**Agenda – Executive Policy Committee – June 18, 2020**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – June 9, 2020**

**Item No. 1 Analysis of Current Parking Rates**

STANDING COMMITTEE RECOMMENDATION:

On June 9, 2020, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That hourly rates for on-street parking be decreased by $0.75 in all paid parking locations throughout the City and that the new rates be implemented within two months of the report being approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

**Agenda – Executive Policy Committee – June 18, 2020**

**Report – Standing Policy Committee on Infrastructure Renewal and Public Works – June 9, 2020**

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On June 9, 2020, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

On November 19, 2019, the Standing Policy Committee on Infrastructure Renewal and Public Works granted an extension of time up to October 6, 2020, for the Winnipeg Public Service to report back on an analysis of current parking rates, including consultation with stakeholders, to determine any recommendations for future changes to these rates.

COUNCIL DECISION:

On March 20, 2019, Council concurred in the recommendation of the Executive Policy Committee, which included the following:

1.L. That the Winnipeg Parking Authority be directed to return to the appropriate committee of Council in 2019 with an analysis of current parking rates, including consultation with stakeholders to determine any recommendations for future changes to these rates.

# ADMINISTRATIVE REPORT

**Title:** Analysis of Current Parking Rates

**Critical Path:** Standing Policy Committee on Infrastructure Renewal and Public Works - Executive Policy Committee - Council

## AUTHORIZATION

| Author | Department Head | CFO | CAO |
|---|---|---|---|
| D. Olson | R. Topolniski | P. Olafson, Interim CFO | M. Ruta, Interim CAO |

## EXECUTIVE SUMMARY

In response to Council direction provided as part of the 2019 Operating Budget, the Winnipeg Parking Authority (WPA) has worked with the City Economist's office to conduct a regression analysis examining factors influencing parking demand, reviewed occupancy data to identify trends, and benchmarked Winnipeg's parking rates against those of other Canadian municipalities. The WPA has also gathered feedback through a survey of a statistically relevant sample of Winnipeggers to determine public opinion on parking and consulted with the Downtown, Exchange and West-end BIZ groups to understand the impacts the 2018 on-street parking price increase has had on local business.

As a result of the analysis conducted, the WPA is recommending a $0.75 reduction of hourly on-street parking rates city-wide, which is expected to result in:

- an increase in the demand for on-street paid parking, an indicator of more people visiting paid parking areas such as the downtown and exchange to support local businesses;
- an increase in occupancy rates across low-demand, high-demand, and hospital zones that will bring them closer to established targets and ensure adequate parking availability; and
- better alignment of Winnipeg's prices with those of comparably-sized cities across Canada.

The rate reduction is anticipated to decrease on-street parking revenue by approximately $452,000 per year.

## RECOMMENDATIONS

1. That hourly rates for on-street parking be decreased by $0.75 in all paid parking locations throughout the City and that the new rates be implemented within two months of the report being approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the forgoing.

## REASON FOR THE REPORT

Recommendation “L” in the adopted 2019 Operating Budget directs the WPA to “return to the appropriate committee of Council in 2019 with an analysis of current parking rates, including consultation with stakeholders to determine any recommendations for future changes to these rates.” On November 19, 2019, an extension on this report was granted with a new submission deadline of October 6, 2020.

The WPA is recommending a decrease in the hourly rates for on-street parking; only Council has the authority to approve this change.

## IMPLICATIONS OF THE RECOMMENDATIONS

Based on the price elasticity of demand figures provided by the City Economist, it is anticipated that a $0.75 reduction in the hourly rate for on-street parking will increase the total number of hours parked in low-demand, high-demand, and hospital areas by 725,496 hours. This projected change is expected to translate to increases in both the number of motorists parking (i.e. the number of transactions recorded at pay stations and through the mobile payment app) and the average number of hours purchased during each transaction.

While it is anticipated that a price reduction will cause the total number of transactions and hours parked to increase, the lower price point is still expected to cause a decrease in on-street parking revenue from the current projection of $8,055,490 to $7,603,500, a difference of approximately $452,000 per year.

