Capita/Year

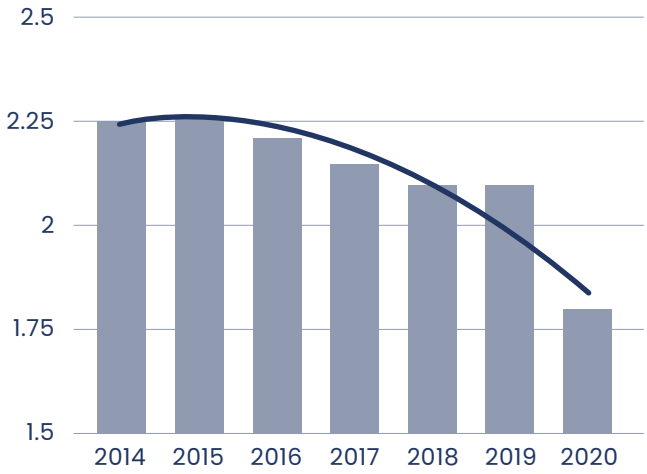


Figure 1: Revenue Vehicle Hours/Year and Revenue Vehicle Hours per Capita/Year from 2014-2020

The pandemic has severely impacted the reliability of fare revenue to fund day to day operations.

Edmonton Transit Service Fare Policy (C451H) identifies a target revenue cost ratio (the portion of system operating costs made up by fare revenue) of 40-45%. As depicted in *Figure 2*, ETS has hovered at an approximately 40% revenue cost ratio from 2014-2019 with a dramatic decline to 18% in 2020 resulting from the COVID 19-pandemic and the temporary suspension of fare collection.

To offset lost fare revenue, the City received emergency operating funding from both the Federal and Provincial Government through the *Safe Restart Agreement*, through which ETS received $59.7 million in 2020. At time of writing, it is unknown how much longer the City can rely on emergency operating funding support for public transit — no announcements have been made by either the Federal or Provincial Government about their intent for continuing the *Safe Restart Agreement* beyond 2021. *Figure 3* below depicts funding sources for ETS in 2019 and 2020, highlighting how the *Safe Restart Agreement* has provided temporary funding support to offset losses from passenger fares. Current operating funding pressures have provided an opportunity to explore a more diversified and sustainable funding model that would allow ETS to better weather fluctuations in revenue and be responsive to any unforeseen changes in ridership.

Figure 2: **Revenue Cost Ratio/Year**

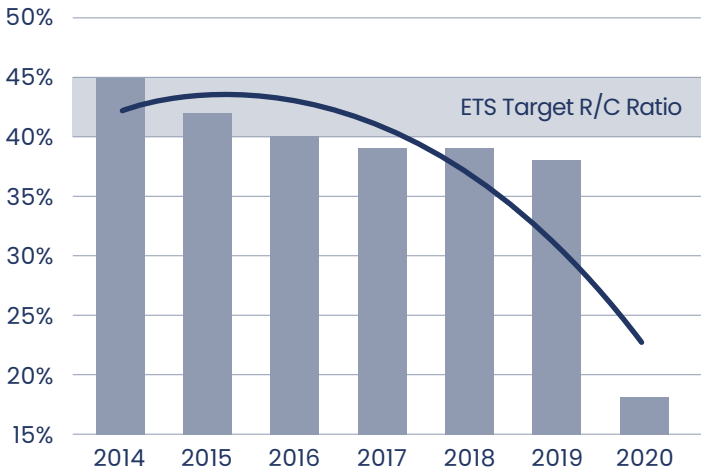
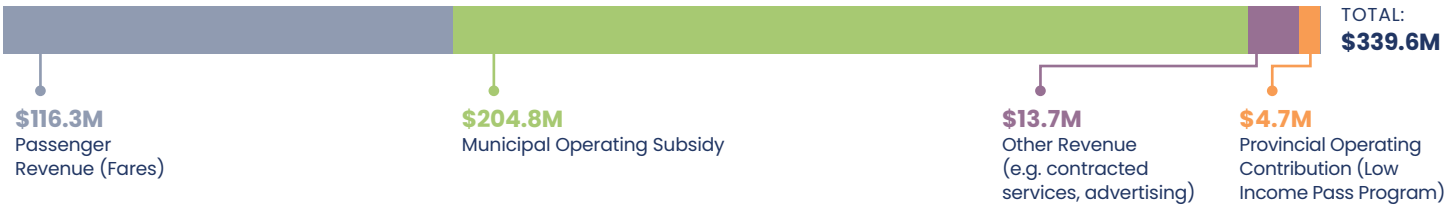


Figure 2: Revenue Cost Ration/Year from 2014-2020

Figure 3: **2019 ETS Funding Sources:**



2020 ETS Funding Sources:

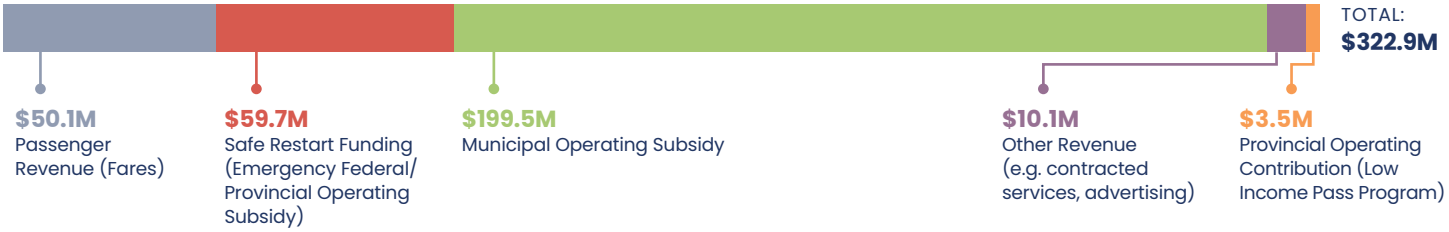


Figure 3: ETS Funding Sources in 2019 and 2020

Ridership steadily recovered and then stabilized in 2021.

The pandemic has led to the largest loss in ridership that ETS has ever experienced. Ridership recovered steadily and then stabilized in 2021 and has been linked to changes in public health measures, return to in-person instruction for secondary and post-secondary students, and the gradual return to offices. Although ETS has experienced a significant drop in ridership, many members of our community who have been disproportionately impacted by the pandemic (e.g. vulnerable communities, seniors, women, and low-income workers) along with essential and health care workers have continued to rely on public transit. In 2021 ETS had an average ridership recovery of 55% on the bus system. Transit agencies across Canada are maintaining transit service levels and anticipating that ridership recovery will continue into 2022 and beyond.

Edmonton's revenue cost ratio was similar to other midsize Canadian cities, significantly higher than comparable US cities.

According to the Canadian Urban Transit Association's annual reporting, prior to the pandemic ETS's revenue cost ratio was below the Canadian average of 51% but was comparable to other mid-size Canadian cities (populations of 400,000 to 2,000,000). In 2019, ETS reported a revenue cost ratio of 38%, whereas Mississauga reported a revenue-cost ratio of 45%, Calgary (43%) and Halifax (36%). ETS' pre-pandemic revenue cost ratio was significantly higher than comparable transit agencies in the United States such as Salt Lake City (12%), Portland (16%) and Seattle (21%).

Other Canadian cities have diversified portfolios of transit funding sources.

Multiple municipalities have diversified their transit funding revenue tools to facilitate service growth and expansion, and to reduce their reliance on property tax and transit fares. Metro Vancouver boasts a robust set of revenue tools including parking taxes and a motor fuel tax to support transit expansion. Toronto has implemented a "City Building Fund", a dedicated levy to support the Toronto Transit Commission's capital program. Halifax implemented a Benefit Area Tax with a two-tiered rate depending on residential properties' access to transit service. The examples identified above as well as other revenue tool precedents from across North America and beyond are discussed in the corresponding sections of this report.

Transit revenue and service hours will need to increase to accommodate growth identified in the City Plan.

The new Edmonton City Plan lays out an ambitious roadmap for how Edmonton can grow to a thriving community of 2 million residents. Many goals and policies within the City Plan will support ridership growth for ETS, particularly with the target of 50% of trips being made by public transit and active transportation, up from 21% in 2015. As discussed earlier, ETS service has not kept pace with population growth over the past 6 years. ETS has commenced planning for future fleet and service requirements to accommodate an additional 250,000 new residents — population growth which is projected to occur by 2030. ETS anticipates that approximately 265 additional conventional buses and a new bus storage and maintenance facility will be required to accommodate population growth over the next decade. Based on 2020 operating cost figures, approximately 675,000 annual service hours with an additional gross annual operating cost of $103 Million will be required for additional conventional bus service by 2030. Additional operating costs are also anticipated with the opening of the Valley Line LRT (SE and West legs), Capital Line LRT extension to Heritage Valley, and Metro Line LRT extension to Blatchford. Therefore, even as ridership continues to recover, existing funding mechanisms cannot keep up with planned growth, and new transit revenue tools should be considered.

How to Arrive at a Funding Formula

The April 19th 2021 Council motion that prompted this report refers to a "funding formula." But what is a funding formula exactly, and how might Administration arrive at one? The term suggests an equation, with a number of variable inputs on one side and an output or other equivalent value on the other. In this case, a funding formula would express the relationship between the revenue sources available to transit and the cost of providing service. For instance, we could express the existing operating funding relationship something like this:

Fare Revenue + Annual Property Tax Allocation + Commercial Opportunities + Government Transfers = Transit's Budgetary Need

It is worth noting that in reality transit's budgetary need comes first and is not easily altered. The variables on the left of the equation, the inputs, are adjusted in order to meet that need. The current challenge facing ETS is the variability of existing revenue sources. Government transfers depend on shifting political winds, property tax revenue is subject to the annual budget process, and the COVID-19 pandemic has thrown even fare revenue into question.

For Edmonton to arrive at a *"predictable, sustainable funding formula that sees incremental but impactful increases to the transit system going forward"* new sources of revenue — new inputs to this formula — should be considered. This change is critical not only to fill existing budgetary gaps, but to increase overall transit funding and provide for growth, and to create more certainty around funding levels from one year to the next.

Methodology

This report was developed in several stages, with the input of an internal steering committee incorporated at each stage.

First, an environmental scan produced a list of alternative funding tools for transit. This list was drawn from academic articles, industry reports, municipal documents from various jurisdictions, and other grey literature. The list was simplified and arranged for clearer understanding – duplicates were removed, highly similar tools were combined, and general thematic groupings were established, such as tools based on transportation or real estate. The resulting collection included 20 sources of alternative transit revenue.

The revenue alternatives were then subject to an initial screening process based on three criteria:

1. **Precedence:** If there are strong examples of a tool being used in a comparable context, it is likely a stronger candidate.
2. **Applicability:** Ability to implement given current regulatory structures is a deciding factor for which tools to move forward on.
3. **Ability to assess:** Not all tools can be assessed within the confines of this study. Suitability to project timeline and available data is an asset.

This initial screening process and discussion with the steering committee split the 20 revenue alternatives into two categories: those showing promise (assessed long list), which were recommended for an objectives based qualitative analysis, and those not to be extensively studied but to be briefly acknowledged in the report in order to provide a more complete conversation.

The resulting lists were as follows:

ASSESSED LONG LIST

1. Benefitting Area Tax
2. Community Revitalization Levies
3. Dedicated Property Tax Levy
4. Real Estate Opportunities
5. Parking fees
6. Motor Fuel Tax
7. Road Use Charging
8. Transportation Network Company Fee
9. Vehicle Registration Fee
10. Tourism Levy

ACKNOWLEDGE IN STUDY

1. Redevelopment and Off-Site Levies
2. Negotiated Exactions
3. Land Transfer Tax
4. High Value Homes Tax
5. Variable Vehicle Tax
6. Road Tolls
7. Bridge Tolls
8. Congestion Pricing
9. Regional Sales Tax
10. Government Transfers

Concurrent to the process described above, guiding objectives were developed by the project team and approved by the steering committee. These objectives provided the evaluative framework used to judge and compare each funding mechanism examined in this report. The objectives also laid the groundwork for the multiple account evaluation (MAE), a table visualizing how each revenue tool scored on the project objectives, which is included on page 14 of this report. See page 11 for a detailed description of the objectives. See page 10 for a visualization of the revenue tool assessment process.

Revenue Tool Assessment Process

Identified Revenue Tools

Initial Screening

- ✓ Precedence
- ✓ Applicability
- ✓ Ability to Assess

(20 TOOLS)

Long List

Revenue tools assessed against project objectives

(10 TOOLS)

Revenue tools that did not proceed beyond initial screening:

Acknowledge in study

(10 TOOLS)

Objectives

The following objectives are meant to guide the evaluation of each of the revenue tools considered in this report.

They are also the foundation of the Multiple Account Evaluation (MAE) presented in the Executive Summary above. Selecting a new funding source involves far more than the revenue impact — there are other policy choices at play. In an ideal scenario, Edmonton would adopt new revenue sources that accomplish secondary policy objectives, are easily implemented and managed, advance equity, align with other City priorities, and provide adequate funding. One or more focus questions have been provided to increase the clarity of each objective.

Travel Choices

Does the revenue tool support increased mode share for transit and active transportation?

Several of the revenue options presented in this report have the potential to positively impact mode share, supporting increased transit ridership and active transportation while sending market signals to reduce mode share of single-occupant vehicles. These revenue options are part of a suite of tools known as transportation demand management (TDM), which encourage efficient travel choices and attempt to manage demand for the optimization of the transportation network as a whole.

