

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
June 11, 2020

Report of the Commissioner of Corporate Services and Chief Planner

COVID-19 Small Business Support

1. Recommendations

1. Council authorize the repurposing of \$500,000 from the Innovation Investment Reserve Fund to provide COVID-19 support to local small businesses through the expansion of the Starter Company Plus program managed by the four Small Business Enterprise Centres across the Region on behalf of the Ontario Ministry of Economic Development, Job Creation and Trade
2. The Regional Clerk circulate this report to the Ministry of Economic Development, Job Creation and Trade, local municipalities, local Chambers of Commerce and Boards of Trade and ventureLAB.

2. Summary

This report provides Council with more insight into the effect of COVID-19 on the small business community. It also gives an update on some options for direct financial support to local small businesses.

Key Points:

- The COVID-19 pandemic is having a significant negative effect on the local small business community
- The Municipal Act constrains options for municipalities to provide direct financial support to local businesses
- Leveraging \$500,000 from the Innovation Investment Reserve Fund to expand the reach of the Starter Company Plus program through the four Small Business Enterprise Centres in York Region could provide short-term support to small businesses across the nine local municipalities

3. Background

The COVID-19 pandemic has had a significant impact on the economies of Canada, Ontario and York Region

The uncertainty about the duration and magnitude of the COVID-19 pandemic and the necessary containment measures poses a cycle of dampening consumer confidence and tightening financial conditions, contributing to rising business costs, layoffs, and potential bankruptcies. The Conference Board of Canada has stated that Government authorities around the world have taken bold and necessary measures to contain the spread of the virus and to support people and businesses through a very challenging time. It was also announced by the Conference Board of Canada that every sector of the Canadian economy has been affected by the COVID-19 pandemic.

As cited in the 2019 Growth and Development Review Report being considered on the same Committee of the Whole agenda, Canada lost over one million jobs in March 2020, which is the largest monthly employment decline on record. In the same period, Ontario recorded a decline of 403,000 jobs. The report identifies that some of the hardest hit sectors include transportation services, food and accommodation services, recreation and cultural services. In York Region, these industries represent approximately 13% of all businesses and 81,000 jobs based on data from the 2019 York Region Employment Survey.

Research findings indicate financial assistance would support businesses during COVID-19 recovery efforts

Statistics Canada and the Canadian Chamber of Commerce collaborated to launch the Canadian Survey on Business Conditions, meant to gather feedback from the 1.2 million businesses across Canada. The survey ran from April 3 to 24, 2020 and more than 12,600 or approximately one per cent of Canadian businesses participated in the questionnaire focused on how COVID-19 is affecting business. Greater than 4,450 (35%) of the respondents were Ontario-based, and of those, nearly 8% or approximately 350 respondents were from York Region.

Ninety per cent of respondents from York Region were small businesses, ranging from employers with less than 100 employees to self-employed sole proprietors. The 'professional, scientific and technical services' sector accounted for 15% of all responses, followed by manufacturing at 10%, retail accommodation and food services at 10% and construction at 9%, reflecting the diversity of York Region's economy.

Some of the key findings in the survey include:

- 72% have been negatively impacted by social distancing measures
- 70% of the respondent's workforce cannot carry out a majority of duties during the pandemic
- 54% decreased in business expenditures for advertising, marketing, travel

- 41% laid off staff
- 30% of rent payments have not been deferred.

Businesses have also requested support in accessing grants, training and mentorship. Many businesses across York Region have expressed concern and uncertainty over the ability to withstand and recover from the economic effects of the COVID-19 pandemic. More details from the Canadian Survey on Business Conditions are captured in Attachment 1.

Senior levels of government have responded to assist businesses

York Region is collaborating with all levels of government to implement economic recovery measures. Both the Province of Ontario and the Government of Canada have launched multiple funding programs to ensure that businesses are provided the tools necessary to survive the crisis and get back to work as soon as possible. Some of the programs introduced are in direct response to the current pandemic, while other pre-established funding programs continue to assist organizations undertaking strategic growth projects.

