

Regina Economic Recovery Grant (RERG) Phase 1 Update

Date	March 17, 2021
To	Executive Committee
From	Financial Strategy & Sustainability
Service Area	Assessment & Property Revenue Services
Item No.	EX21-21

RECOMMENDATION

The Executive Committee recommends that City Council:

1. Recommend the request from the Regina Downtown Business Improvement District for economic recovery support be considered by the Regina Recovery and Efficiency Task Force in the development of opportunities for economic and community recovery and that the Task Force provide recommendations related to the request for Council's consideration before the end of Q2 of 2021.
2. Recommend the request from the Regina Warehouse Business Improvement District for economic recovery support be considered by the Regina Recovery and Efficiency Task Force in the development of opportunities for economic and community recovery and that the Task Force provide recommendations related to the request for Council's consideration before the end of Q2 of 2021.
3. Recommend the request from the Regina Hotel Association for a one-year, 25 per cent partial tax exemption for hotels and motels be considered by the Regina Recovery and Efficiency Task Force in the development of opportunities for economic and community recovery and that the Task Force provide recommendations related to the request for Council's consideration before the end of Q2 of 2021.
4. Remove item CR20-68 from the Outstanding Items List for City Council.
5. That this report be forwarded to the March 31, 2021 meeting of City Council for approval

ISSUE

With the approval of the Regina Economic Recovery Grant (RERG) program, Administration committed to bringing a report to Council with results and impacts of the grant program after phase 1.

Additionally, the City has received a request from the Regina Downtown Business Improvement District (RDBID) (Appendix A), Regina Warehouse Business Improvement District (RWBID) (Appendix B) and the Regina Hotels Association (Appendix C) requesting support for businesses experiencing financial difficulties due to the COVID-19 pandemic.

This report provides an update on the RERG program and responds to the requests from RDBID, RWBID and the Regina Hotel Association for tax exemptions.

IMPACTS

Financial Impacts:

If the recommendations are approved there is no financial impact to the City at this time.

Strategic Impacts:

The Recovery and Efficiency Task Force approved by Council on February 24, 2021 was established to build a "Made in Regina" COVID-19 Recovery Plan that meets the social, economic, and sustainability needs of the entire community. Requesting the Regina Recovery and Efficiency Task Force review the requests discussed in this report ensures proper consideration of all aspects of recovery in our community. Many businesses and property owners have been impacted by the pandemic and not all are represented by an association or group, however, they are vital contributors to our community. Providing relief to groups as they approach the city individually sets precedence for all property owners to be considered in the same manner. A planful approach with recommendations to move forward in recovery will leverage the limited resources available to the City in a strategic manner.

The recommendations in this report do not preclude the City from enacting future economic relief options for the community. As well, potential additional support from other levels of government, in particular the provincial government, will be better understood with the release of the 2021-22 Provincial budget. The Recovery and Efficiency Task Force will establish a plan for the community and recommendations to Council on best supporting the community.

OTHER OPTIONS

Option 1 – Provide a Grant Equal to the BID Levy to Properties in the RDBID and RWBID

In this option, Council would approve a one-time grant equal to the 2021 Business Improvement District (BID) levy to all taxable commercial properties located in the RDBID and RWBID Levy areas that are in good standing with the City. The 2021 estimated BID levies are show in the table below.

BID	Taxable		Grant in Lieu		Total	
	# Properties	Levy	# Properties	Levy	# Properties	Levy
Regina Downtown (RDBID)	353	911,740	21	214,184	374	1,125,924
Regina Warehouse (RWBID)	465	262,665	4	9,676	469	272,341
Total	818	1,174,405	25	223,860	843	1,398,265

The cost of this option is equal to the taxable bid levy of \$1,171,405 which is paid by 818 properties. This cost is not reflected in the 2021 budget. Under this option the grant would be funded out of the COVID-19 Recovery Reserve. The reserve currently has an uncommitted balance of approximately \$2.2 million (taking into consideration the 2021 proposed budget which recommends using \$12 million of the reserve to offset COVID-19 estimated negative impacts on the City’s 2021 finances). If the reserve is used to fund this option, the reserve balance would be reduced to approximately \$1 million.

This option recognizes the struggle that businesses in the BIDs are facing by providing immediate financial relief to property owners. As the BIDs set their own mill rates, the RD and RWBID levies represent 3.35 per cent and 2.83 per cent of a properties total property tax levy respectively. As the benefit will be provided directly to owners of commercial property within the BID arears, there is no guarantee that this benefit will be passed on to individual businesses.

