

Considerations for Implementing a Cash In Lieu of Parking Policy

Administration was directed to explore high level policy options for a Cash in Lieu Program to contribute to public transit, and/or a high density parking that facilitates transit options.

Cash in Lieu of Parking programs require a complex and comprehensive policy and governance structure. In all Cash in Lieu of Parking Programs, different forms of fee collection and distribution are established. Regardless of how Cash in Lieu funds are distributed, a system of capturing parking need is required. From there, options on how to capture the value of any misalignment between provision and need can be established.

Factors that influence the success of a Cash in Lieu of Parking program

A successful Cash in Lieu of Parking program includes:

- A governance structure that details how funds are collected; how deviations are approved, and in what circumstances; what the funds can be spent on; and who is responsible for the budget.
- A prerequisite that variances to reduce parking requirements are not given for free, which includes reduced parking requirements through rezonings or overlays. Similarly, a transparent and accountable way to authorize fee waivers.
- A procedure for granting variances to parking, including the fees charged, which are revised on a regular basis to reflect market conditions and changing construction costs.
- Fees which cover the capital cost of the program, and are not so high that development becomes non-viable, but not so low that developments are incentivized to provide less parking than needed to serve the site.
- Financial self-sufficiency to produce enough revenue to cover any capital or initial implementation costs.
- A direct, tangible benefit in exchange for a payer's contribution.
- Implementation in an area where redevelopment occurs fast enough to generate sufficient contributions to deliver the program or project in a timely manner that assists with the developments; or a mechanism is set in place where the City front loads the cost of the program or project implementation to be recoped as properties in the area redevelop and pay into the fund.

Typically Cash in Lieu of Parking programs are implemented in areas where:

- lots are too small to provide all parking on site, or there are other site constraints such as a high water table, steep topography, bedrock, etc.;
- a level of walkability is desired;

- the existing built form was constructed prior to the minimum parking requirements; or
- new developments desire ample parking with a walkable urban form.

Some of the downsides of Cash in Lieu of Parking programs include:

- Lag time between collection of funds and delivery of a parking structure;
- Risk of undercollection to build and maintain a project or program (maintenance and operational costs are not explicitly allowed under Section 650 of the *Municipal Government Act*); and
- Additional fees may make a project economically non-viable.

Further, a Cash in Lieu of Parking program relies on enough contributors to the program within any given area, so that the program can deliver an intended outcome within a reasonable distance of the projects for which funds were collected. Administration has limited control on who decides to participate as developers may choose to deliver their required minimum parking requirements.

Governance structure

A Cash in Lieu of Parking program policy and governance framework is required so that there is certainty around which projects or areas qualify and how the funds are collected and disbursed. Funds should be allocated toward specific infrastructure that is necessary to service the development from which they were collected and not directed to general revenue.

To implement a cash in lieu program, the following must be considered and set into place:

- program scope, purpose, and underlying assumptions;
- prerequisites for success, opportunities and risks, and necessary changes to policies, process, procedure, or work-instructions;
- a resource plan to administer the program (collectors, accountants, auditors, project managers, etc.);
- how the funds owing will be determined, collected, distributed, waived, and administered, including delegation authority;
- the specific types of works that can be funded by the program, and what amount of reporting (engineering reports, business case, etc.) is required to justify the funds to be released;
- the geographic area(s) where the program will apply;
- evaluation criteria for program effectiveness, and who is accountable for program success.

Setting the Cash in Lieu Fee

A Cash in Lieu of Parking program must be transparent and accountable. The framework used to determine the fee schedule, the types of projects that those

fees are allowed to be spent on, and the governance structure for collecting and administering the fees must be created and implemented.

It is important that the fee is set to an equivalent value of the parking provided. Too high a fee encourages people to provide less than the right amount of parking, and too low a fee encourages people to provide parking, which creates a risk that insufficient funds are collected for the Cash in Lieu program to be successful.

