



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- 8) THAT By-law 2014-168 be repealed in its entirety and replaced with the Stormwater Fee By-law as outlined in Appendix “A” to this staff report; and further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
- Triovest - 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

X 

Phoebe Fu
Director, Asset Management

20/05/2015

X 

Joel Lustig
Treasurer

20/05/2015

X 

Trinela Cane
Commissioner, Corporate Services

20/05/2015

X 

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](#)



Bylaw 2015-XXX

A by-law to repeal and replace Stormwater Fee By-law 2014-168

Whereas Section 11 of the *Municipal Act, 2001*, S.O. 2001, c.25, as amended, (the “Municipal Act”) authorizes The Corporation of the City of Markham (the “City”) to exercise authority over drainage and flood control matters; and,

Whereas Section 391 of the Municipal Act authorizes the City to pass bylaws imposing fees or charges on persons for services or activities provided or done by or on behalf of it; and,

Whereas the Council for the City deems it necessary and desirable to implement a stormwater Flood Control Program for purposes of the safety and well-being of persons, and the City’s economic and environmental well-being; and,

Whereas the Council for the City deems it necessary and desirable to create a separate Stormwater Fee to fund capital projects to improve the storm drainage system;

Now Therefore the Council for The Corporation of the City of Markham enacts as follows:

1. Definitions

In this Bylaw:

- (a) “City” means The Corporation of the City of Markham;
- (b) “Council” means the Council of The Corporation of the City of Markham;
- (c) **“MPAC” means the Municipal Property Assessment Corporation;**
- (d) “Property” means any real property within the geographical boundary of the City of Markham;
- (e) “Property Owner” means an individual, partnership or corporation who owns Property;
- (f) **“Property Class” means Property within the geographical boundary of the City of Markham classified by the MPAC;**

- (g) “Residential Property” means Property within the geographical boundary of the City of Markham classified as Residential by the MPAC;
 - (h) **“Non-Residential Property” means Property within the geographical boundary of the City of Markham classified as Non-Residential by the MPAC;**
 - (i) **“Vacant Land” means Property within the geographical boundary of the City of Markham classified as Land without structures or outbuildings by the MPAC;**
 - (j) **“Stormwater” means surface and rain water, melted snow and ice, and uncontaminated water when discharged to the stormwater drainage system from freshwater swimming pools, underground drains, foundation drains and groundwater;**
 - (k) “Stormwater Fee” means the amount charged under this Bylaw based upon the rate and class of the Property;
 - (l) “Treasurer” means the Treasurer of the City or his/her delegate;
 - (m) “Tax Bill” means the property tax bill under the Municipal Act sent to Property Owners by the City;
 - (n) “Flood Control Program” means the City-wide upgrade of storm drainage systems as approved in Class Environmental Assessment or other remediation studies.
- 2. **THAT an annual Stormwater Fee be imposed on all property classes within the City of Markham, save and except those noted as exempt in this bylaw to fund a long-term Flood Control Program which includes construction of storm drainage system capital projects and administration of the stormwater program.**
 - 3. THAT an annual Stormwater Fee of \$47 per Residential Property be imposed effective 2015.
 - 4. **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**
 - 5. **THAT billing of the annual Stormwater Fee for vacant land properties commence in 2016 at a rate of \$29 per \$100,000 of CVA; AND**
 - 6. **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**

7. **THAT any Property with a CVA of less than \$100,000, as determined by MPAC is exempt from this by-law and shall not have a Stormwater Fee imposed upon it; AND**
8. **THAT any Property owned by the City is exempt from this by-law and shall not have a Stormwater Fee imposed upon it; AND**
9. **THAT any Property owned by a District School Board or School Authority as defined under the Ontario *Education Act*, as amended, is exempt from this by-law and shall not have a Stormwater Fee imposed upon it; AND**
10. **THAT the Stormwater Fee levied by this by-law be included as a separate line item on the tax bill of the property; AND**
11. **THAT the Stormwater Fee levied by this by-law be due and payable in conjunction with the tax bill installments of the property; AND**
12. **THAT payment of the Stormwater Fee be paid to the Treasurer at the Municipal Offices, 101 Town Centre Boulevard, Markham, Ontario, L3R 9W3; AND**
13. **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**
14. **THAT this by-law come into force and effect on the date it is passed.**

