



Report to: General Committee

Date Report Authored: May 26, 2015

SUBJECT: Stormwater Fee Non-Residential Consultation and City-wide Implementation

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RECOMMENDATIONS:

- 1) THAT the report “Stormwater Fee Non-Residential Consultation and City-wide Implementation” be received; and
- 2) THAT billing of the annual stormwater fee for Non-Residential property classes commence in 2016 at a rate of \$29 per \$100,000 of current value assessment (CVA); and
- 3) THAT billing of the annual stormwater fee for vacant land properties commence in 2016 at an rate of \$29 per \$100,000 of CVA; and
- 4) THAT the Treasurer be authorized to adjust the annual stormwater rate for Non-Residential and vacant land properties to compensate for the average change in City CVA; and
- 5) THAT any property with a CVA of less than \$100,000 shall not have a stormwater fee imposed upon it; and
- 6) THAT billing of the stormwater fee be included as a separate line item on the tax bill of the property; and
- 7) THAT Staff identify and integrate short term flood risk reduction measures into the flood control program, predominantly in the Don Mills Channel area, to an upset limit of \$100,000 annually inclusive of HST; and
- 8) THAT By-law 2014-168 be repealed in its entirety and replaced with the Stormwater Fee By-law as outlined in Appendix “A” to this staff report; and further
- 9) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

In November 25, 2014, Council directed Staff to defer the implementation of the Non-Residential stormwater fee in order to complete a comprehensive communication engagement process with the business community. The purpose of the communication engagement process was to educate Non-Residential property owners about the need for a flood control program as well as to seek feedback on the methods of apportioning the Non-Residential share of the City-wide flood control program.

The 30 year program cost is estimated between \$234M - \$288M in 2014 dollars. The total program cost includes design and construction, contract administration, internal Staff recovery, billing system costs and other administrative costs. The City will collect \$9.6M per year to fund the program. Council approved an annual contribution of \$2.0M from the Federal funded Gas Tax program, with the balance of funding coming from the stormwater fee. Therefore, the City must collect \$7.6M in stormwater fees from all property owners, of which, \$2.8M is to be collected from Non-Residential property owners.

Staff consulted with various property owners and groups through one-on-one meetings or City-organized consultation meetings to provide background information on the flood control program, including the need of the program, the methodology for the fee calculation and to solicit input on how to collect the required Non-Residential share of \$2.8M. In June 2014, Council approved an annual stormwater fee of \$29 per \$100,000 of current value assessment (CVA) for Non-Residential properties. In addition to the Council approved rate, Staff presented four other options of stormwater fee allocation as part of the evaluation process:

- 1) Flat fee,
- 2) Flat fee based on property type, and
- 3) Multiple tiered fee, and
- 4) Two-tiered fee.

Presentation material is included in Attachment 'B'.

The business community response was positive and sessions were well received. Property owners acknowledged the need for a flood control program and for the most part accepted a City-wide charge as approved by Council. In general, businesses preferred the Council approved stormwater fee or Option 4 (two-tiered fee). In the two-tiered fee, properties with a CVA of less than \$5M would pay \$154, and properties with a CVA of over \$5M would pay \$4,351. Properties under \$5M account for 93% of all Non-Residential business owners. Markham Board of Trade (MBOT) and Cadillac-Fairview expressed that Option 4 was the most-equitable and would be the easiest to administer. Notwithstanding, Staff recommend the Council approved rate of \$29 per \$100,000 of CVA be implemented based on the three principles of payment: 1) ability to pay, 2) equity / fairness (relationship to runoff) and 3) ease of administration and communication.

Many businesses and Non-Residential property owners communicated that the City should offer discounts or exemptions to the stormwater fee for a variety of reasons. The Staff position is to offer no discounts. Staff will adjust the Non-Residential stormwater fee annually based on the change in the average Non-Residential City-wide CVA.

It is Staff's opinion that the new fee will not reduce Markham's attractiveness as a business location, nor would it be sufficient cause for existing businesses to relocate. The

stormwater fee equates to 1.4% (industrial) to 1.6% (commercial) of the total average tax bill for Non-Residential properties. The average impact of the fee is 6.6 cents per square foot per year.