When drivers incur direct costs for their use of public infrastructure, there is a chance they will reconsider some trips. They may decide to use transit or active transportation, to carpool, or to save the trip for off-peak travel times. But if Edmonton wishes to incentivize transit use and active transportation, it is important that these are attractive options. The more convenient and reliable these modes are, the more likely people are to use them. Revenue sources that follow TDM principles to positively impact mode share make two key policy moves: nudging drivers towards other travel options and improving those other options with the revenue generated. As discussed in the City Plan Transit Mode Share Report presented to Council in February 2021, automobile related policy levers had the highest impact on increasing the transit and active transportation mode share.

Adding costs to private car use is often seen as a penalty or unfair treatment for drivers. In fact it is the removal of a subsidy and the levelling of the playing field compared to users of other transportation modes. Ultimately, mobility is a public good. It is in everyone's best interest if we can all get around. Revenue sources that disincentivize private automobile use and direct funding towards more efficient modes of transportation improve mobility as a whole. Further, increased ridership provides increased fare revenue, an additional boost to revenue above and beyond what TDM revenue options collect directly.

Implementation

How does the revenue tool fit into existing regulation/ legislation?

Funding mechanisms that Edmonton already has the legislative authority to implement are promising because of the immediacy and certainty of the funding they could provide. Funding mechanisms that are not yet within Edmonton's purview will only become options after receiving Provincial approval. Besides the delays that process could cause, there is also the possibility that Provincial approval will never come, and Edmonton will have to start fresh with other revenue tools to which the Province may be more amenable. That being said, the revenue options currently available to ETS are relatively limited compared with other jurisdictions, so tools that require Provincial legislative amendments were judged to partially meet this objective rather than being excluded outright.

Will the introduction and ongoing management of the revenue tool be resource intensive?

All new funding options will involve certain implementation costs as they are first established as well as for their continued management. Funding mechanisms that minimize both these costs are attractive options. Additional consideration must address scenarios where implementation costs are high but ongoing administrative costs are low, or vice versa. Funding options where both costs are high are less likely to be appropriate choices for Edmonton.

Equity

Does the revenue tool treat those in the same socioeconomic circumstances equally?

Equity must be central to any evaluation of new municipal taxes or fees. If a revenue tool is applied in such a way that it impacts those in the same socioeconomic circumstances differently (without good reason), it will have fallen short on the form of equity known as horizontal equity, which holds that those with the same income should pay the same amount in taxes. For example, if two households with the same income are taxed differently based on some other criteria, such as the location of their homes, there must be a clear policy rationale for this difference. One way of reasoning about this difference is the benefits principle, which holds that taxes should be assigned according to who benefits from public goods and services. If the household that is taxed at a higher rate lives near transit and therefore receives the associated benefits (access to transit, reduced congestion, increased land value, etc.), it can be said that tax fairness is maintained.

Can the tool be applied progressively according to income/wealth?

Another principle of tax fairness, vertical equity, maintains that those with different incomes should be taxed differently, namely, those with higher incomes should be taxed more than those with lower incomes. Progressive income taxes are a very familiar application of vertical equity in Canadian tax policy. This practice is based on the ability-to-pay principle, which holds that those with the ability to pay more in taxes should do so, while those who do not have the ability to pay higher taxes or user fees should pay less or have access to flexible price structures. The ability to support and maintain vertical equity is a desirable feature for new revenue tools. However, municipalities tend not to have strong redistributive powers, so funding mechanisms with this capability will likely require Provincial legislative changes.

Alignment with City Objectives

How will the revenue tool support the goals and vision of the City's plans and strategies?

Different policies and revenue tools may support each other, have no impact on each other, or even inadvertently work at cross purposes. When introducing new taxes or fees into this ecosystem, it is critical to take a holistic view of how the revenue tool will impact the City's corporate objectives in the delivery of municipal services. Clearly, funding tools that support policy objectives and transit revenue are stronger options than those that provide revenue but work against other municipal priorities.

In this report, the City Plan is taken as the most complete expression of Edmonton's policy objectives, though other plans such as Connect Edmonton, the City's strategic plan, are also considered. Other documents, particularly policies and bylaws passed by Council, provide supplementary guidance. Council Policy C624 – Fiscal Policy for Revenue Generation was consulted quite heavily because revenue generation is precisely what this report examines. This policy lays out the City's priorities for how municipal costs are to be distributed across the tax base. In summary, it supports both the benefits principle and the ability-to-pay principle as outlined under Equity above. A number of other bylaws and policies were reviewed for further guidance. Examples include C565 – Transit Oriented Development, C511 – Land Development Policy, C451H – Edmonton Transit Service Fare Policy, and Bylaw 5590 – Traffic Bylaw.

Revenue Potential

Will the tool contribute substantive revenue to transit operations and capital?

As transit providers are called on for growing service needs, new sources of revenue can help cover rising costs. The revenue tools presented in this report have varying abilities to generate revenue. The more revenue that can be generated, the more promising the tool. At a minimum, the costs of administering new revenue tools must be offset by the funding they provide. Revenue maximums are often set by fluctuating political and market conditions — in other words, what taxpayers and the market will bear.

This report provides broad revenue estimates. Precise revenue estimates require deeper quantitative analysis that is best suited for future research. In this report revenue potential is categorized as either low, moderate, or high. The assumptions made to arrive at these broad revenue estimates are stated under the Revenue Potential section for each tool. To take just one example of where assumptions are necessary, for a tax that is applied spatially, the affected area and the rate at which the tax is levied are both open-ended questions. It is worth noting that all of the tools presented here have low or moderate revenue potential. Funding mechanisms with high revenue potential tend to be within the purview of Federal or Provincial governments, or are already used by municipalities (such as property tax). For Edmonton's purposes, this means that there is no silver bullet — no single revenue tool is likely to solve the issue of transit funding. A mix of revenue sources is more likely to provide both the total revenue required and a funding formula that is more resilient to shocks.

What is the reliability and longevity of the revenue tool?

Reliability and longevity represent other kinds of value (besides strict dollar amounts) that can be used to compare funding mechanisms. For example, a funding tool that provides $50 million one year but could drop to $10 million the next might be less attractive than a funding tool that provides a more predictable cash flow of $30 million each year. Though the two examples may provide comparable revenues across multiple years, the reliability of the second option is itself of value. For the purposes of service planning and transit growth, it is important not only to have funding, but to know in advance that funding is secure.

In the case of longevity, the administrative overhead of establishing a new revenue source may not be worthwhile if the source of revenue cannot be maintained over the long term. If ETS were to adopt a revenue source that will soon dry up, before long the transit agency will have to look elsewhere for additional revenue. This could lead to wasted effort as well as political difficulty. Introducing new taxation methods is never easy — better to go through the process as few times as possible.

How flexible and adaptable is the revenue tool in changing economic conditions?

Some tools are more changeable than others. Flexibility is an important quality for a new funding mechanism because it allows Edmonton to adapt to shifting economic and political conditions. Many revenue options have potential negative consequences if they are not carefully calibrated. For example, additional property tax might have negative equity impacts if it is set too high, but "too high" depends on the economic context. On the other hand, in a booming economy some revenue sources could be drawn on more heavily without causing negative or inefficient results. One of the most likely causes of inflexibility in a revenue tool is legislative limitation. Municipalities rely on Provincial approval for many of their powers, so agility and quick turnarounds can be difficult to achieve. Funding options with flexibility built in from the outset are likely to serve Edmonton better over the long term.

Multiple Account Evaluation (MAE)

Below is the multiple account evaluation (MAE) showing the results of this report's analysis. Each of the revenue tools was scored against the five project objectives. The table provides a quick overview of how the tools compare. For the reasoning behind each of these scores, see the Assessment of Revenue Tools section.

	TRAVEL CHOICES	IMPLEMENTATION	EQUITY	ALIGNMENT WITH CITY OBJECTIVES	REVENUE POTENTIAL
REAL ESTATE BASED TOOLS					
BENEFIT AREA TAX	✓/✗	✓/✗	✓	✓/✗	✓
COMMUNITY REVITALIZATION LEVY	✓	✓/✗	✓/✗	✓	✓/✗
DEDICATED TRANSIT FUNDING	✓	✓	✓/✗	✓	✓/✗
REAL ESTATE OPPORTUNITIES	✓	✓/✗	✓	✓	✓/✗
TRANSPORTATION BASED TOOLS					
MOTOR FUEL TAX	✓	✓/✗	✓/✗	✓	✓/✗
PARKING FEES	✓	✓/✗	✓/✗	✓	✓
ROAD USAGE CHARGING	✓	✗	✓	✓/✗	✓
TRANSPORTATION NETWORK COMPANY FEE	✓/✗	✓	✓/✗	✓	✓/✗
VEHICLE REGISTRATION FEE	✓	✓/✗	✓/✗	✓	✓
OTHER TOOLS					
TOURISM LEVY	✓/✗	✓/✗	✓	✓/✗	✗

Revenue Tools Grouped by Project Objective

As decision makers consider the results of this report's analysis, it may be helpful to consider which tools are best at supporting each of the project objectives. In other words, when looking only at Equity or only at Revenue Potential, which tools rise to the top?

Travel Choices

Many of the revenue sources analyzed in this report met the project objective of supporting increased mode share for transit and active transportation. It's easier to name the tools that only partially met this objective (TNC fees and a tourism levy). However, some tools achieve a double impact for this objective by introducing a form of transportation demand management. These are the following transportation-based tools: parking fees, motor fuel tax, a vehicle registration fee, and road usage charging (RUC). A vehicle registration fee is likely to have the lowest impact on Travel Choices because it is paid once annually. Parking fees, motor fuel tax, or road usage charging all add costs for each trip made by car, so the price signals they send will be more readily felt.

STRONGEST TOOLS:
MOTOR FUEL TAX
PARKING FEES
ROAD USAGE CHARGING

Implementation

When it comes to Implementation, two tools fully meet the project objective, both because they are already within the City's authority and because their administrative costs are anticipated to be low. These tools are dedicated transit funding and a transportation network company fee. It is worth pointing out that RUC did not meet this project objective. Of the tools that only partially met the objective, they either had high anticipated administrative costs or were outside of the City's current regulatory authority. If the City of Edmonton wishes to pursue these tools, it may be prudent to consider which is a greater barrier to implementation — potential administrative costs or the process of seeking a legislative amendment.

STRONGEST TOOLS:
DEDICATED TRANSIT FUNDING
TRANSPORTATION NETWORK COMPANY FEE

Equity

Most tools had mixed impacts on Equity. The revenue sources that fully met this objective were: a benefit area tax, real estate opportunities, road usage charging, and a tourism levy. Each of these scores involved an analysis unique to the individual tool, but in general it can be said that these tools support both horizontal and vertical equity. Horizontal equity meaning they treat those in the same socioeconomic circumstances equally, except where justifiable due to a policy goal or where benefits received are different (so taxes/fees paid should be different, too). And vertical equity meaning the tools support low-income households and underrepresented groups rather than imposing greater relative burdens on them. When analyzing any of the tools in this report for equity, it is important to compare their impacts not to an ideal scenario but to the equity landscape that is actually in place. In some cases these tools avoid worsening equity, and in others they correct existing inequities.

STRONGEST TOOLS:
BENEFIT AREA TAX
REAL ESTATE OPPORTUNITIES
ROAD USAGE CHARGING
TOURISM LEVY

Alignment with City Objectives

Like Travel Choices, Alignment with City Objectives was a category where most tools scored highly. The tools that partially met this objective were a BAT, RUC, and a tourism levy. The concern with RUC and a BAT is that, if misapplied, these revenue options could lead to unintended transportation and land use outcomes. The concern with a tourism levy is that it could harm the tourism industry and dampen local commerce.

STRONGEST TOOLS:
COMMUNITY REVITALIZATION LEVY
DEDICATED TRANSIT FUNDING
REAL ESTATE OPPORTUNITIES
MOTOR FUEL TAX
PARKING FEES
TRANSPORTATION NETWORK COMPANY FEE
VEHICLE REGISTRATION FEE

Revenue Potential

While none of the revenue tools evaluated in this report are likely to have high revenue potential, those with moderate potential for reliable, flexible revenue were deemed to best meet this project objective. Also of critical importance was longevity of the funding stream. A motor fuel tax would likely have scored similarly to a vehicle registration fee or RUC, but motor fuel taxes are a dwindling revenue pool. The highest scoring tools for this objective are a benefit area tax, parking fees, a vehicle registration fee, and RUC. Each of these tools draws on a relatively large base and is applied at a sufficiently high fee or tax rate in precedents from other jurisdictions. The only tool that did not meet this project objective was a tourism levy, primarily because of the small tax base and low tax rate seen in precedents.

STRONGEST TOOLS:
BENEFIT AREA TAX
PARKING FEES
VEHICLE REGISTRATION FEE
ROAD USAGE CHARGING

Assessment of Revenue Tools

Benefit Area Tax

A local tax levied on property within a defined area near transit infrastructure with revenue directed to transit operations.

Properties near transit receive a number of benefits, such as higher property values, stronger marketability for attracting tenants or buyers, lower air pollution, reduced congestion, and transportation cost saving through increased access to transit and reduced reliance on private cars. **A benefit area tax (BAT) is a form of property tax that creates a direct link between the value of transit access and properties within the transit service area**. BATs work by levying a surtax on property within designated zones or areas that enjoy demonstrable advantages arising from transit access. **Conventional, wealth-based property taxes remain, with the BAT representing a small portion of total property taxes**. BATs can be applied at varying distances from transit infrastructure, for example 400 metres, 800 metres, or a kilometre. And rates may vary with distance — one rate might apply within 400 metres of transit, and a lower rate might apply from 400 to 800 metres. Alternatively, rates could also vary according to the type of transit service provided. **An advantage of BATs is that they allow the City and its residents to trace the benefit of the level of transit service provided**.

Why did we look at this tool?

- ✓ Reflects benefits transit provides to residents
- ✓ Already used by a midsize Canadian city
- ✓ Contributes to stable operating funding

SCORES

Project Objectives

TRAVEL CHOICES	✓/✗
IMPLEMENTATION	✓/✗
EQUITY	✓
ALIGNMENT WITH CITY OBJECTIVES	✓/✗
REVENUE POTENTIAL	✓

Applicability to Edmonton

Edmonton does not currently have authority to introduce BATs as they are typically structured, and would need legislative changes at the Provincial level to use this tool. However, Council does have the ability to introduce a form of BAT by subclassing residential properties within the BAT area and applying a different tax rate to subclassed properties. This would avoid the need for legislative amendments, though the process of subclassing is resource intensive and can only be done for residential properties.

In Edmonton, a BAT might look like this:

- Legislative changes could allow Edmonton to collect BATs
- Additional research and public consultation could help establish tax rates and the taxable area where the BATs would apply
- Council would pass a bylaw enacting BATs and detailing other program features such as exemptions, rebates, etc.

Examples from Other Jurisdictions

METRO VANCOUVER

TransLink has the authority to implement BATs and is assessing the applicability of this revenue tool, though it has not implemented it yet. In 2020 TransLink analyzed numerous funding options associated with BATs. This study identified BATs as a promising option and recommended additional analysis of this tool[1]. In the TransLink context, 400 and 800 metre zones around transit stations are examined, rapid transit is emphasized, residential and commercial properties are potentially taxable, and BATs are considered around both new and existing transit infrastructure.

HALIFAX REGIONAL MUNICIPALITY

Halifax Regional Municipality (HRM) currently levies BATs across much of its municipal service area[2]. The HRM model uses two rates, each applied per $100 of a property's assessed value. The regional transportation rate of $0.047 covers bus rapid transit services, express bus services, and ferries, and is shared by almost all taxpayers (ie. the BAT is applied across the majority of the region). For those residents living within one kilometre of a conventional or community transit stop, a local rate of $0.099 applies. In the HRM context, only residential and resource properties pay the BAT.

TRAVEL CHOICES

Earmarked transit revenue collected through a BAT could be used to improve service levels, thereby growing ridership. If set correctly, BATs should cause no disincentive to locate near transit (which could risk reducing ridership).

BATs can be expected to have indirect effects on travel choices. Rather than direct transportation demand management, BATs affect travel choices by making transit a more convenient and attractive option. BATs can provide operating revenue for ETS. This revenue can be used to maintain and improve service levels. More transit service is likely to attract more riders, thereby increasing ETS's total ridership numbers.

One consideration when setting the rate for a BAT is whether or not the new tax will create a disincentive to locate near transit. If the benefits of transit are overestimated and the additional tax burden outweighs these benefits, residents may decide to relocate to avoid the BAT. Having fewer people located near transit is likely to decrease transit ridership, negatively impacting travel choices and the City's mode share targets. It is worth noting that if a BAT applies to non-residential properties, these location considerations would also apply to businesses. This potential unintended consequence is part of why Edmonton must complete careful financial analysis before implementing a BAT.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
BATs have the potential to support new ridership, but if set too high they could have unintended land use effects that may lower ridership.

IMPLEMENTATION

A BAT would require legislative amendments at the Provincial level, but administrative costs would be low because property tax structures are already in place.

The *Municipal Government Act* does not explicitly grant municipalities the authority to levy benefit area taxes. As such, this tool would require a Provincial legislative amendment before it could be pursued. There would then be administrative work required for the initial implementation of a BAT. To ensure that rates and boundaries are set appropriately, technical studies and public consultation will be required. On the other hand, BATs are a form of property tax, and the mechanisms supporting property taxes are already in place across Alberta. Properties are already assessed, property taxes are collected annually, reporting methods are established, and residents and businesses are familiar with these kinds of taxes. This is expected to reduce the ongoing administrative costs associated with BATs.

There is an alternate route for implementing BATs, which is the subclassing of residential properties. Council has authority to do this, but it would be a resource intensive process and cannot be done for non-residential properties. The precedents for this tool do not use the subclassing method and instead establish a special tax area akin to a local improvement area or a community revitalization levy.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
BATs require a legislative amendment, but their ongoing administrative costs are expected to be low.

EQUITY

BATs aim to align varied tax rates with different levels of benefits received from municipal investments. Increased property taxes may be unaffordable for some parties.

This tool imposes different tax rates on different parts of the City, raising potential equity concerns. However, these variations in tax rates still maintain horizontal equity in the sense that they link taxes paid to benefits received. Further, by supporting transit revenue, which disproportionately benefits low-income individuals, BATs support vertical equity. BATs also preserve property tax equity because they reflect property values just as conventional property taxes do, while also adding a spatial aspect. For example, the HRM tax rates are applied per $100 of assessed value.

That being said, BATs do represent a tax increase, and this could have negative impacts on some parties. All homeowners within the designated area would bear the burden of a BAT, but low-income homeowners would have a reduced ability to pay the new tax. Deferrals or exemptions may be required to avoid displacing these households. Another party affected will be owners of rental housing. The absence of rent regulations in Alberta means that landlords could increase rents to cover the cost of the tax within at most 12 months of it being introduced. This could be a concern for the affordability of rental housing in the BAT area, but landlords already charging market rents may not be able to practically raise the rents they charge and will wind up bearing the burden of the tax. Since homeowners and owners of market rental housing tend not to be among society's most disadvantaged, BATs do not face significant vertical equity concerns. If BATs are applied to non-residential properties, their impact on businesses will require analysis.

GREEN – *FULLY MEETS OBJECTIVE*
BATs increase equity by creating a direct link between benefits received and taxes paid, and the incidence of the tax is likely to avoid most parties with limited ability to pay.

ALIGNMENT WITH CITY OBJECTIVES

BATs may support the following targets within the City Plan's Big City Moves:

- 50% of trips are made by transit and active transportation
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)

BATs support the above City Plan targets by providing reliable transit revenue, and they align with Council Policy C624 in that they accurately attribute the costs of providing transit service to those who benefit from that service. A "tiered" BAT like that used in Halifax Regional Municipality is especially well aligned with the benefits principle outlined in Policy C624.

There are potential risks facing BATs. If the tax rate is set too high and absorbs all of the value transit proffers on properties, it could create pressure to locate away from transit. If the BAT is perceived as outweighing the benefits of transit, it could spur political opposition from neighbourhoods. The ability to set multiple rates could help mitigate these risks by allowing flexibility for BATs to suit different parts of the city.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
BATs support the benefits principle at the core of Policy C624 as well as numerous transit and environmental goals expressed in the City Plan, though they are not without risks.

REVENUE POTENTIAL

BATs can provide substantive transit revenue that is predictable, reliable, and has the flexibility to be adjusted year to year.

The revenue potential of a BAT is dependent on several factors, the most obvious being the rate of the surtax within the BAT zone. An appropriate rate would reflect the measurable economic benefits that transit access provides to property owners. **The location and boundaries of the BAT are another variable that will impact the revenue potential of this tool.** The size of the BAT zone is predetermined in the sense that it should align with the transit service area. However, the distance from transit infrastructure at which the BAT applies has some flexibility. As noted above, Metro Vancouver has considered a radius of 400 or 800 metres around rapid transit stations, and Halifax applies a very broad regional rate in addition to a local rate using a 1 kilometre radius. **Another variable affecting BATs' revenue potential is the assessed value of properties within the proposed BAT zone**. Property values are indirectly subject to municipal control through the zoning process. For example, if current zoning within the proposed BAT zone is restrictive (ie. densities are held below what the economy would otherwise produce), Edmonton might consider increasing zoning allowances within the BAT zone. Since transit supports higher density development, this measure would essentially allow transit to have its full positive impact and then capture part of the resulting land value uplift for broad public benefit.

In summary, many of the variables influencing the revenue potential of BATs are flexible and ultimately involve choices on the part of decision-makers; economic evidence and public consultation can support those choices. A better way of looking at revenue potential for this tool may be to first determine revenue need, and then look at how large a BAT would be needed and what rate would need to apply to meet that revenue need. Decision-makers and Administration can then determine if the result is technically and politically feasible. **It is expected that BATs' revenue potential in Edmonton will be moderate.**

GREEN – *FULLY MEETS OBJECTIVE*
BATs have flexible revenue potential depending on the tax rate and geographical area selected, and they are likely to provide stable, moderate revenue.

Community Revitalization Levies

A defined area where property tax revenue is earmarked for transit, and private investment is coordinated with public investment.

Public infrastructure investments increase land value and attract private development, thereby increasing property tax revenue. Community revitalization levies (CRLs) use this revenue increase to pay for the original infrastructure investment. Edmonton uses CRLs in three areas already to fund municipal upgrades necessary for redevelopment (roads, sewers, utilities, etc.) but a similar arrangement could be used to fund new transit infrastructure. **CRLs do not typically involve an increase in the property tax rate within the district**; they simply allocate incremental property tax revenue increases to projects within the district.

Why did we look at this tool?

- ✓ Already used in Edmonton
- ✓ Clear, intuitive policy rationale that is easily communicated
- ✓ Leverages private sector investment for public benefit

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓/✗	IMPLEMENTATION
✓/✗	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓/✗	REVENUE POTENTIAL

Applicability to Edmonton

CRLs have already been used in Edmonton and could be applied to transit capital funding. Though not without risk, done properly they are an attractive option.

In Edmonton, a CRL for transit infrastructure might look like this:

- A CRL plan is established around new transit lines/station areas
- New transit lines/stations are funded upfront through bonds or borrowing
- The increasing property tax revenue from the CRL plan area is used to service bonds or debt from transit infrastructure investments
- The CRL is retired after a period of 20 years, with the possibility of an extension (according to Provincial regulations)
- The now increased property tax revenue from the CRL area reverts to general municipal revenue

Examples from Other Jurisdictions

CALGARY, AB

In 2007 Calgary's Rivers District Revitalization Plan introduced the first CRL in Canada[3]. Calgary Municipal Land Corporation (CMLC) has committed $396 million to infrastructure and development programs, and this has attracted nearly $3 billion in private investment. Residential property assessments in the district have increased from $328 million to approximately $1.2 billion, and non-residential property assessments have moved from $647 million to $1.8 billion.

US JURISDICTIONS

CRLs are used throughout the US under the name tax increment financing (TIF). Chicago is a notable example of extensive TIF use and common concerns around transparency. California was the first state to introduce a TIF program, and in recent years has reformed TIF legislation to prevent its overuse. For example, 25% of TIF revenues must be used for affordable housing, and public input now holds much more sway and can even prevent a TIF plan from continuing[4]. TIF funds sometimes contribute to transit projects.

TRAVEL CHOICES

CRLs effectively allocate revenue to transit expansion, making transit a more attractive and practical option, and may also support transit-oriented development.

Community revitalization levies have primarily indirect effects on travel choices. To the extent that they raise revenue for transit and thereby support capital expansion, CRLs have the potential to make transit a more attractive option and grow ridership which in turn grows operating revenue. Additionally, in order to maximize the property tax revenue that a CRL provides, the relevant area is typically planned for redevelopment. In this case, redevelopment would take the form of transit-oriented development (TOD), which would increase population density near transit, potentially further contributing to ridership. CRLs could also potentially be used to expand transit infrastructure into newly developing areas, though careful financial analysis will of course be required — since CRLs rely on *change* in property values, timing and the development potential of the area during the CRL's lifespan are critical.

GREEN – *FULLY MEETS OBJECTIVE*
CRLs fully support transit and active transportation mode share through both revenue generation and improvements to urban form.

IMPLEMENTATION

With community revitalization levies in place in Edmonton, the ground is already prepared for the use of this tool in support of transit.

Alberta's *Municipal Government Act* lays the foundation for the use of CRLs in support of transit infrastructure expansion and improvements. Section 381 of the Act specifies that the revenue from such a levy is "to be used toward the payment of infrastructure and other costs associated with the redevelopment of property in the community revitalization levy area" (MGA, 237). Edmonton has already exercised this power in the creation of the Quarters Downtown CRL, the Capital City Downtown CRL, and the Belvedere CRL, offering strong, local precedents. It is the City Administration's view that transit funding is an eligible expense for CRLs.

Before a CRL can be established, an area plan must be completed. Careful due diligence work is also required to maximize the likelihood of the CRL's success. If for any reason property values do not increase within the CRL area, Edmonton must find alternative means of servicing the debt incurred to pay for the initial infrastructure investment. This risk is inherent to CRLs and makes the introduction and ongoing management of this tool somewhat resource intensive.

The Province has indicated that it does not support additional CRLs. This may be because the Province typically provides CRLs with the portion of property tax that is normally allocated to school boards. However, modern TIF programs in other jurisdictions often leave the revenue of overlying governments untouched, so Alberta could take this approach if it makes CRLs a more viable option from a Provincial perspective.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
Although CRLs are already permitted in Edmonton, the Province may not support new CRLs, and running a CRL can be quite resource intensive.

EQUITY

CRLs are sometimes accused of redirecting revenue away from overlying governments and lacking transparency. Reallocated funds may put pressure on other critical municipal programs and services.

Since overlying governments (such as school boards) often contribute property tax revenue towards CRL areas, there is some concern about these districts redirecting revenue away from critical services and towards projects that may not optimally support broad public interests. In Alberta, CRLs redistribute the funds required to pay for education, which has the impact of a very small Province-wide increase in taxes outside the CRL. This concern is compounded by the fact that the most common critique of earmarking general property tax revenue for a specific purpose is a lack of transparency. **When revenue moves away from standard oversight measures, there is an increased risk of misuse; rigorous reporting requirements can mitigate this risk.**

Since CRLs typically do not involve an increase to the property tax rate, they are equity neutral on many fronts. However, they are based on property tax, which is not applied progressively (ie. one mill rate regardless of property value). Unless a CRL provides specific benefits to equity-seeking groups (many of which do benefit disproportionately from transit), it risks negatively impacting these groups by putting pressure on other municipal budget items.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
CRLs have the potential to provide infrastructure that supports equity seeking groups, but they can also lack transparency and risk misspending scarce municipal funds.

ALIGNMENT WITH CITY OBJECTIVES

A CRL in support of transit capital expansion may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 600,000 additional residents will be welcomed into the redeveloping area
- 50% of new units added through infill city-wide
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)
- Nodes and corridors support 50% of all employment in Edmonton

Council Policy C624 – Fiscal Policy for Revenue Generation is another key piece of local policy when considering new means of raising municipal funds. Transit service aligns strongly with this policy since fares collected reflect the direct benefit to transit users while broad-based taxation (the property tax) reflects the benefits that are distributed across the whole community, such as reduced GHG emissions, reduced congestion, and economic uplift. Insofar as CRLs support transit, they also align with Council Policy C624. One consideration here is that CRLs pay for infrastructure with clear local benefits by earmarking funds that would have otherwise gone to general revenue. This could be a concern for tax fairness, but once a CRL is retired the whole city benefits from the (hopefully) increased property tax.

GREEN - *FULLY MEETS OBJECTIVE*
CRLs are strongly aligned with numerous City objectives because of their impact on urban form, the revenue they can generate, and the way they generate revenue.

REVENUE POTENTIAL

Schemes relying on earmarked incremental increases to property tax revenue have limited potential to grow overall municipal funding, but effectively allocate revenue to transit capital projects.

In most cases CRLs allocate funding; they do not increase the property tax rate in the area where they apply. If they successfully attract private investment and grow the property tax base, they have the potential to generate new municipal revenue. To the extent that this occurs, earmarking strategies such as community revitalization levies potentially generate new revenue. **Whether or not this revenue constitutes an overall growth in municipal funds depends on if the CRL prompted more development than otherwise would have occurred**, or if it simply redirected development from elsewhere in the municipality. Regardless of their impact on overall municipal revenue, CRLs can direct funding towards the projects they support — transit expansion in this case.

CRLs rely on growing property values. It is known that transit investment causes property value uplift[5], meaning in many cases growth around transit is a fairly good bet, but there is always the risk that broader economic trends could derail the property market, even if temporarily. It is worth noting that Edmonton's CRLs all contain LRT infrastructure. CRLs are not a perfectly reliable revenue source for transit. Likewise, they are not particularly adaptable as they are grounded in both local bylaw and agreements with the Province, making adjustments cumbersome. The potential for an extension of the standard 20-year lifespan provides some flexibility. **Given the above assumptions and considerations, the revenue potential of CRLs is likely low.**

ORANGE - *PARTIALLY MEETS OBJECTIVE*
CRLs may effectively provide transit revenue, but they do not necessarily support overall municipal revenue and face the inherent risk of a downturn in the property market.

Dedicated Transit Funding

Dedicated transit funds that are either drawn from a protected portion of general property tax revenue or raised by a dedicated transit surtax that is levied in addition to existing mill rates.

One way of providing stable, predictable funding for transit is to simply receive a guarantee from City Council that a certain portion of property tax revenue will be dedicated to transit each year. This portion may be a percentage of general revenue, or it may come from an additional dedicated levy, though in either case Council and City Administration, specifically ETS, must be cognizant of the amount of tax room available. **Edmonton already dedicates property tax revenue for other purposes such as the Edmonton Police Service, LRT expansion, and Neighbourhood and Alley Renewal programs**. Each of these programs receives both capital and operating funding.

Why did we look at this tool?

- ✓ Implementable in the short term
- ✓ Predictable revenue potential
- ✓ Already used for other purposes in Edmonton

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓	IMPLEMENTATION
✓/✗	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓/✗	REVENUE POTENTIAL

Applicability to Edmonton

Edmonton's property tax revenue is already dedicated to several existing purposes, limiting the City's flexibility in times of fiscal constraint.

In Edmonton, a dedicated property tax levy for transit might look like this:

- With advice from City Administration, specifically ETS, Council establishes a multi-year funding strategy, possibly through the four year budget process, for directing property tax revenue to transit
- This strategy must account for economic/population changes year-to-year
- Funding may be drawn from general revenue, putting no additional direct pressure on ratepayers; OR
- Funding may be raised through a dedicated tax, which would represent a tax increase

Examples from Other Jurisdictions

TORONTO, ON

The City Building Levy was introduced in 2017 by the City of Toronto in order to fund priority transit and housing capital projects. It began as a 0.5% residential property surtax, has grown to 1.5%, and is set to continue increasing incrementally each year until 2025[6].

METRO VANCOUVER

TransLink's 10-Year Vision estimates that over the next decade a full quarter, or $4.75 billion, of its operating revenue will come from property tax, which it collects from each municipality within its service area under the authority of the South Coast British Columbia Transportation Authority Act[7].

TRAVEL CHOICES

To the extent that this tool raises capital and/or operating revenue, it has the potential to make transit a more attractive option and grow ridership.

Dedicated property tax revenues would provide predictable funding for transit, supporting ETS in their delivery of transit service that meets the standard of being safe, fast, reliable, and convenient. **These service standards, set out in policy C539A – Transit Service Policy, are one of the surest ways to attract new users and grow ridership.** While this revenue tool does meet the project objective of supporting increased mode share for transit, it does so through revenue generation alone. **Unlike some of the other revenue tools reviewed in this report, dedicated transit funding would have no direct impact on urban form or transportation demand management.**

The multi-year nature of this revenue tool supports efficient and long-term strategic transit planning by providing predictability. **Although adjustments to transit funding are always on the table during the City's annual budget process, ETS would have a greater degree of certainty in its funding beyond the current budget year.** This predictability supports long-term service enhancements such as additional frequency on more routes.

GREEN – *FULLY MEETS OBJECTIVE*
Dedicated transit funding over the long term supports service growth that has the potential to also grow ridership.

IMPLEMENTATION

The City already uses this tool for other services and could easily introduce dedicated funding for transit.

Among the revenue tools reviewed in this report, dedicated municipal property tax revenue for transit is one of the most straightforward to implement. As mentioned above, **Edmonton already uses this tool for other programs, so there are no legislative changes required**. A policy regarding this funding arrangement would need to be approved at Council, but this is fully within the City's control. **The ongoing management of such a program is relatively light on resources such as staff hours because the necessary structures are already in place** (property assessment, tax collection, reporting, etc.). Additionally, Councillors, residents, and staff will be familiar with both dedicating a portion of general revenue, as is the case for the Edmonton Police Service, and levying a surtax, as is done for the Neighbourhood Renewal program.

GREEN – *FULLY MEETS OBJECTIVE*
With the City already using this tool for other programs, implementation and ongoing management of dedicated transit funding should be relatively barrier free.

EQUITY

This tool may increase property taxes but does not introduce a new kind of tax, so equity considerations are potentially minimal. Economic analysis can determine if Edmonton has room for an increase in the total property tax burden.

As it is, property tax is known to be an imperfect revenue source when it comes to equity and tax fairness[8]. While equity is unlikely to be greatly improved overall by dedicating property tax revenue to transit, neither is it significantly worse off. Allocating to transit a protected portion of existing property tax revenue is likely to have predictable impacts on equity. Even if an additional levy increased tax rates, no new kind of tax would be introduced. This means that the way property tax lands on Edmontonians, the way the burden of the tax is distributed, would not change.

While property tax remains imperfect, and is especially burdensome for low- or moderate-income homeowners, it must increase over time to keep up with rising costs. If this increase happens in order to fund transit, a service that disproportionately benefits underrepresented groups, perhaps concerns over the fairness of property taxes will have been at least partially counterbalanced. As such, this revenue tool has mixed results for equity.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
Potential direct or indirect increases to the property tax burden will have negative impacts on lower income households, though these effects may be counterbalanced by the benefits of improved transit.

ALIGNMENT WITH CITY OBJECTIVES

Property tax dedicated to transit funding may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 50% of trips are made by transit and active transportation
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)

In addition to supporting several City Plan targets by providing reliable transit revenue, this tool aligns with Council Policy C624 – Fiscal Policy for Revenue Generation in that it draws on the whole tax base to defray the costs of a service (transit) that benefits the whole community.

GREEN – *FULLY MEETS OBJECTIVE*
By drawing on broad-based taxation to provide funding for transit service that benefits the whole City, this tool strongly aligns with the City Plan and revenue generation policy.

REVENUE POTENTIAL

Property tax is any municipality's main revenue source, but predetermining allocation can cause inflexibility when the City may need to be nimble.

Municipal finance is built on property tax, which accounts for over half of the City's operating funding. The strength of this revenue tool is that it draws on a large, reliable source that is immediately available. **ETS could have access to new funding with little delay, and this funding would be stable across multiple years, greatly aiding in the process of transit service planning.** In the case of funding that dedicates a portion of existing revenue rather than applying a new tax, no new revenue is generated for Edmonton, but budgetary stability is created for transit. That being said, there is always the potential for amendments. A surtax dedicated to transit would provide new overall municipal revenue by increasing the total tax rate. **Assuming a sufficiently high tax rate increase or allocation from general revenue, this tool's revenue potential is moderate.**

However, even funding that works through allocation of *existing* revenue has the potential to increase property tax rates. **As the list of programs with dedicated funding grows, more and more of the City's budget is spoken for ahead of the annual budget process.** The remaining programs still require funding from the now considerably diminished pool of general property tax revenue, and this creates pressure to increase property tax rates or reduce service levels. Additionally, if Edmonton's finances see a sudden change (as they have throughout the COVID-19 pandemic), **having multiple long-term funding commitments already in place can limit the City's ability to make necessary spending adjustments**.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
While this tool has moderate revenue potential, it may cause financial inflexibility if too much of the City's budget is predetermined.

Real Estate Opportunities

The practice of direct municipal involvement in the land market through development, public land leasing, partnerships, and the strategic acquisition and disposition of land.

Municipal governments and transit agencies in other jurisdictions have embraced public ownership and management of land as a robust, adaptable financial strategy. Construction of new transit infrastructure often requires more land than is needed for transit operation. If this "excess" land is acquired with a view to development value after construction is complete, and if it is disposed of strategically, **transit investments can be leveraged towards multiple objectives** — transit revenue, public realm improvements, active transportation infrastructure, and affordable housing, for example.

Why did we look at this tool?

- ✓ Potential for public support (not a tax)
- ✓ Clear, intuitive policy rationale that is easily communicated
- ✓ Potential for a long-term revenue stream

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓/✗	IMPLEMENTATION
✓	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓/✗	REVENUE POTENTIAL

Applicability to Edmonton

Edmonton's current ambitions and history of public development make this tool **a viable long-term option for diverse transit revenue.**

In Edmonton, real estate opportunities may look like this:

- Before transit construction begins, land is acquired with a view to its future development value
- Once construction is complete, parcels not needed for transit operations are sold, leased, or publicly developed
- This creates a reliable revenue stream over the long term without taxing Edmontonians (particularly if land remains in public ownership through leasing)
- This process could be overseen by a city division or an arm's length agency

Examples from Other Jurisdictions

HONG KONG

Hong Kong is famous for having one of the few profitable transit agencies in the world, the Mass Transit Railway (MTR)[9]. Although this is in part due to the area's specific physical geography and urban form, the newness of the rail infrastructure, and the transit agency's high farebox recovery ratio, the system's "rail plus property" business model plays no small part in annual profits. MTR owns many of the offices, shopping centres, and residences around transit stations or has profit sharing agreements with them.

AMSTERDAM

The majority of the land in Amsterdam is municipally owned. Private individuals or corporations can make use of this public land through lease agreements[10]. A common concern around public land leasing is that developers will view it as unreliable and be unwilling to build on leasehold land. Amsterdam proves that this is not the case — with predictable, long-term lease agreements and a good track record the city is still able to entice development.

TRAVEL CHOICES

With potential for densification near transit and management of urban form, impact on travel choices should be highly positive.

Public ownership of developable properties adjacent to or above transit infrastructure is likely to make indirect, though strong, contributions to mode share for transit and active transportation. Edmonton will have the option of developing these lands at transit supportive densities either on its own or through lease agreements, conditions of sale, or collaboration with private sector or not-for-profit development partners. These arrangements also offer a high degree of public control over how land is used, such as through the terms of a lease agreement, enabling the enhancement of active transportation networks. For example, a development partner might be required to include bike parking facilities or sheltered pedestrian walkways.

Further, this is a form of revenue generation that is not a tax or fee — it derives public profit from upfront administrative work rather than collecting revenue from residents or businesses — so it does not create any disincentive that could negatively impact travel choices. This tool makes it easier to ride transit or use active transportation without adding costs for drivers. It supports transit ridership growth without discouraging personal car use or adding costs for drivers. This may result in a weaker effect on mode share, but it also likely increases public support.

GREEN – *FULLY MEETS OBJECTIVE*
By empowering Edmonton to achieve transit supportive densities near transit, this tool connects new riders to transit, supporting ridership targets.

