Ex 23.3.2

Marilyn Toft - Toronto Water Capital Program Funding Pressures and Financing Options (Item BU28.9)

From: Ryan Eickmeier <reickmeier@realpac.ca>
To: "clerk@toronto.ca" <clerk@toronto.ca>
Date: 10/25/2012 2:53 PM
Subject: Toronto Water Capital Program Funding Pressures and Financing Options (Item BU28.9)
Attachments: City of Toronto - Water Rate Pricing.pdf

CITY CLERK'S DIVISION
SECRETARIAT SERVICES
2012 OCT 25 P 3:16

To the City Clerk:

Please add our comments to the agenda for the October 30, 2012 City Council meeting on item BU28.9 Toronto Water Program Funding Pressures and Financing Options

We understand that our comments and the personal information in this email will form part of the public record and that our name will be listed as a correspondent on agendas and minutes of City Council or its committees. Also, we understand that agendas and minutes are posted online and our name(s) may be indexed by search engines like Google.

Subject: Comments on Water Rate Pricing Structures and Capital Funding Deficiencies

On behalf of the *Building Owners and Managers Association Toronto* ('BOMA'), the *International Council of Shopping Centers* ('ICSC'), the *Commercial Real Estate Development Association Greater Toronto* ('NAIOP'), and the *Real Property Association of Canada* ('REALpac'), we would first like to commend the city for engaging our organizations in this consultation. Collectively, we have an inherent interest in the short and long term goals of Toronto Water, as well as the sustainability of water related infrastructure throughout the city.

By way of background, *BOMA Toronto*, *ICSC*, *NAIOP Greater Toronto*, and *REALpac* have been very active on water related infrastructure consultations in the past, and recognize the importance of addressing capital funding deficiencies in the city. We seek to ensure that changes to the funding process are done in a manner that:

i. are fairly and evenly distributed amongst the commercial and residential sector alike; and,
ii. where possible, are tied to the current method of consumption based usage measurement

In light of where the City currently stands from a competitive perspective **we recommend** the following revenue tool based on the options presented:

Extending Rate Increases:

BOMA Toronto, *ICSC*, *NAIOP Greater Toronto*, and *REALpac* believe that extending rate increases beyond 2014 as originally put in place in 2005 would be the most appropriate tool to address capital funding deficiencies. By extending rates over the next several years and thereafter reducing rate increases to a yearly inflationary level, our respective members hope Toronto Water will be able avoid impacts to the quality of their service, and trust that the revenue generated will enable the city to raise the $1.1 billion in additional funds required to reinstate the original capital plan. As part of this process, we request to be included in a consultative process when setting rates for the years 2015 – 2021, so to find the plan that best meets the need of the city and key water stakeholders.

In addition to recommending a revenue tool, we see it as imperative to bring to light issues with other potential options outlined in this consultation.

Stormwater/Wet Weather Flow Utility Charge:

BOMA Toronto, ICSC, NAIOP Greater Toronto, and REALpac are **strongly opposed** to this as a potential revenue

tool, and see the following as issues:

Change in billing methodology to impervious area shifts stormwater costs between classes of property and between properties within each class;

Significant increase in stormwater management costs to horizontal properties with large parking areas (ie shopping centres/box stores and industrial facilities);

Impervious area allocation of stormwater management costs shifts liability from residential property to non-residential property;

A major source of stormwater runoff is from common municipal roads, sidewalks, municipal buildings and municipal parking facilities. A shift in funding responsibility to non-residential property through the use of impervious area will allocate a disproportionate share of these common use facilities to non-residential owners;

Advocates of stormwater charges based on impervious area state that the area measure is more equitable as it quantifies the relative contribution of stormwater runoff as a function of land use practices and development decisions of property owners. In reality, many of these decisions were established many years ago based on municipal zoning requirements, particularly respecting off street parking requirements;

Off street parking design standards requiring impermeable surfaces were previously mandated. Only recently has technology allowed for hard surface permeable parking areas, however, at a significant cost premium;

Businesses such as shopping centres, industrial facilities, car dealers, vehicle repair shops and gas stations require large impervious sites to operate their businesses and will be heavily impacted;

The shifting of stormwater costs from residential to non-residential will result in an effective increase in fixed costs to business that are already overtaxed relative to residential;