The stormwater fee of \$47 per Residential property will be included as a separate item on the final tax bill for 2015. City Staff have evaluated whether to continue to use the existing property tax bill or whether to use PowerStream as the billing agent for the stormwater program. Staff recommends that the City continue to use the tax billing system for the stormwater fee. The internal administrative costs to the City are similar irrespective of which billing system is chosen. However, in order to use PowerStream as a billing provider a further \$123K annually in costs is required for set-up, billing and maintenance.

Given the timing to complete long-term capital improvements of the Flood Control Program, the City will undertake short-term measures, predominately in the Don Mills Channel area to mitigate local flood risks, including enhanced maintenance, minor grading and flood proofing assessments, until large scale capital works are undertaken. Annual costs are estimated at \$100,000 in the initial years of the program.

PURPOSE:

The purpose of this report is to:

1. Summarize the communication engagement results of the business community input on methods of apportioning the Non-Residential share (40%) of the City-wide flood control program.
2. Summarize the analysis completed and the associated costs of including the fee on the PowerStream bill versus the City of Markham tax bill, and the recommendation to proceed.
3. Obtain Council approval to proceed with the billing of the annual stormwater fee of \$29 per \$100,000 of CVA for Non-Residential property classes commencing in 2016;
4. Obtain Council approval to proceed with the billing of the annual stormwater fee of \$29 per \$100,000 of CVA for vacant land properties commencing in 2016;
5. Obtain Council approval to authorize the Treasurer to adjust the annual stormwater rate for Non-Residential and vacant land properties to compensate for the average change in City CVA.
6. That Stormwater Fee By-Law 2014-168 be repealed in its entirety and replaced with the new Stormwater Fee By-law as outlined in Appendix "A".

BACKGROUND:

In February 2013, Council approved a long-term, 30 year Flood Control Program which set funding requirements considering the level of service for drainage systems. Council also approved that the stormwater fee be applied City-wide.

In October 2013, Council approved that \$2M annually in Federal Gas Tax Funding beginning in 2014 be approved to fund for stormwater management.

In November 2013, Council approved a fee structure that allocated 60% of the remaining funding required to Residential properties and 40% to Non-Residential properties. These

percentages were determined based on City-wide runoff contribution. While the Flood Control Program service improvement goals and funding requirements are unique to Markham, the principle of setting fees based on runoff contribution is common for various stormwater programs across North America. A comparison to other programs is included in Attachment “C”.

In June 2014, Council approved a stormwater fee rate of \$47 per unit/year for Residential properties and \$29 per \$100,000 of CVA per year for Non-Residential properties. The Residential flat fee is comparable to average stormwater fees across North America, and is one of the lowest in Canada (see Attachment “C”, Figure 1). The Non-Residential rate results in property fees that are within the range of other municipalities in Canada (see Attachment “C”, Table 3).

In November 2014, Council resolved that implementation of the Non-Residential stormwater fee be delayed to 2016 until completion of the communication engagement process with the business community to seek input on methods of apportioning the 40% Non-Residential share of program costs. Furthermore, Council directed Staff to complete an analysis of the associated costs of having the stormwater fee included on the PowerStream bill versus the City of Markham tax bill. This report provides cost analysis and a Staff recommendation on the billing option.

As of the date of this report, implementation of capital projects under Markham’s Flood Control Program is underway, and the stormwater fee will be applied as a separate line item on the final 2015 tax bill for Residential properties.

OPTIONS/ DISCUSSION:

A. Non-Residential Consultation Process

A comprehensive business consultation program was developed and completed between December 2014 and May 2015. The presentation material included background information and options for distributing stormwater fees to individual properties within the Non-Residential sector (Attachment B). Content included:

- Why the flood control program is required – identifying the need for the remediation and City-wide levels of service for flood control.
- What will happen without the program - highlighting flooding issues, and impact to movement of goods and people
- Approved flood control program – identifying the program funding requirements, that it is a City-wide fee, and the allocation between the Residential and Non-Residential sectors. Total cost of the 30-year flood control program is \$234M-\$288M (in 2014 dollars).
- Allocation of the stormwater fee – explained the consideration of runoff potential in allocation of the fees.
- Council approved fees, fee calculations and options.

There are many ways to allocate fees within the Non-Residential sector. The approved fee and four (4) options were presented:

- **Council Approved Fee:** - \$29 per \$100,000 of CVA – each property is charged a different fee based on the property’s CVA.

