

Business Licence Deferral Program Review

Date: April 12, 2021

To: General Government and Licensing Committee

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report responds to Council's direction to report on an application-based Municipal Licensing and Standards business licence deferral program, with deferral applications assessed on COVID-19 related financial hardship and an inability to pay, and modeled on the City's 2020 application-based property tax deferral program.

As part of the application-based property tax deferral program, those experiencing financial hardship as a result of COVID-19 are able to apply for property tax deferral. In reviewing financial impacts across business licence renewal categories it was evident that COVID-19 related financial impacts were generally experienced within the following three licence categories in various degrees:

1. Group A – Business forced to fully or partially shut down as deemed non-essential
2. Group B – Business permitted to operate but is adversely impacted due to other shutdowns
3. Group C – Business permitted to operate and not otherwise affected by shutdowns (aside from added operating expenses)

As such, staff are not recommending an application based program given the level of additional City resources that would be needed to facilitate application reviews, coupled with the submission requirements that businesses would be responsible for providing, as opposed to a universal program that reflects the financial impacts generally experienced within each of the above business licence categories.

To provide added support to Toronto businesses impacted by the pandemic, it is recommended that an added 60 day deferral be granted for all business licence renewals. Under current bylaws an unpaid licence is cancelled after 90 days. This

recommended adjustment will now provide for up to 150 days for payment after the renewal date, without cancellation or any application of late fees as detailed below:

- Current Payment Period – up to 90 days (prior to cancellation or late fees)
- Recommended Adjustment – up to 60 added days
- ***Total Recommended Payment Period – up to 150 days (prior to cancellation with no late fees)***

This is in addition to measures approved as part of the 2021 Operating Budget where Council has developed the CafeTO program to provide assistance to bars and restaurants; Council adopted measures to assist the taxi and limo industry (50% reduction in fees and 75% reduction in regulatory charges and vehicle age extensions); and all other licensing fees were frozen at 2020 levels.

The Province of Ontario also provides further supports for business including small business support grants of \$10,000 to \$20,000 per year over 2020 and 2021 for eligible businesses; Ontario's Main Street Relief Grant to provide support of up to \$1,000 for unexpected PPE costs; the COVID-19 Energy Assistance Program for Small Business providing support to pay for energy bills; pension contribution deferral and extension for eligible businesses; and a pause on commercial rent evictions.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer in consultation with the Executive Director of Municipal Licensing and Standards recommend that:

1. City Council provide approval for business licensees to be given a further 60 days (150 days in total), with no late fees assessed in which to pay their 2021 licence fee, and provide authority for required bylaw amendments.

FINANCIAL IMPACT

There will be a reduced cash flow incurred by the City, however if all license fees are paid in full during 2021 there will be no financial impacts to the Council approved 2021 Operating Budget resulting from the recommendation of this report . License revenue and cash flow is used to fund ongoing business licensing services and activities within the Municipal Licensing and Standards (MLS) division.

The Operating Budget for MLS provides funding to deliver bylaw compliance and enforcement services as well as to issue business licences and permits, and bylaw exemptions. These services are predominantly funded through user fees consistent

with the City's user fee policy, with remaining net costs in MLS funded through the City's property tax base.

In 2021, MLS has been required to continue to provide services and activities with a greater focus on bylaw compliance as it pertains to enforcing public health guidelines and requirements.

While MLS continues to incur costs for services provided in 2021, an added \$8.834 million in City subsidy is being provided as a result of the following changes reflected in the Council approved 2021 Operating Budget:

- \$4.916 million in budgeted revenue losses within licensing and permits as a result of reduced volumes expected in 2021;
- \$2.470 million in reduced revenues resulting from Council adopted measures to assist the taxi and limo industry (50% reduction in fees and 75% reduction in regulatory charges);
- \$0.461 million in lost revenue based on the decision to hold fees at 2020 levels that otherwise would have automatically increased consistent with CPI in order to maintain current levels of cost recovery;
- A further \$0.987 million has been invested in the CafeTO program, providing assistance to bars and restaurants.

In addition to the above actions, it is recommended that an added 60 day deferral be granted for all business licence renewals, which would now provide a 150 day payment period without business licence cancellation or any application of late fees.

DECISION HISTORY

At its February 18, 2021 meeting, City Council directed the Chief Financial Officer and Treasurer to report to the General Government and Licensing Committee on an application-based Municipal Licensing and Standards business license deferral program for businesses, with deferral applications assessed on COVID-19 related financial hardship and an inability to pay, and modeled on the City's 2020 application-based property tax deferral program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2021.EX21.2>

COMMENTS

Council directed staff to report to the General Government and Licensing Committee on an application-based Municipal Licensing and Standards business licence deferral program, with deferral applications assessed on COVID-19 related financial hardship and an inability to pay, and modeled on the City's 2020 application-based property tax deferral program.

As part of the review of a potential Business Licence Deferral Program it became evident that financial impacts as a result of COVID-19 were experienced within three separate groups in various degrees as follows:

Business License Renewals by Category			
Group	A	B	C
Description	Business forced to fully or partially shut down as deemed non-essential -Restaurants -Night Clubs -Personal Service Settings	Business permitted to operate but is adversely impacted due to other shutdowns -Taxi, Limo, PTC Drivers -Tow Truck Drivers	Business permitted to operate and not otherwise affected by shutdowns (may experience added operating expenses) -Food Retail -Laundry
Renewals Volumes	12,370	114,237	7,946
Anticipated Business Licence Renewal Revenue	\$4.2 million	\$8.2 million	\$3.0 million

An application based approach is the preferred method when considering COVID-19 related supports or subsidies, ensuring limited resources are properly directed to those areas/individuals that would be of greatest benefit of provided supports; and ensure City/Program objectives and outcomes are achieved.

While an application based process similar to the property tax deferral program is the standard and generally preferred approach, an alternative method is recommended for business licence renewal. This is based on consideration of time and resources that would be required of business licensees to submit applications and the added resources and associated costs that the City would require to review and consider all applications

for business licence groups that are generally experiencing consistent financial impacts due to COVID-19 depending on their associated business licence renewal category.

In recognition of the financial impacts facing the City's businesses and to ensure an easy-to-implement and efficient process, it is recommended that an added 60 day deferral be granted for all business licence renewals, which would now provide a 150 day payment period without business licence cancellation or any application of late fees.

This is recommended in addition to the \$8.834 million in City subsidy added for business and licensing related services as a direct result of COVID-19, and as approved by Council during the 2021 Budget process.

CONTACT

Stephen Conforti, Executive Director, Financial Planning
Stephen.Conforti@toronto.ca 416-397-4229

Carleton Grant, Executive Director, Municipal Licensing and Standards
Carleton.Grant@toronto.ca 416-392-8445

SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer