Recommendation

That the February 1, 2021, Office of the City Manager report CR_7806, be received for information.

Previous Council/Committee Action

At the November 26, 2019, City Council meeting, the following motion was passed:

That Administration review and provide a summary report on the financial assistance policy from the City of Montréal that deals with the financial impacts of construction projects on small businesses, along with any feedback on how the program has operated since implementation.

Executive Summary

As part of the 2018-2022 Economic Development Strategy, the Urban Agglomeration Council of Montréal ("Montréal") implemented a \$25 million subsidy program for businesses that have suffered economic loss due to major construction in designated areas. This program is part of a larger strategy to prepare for economic growth in the region.

The program was launched in January 2019 and was retroactive to 2016 for some types of construction. The program will continue until the funds are exhausted or by date set by ordinance. Eligible impacted businesses submit an application, including financial documentation, that establishes a reduction of gross profit exceeding 15 per cent per year. Each business is entitled to a maximum subsidy of \$30,000 per year.

Report

The City of Montréal established an advisory committee to examine the major issues surrounding commerce in Montréal and develop an 2018-2022 Economic Development Strategy. Part of the strategy was to develop a financial assistance program for businesses impacted by major construction. Montréal's Agglomeration Council passed a bylaw *Establishing the Financial Assistance Program for Establishments Located in an Area Undergoing Major Work* (RGC 18-043) on December 20, 2018 ("the Bylaw").

The program provides financial support through a subsidy to businesses located in areas affected by major infrastructure work and whose gross profits have decreased by more than 15 per cent during a financial year coinciding with the major work.

The program intends to:

- Reduce financial impacts for business owners located near a major construction site:
- Help business owners remain in business during a major infrastructure construction project;
- Support the commercial vitality of the city's commercial thoroughfares that are impacted by worksites;
- To encourage the retention of jobs in businesses affected by construction sites.

Financial Structure

The total value of financial assistance that may be awarded for the life of the program is \$24.8 million, as set out in the Bylaw. Of this funding, the documentation indicates that \$15.6 million comes from Montréal's regular budget and \$9.2 million comes from a \$150 million agreement with the Gouvernement du Québec

The financial assistance program under the Bylaw ends on the following dates, whichever occurs first:

- 1) the date determined by ordinance of the executive committee;
- 2) the date on which the subsidies awarded under the program reach the total value of \$25 million (or such further amount if amended);
- 3) when the funds earmarked for the program are exhausted.

Amount of the Subsidy Awarded

The subsidy is disbursed to businesses recording a loss of gross profits exceeding 15 per cent and up to a maximum of \$30,000 per eligible fiscal year per establishment.

An establishment's lost profit is calculated by comparing the gross profit recorded in the fiscal year during which construction took place with the gross profit recorded during one or more comparable fiscal years prior to the beginning of construction.

- For establishments located in the designated area at least two years prior to construction, the comparison is with the average gross profits of the last two fiscal years preceding the construction.
- For establishments located in the designated area one year prior to construction, the comparison is with the gross profit of the last fiscal year preceding the construction.

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• For establishments located in the designated area for less than one year, the comparison is with the gross profits of the months preceding the construction extrapolated over 12 months.

"Eligible fiscal year" is defined as a full fiscal year during which major infrastructure construction was undertaken and an establishment located in a designated area experienced a gross profit loss of 15 per cent or more.

Eligible Businesses

The program is for businesses with an establishment in areas affected by major construction work, not building owners. An "establishment" is defined as a unit in a building determined by ordinance where a business conducts its commercial activities.

To be eligible for financial assistance under this program, businesses must operate in retail sales, product rental or consumer service delivery industries.

The following business activities are excluded:

- 1) Massage services;
- 2) Professional, scientific and technical services other than interior design services and photography;
- 3) Finance and insurance services;
- 4) Health care and social assistance services;
- 5) Real estate services, other than self-storage mini-warehouse services.

The program uses the North American Industry Classification System (NAICS) industry sectors and codes to better define the business activities either included or excluded.

Further, the following businesses are ineligible under the program:

- A business whose establishment:
 - ceases its operations or declares bankruptcy within 40 days following the filing of the application;
 - has moved to an area other than one of the areas designated by the executive committee during the work period;
 - is acquired or installed after the beginning of the work period;
 - is installed inside a metro station or an educational institution, except if the establishment has a direct access to the public roadway;
 - does not have a valid occupancy certificate;
- a business listed in the Register of Enterprises Ineligible for Public Contracts (REIN) in accordance with the Act respecting contracting by public bodies (CQLR, chapter C-65.1).

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Eligible Areas

Worksites Covered by the Program

Two types of worksites are covered under the financial assistance program:

- 1) Major underground infrastructure construction sites run by the City, including the reconstruction of water or aqueduct conduits for a projected or actual duration of at least 6 months.
- Public infrastructure construction sites run by the City or by the Société de transport de Montréal (STM), that cause vehicular traffic hindrances for a projected or actual duration of at least 36 months.

The Program applies retroactively to City-run construction sites as of January 1st, 2016, and to STM-run sites as of September 21, 2017.

List of Eligible Areas

Eligible areas and dates for the application of the program are designated by Montréal's executive committee. These areas are mapped out and posted publicly as shown in Attachment 1.

Application Process

A business with several establishments must file a separate application for each one.

Only one application may be filed for an establishment for every 12-month period.

A business will not receive a subsidy if it ceases its commercial activities, goes bankrupt or sells its establishment during the review of its application.

For the purposes of a subsidy application, businesses must submit an application form, along with the following documents:

- 1) The current Information Statement in Québec's Enterprise Register, at: http://www.registreentreprises.gouv.qc.ca/en/consulter/rechercher/default.aspx
- 2) a document establishing the mandate of any person acting on the applicant's behalf;
- 3) where required, a copy of the Lease confirming that the business leases part or all of a building located in one of the designated areas;
- 4) a copy of the effective Occupancy Certificate;

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- 5) the applicable Calculation Grid filled out in accordance with schedule 1:
 - A for establishments having completed at least two fiscal years in the designated area;
 - B for establishments having completed only one fiscal year in the designated area; or
 - C for establishments having completed less than one fiscal year in the designated area;
- 6) Financial Statements of the establishment for any eligible fiscal years and any comparable fiscal years to be considered in accordance with schedule 1;
- 7) the businesses' Income Tax Returns related to any eligible fiscal year and any comparable fiscal year to be considered in accordance with schedule 1;
- 8) where available, the businesses' Notices of Assessment for any eligible fiscal years and any comparable fiscal year to be considered in accordance with schedule 1;
- 9) the Solemn Declaration in schedule 2, filled out and signed before a duly authorized person (i.e. a commissioner of oaths).

Feedback on Program

Attachment 2 contains the feedback obtained from Montréal.

Corporate Outcomes and Performance Management

Corporate Outcome(s): Edmonton Region is a catalyst for industry and business growth			
Outcome(s)	Measure(s)	Result(s)	Target(s)
Edmonton supports business growth, development and diversity through its policies, services and responsiveness to emerging economic and business trends.	N/A	N/A	N/A

Attachments

- 1. Map of Eligible Areas
- 2. Feedback from Montréal

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Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- A. Laughlin, Deputy City Manager, Integrated Infrastructure Services
- K. Armstrong, Deputy City Manager, Employee Services
- R. Smyth, Deputy City Manager, Citizen Services
- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development

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