READ A FIRST, SECOND, AND THIRD TIME AND PASSED ON THIS XX DAY OF XX

Kimberley Kitteringham
City Clerk

Frank Scarpitti
Mayor



Building Markham's Future Together
Journey to **Excellence**

Attachment “B” Business Consultation Meeting Stormwater Fee

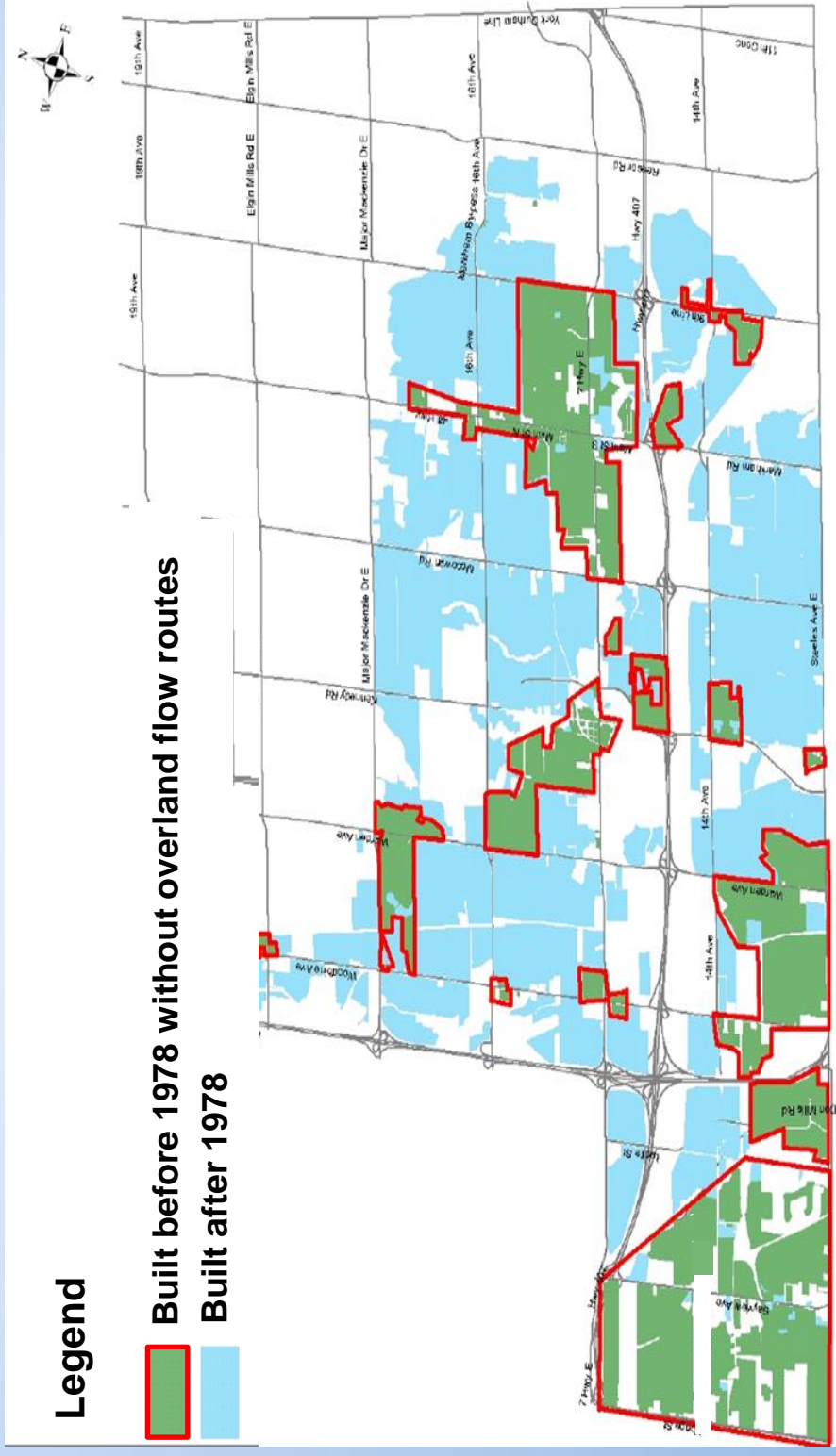


STORMWATER AGENDA

1. Why Is the Stormwater Program Required?
2. What Will Happen Without the Program?
3. Approved Flood Control Program
4. Allocation of the Stormwater Fee
5. Council Resolution on November 25, 2014
6. Fee Calculation Background
7. Council Approved Fees & Options
8. Summary of Annual Fee Options
9. Principles of Payment
10. Next Steps

1. WHY IS THE STORMWATER PROGRAM REQUIRED?

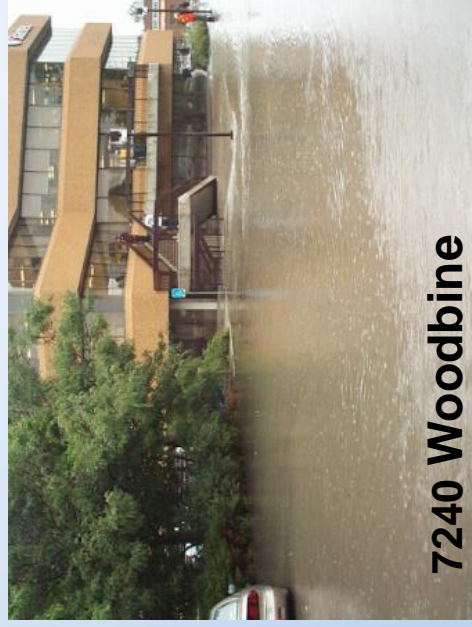
- To provide 100-year level of service for storm sewer systems across the City





2. WHAT WILL HAPPEN WITHOUT THE PROGRAM?

AUGUST 19, 2005 FLOODING – DON MILLS CHANNEL



7240 Woodbine



Woodbine (south of Denison)



Steeles Ave E (Toyota)



Steeles Ave E (Toyota)

2. WHAT WILL HAPPEN WITHOUT THE PROGRAM? (cont'd)

JULY 27, 2014 FLOODING – DON MILLS CHANNEL



55 Torbay



85-55 Torbay



55 Torbay



Woodbine south of Denison



2. WHAT WILL HAPPEN WITHOUT THE PROGRAM? (cont'd)

- Neighbourhoods with limited design standards will continue to be subjected to a higher risk of flooding.
- Flooding of arterial roads will cause lost business days and limited movement of goods and people.



Woodbine Ave (August 2005)



Laureleaf Rd. north of Steeles Ave. E (June 2008)

A photograph of a modern, multi-story building with a glass facade and a curved roofline, set against a clear blue sky.

3. APPROVED FLOOD CONTROL PROGRAM

- In February 2013, Council approved a 30-year flood control program focused on infrastructure improvements unique to Markham.
- The Flood Control Program is a strategic, long term, City-wide initiative to improve Stormwater drainage capacity and limit surface and basement flooding risks in urban areas.
- Improvements will increase safety on arterial roads across the City, ensuring businesses remain open and accessible.
- Council approved a City-wide Stormwater Fee as proposed improvements will benefit the overall community.



