

Date: April 14, 2021

To: Chair and Members of Budget Committee

From: Geoff Wright, P.Eng, MBA, Commissioner of
Transportation and Works

Originator's files:

Meeting date:
April 28, 2021

Subject

Review of Business Licensing Fees

Recommendation

1. That the current business licensing fees and support to businesses as outlined in the corporate report from the Commissioner of Transportation and Works, dated April 14, 2021 entitled "Review of Business Licensing Fees" be approved.
2. That a letter be sent by the Mayor on behalf of Council to the Premier requesting that the Provincial Government reimburse business licence fees.

Executive Summary

- In 2020, staff were directed to review all business and mobile licensing fees and consider options to reduce these fees as a means of financial relief in response to COVID-19.
- Depending on the option(s) selected, the financial impact would range from \$0 to approximately \$4,000,000.
- Staff benchmarked cities within Ontario to determine licensing relief options being provided. To date, no city that was benchmarked has implemented fee reductions for all business licence types. The vehicle for hire sector appears to be the only sector receiving any significant reductions (Brampton and Toronto).
- EDO analysis has shown that there is insufficient support for harder hit businesses and industries because funding formulas do not match funding amounts to business need (i.e. revenue loss) and do not adequately cover business fixed costs. Any future funding support should be aligned with business need.
- Given the generally low licence fees, any fee reduction would provide a nominal benefit to businesses and not address their much larger financial needs. However, because there are over 8,600 licenses, this gesture of support to businesses would aggregate into a material financial impact to the City.

- Therefore, staff recommend that the current fees be maintained and that the Provincial Government be requested to reimburse business operators license fees, as they have done for property tax and energy bill rebates. The Province should also be requested to develop targeted business financial relief programs where funding formulas match the actual business finance impacts.

Background

In 2020, staff were directed to review all business and mobile licensing fees and consider options to reduce these fees as a means of financial relief in response to COVID-19.

Regulations

In March of 2020 the Province of Ontario undertook a series of unprecedented steps to control the spread of the Novel Coronavirus COVID-19. These actions have impacted almost every business and citizen in the City of Mississauga, including the businesses and individuals who are licensed through the various City Licensing By-laws.

The regulations implemented by the Ontario Government under the *Emergency Management and Civil Protection Act* and subsequently the *Reopening Ontario (A Flexible Response to Covid-19) Act 2020*, have at various times strictly limited, or required the closure of various business types. These actions also had a significant impact on businesses who, while not specifically identified in the regulations, have suffered due to the subsequent general slowing of the economy. A breakdown by licence type is included as Appendix 1, outlining whether the business was ordered closed for a period of time by regulation.

Government Support Programs

To mitigate the financial impact of these measures, various support programs have been provided throughout the pandemic by the Federal, Provincial, Regional and Municipal Governments including:

Federal Support

- Canada Recovery Benefit (CRB) – protects self employed workers whose income dropped 50% or more but are not eligible for EI. The CRB allows them to receive \$500 a week for up to 26 weeks.
- Canada Emergency Wage Subsidy (CEWS) – CEWS provides support to businesses, who have experienced a drop in revenue due to COVID-19, to keep their employees on payroll. CEWS commenced March 15, 2020 and has been extended until June 5, 2021. The current subsidy rate is 75% for the period beginning December 20, 2020 until June 5, 2021.
- Canada Emergency Rent Subsidy (CERS) – provides a direct subsidy of property-related expenses, including lease, mortgage interest and property tax and insurance payments to qualifying businesses, charities and non-profits. Qualifying organizations that have been significantly restricted by a mandatory public health order issued by a qualifying public health authority can receive an additional 25% of rent support. The combined effect of the

rent subsidy and the Lockdown Support is that hard-hit businesses, non-profits and charities can receive rent support of up to 90%. CERS has been extended until June 5, 2021.

- Canada Emergency Business Account (CEBA) - provides interest-free, partially forgivable, loans of up to \$60,000 to small businesses and not-for-profits that have experienced reduced revenues due to COVID-19 but face ongoing non-deferrable costs, such as rent, utilities, insurance, taxes and wages. CEBA has been extended until June 5, 2021.