- **Option 1: Flat Fee** - Every property will pay the same flat fee (\$430) regardless of property size, property type or CVA.
- **Option 2: Flat fee** - based on property type – All properties within each category will pay the same annual fee: \$4,050 for Commercial Office, \$470 for Commercial Retail, and \$520 for Industrial.
- **Option 3: Multiple-tiered fee** - All the properties within each CVA tier will pay the same fee:
 - Less than \$1M of CVA– fee is \$64
 - Between \$1M and less than \$5M of CVA – fee is \$693
 - Over \$5M and less than \$10M of CVA – fee is \$1,944, and
 - \$10M and over – fee is \$7,365
- **Option 4: Two-tiered fee** - Properties valued less than \$5M will pay a flat fee of \$154; properties valued over \$5M will pay a flat fee of \$4,351.

All of the options mentioned above will generate the required \$2.8M to be collected from the Non-Residential properties. Non-Residential properties include commercial retail, commercial office and industrial property types.

Further, the three principles of payment that were used to evaluate the various allocation options were presented:

1. Ability to pay;
2. Equity/fairness (relationship to runoff); and
3. Ease of administration / communication.

Staff has consulted with the following businesses and groups to share the background material and to present fee options and solicit their input:

- Markham Board of Trade (President on December 17, 2014; Government Affairs Committee - January 7, 2015)
- Unionville Business Improvement Area (UBIA) Board - March 18, 2015
- Markham Village Business Improvement Area (MVBIA) hosted a member's meeting at the Markham Museum - March 26, 2015
- Pacific Mall Board - March 27, 2015
- The Remington Group - March 26, 2015
- Emery Investments - April 17, 2015
- GWL Realty Advisors - April 17, 2015
- The Milestone Group - April 22, 2015
- Wiemat Holdings Ltd - May 4, 2015
- IBM - May 8, 2015
- Trioinvest - May 8, 2015
- Metrus - May 8, 2015

In addition, Staff conducted two Business Consultation Meetings on April 9, 2015 and April 14, 2015 at the Civic Centre. These meetings were promoted extensively as follows:

- Through Markham Board of Trade's Director, Marketing & Communications (events calendar and member email invitations);
- Letters with invitations and background information were mailed to the top 100 CVA property owners and multiple property owners;
- 29 owners of high CVA properties were contacted by phone through Economic Development contacts;
- 36 business groups, associations and individual businesses through consultation with Councillors and Economic Development, were contacted and invited by phone and/or email;
- MVBIA and UBIA emailed invitations to their members;
- Door-to-door invitations were dropped to 125 businesses including the UBIA area and portions of Highway 7, and 225 businesses including the MVBIA area along Main Street Markham;
- On behalf of the City, the Pacific Mall property manager mailed invitations and background information to 450 property owners;
- Invitations were emailed to businesses on Woodbine Ave., Steeplecase Rd., and Torbay Rd. affected by Don Mills Channel flooding;
- Meetings were advertised on Markham.ca (main banner), and through social media outlets;
- Meetings were advertised in the Markham Economist & Sun City Page & the Thornhill Liberal.

Business Consultation Meetings (Attendees)

April 9th Meeting:

- Weimat Group of Companies
- Rice Group
- Mayfair Clubs
- Liberty Development
- Best Canada Home Realty
- Nadalini Properties Holdings
- Town and Country Industrial Leasehold Inc.

April 14th Meeting:

- Cadillac Fairview (i.e., owner of Markville Shopping Centre)
- Honda Canada
- Markham Stouffville Hospital
- Northam Realty Advisors
- Metro Square Developments
- Markham Board of Trade
- Sanringham Holdings
- Investra Ltd

Recognizing that some Non-Residential property owners were unable to attend the two business consultation meetings, staff arranged to have the presentation material sent to all Markham Board of Trade members (approximately 800).

B. Consultation Feedback and Stormwater Fee Considerations

In general, the feedback received showed support for the overall flood control program, acceptance of the need for a City-wide fee to fund the program, and agreement that the Non-Residential sector should contribute to program funding. Several businesses and groups have provided written comments (Attachment D).

Staff has grouped the feedback from business community consultation process into common themes and summarized below along with Staff responses:

B1. Flood Control Program

Feedback on the Flood Control Program was received during the consultation process and included the following:

- 1) The City should consider accelerating the program's 30 year timeframe and should identify how priorities have been set.

Staff response: Priorities areas have been identified based on past flooding issues. Implementation of program improvements have been initiated where technical studies are complete and where final design and necessary approvals are in place.