Although the businesses in the BID areas have been impacted by the pandemic, evidence suggests the pandemic has negatively impacted businesses in the Regina’s restaurant, accommodation, and retail sectors regardless of their location. The RERG program is available to all businesses operating in commercial space in Regina, giving particular consideration to businesses that have been subject to a significant negative downturn as a result of the pandemic and recognizing businesses that are reshaping services in order to meet changing customer expectations, public health requirements, and/or market demand.

Option 2: Provide a 25 Per cent Partial Tax Exemption to Hotels and Motels

In this option, Council would grant a one-year 25 per cent, partial municipal and education tax exemption to hotels and motels in Regina. A list of effected properties is provided in

Appendix D. The cost of this option would be \$862,249 in municipal property tax.

The COVID-19 pandemic and resulting public health orders and recommendations to limit its spread have caused major shifts in society. While many industries have been able to pivot and adapt how they serve their customers, the travel and hospitality industry remains unable to adapt causing serious financial hardships in the hospitality industry. This option recognizes the hardships the pandemic and the resulting public health orders have caused to hotel and motel operations.

Providing a partial tax exemption will allow for hotels to leverage this support by receiving a partial exemption for the respective portions of the education property tax. In order to receive an exemption, properties would be required to be in good standing with the City.

Funding of this option is not reflected in the 2021 budget. Under this option the grant would be funded out of the COVID Recovery Reserve. The reserve currently has an uncommitted balance of approximately \$2.2 million. If the reserve is used to fund this option, the reserve balance would be reduced to approximately \$1.34 million.

Further, if both Option 1 & 2 were approved and funded from the COVID Recovery Reserve, the reserve balance would be reduced to approximately \$140,000.

COMMUNICATIONS

If Council approves the recommended option, Administration would advise the RDBID, RWBID, and the Regina Hotels Association of Council's decision.

If Council approved any alternative options, Administration would develop a communication strategy to ensure commercial business property owners are informed of programs or other provisions being offered and the implications to their 2021 taxes.

DISCUSSION

Businesses and property owners in our community and around the world are facing many challenges, including financial, as a result of the pandemic. In a news release on January 21, 2021, the Canadian Federation of Independent Business (CFIB) shared that 17 per cent (6,483) of Saskatchewan small business owners were seriously contemplating permanently closing their business. These potential closures equate to an estimated 89,551 jobs at risk across the province. Nationally, 16 per cent of small business owners are seriously contemplating permanently closing. In recent consultation, the CFIB expressed the need for continued support through the extension of programs such as the provincial Saskatchewan Small Business Emergency Payment Program (SSBEP) and the RERG program to support small businesses.

Information received from Economic Development Regina (EDR) indicates that there is expected to be a continued contraction of employment in 2021. However, as people work

from home and the government supports continue, spending has begun to recover in specific sectors, such as online shopping, home renovations and areas of the economy that have remained open. On the other hand, the negative impacts of the pandemic have been highly concentrated in sectors such as Regina's restaurant, accommodation, and retail sectors. Business owners who have had the ability to change how they provide their service or change the service they are delivering are managing with varying degrees of success through the crisis.

In 2020, the City quickly implemented several measures to provide support and relief to the community as the COVID-19 pandemic impacted the city. Included were several program adjustments as well as an extension to the property tax and utility bill payment deadlines, adjustments within City operations to meet the financial impacts of COVID-19 and to cash flow the payment deferrals. As well, the City waived permit fees for mobile food vendors and outdoor restaurant seating in 2020. Most cities across Canada, including the City of Saskatoon, provided similar relief to property owners as did Regina through a payment extension deadline for property tax and utility bills. Notable exceptions include the City of Moose Jaw, the City of Edmonton and the City of Montreal who created relief programs that business owners could access to receive a grant. In July of 2020, Council approved \$2 million in funding for the creation of the Regina Economic Recovery Grant (RERG) program.

Administration is aware of two cities who recently have faced similar requests for tax relief. In 2021, the City of Calgary implemented the Business Improvement Area Relief Program, utilizing \$4.2 million in Federal and Provincial recovery funding to rebate Business Improvement Area levies to businesses in its 15 business improvement areas. The City of Saskatoon received a request from Tourism Saskatoon, the Saskatoon Chamber of Commerce, and the Downtown BID for a property tax and utility deferral program for hotel properties. At their March 10, 2021 meeting, the Standing Policy Committee on Finance approved the recommendation that a deferral program not be established at this time. This recommendation will be considered by Saskatoon City Council on March 22, 2021.