IMPLEMENTATION

The introduction and ongoing management of this tool will be resource intensive, but no regulatory changes are needed. Edmonton already acts as a developer.

Edmonton has already seen success as a developer. In the case of Mill Woods, Edmonton took part in a historic land banking effort involving the collaboration of local governments and the Province[11]. Today, Mill Woods is a hub of multiculturalism and will soon be connected to the LRT network[12]. Now Edmonton is embarking on another exciting development with Blatchford, a sustainable, medium-density community near Edmonton's downtown. Integrating transit funding into future city-led developments is a natural next step given transit's contributions to land value and community.

Although Edmonton has a strong history as a developer, the implementation and ongoing management of this tool will be resource intensive. City Real Estate staff have indicated that they have capacity to take on this work, but would need clear direction from Council on program priorities. Additionally, most sites will require rezoning, which can be a lengthy process. However, upzoning around transit infrastructure will be necessary at some point if the City Plan's vision is to be achieved.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
Although this tool requires no legislative changes, it is likely to be resource intensive.

EQUITY

This tool sidesteps many common equity concerns because it is not a tax. It also creates opportunities for social programs such as affordable housing.

As noted above, this revenue source is not a tax or fee. **In the sense of tax fairness, it has no impact on ratepayers**, so it cannot be said to have unjustified differential impacts on those in the same socioeconomic circumstances. As for the tool's ability to be applied progressively, again this measure has little relevance. However, since Edmonton would have the option of using its land for social programs (such as affordable housing) **this tool could be said to align with the spirit of progressive taxation and the ability-to-pay principle**.

One consideration for this tool is the heightened likelihood of expropriation when acquiring land to secure transit right-of-way, though acquisition will also happen through purchase.

GREEN – *FULLY MEETS OBJECTIVE*
This tool can support equity goals without taxing Edmontonians.

ALIGNMENT WITH CITY OBJECTIVES

Public use of real estate development opportunities may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 600,000 additional residents will be welcomed into the redeveloping area
- 50% of new units added through infill city-wide
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Less than 35% of average household expenditures are spent on housing and transportation
- Nobody is in core housing need
- There is no chronic or episodic homelessness in Edmonton
- Nodes and corridors support 50% of all employment in Edmonton

Additionally, the revenue generated by real estate opportunities comes in the form of public profit rather than any kind of taxation. This means that policies such as Council Policy C624 – Fiscal Policy for Revenue Generation, which aim to ensure and maintain tax fairness for Edmonton ratepayers, really have little bearing in this case. There is no need to worry about unbalanced impacts of this revenue source because it puts no financial burden on Edmontonians. Further, the cost of acquiring the necessary land would be part of a transit investment, so it is natural for the revenue to flow back at least in part to transit. Other City policies that indicate potential support for real estate based transit funding include C565 – Transit Oriented Development, C511 – Land Development Policy, and C516A – Land Enterprise Dividend Policy.

GREEN – *FULLY MEETS OBJECTIVE*
This tool has the potential to support the widest array of City Plan targets of any tool examined in this report.

REVENUE POTENTIAL

The revenue potential of real estate opportunities depends on economic conditions at the time, but as Edmonton grows the general trend will be towards higher revenue.

Revenues from direct municipal involvement in property development will likely fluctuate alongside economic ups and downs. However, as Edmonton moves towards a population of 2 million people, with half of net new units added through infill, public land holdings will likely only become more valuable. **The risk of a drop in land values is part of what keeps municipalities away from real estate development and must be weighed carefully**, but properties near transit infrastructure tend to have stronger development potential than other properties, as is widely accepted in the development industry[13]. The other side of the coin for transit oriented development is that higher intensity development tends to be higher risk, potentially balancing the benefits of being near transit.

Another strength of holding land in public ownership is that Edmonton can adapt to changing land values by updating lease terms or intensifying underdeveloped sites. **This flexibility and adaptability make public real estate opportunities a reliable revenue source over the long term**. One consideration for real estate opportunities is that they take some time to be established, so financial returns will not be immediate. Another revenue source (or sources) will likely be needed to support short-term operating needs. **Additionally, multiple municipal priorities currently compete for real estate revenue, so the potential revenue available for transit may be low**. This estimate assumes a continuation of current land value trends and moderate opportunities for strategic acquisition and disposition of land.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
This tool has revenue generation potential, but there are unavoidable (though minor) risks inherent in development, and financial returns will take time.

Motor Fuel Tax

A local surtax levied on the sale of motor fuel, and passed on to individual drivers at the pump.

Fuel tax is a common way of generating revenue for transportation infrastructure. Some local governments and transportation agencies have the authority to levy fuel taxes. These local/regional fuel taxes often piggyback on Provincial/ state collection systems, offering administrative efficiency.

Why did we look at this tool?

- ✓ Contributes to transportation demand management
- ✓ Canadian precedent available
- ✓ Clear, intuitive policy rationale that is easily communicated

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓/✗	IMPLEMENTATION
✓/✗	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓/✗	REVENUE POTENTIAL

Applicability to Edmonton

Alberta collects fuel taxes but does not share this revenue with the City for operating purposes. Other Canadian transit agencies have operating and capital revenue sharing agreements for Provincial gas tax or can levy their own fuel taxes.

In Edmonton, a motor fuel tax might look like this:

- Legislative changes, likely to the *Traffic Safety Act* or *Fuel Tax Act*, could allow Edmonton (or better yet the capital region) to either collect a local motor fuel tax or access Provincial fuel tax revenue
- Local/regional motor fuel tax would be collected alongside the Alberta fuel tax, mostly from refiners and large wholesalers (who remit the tax)
- The tax burden would be passed down to consumers at the pump, with transit vehicles receiving an exemption

Examples from Other Jurisdictions

METRO VANCOUVER

TransLink collects an 18.5 cent regional motor fuel tax to support transit operating costs. According to TransLink's 10-year investment plan, this tax is expected to provide $3.88 billion between 2018 and 2027[14]. This revenue is in addition to the Provincial and Federal gas tax revenue the agency receives, which is primarily dedicated to capital expenditures.

FLORIDA

Since 1972, in response to booming population and other pressures, local governments in Florida have been empowered to collect fuel excise taxes, with revenue dedicated to transportation purposes in most cases. Local fuel taxes are piggybacked on the state fuel tax. In 2017, 26 out of 67 counties imposed the maximum of $0.11 per gallon and the state total of revenue generated by local governments was $219 million[15].

TRAVEL CHOICES

Increasing the cost of fuel will provide drivers with a price signal and encourage other transportation modes while simultaneously contributing to transit operating revenues

Trips made by private car impose a greater burden on the transportation network than other modes such as transit and active transportation due to the amount of space cars require on roads and for parking, the levels of emissions they produce, and their effects on public health and safety. Rather than applying a larger, one-time fee on car ownership (as a vehicle registration fee would), a motor fuel tax imposes smaller, recurring costs that vary according to how much drivers use their cars. Depending on the rate charged, a motor fuel tax could create a strong transportation demand effect because it adds incremental costs to each trip drivers make, so even households that choose to continue owning a car may choose other modes when appropriate. In addition, this tool will provide transit operating revenue that could be used to increase transit service levels and attract more ridership.

GREEN – *FULLY MEETS OBJECTIVE*
A motor fuel tax may act as a transportation demand management measure in addition to generating operating revenue for transit, thereby supporting efficient travel choices.

IMPLEMENTATION

Although legislative changes will be required to implement a local motor fuel tax, piggybacking on the collection of the Provincial fuel tax may lead to administrative efficiencies.

Edmonton does not currently have the authority to collect a motor fuel tax. Legislative changes, likely to the *Traffic Safety Act* or *Fuel Tax Act*, will be required for this revenue tool. In addition to legislative approval, the implementation of a local or regional motor fuel tax will require intergovernmental agreements on program features such as who collects the tax and how revenue is shared. Transfers of gas and fuel taxes from the Federal and Provincial governments have historically been directed to capital expenditures — a standing agreement for fuel tax-based operating funding is less common. TransLink's ability to collect a motor fuel tax of its own may provide a helpful example of how transit agencies can directly access fuel tax revenue rather than simply receiving a share of Provincial revenue.

The Province collects fuel tax already, so the necessary mechanisms are in place. Implementation costs will likely be quite low given that a similar tax is already collected and a local or regional tax would only need to be added to the existing system. Likewise for the ongoing management of this tool.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
This tool will require legislative amendments, but its introduction and management are unlikely to be resource intensive.

EQUITY

This tool provides a small improvement to equity by supporting transit, which disproportionately benefits marginalized groups and those with low-incomes, but this is balanced by a reduction in equity resulting from increased user charges for those who must drive.

A motor fuel tax acts as a proxy for a mileage-based user fee charged to drivers for their use of public road infrastructure. Since user fees tend to be regressive, this revenue tool may have negative impacts on vertical equity (ie. it will have a greater relative burden on households with lower incomes). Residents can "opt out" of this charge in a sense by not driving as much or at all, and instead using other transportation modes. And while fuel taxes tend to be intended as a means of paying for the construction and maintenance of infrastructure, this potential transportation demand management effect is not necessarily unwelcome. The ability to "opt out" of the tax also mitigates the impact of this tool on vertical equity. On the other hand, since electric vehicles avoid the tax entirely and remain at a relatively high price point, higher income households likely have an increased ability to "dodge" this tax, raising substantial vertical equity concerns.

As mentioned elsewhere, any tool that supports transit operating revenue is likely to have a slight positive impact on equity since transit disproportionately benefits marginalized groups and those with low-incomes[16]. As for a motor fuel tax's impact on those in the same socioeconomic circumstances, any differential impacts are explained by those parties' greater or lesser use of public road infrastructure.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
A motor fuel tax has very mixed impacts on equity, with different parties being affected differently, but negative outcomes may be counterbalanced by this tool's support of transit.

ALIGNMENT WITH CITY OBJECTIVES

A motor fuel tax may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)

A motor fuel tax adds to a user fee, so it aligns with the benefits principle expressed in Council Policy C624 - Fiscal Policy for Revenue Generation. This tool also aligns with many of the City Plan's transportation targets by supporting transit and nudging trips from private cars to other travel modes. By increasing the cost of travel by car, a motor fuel tax may increase demand for dense, central areas where car use is less necessary for daily needs. This may have an indirect impact on urban form by encouraging infill development and complete communities where residents can live, work, shop, and play using active transportation.

GREEN – *FULLY MEETS OBJECTIVE*
A motor fuel tax supports several of the City Plan's goals and aligns with Council Policy C624 by charging a fee that reflects benefits received.

REVENUE POTENTIAL

This tool has the potential to generate substantive revenue for transit in the short term, but as fuel tax revenue is already declining across North America, a local fuel tax may have limited longevity.

Many jurisdictions rely heavily on revenue from fuel taxes, and this revenue is typically directed to the construction and maintenance of road and transit infrastructure. This would indicate moderate revenue potential, and depending on how this tool is implemented, this revenue could be fairly reliable and flexible. But in fact fuel tax revenue has been declining across North America for many years as vehicles have become more efficient or even moved to electric battery technology rather than motor fuel. Further, fuel taxes are often not indexed to inflation, so their real value has declined faster than their nominal value. As such, the longevity of this tool may be limited. A motor fuel tax may be an attractive option for the short and medium term, but other revenue options will likely be needed for transit's long-term revenue needs.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
A motor fuel tax can likely supply moderate, predictable, flexible revenue in the short and medium term, but this revenue will likely decline over time.

Parking fees

Parking fees levied on paid, municipally operated parking spaces in Edmonton, with the option of introducing fees or taxes on additional kinds of parking over time.

One way to generate transit revenue and manage demand for private car trips is to efficiently price parking rather than offering it for free or at below-market rates, practices which can have negative spillover effects on the transportation network. This report analyzes parking fees on paid parking transactions for municipally operated parking spaces, but future research and advocacy could include other potential options for aligning parking systems and policies with local priorities, such as introducing parking taxes on paid, privately operated parking or using pricing mechanisms where municipal parking is currently unpaid.

Why did we look at this tool?

- ✓ Contributes to transportation demand management
- ✓ Canadian precedent available
- ✓ Clear, intuitive policy rationale that is easily communicated

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓/✗	IMPLEMENTATION
✓/✗	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓	REVENUE POTENTIAL

Applicability to Edmonton

According to scenario planning in the City's Transit Mode Share report presented to the Urban Planning Committee in February 2021, reaching City Plan mode share targets may require the quadrupling of parking costs in established paid parking areas as well as the introduction of paid parking in all nodes and corridors. This tool could be considered a step along the path to necessary parking costs, with currently implementable measures applied in the near term and measures relying on Provincial legislative changes activated later.

In Edmonton, a parking fees might look like this:

- Amendments to bylaw 5590 could allow increased parking fees for municipally owned parking facilities with revenue earmarked for transit
- Municipally operated parking facilities would directly collect the fees
- Over time, regulatory changes could enable other parking fees or taxes such as those applying to currently unpaid parking or paid, privately operated parking

Examples from Other Jurisdictions

METRO VANCOUVER

TransLink collects a tax on paid parking across its service region. Due to 2018 legislative amendments, the agency's taxation authority was recently expanded by 3 percentage points from 21% to 24%. This tax is expected to generate $855 million in revenue between 2018 and 2027. Survey respondents in the Metro Vancouver area rated increased parking tax as more fair than increased property tax, but less fair than exactions collected during property development[17].