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Journey to Excellence

3. APPROVED FLOOD CONTROL PROGRAM (cont'd)

- Work is underway



3. APPROVED FLOOD CONTROL PROGRAM (cont'd)

- The 30-year program cost is estimated at \$234.00M - \$288.00M in 2014 dollars.
- Council approved an annual contribution of \$2.00M from the Federal Government grant program with the balance of funding coming from the Stormwater Fee.
- A consultant determined the City-wide allocation of impervious, high-runoff surfaces through the measurement of surfaces on thousands of properties.
- The total Fee is allocated 60% to residential and 40% to non-residential properties.

4. ALLOCATION OF THE STORMWATER FEE

- The total area of impervious, high-runoff surfaces was evaluated across the City to determine the allocation of fees based on runoff.

Single Family Residence:
300 square meters
of impervious surfaces



Office / Commercial:
8,800 square meters
of impervious surfaces



5. COUNCIL RESOLUTION ON NOVEMBER 25, 2014

- That the Council approved an annual Stormwater Fee of \$47 per residential property to be included on the property tax bill effective 2015; and,
- 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 non-residential share (40%) of the City-wide flood control program; and,
- That Staff report back with an interim report on the results of the engagement process with the non-residential sector by the end of the first quarter 2015.

6. FEE CALCULATION BACKGROUND

Annual Fee approved by Council on June 24, 2014:

- \$47 flat Fee per residential property
- \$29 / \$100,000 of Current Value Assessment (CVA) = Fee per non-residential property

Allocation Methodology: 60% Residential and 40% Non-Residential

	Total Cost	Residential	Non-Residential	Vacant Land
Annual Program Cost	\$ 9.60M	\$ 5.30M	\$ 3.50M	\$0.80M
Less: Federal Gov't Grant funding	(\$ 2.00M)	(\$ 1.10M)	(\$ 0.70M)	(\$0.20M)
Required funding/year	\$7.60M	\$ 4.20M	\$ 2.80M	\$0.60M

\$2.80M NEEDS TO BE COLLECTED FROM 6,514 NON-RESIDENTIAL PROPERTIES

6. FEE CALCULATION BACKGROUND (cont'd)

COMPOSITION OF NON-RESIDENTIAL PROPERTIES

NON-RESIDENTIAL PROPERTY TYPE	PROPERTY COUNT	% OF TOTAL	TOTAL CVA	% OF TOTAL
Commercial Office Properties	160	2%	\$2.30B	23%
Commercial Retail Properties	4,606	71%	\$4.40B	45%
Industrial Properties	1,748	27%	\$3.20B	32%
Total	6,514	100%	\$9.90B	100%

6. FEE CALCULATION BACKGROUND (cont'd)

- Staff utilized 3 principles to develop the fee methodology which would allocate the \$2.80M program cost to the non-residential properties.

Principles of Payment

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

Annual Fee Distribution Options Reviewed

1. Council Approved Fee
2. Option 1: Flat Fee
3. Option 2: Flat Fee Based on Property Type
4. Option 3: Multiple Tiered Fee
5. Option 4: Two Tiered Fee

MANY OPTIONS WERE CONSIDERED AND ANALYZED

7. COUNCIL APPROVED FEES

Annual Rates approved by Council are:

- \$29 / \$100,000 of CVA = Fee per non-residential property
- \$47 flat Fee per residential property

Timelines:

- Construction began in Fall of 2014
- Residential properties will be invoiced in the 2nd half of 2015
- Fee Implementation for non-residential properties is scheduled for 2016

Examples of the approved methodology:

CVA in \$'s	\$0.50M	\$1.00M	\$2.00M	\$5.00M	\$10.00M	\$20.00M	\$50.00M-
Annual Fee (\$'s)	\$145	\$290	\$580	\$1,450	\$2,900	\$5,800	\$14,500-\$90,480

THE FEE INCREASE IS IN PROPORTION TO PROPERTY VALUE AND BEST MEETS THE 3 PRINCIPLES OF ALL THE OPTIONS CONSIDERED.

7. OPTION 1 - FLAT FEE

- Each non-residential property would be charged an annual flat fee.
- Total cost of non-residential (\$2.80M) / # of accounts (6,514) = \$430 annual flat fee per non-residential property.

Annual Fee examples:

- 1) Regional Shopping Mall: CVA = \$312.00M - Single ownership.
Annual Fee = \$430
- 2) Large Shopping Mall: CVA = \$80.00M - Multiple ownership (\$430 x 400 units).
Annual Fee = \$172,000
- 3) Retail Store: CVA = \$0.50M - Single ownership.
Annual Fee = \$430

EACH NON-RESIDENTIAL PROPERTY OWNER WILL PAY THE SAME FLAT FEE, REGARDLESS OF PROPERTY SIZE, PROPERTY TYPE OR CVA.

7. OPTION 2 – FLAT FEE BASED ON PROPERTY TYPE

- Each non-residential property type would pay an annual flat fee based the number of properties within each type.

Example: Commercial Office

- Number of Commercial Office properties = 160
- Total CVA of all Commercial Office properties = \$2.30B
- Commercial Office properties total CVA represents **23%** of the total non-residential CVA

$$\text{Fee Calculation} = \frac{(\text{Total cost of Non-Residential}) \times (\% \text{ of CVA})}{\# \text{ of Properties}}$$

$$= \frac{(\$2.80M \times 23\%)}{160}$$

Annual Fee = \$4,050 per Commercial Office property

7. OPTION 2 – FLAT FEE BASED ON PROPERTY TYPE

- Each non-residential property type would pay an annual flat fee based the number of properties within each type.

