

MEETING DATE: July 16, 2003

SUBJECT: Hillcrest Employee Parking Lot - Response To Proposed Operating Framework

RECOMMENDATION

It is recommended that the Commission:

1. not approve the construction of an employee parking lot in the Hydro lands south of Hillcrest Yard; and
- (2) not support the operating framework for the lot proposed by Councillor Mihevc.

FUNDING

The staff recommendation would have no impact on existing TTC Capital and Operating budgets.

Approval of the lot as proposed by Councillor Mihevc would result in an unbudgeted capital cost of \$440,000 and would result in a net deficit for the operation of the lot of at least \$180,000 after seven years of operation (assuming no additional staff). The proposed lot would not break even until the 13th year.

The above analysis does not include the salary associated with a dedicated staff person to administer the distribution of parking tags, payment of weekly or monthly passes, etc. If such a person is required, the proposed lot will never break even and will be in a deficit situation in perpetuity.

BACKGROUND

At the June 12, 2002 meeting, the Commission received a staff report on the Hillcrest employee parking lot and the Commission requested staff to undertake the following:

1. That staff be requested to review and prepare a costing for an employee parking lot at Hillcrest based on a minimal TTC acceptable standard.
2. That staff be requested to survey TTC employees regarding their willingness to park in a paid lot; and further to have such parking fee paid on a payroll deduction basis.

3. That staff be requested to meet with the Toronto Parking Authority to determine if they have any interest in designing, building and operating this employee parking lot; and
4. That staff negotiate a lease with Hydro One for sufficient land to meet the parking requirements identified from the employee survey.

At the June 18, 2003 meeting of the Commission, Commissioner Mihevc made a deputation and the following motion was referred to staff for a full report.

BE IT RESOLVED THAT Toronto Transit Commission staff be directed to enter into a lease agreement with Hydro One for hydro corridor lands just south of the TTC Hillcrest Yard, and that such land be used for the purpose of constructing an employee parking lot; and

BE IT FURTHER RESOLVED THAT the operating framework for the employee parking lot be as follows:

1. the daily parking rate not exceed \$4;
2. that TTC employees be permitted the opportunity to purchase either weekly or monthly passes;
3. that the entire site be used including Hydro One land to the south east of the railway spur;
4. that construction be undertaken and completed this year;
5. that the lot be built to minimum standards, specifically that the lot not be paved and moderately lit; and
6. that there be no reserved spots.

The purpose of this report is to respond to the above Commission motions.

DISCUSSION

The overall issue of employee parking at TTC operational facilities is a sensitive and ongoing issue. Prior to reviewing the administrative, financial, and security implications of the proposed employee lot, it is important to recognize TTC policies with respect to employee parking.

a) Corporate Policy

The Corporate Parking Policy, "Employee/Visitor Parking – Controlled Access Properties", indicates that employees are expected to use public transit wherever possible and are provided with a free transit pass. The Hillcrest complex is well served by the following transit routes: Bathurst 7, Davenport 127, and Annette 4. Employees have also

been advised that free employee parking is available at several TTC Metropass commuter lots including a new lot to be considered at Downsview Station in 2004.

The Corporate Parking Policy determines which employees qualify for and are provided with parking inside the Hillcrest complex. Parking is provided to employees who require their cars to regularly perform their duties or who must be at work prior to the availability of public transit service. No parking is available or provided within the Hillcrest complex for hourly-rated employees during normal business hours and the employees parking on the city streets do not qualify for parking privileges under the Corporate Parking Policy.

Unrestricted parking is permitted for all TTC employees from 3:30 p.m. to 7:30 a.m. each workday and at all times on weekends and holidays inside the Hillcrest complex. This is to benefit employees working shifts and was requested by our Unions.

b) Parking Availability

Given the above, it is not surprising that parking demand at various TTC facilities exceeds parking supply. The supply of additional employee parking at Hillcrest is the tip of the iceberg in terms of the deficit of employee parking on a system-wide basis. Staff estimate that, including daytime operators, there is a system-wide deficit of employee parking during the day of approximately 2,480 spaces. Excluding operators, the system-wide, daytime parking deficit is approximately 2,070 spaces.