SAN FRANCISCO

Article 9 of San Francisco's Business and Tax Regulations Code applies a 25% tax to off-street parking. At one time, a portion of revenue was earmarked for transit, though revenues now flow into the city's general fund. There was some debate as to whether or not this tax could be applied to parking on university lands, but courts eventually sided with the city, allowing the tax on university parking. Parking operators collect and remit the tax.

TRAVEL CHOICES

Increasing the cost of parking is likely to nudge drivers towards other transportation modes while contributing to transit operating revenues.

Private automobiles spend most of their time parked, but this is often missed in discussion of traffic management, which tend to focus on the fraction of time that cars are actually in motion. In North America, free parking is often expected, but research has shown that inefficiently priced parking leads to undesirable outcomes for cities[18]. Parking taxes and fees help generate revenue while also rationing car use. If drivers want to avoid or reduce parking costs, they may choose to travel using other modes such as public transit or active transportation. As such, parking fees may achieve a doubly positive effect on travel choices by both introducing transportation demand management and generating revenue for transit, which can then be used to increase service levels, make transit more convenient and reliable, and attract new ridership. Some experts say that underpriced parking does more to increase automobile use than good transit does to reduce it[19].

GREEN – *FULLY MEETS OBJECTIVE*
Increased parking costs may act as a transportation demand management measure in addition to generating operating revenue for transit, thereby supporting efficient travel choices.

IMPLEMENTATION

The *Traffic Safety Act* empowers municipalities to regulate fees related to parking, so only a bylaw amendment is required. The process of introducing such a fee to private sector vendors is worth considering.

Section 13 of the *Traffic Safety Act* empowers municipalities to pass bylaws governing "the parking of vehicles" and "fees charged with respect to the parking of vehicles" on roads under municipal authority. Increasing parking fees on municipally owned parking is likely to be fairly straightforward from a regulatory perspective because Edmonton only needs to amend its Traffic Bylaw, bylaw 5590, rather than seeking a legislative amendment from the Province.

Implementing a parking tax on privately operated parking will increase revenue potential, but it will also be more demanding from an implementation perspective. In addition to requiring a legislative amendment, these kinds of revenue tools usually require a licensing process for parking vendors; regulations must be established for informational requirements such as record keeping, reporting, and auditing; and collection of the tax must also be considered. Each of these aspects of a parking tax involve costs both for initial introduction and ongoing management.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
Increasing parking fees on municipal parking facilities and streets is in the City's authority, but other changes such as implementing parking fees on privately owned lots will be more difficult to implement.

EQUITY

Regardless of income, this tool would place a higher burden on those who make more trips by car, though this inequity may be justified due to the policy goals it accomplishes. User fees are fundamentally regressive, and a low-income parking program would likely be cumbersome.

Like many revenue tools that add costs for drivers, parking fees will likely have different impacts on different households, even if incomes are the same. This has the appearance of an inequity, but these differences are proportional to benefits received (ie. parking consumed) and support the policy objective of encouraging efficient travel choices. However, the relative burden of parking costs increases as a household's income decreases (as is the case for most user fees), giving this tool a regressive tendency. Similarly to other revenue sources that affect drivers, those who do not drive at all are able to completely avoid these fees. This lowers the fees' impacts on those with the lowest incomes, who often don't own a car, but it also gives any household the ability to "opt out" of the fees by choosing other travel modes. These vertical equity concerns could be partially mitigated with a low-income parking pass program, a solution that was implemented in Seattle[20], but this would likely only apply to municipally operated parking. Low-income solutions that apply to private parking vendors could be cumbersome and difficult to administer.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
This tool has mixed impacts on equity, and there might not be an elegant solution for possible negative outcomes in the future.

ALIGNMENT WITH CITY OBJECTIVES

Parking fees may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 600,000 additional residents will be welcomed into the redeveloping area
- 50% of new units added through infill city-wide
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Less than 35% of average household expenditures are spent on housing and transportation

Parking fees are a user fee-based tool that supports transit and sustainable transportation practices, thereby aligning with both Council Policy C624 – Fiscal Policy for Revenue Generation and Edmonton's City Plan. One concern that is likely to arise with regard to parking fees is that they could hurt downtown economic activity, especially at a time when businesses are still working towards recovery from the COVID-19 pandemic. It is a commonly held belief that more cars downtown means more business, but there is little data to support this intuition. In fact, studies have shown that the role of private cars in downtown economic activity tends to be overestimated while the role of shoppers who arrive by transit and active transportation is underestimated[21].

GREEN – *FULLY MEETS OBJECTIVE*
Parking fees support several of the City Plan's transit and climate goals and align with Council Policy C624. The downtown is unlikely to face negative impacts on economic activity.

REVENUE POTENTIAL

Based on current municipal parking revenue, parking fees likely have low revenue potential. This revenue could be fairly flexible and increase over time if parking fees are broadened to privately owned facilities

Parking fees on paid, municipally operated parking require only a bylaw amendment to change, providing a great deal of flexibility and meaning this tool could provide a boost to transit operating funding in the near term. **Given current revenue levels from municipally run parking, the revenue potential for this tool is low.** However, as additional pricing mechanisms come online, such as paid parking where it is currently free or taxation of paid private parking, this tool's revenue potential will increase.

The phasing of new parking costs should be considered; for example, increasing municipal parking costs before private parking costs increase (perhaps due to the introduction of a parking tax) may reduce demand for municipal parking, thereby impacting revenue. **Parking fee revenue would likely fluctuate alongside broader transportation demand patterns such as the total number of car trips and the specific locations of these trips, giving this tool reliability challenges similar to transit fare revenue (ie. if transportation demand decreases, revenue decreases).**

GREEN – *FULLY MEETS OBJECTIVE*
Parking fee revenue may have limited reliability and start low, but it is flexible and could increase as additional tools are introduced.

Road Usage Charging

Drivers are charged a fee that varies according to the distance they travel. In many jurisdictions this is seen as the future of transportation funding.

Road usage charging (RUC) treats roads as a public utility operated through user fees. It is also known as mobility pricing, distance-based charging, mileage based user fees, and vehicle kilometers traveled tax. The strongest versions of this tool use telematics technology to record the distance each driver has travelled within RUC program boundaries, *without* keeping a GPS record of where trips are made. **Public privacy concerns could be a roadblock for RUC, making transparent communication paramount.** This tool can be adapted for a made-in-Edmonton solution by varying fees according to time of day, day of the week, road type, and so on, essentially doubling the tool as a decongestion charge.

Why did we look at this tool?

- ✓ Ideal tool for an equitable user fee on road usage
- ✓ Clear, intuitive policy rationale that is easily communicated
- ✓ Numerous secondary policy options

SCORES

Project Objectives

✓	TRAVEL CHOICES
✗	IMPLEMENTATION
✓	EQUITY
✓/✗	ALIGNMENT WITH CITY OBJECTIVES
✓	REVENUE POTENTIAL

Applicability to Edmonton

While an ambitious target as far as implementation goes, **RUC is one of the best tools available for supporting a number of policy goals.**

In Edmonton, RUC might look like this:

- Legislative changes to the *Traffic Safety Act* enable RUC
- Edmonton designs an RUC system that suits local context
- Drivers are charged a user fee according to the distance they travel within City limits (better yet, RUC is applied regionally)
- Fees could vary by time of day, vehicle owner income, or other factors

Examples from Other Jurisdictions

METRO VANCOUVER

Vancouver has not yet implemented RUC, but it has done extensive research on the possibility. RUC showed promise for congestion management and as an alternative to the fuel tax, but it had insufficient public and political support[22].

US JURISDICTIONS

Oregon and Utah have fully functioning RUC programs that drivers can opt into. Washington and California have implemented pilot programs. Virginia has passed RUC legislation. Colorado, Minnesota, and Pennsylvania have all begun research and targeted pilots. Much of the current investigation of RUC as a viable funding option is being funded by the US Federal Department of Transportation.

TRAVEL CHOICES

By accurately pricing road usage, RUC sends a price signal to drivers and encourages more efficient travel choices.

All forms of mobility have costs, both personal costs and those shared across society. Single-occupancy car trips impose some of the highest collective costs — through emissions, road wear-and-tear, public safety, congestion, etc. — yet personal costs to drivers do not always reflect the shared burden of this mode of travel. **If road usage were priced in a fair, efficient way, the landscape of travel choices might look very different.**

RUC may nudge Edmontonians to make different travel choices in the short term, such as whether to make a specific trip by transit or car, but it could also affect bigger picture choices like where to live and work, how much employers embrace telework, or where developers choose to build. **The cumulative impacts of these choices, short-term and long-term, could have significant positive outcomes for mode share and urban form.**

GREEN – *FULLY MEETS OBJECTIVE*
RUC supports uptake of active transportation and transit by providing revenue for these modes as well as fairly pricing car trips, thereby curbing demand.

IMPLEMENTATION

Considerable legislative and political hurdles need to be addressed before RUC can become a reality. An opt-in system may ease this process.

There is currently no legislative framework for RUC in Alberta. In addition to legislative amendments, this tool will require revenue sharing agreements and coordination of collection strategies with other governments. **However, even if Edmonton secures regulatory approval and a cooperative framework is reached, there are other barriers.** Fears that RUC jeopardizes individual privacy are common, as well as concerns that RUC will unfairly burden rural drivers, low-income drivers, or those with long commutes. Fortunately, these attitudes are largely based on misconceptions about how RUC would work, so an effective communications strategy may be able to clarify the purpose and benefits of RUC[23]. Other potential barriers for RUC include how to introduce the technology required and how to manage the program. However, modern cars come equipped for connected information technology by default, making technical implementation of RUC relatively straightforward. **The use of information technology means much of the program administration can be automated.**

In the U.S., State programs provide the onboard units that plug into cars' on-board diagnostics (OBD) ports. Since 1996 cars have come equipped with a second generation OBD port, so most drivers' cars will be compatible with this technology. Privacy considerations are addressed by making the programs opt-in and communicating the ways that privacy is built into the system's technology. Those who opt into RUC programs are offered a gas tax refund so that they are not double charged for road use. The ongoing technical management and administration of the programs has often been outsourced to an external service provider.

RED – *DOES NOT MEET OBJECTIVE*
The legislative and political considerations that must be addressed before implementing RUC are considerable.

EQUITY

Although user fees tend to be regressive, a well structured RUC system could improve on current inequities between types of drivers and between drivers and those using other modes of transportation.

As a source of municipal revenue, user fees tend to be regressive because they represent a greater share of total income for lower income households. This is compounded by the fact that the road user fee currently in use — the gas tax — has the disadvantage of collecting less revenue from the more fuel-efficient cars that higher income households tend to drive (electric vehicles being the extreme case). **RUC corrects this inequity by charging directly for distance travelled rather than using fuel consumption as a proxy.** Opponents of RUC often suggest that those with long commutes would be unfairly disadvantaged by distance-based fees, but this inequity already exists under the gas tax. However, the problem of user fees' being regressive remains. This could be addressed with a low-income rebate or price structure.

As mentioned in Travel Choices above, different travel modes have different collective costs. **RUC helps to ensure that all drivers are paying their share for transportation infrastructure and empowers governments to support transportation policy goals by appropriately pricing different travel modes.** Rather than being a market distortion, this would provide travellers with a more accurate price signal for their travel choices, potentially shifting some drivers to more efficient modes such as transit or active transportation.

GREEN – *FULLY MEETS OBJECTIVE*
RUC is a platform for fair user fees for roads, supporting equity across multiple transportation modes.

ALIGNMENT WITH CITY OBJECTIVES

RUC may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 600,000 additional residents will be welcomed into the redeveloping area
- 50% of new units added through infill city-wide
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Nodes and corridors support 50% of all employment in Edmonton

RUC aligns with the City Plan by providing transit revenues, but it also acts as a transportation demand management measure, further boosting transit ridership. As a user fee, it aligns with Council Policy C624 – Fiscal Policy for Revenue Generation.

If applied at a local scale only, there is a risk that RUC will effectively act as a cordon charge on Edmonton proper, while surrounding municipalities will remain untaxed. This could have negative knock-on effects for travel choices and land use patterns. Adjacent municipalities might see their populations rise as people move in order to avoid the tax, effectively diverting development away from Edmonton. This would be contrary to densification and infill targets. If RUC were applied cooperatively across the region these risks would be mitigated and RUC would dampen demand for road travel, potentially having the opposite effect as residents make choices that limit their travel needs, such as living in walkable, transit-served areas.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
Although RUC has the potential to support numerous City policies, implementing it on a local scale only (not regional) may cause unintended negative transportation and land use outcomes.

REVENUE POTENTIAL

RUC is considered a viable alternative to gas tax in jurisdictions that rely heavily on motor fuel taxation, suggesting it has moderate revenue potential. RUC has substantial flexibility and longevity.

As gas tax revenue declines, transportation authorities across North America are looking to alternative funding models that will enable them to continue providing transportation infrastructure. **Across the United States, multiple statewide RUC programs have already been implemented on an opt-in basis, pilot programs are proliferating, extensive research is underway, and enabling legislation is being passed.** It is safe to say that states view RUC as a serious alternative to motor fuel tax. This is notable given the degree to which state's rely on gas tax for infrastructure funding; in 2018 state and local motor fuel tax accounted for 27% of highway and road spending and a combined $50 billion in revenue[24]. **If RUC is a viable replacement for such a significant revenue source, it can likely provide moderate transit revenue**. RUC's revenue potential depends on the affected area, the amount of uptake if the program is opt-in, the rate charged per kilometer, and ongoing costs to run the program.