PROPERTY TYPE	COUNT	% OF COUNT	% OF CVA	ANNUAL FEE (ROUNDED)	TOTAL DOLLARS COLLECTED (ROUNDED)	EXAMPLES
Commercial Office	160	2%	23%	\$4,050	\$0.65M	CVA - \$0.12M to \$166.00M
Commercial Retail	4,606	71%	45%	\$270	\$1.24M	CVA - \$0.15M to \$312.00M
Industrial	1,748	27%	32%	\$520	\$0.91M	CVA - \$0.15M to \$67.00M
Total	6,514	100%	100%		\$2.80M	

ALL PROPERTIES WITHIN EACH CATEGORY WILL PAY THE SAME ANNUAL FEE.

7. OPTION 3 – MULTIPLE TIERED FEE

- Each non-residential property within each tier will pay the same annual fee within the same CVA tier.

Example: Tier 1 CVA range = \$0.150M to \$1.000M

- Number of properties = 5,224
- Total CVA = \$ 1.20B
- Tier 1 represents **12%** of total CVA

Fee Calculation = $\frac{(\text{Total Cost of Non-Residential}) \times (\% \text{ of CVA})}{\# \text{ of Properties}}$

$$= \frac{(\$2.80M \times 12\%)}{5,224}$$

Annual Fee = \$64

ALL THE PROPERTIES WITHIN EACH CVA TIER WILL PAY THE SAME FEE.



7. OPTION 3 – MULTIPLE TIERED FEE

Each non-residential property CVA will determine the applicable tier and fee.

TIERS (BASED ON CVA)	COUNT	% OF COUNT	% OF CVA	ANNUAL FEE (ROUNDED)	TOTAL DOLLARS COLLECTED (ROUNDED)	EXAMPLES
<u>TIER 1:</u> < \$1.00M CVA	5,224	80%	12%	\$64	\$0.30M	Retail Store - CVA: \$0.44M Daycare - CVA: \$0.89M
<u>TIER 2:</u> \$1.00M to \$4.99M CVA	862	13%	21%	\$693	\$0.60M	Gas Station - CVA: \$2.49M Commercial Plaza - CVA: \$4.94M
<u>TIER 3</u> \$5.00M to \$9.99M CVA	238	4%	17%	\$1,944	\$0.50M	Auto Dealership - CVA: \$8.40M Gas Station - CVA: \$5.20M
<u>TIER 4</u> > \$10.00M CVA	190	3%	50%	\$7,365	\$1.40M	Regional Shopping Mall - CVA: \$312.00M Hotel - CVA: \$11.60M
Total	6,514	100%	100%		\$ 2.80M	

A NOMINAL CHANGE IN CVA CAN HAVE A SIGNIFICANT IMPACT TO THE ANNUAL FEE.

7. OPTION 4 – TWO TIERED FEE

Each non-residential property will pay a flat fee based on the property CVA:

- Each property owner with a CVA less than \$5.00M will pay the same flat fee.
- Each property owner with a CVA over \$5.00M will pay the same flat fee.

Tier 1 (less than \$5.00M): # of properties = 6,086

Tier 2 (over \$5.00M): # of properties = 428

Example: Tier 1

- Total CVA of all Tier 1 properties = \$3.31B
- Tier 1 properties total CVA represents 33% of the total non-residential CVA.

$$\text{Fee Calculation} = \frac{(\text{Total cost of Non-Residential}) \times (\% \text{ of CVA})}{\# \text{ of Properties}}$$

$$= \frac{(\$2.80M \times 33\%)}{6,086}$$

Annual Fee = \$154

7. OPTION 4 – TWO TIERED FEE

Each non-residential property will pay an annual fee according to total CVA of the property.

TIERS (BASED ON CVA)	COUNT	% OF COUNT	% OF CVA	ANNUAL FEE (ROUNDED)	TOTAL DOLLARS COLLECTED (ROUNDED)	EXAMPLES
Tier 1 Under \$5.00M	6,086	93%	33%	\$154	\$0.90M	Retail Store - CVA: \$0.44M Daycare - CVA: \$0.80M
Tier 2 Over \$5.00M	428	7%	67%	\$4,351	\$1.90M	Auto dealership - CVA: \$8.40M Large Shopping Mall - CVA: \$312.00M
Total	6,514	100%	100%		\$2.800M	

TIER 1 - PROPERTIES VALUED LESS THAN \$5.00M WILL PAY A FLAT FEE OF \$154

TIER 2 - PROPERTIES VALUED OVER \$5.00M WILL PAY A FLAT FEE OF \$4,351



8. SUMMARY OF ANNUAL FEE OPTIONS

ANNUAL FEE OPTIONS	CURRENT VALUE ASSESSMENT (CVA)						
	\$0.50M	\$1.00M	\$2.00M	\$5.00M	\$10.00M	\$20.00M	\$50.00M - \$312.00M
Council Approved Fee: \$29/\$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	\$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

9. PRINCIPLES OF PAYMENT

Principles of Payment

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

PRINCIPLES OF PAYMENT	<u>COUNCIL</u> <u>APPROVED FEE</u> <u>\$29/\$100K CVA</u>	<u>OPTION #1</u> FLAT FEE	<u>OPTION #2</u> TIERED BY PROPERTY TYPE	<u>OPTION #3</u> MULTIPLE CVA TIER	<u>OPTION #4</u> TWO CVA TIER
Ability to Pay	High	Medium	Low	High	Medium
Equity / Fairness	Medium	Low	Low	Medium	Low
Ease of Administration	Medium	High	Low	Low	Low

10. NEXT STEPS

1. Soliciting feedback on non-residential Stormwater Fee options from business owners by April 30, 2015.

Email feedback to: stormwater@markham.ca or contact 905-477-5530.

