

Expanding the Basement Flooding Protection Subsidy Program Eligibility Criteria to Include Registered Property Owners of Existing Residential Fourplexes

Date: November 15, 2023

To: Infrastructure and Environment Committee

From: General Manager, Toronto Water

Wards: All

SUMMARY

The purpose of this report is to respond to a request from City Council to the General Manager, Toronto Water, to review the feasibility of expanding the eligibility criteria of the Basement Flooding Protection Subsidy Program (the "Program") to include registered owners of existing residential fourplexes within the City of Toronto, subject to their meeting the other Program eligibility criteria. Currently, the Program is only available to eligible registered property owners of an existing single-family residential duplex, or triplex property within the City of Toronto, subject to all the terms and conditions of the Program.

Expanding the eligibility criteria of the Program was determined to be financially and operationally feasible and is timely as it aligns with the recent Council decision in May 2023 to permit residential multiplexes up to fourplexes. This review also supports recommendations from the Program audit conducted in 2017 by the Auditor General.

The estimated financial impact over the ten-year period from 2023 to 2032 (\$273,280) is not considered significant when compared to the overall Program funding as forecasted in the 2023 Approved Capital Budget and 2024-2032 Approved Capital Plan (\$55 million). The operational impact of expanding the Program is not expected to be significant as no additional staff will be required and any Program administrative changes are expected to be minimal.

RECOMMENDATIONS

The General Manager, Toronto Water, recommends that:

1. City Council authorize the General Manager, Toronto Water, to expand the eligibility criteria the City's Basement Flooding Protection Subsidy Program (the "Program") to

include an eligible registered property owner of an existing residential fourplex property within the City of Toronto, subject to all the terms and conditions of the Program.

FINANCIAL IMPACT

The 2023 Approved Capital Budget and 2024-2032 Approved Capital Plan has identified multi-year funding in the amount of \$5,500,000 per year to the Basement Flooding Protection Subsidy Program for a total of \$55,000,000 from 2023-2032.

Based on Program participation rates of eligible duplex and triplex residential properties, it is estimated that up to 160 eligible fourplex residential properties could receive a Program subsidy. Assuming this uptake, it is estimated that the maximum total payment of Program subsidies for this 10-year period would be \$273,280. Table 1 below shows the anticipated expenditures between 2023 and 2032.

Table 1: Financial Impact Summary

Year	Total
2023	\$0
2024	\$30,364
2025	\$30,364
2026	\$30,364
2027	\$30,364
2023-2027	\$121,457
2028-2032	\$151,823
2023-2032	\$273,280

Expanding the Program to registered property owners of existing residential fourplexes could create budget pressures for the Program during the ten-year Capital plan. In past years, if subsidy expenditures exceeded the annual budgeted amount, Toronto Water staff would align through a year-end reallocation report.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting on July 19, and 20, 2023, City Council adopted a Members' motion requesting that the General Manager, Toronto Water, review the feasibility of expanding

the eligibility criteria of the Program to include registered property owners of existing residential fourplexes within the City of Toronto, subject to meeting the other Program eligibility criteria, and to report back on the feasibility of same. The Council decision can be found at: <https://secure.toronto.ca/council/agenda-item.do?item=2023.MM8.38>

At its meeting on May 10, 11, and 12, 2023, City Council adopted an Official Plan Amendment and Zoning By-law amendment to permit residential multiplexes, up to fourplexes, in all areas designated as Neighbourhoods in Toronto's Official Plan. The Council decision can be found at: <https://secure.toronto.ca/council/agenda-item.do?item=2023.PH3.16>

On November 7, 8, and 9, 2017, City Council adopted recommendations from the Auditor General's Report, *Improving the Effectiveness of the Basement Flooding Protection Subsidy Program* (October 2017), and accepted the Auditor's findings which included the finding that Toronto Water is effectively administering the Program. As such, Council requested, among other things, that the General Manager, Toronto Water, periodically review whether changes are needed to the eligibility conditions of the Program. The Council decision can be found at: <https://secure.toronto.ca/council/agenda-item.do?item=2017.AU10.9>

At its meeting on December 16, 17, and 18, 2013, City Council directed the General Manager, Toronto Water, to increase the total subsidy available under the Program from \$3,200 to \$3,400 by removing the combined subsidy for a backwater valve and sump pump for applications processed after January 2, 2014. The Council decision can be found at: <https://secure.toronto.ca/council/agenda-item.do?item=2013.EX36.17>

At its meeting on May 23, 24, and 25, 2007, City Council adopted the terms and conditions of the Program and, authorized the General Manager, Toronto Water, to revise or amend the type of basement flooding protection work ("Eligible Works") qualifying for a subsidy and the subsidy limits applicable to such work, subject to the total subsidy limit of \$3,200 per property, and to otherwise administer the Program, as the General Manager may deem necessary, to improve the effectiveness of the Program. The Council decision can be found at: <https://www.toronto.ca/legdocs//2007/cc/decisions/2007-05-23-cc08-dd.pdf>

At its meeting on July 25, 26, and 27, 2006, City Council authorized staff to incorporate a funding request for the expansion of the Voluntary Home Isolation Program citywide as part of Toronto Water's forthcoming 2007 Operating Budget submission. The Council decision can be found at: <https://www.toronto.ca/legdocs/2006/agendas/council/cc060725/pof6rpt/cl041.pdf>

COMMENTS

1. Background

a. Program Overview

The Program is aimed at assisting property owners in mitigating the risk of future basement flooding. The subsidy was originally established by the City in response to extreme rain events in 2000 under the name *"Voluntary Private Home Isolation Program"* and was available to those who experienced basement flooding. At that time, the Program had a financial cap of \$1,750. In 2005, the Flooding Damages Grant Program was created in response to the August 19 storm event and was later expanded following May 17, July 10 and July 23, 2006, storms. In 2007 the City launched a citywide Basement Flooding Protection Subsidy Program, which was later expanded to include additional eligibility criteria.

Currently, the Program is available to the registered property owner(s) of existing single-family, duplex and triplex residential properties within the City of Toronto, subject to Program terms and conditions. The City offers a subsidy amount up to 80% of the invoiced cost for flood prevention devices to a maximum of \$3,400 per property for the following flooding prevention devices and strategies:

- 80% of the invoiced cost up to \$1,250 for a Backwater Valve
- 80% of the invoiced cost up to \$1,750 for a Sump Pump
- 80% of the invoiced cost up to \$400 for the Severance and Capping of the Storm Connection.

b. Program Effectiveness

On July 8, 2013, and August 7, 2018, heavy rains flooded several neighbourhoods across the City causing damage to property and infrastructure. Using customer service and operational records Toronto Water investigated the effectiveness of Basement Flooding Protection Devices (BFPDs) during these events. To determine the effectiveness rate, the number of BFPDs installed through the Program prior to each storm was compared to the number of service requests related to basement flooding from said properties. The effectiveness rate, was then calculated using the following formula:

$$\text{Effectiveness Rate} = \left(\frac{\# \text{ of Service Requests from Properties with BFPD Installed}}{\# \text{ of Properties with BFPD Installed}} \right) \times 100.$$

The average effectiveness of the neighbourhoods investigated was 95% for the July 2013 storm event and 99% for the 2018 storm event.

Table 2 - Storm Event Comparison

	July 2013 Storm	August 2018 Storm
Total Rainfall in High Rainfall Areas	70mm - 169mm	70mm-139mm
Basement Flooding Service Request Received from Properties Citywide	4,377	1,251

	July 2013 Storm	August 2018 Storm
% of Service Requests within High Rainfall Areas	73%	71%
Properties with BFPDs Installed Prior to Storm	4,680	29,137
Residential Properties in High Rainfall Areas vs. Properties with BFPDs Installed	193,844 vs. 2,970	129,451 vs. 11,765
Average Device Effectiveness	95%	99%

c. Program Participation

Since 2019, \$26.5 million has been paid to the owners of 15,530 properties. The average subsidy paid to property owners (\$1,708) was used to estimate the potential costs associated with expanding the Program to include fourplex property owners.