The increase in fixed costs would translate to a reduction in property values and a corresponding decrease in assessed values. This, in turn, would impact the City of Toronto's tax rate and/or tax revenues;

Tenants compete for business on a regional level and additional stormwater management costs in Toronto will place them at a disadvantage relative to their competition in neighbouring municipalities;

A change to impervious area will require the creation of a new costly administration to measure and calculate charges based on impervious area including the creation of an impartial dispute resolution process to handle area disagreements. The database will have to be maintained and constantly updated to reflect physical changes; and,

Existing developed properties are not able to reduce their impermeable area without incurring prohibitive retrofit costs, therefore, an impermeable rate structure is not an effective incentive to reduce runoff.

Our collective members have also express concern with accountability related to revenue generated from the rates, and want to ensure that capital revenue is spent solely on appropriate capital projects. Please feel free to contact us should you have any questions regarding the comments made above. We look forward to working with Toronto Water in the near future on setting the appropriate rates and ensuring the long-term vitality of this essential infrastructure.

Sincerely,

Paul Morse
Chief Executive Officer
REALpac
pmorse@realpac.ca

Ryan J. Eickmeier
Manager, Government Relations & Policy
REALpac
reickmeier@realpac.ca

Craig Smith
Chair, Government Relations Committee
NAIOP Toronto
csmith@ashlarurban.com

Ted Williams
Chair, Government Relations Committee
ICSC
Ted.Williams@ivanhoecambridge.com

Chris Conway
President & Chief Staff Officer
BOMA Toronto
cconway@boma.ca

Ryan J. Eickmeier, M.P.P.
Manager, Government Relations & Policy
Real Property Association of Canada
One University Avenue, Suite 1410
Toronto, Ontario M5J 2P1 Canada

T. 416.642.2700 ext 224
F. 416.642.2727
reickmeier@realpac.ca
www.realpac.ca

Please consider the environment before printing this e-mail; if you need to print, please print double-sided.

The terms of the disclaimer linked to this email apply to its contents and delivery.









Toronto Water:
Comments on Water Rate Pricing Structures and Capital Funding Deficiencies

---

June 28, 2012

About BOMA Toronto:
Over 800 of Toronto's most influential Property and Facility Managers, Developers, Leasing Agents, Service Providers, Industry Influencers and Commercial Real Estate Professionals in its membership roster, representing 80 per cent of all commercial and industrial real estate companies in the Greater Toronto Area and beyond.

About ICSC:
Founded in 1957, ICSC is the premier global trade association of the shopping center industry. Its more than 55,000 members in over 90 countries include shopping center owners, developers, managers, marketing specialists, investors, retailers and brokers, as well as academics and public officials. As the global industry trade association, ICSC links with more than 25 national and regional shopping center councils throughout the world.

About NAIOP Greater Toronto:
NAIOP Greater Toronto Chapter represents commercial real estate developers, owners and investors of office, industrial, retail and mixed-use properties. It provides strong advocacy, education, and business opportunities, and connects its members through a powerful local and North American network.

By fostering the right business climate where members can share ideas, cultivate new relationships and stay on top of the most current industry information and trends, NAIOP strives to be the leading association for the commercial real estate industry in the Greater Toronto Area.

About REALpac:
REALpac is Canada's senior national industry association for owners and managers of investment real estate. Our members include publicly traded real estate companies, real estate investment trusts (REITs), private companies, pension funds, banks and life insurance companies with investment real estate assets each in excess of $100 million. The association is further supported by large owner/occupiers and pension fund advisors as well as individually selected investment dealers and real estate brokerages.

Subject: Comments on Water Rate Pricing Structures and Capital Funding Deficiencies

On behalf of the *Building Owners and Managers Association Toronto* ('BOMA'), the *International Council of Shopping Centers* ('ICSC'), the *Commercial Real Estate Development Association Greater Toronto* ('NAIOP'), and the *Real Property Association of Canada* ('REALpac'), we would first like to commend the city for engaging our organizations in this consultation. Collectively, we have an inherent interest in the short and long term goals of Toronto Water, as well as the sustainability of water related infrastructure throughout the city.

