Downtown Parking Lots
An Interim Use That Just Won’t Go Away

by Antoine Belaieff
Based on research conducted in the Programme in Planning, University of Toronto

1. Why study parking lots?

Planners sometimes describe urban surface parking lots as an “interim use.” Yet many surface lots have been in operation for decades, and there are no plans for their redevelopment. Business cycles come and go, but some parking lots remain untouched.

Although surface parking lots provide a useful service, they displace more desirable uses. Surface parking can be replaced with underground parking facilities and buildings, or otherwise improved. What could be done to bring about this change?

The study on which this research bulletin is based involved examining parking lots using perspectives derived from land economics, taxation, transportation, planning, and urban design. The report points out the causes of the current situation and opportunities to achieve a better balance between the various interests connected to surface parking. The recommendations suggest ways to improve the management of surface parking in the downtown core, while ensuring that automobile access to the downtown area is maintained.

2. What’s wrong with parking lots?

The study identified five main problems related to the abundance and persistence of surface parking in Toronto’s central core.

Suboptimal land use

Surface parking is an accessory use that precludes any other concurrent use. Since the main advantage of a downtown is its density of uses, an overabundance of surface parking reduces the vitality of the downtown. A few of Toronto’s surface lots were developed in the late 1990s, but the proportion of land taken up by surface parking is still high. In two areas to the immediate west and east of the downtown core, 17% and 24%, respectively, of the net land area was found to be occupied by surface parking.

Unsatisfactory urban design

Surface parking is often unsightly. The lots break the continuity of the streetscape, discouraging walking and the formation or survival of a continuous shopping street. Also, they are largely devoid of activity, and the lack of street-level animation can induce a feeling that the area is unsafe. In comparison with other cities, Toronto’s surface lots tend to be poorly maintained with little or no landscaping.

Environmental impact

The asphalt used to pave surface parking lots contributes to the urban heat island effect (that is, the dark surface absorbs heat and helps drive up air temperatures in the downtown area) and increases rainwater runoff. And of course, since an abundance of parking encourages driving, parking contributes indirectly to the air, soil and water pollution linked to automobile use.

Transportation

Most surface parking is provided in addition to parking requirements prescribed by municipal bylaws. In many other cities, a relationship has been established between parking supply in the core and automobile use. The more parking is available in a city’s downtown
area, the more commuters will drive to work instead of selecting alternatives.

Surface lots are often unaccounted for, in Toronto and elsewhere in North America. Municipal governments simply do not know how much parking is available in and around their downtown areas. This omission is serious, as transportation planning relies on accurate data, including the quantity of parking spaces available.

4. Why do we have so many parking lots?

The following factors were identified as possible causes for the large number of surface lots and their persistence over time.

Demand for parking

The areas close to Toronto’s financial district, especially to the west, are unique in their variety of uses. The result of this intensity of uses is a heavy dependence on parking facilities. For example, office workers occupy spaces during the day, restaurant and theatre goers in the early evening, and patrons of nightclubs later at night. Well-used parking facilities are lucrative, so owners have little incentive to redevelop the land. In other cities, downtown lots are primarily used by commuters and are thus less profitable.

Fiscal impact

One would expect that the City would gain fiscally from the redevelopment of a surface lot. Surprisingly, redeveloping a parking lot into a condominium building—the most likely form of development in the central area—does not necessarily result in higher net tax revenues for the city. The shortfall results from the need to provide services to the new residents. However, the blighting influence of a concentration of lots in a single area can depress surrounding property values, so a negative fiscal impact from surface lots cannot be completely ignored.

Of much greater concern is the fact that parking lots are subsidized by other commercial properties as a result of “capping” provisions introduced in the aftermath of the recent property tax reform. This problem is explained in more detail in Section 4, below.

3. What do we know about parking lots?

There is a dearth of comprehensive up-to-date studies on parking lots in Toronto. The issue is not perceived by officials and stakeholders as a concern worthy of analysis and remedial action. Therefore, this study drew on information from reports that dealt with the issue in a peripheral manner, the experiences of other jurisdictions, and over twenty interviews with individuals in the realms of planning, real estate, law and taxation.