There is a fixed cost of $176,000 (plus applicable taxes) each time the City’s pay stations need to be reprogrammed with new rates. The pay station reprogramming cost and annual revenue loss are not included in the WPA’s 2020 budget. The City currently has a contract with Precise Parklink Inc. for extended warranty repair and maintenance of the parking revenue control system for City-owned pay stations. The Chief Administrative Officer has been delegated authority to approve the required extension of this contract.

The WPA proposes that the 2020 reduction in revenue and pay station reprogramming costs be offset by drawing on the WPA’s accumulated surplus which, in accordance with the SOA Dividend Policy, can be used to manage in-year deficits. Future years will be dealt with in the 2021 budget process including WPA proposed offsetting budget adjustments for other increased revenues and/or reduced operating expenditures, subject to Council approval. Utilizing the accumulated surplus for this purpose will reduce the ability to utilize the accumulated surplus to partially offset the financial impact related to COVID-19, however COVID-19 impacts are far greater than the $500,000 available in the accumulated surplus and will be handled through the 2021 budget process, subject to Council approval.

## HISTORY/DISCUSSION

### *Background*

On-street parking is an important resource for Winnipeg's residents, visitors, and businesses. When setting hourly rates, careful consideration must be given to balance a number of priorities including occupancy rates, encouragement of sustainable transportation, and providing a fair price that aligns with comparable jurisdictions across Canada.

On March 22, 2018, after a six year period with no change to hourly parking fees, Council directed through the adoption of the 2018 Operating Budget that all on-street parking rates were to be increased by $1.50 per hour. This brought the hourly rates to $2.50 in low-demand areas and $3.50 in high-demand and hospital areas. Implementation of the new hourly rates was completed on May 30, 2018.

The rate increase has prompted a number of stakeholders to voice concerns that the higher price point for on-street parking, coupled with an increase in construction and the installation of dedicated bike lanes, has had a detrimental effect on businesses, particularly those operating in the Downtown and Exchange District.

The WPA has met with the Downtown and Exchange BIZs on a number of occasions and through those discussions it was identified that the 2018 price increase has negatively impacted the businesses in their respective areas. The WPA also met with the West End BIZ who indicated that local businesses did not see a noticeable impact from the price increase. They suggest that widespread use of active transportation by local employees coupled with a mix of metered and unmetered on-street parking has provided a buffer from the decreased demand experienced elsewhere.

The Downtown and Exchange BIZ, in addition to a number of business owners in the Exchange District, appeared as delegates to the WPA 2020 budget meetings requesting that parking rates be reduced to better support businesses. A petition signed by business owners in the exchange was also submitted to the City to request that parking rates be reduced.

Recommendation "L" in the adopted 2019 Operating Budget directs the WPA to return to the appropriate committee of Council in 2019 with an analysis of current parking rates, including consultation with stakeholders to determine any recommendations for future changes to these rates. An extension on this report was granted on November 19, 2019 in order to allow for a more thorough investigation of hourly rates across comparable jurisdictions and to assess whether or not any other factors may be affecting demand for on-street paid parking in Winnipeg.

In response to this direction, the WPA reviewed occupancy data to identify trends in demand, benchmarked Winnipeg's parking rates against those of other Canadian municipalities, and engaged the City Economist to conduct a regression analysis to determine the elasticity of demand for on-street parking. A summary of this analysis is attached as Appendix A.

Further to the economic analysis, the WPA also gathered feedback through a survey to determine public opinion on parking in Winnipeg and consulted with the Downtown and Exchange Biz groups to understand the price increase's impacts on local business.

Following on this analysis, the WPA is in the process of creating a comprehensive parking strategy to clearly articulate the City's policies and plans for on-street and off-street parking. The strategy will consider various approaches to parking demand management. It will include recommendations for a roadmap to guide the development of the City's parking policies and programs so that businesses, the public, hospitals, and other stakeholders know what to expect over the next several years.

***Occupancy Trends***

Occupancy is expressed as a percentage of the on-street parking spaces that are in use at a given time. This analysis considers an annual average of the occupancy rates measured during the hours of peak demand each day across the high-demand, low-demand, and hospital rate zones. An examination of these annual occupancy rates indicates that a downward trend in high-demand areas began well before the 2018 hourly rate increase.

