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City Councillor
Beaches—East York, Ward #19

Supporting small businesses through COVID-19: Engagement Summary for the Mayor's Economic Recovery and Support Task Force

- March 27, 2020

Since the COVID-19 pandemic started to affect daily life, I've been in constant communication with members of the community. I have been hearing from hundreds of local businesses under serious strain. Through hundreds of survey responses and follow-up working group calls, the need to focus support on small businesses has become extremely clear.

On the following pages, I have summarized the input business owners, BIAs, and stakeholders have provided me in the last several days. The contents here are not necessarily recommendations but capture the full range of feedback provided. Though the City will not be able to respond to all challenges and feedback in these comments, this information is intended to help inform the Mayor's Economic Support & Recovery Task Force's approach to recovery.

Councillor Brad Bradford

Ward 19: Beaches-East York

1. SIX HIGHEST PRIORITY NEEDS

- a. Assisting commercial tenants to meet lease obligations and calling on the Province to stop all evictions for small businesses in arrears for COVID19-related reasons.
- b. Advocating to Provincial and Federal governments for direct financial support to avoid layoffs and fulfil payroll for the 650,000 people employed by our small businesses.
- c. Securing legislative and/or regulatory actions to allow businesses to access support through interruption of business insurance due to the pandemic.
- d. Providing advisory services such as legal, accounting and other professional services to support small businesses to find resources and understand their rights and responsibilities.
- e. Extending grace periods to businesses subject to annual City licensing fees such as Restaurants, Cafes, Bars and Pubs.
- f. Proactively preparing to redeploy the City's existing business development programs and funding streams towards a comprehensive strategy to reignite local businesses after the pandemic.

2. ENGAGEMENT OVERVIEW

- 229 businesses and business representatives responded to an online survey about small business priorities
- Surveys were sent to businesses in Ward 19, and distributed by the Toronto Association of Business Improvement Areas (TABIA) to BIAs across the City of Toronto.
- The survey focussed on four areas:
 - Top three challenges for small businesses during the COVID-19 pandemic
 - Short-term steps (1-3 months) the City can take to support local businesses
 - Medium-term steps (3-12 months) the City can take to support local businesses
 - Supports needed from other levels of government now and for a long-term recovery
- Councillor Bradford hosted 11 working group calls following up on the survey with groups of 6-14 business owners, BIA representatives and City staff. Around 80 people representing their businesses and BIAs attended the working group calls.

3. IMMEDIATE CHALLENGES SMALL BUSINESSES ARE FACING

Situation

- The biggest concern among businesses is not having cash flow to pay rent, payroll and other bills including utilities and commercial credit cards.
- Another major concern is lack of insurance coverage for losses, including many insurers not covering the pandemic under force majeure provisions in their policies.
- Many businesses are dissatisfied with the level support that they have been given in the first two weeks of the pandemic, from all levels of government. Particular challenges include access to information, and legal advice.
- Many of the programs announced in the early days of the pandemic did not offer support to small businesses. For example, announcements of mortgage deferrals by the Big Six banks were only for residential mortgages, though some banks are now offering deferrals on commercial mortgages, on a case-by-case basis.
- Many small businesses do not meet the criteria for some of the business financing tools announced early on (such as Business Development Bank of Canada or BDC and others).
- Many businesses felt that communications from all levels of government has been confusing - including mixed messaging from Public Health officials with regards to social distancing and its implementation - has been confusing.
- Supply chain issues are causing inventory problems for businesses that can remain open.
- Many small businesses do not have access to additional health benefits to support their mental health.

Impacts

- The lack of relief on this front may result in many businesses to close permanently and, as a result, negatively impact the local economy.
- Some businesses owners are faced with severe personal losses as many provide personal guarantees for leases and debt they have entered to operate their business.
- Many business owners described significant mental health impacts on themselves, their employees and families. The uncertainty around COVID, how long the crisis will last and what supports will be available is taking a toll.
- For health practitioners - particularly mental health practitioners there are concerns that “some people aren’t safe to complete counselling at home - they don’t have privacy to have these conversations”

4. COMMENTS FOR ALL GOVERNMENTS

- Immediate financial support is consistently the most pressing need, with most small businesses estimating they need 3 months of revenue to survive this type of crisis.
- Many businesses commented that unlike large enterprises and institutions, small businesses do not have a single lobby or access to government.
- “We are killing it with over analysing, we need support now”

Grants and deferrals

- Business owners almost unanimously agreed that wherever possible financial support should be given in the form of grants rather than deferrals. Deferrals were considered “kicking the can down the road”.
- Deferrals are a helpful step to “buy time” but longer-term solutions are needed soon.
- Loans may be more damaging to the long-term health of small businesses, especially if provided on unfavourable terms in urgent circumstances.
- Some respondents asked for governments to focus support on businesses grossing \$600,000 and below per year.

Rent and leases

- Most commercial tenants cited rent as their biggest or second biggest expense (after payroll) and the largest pressure point to their viability,
- Commercial leases are more like contracts than residential leases. Tenants and landlords are looking for greater clarity on the legal status of lease requirements.
- Local businesses would like to see stops to commercial evictions for COVID-19 delays in paying rent. Some would like to see government legislated waivers for a certain period of rent.
- Allowing small business tenants to amend existing lease agreements to allow small businesses to create a recovery plan with their landlords.

Mortgage impacts

- Many landlords are not getting mortgage deferrals for commercial properties.
- There is a lot of information in the news that mortgages are being deferred. This is not currently government-mandated and is mostly led by the Big Six banks for residential mortgages.
- For some commercial mortgages, banks are also paying the property tax so landlords may still need to make payments including property taxes to their bank.
- Many landlords are small businesses too.

Mental health supports

- Help businesses with accessing additional mental health supports for owners and their employees.
- Target mental health access support to small business owners and staff facing closure or significant employment impacts from COVID.
- Provide resources tailored to small business owners.
- Provide more communication on managing well-being and severe financial hardship for small business owners.

Managing the pandemic

- Provide more clarity on how long the shut-down is expected to last.
- Mandate a full-shut down for a shorter period of time - “the quicker we go to full shut down, the quicker we get this done”
- Need a clear definition of quarantine, isolation and social distancing from governments.
- If closures are extended for more than a month, release guidelines and regulations on how to manage people-flow for businesses that remain open (number of people per area, requirements for PPE etc).
- Greater acknowledgement of the businesses that have stayed closed and done their part for the community.
- As supports for small businesses are rolled out, information documents should be made available in multiple languages to provide additional assistance to newcomer business-owners and business owners whose first language is not English.

5. COMMENTS FOR THE CITY OF TORONTO

Advocacy

- The most consistent City-specific feedback from local businesses was for the City to advocate for small business - to other orders of government and in community.
- Local businesses are looking for the City to advocate on all of the matters outlined in the sections below, with a strong focus on advocating for protections of commercial tenants including preventing evictions of small businesses, reducing the personal liabilities of business owners as individuals, and qualifying businesses for relief through insurance.
- Can the Mayor ask for mortgage deferrals from alternative lenders?

Financial supports

- There was extensive positive feedback for the Mayor's grace period for property taxes and utilities.
- Business owners would like to find mechanisms to ensure that property tax deferrals would be flowed through as rent or other relief to the businesses themselves.
- The City should also be extending grace periods to businesses subject to annual City licensing fees such as Restaurants, Cafes, Bars and Pubs.
- Do not implement 2020 fee increases for small business permits and city business licenses.

Accessing help and resources

- A large amount of feedback focussed on the need for the City and other levels of government to provide advisory services such as legal, accounting and other professional service.
- Help finding information on key government documents such as record of employment forms for employees.
- These services would help support small businesses to find resources and understand their rights and responsibilities.
- The City should be mindful of small business impacts when addressing permit and licensing issues.

Role of the Business Improvement Areas (BIAs)

- BIAs should meet with landlords to encourage them to hold onto their tenants.
- Some BIAs might be willing to give up their capital cost share grants, especially if the City's portion could be given to support small businesses directly. The 2020 program could be redirected.
- BIA levies could be redeployed this year to support small businesses impacted.
- Any unused BIA funds might be redeployed - for example from events that have not taken place or will not be taking place over the spring/summer.
- BIAs should begin thinking about their recovery plans now.
- Update member businesses on the status of BIAs and how they will be impacted as organizations.
- Update BIA budgets to adjust spending priorities for 2020.

Expanding/Re-deploying Existing City Programs

- Many businesses benefited from supports such as the Digital Main Street program and wanted to see this expanded, especially in the near-term to bring businesses online wherever possible.
- Support and expand food delivery programs to help restaurants.
- Use arts and culture investment to support the return of local business activity.
- Use TTC and city assets to help advertise shop local campaigns.

Keep main streets safe, vibrant destinations

- Maintain safety on retail main streets through additional policing. Some businesses have seen increased break-ins since businesses began closing several days ago.
- Continue to invest in the physical maintenance and appearance of retail areas.
- Address hate crime, especially against Asian businesses.

