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Council turns down small business subclass discount

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Exterior of Civic Centre on Wednesday, March 24, 2021 in Sault Ste. Marie, Ont. (BRIAN KELLY/THE SAULT STAR/POSTMEDIA NETWORK)

An optional small business subclass discount won't be implemented by the City of Sault Ste. Marie at tax time.

City council followed the recommendation of staff and voted to not implement the discount at this time.

The main reason for the decision is that any discount would be required to be funded by other classes, shifting the tax burden onto others.

That's something those who attended a consultation period did not want to see happen, said Shelley Schell, the city's chief financial officer and treasurer.

Downtown business property owners are part of a Downtown Business Improvement Area and currently pay an additional tax or fee to the Downtown Association to help with its marketing of local events and improvement of the area it covers. It is a requirement for all properties within the Downtown Business Improvement Area.

Ward 3 Coun. Matthew Shoemaker said the creation of the business subclass could see some of those association fees reimbursed.

But Schell said that was only part of the plan and the cost of administering the system, through high-level modelling, could cost the municipality about \$100,000, also decreasing the amount available to the local business improvement area.

"There was a lot of outreach, but very little response we got back from it, which was kind of surprising," Schell told council.

Some participants in the engagement sessions may have liked the idea as a tool but didn't want to see the tax burden transferred to other classes, she said.

The option to create a small business property subclass was first introduced by the provincial government in late 2020, as a result of requests from some municipalities that sought a form of relief for small business.

The regulations were finalized in May 2021 and, in late June, council authorized city staff to hold stakeholder consultations.

Invitations were sent to 537 businesses and only 15 attended the two sessions, including the Chamber of Commerce and the Downtown Association, both of which had reached out to their members to participate.

Along with other materials presented by the Municipal Property Assessment Corp., city staff is recommending that the subclass not be added at this time.

“To add a small business subclass discount, municipalities need to look at their local policy objectives, issues and goals. There are a variety of financial and economic tools already available to nurture and support small business,” the report to council states.

Shoemaker said he struggles with the fact that the burden of the costs of downtown events are mostly shouldered by the Downtown Association and its member businesses, and the city has little to contribute in its role.

“One of our objectives is downtown development and we have a way presented to us today that would see us put a couple hundred grand of money back into the pocket of merchants and spreading the cost across the whole city,” he said.

Shoemaker, the lone opponent of the resolution, said the city could offset the downtown levy by creating a new subclass and put the money back into their pockets to reinvest or have the downtown association disband and bring their functions in-house at city hall.

“I think both of those suggestions essentially achieve the same results, which is put the money back in the hands of downtown merchants but one of those is presented to us tonight and we’re turning our nose away from that option tonight,” Shoemaker said.

Ward 2 Coun. Lisa Vezeau-Allen noted that only building owners would benefit from the program, not the many small businesses that just lease space in the Business Improvement Area.

Schell said the tool can be good, but is not suitable for all municipality and the administrative burden is heavy on the municipality, ultimately costing more than the discount provides.

Mayor Christian Provenzano called the BIA issue a separate, independent matter that should be canvassed separately from the tax subclass issue.

Schell said guidelines have been in place since 2009 to help rectify the tax ratio inequity for the large decrease in the industrial and commercial tax classes to avoid shifting the burden to other taxes.

“Adding a subclass to either the industrial or commercial tax class will detrimentally affect the others of the class, who would see a tax increase for all or a portion of the discount,” she says.

In addition, both taxes are impacted by tax capping, which would also compound the issue.

Other classes, such as the residential class, would suffer from a greater burden, which has already been above the levy increase for the past two years, she noted.

Administration requirements and staffing by the city and finding ways to create the discount would also mean a decline in service levels, something that is not recommended at this time.

It was also noted that other programs exist to help businesses upgrade their downtown locations or access through government programs.

City council will deliberate its 2022 budget in December.

In other council news, the Canadian Snowmobile Race Association Snowcross 2022 has been provided with \$15,000 from the Tourism Development Fund (special events sector). The fund supports tourism in two sectors – festivals and special events and attractions and product development.

The CAN-AM Snowcross Race in Sault Ste. Marie is scheduled for Jan. 21-23, 2022.

It's anticipated that about 800 people will visit the community for the three-day event creating an economic benefit of about \$360,000 during a traditionally quiet visitation time.

Also, city staff have been authorized to submit a funding application to the Federation of Canadian Municipalities Green Municipality Fund to complete a community efficiency financing program feasibility study.

The feasibility study expected to cost \$100,000. If successful in its application, 80 per cent of the project costs could be covered.

The study would assess community efficiency within Sault Ste. Marie with the goal of becoming a net-zero emission community by 2050.

The study is designed to identify barriers and evaluate which type of building retrofit or CEF program may be best suited for Sault Ste. Marie. It assesses a number of factors in the community, engages with stakeholders and recommends exploring the development of a community retrofit program.

Meanwhile, council has asked staff to develop a Halloween Spirit Awards program based on the similar principles, rules and goals that the Christmas Lighting Award Program are based on. It wants to see a draft program by June.

Also, the city's transportation engineering department will review the intersection of Strand Avenue and Wilson Street and provide any recommendations on changes that can be made to the present traffic controls to reduce speeding. No timeline has been put on the report but residents in the area have reported excessive speeding near that intersection, which also has a history of accidents.