**Ugly, unsafe, and unsatisfactory**

Surface parking lots detract from the appearance of the downtown area, create large empty areas that may make pedestrians feel unsafe, and encourage people to drive into the downtown core.

The City of Toronto can pass bylaws, enforce existing bylaws, and improve its internal operations to encourage the redevelopment of parking lots, prevent the creation of new lots, and make existing lots safer and more attractive.

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Taxation

In addition to the “lock-in” effect of capital gains taxes, the low level of property taxes does not encourage the redevelopment of surface lots. In 2000, the effective tax rate on surface lots was the second-lowest among all commercial properties. In 2001, a parking lot worth $1 million would have paid about $25,000 in taxes, instead of $78,000, which is the assessment value multiplied by the posted tax rate. This low level of taxation contributes to the profitability of parking lots. Moreover, it was found that under current tax rules, an owner who paid $104,000 in taxes on an underused, decrepit building would pay about $20,000 after tearing down the building and turning the site into a surface lot. Before demolition, the owner’s high taxes on his building would have been subsidizing the low taxes on surface lots. After demolition, the owner’s low taxes are subsidized by taxes paid by the owners of other office buildings.

Although the gap between taxes on surface parking lots and other properties is closing, this is happening so slowly that it will take some properties more than a hundred years for their effective tax rate to match the posted tax rate! In the meantime, subsidies flow from office buildings to parking lots.

These inconsistencies result from the recent implementation of the Current Value Assessment property tax system and the introduction of mitigating provisions by the Province of Ontario. Instead of multiplying the new assessments by the posted tax rate, the existing level of taxation for each property was retained, allowing only for minor increases over time. The inequities which the reform was supposed to address largely remain.

Ownership factors

The idiosyncrasies of each owner cannot be ignored. Owners of parking lots are very diverse: they include individuals, developers, not-for-profit organizations, churches, schools, financial institutions, and even the City itself. Each type of owner has a different tolerance for risk, development acumen, short-term or long-term goals, and access to capital. Contractual relationships with parking operators vary from one owner to another.

The timing of cash-flow is very important to the individual owner. Some owners prefer a smaller but constant stream of income over several years to a larger lump-sum payment. Some surface lots also form part of a building’s parking requirement. Some owners of older buildings that have been converted to office use, although not required to do so, maintain surface parking lots to attract and keep tenants.

Legal framework

Surface lots are first created when a building is demolished. In Toronto, although it is illegal to demolish a residential or heritage building unless it is immediately replaced, the rules are weak, and none apply to non-residential, non-heritage buildings.

New surface parking lots are prohibited in some areas of the city, but not in others. As a result, buildings are still being demolished and replaced with parking lots, despite wording in Toronto’s Official Plan which states that such demolition should be discouraged.

Planning framework

The City of Toronto, the Toronto Transit Commission, and the Toronto Parking Authority lack accurate information on the levels of parking supply and demand. The studies necessary to determine these levels are no longer conducted.

In addition, the information on which the City’s parking requirements are based is twenty years old and has never been updated. Developers complain that they are required to provide excessive amounts of parking in their condominium projects, and that no special provision exists for buildings next to subway stations.

Developers might be able to provide public-access parking underneath a new building, thereby replacing spaces lost as a result of the development, but they cannot do so if all the spaces are taken up by City requirements. There are technical and economic limitations to the number of spaces that can be built on any given site.

Urban design guidelines

Urban design guidelines exist, but they apply only to new lots; most lots pre-date the adoption of the standards. Owners of new lots often fail to comply with the guidelines because of the long timelines involved in securing site plan approval — allegedly up to four months. As a result, most lots do not meet the minimum standards.

In any case, the requirements are not very onerous. Other cities, such as Los Angeles and Chicago, prescribe substantial landscaping for surface lots in the central area.
Enforcement of standards

Enforcing and regulating the appearance and performance of a surface lot is the responsibility of the City’s Licensing and Property Standards department. However, many lots do not conform to the standards in force because they are never inspected. The City will dispatch inspectors only in response to a complaint.

As for new lots, they are inspected and issued a licence if they conform with all the requirements in force, but the annual renewal of their licence is automatic.

5. What can be done about parking lots?

The following actions could help alleviate the problems associated with surface parking lots in Toronto.

1. Monitor parking demand and supply. Without this information, it is very difficult to justify taking measures regarding the supply and demand of parking.