Preparing for a long-term recovery

- Invest in small/local business marketing once the crisis is over.
- Have a full calendar of events in the summer.
- Make sure that consumer confidence is maintained after the crisis and provide clear communications on what is safe and not, in terms of consumer behaviour and different business sectors.
- Invest in restarting the tourism sector to help kick-start the recovery.
- Take this opportunity to improve City processes, programs, fees and policies to support small businesses

Other

- Making sure that garbage and waste bins are being picked up
- Advocating for no limits in doing events
- Repairs to streets and pavements, cleaning of the streets while people are not out - this is a great time to get this work done.
- Use Green P parking to encourage more traffic for local businesses.
- Using a vacant storefront tax for long term vacancies to help support landlords and businesses trying to keep units occupied.
- More communication on power outages and utilities works that may affect individuals working from home.

6. COMMENTS FOR THE FEDERAL & PROVINCIAL GOVERNMENTS

- Financial supports announced Federally and Provincially on March 25th were generally considered helpful starting points, especially the Canada Emergency Response Benefit and Provincial funding including reduced utility rates.
- Other levels of government were called upon the most for direct financial support, and for legal/regulatory changes to protect small businesses and owners.

Short-term

- Introduce legislation to protect small businesses as tenants from being evicted.
- The 10% wage subsidy is inadequate and the Federal government should explore increasing it to at least 50%.
- Speed up the process to sign up for EI to allow increased access to already unemployed workers.

- Find ways to enforce the Force Majeure (“act of god”) clauses and other related clauses in existing contracts so that Insurance companies support businesses.
- If insurance companies cannot payout, consider legislation to limit insurance premiums of waivers for policy payments to help liquidity,
- Legislate/regulate to reduce the risk of personal guarantees.
- Provide direct financial support for rent payments due in April and May.
- Make BDC and other business loan programs more permissive with no or lower interest rates, for example, currently:
 - Businesses younger than 2 years are not eligible.
 - 6 months of interest payments. 6 years to pay the loan.
- Restrict commercial lenders/commercial mortgages from charging fees/additional interest on deferrals provided. and decouple personal and business credit for small business owners impacted by the pandemic.
- Explore supporting the landlords with some tax relief and encourage them to extend that relief to their business tenants. For example, 50% relief could be given on certain corporate taxes for landlords that extend support to their tenants. (Similar proposals have been brought forward by the Toronto Region Board of Trade).
- Delay the collection of HST to allow businesses and landlords to adjust their cashflow after the pandemic ends.
- Legislate/regulate to halt power/utility disconnections during this period as people are working from home
- Provide relief on commercial credit cards.
- With HST refunds due, CRA could release refunds that are still pending more quickly.
- Investigate if utilities such as Enbridge Gas can be required to release large account deposits back to customers to help with cash flow.
- All Ministries should be prepared with information to support small businesses - for example, the Ministry of Education should have COVID resources relevant to tutoring centres.
- Mandate extensions for invoices issued within certain date ranges.
- Reduce credit card merchant fees and/or waive HST on the fees.
- Provide relief on WSIB and other government-based costs.
- Support for businesses with termination pay, especially clarity around legal obligations for termination pay as a result of COVID-19 terminations.

Long-term

- Look at commercial rent control longer-term.
- No evictions for 6 months.
- Legislating that landlords offer rent-free periods
- More resources to help health care providers to become Personal Health Information Protection Act (PHIPA) compliant for remote consultations
- Provide a universal basic income.
- Defer implementing the 2019 Municipal Property Assessment Corporation (MPAC) assessments to keep property taxes stable.

7. COMMENTS FOR NON-GOVERNMENT PARTNERS

- Provide mortgage waivers or deferrals to smaller landlords.
- Insurance companies should provide coverage, reductions in premiums and/or waivers of premiums for a period of time.
- External organizations to help with providing mental health support to small businesses.
- Provide commercial credit card relief.
- Provide more clarity on support that commercial banks will be providing to landlords and small businesses with commercial loans.
- Encourage communities to support local business,

8. INFORMATION FOR FREQUENTLY ASKED QUESTIONS

- With the number of requests for a clearing-house/one-window style of resources, some of the FAQs from the discussions are captured here.

Common questions

- What support is available for me to defer or get relief on rent?
- What have some commercial banks been providing in terms of support to businesses owners and landlords? - What's possible and what should we negotiate for?
- Will there be late penalties or interest charges on utilities deferrals?
- How do businesses access personal protective equipment (PPE)?
- What are the policies and protocols around expiring products and stock of inventory in terms of returns to suppliers, and refund requests from customers?
- How will my credit rating be impacted if I do not pay some bills due to COVID? Is it different for utilities versus other bills?
- What is the status of the Federal Summer Internship Program?
- What are the rules for employees who opt not to work even though my business is remaining open?
- How will the City be enforcing orders for businesses which have been forced to closure during the COVID-19 pandemic?