

June 9, 2015

Mayor and Members of Council
The Corporation of the City of Markham
101 Town Centre Drive
Markham, ON L3R 9W3

Dear Mayor and Members of Council:

RE: Stormwater Fee for Vacant Non-Residential Properties

My comments relate strictly to the imposition of the full fee for Stormwater Control to vacant non-residential properties.

According to the flyer "Markham Flood Control Program" as well as the business consultation meeting on the Stormwater Fee in April 2015 we were informed that Council approved the development of the City-wide fee structure that would distribute fees based on runoff contribution. The City subsequently hired a consultant who completed a comprehensive review of the impervious surfaces in Markham using digital mapping. The consultant determined that 40 % of the city-wide impervious, high runoff surfaces were attributable to non-residential properties. The key element here is that a review was made of the **impervious** surfaces.

What has always been my concern is that this opening principle has not trickled down to the individual property level. The principle was that the fees be allocated based on impervious high runoff surfaces. It would appear to be obvious on the face of the statement that vacant land, that is land left in its undeveloped state, would not have impervious high runoff surfaces. On the basis of this fundamental distinction, it would not be appropriate to charge vacant non-residential land at the same rate as developed non-residential land, that developed land having, of course, impervious high runoff surfaces.

I understand that staff utilized three principles to develop the fee methodology which would allocate the cost of the program to the non-residential properties. The three principles put forward were:

1. Ability To Pay;
2. Equity/Fairness (relationship to runoff)
3. Ease of Administration And Communication.

1. Ability To Pay:

In relation to non-residential properties, ability to pay is directly linked to the income-producing potential of the property. Any fee imposed typically becomes an expense to be offset against the income produced by that property.

If a property is vacant one can generally assume that it is not producing revenue. As such, all expenses related to the property must be paid from funds coming from other sources. In addition, Revenue Canada Agency has rules which stipulate that expenses related to non-income-producing property must be capitalized. As a result, there is no current deduction available. This makes the imposition of another fee on vacant land particularly onerous as cash flow is affected doubly, once by funds having to be available to pay the initial fee and secondly by there being no corresponding deduction for that fee.

2. Equity/Fairness (relationship to runoff):

This key principle has been referred to in the generality, however, the concept has not trickled down from the sector level distribution of fees to the level of the actual properties. The basic principle enunciated by the City of Markham has been that the flood control fee would be distributed based on runoff contribution. Further the City hired a consultant who did a review of the impervious surfaces in Markham. Vacant land typically does not have an impervious surface as it has no development, not even paving. It is entirely inequitable that vacant non-residential land should carry the same fee rate as developed non-residential land. This key principle of equity and fairness in relation to runoff would be entirely ignored.

Municipalities such as Mississauga have also recognized where runoff goes. Recognizing that some properties do not contribute runoff to the municipal sewer system, they have exempted properties such as those draining directly Lake Ontario from their fee. Similarly, the City should consider that many vacant properties in Markham drain directly to watercourses, and not to the Markham sewer system that will require flood control upgrades. So while vacant land may contribute runoff during extreme storms, it does not affect the City's drainage system to the same degree as developed land, and warrants a lower rate.

3. Ease of Administration:

It is important that the cost of running the flood control program be controlled. Neither Markham nor the taxpayers of Markham would be well served by the hiring of a multiple of extra staff as other municipalities have done to run this program. This is what has been done in Mississauga and would not be a good role model. Instead, information which is currently available on the Current Value Assessment notices provided by MPAC could be used. The initial cut identifying residential properties as opposed to non-residential properties is easily obtainable from the current value assessments. In addition, the classifications in the current value assessments can distinguish between vacant non-residential land and all other non-residential categories such as industrial or commercial. Indeed, vacant non-residential land is itself a classification on the current value assessment form. I respectfully submit that the necessary information can be easily obtained and changes need only be made once vacant properties are developed. Given that there are only a total of 6,514 non-residential properties in

Markham and staffs has already distinguished which are commercial office versus commercial retail versus industrial, one further cut to separate out vacant non-residential land would not be onerous, especially since the same source of information can be used for all classifications.

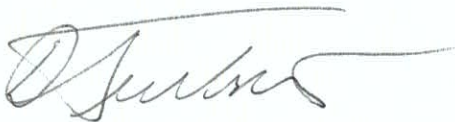
I understand that the Stormwater Fee is to be a separate line item on the property tax bill for each property. Property taxes charged by a municipality are charged so that they reflect the property's classification. In 2015 there are 16 class descriptions upon which property tax is paid. Of these 16 classifications, 3 are residential, 1 is far, 1 is pipeline, 5 are industrial and 6 are commercial. Of the 5 industrial classifications 2 are for vacant land. For commercial properties, there are also 2 classifications for vacant commercial land. I mention this because the information is clearly already available.

As the vacant land is charged a lower rate of property tax, it would be appropriate to also charge a lower rate for the Stormwater Fee.

While I do not believe that vacant land should carry any portion of the flood control fee, as Markham is looking at this as a City-wide fee, it is appropriate that all properties in Markham make a contribution. To this end I would suggest that a flat fee at the rate of Eight (\$8) dollars per \$100,000 of CVA would be much more appropriate than the suggested flat fee of \$29/\$100,000 of CVA, which treats vacant property in exactly the same manner as impervious high runoff revenue producing developed non-residential land. This vacant land rate of 28% of the developed land rates is based on the ratio of the City's design standard and runoff coefficients for vacant open space versus hard surfaces (i.e., 0.25 / 0.90) and therefore is consistent with the relationship to runoff principle. At least in this way some recognition is given to the other two of the three fundamental principles, namely ability to pay and equity/fairness in relation to runoff.

I respectfully request that Council review the Stormwater Fee being proposed for non-residential land and reflect the governing principles at the individual property level.

Yours truly,



U. E. Dagmar Teubner

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Class Description	Tax Class	2015 Tax Rates			
		City	Region	Education	Total
Residential & Farm	RT/RH	0.204311	0.406421	0.195000	0.805732
Residential - Farmland Await. Dev.	R1	0.051078	0.101605	0.04875	0.201433
Multi-Residential	MT	0.204311	0.406421	0.195000	0.805732
Commercial - Occupied	CH/CT/DT/ST	0.228257	0.454054	1.019142	1.701453
Commercial - Occupied	GT/XT/YT/ZT	0.228257	0.454054	1.019142	1.701453
Commercial - Excess Land	CI/CU/DU/SU	0.15978	0.317837	0.713399	1.191016
Commercial - Excess Land	XU/YU/ZU	0.15978	0.317837	0.713399	1.191016
Commercial - Vacant Land	CX	0.15978	0.317837	0.713399	1.191016
Commercial - Farmland Await. Dev.	C1	0.051078	0.101605	0.04875	0.201433
Industrial - Occupied	IH/IT/LT	0.268138	0.533387	1.190000	1.991525
Industrial - Excess Land	IU/IK	0.17429	0.346701	0.773500	1.294491
Industrial - Vacant Land	IX	0.17429	0.346701	0.773500	1.294491
Industrial - Farmland Await.Dev.	I1	0.051078	0.101605	0.04875	0.201433
Industrial - Occupied	JT	0.268138	0.533387	1.190000	1.991525
Pipelines	PT	0.187762	0.373501	1.458488	2.019751
Farmland	FT / TT	0.051078	0.101605	0.04875	0.201433

The highlight indicates non-residential land classifications which are vacant.