3. Staff report to General Committee on May 26, 2015.

Attachment “C” – Stormwater Program and Funding Comparison

Table 1 – Basis of Stormwater Funding and Billing System Comparison

Basis of Funding	Measurement Unit for Fees	Billing System and Example Cities
Property Taxes	Assessment (CVA)	Tax Bill Most Ontario municipalities fund stormwater activities through general revenues. In <i>The Foundations of a Competitive Canada</i> (2013), The Canadian Chamber of Commerce recommends consistent user fees for water infrastructure funding as opposed to general revenues.
Flat Fee per Property	Per Lot	Water/Wastewater Bill Aurora ON, Saskatoon SK (residential) Water/Wastewater/Waste/Energy Bill Calgary, AB, St. Albert, AB, Strathcona County, AB (some local pond surcharges), Richmond Hill, ON, London ON (small residential), St.Thomas, ON (residential), Richmond, BC, Surrey, BC
Size of Property (Runoff)	Area of Property	Local Assessment Most rural municipalities fund capital improvements to rural drainage (culverts and agricultural drains) based on contributing area assessments under Drainage Act (local assessment per individual property per drain) Water/Wastewater/Energy Bill London, ON (lrg. residential / non-residential > 0.4 ha), St.Thomas, ON (industrial), Edmonton, AB, Regina, SK
Impervious area of property	Measured Impervious Area	Water/Wastewater/Waste/Energy Bill Saskatoon, SK (non-residential), Kitchener, ON, Waterloo, ON, Victoria, BC Water Bill Mississauga, (Peel Region bill), Halifax Regional Municipality, approximately 836 US cities Tax Bill Approximately 283 US cities Separate Bill Approximately 59 US cities
Water Rate Surcharge	Water Use	Water/Wastewater /Waste Bill Toronto (includes combined sewer systems), Hamilton (includes combined sewer systems)

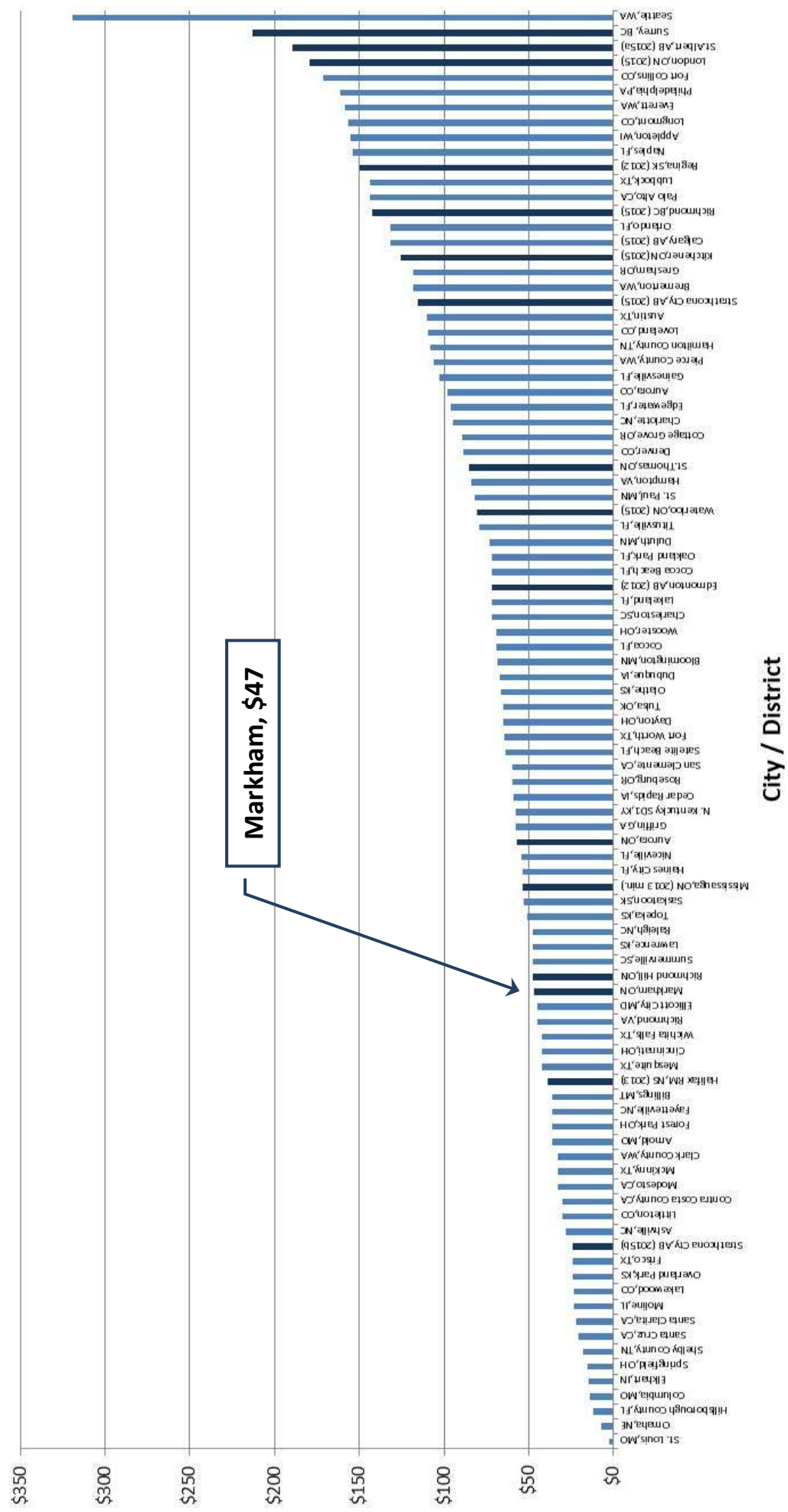
Markham Comparison : The Markham Stormwater Fee structure shares characteristics with several other funding programs noted above. It uses city-wide impervious areas as the basis of funding to set city-wide, total sector fees, and uses flat fees and CVA-based fees to allocate individual properties/lot fees within each sector (i.e., residential and non-residential, respectively). The *2014 Stormwater Utility Study*, Black & Veatch (2014) indicates **the majority (67%) of US residential fees are uniform flat charges, similar to the Markham structure, and 94% of charges are city-wide (not area-specific), also similar to the Markham structure.**