The Government of Canada has announced a series of relief aids to help Canadians and businesses cope with the COVID-19 outbreak. The package includes \$146 billion in direct support and over \$500 billion to help business liquidity through tax deferrals, credit and liquidity support. Many of these programs are for 90 days and are anticipated to end in June unless otherwise extended.

Attachment 2 highlights the Government of Canada's Financial Support for Businesses and some of the key business support programs announced by the Government of Canada in their response to support businesses through the COVID-19 pandemic.

On March 25, the Province announced the Ontario Action Plan for fighting COVID-19 as part of their Economic and Fiscal Update. The \$17 billion funding package offers support to healthcare (\$3.3 billion), people and jobs (\$3.7 billion), and cash flow support for businesses (\$10 billion).

Attachment 3 highlights the Province of Ontario's Financial Support for Businesses and some of the key programs announced by the Province of Ontario in their response to support businesses through the COVID-19 pandemic

Regional Municipalities across the Greater Toronto and Hamilton Area are providing indirect financial relief to businesses

Currently many of the Regional Municipalities located throughout the Greater Toronto and Hamilton Area are providing indirect financial relief to businesses in the form of tax and utility deferral payments. Table 1: GTHA Regional Municipal COVID-19 Responses highlights what is available at the present time.

Table 1
GTHA Regional Municipal COVID-19 Responses

Municipality	Details
City of Toronto	60-day grace period for property tax and utility payments and late penalties
City of Hamilton	60-day grace period waiving of interest and penalty on Interim Property Tax Instalment due April 30 30-day waiving of interest and penalty on Final Property Tax instalment due on June 30
Region of Durham	60-day waiving of interest charges on property tax due in April for May and June Durham Region Transit suspended payments from all customers Water bills: Temporary suspending new late payment charges, collection notices and water shutoffs
Region of Halton	Waiving penalties and fees on property taxes from April 1, 2020 to June 30, 2020
Region of Peel	Water and Waste Water interest and penalty waived between April 1 – June 30, 2020 Water and Waste Water rate increase deferred to July 1, 2020

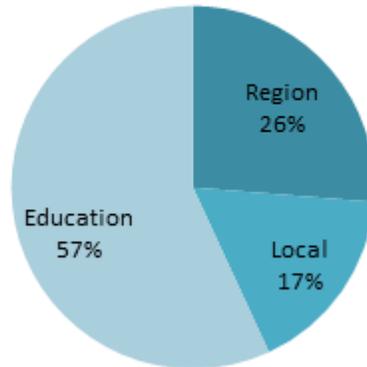
York Region is supporting business support programs put in place by the local municipalities. As the COVID-19 pandemic continues to evolve, the region and the local municipalities have launched various programs that offer financial relief and non-financial support. Amongst the local municipalities, the most common measures offered include extending payment deadlines and waiving late payment penalties on property taxes and water and wastewater charges. In support of these efforts the Region is also:

- Waiving interest on any portion of property tax instalments, due to the Region by the local municipalities, that are delayed as a result of their COVID-19 tax relief program; and
- Retaining 2020 water and wastewater rates at their 2019 levels

Property tax paid by a typical business in large part goes to the Province of Ontario towards education. The Region only receives approximately 26% of the total business tax levy, and the local municipalities retain approximately 17%.

Figure 1

**Property Tax Breakdown of
a Commercial Property in York Region**



For a typical business, the breakdown of the 2019 property taxes is as follows:

Region	Local Municipality	Education	Total
\$1,661	\$1,064	\$3,595	\$6,320

*Based on a commercial property with assessment value of \$386k in 2019.

As shown in Figure 1, the Regional tax makes up only a small portion of property taxes payable by a business. With this in mind, the Region has introduced a number of non-financial resources to support as many local businesses as possible (e.g., small business support through the York Small Business Enterprise Centre).

York Region remains committed to providing business assistance during this time of need. On [April 14](#) Council approved the establishment of the York Region Business Recovery Support Partnership to provide regional support to the business community in response to the impacts of COVID-19. Through this partnership, the Region, local municipalities and other partners continue to investigate ways to increase the effectiveness of provincial programs in the local community.

Details on support programs announced by each municipality and the Region are included in Attachment 4.

