



**City of Kingston
Report to Council
Report Number 21-080**

To: Mayor and Members of Council
From: Desiree Kennedy, Chief Financial Officer & City Treasurer
Resource Staff: Lana Foulds, Director, Financial Services
Jeff Walker, Manager, Taxation and Revenue
Date of Meeting: February 16, 2021
Subject: 2021 Additional Property Tax Relief Program related to
COVID-19

Council Strategic Plan Alignment:

Theme: Financial measures/budget

Goal: See above

Executive Summary:

On January 19, 2021, Council approved the 2021 Interim Tax Levy [Report Number 21-038](#) which provided for the levying and collecting of 2021 interim property taxes, including a recommendation to implement a 2021 COVID-19 Hardship Deferral Program.

In addition to approving the COVID-19 Hardship Deferral Program for 2021, Council also passed the following motion:

“That Council direct staff to develop an additional tax relief program, that would defer payment of any outstanding 2020 final tax billing installment, and consider a further deferral of the 2021 interim and final tax billings for specific categories of small businesses that were subject to a significant reduction in their standard operating business hours and/or allowable group size for most of 2020 as a result of Provincial restrictions. And that staff report back with a recommended program to the February 16, 2021 Council meeting.”

This report will provide information on COVID-19 related tax relief that has previously been approved by Council to date as well as tax relief programs available from other levels of government and identify where a further deferral of arrears might be necessary for specific

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categories of small businesses that had to close or significantly restrict services for most of 2020 and into 2021 as a result of provincial restrictions.

A draft by-law (attached as Exhibit B) is being presented to Council for all three readings to provide for an extended property tax deferral option for small business property owners.

Recommendations:

That the City Treasurer be directed to revise the current application-based 2021 Interim Property Tax Deferral Program to incorporate an additional option for an extended deferral for those small businesses that, because of provincial restrictions, have had to close or significantly restrict services for most of 2020 and into 2021 as outlined in Report Number 21-080; and

That a by-law be presented to Council for all three readings to amend By-Law Number 2021-22, attached to Report Number 21-080 as Exhibit B, to provide for the option of an extended property tax deferral for small business property owners.

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Authorizing Signatures:

ORIGINAL SIGNED BY CHIEF FINANCIAL
OFFICER & CITY TREASURER

**Desiree Kennedy, Chief
Financial Officer & City
Treasurer**

ORIGINAL SIGNED BY CHIEF
ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	
Brad Joyce, Commissioner, Corporate Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

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Options/Discussion:

As part of Council's recent recommendations to defer the 2021 interim tax billing and to continue to provide small business tax relief programs, Council also passed the following motion at the January 19, 2021 council meeting:

"That Council direct staff to develop an additional tax relief program, that would defer payment of any outstanding 2020 final tax billing installment, and consider a further deferral of the 2021 interim and final tax billings for specific categories of small businesses that were subject to a significant reduction in their standard operating business hours and/or allowable group size for most of 2020 as a result of Provincial restrictions. And that staff report back with a recommended program to the February 16, 2021 Council meeting."

Staff have reviewed program options specifically targeting businesses that, because of provincial restrictions, have had to close or significantly restrict services for most of 2020 and into 2021, even when the region was in Stage 3/Yellow or Green Zones.

The review focused on support that would address post-pandemic recovery challenges, particularly where businesses will be required to maintain ongoing operational expenses while attempting to settle previous liabilities. The review also considered the ongoing federal and provincial support programs, in particular any programs that would fund property tax costs directly or as part of related rent subsidies.

Property Tax Relief

Recognizing the ongoing fiscal challenges experienced by residents and businesses due to the COVID-19 pandemic, Council has approved the following property tax relief measures to date:

2020

- Deferral of the final property tax billing normally due June 30th to August 31, 2020
- Waiving interest on outstanding 2020 interim taxes for the months of March to July 2020
- Extending the preauthorized payment program in 2020 by allowing the deferral of up to two instalments to November and December 2020
- Approval of the 2020 application-based deferral program for small business property owners providing a further payment deferral of the final property tax billing from August 31st to November 30, 2020

2021

- Deferral of the interim property tax billing, normally due February 28th, to March 31, 2021
- Extending the preauthorized payment program in 2021 by allowing the deferral of up to two instalments to November and December 2021

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- Approval of the 2021 application-based deferral program for small business property owners providing a further payment deferral of the interim property tax billing from March 31st to September 30, 2021.

Provincial and Federal Tax assistance programs for individuals and businesses

In addition to assistance being provided by the City of Kingston, the Provincial and Federal governments have put together a number of assistance programs for individuals and businesses that have been required to close or significantly restrict services because of provincial public health measures. Information on these programs will be available on our website at CityofKingston.ca/tax.