Table 2 – Basis of Property Fees and Billing System Comparison

Billing Method		Basis for Stormwater Fee (Property Level)				Number of Cities
Method	%	Impervious Area	Gross Area with Runoff Factor	Gross Area with Intensity of Development Factor	Gross Area Only	
Water Bill	71%	836	148	138	106	1059
Property Tax Bill	24%	283	50	47	36	358
Separate Bill	5%	59	10	10	7	75

Markham Comparison : There are many unique combinations of basis for fee and billing method for dedicated stormwater fees as demonstrated through recent surveys. The property tax billing system is used by 24% of the survey respondents identified in *2014 Stormwater Utility Study*, Black & Veatch (2014), which is the recommended approach for the Markham Stormwater Fee. Considering the distribution of basis for fee reported in that study and the number of utilities across North America noted in *The Western Kentucky University Stormwater Utility Survey 2014*, Table 2 indicates the estimated distribution of combinations of billing method and basis of fee. The most prevalent combination is impervious area measurements at the property level and billing on the water utility bill. Such impervious area measurements at the individual property level were considered unfavourable in the development of the Markham Stormwater Fee structure, based on the principle of ease of administration. **The Markham Stormwater Fee structure considers impervious area at the sector level. The use of impervious area in setting stormwater fees is the most prevalent method in the US and is a common method in Canada.** The Markham Stormwater Fee structure uses Current Value Assessment to determine fees for non-residential properties, which is equivalent to “Other” methods in Table 2.

Figure 1 – Average Annual Residential Stormwater Fee Comparison (2014/2015)



Markham Comparison : Markham’s flat residential stormwater fee of \$47 is can be generally compared with average annual residential stormwater fees across North America. 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. Annual fees for US cities and districts were obtained from *2014 Stormwater Utility Study*, Black & Veatch (2014). Annual fees for Canadian cities are shown as dark bars above and were obtained from respective city utility web sites (accessed May 9, 2015) and from *City of Mississauga Stormwater Financing Study*, AECOM (2013). Canadian city fees range from \$39/year in the Halifax Regional Municipality, Nova Scotia to \$179.40/year in London, Ontario. *The Western Kentucky University Stormwater Utility Survey 2014* found that of **1,479 stormwater utilities in the US, the average annual single family residential fee was \$47.76, which is comparable to the Markham flat fee.**

Table 3 – Comparison of Non-residential Fees for Large Properties

City	Method	Property Group / Fee Details	Example Fees
Richmond Hill, ON	Flat fee	“Non-Residential and Multi-Residential” fee (effective Oct. 1, 2013, per BY-LAW NO. 25-13)	\$138.72 / year
Kitchener, ON	Impervious area based, tiered flat fee	“Non-Residential Largest” tier fee (rates effective 1 March 2014)	\$24,851 / year
London, ON	Area based rate	For areas > 0.4 hectares, \$120.57 / month / hectare (per 2015 Water, Wastewater and Stormwater Rates, www.london.ca)	\$43,405 / year (e.g., 30 hectare mall)
Halifax Regional Municipality, NS	Impervious area based rate	Site Generated Flow rate of \$0.149 per sq. metre of impervious area (per http://www.halifax.ca/hrwc/RatesAndFees.php)	\$44,700 / year (e.g., 30 hectare mall, 100% impervious)
Mississauga, ON	Impervious area based rate	Commercial/Mall equivalent to 519 average homes (per 2012 financing study). <i>Not a final rate.</i>	\$48,587 / year (e.g., Square One)
Markham, ON	CVA-based	\$29/\$100,000 of CVA (approved non-residential rate, November 2013)	\$90,480 / year (e.g., 30 hectare mall, \$312M CVA)
Edmonton, AB	Area of premises, intensity factor and runoff coefficient	Stormwater utility charge = A x I x R x rate, monthly rate = \$0.035274, annual rate = \$0.42328 (per The City of Edmonton Bylaw 16200, Drainage Bylaw (consolidated on Jan. 1, 2015), schedule D)	\$120,637 / year (e.g., 30 hectare area of premises, A=300,000 sq.m, I=1.0, R=0.95(assume 100% impervious)) \$197,040 / year (e.g., West Edmonton Mall 490,000 sq.m)
Victoria, BC	Impervious area based rate	Impervious surfaces factor of \$0.5475 per sq.metre of impervious area (per Stormwater User Fee Calculation Table, Sanitary Sewer and Stormwater Utilities Bylaw, Bylaw No. 14-071)	\$164,250 / year (e.g., 30 hectare mall, 100% impervious)

Markham Comparison : Fees resulting from Markham’s approved non-residential rate of \$29/\$100,000 of CVA can be generally compared with fees resulting for other Canadian city non-residential rate structures. 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. **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. This compares to \$90k for a high CVA, 30 ha commercial retail property in Markham.** The comparable fees for other cities that do not consider property-specific runoff (i.e., flat fees or tiered fees) would be considerably less.