Important considerations for setting the right fee for the in-lieu parking space include:

- risk related to construction costs, uncertainty, and fluctuations in the economy;
- coordination with fees and processes for granting variances (especially to parking) or applying for Zoning Bylaw Text Amendments that result in a lower parking requirement;
- whether land costs are included or not in the fee schedule; and
- how close in proximity to the contributing property do the cash in lieu funds need to be spent.

Setting the right fee is especially important if the funds are intended to be spent on something other than parking such as transit or infrastructure for active modes, in accordance with Section 650 of the *Municipal Government Act*. The framework must ensure the funds are used for useful, practical, and valuable projects, which have support from Edmontonians and in particular, from the fee contributors.

Cash in Lieu of Parking Program Sustainability

The majority of jurisdictions surveyed have a Cash in Lieu of Parking program rate set much lower than the cost to build a parking space, which undermines the efficiency of the program and distorts the supply and demand market for parking. In some cases, the cash in lieu fee is set low on purpose so as to not discourage development, and in other cases it is due to being set decades prior and never updated to reflect inflation or the change in construction costs. Therefore ongoing reviews and updates of the fee must occur to ensure that the program remains sustainable.

The jurisdictions that have updated their schedule recently have fees in excess of \$24,000 per space, and will impose separate rates for surface and structured spaces. Most cities require that the fees collected must go to parking, however Vancouver and New Westminster have the option to put towards infrastructure for active transportation modes.

Public Transit and High Density Parking Objectives

Once a decision is made on how to set parking requirements and what form the fee will take, a program for fund distribution will be required. Administration was requested to explore two potential options for distribution: a contribution to public transit, and/or high density parking that facilitates transit options.

In Alberta, the *Municipal Government Act* requires that funds collected for a Cash in Lieu of Parking program are utilized to construct infrastructure considered necessary to serve the development.

Based on the legal framework, it is unlikely that Edmonton would be able to advance a Cash in Lieu of Parking program that could contribute to public transit. High density parking could be explored as a Cash-in-Lieu of Parking program, although the contributing developments must be in the vicinity to be served by the parking.

Public Transit Cash in Lieu Program

This non-traditional form of Cash in Lieu enables a municipality to direct the funds to support other City Building Initiatives. Vancouver has established a process in which it collects funds based on the current year construction costs for parking spaces and allocates the funds to specific programs and services. This has enabled Vancouver to use the funds for bike and transit infrastructure.

Due to the limitations imposed by the Municipal Government Act, direction of funding towards public transit would require that the funds be directed in a manner serves the development. This may limit the scope and scale of opportunity. A program would require the identification of eligible infrastructure, priority-setting for investment and establishment of performance indicators to manage the program. Ongoing review of contributions and ensuring that the fees are not used to supplement ongoing operational costs is key to program success.

High density parking to facilitate transit options

This form of fund distribution would look to support transit usage by enabling high density parking at strategic transit nodes. Implementing this type of program would require a number of policy decisions including how the parking facility would integrate into the urban context, whether the parking is meant to support more local residents or long distance commuters, whether there would multiple parking options along a route or whether larger, strategic options would be developed. These options would then help to determine strategic locations for the high density parking.

If it was determined that the program would invest in the development of parking facilities, a decision as to whether to front-load capital resources to construct the facilities, or whether to construct once a certain threshold of funds had been

collected would be required. In all situations there would be costs incurred by the City to develop the program, manage the funds and to develop facilities.

Other Opportunities to achieve City Building Goals

Administration was asked to explore a Cash in Lieu of Parking program. This request requires that parking minimums be retained so that a program of cash collection and distribution can be developed. However, Administration has also identified that the off-site levy model could be utilized (instead of a Cash in Lieu of Parking program) to deliver the objectives that were identified in the motion.

The City is currently developing a phased off-site levy program, and future phases could explore whether parking impacts could be mitigated through contributions to capital investments for infrastructure where the benefit is tied directly to the development. Under this form of program, the retention of parking minimums is not required, as the impact of a development could be measured in a variety of ways.