- 2) Requests for short term flood risk reduction measures should be incorporated into the program, such as early remediation, enhanced maintenance and flood proofing.

Staff response: Since immediate capital works cannot be readily implemented prior to Environmental Assessment Act planning, consultation and approval, Staff recommends that short term flood risk reduction measures be incorporated into the program, funded through the stormwater fee. Measures may include enhanced maintenance (e.g., channel vegetation and debris removal), minor grading, and flood proofing where feasibility studies demonstrate a favourable benefit-cost ratio for such works, and where such works would not encumber potential long-term remediation works. These measures are expected predominantly in the Don Mills Channel area, but may also be identified city-wide where flood risks are present (e.g., roadways with recurring flooding), and where risks could be mitigated by short-term measures. Annual costs are estimated at \$100,000 in initial years of the program.

- 3) Businesses could help accelerate the program by funding works up front and then being reimbursed.

Staff response: Large scale capital works cannot be undertaken by the City without Environmental Assessment approval. Short-term measures may be undertaken by proponents on individual properties and have been encouraged in the past to mitigate local flood risks.

B2. Reduced Fee Rate or Discount:

Many participants suggested their business should be charged reduced fees based on a range of considerations:

- 1) Several developments have already implemented on-site stormwater systems that manage runoff and therefore the new stormwater fee is unfair for developers who have already paid to put controls in place.

Staff response: Development on site control - TRCA's Rouge River Watershed stormwater control criteria exclude any requirement for flood control for the majority of tributaries south of 16th Avenue and east of Warden Avenue. Accordingly, many new developments that provide extensive and beneficial stormwater management controls for various regulatory purposes, do not provide flood control, and as a result there would be no reduction in the City's flood control program costs, which would warrant reduced fees.

- 2) Properties with permeable grass cover (soft surfaces) should not be charged at the same rate as fully-paved properties.

Staff response: Accounting for individual property on-site controls or measuring individual property soft versus hard surfaces would provide a more equitable assessment of runoff rates from properties. However, the administrative effort in completing such an assessment, and developing an equitable credit system for reduced fees would be difficult due to wide range of stormwater controls that can be implemented, dependent on time of development, and changes made to the property between soft and hard surfaces.

- 3) If a business develops a property after the City improves the infrastructure in their local area, these businesses should pay a higher cost (i.e. a higher fee due to the development benefits after infrastructure improvements are made). A special levy should be charged to the local development that occurs after the infrastructure work is complete.

Staff response: A special levy would essentially result in a local charge fee structure, where additional fees are concentrated on specific areas. A local fee structure was not approved by Council; rather Council approved a City-wide fee structure in February, 2013. Furthermore, there would be uncertainty in predicting local development and associated levy funds, resulting in uncertainty in program funding that would not support a special levy system.

- 4) Vacant lands should not pay the fee as they are not revenue generating properties.

Staff response: Vacant land with a high degree of permeable surfaces, does contribute to runoff during extreme, high volume rainfall events. Therefore, these property types are included as part of the City-wide fee. The Non-Residential rate will result in variable fees that reflect property size and runoff potential.

- 5) BIA members have many challenges and would like a reduced stormwater fee.

Staff response: Business challenges / economic development impacts - Stormwater management and flood protection are highly valued by businesses and residents alike, and the business community understands the importance of ensuring that Markham invests in maintaining and enhancing this protection in order to avoid disruptions to business and risk to private property and business infrastructure.

Markham's Non-Residential tax rates are the lowest in the GTA, and even with the introduction of a new stormwater fee, Markham's attractiveness as a business

location would remain high. The stormwater fee equates to 1.4% (industrial) to 1.6% (commercial) of the total average tax bill for Non-Residential properties. No participants during the business consultations suggested that the stormwater fee would have any negative economic development impacts.

Staff have reviewed the top 100 CVA properties, and have calculated the stormwater fee based on the Council approved rate of \$29 per \$100,000 of CVA and determined the average impact of the fee is 6.6 cents per square foot per year.

- 6) Exemptions should be considered for the entire Markham Centre area or for specific development types (e.g., offices).