Attachment “D” – Business Consultation Letters

Mr. Joel Lustig
Treasurer
The Corporation of the City of Markham
101 Town Centre Boulevard,
Markham On L3R 9W3

April 30, 2015

Dear Mr. Lustig,

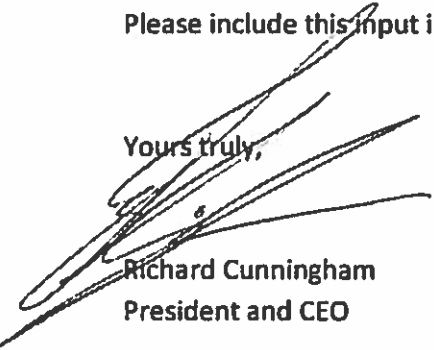
First, I would like to commend you and your team for engaging the Markham Board of Trade to help inform the business community about the new storm water fee. The public consultations were very informative and the package that was prepared by the City did a very good job of explaining the reasons behind the new fee and the various funding options.

We have reviewed the funding options in detail and taken into consideration the comments made both at the consultations and those received from member companies. In reviewing the flat fee and tiered fee options as outlined in the Consultation Materials, we were sensitive to the council's belief that there should be recognition of property size. However, the 3 principles of payment suggested by the staff dealt with the grass roots of the issue; ability to pay, equity/fairness and ease of administration and communication. Therefore, it is the Board's position that option 4 achieves those objectives. In addition, we would like to recommend that the city consider an incentive to companies that go beyond the requirements of the building code.

During the consultation process, the staff conveyed that "the fee" would be reviewed every 5 years. It is our hope that the results of the review would be made public and shared with the Board of Trade.

Again, many thanks for asking The Markham Board of Trade to participate and assist in this process. Please include this input in the staff report to the General Committee on May 26th, 2015.

Yours truly,



Richard Cunningham
President and CEO

Cc Andy Taylor
Mayor Frank Scarpitti

Town of Markham

Business Consultation on the New Stormwater Fee

Cadillac Fairview's Stormwater Fee Methodology Input

Cadillac Fairview appreciates the opportunity to have further input into the stormwater fee allocation methodology.

Representatives of Cadillac Fairview participated in the Business Consultation Meeting on April 14, 2015 and wish to provide our position regarding the appropriate stormwater rate allocation methodology which should be adopted by Council for non-residential properties in 2016.

Cadillac Fairview had previously provided our written objections to the proposed charge based on property specific CVA and had recommended that, if Council wished to proceed with a separate stormwater charge, a flat fee is a more appropriate allocation structure reflecting a municipal wide sharing of stormwater management responsibility.

In reviewing the flat fee and tiered fee options as outlined in the "Business Consultation Meeting Stormwater Fee" materials, we are sensitive to Council's belief that there should be some recognition of property size which provides for a lower annual rate for smaller properties.

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 28 times that of the lower rate still reflects a palatable annual cost without inflicting significant economic hardship
- tiering based on CVA thresholds combines ease of administration with a simple proxy for size
- reflects a similar stormwater fee structure as adopted by Richmond Hill
- conforms to staff's 3 principles of payment; Ability to Pay, Equity/Fairness and Ease of Administration and Communication

Please include this input in the staff report to General Committee on May 26, 2015.

April 30, 2015



DELIVERED VIA E-MAIL to stormwater@markham.ca

April 20, 2015

Mr. Robert Muir, Senior Stormwater/Environmental Engineer
City of Markham
101 Town Centre Blvd
Markham, Ontario L3R 9W3

Dear Sir:

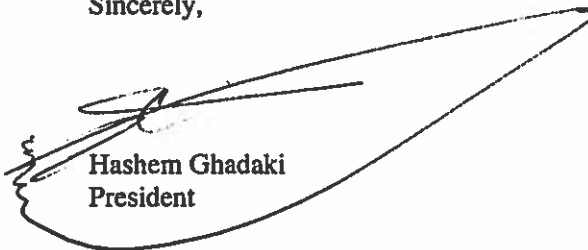
RE: Feedback on non-residential Stormwater tax billing system options

In reference to the above-mentioned, please accept this letter as our feedback on the preferred billing system.

Given that our water metering system may not take into account the purposes of the stormwater tax, we feel that charging it to tax account holders would result in a more equitable distribution of the tax.

Please do not hesitate to contact me should you have any questions.

Sincerely,



Hashem Ghadaki
President

3985 Highway 7 East, Suite 202 Markham, ON, L3R 2A2

T 905-940-6286 F 905-940-1573

TimesGroupCorp.com

April 22, 2015



City of Markham
Markham Civic Centre
101 Town Centre Boulevard
Markham, Ontario
L3R 9W3

Attention: Mayor and Members of Council

Regarding: CITY OF MARKHAM FLOOD CONTROL PROGRAM

Your Worship and Members of Council:

Mayfair Clubs has been in business serving the Markham community for over 45 years, and currently has over 4,000 members in two Markham locations. Our Parkway Club has been located on the north-east corner of Woodbine Avenue and Steelcase Road East since the mid 1970's.

As Council and staff of Markham are aware, our business at 50 Steelcase Rd. East has been very seriously affected in a negative way by recurring flooding of our property. In 2005, a storm caused flooding on our property and damage of over \$6,000,000. We were closed for six months – with very serious negative impacts to our business and to our valued members. In 2014 a storm caused flooding and damage on our property of \$1,500,000 plus over \$200,000 in lost revenue. We were closed for six weeks and not fully operational for five months.

We attended the Business Consultation Meeting held by City staff on April 9, 2015 regarding the options for distributing the non-residential share of the cost of the new City-wide Markham Flood Control Program, and are following up with our input below.

First, the City's Flood Control Program is urgently needed to address serious flooding issues in our area of the City, specifically due to the recurring and extensive flooding from overflow of the Don Mills Channel. We urge City Council to get this program initiated and begin work as soon as possible.

Second, we have no specific comments on the alternative funding calculations for the non-residential share of this City-wide Program; the staff-recommended method of distribution across non-residential properties is acceptable to us.

We strongly support the city-wide funding approach to this issue. Flooding we have learned affects a great number of properties across the city, and given that all properties pay their fair share of taxes and fees, it is only appropriate that all properties are afforded an equal and comparable level of flood protection by the City with no added cost due to no fault of their own.