4. Analysis

Even with COVID-19 support programs from the federal and provincial governments, some small businesses are falling through the cracks

Although senior levels of government have launched several support programs, small businesses are still facing significant financial challenges. Many small businesses are unable to access current Federal or Provincial financial relief programs due to eligibility restrictions. Examples of ineligible businesses include:

- Businesses without employees and seasonal businesses that don't have staff continuously on payroll will not be able to secure relief related to employee wages through the Canada Emergency Business Account
- Canada Emergency Relief Benefit is not specific to business support and is primarily used for household bill relief
- Self-employed and sole proprietors are excluded from programs like the Canada Emergency Wage Subsidy as many earn and declare business income as opposed to a salary.
- Operators of small stores, coffee shops, daycares, florists and others are often working in the business themselves with few or just a single assistant

Further, there is no access to support for rebranding, strategizing and developing business plans to introduce new products and services to try and increase customer base and revenue.

The *Municipal Act*, prohibits municipalities from providing direct financial relief to businesses, except under certain conditions

Unlike the Province of Ontario and the Government of Canada, municipalities, including York Region are unable to provide direct financial relief to businesses affected by COVID-19 due to constraints of the *Municipal Act, 2001* (the "Act").

Currently, section 106 of the Act generally prohibits municipalities from providing targeted financial assistance or 'bonusing' to industrial or commercial enterprises (directly or indirectly). However, subsection 106 (3) of the Act does allow municipalities to provide incentives through a Community Improvement Plan (CIP) under section 28 of the Planning Act, 1990. While York Region does not have a Community Improvement Plan in place, the Planning Act, permits the Region to participate in a local municipal Community Improvement Plan.

Under section 108 of the Act, municipalities can participate in federal or provincial programs that are created to encourage the "establishment and initial growth of small businesses or any class of them in the municipality". Two such programs York Region has participated in include: the Starter Company Plus program and the Ontario Summer Company program. Both of these programs have been delivered by the York Small Business Enterprise Centre

on behalf of the Ministry of Economic Development, Job Creation and Trade. When the Region provides business grants through these programs it does not offend the ‘anti-bonusing’ prohibitions under section 106 of the Act.

There are a number of options that York Region can consider to provide near-term financial relief to local businesses

Beyond the Council approved support on April 30, 2020 of [local municipal tax and fee deferral efforts](#), staff have worked internally and with external partners through the York Region Business Recovery Support Partnership to review several options for providing direct funding to small businesses, whilst remaining cognizant of the prohibitions and permissions under the Act.

Table 2: Summary of York Region Financial Support Options for Businesses summarizes the key advantages and drawbacks of three financial support options for small businesses available to York Region:

1. Provide additional funding to the provincial Starter Company Plus program
2. Provide funding through participation in local Community Improvement Plans
3. Provide funding to the South Lake Futures Community Futures Development Corporation, a not-for-profit organization delivering the Government of Canada’s Community Futures Program to the Town of East Gwillimbury and the Town of Georgina

Table 2
Summary of York Region Financial Support Options for Businesses

Option & Key Details	Key Advantage(s)	Key Drawback(s)
#1. Provide additional Funds to expand the provincial Starter Company Plus Program by drawing from the Innovation Investment Reserve Fund	Permitted under the Municipal Act - Section 108 Can support small businesses in all nine local municipalities through the Small Business Enterprise Centres	Reduces available support for major innovation projects in the Region
#2. Provide funding to the South Lake Community Futures Development Corporation (CFDC)	Permitted under the Municipal Act – Section 108	Would only include businesses in Georgina and East Gwillimbury
#3. Participate in the Community Improvement Plans (CIP) at the local municipal level	Permitted under the Municipal Act – Section 106 (3) Supports the efforts at the local municipalities	Not available in Markham May require administrative changes at local level

Staff recommends pursuing option one and increasing funding to local Small Business Enterprise Centres for the 2020-2021 Starter Company Plus program with \$500,000 from the Innovation Investment Reserve Fund.