2. Establish a common vision for the Toronto Transit Commission, the Toronto Parking Authority, and City departments. Currently, various agencies engage in exercises aimed at understanding land use and transportation in the City, but they rarely collaborate on these efforts, although all would benefit from the information collected. In the amalgamated City with its single transportation network, it would be advisable to adopt a more collaborative attitude instead of one of distrust and competition. Land owners, applicants, taxpayers and the public at large would benefit.

3. Enforce urban design guidelines and property and licensing standards. New guidelines are needed, as well as mechanisms to bring existing lots to higher standards. The Planning Department should collaborate with the Licensing and Standards Department, especially since they now report to the same commissioner, which was not the case before amalgamation.

4. Expand the prohibition against creating new parking lots to additional areas. The current prohibition of new surface lots should be applied to other parts of the Central Area.

5. Update parking standards and encourage public-access parking. Updated parking standards would help developers devote more space to public-access parking in their projects, which would improve the return on the developers’ investment, allow them to offer the owner a better price for the land, and thereby encourage redevelopment.

7. Enhance transit to and from the downtown area. When transit services are comfortable, reliable and affordable, people are more likely to use them instead of paying high prices for parking.

8. Continue to encourage residential development in the downtown area. When people live in the downtown area, they can walk or use transit instead of driving and parking. And of course, residential buildings are often built on former surface lots.

9. Encourage those who attend major events at the Air Canada Centre or the SkyDome to take transit instead of driving. Aggressive Travel Demand Management schemes should be adopted, with incentives for patrons to leave their cars at home. For example, transit tickets could be included with each event ticket.

10. Establish a minimum tax rate for parking lots. A minimum tax rate would reduce the subsidy from other commercial properties and reduce the profitability of parking facilities. Redevelopment would become a more attractive option as a result.

11. Explore capital gains tax rollovers. Owners of surface lots should not be encouraged to maintain their properties as parking lots merely because selling them would trigger capital gains taxes. Tax rules should encourage urban infill redevelopment.

6. The future of surface parking lots

Parking cannot and should not be redeveloped overnight. As Jane Jacobs has taught us, organic change and growth in an urban context is preferable to “cataclysmic” shifts. The problems posed by surface parking lots can be approached in many ways.

First, accurate and timely information regarding parking supply and demand is necessary. Second, the creation of parking lots through demolition should be prevented, although this is less of an issue than it was thirty years ago. Third, short of eliminating existing lots, their physical characteristics can be improved through enforcement and collaboration. Finally, all possible means should be used to encourage the redevelopment of surface parking lots while acknowledging that the loss of spaces can have detrimental effects on the vitality of some neighbourhoods where parking shortages have already been flagged as a concern.

Constructing new aboveground parking garages will not, on its own, solve the problems identified here, since such structures are little more than stacked parking lots. The problems are identical, but in multiple layers made of long-lasting concrete.
Overall, parking must be addressed by all City agencies and departments working in concert and understanding the effects of each of their policies and actions on other agencies’ goals and objectives—and ultimately on surface lots and the vitality of the downtown. Undertaxing parking lots has consequences. So does preventing the creation of underground parking facilities or allowing badly maintained aboveground lots.

Cars are space-hungry and successfully compete with other uses because their owners are willing to spend freely to store them. Surface parking is only part of a larger land use/transportation question. As a society, how do we choose to get around? How much traveling should we do? How far from our workplace or places of entertainment should we live? What are the consequences of our choices? Who should pay to mitigate the negative consequences of our choices?

These questions were raised in the 1970s, 1980s, and 1990s, and they are as timely as ever in the 21st century. With the political will to tackle the problem of surface parking lots and the recognition that practical solutions are available, something can and should be done.

Antoine Belaieff received his master’s degree in urban planning from the University of Toronto in 2002. He has since joined Metropole Consultants, a Toronto planning firm. Contact: antoine@belaieff.ca

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Centre for Urban and Community Studies
UNIVERSITY OF TORONTO
455 Spadina Ave, 4th Floor, Toronto, Ontario, M5S 2G8; tel 416 978-2072; fax 416 978-7162
urban.centre@utoronto.ca www.urbancentre.utoronto.ca

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