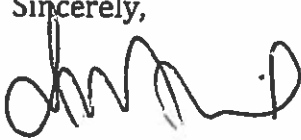
We do, however, have concerns about the length of time the Program is designed to cover – 30 years. This is a long, drawn out amount of time and we believe that spreading the work out over such a long period of time is detrimental to the very homes and businesses the Program seeks to assist. We urge the City to execute the required works in a much shorter timeline overall, perhaps concluding the work within 15 years. We suggest work be undertaken in stages across several areas of the City in need, so that one area of the City is not negatively affected by construction activity for a prolonged period of time.

Third, as you can appreciate we are very anxious to see any required Environmental Assessment work completed and efforts made to address the flooding of the Don Mills Channel in our area. We urge the City to address the flooding in this area of the City as proactively and urgently as possible, given the serious negative impacts the flooding has had on many businesses in our area.

We support and appreciate Markham Council's efforts and decisions to move forward with this City-wide Program. We urge the City to move quickly to implement and have us all benefit from the Program.

We will be sending a further letter to City staff detailing our specific concerns with the Don Mills Channel flooding, and requesting that work on this Channel be expedited or at the very least that the City work with the businesses to facilitate interim measures for flood control and/or pilot project work for flood proofing.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Mail', with a stylized flourish at the end.

Jason Mail
Controller, Mayfair Clubs

Copy: Mr. Robert Muir, Manager, Stormwater, Asset Management Department

April 22, 2015

Asset Management Department
City of Markham
8100 Warden Avenue
Markham, Ontario
L6G 1B4



Attention: Mr. Robert Muir, Manager, Stormwater

Regarding: **DON MILLS CHANNEL**
CITY OF MARKHAM FLOOD CONTROL PROGRAM

Dear Mr. Muir:

Thank you for taking the time to meet with us recently regarding the Don Mills Channel flooding and the City's new City-wide Flood Control Program.

We attach a copy of our letter of support of today's date to Markham Council regarding the Flood Control Program. In addition to those more general comments, we have the following specific comments regarding the Don Mills Channel ("DMC") and our property on Steelcase Road East, as a follow up to our meeting and as confirmation of our commitment to work with the City to address this serious problem.

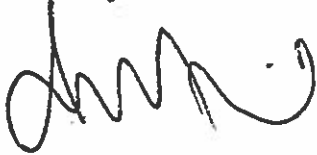
1. We would like to know what the list of projects is in the City's Program roster, and where does work on the DMC fall in terms of timing. Can the DMC business community meet with city staff and/or Council to ensure that the DMC is made a priority?
2. What are potential remediation / construction / work items for the DMC? Are they going to be similar to the lists of alternatives developed by previous studies, and if so, can the list of works be prioritized so that they can be initiated in stages if possible.
3. Expedite the DMC EA, review the EA process to streamline timing.
4. We would like to see the City undertake the recommended work as soon as possible, perhaps in stages, and is there any work that can be initiated prior to the EA?
5. We would like to explore the opportunity for landowners to 'up-front' flood proofing work of benefit, whether it be on site or off-site in the DMC or elsewhere that would be of benefit. This arrangement would see landowners entering into an arrangement with the City where they would fund and undertake work that would be considered 'beneficial' and appropriate by the

City, and the City would then compensate the landowner for the funds spent, allowing work to be undertaken by landowners immediately, ahead of the DMC EA and ahead of the City's Program undertaking the work.

6. Similar to point 5, is there any work that can be undertaken now, perhaps as a pilot project by the City or by a group of landowners, again as an up-front project to lessen the risk of repeat severe flood damage that could occur if action is not taken in the very near future.

We look forward to working with the City on this very important matter, and would like to explore the points and options described above with city staff at your earliest possible convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jason Mail', with a stylized, cursive flourish at the end.

Jason Mail
Controller, Mayfair Clubs



Town & Country Industrial Leaseholds Inc.
PO Box 30029, RPO Downsview, Toronto, ON M3J 3L6
Ph: 416-399-6124 Email: rasky@rogers.com

April 20, 2015

Robert J. Muir
Manager, Stormwater Asset Management Department
City of Markham
101 Town Centre Boulevard
Markham, ON L3R 9W3

Dear Mr. Muir,

Re: Markham Flood Control Program – Don Mills Channel

I am writing this letter as an owner of both 25 Torbay Rd. and 85-95 Steelecase Rd. E., Town of Markham. I understand that the City will be implementing a 30-year Flood Control Program to improve storm drainage capacity and limit flooding risks, and I'm in agreement with the proposed collection fee structure for this program as presented in the April 9, 2015 Business Consultation Meeting.

As you are aware, our buildings are located in a flood plain area which has in the last 10 years seen a drastic increase in flooding due to increased development. 85-95 Steelecase is particularly hard hit, as part of the Don Mills channel runs directly through this property. Most recently (July 2014), several vehicles were damaged to the point of a total write-off and the watercourse embankment collapsed such that we had to close down a driveway. We are at the point where several long-term tenants are threatening to relocate. I know that I am not alone, as the Mayfair Club directly to the north, as well as our neighbour directly to the south, has also been heavily hit by these floods.

While I understand that there are probably many areas of concern for the City, I strongly believe that the Don Mills Channel should be a prime candidate for early remediation and enhanced maintenance. Without such action, I worry that the viability/marketability of our properties will be severely compromised, which could lead to a heavy financial liability.

I thank you for your time and attention in this serious matter.

Sincerely,

Town & Country Industrial Leaseholds Inc.

A handwritten signature in black ink, appearing to read 'Tom Rasky', is written over a horizontal line.

Tom Rasky,
President