While a portion of this reduction can be attributed to the price increase, it is likely that there were a number of contributing factors. For example, Winnipeg's first outlet mall, Outlet Collection Winnipeg, opened on May 3, 2017. This greenfield development in the south-west area of Winnipeg represents an additional 570 thousand square feet of retail space added to the local market, which increased total commercial space in Winnipeg by approximately two percent. It is estimated that the commercial space added by Outlet Collection Winnipeg is more than four times the total amount of commercial space within the entire Exchange District neighborhood. There has also been an increase in online shopping across Canada which may be impacting parking demand.

On-Street Parking Occupancy- Annual Average of Daily Peak Demand Hours by Zone

| Zone | 2015 | 2016 | 2017 | 2018 | 2019 | % Reduction from 2017 |
|---|---|---|---|---|---|---|
| **High Demand** | 97% | 92% | 85% | 76% | 62% | 23% |
| **Low Demand** | 51% | 49% | 51% | 40% | 34% | 17% |
| **Hospital** | 65% | 67% | 71% | 66% | 69% | 2% |

***Regression Analysis and Effect of the 2018 Rate Increase***

In order to better understand the change in demand for on-street parking, the WPA engaged the City Economist's office to perform a regression analysis to help isolate the effects of various factors. Their report, attached as Appendix A, examines first and foremost the impact of the 2018 hourly rate increase. It also considers a number of other factors including weather, the price of fuel, major downtown events, Winnipeg Transit fares, road and sewer construction, the addition of bike lanes, retail shopping habits, and other seasonal trends.

With respect to the low-demand zone, the regression analysis indicates that the 2018 rate increase resulted in a 37 percent decrease in the average number of hours parked each day and an 18 percent decrease in the average number of minutes per transaction. In the high-

demand zone, the drop is not as pronounced but remains significant with a 29 percent reduction in the number of hours parked and a 13 percent decrease in the average number of minutes per transaction. Hospital zones saw a similar effect with a 29 percent reduction in hours parked and a 17 percent decrease in the number of minutes per transaction.

Overall, the data suggests that when the 2018 rates went into effect, there was a significant and definitive reduction in the total amount of hours parked by customers across all three rate zones, which likely encouraged the average customer to park for a shorter period of time, thereby increasing turnover. While the regression analysis is a useful predictive tool, there are limitations to its application here since the parking transaction data available contains only one price change (the 2018 increase). While the model demonstrates a decline in hours parked after the rates were increased a number of other factors may have impacted parking demand, such as the opening of the outlet mall in 2017 and increased online shopping trends. These other factors could have had an impact on parking trends, but were not included in the regression analysis due to data limitations.

Additional models were used to examine the impact that nearby road and sewer construction and downtown crime had on the total number of hours parked in low-demand and high-demand zones. These models did not find any evidence that road construction, sewer construction, property crime, or violent crime had an effect on the total number of hours parked on a monthly basis.

It is important to note that data limitations prevented the analysis from considering the potential impact of active transportation infrastructure. However, anecdotal evidence from stakeholders, particularly in the Downtown and Exchange District, suggests that the installation of dedicated bike lanes may have had an impact for some local businesses. A list of bike lane construction projects is attached as Appendix B. As part of the parking strategy under development, consideration is being given on how best to continue to support active transportation and parking demand.

In terms of projected effects, the regression analysis suggests that the proposed $0.75 reduction in the hourly rates is likely to result in the approximate changes as follows:

