

Additional Options for Targeted Relief to Business Impacted by COVID-19

RECOMMENDATION(S):

That Council direct Administration to:

1. Allow hotel/motel non-residential property owners who have not paid their 2021 property taxes to be considered for a deferral of 2021 property taxes by this program, without penalties, to 2022 December 31, and provide a Briefing Note to Council no later than 2021 Q4 with a list of roll numbers of qualifying properties for approval; and
2. Develop and administer a Calgary Reopening Grant for Restaurants, Pubs, Bars, Entertainment Establishments (including Night Clubs), and Fitness Centres based on the eligibility and criteria outlined in Attachment 3, and provide a Briefing Note to Council no later than 2021 Q4 with a list of businesses and the amount received through the program.

HIGHLIGHTS

- This is the final report in follow up to Council's direction to develop options to deploy \$30 million for directed relief to businesses impacted by COVID-19. This report also responds to Council's direction on 2021 April 12 to examine tax deferral options available under section 347 of the Municipal Government Act for properties that are significantly impacted by the COVID epidemic, including not for profits, hotels, fitness centres and nightclubs.
- **What does this mean to Calgarians?** The proposed additional support package provides additional financial relief to business owners whose businesses have been significantly impacted by the COVID-19 pandemic (restaurants, pubs, bars, entertainment establishments, including night clubs, and fitness centres) through a reopening grant of \$2,500, as well as hotel/motel property owners through a 2021 tax deferral program.
- **Why does it matter?** Healthy businesses are the foundation of a flourishing economy, and the proposed additional support package supports business owners as they look to reopen.
- The business community, through Administration's Business Sector Task Force has provided input on options for relief and continues to support opportunities for businesses to thrive.
- This report also supports Administration's Rethink to Thrive strategy and its action for The City to "be champions for business success and apply a business-friendly lens to planning and service delivery."
- Strategic Alignment to Council's Citizen Priorities: A prosperous city
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

Report C2021-0422 on 2021 March 22 allocated \$17.6 million to waive business licensing and related fees for 2021 and 2022. At that time, Administration committed to bring forward options for additional business supports and relief measures utilizing the remaining estimated \$12.4 million. Administration stated these options might include, but would not be limited to:

- A grant system for small businesses

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- Supports for Calgary businesses that have been hardest hit by the pandemic
- Supports for all businesses impacted by COVID-19

Members of Council also previously indicated their desire to target relief to local businesses that have been most severely impacted by the pandemic, which was taken into consideration in the development of this proposed additional support package. This desire was further directed on 2021 April 12 with Council's direction to examine tax deferral options available under section 347 of the Municipal Government Act for properties that are significantly impacted by the COVID pandemic.

Additional Business Support and Relief Measures

The proposed additional support package comprises two distinct components and is summarized in the following table. Each component will be described and discussed separately.

Package Component	Cost to Implement
Hotel/Motel COVID Property Tax Relief	Up to \$2.9 million for 2021 tax deferral
Calgary Reopening Grant for Restaurants, Pubs, Bars, Entertainment Establishments (including Night Clubs), and Fitness Centres	Up to \$9.5 million

Hotel/Motel COVID Property Tax Relief

Council has the authority to cancel, reduce, refund or defer taxes under section 347(1) of the Municipal Government Act:

347(1) If a council considers it equitable to do so, it may, generally or with respect to a particular taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions:

- cancel or reduce tax arrears;
- cancel or refund all or part of a tax;
- defer the collection of a tax.

Based on the wording of section 347(1)(c), Council does have the authority to defer tax for any particular taxable property(ies) or business(es), or class of taxable property(ies) or business(es), if it considers it "equitable to do so". The reference to the term "business" in the legislation is generally interpreted as specifically a business that pays business tax (i.e., a tax imposed under a business tax bylaw) or otherwise taxed directly, like a Business Improvement Area. The City of Calgary no longer has a business tax so direct relief via a tax cancellation, deferral, or refund through this mechanism is not available. Furthermore, for 2021, The City has applied a Business Improvement Area Tax Credit toward the Business Improvement Area tax thereby alleviating business operators in Business Improvement Areas of this financial obligation.

This leaves Council with the ability to defer property tax for any particular taxable property(ies) or class of property(ies). The City of Calgary currently has three property tax classes: residential, non-residential, and farmland. The City does not currently have non-residential property tax subclasses. However, the provision allowing Council to defer taxes for a particular property or properties does potentially provide some ability to target relief further within these

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three classes. It is important to remember that The City's relationship, through the property tax system, is with the property owner, and that The City has no influence over the relationship between the property owner and their tenants. In many cases, businesses that have been impaired by the COVID epidemic are not property owners, and Council does not have ability to provide direct financial relief to these business operators under section 347 of the Municipal Government Act. Council does, however, have the ability to defer taxes for property owners, as described above.