RUC's reliability is without question. As long as drivers continue to use public roads, an RUC system will be able to collect needed revenue. **As for adaptability, RUC rates are set by policy according to financial need and economic capacity, making RUC a highly flexible revenue source.** Additionally, rates could differ between types of drivers, such as light vehicles or commercial freight, providing more options for how RUC could be applied.

GREEN – *FULLY MEETS OBJECTIVE*
RUC has the potential to provide substantive transit revenue that is flexible and reliable for the long term.

Transportation Network Company Fee

A flat or variable fee charged to TNCs (ride hailing companies) on a per ride basis with revenue earmarked for transit.

Transportation Network Companies have had a highly disruptive influence on the transportation sector. Despite early claims that they would reduce personal car use, time and research have shown that these companies increase traffic congestion[25]. **As of 2018, seven US cities and twelve states had some form of TNC fee.** TNC fees come as flat fees or percentages of the total fare for a trip. Some programs charge more in transit rich areas or less in low-income areas. **Most programs are intended to raise revenue for municipalities or transit agencies, reduce congestion, encourage shared TNC trips or transit ridership, and achieve other context specific goals** such as supporting taxi companies. Several TNC fees support accessible transit[26].

Why did we look at this tool?

- ✓ Potential near-term revenue source with low maintenance costs
- ✓ Many North American precedents
- ✓ Responds to transportation industry disruption

SCORES

Project Objectives

TRAVEL CHOICES	✓✗
IMPLEMENTATION	✓
EQUITY	✓✗
ALIGNMENT WITH CITY OBJECTIVES	✓
REVENUE POTENTIAL	✓✗

Applicability to Edmonton

Transportation demand management strategies will likely be necessary to meet Edmonton's ambitious mode share targets. A TNC fee could have a positive or negative impact on mode share depending on how it is structured.

In Edmonton, a TNC fee might look like this:

- Edmonton charges TNCs a fee per ride
- TNCs pass this fee onto individual riders
- This could be a flat fee, a percentage of total fare, or a fee based on trip location/time
- Revenue is then used for transit operations

Examples from Other Jurisdictions

CHICAGO, IL

Fees ranging from $0.55 to $8.00 per trip raise municipal revenue, reduce congestion, and incentivize shared trips and public transit. Trip location data is used to accomplish decongestion in particular; trips starting or ending in special zones (downtown, airports) are subject to a surcharge. Reduced fees are used to incentivize shared trips, further combating congestion[27].

SEATTLE, WA

In Seattle TNCs are subject to a $0.10 surcharge on all trips, with the resulting revenue directed to incentives for drivers of wheelchair accessible vehicles. An $0.08 fee is also levied to cover the cost of enforcing and regulating TNC licensing. Finally, $0.57 is charged per ride in order to support affordable housing near transit, a streetcar line, and other goals[28]. These fees add up to $0.75 — not a sum that seems likely to deter many TNC users.

TRAVEL CHOICES

TNC fees may nudge users towards public transit or active transportation while also raising revenue to improve these options. However, TNCs provide an alternative to private car ownership, one of the strongest levers on mode share.

By slightly increasing the price of ride-hailing services, a TNC fee has the potential to redirect would-be TNC customers to transit or active transportation, boosting the mode share of these more desirable travel options.

However, while TNCs have their share of drawbacks, such as increased congestion, they remain an attractive alternative to private car ownership. If TNCs empower Edmontonians to abstain from personal vehicle ownership, they also strongly support mode share for transit and active transportation. Increasing the cost of TNC services may disincentivize their use and have negative impacts on travel choice. The key is to set the TNC fee at the right level and to incorporate sufficient nuance into the fee structure (perhaps using variation based on location and time of day), so that the net impact on travel choices is positive.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
Although a TNC fee may nudge TNC users towards transit or active transportation, TNCs provide an alternative to private car use and should perhaps be encouraged.

IMPLEMENTATION

Bylaw 17400 lays the groundwork for this tool, which would require a bylaw amendment. This tool requires few resources to introduce or maintain.

Bylaw 17400 – Vehicle for Hire sets out a schedule of fees that apply to TNCs. Licencing fees for dispatchers range from $3,106 to $20,706 depending on the number of vehicles they coordinate, plus an accessibility surcharge of $50 per vehicle, and a $0.30 per trip fee. Currently, these fees contribute to general revenue and are not earmarked for any purpose. If revenue is to support transit it should first go to general revenue and then be allocated to transit by Council.

If Edmonton wished to design a more complex TNC fee — to reduce the fee in areas with lower levels of transit service, for example — there would be moderate implementation costs associated with the necessary research and system design work. Once established, a TNC fee would be inexpensive to maintain over the long term, especially considering that the means of collecting such fees are already in place.

GREEN - *FULLY MEETS OBJECTIVE*
Edmonton already charges TNC fees to dispatchers; they only need to be adapted for transit revenue and policy goals.

EQUITY

This tool can support equity goals by directing revenue towards accessible transit or by using trip location data to reduce fees in low-income areas. However, making TNCs less affordable may have negative equity impacts on those who do not own a car.

In US jurisdictions many TNC fees support accessible transit or accessible TNC services, and, indeed, Edmonton does something similar with the Licence Fee Accessibility Surcharge that it levies on dispatchers of vehicles for hire. TNC fees can also support equity by using the location data of trips to alter fees. **For example, Edmonton could increase fees in certain zones, such as near the airport or downtown, or reduce fees in other zones, such as low-income areas or neighbourhoods with lower access to transit**. Fees could also vary with time of day, increasing when transit options are plentiful and decreasing when transit service is more sparse.

On the other hand, TNC fares are user fees and are therefore regressive. **TNC fees increase the burden of these user fees, especially for low-income individuals who may not be able to afford a car and therefore rely more heavily on TNC services**. More information is needed to better understand the extent of this equity impact.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
TNC fees can be structured to support equity, but they may restrict access to TNC services, which currently provide a travel option for those who do not own a car.

ALIGNMENT WITH CITY OBJECTIVES

A TNC fee may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 50% of trips are made by transit and active transportation
- Less than 35% of average household expenditures are spent on housing and transportation

TNC fees have the potential to support several of the City Plan's Big City Moves targets that relate to transportation. However, if set incorrectly, they could have the opposite effect. By tacking onto a user fee, TNC fees align themselves with Council Policy C624 – Fiscal Policy for Revenue Generation.

GREEN - *FULLY MEETS OBJECTIVE*
TNC fees may support City Plan targets if they can be structured to improve travel choices, and as a form of user fee they align with City policy on revenue generation.

REVENUE POTENTIAL

It is difficult to assess revenue potential without local data on TNC trips, but US cities of a similar size estimate revenue in the tens of millions. Collecting fees from a private company makes the future of this tool somewhat uncertain.

It is difficult to predict the amount of revenue that will be generated by a TNC per trip fee without detailed data on the number of TNC trips that are made in Edmonton, how many TNC vehicles there are, and perhaps when and where trips are made. However, we can look to cities that have implemented TNC fees to help shape an estimate of what revenue may look like in Edmonton. Annual TNC fee revenue was expected to be $40 million for City of Chicago (2020 population: 2,746,388) and $32 million for City and County of San Francisco (2020 population: 873,965),[29] but the COVID-19 pandemic drastically reduced use of TNC services, so it is difficult to say how much revenue potential TNC fees really have. The comparison between Edmonton and these other jurisdictions is made even more difficult by differences in urban form, travel patterns, climate, population, larger rapid transit systems and so on. Edmonton's TNC fee revenue is estimated to be moderate, assuming trip volumes and fee levels similar to the precedents listed above.

A final consideration for TNC fees is that they rely on the continued operation of a private service provider. If TNCs stopped operating in Edmonton, ETS could be left with an unexpected revenue gap.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
TNC fees have the potential to generate flexible, moderate transit revenue, but the reliability of this revenue is uncertain.

Vehicle Registration Fee

A surcharge on top of existing vehicle registration fees with the additional portion earmarked for transit operating revenue.

Some of the tools reviewed in this report (road usage charging, motor fuel tax) are variable or distance-based user fees for road infrastructure. Unlike these tools, **a vehicle registration fee is a flat fee charged upon first application or annual renewal of vehicle registration.** The Province collects vehicle registration fees, so the administrative structure for collecting these fees is already established at the Provincial level. The Provincial fee for a standard passenger vehicle is currently $80 plus a maximum service charge of $13, for a total of $93 paid once each year. **The proposal for this revenue tool is to introduce an additional vehicle registration fee at the municipal level, with the resulting revenue earmarked for transit operations.**

Why did we look at this tool?

- ✓ Administrative structure is already in place at the Provincial level
- ✓ Predictable revenue potential
- ✓ Clear, intuitive policy rationale that is easily communicated

SCORES

Project Objectives

✓	TRAVEL CHOICES
✓/✗	IMPLEMENTATION
✓/✗	EQUITY
✓	ALIGNMENT WITH CITY OBJECTIVES
✓	REVENUE POTENTIAL

Applicability to Edmonton

The number of cars registered in Edmonton provides a relatively large tax base for this tool to draw on, though current legislation explicitly prohibits municipalities from passing bylaws that affect vehicle registration.

In Edmonton, a vehicle registration fee might look like this:

- Amendments to the *Traffic Safety Act*, likely sections 13 and 16, would be required to permit Edmonton to levy its own vehicle registration fee
- A local bylaw would need to be passed providing the details of the fee, exemptions, schedules, etc.
- Ideally, collection of municipal vehicle registration fees would be coordinated with Provincial vehicle registration fees to ease administrative burdens

Examples from Other Jurisdictions

MONTREAL METROPOLITAN COMMUNITY

Residents of 74 Montreal area municipalities pay a "contribution to public transit" when renewing their vehicle registration[30]. This fee is $30 in most municipalities, but vehicles registered on the island of Montréal pay an additional $45, for a total of $75 for public transit. This contribution to public transit is in addition to the base registration fee and other charges. In total, the cost of registering a vehicle ranges from $178.43 to $269.64 depending on where the vehicle is registered[31].

SEATTLE, WA

The Seattle Transportation Benefit District Proposition 1 ran from 2015 to 2020 and included a 0.1% sales tax as well as a $60 dollar vehicle registration fee; Seattle residents already paid a $20 vehicle registration fee earmarked for transit, bringing the total to $80. Together, these measures generated over $45 million annually for transit expansion. This revenue helped grow annual service hours from 61,000 in 2015 to 349,000 in 2019[32].

TRAVEL CHOICES

A vehicle registration fee may achieve a double effect on mode share by adding minor cost pressures for drivers while also raising transit revenue that can be used to increase service levels.

Insofar as a vehicle registration fee can raise revenue for transit operations, it has the potential to boost transit ridership by increasing service levels and making transit a more convenient and attractive travel option. A vehicle registration fee also slightly increases the cost of car ownership, potentially creating an incentive to use other modes of transportation. That being said, this transportation demand management effect is unlikely to be as strong in this case as for revenue tools that create costs that recur more frequently, such as road usage charging or a motor fuel tax. Distance based user fees such as those create costs for drivers each time they use their cars, and this means those tools can impact travel choices each time a driver makes a trip. A vehicle registration fee likely only affects a driver's choice to register a car or not in any given year. For many drivers, a small annual fee will not be enough to move away from car ownership, but perhaps households will choose to reduce the number of cars they own, from two cars to one for example.

GREEN – *FULLY MEETS OBJECTIVE*
A vehicle registration fee may act as a transportation demand management measure in addition to generating operating revenue for transit, thereby supporting efficient travel choices.

IMPLEMENTATION

This tool requires amendments to the *Traffic Safety Act* (likely sections 13 and 16), but the implementation and ongoing management of a vehicle registration fee will likely not be resource intensive.

Section 13 of the *Traffic Safety Act* lays out the powers of municipalities with regard to roads, parking, drivers, and the like. Section 16 lists restrictions on these powers, and states that municipalities may not make a bylaw that "affects in any way the registration or numbering of motor vehicles." It is clear that an amendment will be required to permit Edmonton's use of this tool. In addition to legislative approval, the implementation of a local or regional vehicle registration fee will require intergovernmental agreements on program features such as who collects the fee and how revenue is shared.

On the other hand, the Province already charges vehicle registration fees, so the necessary structures are already in place. Implementation costs will likely be quite low given that similar fees are already collected and a local fee would only need to be added to the existing process. Likewise for the ongoing management of this tool.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
It may be difficult to acquire legislative approval for a local vehicle registration fee, but the introduction and management of this tool is unlikely to be resource intensive.

EQUITY

A flat vehicle registration fee may be regressive and not all households will be able to opt out by reducing car ownership, but this tool is progressive in a sense because car ownership tends to correlate with income.

Flat fees tend to be regressive because they impose a greater relative burden on lower income households. However, car ownership rates tend to reflect income, with high-income households owning more cars and low-income households owning fewer. The correlation between income and car ownership means that a vehicle registration fee may be progressive in a sense, though this will not necessarily hold for all households. Additionally, this tool asks nothing of the lowest income households who are more likely to not own a car. For these reasons, and because many tools that support transit revenue inherently support low-income and underrepresented populations, a local vehicle registration fee is vertically equitable.

On the other hand, for those households who do not fit general trends and must own one or more cars regardless of income (likely due to home and work locations), a vehicle registration fee may represent an inequitable burden. The scale of this burden requires further investigation, but a fee similar to that charged in other jurisdictions ($40-$75) is unlikely to be a significant burden when spread across a yearly time frame.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
A vehicle registration fee for transit is likely to have mixed impacts with regard to equity, but in general it has a form of progressiveness built in because car ownership tends to increase with income.