In February of 2021 Council approved the creation of the Recovery and Efficiency Task Force to build a COVID-19 recovery plan that meets the social, economic, and sustainability needs of our community. The Recover and Efficiency Task Force will identify opportunities for economic and community recovery that focus on improving the business environment for jobs and community investment and strategic infrastructure investments for the future through engagement with stakeholders. With membership consisting of representative from key sectors in the community, the Task Force will represent business and social enterprises to create a balanced recovery plan.

Other levels of government enacted a multitude of programs such as the provincial Saskatchewan Small Business Emergency Payment (SSBEP) program, the provincial Strong Recovery Adaptation Rebate (SRAR) and the federal Canada Emergency Rent Subsidy (CERS) program to name a few. In August of 2020, the Province dedicated \$35 million in funding to Saskatchewan's tourism sector through the Saskatchewan Tourism

Sector Support Program (STSSP). The funding was distributed as support payments to businesses in the accommodation sector, large event facilities, operators of attractions, and those offering tours or events for ongoing fixed costs. Appendix E outlines the programs currently provided by both the federal and provincial governments.

The Government of Saskatchewan will table the 2021-22 Provincial Budget on April 6, 2021. Until that time, the specifics of any additional economic recovery programs or funding from the provincial government are unknown.

Requesting the Regina Recovery and Efficiency Task Force review the requests discussed in this report ensures proper consideration of all aspects of recovery in our community. Many businesses and property owners have been impacted by the pandemic and not all are represented by an association or group, however, they are vital contributors to our community. Providing relief to groups as they approach the city individually sets precedence for all property owners to be considered in the same manner. A planful approach with recommendations to move forward in recovery will leverage the limited resources available to the City to support recovery in a strategic manner.

Regina Economic Recovery Grant Update

RERG aims to fill gaps in funding support from other levels of government and provide more wholesome and impactful support for the Regina business community as it recovers from COVID-19. The program requires that applicants demonstrate and meet at least one of the grant core criteria outlined in RERG Core Criteria below. These core criteria provide a framework to evaluate and distribute the grants, as well as set metrics to review grant performance. Grant applicants must demonstrate that they meet one or more criteria in order to demonstrate business need and ensure the effectiveness of the funding.

RERG Core Criteria	
Criteria	Description
Jobs	Will the funds help people return to work or create new positions? For example, funding will provide safety measures or training to allow staff to return to work.
Financial Sustainability	Will the funds be used to help keep the business open? For instance, funding will allow a business to keep operating or re-open sooner than anticipated.
COVID-19 Impact	Will the funds counter the impacts of COVID-19 on businesses during the relaunch and recover stages? For instance, funding will support business costs related to social distancing and keeping customers and employees safe.
Partner Leverage	Will the funds support a project that could unlock funding from other partner organizations to amplify impact? For instance, funding will be supplemented or supported by other businesses or organizations.
Economic Diversification	Will the funds contribute to diversification of the business? For instance, funding will support adding new products or services, or changing what the

	business does.
Business Transformation	Will the funds used help the business succeed by responding to a changing market? For instance, funding will add online sales, delivery to homes, or marketing/delivering existing products or services in a new way.
Tangible Placemaking Benefits	Will the funds be used to support or contribute to main street vibrancy? For instance, funding will attract people to the street by installing a walk-up counter or a new patio.
Environment Alignment	Will the funds be used to create a 'green' impact, and would they support increased resilience and a low carbon future? For instance, funding will support purchasing biodegradable packaging or installing "green" or "clean" technologies.
Community Impact	Will the funds benefit members of marginalized groups or those disproportionately impacted by COVID-19, such as women, newcomers, people of colour, or people with disabilities?

The program gives particular consideration to businesses that have been subject to a significant negative downturn as a result of the pandemic and is also geared towards recognizing businesses that are reshaping services or products in order to meet changing customer expectations, public health requirements, and/or market demand. Recognizing there is a gap in supports to the business community, the RERG program does not aim to keep a business open; however, it does support and help businesses change and adapt to the new way of being and help ensure their long-term survivability. Details for grants awarded to date through the RERG program can be found in Appendix F – RERG Grants Awarded.