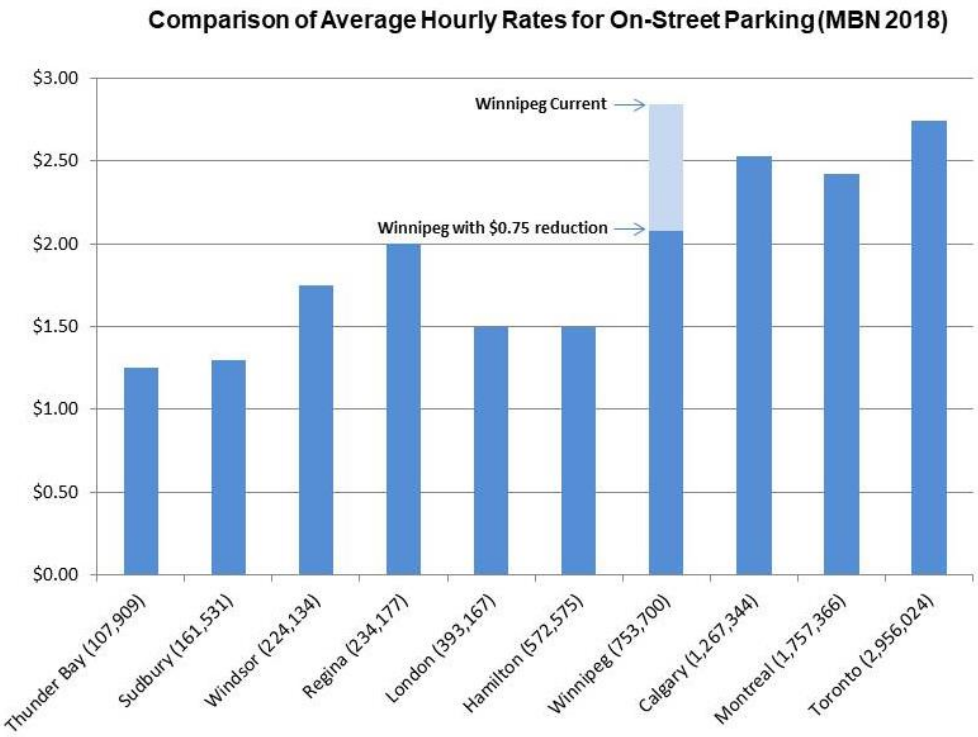
- increase occupancy rates by ten percent in low-demand areas and 11 percent in high-demand and hospital areas;
- increase the total number of transactions by 14 percent in low-demand areas, nine percent in high-demand areas, and seven percent in hospital areas;
- increase hours parked by 30 percent in low-demand areas and 18 percent in high-demand and hospital areas; and
- decrease on-street parking revenue by approximately $452,000 per year.

It should be noted that the regression analysis model is used to predict parking behavior and is a best estimate only. Actual parking behavior may vary from what is projected.

***Hourly Rates among MBN Members***

Members of the Municipal Benchmarking Network report annually on a wide variety of parking-related factors in order to support interjurisdictional comparisons and data-driven policy decisions. Among the datasets provided by member municipalities is a list of hourly parking rates. As is the case in Winnipeg, the vast majority of cities with paid on-street parking have

multiple rate zones determined at least in part by demand. The figures below represent weighted averages of all on-street paid parking spaces across all zones in a jurisdiction. At present, Winnipeg's average hourly rate is $2.84, the highest among any of the MBN member municipalities. The proposed $0.75 reduction would put Winnipeg's on-street parking rate at $2.08, thereby aligning the City more closely with other municipalities of comparable size.




***Omnibus Survey Results***

In an effort to help determine why there was a change in on-street parking behavior, the WPA asked a number of questions as part of an omnibus survey delivered to a random sampling of 600 Winnipeggers between November and December 2019. The survey is considered to be statistically valid. The results identified the factors Winnipeggers perceive as most important when making parking choices and showed that most do not believe their parking behaviour has changed over the past year.

Overall, the survey results suggest that the 2018 rate increase may have had only a modest, or even negligible, impact on many drivers' parking habits.

Specifically, survey results indicate that, while 21 percent of people believe they are purchasing on-street parking less frequently than they did a year ago, another 21 percent believe they are purchasing it more often. Most respondents (58%) indicated their paid parking behavior had not changed in the past year. However, it is critical to note once again the overall drop in the total number of transactions.

Of those respondents who said they are purchasing on-street parking less frequently, 34 percent said the reason for their reduced demand is more trips to parts of the city where parking is free, such as shopping malls or other commercial districts.

With respect to the importance of various factors on their decision to purchase paid parking, sixty-one percent said cost is important, but is not the only factor in the decision and 11 percent said cost is not important. Six-in-ten said they would be willing to pay more for parking if parking revenues were put towards funding improvements in the area they are visiting.

