
Subject: Email - Communication - Stephanie Clovechok - Extended Deferral of Property Taxes and Utilities for Saskatoons Hotel Partners - File CK 1920-1
Attachments: 2021_backgrounder_deferral_of_prop_taxes_and_utilities_feb23.pdf

From: Web NoReply <web-noreply@Saskatoon.ca>
Sent: Monday, March 8, 2021 7:23 AM
To: City Council <City.Council@Saskatoon.ca>
Subject: Email - Communication - Stephanie Clovechok - Extended Deferral of Property Taxes and Utilities for Saskatoons Hotel Partners - File CK 1920-1

--- Replies to this email will go to sclovechok@tourismsaskatoon.com ---

Submitted on Monday, March 8, 2021 - 07:22

Submitted by user: Anonymous

Submitted values are:

Date Monday, March 08, 2021

To His Worship the Mayor and Members of City Council

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Subject Extended Deferral of Property Taxes and Utilities for Saskatoon's Hotel Partners

Meeting (if known) Finance Committee - March 8

Comments

Please find the attached backgrounder that was submitted on behalf of Tourism Saskatoon, Downtown Business Improvement District and Greater Saskatoon Chamber of Commerce following consultation on the property tax and utility deferral file for Saskatoon's hotel partners to please be included in the Finance Committee's package. On behalf of Tourism Saskatoon Stephanie Clovechok would like to take an opportunity to speak to this backgrounder and the administration's report highlighted under item 7.3.1 Property Tax and Utility Deferrals - Hotel Partners.

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Backgrounder

Extended Deferral of Property Taxes and Utilities for Saskatoon's Hotel Partners

Updated February 23, 2021

Introduction

The property tax and utility deferral program that was put into place by the City of Saskatoon in the early months of the pandemic (which ended in September 2020) was both effective and welcome at a critical time for businesses. As the first hit, hardest hit and among the last businesses to recover, hotels are in need of assistance with their high fixed costs i.e., property taxes and utilities.

Background and Analysis

Over 80% of Saskatoon's hotels are owned by Saskatchewan residents who operate both franchised and independent hotels. Many of these hotels are family-run businesses that employ thousands of Saskatchewan residents. While these businesses have demonstrated incredible resilience, creativity and capacity to adapt, some sectors have been hit harder than others and left without the ability to shift their business model. Our local hotel industry falls into this category.

The impact of COVID-19 has been severe on many businesses however public health restrictions and the subsequent economic downturn has disproportionately affected our local hotel industry. The occupancy levels across the city vary greatly with most recent data suggesting an overall average of 23.6% occupancy, representing a 61.1% decrease compared to last year. As a result of hotels having lost the opportunity to generate revenue with travel and public gathering restrictions in place, hotels across the city have lost an average of between \$10-\$15 million in revenue each. With revenue opportunities now limited, high fixed costs threaten the viability of these businesses. Property Taxes and utilities represent the largest fixed costs for hotels. In addition to occupancy rates and revenue lost, hoteliers and the tourism industry utilize other metrics in order to breakdown the vitality of the industry as a whole.

The average daily rate is a calculation that accounts the average guest room income per occupied room for a given period. The calculation is determined by dividing the total revenue by the number of rooms sold. Across the city there has been an overall decrease of 15% to the average daily rate. The concern with this phenomenon is that hotels are dropping their guest room prices to entice the local market to stay in their hotels in order to pull in some revenue. This causes a chain reaction of other hotels to do the same creating a "race to the bottom" vying for business. The resulting effects are unsustainable average daily rates crippling the tourism industry in the city.

Notably, the RevPar (Revenue Per Available Room) – which is a metric used in order to measure a hotels performance – has seen a dramatic 66.9% decrease year over year. This performance indicator is important as it assesses the hotels ability to fill its available rooms at an average rate. With the significant decrease seen as a result of the pandemic and restrictions placed on travel and gathering sizes hotel performance is low and the ability to fill rooms at regular rates diminishes.

Cost Saving Initiatives

As a result of the pandemic, hotels across the city have had to cut expenses, both operational and capital. Plummeting revenues have resulted in large job losses and a shift in the entire industry, the following are some of the cost saving actions taken to date by Hoteliers:

- On average 75%-80% of hotel employees are currently in furloughed to laid off state across the city
- Many hotels have had to close food and beverage facilities or cut down to reduced hours to decrease operating costs. Not only does this affect the specific establishment but the effects have been seen through the local supply chains as food and beverage suppliers are no longer supplying these once very active facilities.

Federal/Provincial Programs Available to Sector

The COVID-19 pandemic has required a strong response from all levels of government including the implementation of support programs and resources available to individuals and businesses. The following is a comprehensive list of resources from the provincial and federal government that have been made available to the hotel sector here in Saskatoon:

- Canada Emergency Wage Subsidy (CEWS)
 - As Canadian employers with a drop in revenue during the pandemic, hotels were able to utilize this subsidy to help prevent further job losses and help re-hire workers.
- Highly Affected Sectors Credit Availability Program (HASCAP)
 - Available as of February 1, 2021 – 100% government guaranteed financing for heavily impacted businesses.
- Canada Emergency Business Account (CEBA)
 - Interest free loans up to \$60,000 to small businesses. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness of 33 percent.
- Saskatchewan Tourism Sector Support Program
 - Event/attraction operators will be able to apply for a one-time, non-repayable emergency payment.
- Emergency Rent Subsidy (CERS)
 - A subsidy to cover part of their commercial rent or property expenses.

Recommendations

1. Explore an application-based property tax and utility deferral program until December 31, 2021.
2. Extend any deferral payback period to December 2024.
3. Ensure that the deferral option is offered interest and penalty free.

Implications

- Consult with SaskPower to ensure that hotels not utilizing Saskatoon Light and Power services due to their geographical location can take advantage of the same deferral program.

Submission Partners

Tourism Saskatoon, Downtown Saskatoon Business Improvement District and Greater Saskatoon Chamber of Commerce.