The Commission should be aware that the provision of additional employee parking at Hillcrest may set a precedent and result in requests for additional parking at other TTC locations where demand exceeds the daytime supply.

c) Initial Employee Response to Expanded Employee Parking

Based on financial analysis that indicated that a \$7 rate for a lot built to TTC standards was required to be financially self-supporting within a reasonable timeframe (seven years), Hillcrest employees were canvassed as to their interest in making a financial commitment to such a parking lot. The concept for the lot was as follows:

- An employee parking lot would be constructed to TTC design standards including paving.
- Employees would sign a licence agreement for a three-year period committing to paying for the cost of parking in the new lot.
- The cost per employee was \$1,500 per year (\$7 per day).
- Since the employees were to make a long-term commitment, it was assumed that the cost would be paid by each employee through payroll deduction, and

consequently no additional administrative staff were assumed to be required and no costs for direct staff administration were assumed in the cost analysis.

Only five employees responded to the licence agreement proposal and only three indicated they would sign an agreement based on the above cost framework.

d) Financial Analysis of Parking Options

The following explains the capital and operating cost analysis used to arrive at the \$7 rate for the purposes of a licence agreement as well as other options (including Councillor Mihevc's proposal).

Three options have been analyzed as outlined below:

Option A – A 100-space lot built to TTC standards including paving and appropriate lighting. This is the same option used as the basis of the proposed licence agreement and assumes payroll deductions as the payment method.

Option B - A 100-space lot that would not be compliant with TTC standards for employee parking lots (gravel lot with drainage, moderate lighting). Again, payroll deduction was assumed.

Option C – A 132-space lot as proposed by Councillor Mihevc (gravel lot, moderate lighting), including the area west of the rail spur. The spaces would not be reserved and would be on a first come first served basis resulting from the sale of weekly and monthly passes.

It should be noted that for Options B and C no future cost to upgrade the lot to TTC standards in response to employee concerns has been included in the financial analysis. The inclusion of a future cost would therefore make the financial performance of these options worse than noted below.

A present value analysis of the financial performance of the above options was performed to determine the breakeven point (taking into account capital and operating costs). Typically, parking lot operators attempt to generate net revenue after 5-7 years of operation of a parking lot, so for the purposes of this analysis, a 7-year breakeven point was assumed to be a reasonable target for the new lot. For all options, a 6% interest rate and 2% inflation rate was assumed.

As shown in Exhibit 1, Option A requires a \$7 daily rate and 95% occupancy of the lot to break even after 7 years (assuming a \$510,000 lot built to TTC standards).

Option B, assuming a best case 100% occupancy rate and a \$4 daily rate, does not break even until the 12th year despite a reduced capital cost of \$300,000 for a basic gravel lot.

It should be emphasized that both Options A and B assumed payroll deduction and therefore no staff were required to administer the expanded parking lot whereas in Option C, an additional staff person is likely required to administer weekly and monthly passes. As well, the lot proposed by Councillor Mihevc (Option C) is slightly larger (132 spaces vs 100 spaces for Options A and B). As a result, Option C requires an up-front capital cost of \$440,000. The breakeven point with and without an additional staff person is provided for comparison to Options A and B which did not require additional staffing.

Without an additional staff person to administer the sale of weekly and monthly passes, the breakeven point for Councillor Mihevc's proposed operating framework (Option C) is 13 years, and with the additional staff person the lot will never break even and will require a subsidy in perpetuity.