Proximity of the available parking space to their destination, the perceived level of safety while parking in the area, and the maximum duration for which they may remain parked in a space were other important factors drivers said they considered when deciding where to park. A summary of survey results is attached as Appendix C.

***Rationale for Proposed Rate Reduction***

The result of the analysis conducted is a recommendation to decrease the on-street hourly parking rates by $0.75 per hour city-wide in all paid parking locations. The reduction would bring the weighted average of hourly rates across all zones in Winnipeg to a level more closely aligned with those of similar-sized jurisdictions across Canada. It is also anticipated to increase overall demand for on-street paid parking, an indicator of more people visiting paid parking areas such as the downtown and exchange.

One of the medium-term actions in Winnipeg's Climate Action Plan is to consider increasing parking rates in key destinations supported by transit routes in an effort to increase use and efficiency of public transit systems. Lowering the rate $0.75 per hour is not supportive of this goal, and reducing it any further will further deter from this goal. The WPA will engage further with Transit to explore whether there are any key destination areas where a different rate structure could be considered in the future.

In terms of on-street parking as a piece of urban infrastructure, there is a widely-accepted belief among experts in transportation planning and management that an 85 percent occupancy rate is the optimal point municipalities should seek to achieve when setting prices. This equates to a 15 percent vacancy rate at any given time. Applied on individual blocks, a 15 percent vacancy rate means that a driver who is willing to pay for on-street parking should be able to find an open space somewhere on the block where their destination is located. By pricing on-street parking to achieve this target, municipalities can cut down dramatically on traffic congestion and greenhouse gas emissions.

The most recent data available suggest that the proposed $0.75 reduction will result in occupancy below the 85 percent occupancy across full rate zones. However, adjusting the rate by a greater amount is not being recommended for two reasons. First, the best practice in many jurisdictions is to limit any incremental rate adjustments so as to avoid causing sudden and extreme change in demand that could adversely affect consumers or businesses that rely on paid parking.

Second, the datasets used to calculate Winnipeg's occupancy and turnover come with some limitations. While the WPA has access to transaction records for each individual physical pay station, an increasingly large proportion of payments for on-street parking are now being made via the mobile payment technology option (approximately 46% of transactions in 2019). At this time, the WPA does not have the ability to disaggregate the records of these transactions and match them to the geographic location of a corresponding pay station. As a result, full transaction data can only be accurately expressed in terms of the three large zones for which the pay stations and mobile app are aligned: low-demand, high-demand, and hospital.

Data concerning the portion of parking transactions made through physical pay stations suggests that there is a high level of variation in terms of demand within each of the three zones, a notion that is further supported by the limited data available from occupancy studies conducted using the WPA's automated license plate recognition vehicles. This creates a challenge when setting prices as there may well be a number of locations within the three zones for which the proposed hourly rate will encourage the desired occupancy, surrounded by other locations where it will not. Lowering the rate to the point where occupancy across an entire zone is projected to reach 85 percent would almost certainly produce pockets of extremely high demand with excessive traffic congestion.

In order to remedy this issue going forward, the WPA intends to implement a system whereby each city block will be assigned a unique identifier number. Payments received through the mobile payment technology can then be matched to the specific block on which the vehicle is parked. This will provide much more granular data, thereby enabling prices to be set in a way that better reflects the diverse range of activities and businesses taking place within each of the current zones and the associated demand for paid parking to support them. The negotiated contract with the mobile payment technology vendor includes the cost of the new signage required for the implementation of the block face numbering and is included in the 2020 approved budget.

In the meantime, the WPA anticipates that the proposed $0.75 reduction to the hourly rate will help to increase occupancy without causing excessive traffic congestion or other unintended consequences.

Please note that the occupancy and transaction data upon which the proposed rate changes are based predate the current COVID-19 pandemic. Demand for on-street parking in the Downtown and Exchange District has dropped significantly in recent weeks as a result of response measures including the closure of most offices, shops, and restaurants. This drop is expected to be temporary and the proposed rate reduction should help to encourage economic recovery once restrictions are lifted.