Examples of Provincial programs include:

- **Business Education Tax (BET) Reduction:** All high BET rates will be lowered to a rate of 0.88 per cent for both commercial and industrial properties beginning in 2021. This is ten basis points below the existing target rate and represents a tax cut reduction of 30 per cent for commercial and industrial tax class properties and 10 per cent for new construction commercial and industrial tax class properties located in Kingston. This equates to a total of \$8.7 million in tax relief for Kingston's commercial and industrial properties.
- **Ontario's Property Tax and Energy Bill Rebates program:** Businesses that were required to shut down or significantly restrict services due to provincial public health measures (in areas with modified Stage 2 restrictions or categorized as control or lockdown) can apply for rebates, provided in the form of grants, to help with their fixed costs.

Examples of Federal programs include

- **Extension of the Canada Emergency Wage Subsidy:** The government has extended the program until June 2021. The subsidy would remain at the current subsidy rate of up to a maximum of 65 per cent of eligible wages until December 19, 2020. The maximum wage subsidy rate will increase to 75 per cent for the period beginning Sunday, December 20, 2020 until March 13, 2021. The wage subsidy is now more flexible and targeted, allowing employers to access the maximum subsidy rate based on a single month's revenue decline instead of having to demonstrate three months' decline.
- **Canada Emergency Rent Subsidy:** This program has replaced the Canada Emergency Commercial Rent Assistance (CECRA) program. It will support businesses that have suffered a revenue drop, by subsidizing a percentage of their expenses on a sliding scale, up to a maximum of 65 per cent of eligible expenses retroactive to September 27, 2020 until June 2021. The rent subsidy would be provided directly to tenants, but also provides support to property owners. Qualifying organizations that have been significantly restricted by a mandatory public health order issued by a qualifying public health

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authority can receive an additional 25 per cent of rent support through the Lockdown Support. The combined effect of the rent subsidy and the Lockdown Support is that hard-hit businesses, non-profits and charities subject to a lockdown can receive rent support of up to 90 percent.

Staff reached out to Public Health to obtain feedback on the impact of provincial restrictions to specific business categories. Staff also met with the Property Tax Working Group, a sub-group of the Mayor's Economic Recovery Team, to identify possible further tax relief measures for small business, recognizing the City's limited financial resources during this time.

As the region progresses through the various stages of reopening, many businesses continue to face significant ongoing challenges to their normal operations. These challenges fall into the following broad categories:

- Provincial health restrictions limiting the types of businesses that can open and the hours in which business can be conducted
- Capacity requirements due to required physical distancing
- High cost of required personal protective equipment
- Current lack of demand for services due to restrictions around travel and gathering.

The current 2021 application-based COVID-19 Hardship Deferral Program for small business properties targets all properties in the commercial property class with a total taxable assessment of \$2.0 million or less as well as all properties identified under a hotel or motel property code. This represents the same business categories that were eligible for the 2020 final property tax deferral program. It allows the property owners that continue to be adversely impacted by COVID-19 to defer their 2021 interim tax installment until September 30, 2021.

Applications require supporting evidence that the property owner continues to experience financial hardship directly related to the COVID-19 pandemic and requires that previous years' property taxes be paid up to date prior to the August 2020 final billing installment which was due after the start of COVID-19 related closures. The program also requires property owners with tenants to pass on the benefit of a deferral to their tenant.

Based on the above, an extended property tax deferral option is being recommended for small businesses that have been required to close or significantly restrict services because of provincial public health measures. Any deferral would only be considered after the application of funding in whole or in part by upper level government funding programs, including support from the Canada Emergency Rent Subsidy Program (CERS). The CERS program provides for the reimbursement of property taxes and is currently accepting applications for funding retroactively to September 2020. The program covers a portion of property taxes up to 90% from September 2020 until June 2021.

Staff are recommending that the recently approved application-based program for small businesses be amended to include an option to apply for an extended deferral to December 31,

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2022 for 2020 final tax installment arrears, if applicable, and 2021 interim and final tax installments for those businesses that, because of provincial restrictions, have had to close or significantly restrict services for most of 2020 and into 2021. This would, for example, include businesses such as bars and nightclubs where provincial restrictions limited operating hours and hours for liquor consumption while in the Yellow Zone and for nightclubs that could only operate as a restaurant or bar in both the Green/Yellow Zones. Interest on the deferred installments would not accrue during the deferral period. Where a small business property owner indicates a need for the extended deferral on their application, the application will be forwarded to the recently hired Business Support Manager in the Business, Real Estate and Environment Department. The Business Support Manager will work in conjunction with the applicant to review and identify where additional support, including extended property tax deferrals, might be necessary.

Exhibit A provides additional detail and eligibility requirements for the extended deferral option of the program. This report includes a recommendation to revise the current application-based property tax deferral program as described above. The draft by-law is being presented to Council for all three readings to provide for an extended property tax deferral option for small business property owners.