Provincial Support

- Ontario Small Business Support Grant - Grants of \$20K to \$40K for small businesses (less than 100 employees) that are required to close or significantly restrict services under the Province wide Shutdown effective December 26, 2020. Businesses may use the support to address their business needs (e.g. some businesses will use the support to pay employee wages, while others will need support maintaining their inventory).
- Ontario's Main Street Relief Grant - PPE Support: Grants up to \$1,000 to help small businesses (two to nine employees) with the cost of personal protective equipment, PPE. The Main Street Relief Grant is available to businesses in the following industries; retail, accommodation and food services, repair and maintenance, and personal and laundry services.
- Property Tax and Energy Bill Rebates - Businesses that were required to shut down or significantly restrict services due to provincial public health measures can apply for rebates, provided in the form of grants, to help with eligible fixed costs.
- COVID-19 Energy Assistance Program for Small Business (CEAP-SB) - Provides a one time, on-bill credit to eligible small business and registered charity customers to help them catch up on their energy bills and resume regular payments.

City of Mississauga Support

- 2021 Property Tax Deferral – Businesses and residents may apply for tax deferral until December 15, 2021 due to impacts from COVID-19.
- 2020 Business License Deferral & Waiving of Late Fees.
- COVID-19 small business city supports through EDO, Tourism and Culture, including small business advisory services, and Online Resource Centre and Business Relief Portal to improve local business access and participation in financial support programs.

Present Status

Business Licences

The City of Mississauga issued 8,697 licences in 2020 to businesses and individuals operating within the City. The licence fees are intended to offset the costs associated with the administration and enforcement of the by-laws in place. Throughout the pandemic, Enforcement operational pressures have increased significantly while revenues have decreased.

A detailed listing of all 2020 licence types and fees can be found in Appendix 1 and the table below provides an overview of the licence categories and 2020 actual revenues:

Licence Category	Number of Licences	2020 Revenue
Fixed Premises	4,491	\$938,233
Services: Individual	660	\$150,999
Mobile: Business	1,696	\$739,333
Mobile: Individual	2,521	\$428,492
TOTAL	8,697	\$2,257,057

The average fee paid in 2020 for a new business license was \$254.46, and the average fee paid for a business license renewal was \$260.28. Of note, over 80% of license fees paid in 2020 fell below the average fee levels. The table below provides 2020 business license renewal fees for some common license types.

License Type	2020 Renewal Fee
Taxicab Driver or Owner	\$175 - \$480
Tow Truck Driver or Owner	\$170 - \$603
Restaurant & Related Food Service	\$194
Auto Service Stations	\$229 - \$260
Personal Care Services	\$203

City Business License Relief To-date

The following business license relief measures have been initiated since the start of the pandemic in 2020:

- Deferral of 2020 licensing fees in response to changing COVID-19 regulations;
- Waiving of all 2020 late licensing fees;
- Waiving of late licensing fees for licence holders who have temporarily exited the market place;
- Apply leniency for licensing enforcement matters that are not related to health and safety; and
- Minimize any increases to 2022 fees, through the business planning process.

Comments

COVID-19 Business Impact Assessment

To date, there have been multiple versions of the *Reopening Ontario (A Flexible Response to COVID-19) Act, 2020*, *ONTARIO REGULATION 263/20* as well as two separate Stay at Home Orders enforced in the City of Mississauga. A chart summarizing the key changes to the regulations is included as Appendix 2.

EDO analysis indicates that the magnitude of COVID-19's impact upon a business is largely shaped by three factors:

1. Impact of public health measures on business operations (i.e. full closure or significant restriction)
2. Capacity of business to pivot operations, in response to restrictions
3. Impact of changing consumer behaviour on business operations

For example, over the past 12 months, restaurants and bars in Mississauga have been allowed indoor dining or drinking for less than 3 months in total. During such restrictions, a quick-service restaurant (fast food) is much better positioned to shift their operations towards take-out and delivery than a sit-down restaurant or bar. Similarly, quick-service restaurants are less impacted by public reluctance to dine indoors even when allowed during the late summer and fall. As a result, impacts from COVID-19 on the food and drink sector can range from losses of over 90% during lockdowns for a bar or restaurant relying on indoor service, to less than 20% for a quick-service restaurant.

Given the complexity of the regulations and the various degrees of impacts that they have had on businesses, staff are unable to determine the precise financial impacts for each licence type. Determining the precise impacts would require a thorough assessment on a case-by-case basis and this would likely involve an application and review process that the City does not have the capacity to perform.

Assessment of Government Support Programs

EDO recently completed an Assessment of Federal and Provincial Support Programs. The assessment recommended that any funding support should be aligned with business need (i.e. revenue loss and amount of business fixed costs). It is estimated that approximately 2,800 businesses employing 57,000 people fall into harder hit industry sectors in Mississauga (11% of total businesses and 13% of total employment).