Staff response: Overall, Staff recommends that no reduced fees or discounts be applied for new developments, different surface imperviousness, vacant land, or specific business areas or sectors, as the flood control program will benefit the overall community and this approach is consistent with the Council-approved City-wide fee. Any reduced fees or discounts would essentially result in a local charge fee structure, where the burden of fees is concentrated on areas without these considerations. A local fee structure was not approved by Council, in favour of a City-wide fee structure in February, 2013. This approach is consistent with industry practice – as per survey results in *2014 Stormwater Utility Study* by Black & Veatch, 94% of cities apply City-wide, as opposed to area-specific, charges. This study also notes that 61% of cities do not offer any credits for on-site low impact development practices.

B3. Calculation of the CVA based fee

- 1) Clarification on whether the fee will be decreased if assessment increases was requested by Cadillac-Fairview.

Staff response:

Staff recommends that the Treasurer be authorized to adjust the annual stormwater rate for Non-Residential and vacant land properties to compensate for the average change in City CVA. City Staff will evaluate CVA values and adjust the stormwater fee on an annual basis.

- 2) Clarification on whether there will be a refund on the stormwater fee upon successful CVA appeal was requested.

Staff response: If a property owner is successful in appealing their property assessment value, the City will adjust the stormwater fee to reflect the lower CVA. A refund will be provided for the difference in the original CVA versus the reassessed CVA value.

- 3) Clarification on how the fee updates would coincide with the MPAC assessment cycle was requested.

Staff response: The stormwater fee rate will be re-evaluated every 5 years, at which time both the assessment increase and cycle will be considered.

- 4) Clarification on how growth in Markham over the next 30 years would affect the affect fees, and whether fees would remain constant and/or increase was requested.

Staff response: The stormwater fee rate will be re-evaluated every 5 years, at which time growth and updated program costs would both be considered.

- 5) Charging to tax account holders would result in a more equitable distribution of the fee, given that the water metering system may not take into account the purpose of the stormwater fee (as noted by a developer).

Staff response: The fee will be charged to all property owners. The evaluation of billing systems, i.e. the tax billing system or PowerStream water billing system, is presented in detail in a later section of this report.

B4. Allocation Methodology between Residential and Non-Residential

Feedback on the distribution of fees between the Residential and Non-Residential sector included the following:

- 1) Clarification on the other methods the City considered to allocate the fee other than CVA was requested (e.g., property area, runoff coefficient, etc.).

Staff response: Other allocation methods including runoff and impervious area methods for individual properties were considered, but that the CVA method was recommended, considering the three principles.

- 2) City should consider collecting a higher fee from the Residential sector.

Staff response: The allocation of fee based on the City-wide runoff method would not support higher Residential fees.

- 3) City is not paying its share and part of the cost should be assumed by the City.

Staff response: The City is currently contributing \$2M per year of federal gas tax grant funding to the program.

- 4) The allocation between Residential and Non-Residential should be aligned with property tax distribution (i.e. 80% Residential / 20% Non-Residential) as opposed to the approved 60% Residential / 40% Non-Residential based on runoff principles.

Staff response: The approved 60% Residential / 40% Non-Residential split is based on the principle of City-wide runoff approved by Council, and an allocation assigned with tax distribution would not be consistent with the principle of runoff.

- 5) Residential growth north of 16th Avenue has contributed the recent flooding issue and therefore the Residential sector should contribute more.

Staff response: The Residential growth north of 16th Avenue may influence river flood flows in some areas, but this would be negligible given quantity controls in place since the 1980s. Further, river flooding does not impact flooding in key rehabilitation areas (e.g., West Thornhill, Don Mills Channel area) as the drainage

systems are independent, and because flooding in most areas under the program is related to storm sewer and overland flow capacity and not river flows.

In summary, the approved 60% Residential / 40% Non-Residential allocation of the City-wide fee equitably distributes fees based on runoff between the two sectors. As noted in Attachment “C”, the consideration of runoff in setting stormwater fees is widespread in cities across North America (see Attachment ‘C’, Table 2).

