



TO: Mayor and Council

CC: Andy Taylor, Chief Administrative Officer,
Trinela Cane, Commissioner of Corporate Services
Brenda Librecz, Commissioner of Community and Fire Services
Joel Lustig, Treasurer
Phoebe Fu, Director, Asset Management

FROM: Shane Manson, Senior Manager, Revenues & Property Taxation,
Robert Muir, Manager, Stormwater,
Jonathan Tate, Senior Business Analyst

DATE: September 9, 2015

Re: **Memo on Deferred Report: “Stormwater Fee Non-Residential Consultation and City-wide Implementation”**

Background:

On May 26, 2015 Staff presented to General Committee an update on the Stormwater fee non-residential consultation and City-wide implementation. It was noted that the proposed recommendations (as outlined in attached report) be considered at the June 15, 2015 Council meeting.

During the Council meeting Richard Cunningham, President and CEO of the Markham Board of Trade (MBOT), voiced opposition to the Staff recommendation to use the Council-approved CVA option as the basis of calculating variable stormwater fees. Rather, Mr. Cunningham preferred a two-tiered flat fee option which in his opinion best met the 3 principles of payment; 1. ability to pay, 2. equity/fairness in relation to runoff and 3. ease of administration and communication. The two-tiered option results in a flat fee of \$154 for Non-Residential properties with a CVA less than \$5.0M. Non-Residential properties with a CVA greater than \$5.0M would pay a flat fee of \$4,351.

Council deferred the report on non-residential fee implementation to the September 16, 2015 Council meeting, with the expectation that Staff meet with Richard Cunningham to discuss in further detail.

Discussion:

City Staff reached out to MBOT and organized a follow-up meeting on July 21st, 2015. In attendance from MBOT were Mr. Cunningham, Margaret Peco (Manager Business Centre, Business Development Bank of Canada) and Caroline Grech (Government Relations Specialist, CAA). At the meeting Staff provided information that included a

comparison analysis between the Council approved option and the two-tiered option (see Memo-attachment 1).

Staff demonstrated that if the City was to adopt the two-tiered option that 3,839 Non-Residential properties or 59% from a total count of 6,514 would pay more under the two-tiered option. Furthermore, Staff elaborated that in many instances the financial impact between the two options was significant. For example, a property with a CVA of \$5.0M would pay \$1,450 annually under the Council approved option and \$4,351 annually under the two-tiered option. Over a 30-year lifespan of the program, the difference of \$2,901 annually, would result in a total impact of \$87,030. Staff reiterated its position that the Council approved option is the best option that meets the 3 principles of payment.

Mr. Cunningham requested and was provided the following additional information; 1) a comparison of the Markham Council approved stormwater fees with other municipalities and 2) list of Markham's highest CVA properties. (see Memo-attachment 2). Staff met with Mr. Cunningham on August 25, 2015 for follow-up discussions.

Mr. Cunningham submitted a formal response on behalf of MBOT on September 1, 2015 (see Memo-attachment 3) requesting Council to consider a change in the allocation of the stormwater fee between residential properties and non-residential properties from 60% residential/40% non-residential to 80% residential/20% non-residential. According to Mr. Cunningham this change would mirror the way property taxes are collected. Furthermore, he indicated that the increased residential fees from \$47 to \$65 would be comparable to that of other municipalities like Mississauga.

Staff position:

Council evaluated a range of fee allocation methods in February 2013 and identified City-wide fees as the funding source. In June 2013, following consultation on funding sources, Council directed staff to develop a fee structure based on runoff contribution. The 60% residential/40% non-residential allocation of fees on a City-wide basis is based on the City-wide runoff contribution from these land uses. The allocation was determined by the City's stormwater fee consultant who analyzed thousands of representative Markham properties by measuring the area of hardened, high-runoff surfaces (e.g., rooftops, parking lots, driveways) throughout the City using detailed mapping. This approach of using hardened, impervious surface measurements to determine fee allocation is consistent with the approach of the majority of municipalities with stormwater fees in North America. The resulting 60% residential/40% non-residential allocation of fees was approved by Council in November 2013, and is essential to meeting the principle of equity and fairness of fees in relation to runoff. A 80% residential/20% non-residential allocation would not meet this principle.

It is noted that the stormwater fee supports the design and capital works related to flood remediation, and that the City's other stormwater management activities are funded through other sources. As a result Markham property owners fund various operation and maintenance activities through taxes (e.g., pond cleaning, technical studies, watercourse erosion restoration, sewer and outfall inspection and rehabilitation, and channel maintenance). Accordingly, property owners already contribute more than the stormwater fee amount that is dedicated to flood control improvements.

Recommendation:

After thorough review of feedback received from MBOT, Staff continues to maintain that it is in the best interests of the City, and the residents, to apply the Council-approved annual rate of \$29 per \$100,000 of CVA for Non-Residential property classes and vacant land properties. The Council approved option best meets the 3 principles of payment which are: 1) ability to pay, 2) equity/fairness in relation to runoff and 3) ease of administration and communication. Furthermore, this Non-Residential rate is derived based on a widely-accepted and applied scientific fee allocation methodology. The 80% residential/20% non-residential allocation of fees proposed by MBOT would be inconsistent with the second principle of payment.

September 1st, 2015

Joel Lustig
City of Markham
101 Town Centre Blvd
Markham ON L3R 9W3

Re: Proposed Storm Sewer Fee

Dear Mr Lustig:

With the proposal sent back to staff, we have reviewed the fees further and recommend that the stormwater management fees be restructured such that it mirrors the way property taxes are being collected, 80% collected from residential and 20% from non-residential. The previous proposal had a 60/40 split.

The effect of this would be an \$18 increase in the residential fees. This would mean that residential properties would have the current \$47 fee raised to \$65. With this re-alignment, we would also suggest that the non-residential charges change from \$29 per 100k of CVA to \$16 per 100k of CVA. This would mean a 45% drop from the proposed fee for non-residential properties.

Not only would this provide consistency in taxation and fees, it would still result in residential fees that are significantly less than in other areas with comparably sized and valued homes (Mississauga residential fees average \$100). This change will also reduce the burden on smaller businesses under \$2,0mil. in value, which represent 93% of all businesses in Markham. Their assessment will change from \$580 to an average of \$200 which is still more than double what home owners pay. This change will result in non-residential properties having a positive business impact with the fees going from the initial 1.6% increase to an increase of approximately 1%, allowing Markham to remain in a more competitive position to attract new business.

Overall, this proposal supports the staffs 3 principles of payment:

Ability to pay
Equity/Fairness
Ease of Administration and communication.

Sincerely,



Richard Cunningham
President & CEO