Current federal and provincial financial support programs have provided relatively insufficient support for harder hit businesses and industries. Funding formulas do not match funding amounts to business need (i.e. revenue loss) and do not adequately cover business fixed costs. EDO estimates that a small business averaging 73% revenue loss would have received government support equal to 30% of total lost revenues, while a similar sized business averaging 22% revenue loss would have received support equal to 49% of lost revenues:

	Revenue Loss	Proportion of Revenue Compensated
Harder Hit Small Business	73%	30%
Lesser Hit Small Business	22%	49%

Jurisdictional Scan

Staff benchmarked cities within Ontario to determine licensing relief options being provided. To date, no city that was benchmarked has implemented fee reductions for all business licence types. The vehicle for hire sector appears to be the only sector receiving any significant reductions (Brampton and Toronto). Further details can be found in Appendix 2.

Options

Fee Reduction Options

In 2020, staff were directed to review all business and mobile licensing fees and consider options to reduce these fees as means of financial relief in response to COVID-19. Projections for 2021 licence revenue were based on the impact of starting 2021 with a COVID-19 provincial lockdown with a gradual reopening of the economy and return to pre-pandemic projections for licensing activity throughout 2021. Licence fee relief would not be extended to Transportation Network Companies specific to their per trip fee structure. While their business has also been impacted, the reduced ridership automatically reduces their per trip licensing fees.

The highest financial impact is based on the refunding of 2020 fees and a 100% reduction of licensing fees in 2021. Therefore, the impact could range from \$0 to approximately \$4 million dollars depending on the option(s) implemented. This does not include additional administrative costs associated with refunds or other new processes. For example, the additional costs required to administer a 2020 refund for all business licences would be approximately \$200,000.

Provincial Responsibility

The Province of Ontario created the framework that determined which businesses could remain open, and under which conditions, during each stage of the pandemic. The City did not determine which business could open or had to be closed. Ontario has provided some financial support to small business operators. However, the amount of support provided to date is insufficient, relative to the revenue impacts the province has imposed on businesses. Ontario should reimburse business operators license fees, as they have done for property tax and energy bill rebates.

Therefore, it is recommended that a letter be sent by the Mayor on behalf of Council to the Premier requesting that the Provincial Government reimburse business operators license fees, as they have done for property tax and energy bill rebates. The letter should also request that the Province begin to develop targeted business financial relief programs where funding formulas match the actual business finance impacts. Further, the Province has broader legislative and financial authority and would ensure a consistent approach across Ontario.

Financial Impact

The highest financial impact is based on the refunding of 2020 fees and a 100% reduction of licensing fees in 2021. Therefore, the impact could range from \$0 to approximately \$4 million dollars depending on the option(s) implemented (Impacted cost centres are 22651 & 22652).

Conclusion

Staff recommend that the current fees be maintained. There are five primary reasons for this recommendation:

1. **Nominal Benefit to the Business:** Licensing fee reductions will not address the real financial impacts of businesses, because the fees are generally low.
2. **Material Impact to the City:** The City could realize a \$4 million financial impact depending on the option(s) implemented. Additional administrative costs would also be required.
3. **A Targeted Approach is More Appropriate:** Funding support should be aligned with business need (i.e. revenue loss and amount of business fixed costs).
4. **Enforcement Cost Recovery:** Licensing fees are used to offset Enforcement operational costs. Throughout the pandemic, Enforcement operational pressures have increased significantly while revenues have decreased. Licensing fee reductions would further increase budget pressures within Enforcement.
5. **Not Consistent with other Jurisdictions:** No cities benchmarked in Ontario are providing significant licensing fee reductions for all business and mobile licence types.

Staff recommend that the City continue to provide support to businesses as detailed the report, including:

- 2021 Property Tax Deferral – Businesses and residents may apply for tax deferral until December 15, 2021 due to impacts from COVID-19.
- COVID-19 small business city supports through EDO, Tourism and Culture, including small business advisory services and Online Resource Centre and Business Relief Portal to improve local business access and participation in financial support programs.
- Waiving of late licensing fees for licence holders who have temporarily exited the market place;
- Apply leniency for licensing enforcement matters that are not related to health and safety; and
- Minimize any increases to 2022 fees, through the business planning process.

Staff also recommend that the Provincial Government be requested to reimburse business operators license fees, as they have done for property tax and energy bill rebates. The Province should also be requested to develop targeted business financial relief programs where funding formulas match the actual business finance impacts.

Attachments

Appendix 1: 2020 Licensed Businesses, Fees and Revenue – Directly Closed by Regulation

Appendix 2: COVID-19 – Chronology of Covid Emergency Measures

Appendix 3: Municipal Scan on Licensing Relief



Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works

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