Table 3: Total Subsidies Paid Between 2019 and October 3, 2023

	2019	2020	2021	2022	2023 (Jan 1 - Oct 3)	Total
Subsidies Paid (\$ million)	\$7.69	\$4.90m	\$5.88m	\$4.56m	\$3.46m	\$26.5m
# of properties	4,468	2,810	3,497	2,704	2,051	15,530
Average Subsidy Per Property						\$1,708

2. Feasibility of Expanding the Program

To determine feasibility, this report provides comments on: Program alignment with the recent Council decision to permit residential multiplexes up to fourplexes; the findings of the Program audit conducted in 2017 by the Auditor General; the estimated participation and financial impact; and the anticipated operational impact.

a. City Council Decision to Permit Residential Multiplexes

Expanding the Program eligibility beyond duplexes and triplexes to include registered property owners of existing residential fourplexes, aligns with City Council's May 10, 2023 decision to allow multiplex residential dwellings to facilitate more low-rise housing options across the City. Expansion of the Program to fourplexes could potentially further incentivize property owners who are considering converting their home to a fourplex, due to the added value provided by the subsidy.

Presently there are 1,799 legal existing residential fourplex properties in the City. This figure will be used to estimate potential participation rates.

b. Program Audit

In 2017, the Auditor General's Office conducted an audit of the Program to review its administration and oversight. The audit assessed the design and objectives of the Program, compliance with Program eligibility requirements, and controls over payment processing. The audit found that Toronto Water is effectively administering the Program and made eight recommendations. Recommendation 1 a. reads as follows: "City Council request the General Manager, Toronto Water, to periodically review: the Basement Flooding Protection Subsidy Program's objectives, intended outcomes and the value of the Program.

(i) Review of Program Alignment with Toronto Water's Strategic Plan 2020-2030

As part of its Management Response to the audit recommendations, Toronto Water committed to undertake an initial review and determine the frequency of subsequent reviews. The initial review of the Program tested alignment with Toronto Water's Strategic Plan (2020-2030) and the Programs key objectives, outcomes, and values.

The initial third-party review of the Program found alignment with Toronto Water's Strategic Plan 2020-2030, including its mission, vision, core values, guiding principles, and focus areas.

(ii) Review of Program Key Objectives, Outcomes and Value

The review of Program key objectives, outcomes and value was completed and is used to provide guidance for the Program going forward. The findings of the review are summarized below.

Program Objectives:

- Promote homeowner awareness about flooding risk and prevention
- Establish homeowner accountability for flooding protection
- Incent voluntary flood prevention planning by the homeowner
- Reduce the risk of basement flooding in participating homes

Intended Outcomes:

- Increase public awareness about basement flooding risk and methods of flood prevention
- Reduce water flow into the sewage system from participating homes.

Program Value:

- Property Owners: receive a financial benefit which provides an additional level of protection to address flooding risk, and as a result minimize the economic impact, employment disruptions and longer-term impacts associated with flooding

- Toronto Water: Program contributes to addressing flooding risk, reducing peak and demand peak flooding, aligns with Toronto Water strategic goals, and provides a proactive approach to minimize internal operating impacts
- City of Toronto: benefits from increasing public perceptions that the municipality is providing additional services to assist homeowners in reducing their flooding risk

Since the Program currently includes other multiplex residential housing, extending the subsidy to eligible property owners of fourplexes would remain consistent with the Program's objectives to mitigate risk of basement flooding and reduce discharge into city sewers from participating properties, while creating greater awareness around basement flooding risks and prevention.