Given the authority available to Council under section 347 of the Municipal Government Act, Administration is proposing to offer property tax relief to hotel/motel businesses through a hotel/motel property tax deferral program. This program is discussed in detail in Attachment 2. However, a summary of relevant considerations includes the following qualifying criteria:

- The property must be taxable;
- The property must be classed as non-residential;
- A minimum of 50% of the improved area must be currently occupied by a hotel/motel business and in operation since at least 2020 December 31;
- Property tax deferrals are administered to the property owner or assessed person;
- Property taxes for 2020 must have been paid in full.

Using these criteria, Administration has been able to gather preliminary data on the number of properties that could potentially qualify for such a program. The preliminary data is as follows:

	Est. Qualifying Property Count	Municipal Tax Deferred (\$ millions)	Muni & Prov Tax Deferred (\$ millions)	Lost City Revenue if Defer Muni Tax (\$ millions)	Lost City Revenue if Defer Muni & Prov Tax (\$ millions)
Hotels/Motels	93	\$ 15.5	\$ 19.5	\$ 2.3	\$ 2.9

Administration has estimated the cost to The City of offering such a program by examining potential property tax penalty revenue foregone, as well as any investment income potentially foregone on deferred property tax collections, as well as any incremental potential debt costs incurred as a result of deferred property tax collections. That information is included in the two right-hand columns of the preceding table.

Property tax exemptions are provided to qualifying properties where the facility's accessibility and the public benefit arises from its use. This typically includes properties occupied by government, churches, hospitals, and schools. In addition, non-profit organizations that are charitable and benevolent, advance community games, sports, athletics, education purposes, youth programing and provide care for the disadvantaged are typically exempt from taxation.

Administration finds that the majority of the taxes associated to non-profits that do not qualify for exemption being considered for deferral are associated to properties occupied by professional industry associations, labour unions and private clubs. As the intent of the property tax deferrals are to assist those greatest impacted by the pandemic, it is Administration's recommendation to not defer the taxes of taxable non-profit organizations.

Administration also explored providing deferrals to properties with fitness centre, restaurant and nightclub businesses. With the intent of the deferrals being to assist businesses significantly impaired by the COVID-19 pandemic, Administration recommends against providing deferrals to these properties. Unlike hotels, which are typically owner occupied, fitness centre, restaurant and nightclub businesses are typically tenants rather than the property owner. As such, The City

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would have no ability to ensure that the landlord defers property taxes for the tenant businesses should The City approve such a program whereas a grant program would provide for targeted relief to eligible business owners.

Calgary Reopening Grant for Restaurants, Pubs, Bars, Entertainment Establishments (including Night Clubs), and Fitness Centres

Administration is introducing a grant program intended to support businesses that have been significantly impacted by the pandemic, specifically restaurants, pubs, bars, entertainment establishments (including night clubs), and fitness centres, in their reopening efforts as the Province has signalled its plans to see Alberta open for summer.

	Grant Funds Available (\$ millions)	Business License Approximate Count	Approximate Grant per Qualified Business
Restaurants, Pubs, Bars, and Entertainment Establishments (including Night Clubs)		3,400	
Fitness Centres		400	
Total	\$9.5	3,800	\$2,500

To be eligible for the reopening grant, the applicant must be a business owner of a restaurant, pub, bar, entertainment establishment (including night clubs), or fitness centre, with a licensed business located within the City of Calgary limits, and must meet and follow the proposed program eligibility and criteria described in Attachment 3. This program is aimed such that grant resources are used efficiently and effectively and are targeted to businesses in need. Business owners with multiple Calgary permanent physical establishments are eligible to apply for funding for each establishment. This includes scenarios where a business owner has more than one location or chapter or branch, to a maximum of three. The application process will be streamlined with an online form; however, a paper application will also be made available upon request.

The City will start accepting applications for the grant program on 2021 July 2, and it will remain open until August 10, 2021, or until funds are exhausted (whichever is sooner). Grant funds will be distributed on a first come, first served basis in the order that completed and verified applications are received.

To accommodate the delivery of the grant program, Administration will largely draw on existing resources through reprioritization of existing work. The funds distribution occurs at a time of year where significant volumes occur for capital activity in the city. To ensure all vendors and grant recipients receive supports and payments in an efficient way, Administration requires limited funding for additional short term Finance resources to deliver the grant program in a timely and effective manner at the cost of approximately \$75,000 and potentially \$25,000 to support overtime in the Business Approvals team. If the program is approved, these funds will be allocated from the \$12.4 million remaining from the funds approved by Council to be put towards these business relief efforts.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

Public Engagement was undertaken

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- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Council directed Administration to solicit input from the Business Advisory Committee on options for how to best deploy the \$30 million approved on 2021 March 01. This input was obtained through the Business Advisory Committee Working Group regarding the most appropriate targeted relief and future financial relief measures to support businesses impacted by COVID-19.