**FINANCIAL IMPACT**

## Financial Impact Statement

**Date:** May 15, 2020

**Project Name:**

Analysis of Current Parking Rates

**First Year of Program** 2020

| | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|
| **Capital** | | | | | |
| Capital Expenditures Required | $ - | $ - | $ - | $ - | $ - |
| Less: Existing Budgeted Costs | - | - | - | - | - |
| Additional Capital Budget Required | $ - | $ - | $ - | $ - | $ - |
| **Funding Sources:** | | | | | |
| Debt - Internal | $ - | $ - | $ - | $ - | $ - |
| Debt - External | - | - | - | - | - |
| Grants (Enter Description Here) | - | - | - | - | - |
| Reserves, Equity, Surplus | - | - | - | - | - |
| Other - Enter Description Here | - | - | - | - | - |
| Total Funding | $ - | $ - | $ - | $ - | $ - |
| Total Additional Capital Budget Required | $ - | | | | |
| Total Additional Debt Required | $ - | | | | |
| **Current Expenditures/Revenues** | | | | | |
| Direct Costs | $ 338,983 | $ 451,990 | $ 451,990 | $ 451,990 | $ 451,990 |
| Less: Incremental Revenue/Recovery | - | - | - | - | - |
| Net Cost/(Benefit) | $ 338,983 | $ 451,990 | $ 451,990 | $ 451,990 | $ 451,990 |
| Less: Existing Budget Amounts | 338,983 | 451,990 | 451,990 | 451,990 | 451,990 |
| Net Budget Adjustment Required | $ - | $ - | $ - | $ - | $ - |

**Additional Comments:** 2020 direct cost above represents estimated reduction in revenue of $150,663 which is calculated on the assumption that the reduction in parking rates of $0.75 city-wide will be fully implemented by Sept 1, 2020 (annual reduction of $451,990/12 months x 4 months). Reduction in future years is included at full annual amount. In addition in 2020 year there is cost to re-program pay stations at $176,000 plus MRST of 7% ($12,320), totaling $188,320.

Reduction in revenue and additional costs in 2020 will be managed within existing budget by drawing on accumulated surplus. In accordance with the SOA Dividend Policy approved by Council on Feb 27, 2020, SOA has $500K in their accumulated surplus to manage "in-year" operating deficits. Future years will be dealt with in the 2021 budget process including WPA proposed offsetting budget adjustments for other increased revenues and/or reduced operating expenditures, subject to Council approval. Utilizing the accumulated surplus for this purpose will reduce the ability to utilize the accumulated surplus to partially offset the financial impact related to COVID-19, however COVID-19 impacts are far greater than the $500,000 available in the accumulated surplus and will be handled through the 2021 budget process, subject to Council approval.

original signed by

Lioubov Gavrilova-Crozier, CPA, CA
Manager of Finance

## CONSULTATION

This Report has been prepared in consultation with the departments listed below, and they concur with its content.

- Infrastructure Planning Office- City Economist (as to regression analysis)
- Office of Public Engagement (as to public survey)
- Transit (as to Climate Action Plan alignment)
- Public Works (as to road construction and bike lane data)
- Legal (as to legal issues)

## OURWINNIPEG POLICY ALIGNMENT

The proposed hourly parking rate reduction supports *01-3 Prosperity- Direction 2: Provide a predictable and cost-effective business environment that promotes investment and growth* by helping to adjust the price of a key enable for businesses to ensure it is better aligned with market demand.

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The recommendation in this report to reduce on-street parking rates does not support a medium term action in section 3.1 of the climate change action plan (p.37) whereby consideration is to be given to increasing parking rates in key destinations supported by transit routes in an effort to increase use and efficiency of public transit systems. As this is a medium term action, the WPA will engage further with Transit to explore whether there are any key destination areas where a different rate structure could be considered in the future.

## SUBMITTED BY

Department: Winnipeg Parking Authority
Division: Operations
Prepared by: D. Olson
Date: May 15, 2020
File No: WPA-007-2020

Attachments:

Appendix A- The Effect of Price Changes on the Demand for Parking in Winnipeg

Appendix B- Active Transportation Projects by Ward

Appendix C- Omnibus Survey Results