B5. Stormwater Fee Options / Allocation within Non-Residential Sector

A summary of the fee options is shown below and on slide 23 in Attachment B:

Annual Fee Options	Current Value Assessment (CVA)						
	\$0.5M	\$1M	\$2M	\$5M	\$10M	\$20M	\$50M \$312M
Council Approved Fee: \$29 per \$100k of CVA	\$145	\$290	\$580	\$1,450	\$2,900	\$5,800	\$14,500- \$90,480
Option 1: Flat Fee	\$430	\$430	\$430	\$430	\$430	\$430	\$430
Option 2: Property Type Flat Fee							
Commercial Office	\$4,050	\$4,050	\$4,050	\$4,050	\$4,050	\$4,050	\$4,050
Commercial Retail	\$270	\$270	\$270	\$270	\$270	\$270	\$270
Industrial Property	\$520	\$520	\$520	\$520	\$520	\$520	\$520
Option 3: Multiple-tiered Fee	\$64	\$693	\$693	\$1,944	\$7,365	\$7,365	\$7,365
Option 4: Two-tiered fee	\$154	\$154	\$154	\$4,351	\$4,351	\$4,351	\$4,351

Feedback on the options was varied and typically considered the impact to the business being represented:

- 1) CVA is the most equitable approach and easy to calculate (tiered approach is unfair).
- 2) CVA is not the best indicator of ‘ability to pay’ as different businesses have different profit margins.
- 3) Markham Board of Trade has recommended Option 4 – Two-Tiered Fee, indicating the two-tiered system approach best meets the three principles of ease of administration, ability to pay and equity/fairness (relationship to runoff).
- 4) Cadillac Fairview has recommended Option 4 – Two-Tiered Fee. In a letter to the City Cadillac Fairview, “endorses Option 4: Two Tiered Fee for the following reasons:
 - A full 93% of all non-residential properties would be charged at the lowest rate
 - The 7% of properties charged a rate of 28 times that of the lower rate still reflects a palatable annual cost without inflicting significant economic hardship.”
- 5) A member of the board of a commercial retail condominium complex favoured options that would minimize fees for smaller, low CVA properties (Option 4, or the Council approved annual rate of \$29 per \$100,000 of CVA).

- 6) Several owners of properties in the flood-prone Don Mills Channel area recommended the Council approved annual rate of \$29 per \$100,000 of CVA.
- 7) A multiple property owner with a property in the Don Mills Channel area expressed support for the City-wide fee and noted that Options 3 and 4 have “jumps in dollar amounts” that are not logical.

Staff’s evaluation of the four options is summarized below:

- Option 1: Flat Fee – Every property will pay the same flat fee (\$430) regardless of property size, property type or CVA under this option. The advantage of this option is ease of administration; however, it is unfavourable from an equity / fairness perspective in relation to the runoff methodology. Therefore, in keeping with industry practice by accounting for the varying size of Non-Residential properties, this methodology of allocating the stormwater fee is not recommended. Only 3% of cities in North America do not consider runoff potential factors in setting individual property stormwater fees (see Attachment ‘C’, Table 2).
- Option 2: Flat fee based on property type (commercial retail, commercial office and industrial) – All properties within each category will pay the same annual fee under this option. This methodology does not consider property size which is inconsistent from an equity / fairness perspective in relation to the runoff methodology. In addition, the same fee is applied across a wide range of CVAs within each property type, which is not consistent with the principle of ability to pay, e.g., where a small office building would pay the same \$4,050 fee as a large office building.
- Option 3: Multiple-tiered fee – All the properties within each CVA tier will pay the same fee under this option. As more tiers are introduced, the methodology more closely resembles the approved Council fee rate. This method has a more equitable allocation compared to Option 1 and 2; however, when a property crosses the threshold from one tier to another, the fee increases significantly. It is not equitable that two properties with a minor difference in CVA value, may contribute significantly different fees under this option.
- Option 4: Two-tiered fee –A Non-Residential property with a CVA of less than \$5M will pay a flat fee of \$154. Properties under \$5M represent 93% of all Non-Residential properties in Markham. Properties with a CVA value over \$5M will pay a flat fee of \$4,351. All the properties within each CVA tier will pay the same fee.

Evaluation of Options 1-3

There was little positive support from the business community during the consultation process for Options 1, 2 and 3. The lack of positive response indicates the business community does not consider these as viable options.

Staff response: Staff does not support Options 1 through 3 because they do not adequately meet the three principles of payment and therefore were not considered further.

Evaluation of Option 4 (Two-Tiered fee)

Markham Board of Trade, on behalf of its membership, as well as Cadillac Fairview has endorsed the two-tiered fee method. It is their belief that this option is preferable because it is the most equitable method of allocating the fee as well as the easiest to administer.

Staff response: Staff does not support the two-tiered fee as there is dramatic inequity between properties that are on the cusp of the \$5M threshold.