Since launching in 2017 the Starter Company Plus program has supported over 800 entrepreneurs across York Region

There are four Small Business Enterprise Centres, located in York Region, in Markham, Richmond Hill, Vaughan and Newmarket. The York Small Business Enterprise Centre in Newmarket is located in the York Region Administrative Building. It is operated by the Region's Economic Strategy Division and serves the northern six municipalities. The mandate of the Small Business Enterprise Centres is to assist entrepreneurs in the evaluation, start-up and growth of their small business, with the underlying goal of providing stability and early-stage growth support to area businesses and their owners. Each Small Business Enterprise Centre is mandated to deliver specialized programming for entrepreneurs and small businesses with typically less than 10 employees

All four centres currently administer the Starter Company Plus program within the local communities they serve. Starter Company Plus is an entrepreneurial training and mentoring program, with grant opportunities of up to \$5,000 for eligible adults ages 18 and older who are starting, buying or expanding a business. Overall the Starter Company Plus program helps to build a prosperous Ontario by enhancing entrepreneurship programming needs of Ontarians. Program elements include:

- Supporting primarily small main street enterprises within York Region
- Addressing local and/or regional economic development needs, and where appropriate focusing on special industries and sectors
- Supporting eligible participants with skills development training, mentoring and micro grants

Between April 2017 and March 2020 the four Small Business Enterprise Centres in York Region supported over 800 businesses. In the Northern six communities, the York Small Business Enterprise Centre trained 244 businesses, supported the creation of 82 jobs and provided 53 businesses with grants. Over \$3 Million in investments were leveraged by the businesses that completed the entire program. A total of 37 new businesses were started, and 16 were able to expand with the assistance of the program.

The Ministry of Economic Development, Job Creation and Trade encourages Small Business Enterprise Centres across Ontario to leverage opportunities to expand the Starter Company Plus program to support small businesses

On April 18, 2020, the Ministry of Economic Development, Job Creation and Trade sent an e-mail to Small Business Enterprise Centre manager and consultants indicating that funding intended for the Summer Company program could be leveraged to expand the Starter Company Plus program. The Summer Company program is designed to support full-time secondary and post-secondary students to start small businesses. The York Small Business

Enterprise has decided to transfer the entirety of its 2020-2021 Summer Company program funding to expand its Starter Company Plus program offering. The Small Business Enterprise Centre in Markham will be running a full Summer Company program, while the Small Business Enterprise Centres Vaughan and Richmond Hill have each decided to run a reduced Summer Company program to transfer some funding to the Starter Company Plus program.

All of the four Small Business Enterprise Centres collaborate on evaluating businesses under the existing Starter Company Plus framework during the 2020-2021 program year which ends March 31, 2021. The four Small Business Enterprise Centres in York Region are all aligned with being able to provide funds should the proposed program be approved by Council. The Ministry of Economic Development, Job Creation and Trade support this proposal allowing Small Business Enterprise Centres to provide additional options for increased funding.

Providing a contribution of \$500,000 from the Innovation Investment Reserve Fund to the Small Business Enterprise Centres to expand the Starter Company Plus program would support small businesses across York Region

Staff from the four Small Business Enterprise Centres have been investigating opportunities to further expand the Starter Company Plus program by leveraging additional funding to increase the reach and impact of the program. It is evident that additional financial support can provide valuable assistance to the local businesses.

A \$500,000 contribution from the Innovation Investment Reserve Fund would equate to an additional \$125,000 to each of the four Small Business Enterprise Centres in York Region to enable the expansion of the Starter Company Plus program. The funds would be administered by each individual Small Business Enterprise Centre under the existing Starter Company Plus program agreement and evaluation criteria.

This additional financial support balances the monies in the Innovation Investment Reserve Fund and the limits of funding allowed to each company under the Starter Company Plus program, with the capacity of the Small Business Enterprise Centres in the Ministry's fiscal year. The proposed funding would expand the impact of the program across York Region while ensuring the Innovation Investment Reserve Fund is still available for its intended purpose.

Applications for the first cohort of businesses, supported using existing Ministry funds, will launch in June 2020 and close in July 2020, with the first cohort beginning in August 2020. The application process for subsequent cohorts, leveraging the additional \$500,000, could commence in late-summer.