By way of background, *BOMA Toronto*, *ICSC*, *NAIOP Greater Toronto*, and *REALpac* have been very active on water related infrastructure consultations in the past, and recognize the importance of addressing capital funding deficiencies in the city. We seek to ensure that changes to the funding process are done in a manner that:

i. are fairly and evenly distributed amongst the commercial and residential sector alike; and,
ii. where possible, are tied to the current method of consumption based usage measurement

In light of where the City currently stands from a competitive perspective **we recommend** the following revenue tool based on the options presented:

Extending Rate Increases:
BOMA Toronto, *ICSC*, *NAIOP Greater Toronto*, and *REALpac* believe that extending rate increases beyond 2014 as originally put in place in 2005 would be the most appropriate tool to address capital funding deficiencies. By extending rates over the next several years and thereafter reducing rate increases to a yearly inflationary level, our respective members hope Toronto Water will be able avoid impacts to the quality of their service, and trust that the revenue generated will enable the city to raise the $1.1 billion in additional funds required to reinstate the original capital plan. As part of this process, we request to be included in a consultative process when setting rates for the years 2015 – 2021, so to find the plan that best meets the need of the city and key water stakeholders.

In addition to recommending a revenue tool, we see it as imperative to bring to light issues with other potential options outlined in this consultation.

Stormwater/Wet Weather Flow Utility Charge:
BOMA Toronto, ICSC, NAIOP Greater Toronto, and REALpac are **strongly opposed** to this as a potential revenue tool, and see the following as issues:

- Change in billing methodology to impervious area shifts stormwater costs between classes of property and between properties within each class;
- Significant increase in stormwater management costs to horizontal properties with large parking areas (ie shopping centres/box stores and industrial facilities);
- Impervious area allocation of stormwater management costs shifts liability from residential property to non-residential property;

- A major source of stormwater runoff is from common municipal roads, sidewalks, municipal buildings and municipal parking facilities. A shift in funding responsibility to non-residential property through the use of impervious area will allocate a disproportionate share of these common use facilities to non-residential owners;
- Advocates of stormwater charges based on impervious area state that the area measure is more equitable as it quantifies the relative contribution of stormwater runoff as a function of land use practices and development decisions of property owners. In reality, many of these decisions were established many years ago based on municipal zoning requirements, particularly respecting off street parking requirements;
- Off street parking design standards requiring impermeable surfaces were previously mandated. Only recently has technology allowed for hard surface permeable parking areas, however, at a significant cost premium;
- Businesses such as shopping centres, industrial facilities, car dealers, vehicle repair shops and gas stations require large impervious sites to operate their businesses and will be heavily impacted;
- The shifting of stormwater costs from residential to non-residential will result in an effective increase in fixed costs to business that are already overtaxed relative to residential;
- The increase in fixed costs would translate to a reduction in property values and a corresponding decrease in assessed values. This, in turn, would impact the City of Toronto's tax rate and/or tax revenues;
- Tenants compete for business on a regional level and additional stormwater management costs in Toronto will place them at a disadvantage relative to their competition in neighbouring municipalities;
- A change to impervious area will require the creation of a new costly administration to measure and calculate charges based on impervious area including the creation of an impartial dispute resolution process to handle area disagreements. The database will have to be maintained and constantly updated to reflect physical changes; and,
- Existing developed properties are not able to reduce their impermeable area without incurring prohibitive retrofit costs, therefore, an impermeable rate structure is not an effective incentive to reduce runoff.

Our collective members have also express concern with accountability related to revenue generated from the rates, and want to ensure that capital revenue is spent solely on appropriate capital projects. Please feel free to contact us should you have any questions regarding the comments made above. We look forward to working with Toronto Water in the near future on setting the appropriate rates and ensuring the long-term vitality of this essential infrastructure.

Sincerely,

Paul Morse
Chief Executive Officer
REALpac
pmorse@realpac.ca

Ryan J. Eickmeier
Manager, Government Relations & Policy
REALpac
reickmeier@realpac.ca

Craig Smith
Chair, Government Relations Committee
NAIOP Toronto
csmith@ashlarurban.com

Ted Williams
Chair, Government Relations Committee
ICSC
Ted.Williams@ivanhoecambridge.com

Chris Conway
President & Chief Staff Officer
BOMA Toronto
cconway@boma.ca