For example, a property with a CVA of just under \$5M will pay \$154, however a similar valued property that has a CVA just over \$5M will pay over 28 times the fee or \$4,351. As properties are assessed and CVA values increase, more and more properties will exceed the \$5M CVA threshold and therefore will pay the fee of \$4,351.

The Council approved stormwater fee equates to 1.4% (industrial) to 1.6% (commercial) of the total average tax bill for Non-Residential properties. However, the stormwater fee for a property with a CVA of \$5M under the two-tiered option would represent pay 4.2% to 4.8% of the average tax bill for Non-Residential properties.

Furthermore, under the two-tiered fee methodology, a property with a CVA of \$5M will pay the same fee of \$4,351 as a property with a CVA of \$312M (large shopping mall).

Annual Fee Options	Current Value Assessment (CVA)						
	\$0.5M	\$1M	\$2M	\$5M	\$10M	\$15M	\$50M \$312M
Council Approved Fee (\$29 per \$100,000 of CVA)	\$145	\$290	\$580	\$1,450	\$2,900	\$4,350	\$14,500 -
Option 4: Two-Tiered Fee	\$154	\$154	\$154	\$4,351	\$4,351	\$4,351	\$4,351

Through the business consultation process, Markham business groups, individual businesses and property owners supported the Council approved rate of \$29 per \$100,000 of CVA and Option 4 as the two most preferred options for fee distribution.

Staff recommends the Council approved rate of \$29 per \$100,000 of CVA as it best meets the three principles of payment:

- 1) Ability to pay: The stormwater fee is predicated on CVA of the property, which provides a correlation or indication of one's ability to pay.
- 2) Equity/fairness (relationship to runoff): The Non-Residential rate will result in variable fees that reflect property size and runoff potential.
- 3) Ease of administration and communication: If the fee is tied directly to CVA minimal extra calculation is required. The current system can easily accommodate the CVA methodology.

When comparing our fee structure with other Canadian municipalities, it is noted that each stormwater program, local conditions, regulatory requirements and the services funded are unique and therefore direct comparisons may not be appropriate. For example, the fee for a large 30 ha commercial retail property with very high impervious land cover would range between \$45k and \$164k in other cities with fees based on property runoff factors. The highest stormwater fee for a Non-Residential property in Markham is \$90k for a comparable 30 ha commercial retail property.

Staff recommends the Non-Residential rate of \$29 per \$100,000 of CVA as the best option for fee distribution of the \$2.8M Non-Residential share.

B6. Vacant land

One property owner recommended to Staff that vacant land should not be charged the stormwater fee. The rationale is that charging vacant land is unfair to property owners because they cannot pass down the cost to tenants. Vacant land is not revenue generating and therefore it does not meet the principle of ability to pay.

Staff response: Staff recommend charging the annual stormwater fee for vacant land properties at a rate of \$29 per \$100,000 of CVA. Council approved a City-wide charge and therefore applying the fee to vacant land is consistent with Council direction. In addition, vacant land with a high degree of permeable surfaces, does contribute to runoff during extreme, high volume rainfall events. The Non-Residential rate will result in variable fees that reflect property size and runoff potential.

B7. Funding of flood control program through Development Charges (DCs)

Staff response: As noted during consultation that the flood control program could not be paid through DCs as DC funding must be allocated toward growth-related projects and not existing infrastructure upgrades.

Staff further recommends that all properties with a CVA of less than \$100,000 shall not have a stormwater fee imposed upon it. Any property below \$100,000 in CVA would be charged less than the Council approved \$29 per \$100,000 of CVA. Billing for amounts less than \$29 is not cost-effective. Examples would be small fragments of land, Residential condo lockers and condo parking spots.

C. Stormwater Fee Billing System Evaluation

In the November 2014 report to Council, Staff recommended that the \$47 per Residential property be included as a separate fee on the 2015 property tax bill. The billing for Non-Residential properties was delayed, subject to completion of the business consultation process. Staff originally recommended to Council that the stormwater fee be included on existing water bills (November 2013). Through discussions with PowerStream, any integration of the City stormwater fee can only be added after the system upgrade is complete. The PowerStream system upgrade was anticipated to be completed by the third quarter of 2015. However after recent discussions with PowerStream, the system upgrade has been further delayed to the second quarter of 2016.