This initiative would complement the business support programs of the federal, provincial and local municipal governments

Over the last three months there have been a number of programs and financial support initiatives announced from all levels of government. Providing additional funding to the local Small Business Enterprise Centres in the Region increases the options available to

businesses for COVID-19 relief. Providing a grant complements the initiatives already available through the Federal, Provincial and local municipal governments however the mentoring and training component will also be important to those businesses that do not qualify for the grants.

Initiative supports strategic goal of Vision/Strategic Plan

Vision 2051

Open and Responsive Governance through accountability, fiscal responsibility and service delivery through collaboration and partnerships is identified as a key area of focus. Partnering with the Ministry of Economic Development, Job Creation and Trade and the Small Business Enterprise Centres in the cities of Markham, Richmond Hill and Vaughan to leverage the Starter Company Plus program as a means of supporting small businesses is consistent with this strategic goal.

Economic Development Action Plan 2022-2023

Identified as a key action under the pillar for business, the York Small Business Enterprise Centre plays an important role in delivering direct-to-business consultation services to companies across the Region.

5. Financial

On [February 28, 2019](#), Council approved the amendment to rename the University Campus Reserve to Innovation Investment Reserve Fund and broadened its use to support major innovation projects in the Region. This fund was developed to support major innovation-enabling initiatives across the Region. The fund is split into two components:

- Approximately \$1 million annual contribution to the reserve to support the [Region's \\$25 million commitment](#) to the York University campus expansion in Markham.
- An annual Innovation Investment Reserve Fund contribution to support transformational projects of Regional significance. These may include major research projects leveraging Regional infrastructure, post-secondary campus facilities, and public-private research collaborations that promote business competitiveness and community benefits.

The annual contribution of Innovation Investment Reserve Fund varies by year and by the end of June 2020 it is forecasted to have a balance of approximately \$1.55 million, which would be available to provide funding to support external parties for Council approved initiatives.

A total of \$500,000 could be repurposed and drawn from the Innovation Investment Reserve Fund to support local business COVID-19 relief and recovery through the expansion of the Starter Company Plus program. However, drawing funds from this reserve will reduce York Region's ability to support major innovation projects in the Region.

6. Local Impact

York Region is home to more than 54,000 businesses that employ over 650,000 people. According to the [2019 Employment and Industry Report](#) over 80% of the Region's business community is made up of small businesses with less than 20 employees. This is indicative of the important role of small business and entrepreneurship in York Region's economy.

Enabling greater access to mentoring and micro-grant support through the Starter Company Plus program would help ensure that some of these businesses are better able to endure the and recover from economic effects of the COVID-19 pandemic.

There are four Small Business Enterprise Centres serving the local nine municipalities. The northern six municipalities are served by the York Small Business Enterprise Centre located in the York Region Administrative Building. The cities of Markham, Richmond Hill and Vaughan are each served by its own Small Business Enterprise Centre.

Repurposing a portion of the Innovation Investment Reserve Fund and partnering with the local small business enterprise centres would enable a significant expansion of the Starter Company Plus program across York Region.

7. Conclusion

The COVID-19 pandemic has had a significant impact on the local economy across York Region. Repurposing \$500,000 from the Innovation Investment Reserve Fund to expand the Starter Company Plus program would allow the Small Business Enterprise Centres in York Region to provide valuable business skills and financial support to small businesses that have been most affected by COVID-19. This initiative aligns with, and complements, the various financial support relief programs that have been made available from the federal, provincial and local municipal governments. It also provides support to businesses located in all nine of York Region's local municipalities. Partnerships with the four Small Business Enterprise Centres and amongst the local municipal Economic Development Offices will be key to expanding and delivering the Starter Company Plus program and achieving success.

For more information on this report, please contact Jonathan Wheatle, Director, Economic Strategy at 1-877-464-9675 ext. 71503. Accessible formats or communication supports are available upon request.

Recommended by: **Paul Freeman, MCIP, RPP**
Chief Planner

Dino Basso
Commissioner of Corporate Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

May 29, 2020
Attachments (4)
#10785561