
2024 OPERATING BUDGET BRIEFING NOTE

Investment in Small Business Support

Issue/Background:

This briefing note responds to a request from the January 16, 2024 meeting of the Budget Committee for the General Manager, Economic Development and Culture (EDC), to provide information on:

1. The investments included for small businesses in the 2024 budget, including CafeTO, Mainstreet Recovery and Rebuild Initiative, Digital Main Street, and Toronto Small Business Enterprise Centre services, the total number of businesses served by each, and the estimated cost per business for each program.
2. The estimated return on investment for the City of Toronto's total business support in terms of municipal, provincial, and federal tax revenues.

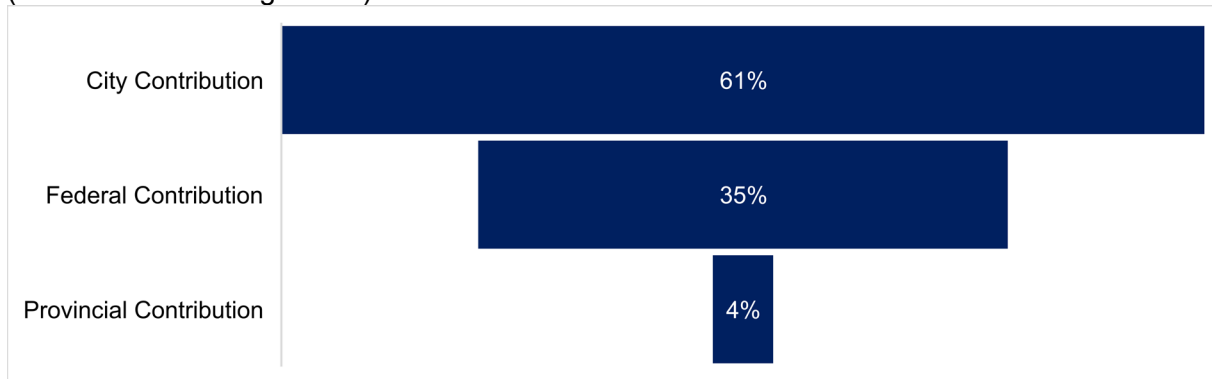
Key Points:

Investments for Small Businesses – 2024 Budget

- The City of Toronto's Economic Development and Culture (EDC) Division has been working with federal and provincial partners to support the small business community through several initiatives including CafeTO, Mainstreet Recovery and Rebuild Initiative, Digital Main Street, and the services of the BIA Office, and the Toronto Small Business Enterprise Centre.
- Through these programs, co-investments and partnerships have been central to the City of Toronto's ability to help advance the recovery and resilience of small business, retail main streets, and neighbourhoods impacted by the COVID-19 pandemic. The 2024 Staff Prepared Operating Budget for EDC reflects the following:
 - **City of Toronto investment of \$6.7M** (*Increase of \$0.1M from 2023 due to inflationary increases*) for Business Improvement Areas (BIA) programs that include capital streetscape projects, which are typically cost shared between the BIA and the City, as well as financial and program support to entrepreneurs and local business through its business incubation, commercialization, and acceleration programs.
 - **Government of Canada investment of \$3.9M** (*Decrease of \$4.7M from 2023 due to the winding down of a multi-year agreement*) through the Federal Economic Development Agency for Southern Ontario for the Mainstreet Recovery and Rebuild Initiative aimed to support small business operators, community business associations, streetscape animation, and retail innovation.

- **Provincial investment of \$0.4M** (Decrease of \$1.1M from 2023 due to the Summer Company Program not having yet been renewed at the time the budget was created) for the Summer Company Program and Starter Company program both designed to support eligible entrepreneurs to launch and operate a small business. This amount also includes funding from Metrolinx for Eglinton Business Improvement Areas and the introduction of a new Transit Expansion Construction Mitigation Grant Program.
- The Provincial investment reflected in the 2024 Budget will go up by \$0.8M to a total of \$1.2M once the full amount of the renewal of the Summer Company Program and Starter Company Program is approved through the Period 4 Variance Report.
- As illustrated in Chart 1, the City of Toronto is planning to invest 61% in 2024 for small business support for programs administered through EDC, followed by federal partner and provincial partner.

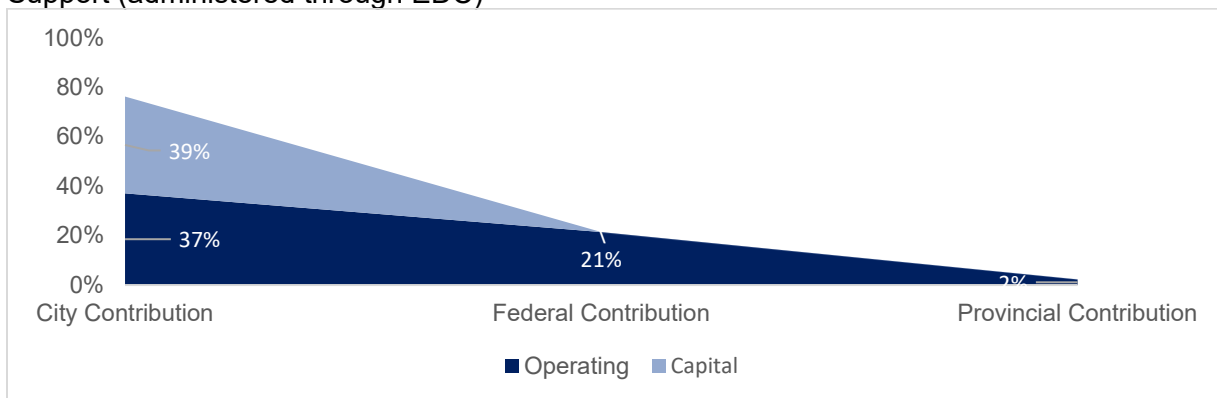
Chart 1: 2024 Budgeted Operating Program Investments for Small Business Support (administered through EDC)



SAP 2024 Budget

- As illustrated in Chart 2, Toronto's contribution will increase in relation to the share of provincial and federal investment when gross capital spending from EDC's 2024-2033 Capital Budget and Plan will be added, making its total contribution 76% for business supports.

Chart 2: 2024 Budgeted Operating and Gross Capital Program Investments for Small Business Support (administered through EDC)



SAP 2024 Budget

Program Metrics on Small Business Supports

- The grants, training, resources, and support programs administered through EDC or with its support, are estimated to directly and indirectly supported close to 50,000 local businesses in 2024. Table 1 and Table 2 illustrate the estimated impact.

Table 1: 2024 Estimated Program Metrics based on 2023 results for programs administered through EDC. 2024 program metrics are subject to change due qualifying applicants for these grants and the resulting impacts change year to year.

	Number of businesses supported (estimated)	Cost per Business
Business Directly Supported		
Commercial Space Rehabilitation Grant Program (Mainstreet Recovery and Rebuild Initiative)	70	\$20,000
CaféTO Property Improvement Program (Mainstreet Recovery and Rebuild Initiative)	140	\$3,571
Digital Mainstreet (City Operating)	2,309	\$238
Summer Company (Toronto Small Business Enterprise Centre Services)	21	\$3,000
Starter Company (Toronto Small Business Enterprise Centre Services)	100	\$5,000
Businesses Supported Administered by BIAs and Non-for-Profits		
Main Street Innovation Fund (Mainstreet Recovery and Rebuild Initiative)	22,239	\$54
Construction Mitigation Grant Program (Mainstreet Recovery and Rebuild Initiative, Metrolinx, City Operating)	6,647	\$211
CaféTO Dining District Program (City Operating)	5,822	\$26

2024 Estimated Program Metrics

Table 2: 2024 CaféTO Estimated Program Metrics based on 2023 results for program administered through Transportation Services. 2024 program metrics are subject to change due qualifying applicants for these grants and the resulting impacts change year to year.

	Number of businesses supported (estimated)	Cost per Business
CafeTO Curb Lane Program (City Operating – Mostly through Transportation Services)	400	\$8,091

2024 Estimated Program Metrics

Business Supports - Toronto’s Contribution to the Provincial and National Economy

- Programs administered through EDC to support the local businesses have been contributing towards the expansion of the Toronto region’s contribution to the provincial and national economy. The Toronto region’s GDP has grown by an average of 2.3% annually since 2015 compared to a national rate of 1.7% and provincial rate of 2.0%.
- In 2023, the Toronto region’s GDP grew by 1.4% ahead of national and provincial rate for that year. The economy of Toronto region is the largest contributor to the Canadian economy accounting for 18% GDP and for 52% of Ontario’s GDP. Source: Conference Board of Canada - Dec 2023
- EDC is currently developing a new *Action Plan for Toronto’s Economy* to guide economic development policies and programming over the next decade. The report will be considered by City Council in October 2024. To accompany the Action Plan, EDC will develop an evaluation framework to track the effectiveness of its investments against the goals of the Action Plan. Efforts will be made within this evaluation framework to estimate the return on investment for the City of Toronto's total business support in terms of municipal, provincial, and federal tax revenues.
- The evaluation framework will consider location and space factors to inform taxable assessment value of commercial and industrial space for property tax information. As provincial and federal taxes are mainly related to income, applicable tax rates and business profitability estimates based on industry and size of business will also be considered in the evaluation framework.

Toronto’s Investment in Relation to its Economic Contribution

- As Canada’s largest city, Toronto serves as a financial and cultural hub, contributing significantly to Canada’s and Ontario’s GDP. Its diverse economy spans industries like finance, technology, and healthcare. Additionally, Toronto enhances its economic importance in talent attraction and in fostering innovation.
- As part of its business community, main street businesses are crucial to economic development because they increase employment and support the vibrancy of neighbourhoods. The 2024 Budget submission for small business supports administered through EDC reflects the following:
 - The City of Toronto is planning to invest 61% of overall public funding in the initiatives. This number increases to 76% when gross capital costs are included.

- The federal government investment reflected in the budget is 35% toward the small business support programs. This number decreases to 21% when gross capital costs are included.
- The provincial government investment reflected in the budget is 4% toward the small business support programs. This number decreases to 2% when gross capital costs are included.
- Toronto appreciates the support from provincial and federal partners to deliver these programs while being the leader in investing in its local business community. In turn, Toronto's business community has been contributing to the growth of the regional GDP, which is outpacing the growth of the provincial rate and national rate.

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