Existing Policy/By-Law:

None

Notice Provisions:

None

Accessibility Considerations:

None

Financial Considerations:

The component of the commercial property class eligible for the existing COVID-19 small business deferral program represents approximately \$15M in total interim property tax levy. While it is difficult to project the businesses that may require an extended deferral program, the number of eligible businesses is anticipated to be significantly less than those eligible for the existing program.

Should short-term borrowings be required for operating cashflow purposes during the deferral period, it is anticipated that they could be transacted by way of temporary internal borrowings from other City funds, however, there may also be a need at certain times of the year to draw on the City's operating line of credit with TD bank for operating cashflow purposes.

Contacts:

Jeff Walker, Manager of Taxation & Revenue, 613-546-4291 extension 2484

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Other City of Kingston Staff Consulted:

None

Exhibits Attached:

Exhibit A – COVID-19 Hardship Deferral Program Details and Eligibility Requirements – Extended Property Tax Deferral

Exhibit B – A Bylaw to Amend By-Law Number 2021-22, “A By-Law to Provide for a 2021 Interim Tax Levy; Payment of Taxes by Instalment; Penalty and Interest at One and One Quarter Percent Monthly on Tax Arrears”

COVID-19 Hardship Deferral Program – 2021 Interim Property Tax Levy

A. Program Details and Eligibility Requirements – 2021 Interim Property Tax Installment

Small business property owners in the City of Kingston that are experiencing hardship as a result of the COVID-19 pandemic may qualify for tax deferral of the 2021 interim property tax installment to September 30, 2021, if the following criteria are met:

1. The property owner must be experiencing financial hardship directly related to the COVID-19 pandemic.
2. Property taxes must be paid up to date prior to the August 2020 final billing installment.
3. The property must be either;
 - a. A taxable property assessed in the following tax classes; occupied commercial, shopping centre, parking lot or office property class and have a total 2021 property assessment value equal to or less than \$2.0 million; or
 - b. A taxable property assessed in the occupied commercial tax class that is assessed as a hotel or motel property.
4. All other property tax classes and sub classes do not qualify for the deferral; these include but are not limited to residential, multi-residential, new multi-residential, farm, landfill, pipeline, managed forest, vacant land, excess land, farmland awaiting development and all payment in lieu.
5. Property owners must be experiencing hardship in one or more of the following categories; excessive business revenue loss or temporary business closure, or another category of financial hardship related directly to the COVID-19 pandemic as determined at the sole discretion of the Chief Financial Officer & City Treasurer.
6. Eligible property owners must apply for the deferral before March 15, 2021 to be considered.
7. The property will be ineligible if false or inaccurate information is provided in the application.
8. Property owners with tenants are expected to pass on the deferral.

Eligible property owners will receive a confirmation email to confirm the extended due date for the tax deferral of the 2021 interim property taxes.

B: Program Details and Eligibility Requirements – Extended Property Tax Deferral

Small business property owners in the City of Kingston may qualify for a further tax deferral to December 31, 2022 for arrears from the 2020 final tax installment, if applicable, and the 2021 interim and final tax installments if the following criteria are met:

1. Eligible property owners must own or lease to businesses that, because of provincial restrictions, have had to close or significantly restrict services for most of 2020 and into 2021.
2. Eligible property owners or small business tenants must have applied for all applicable senior level government funding programs, including the Canada Emergency Rent Subsidy Program, in order to utilize respective funding for paying corresponding property tax installments.

The City of Kingston Business Support Manager will reach out to applicants for further discussion and support.

By-Law Number. 2021-XX

A By-Law to Amend By-Law Number 2021-22, “A By-Law to Provide for a 2021 Interim Tax Levy; Payment of Taxes by Instalment; Penalty and Interest at One and One Quarter Percent Monthly on Tax Arrears”

Passed: February 16, 2021

Be it resolved that the Council of the Corporation of the City of Kingston hereby enacts as follows:

1. By-Law 2021-22, being “A By-Law to Provide for a 2021 Interim Tax Levy; Payment of Taxes by Instalment; Penalty and Interest at One and One Quarter Percent Monthly on Tax Arrears”, is hereby amended as follows:
 - a. Additional clause be added as number six (6) in the following section:

Whereas sub-section 346(2) of the *Municipal Act, 2001*, c.25, as amended, provides that the council of a local municipality may pass by-laws to provide for the payment of taxes by any person into a financial institution to the credit of the treasurer of the municipality and, in that case, the person making the payment shall be entitled to be issued a receipt by the institution for the amount paid; and

Whereas Council deems it expedient to pass a by-law for such purposes;

6. Small business property owners may qualify for an extended tax deferral to December 31, 2022 where businesses have had to close or significantly restrict services for most of 2020 and into 2021 because of provincial restrictions.

This By-Law shall come into force and take effect on the date of its passing.

John Bolognone
City Clerk

Bryan Paterson
Mayor