On 2021 April 01 and again on 2021 May 21, the Calgary Hotel Association sent a letter to members of Council advocating for financial relief through the deferral of municipal taxes and utility fees for Calgary's downtown hotels, which have experienced the lowest occupancy rates of hotels in any major market in Canada in the first part of 2021.

On 2021 May 3, The City of Calgary received a letter from the Calgary Arts Development Authority, endorsed by Calgary music venues and West Anthem for Calgary music venues, requesting The City institute programming to insulate venues from increasing operational costs as these businesses work toward economic recovery. The program elements described in this request included property tax relief for venue owners, an emergency relief fund to provide financial assistance to venues at risk of closing, and a live venue retrofit grant to cover the costs of retrofitting, safety supplies and equipment, and reopening in line with safety protocols.

In addition, Administration, through the Business Sector Task force and various formal and informal contacts in the local community, has received many anecdotal observations regarding the impact of the COVID pandemic on business operators and property owners.

IMPLICATIONS

Social

The relief options in this report support the Social Wellbeing Policy principle of equity. Remaining responsive to the needs of business and property owners through unprecedented times is a critical social consideration. Businesses from across Calgary can apply for the grant program, with funds awarded to qualified applicants on a first come, first served basis. Ethnocultural communities will be considered as part of the communications plan for the grant program to help distribute key messages about the program to reach a broad business audience in Calgary.

Environmental

There are no direct environmental implications anticipated to be associated with implementing the recommendations in this report.

Economic

The recommendations in this report align with the Business Environment focus area of *Calgary in the New Economy* by working with government and business to continually improve City services to foster Calgary's business environment, innovation ecosystem and help build the foundation for business success. Further, enabling indirect financial support to those facing

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challenges in the current economic environment will further facilitate participation in the local economy.

Service and Financial Implications

Existing operating funding - one-time

Up to \$12.4 million

The relief options proposed in this report are anticipated to cost up to \$12.4 million. This amount represents the residual balance available from an amount of \$30 million previously approved by Council for directed relief to businesses impacted by COVID-19. Up to \$17.6 million of the \$30 million was previously allocated to waiving business license and related fees for new and renewing businesses for a period of two years.

RISK

Legal risks associated with the hotel/motel property tax deferral program component of this proposal have been reviewed and are not significant. Administration has previous experience with non-residential property tax deferrals that were offered in 2020 in response to the pandemic and, more recently, with the hailstorm property tax relief program. This experience will be leveraged to mitigate any potential reputational and operational risk associated with this proposed deferral program.

Regarding the grant program, there is risk that businesses not included within the scope of the program will feel excluded. This risk is mitigated through Council's direction to focus on specific business sectors that have been substantially impacted by the COVID-19 pandemic, as well as other financial support grants and programs available to a wider range of businesses through Federal and Provincial governments.

Another risk is in ensuring businesses are aware of the grant program and can apply in a timely manner in order to receive funds. This risk will be mitigated through a focused communications strategy to business owners within Calgary. We will consider ethnocultural communication needs to reach a broad audience to share information about the program.

Additionally, there is risk that businesses apply and receive funds but do not apply those funds to reopening expenses, do not reopen or intend to reopen, or where grant funds go to larger businesses who are not seen by the public as those most in need. These risks are partially mitigated through the requirement to publish a list of all businesses that receive grant funds when the program is complete, as well as through the establishment of clear program eligibility and criteria.

There is a risk associated with the volume of applications that may be received and the resources available to support the delivery of the program. This risk is mitigated through the addition of short-term Finance resources and potential additional funds for overtime in the Business Approvals team to help support the increased workload.

ATTACHMENT(S)

1. Previous Council Direction, Background
2. Proposed Terms and Conditions of a Hotel/Motel Tax Deferral Program

**City Manager's Office Report to
Combined Meeting of Council
2021 May 31**

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3. Proposed Eligibility and Criteria of the Calgary Reopening Grant for Restaurants, Pubs, Bars, Entertainment Establishments (including Night Clubs), and Fitness Centres

Department Circulation

General Manager/Director	Department	Approve/Consult/Inform
Carla Male	Chief Financial Officer's Department	Approve
Brenda Desjardins	Planning & Development	Consult
Edwin Lee	Chief Financial Officer's Department	Consult
Les Tochor	Chief Financial Officer's Department	Consult