The RERG program is being delivered in two phases. Phase 1 ran from August 2020 to December 15, 2020. This phase of the program provided grants valued at \$1,000, \$2,500 and \$5,000 to address immediate short-term needs related to COVID-19 such as, improvements needed for resuming operations and personal protective equipment. In Phase 1, 137 businesses were awarded \$309,000 in funding.

Phase 2 of the grant program was launched on December 15, 2020 and will continue until the funding has been fully utilized. The second phase, which focuses on supporting long-term initiatives to become more sustainable, includes grant amounts of \$1,000, \$2,500, \$5,000, \$10,000 and \$25,000. To date, approximately 93 business have received \$707,000 in funding in phase 2. With approximately \$100,000 in grants to be awarded per week in Phase 2 of the program, it is expected that full \$2 million in funding will be awarded by May of 2021.

To create further awareness for RERG, and encourage qualifying applications, Administration developed a comprehensive communication strategy for the program. The strategy includes social and traditional media campaigns, as well as, working collaboratively with stakeholders in the business community, for promotion and education on the program.

Regina Hotel Industry

Hotels are an industry that are uniquely affected by the COVID-19 pandemic. The Hotel Association of Regina has identified that lost revenue for its member hotels in Regina is in excess of \$81 million in 2020. As the pandemic continues, occupancy projections are expected to be only 20 per cent for the first quarter of 2021, which means hotels are not expected to be in a financial position to meet their fixed cost obligations until early in 2022.

The hotel industry has been hit particularly hard during the pandemic as their revenue is significantly derived from travel, which is strongly not recommended by all levels of government. A listing of all hotel and motel properties is attached as Appendix D.

While the support local campaign helped many businesses get by, it does not translate to the hotel industry. Hotels are purpose-built buildings that have significant fixed costs. Given this, they are unable to fully pivot their business in order to generate revenue during the pandemic. This has a compounding impact on Regina's economy as over 50 per cent, approximately 800 people, working in the hotel industry have not returned to work.

Recovery Support for the Regina Downtown and Regina Warehouse Business Improvement District Areas Post Pandemic

The COVID-19 pandemic has changed how and where people work. Many residents are working from home and this has had a significant impact on businesses that previously relied on people commuting to Regina's downtown during the work week. It is not known how many of these residents will return to work locations downtown post pandemic, but it is assumed it will not return to pre-pandemic levels. Maintaining and enhancing the City Centre as the primary civic and cultural hub for the City is identified as a goal in the OCP and reactivating the RDBID and RWBID areas will take a dedicated effort in a post pandemic world.

There are many options available for Council to support the business community. The extent to which the City can provide support is directly related to its financial ability to do so without impacting long-term financial viability and its ability to deliver services. Relief to non-residential property owners, specifically through the property tax system can be complicated, and further, it supports property owners directly with no way to ensure the business owners who lease space benefit by a program based solely on property tax. In Regina, 55 per cent of the City's revenue is generated from the property tax base. The municipal portion of commercial taxes is \$95 million of which \$15 million is grants-in-lieu of taxes related to government buildings. Excluding government buildings, the commercial property municipal portion of municipal taxes is \$80 million.

DECISION HISTORY

In report CR20-68, July 29, 2020, Council approved \$2 million in funding for the creation of the Regina Economic Grant Recovery program.

In report CM20-8, April 15, 2020, Council amended the property tax deadline to September 30, 2020 to provide financial relief due to the financial impact of COVID-19 to businesses and residents.

In report EX21-13, February 24, 2021, Council established the creation of the Efficiency and Recovery Task Force out of the Mayor's office, to engage with community leaders and provide advice to Council on COVID-19 recovery efforts to support the community.

The recommendations contained within this report require City Council approval.

Respectfully Submitted,


Deborah Bryden - Director, Assessment & Property Revenue Services, 3/8/2021

Respectfully Submitted,


Barry Lacey, Exec. Director, Financial Strategy & Sustainability, 3/12/2021

Prepared by: Tanya Mills, Manager, Assessment & Property Systems

ATTACHMENTS

- Appendix A- RDBID request for economic recovery support
- Appendix B -RWBID request for Pandemic Recovery Support
- Appendix C - RHA - request for Property Tax Exemption 2021
- Appendix D - Hotel Exemption Impact
- Appendix E - Summary of Government Financial Supports for Businesses 9935
- Appendix F - RERG Grants Awarded