ALIGNMENT WITH CITY OBJECTIVES

A vehicle registration fee for transit may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 50% of trips are made by transit and active transportation
- 15-minute districts that allow people to easily complete their daily needs
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)

A vehicle registration fee aligns with many of the City Plan's transportation and climate targets by supporting transit and adding minor, fair costs to car ownership. A vehicle registration fee and other revenue tools that support transportation demand management may indirectly impact urban form. As Edmontonians seek to reduce their transportation costs, transit and especially active transportation are likely to become more popular. This shift in mode share may in turn create long-term pressures for land use change, namely densification, infill, and the creation of 15-minute districts where residents can meet their daily needs without the use of a car.

GREEN - *FULLY MEETS OBJECTIVE*
A vehicle registration fee supports numerous City Plan goals and aligns with Council Policy C624 by charging a fee that reflects benefits received.

REVENUE POTENTIAL

Assuming a fee similar to that charged in available precedents, this tool has the potential to generate moderate, flexible, reliable transit revenue.

As of March 31, 2021 there were 712,934 motor vehicles registered in the City of Edmonton[33]. Calculating the revenue potential of this tool is straightforward once you know how high a fee will be charged. **Even a nominal fee has revenue potential comparable to other tools reviewed in this report, and a fee similar to those charged in other jurisdictions (Montreal, Seattle) has moderate revenue potential.** With program costs kept to a minimum due to the Provincial structure already being in place, this revenue is fairly reliable.

Since a vehicle registration fee requires legislative amendments, the fee that Edmonton will be able to charge and the flexibility of this fee remain unknown. Depending on what authority Edmonton is given (assuming any), fees may be changeable each year as budgetary needs shift, they may be locked in at a nominal price, or they may be indexed to inflation or some other measure.

GREEN – *FULLY MEETS OBJECTIVE*
Given the number of vehicles registered in Edmonton, a vehicle registration fee has moderate, reliable revenue potential, with flexibility hinging on enabling legislation.

Tourism Levy

A surcharge levied on temporary accommodations, such as hotels and online vacation rental companies, and remitted to the City.

Although visitors to Edmonton provide a welcome boost to the local economy, they do not pay property taxes. **A tourism levy ensures that visitors contribute to municipal operations, accounting for the use they make of municipal infrastructure and services**. Tourism levies are often used to support tourism associations and promote local destinations.

Why did we look at this tool?

- ✓ Administrative structure is already in place at the Provincial level
- ✓ Many North American precedents
- ✓ Clear, intuitive policy rationale that is easily communicated

SCORES

Project Objectives

TRAVEL CHOICES	✓/✗
IMPLEMENTATION	✓/✗
EQUITY	✓
ALIGNMENT WITH CITY OBJECTIVES	✓/✗
REVENUE POTENTIAL	✗

Applicability to Edmonton

As Edmonton works to support the recovery of the local tourism industry, a tourism tax is unlikely to be a suitable revenue tool. It may be of more interest in the medium term.

In Edmonton, a tourism levy might look like this:

- Legislative amendments, likely to the *Tourism Levy Act* and/or *Municipal Government Act*, could enable Edmonton to collect a local tourism levy or reach a revenue sharing agreement with regard to the Province's tourism levy
- Temporary accommodations hosts would remit revenue to the City
- Revenue would be earmarked for transit

Examples from Other Jurisdictions

CANADIAN JURISDICTIONS

Many Canadian cities levy a tourism tax. Each Province has its own enabling legislation, but these taxes are typically in the range of 2-4% of the purchase price, and revenue is directed to various purposes. Nova Scotia allows a tourism levy of no more than 2%, and funds are to be used to promote the municipality as a tourism destination[34]. Ontario municipalities generally charge 4% of the purchase price for transient accommodation and funds can support the tourism industry as well as programs and services that visitors make use of such as roads, transit, culture, and recreation[35].

FLORIDA

Municipalities in Florida have the authority to levy taxes on the sale of accommodation. Depending on the county, the tax rate might be 3-6%. Permissible uses of funds are fairly constrained — capital construction of tourist-related facilities, tourist promotion, and shoreline maintenance[36]. However, House Bill 6075, which is currently before the state legislature, would allow revenue to support a variety of local needs, including affordable housing and transit[37].

TRAVEL CHOICES

A tourism levy could provide funding for transit operations, thereby boosting service levels and ridership, though this impact is limited by the tool's low revenue potential.

Each tool in this report has the potential to increase transit mode share simply by providing transit operating revenue. Increased operating revenue could translate to higher service levels that will in turn attract additional ridership. However, a tourism levy has limited revenue potential due to its small tax base and conventionally low tax rate. As a result, a tourism levy has limited potential to support more efficient travel choices when compared with other revenue tools in this report. That being said, as long as the revenue generated by a tourism levy outweighs the cost of collecting the tax, this tool will have a positive (if minor) effect on mode share.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
A tourism levy is likely to have a positive impact on travel choices, but this impact is expected to be limited by the tool's low revenue potential.

IMPLEMENTATION

With the Province currently offering an abatement of its tourism levy (in response to COVID-19), the political climate is likely not supportive of necessary legislative changes.

The Province collects a tourism levy, which could reduce program costs if Edmonton were to gain legislative approval to implement a tourism levy of its own, or especially if Edmonton were to reach a revenue sharing agreement with the Province in order to secure a portion of the funds generated by the existing Provincial levy. However, the Province is currently implementing an abatement of its tourism levy in order to support the tourism industry's recovery from the impacts of the COVID-19 pandemic.

As such, the political climate is unlikely to support the introduction of this tool, especially in the near term. Looking several years ahead, a tourism levy may be a viable option in the mid to long term.

ORANGE - *PARTIALLY MEETS OBJECTIVE*
Although implementation and management costs would likely be low, a tourism levy faces an unfavourable political environment in the short term.

EQUITY

A local tourism levy has the potential to reduce existing inequities between locals and visitors. Impacts on tourism industry workers may require further study.

This tool could correct existing inequities between Edmonton residents and visitors by ensuring visitors contribute fairly for their use of municipal infrastructure and services. **Since visitors do not pay property tax, another mechanism is required to ensure they contribute to funding for municipal programs and services.** A tourism levy can play this role. Although visitors contribute to the local economy through spending on accommodations, recreation, shops, and restaurants, each of these contributions is made in return for a benefit received. Any use of municipal services that are wholly or partly funded by City property tax, such as transit or recreation, essentially amount to subsidies for visitors. Then again, free transit passes are sometimes used to encourage tourism. **With regard to a tourism levy in support of transit, Edmonton may have to find a decisive direction on how tourism and transit can come together for optimal local benefit.**

The tourism industry is known to pay some of the lowest wages of any industry. **If a tourism levy harms the tourism industry it may have negative impacts on workers, some of whom are already underprivileged.** Analysis may be required to determine the extent of this impact, and if such an effect is in fact likely to occur. When looking at impacts on temporary accommodation customers, equity concerns are minimal since most travelers have a simple way of opting out of the tax — don't travel.

GREEN – *FULLY MEETS OBJECTIVE*
A tourism levy could ensure that visitors contribute fairly to municipal programs and services.

ALIGNMENT WITH CITY OBJECTIVES

A tourism levy for transit may support the following targets within the City Plan's Big City Moves:

- Achieve total community-wide carbon budget of 135 megatonnes
- Net per-person GHG emissions are zero
- 50% of trips are made by transit and active transportation
- Less than 35% of average household expenditures are spent on housing and *transportation* (emphasis added)

Insofar as a tourism levy supports transit operating revenue (a support that may be limited by this tool's low revenue potential), it has the potential to support the City Plan's transit and climate related goals. This tool also aligns with Council Policy C624 - Fiscal Policy for Revenue Generation because it ensures that the costs of providing municipal services to visitors are borne by visitors. However, a tourism levy may work against the viability of Edmonton's tourism sector, potentially harming economic growth.

ORANGE – *PARTIALLY MEETS OBJECTIVE*
With limited ability to support City Plan targets and the potential to work at cross purposes to efforts to support Edmonton's tourism sector, this tool has mixed alignment with City objectives.

REVENUE POTENTIAL

As made clear recently, this tool is dependent on tourism demand, resulting in revenue fluctuations and unreliability. The total revenue from tourism levies tends to be minimal.

Tourism levies draw on a relatively small tax base compared to other municipal revenue tools such as property tax. In addition, the rates of these taxes tend to be quite low at around 2-4% when compared to, say, parking taxes, which can be around 25%. **Between low tax rates and a relatively small tax base, tourism levies typically do not generate substantial revenue.** Further, the funding from tourism levies can be unreliable as tourism levels fluctuate. The COVID-19 pandemic has revealed the instability of this revenue source, and will continue to put downward pressure on travel demand for an unknown time frame. Finally, the funding from tourism levies is often directed to multiple purposes, reducing the portion that can be dedicated to transit.

RED - *DOES NOT MEET OBJECTIVE*
Between low overall revenue potential and unpredictable fluctuations in revenue, this tool does not meet project objectives.

Conclusion

The analysis in this report has provided an initial look at some of the revenue tools that the City could pursue to augment operating and capital funding for ETS.

Each tool has its strengths and weaknesses, and each tool could have different outcomes as economic and political contexts change. Based on how the tools scored on the project objectives, some show more overall promise than others, and these tools are recommended for further study.

It is important to note that there is no silver bullet; no single tool is likely to close transit's funding gap and provide stable revenue for transit growth. More likely, a mix of tools will need to be employed. Besides offering more revenue, drawing on a variety of revenue sources will also build resilience into the ETS funding formula. If one revenue source becomes compromised in the future, the others may be able to replace it for a time, and the overall loss of funding will be smaller if the proportion of funding coming from each tool is smaller.

Across Canada, transit agencies have learned that overreliance on fare revenue left them vulnerable when the pandemic drastically reduced ridership. But this report is not about the impacts of the pandemic. It is about building a diversified funding model for transit so that in good times there will be capacity for steady transit expansion and so that bad times can be more easily weathered. Ideally, Canada would adopt a similar model as other jurisdictions where there is a higher degree of federal support for transit operations, which would shift some of the burden of this responsibility away from local governments. In the meantime, local and regional transit agencies will need to pursue alternative revenue tools such as those presented here.

Appendix: Revenue Tools Excluded After Initial Screening

The following tools were considered during the initial screening. They did not move forward for full consideration in this report because they did not meet one or more criteria during the screening process, these criteria being precedence, applicability, and ability to assess (as outlined in the Methodology section of this report).

REAL ESTATE-BASED REVENUE TOOLS

Redevelopment and Off-Site Levies

DEFINITION *A one-time levy on new development that can be consistent across a municipality or "tiered" with fees varying by location. Also known as Development Charges.*

Revenue sources that rely on new development may not provide predictable revenue in Alberta's resource-based economy. Fees on new development may disincentivize new construction, challenging the sustainability of the revenue source and Edmonton's economic well-being.

Negotiated Exactions

DEFINITION *One-time exactions on new development that are negotiated and vary according to site specifics.*

Negotiated exactions face the same challenges as redevelopment and off-site levies. In addition, their ongoing management can be resource intensive and may bring up equity concerns between communities seeing as different communities may have different capacity for negotiation.

Land Transfer Tax

DEFINITION *A tax levied on the buyer of real property at point of sale.*

The revenue from a land transfer tax ebbs and flows alongside the number of real estate transactions in Edmonton. This revenue source is unpredictable in the event of an economic downturn.

High Value Homes Tax

DEFINITION *An additional fee or tax on homes over a specified value threshold, likely collected alongside property tax.*

While this is a possible revenue source, the policy link between high value homes and transportation revenue is not clear, and therefore it may be difficult to secure regulatory changes needed for implementation.

TRANSPORTATION-BASED REVENUE TOOLS

Variable Vehicle Tax

DEFINITION *A sales tax applied at rates that vary according to vehicle fuel efficiency.*

While this tool may be a valid revenue source, one-time fees can be unpredictable and very limited precedents were identified, limiting the information available on this tool.

Road Tolls

DEFINITION *Tolls for highway use, road use, or use of lanes otherwise designated for high-occupancy vehicles.*

Road tolls are well known on the part of the public, and generally not well received. Bill 43 (introduced in December 2020) allows road and bridge tolls, but only on new projects. There are no significant new major road or bridge projects in Edmonton's near-term capital plans.

Bridge Tolls

DEFINITION *A toll for bridge crossings.*

Bridge tolls face the same challenges as road tolls. Additionally, bridge tolls do not provide a fair way of charging road users since many drivers need to cross bridges in Edmonton's particular geography for many daily trips.

Congestion Pricing

DEFINITION *Fees charged when road users cross into defined areas (typically with fees increasing towards the downtown core, where congestion is greatest).*

Congestion pricing is typically designed to disincentivize driving into the city centre. While this is a strong revenue option and a valid policy goal for some cities, it may not be a good fit at a time when Edmonton is striving to increase downtown vibrancy and focus infill development within the existing urban boundary.

OTHER REVENUE SOURCES

Regional Sales Tax

DEFINITION *A sales tax applied regionally and earmarked for transit (typical sales tax exemptions would apply).*

The regulatory changes needed to implement this tool make it politically unlikely given that there is no sales tax applied at the Provincial level.

Government Transfers

DEFINITION *Direct government grants from the Provincial or federal governments.*

While increased funding from other orders of government are certainly welcome at the local level, this tool was identified by the Project Team as out of scope due to unpredictable fluctuations in this form of funding. Securing capital and operating support for transit through continued communication and collaboration with the Federal and Provincial governments remains a vital component of a diversified funding strategy.

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