Based on the above analysis, even a basic lot not to TTC standards (Options B and C) will not break even within 10 years, assuming a \$4 daily rate. In addition, it is extremely unlikely that 100% utilization of the lot can be achieved and consequently the breakeven point in the analysis is considered extremely optimistic. The addition of a staff person to implement Councillor Mihevc's concept (Option C) means this option will never operate on a breakeven basis. From a financial perspective, the subsidization of an employee parking lot by TTC riders that is not required by TTC corporate policy cannot be supported by staff. As well, the capital cost for all of the options would be an unbudgeted expense that would compete for funding for other capital projects that are more urgent from an operational, state of good repair, safety, or legislative basis. Of a further concern, this capital cost would not receive the same scrutiny as does TTC's currently recommended and justified Improvement or Ridership Growth capital initiatives.

e) Other Issues Associated with Councillor Mihevc's Concept (Option C)

In addition to the obvious financial implications, there are a number of other safety, security, administrative, and operational problems associated with Option C as proposed by Councillor Mihevc.

- There are safety and liability concerns about a gravel lot that have been demonstrated at other TTC facilities (e.g. Chaplin lot at Davisville Station). There is the risk of injury to employees, lawsuits, and compensation claims, particularly in the late fall and early spring period.
- Depending on the payback period assumed, a taxable benefit may accrue to employees if the parking rate paid by employees is less than the cost to operate the lot.
- Even if a lot were to be constructed, there is no guarantee that the lot would actually solve the parking problem in the local community. The on-street spaces could be quickly taken up by other TTC employees using the Hillcrest complex or by other visitors to the area.

- As noted earlier, due to parking deficits at other TTC facilities, approval of an expanded Hillcrest lot may have an unintended ripple effect for expanded parking lots at other TTC facilities. There is a potentially unknown financial risk and a precedent for other parking improvements which are not currently budgeted.
- The daily rate for the lot will likely be a bargaining issue with TTC unions which will attempt to negotiate a lower daily rate, with the resulting impact on the breakeven point of the lot.
- The sale of passes at the entrance to the Hillcrest complex raises a whole host of administrative, financial, security, and enforcement concerns including the following:
 - The sale of weekly and monthly passes at the Hillcrest gate may result in delays to staff entering the Hillcrest complex.
 - How will the Hillcrest gate security attendant know whether the lot is full?
 - Are the passes transferable to other employees?
 - Who collects passes from employees who have expired passes?
 - Who will enforce the paid parking arrangement?
 - Since spaces are not reserved for specific individuals as in Options A and B, control and security over parking and access to the Hillcrest complex will be negatively affected.
 - Since the lot would not be striped, parking on a daily basis may not be uniform. While the addition of a staff person to administer the lot would minimize most of the above concerns, this results in the lot being subsidized by the Commission in perpetuity.

f) Other Options Considered

TTC staff considered one other option (see Exhibit 2) to address the parking concerns raised by Councillor Mihevc and the local community. This involved moving the current TTC storage area in the Hydro corridor to the area of the proposed paid employee lot. The private parking lot operator fronting onto Bathurst Street (utilized by TTC employees and George Brown College students) could then expand the existing private lot westerly into the site of the TTC storage area. However, when approached by TTC staff, the private operator indicated such expansion was not economically feasible, and consequently, this option was not considered feasible.

The private operator did indicate that a reduced rate for TTC employees (below the current daily rate of \$6.50 per day) would be considered for the May-September period

(when George Brown College is not operated) if TTC were to commit to a guaranteed number of spaces during this period. However, it should be noted that this lot is usually only 35% to 40% full during the summer months and TTC employees have not opted to park there in the past. TTC union representatives may wish to pursue this issue directly with the private operator.

g) Other Issues

There is an unstaffed TTC pedestrian gate off of Davenport Road at the north end of Hillcrest complex that is used by employees to access Hillcrest complex. Should the employee parking lot be constructed, the pedestrian gate will be welded shut in order to deter employees from parking on neighbouring streets and using this gate as a short cut to the complex. Regardless, staff plans on securing this gate to eliminate this access point thereby improving facility security.

JUSTIFICATION

TTC staff do not support the expansion of employee parking at Hillcrest complex. In particular, Councillor Mihevc's proposed operating framework creates a whole host of administrative concerns which can only be solved by the hiring of an additional staff person with the result that the lot will require a subsidy in perpetuity.

June 25, 2003

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Attachments: Exhibit 1 – Financial Analysis of Parking Options

Exhibit 2 - Photograph of Alternative Parking Concept