PowerStream would administer the stormwater fee as follows:

- Residential properties to be billed once per year on existing water bills.
- Residential condos with a bulk meter will be billed twice a year on existing water bills.
- All Non-Residential properties and vacant land will be billed twice a year on new water bills.

Under the tax billing system the stormwater fee will be charged on the final tax bill based on individual property owners payment dates for the second half of the year.

If the City administers the stormwater fee through the property tax billing system the cost would be approximately \$25,000, of which \$16,000 is related to existing staff in both Finance and IT and \$9,000 for the Contact Centre and for additional printing costs.

If the City uses PowerStream to bill, collect and field calls from residents and businesses, the annual cost will be \$123,000. However, by using PowerStream as the billing provider, the City's internal administration costs would be reduced by \$9,000 due to the reduction in Call Centre and printing costs as noted above.

Overall, using the tax billing system is \$114,000 less costly on an annual basis compared to the PowerStream option. Over the 30 year span of the program this translates to \$3.4M difference between the two billing options (in 2015 dollars).

Annual Costs	City (A)	PowerStream (B)	Variance (B) - (A)
Billing costs	\$0	\$123,000	\$123,000
Administrative costs	\$25,000	\$16,000	(\$9,000)
Total	\$25,000	\$139,000	\$114,000

Staff recommend that the stormwater fee be billed using the City's tax billing system.

Staff has also identified a potential need for a part-time financial analyst position at a cost of \$50,000 to support the implementation, maintenance, and data management of the stormwater program. This position would be funded through the stormwater fee and the need for the position will be considered upon completion of the billing cycle for both Residential and Non-Residential properties, most likely as part of the 2017 budget process, if required.

FINANCIAL CONSIDERATIONS AND TEMPLATE

The 30 year program cost is estimated between \$234M - \$288M in 2014 dollars. The total program cost includes design and construction, contract administration, internal Staff recovery, billing system costs and other administrative costs. The City will collect \$9.6M per year to fund the program. Council approved an annual contribution of \$2.0M from the Federal funded Gas Tax program, with the balance of funding coming from the stormwater fee. Therefore, the City must collect \$7.6M in stormwater fees from all property owners, of which, \$2.8M is to be collected from Non-Residential property owners.

The stormwater fee will be reviewed by Staff every 5 years. Staff will evaluate those factors that may contribute to changes in the rate. Factors will include the costs of the program, the growth of the City, value changes in CVA, and inflation. Staff will make changes to the rate to ensure the flood control program is adequately funded.

Staff recommends that the Treasurer be authorized to adjust the annual stormwater rate for Non-Residential and vacant land properties to compensate for the average change in the

City CVA. City Staff will evaluate CVA values and adjust the stormwater fee on an annual basis.

Staff recommend that the annual stormwater fee for vacant land properties be billed at the rate of \$29 per \$100,000 of CVA as vacant land contributes to runoff and a City-wide fee was approved to be applied to all properties. The Non-Residential rate will result in variable fees that reflect property size and runoff potential.

To complement long-term capital improvements, the City will undertake short-term measures to mitigate local flood risks, including enhanced maintenance, minor grading and flood proofing assessments, until large scale capital works are undertaken. These activities will be funded through the stormwater fee. These measures are expected predominantly in the Don Mills Channel area, but may also be identified city-wide where flood risks are present (e.g., roadways with recurring flooding), and where risks could be mitigated by short-term measures. Annual costs are estimated at \$100,000 in initial years of the program.

HUMAN RESOURCES CONSIDERATIONS:

Not Applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

This project is in line with the City’s strategic priority of delivering municipal services in the most effective and efficient manner as outlined in Building Markham’s Future Together.

BUSINESS UNITS CONSULTED AND AFFECTED:

Not Applicable.

RECOMMENDED BY:

20/05/2015

20/05/2015

X 

X 

Phoebe Fu
Director, Asset Management

Joel Lustig
Treasurer

20/05/2015

20/05/2015

X 

X 

Trinela Cane
Commissioner, Corporate Services

Brenda Librecz
Commissioner, Community & Fire Services

ATTACHMENTS:

[Attachment "A" – Stormwater Fee By-Law 2014-XXX](#)

[Attachment "B" – Consultation Presentation with Stormwater Fee Options](#)

[Attachment "C" – Stormwater Program and Funding Comparison](#)

[Attachment "D" – Business Consultation Letters](#)