Expansion of the Program to registered property owners of existing residential fourplexes is in alignment with the findings of the Program audit, given that the Program is currently available to other residential multiplex property owners.

c. Estimated Program Participation and Financial Impact

To estimate potential participation by registered property owners of existing residential fourplexes, a review of subsidies issued to eligible duplex and triplex owners was completed. A comparison of these properties, as opposed to single-family dwellings, is relevant as device installation in a multi-residential property can be more complex and costly specifically the installation of a backwater valve on a sanitary sewer service connection.

There are approximately 22,063 legal triplex and duplex properties in the City, of which 1,789 have received a Program subsidy. Table 5 provides an overview of participation by these properties. Subsidy issuance for these property types is between 6.3% and 8.9%. 8.9% is applied to determine possible subsidy issuance to fourplex property owners.

Table 4: Number of Subsidies Issued to Duplex and Triplex

	Duplex	Triplex
Subsidies Paid (as of September 1, 2023)	\$2,395,222	\$813,919
Number of Properties Citywide	15,123	6,940
Number of Properties Receiving a Subsidy	1,350	439
% Of Property Type	8.9%	6.3%

Using the overall participation rate for both duplex and triplex type properties as an indication of potential participation of fourplex properties, Toronto Water anticipates between 6.3% and 8.9% participation over the next ten years. Based on these participation rates, it is estimated that between 113 and 160 fourplex property owners could receive a subsidy from the Program.

Table 5: Estimated Program Participation by Owners of Fourplex Properties

Total Number of Residential Fourplex Properties Citywide	1,799	
Estimated Percentage of Participating Fourplex Properties	6.3%	8.9%
Estimated Number of Participating Fourplex Properties	113	160
Estimated Subsidies to be Paid (2023 - 2032)	\$193,004	\$273,280

The total estimated payout of subsidies over the ten-year period from 2023 to 2032 is between \$193,004 and \$273,280. These figures were determined by multiplying the average total subsidy since 2019 by the number of anticipated participating properties.

The estimated financial impact over the ten-year period from 2023 to 2032 (\$273,280) is not significant when compared to the overall Program funding in the 2023 Approved Capital Budget and 2024-2032 Approved Capital Plan (\$55 million).

d. Operational Impact

Given the relatively low number of additional properties that are estimated to apply to this Program over the ten-year period from 2023 to 2032 (i.e., between 113 and 160 fourplex properties), the operational impact of expanding the Program is not expected to be significant. No additional staff will be required and changes to application forms, documents, processes, and Program communication plans are expected to be minimal. If the recommendation contained in this report is adopted by Council, it is anticipated that the required changes could be made by the end of the first quarter of 2024.

3. Conclusions

Expanding the Program to registered property owners of existing residential fourplexes is feasible and it aligns with the recent Council decision in May 2023 to permit residential multiplexes up to fourplexes, and with the findings of the Program audit conducted in 2017 by the Auditor General. The estimated financial impact over the ten-year period from 2023 to 2032 (\$273,280) is not significant when compared to the overall Program funding in the 2023 Approved Capital Budget and 2024-2032 Approved Capital Plan (\$55 million). The operational impact of expanding the Program is not expected to be significant as no additional staff will be required and changes to application forms, documents, processes, and Program communication plans are expected to be minimal.

This report has been prepared in consultation with staff from the City Planning Division, Financial Planning, Legal Services, Revenue Services, and Toronto Building.

CONTACT

Peter Martino, Coordinator Business Support, Customer and Technical Support, Toronto Water. Telephone: 416-392-3301, Email: Peter.Martino@toronto.ca

Richard Noehammer, Director Customer and Technical Support, Toronto Water, Telephone: 416-397-7296, Email: Richard.Noehammer@toronto.ca

SIGNATURE

Lou Di Gironimo
General Manager, Toronto Water