



Commentary on Proposed Federal Budget 2021

This past February, IDA Canada submitted a pre-budget submission to the Department of Finance as part of its consultation process. In the submission, there were three recommendations. IDA Canada was pleased with a number of the programs the government included as part of its budget tabled on April 19th, but we will be seeking clarification of eligibility and details of some initiatives which are not yet worked out. We believe continued advocacy at the Federal level by all BIAs/SDCs is important to ensure there are further infrastructure supports to help revitalize downtowns and support the economic recovery from COVID-19.

The following is a summary and commentary on those elements of the budget which are relative to the three recommendations we submitted to the Department of Finance. We identify our three recommendations and then cite the relevant steps government is taking within the budget to address the recommendation. We **highlight in red** our response to government initiatives.

***Recommendation 1:** That the Federal government allocate funding for the re-shaping of downtowns, main streets, and traditional commercial neighbourhoods. This would be a re-imagining of the former national and provincial main street programs focused on enhancing the functionality and efficiencies of the ground-floor/street interface and interior modifications required to ensure viability for business and property owners. Funds should also be made available for the creation and redesign of public spaces [including public washrooms] intended to attract people back to downtown and main streets.*

We recommend a budget of \$1 billion be allocated for the re-building of downtown cores.

We were pleased to see the creation of the Canada Community revitalization fund, to be administered by RDCs:

Canada Community Revitalization Fund

“Main streets, farmers' markets, and other gathering places underpin local economies. In many communities, the most vibrant spaces in our communities have laid dormant as Canadians took precautions to stay safe. Recognizing that economic recovery is tightly linked to the vitality of our local communities:

- Budget 2021 proposes to provide \$500 million over two years, starting in 2021-22, to the regional development agencies for community infrastructure. These projects will stimulate local economies, create jobs, and improve the quality of life for Canadians from coast to coast to coast.”

We appreciate this initiative as it will be critical to adjust and re-animate the physical environment to ensure the on-going vitality of Canada's downtowns and main streets. It should not only be the public spaces, but the interface of ground floor businesses with that public space, so we trust some funds may be made available to assist business and property owners with these changes. These measures will contribute to our downtowns and

main streets being more socially balanced, economically energized, culturally dynamic, racially integrated, innovatively robust, and environmentally sustainable and resilient.

Recommendation 2: That, as part of a COVID-19 recovery, the Federal government fund capital projects that help with the creation of 'complete streets' which accommodate the changing demands and standards created by COVID and are designed to include pedestrians, public transit, bikes and cars, allow retail expansion and support more vibrant downtowns and main streets.

We suggest the Federal Government partner with Provincial and Municipal governments, with flexible eligibility requirements, reflecting different regional and local infrastructure priorities. Groups like IDA Canada can play a leading role in supporting this.

We recommend a budget of \$750 million be allocated for the re-construction of streets and sidewalks to allow better public access to and within downtowns and main streets and to support and improve civic sustainability standards.

IDA Canada was pleased with the previously announced increase of the Federal Gas Tax. The one-time, top-up of \$2.2 Billion that was tabled in Parliament on March 25th is a good step to help get municipalities which are hurting financially after this pandemic [details below in Canada Community-Building Fund]. More direct infrastructure funding is required to support downtowns and continued advocacy to the Minister of Infrastructure is needed to advance this agenda. One area in which we had anticipated some designated funding was a top-up for the over-subscribed *Healthy Communities Initiative*.

Canada Community-Building Fund

"Core infrastructure like roads, bridges, community centres, and water and wastewater plants are the backbone of communities. There is a risk that projects could face delays or even cancellations as local governments across Canada confront the realities of revenue declines due to COVID-19. To help communities keep infrastructure projects on track, the government tabled legislation on March 25, 2021, that proposes a one-time investment of \$2.2 billion

to address infrastructure priorities in municipalities and First Nations communities. This funding would be delivered through the federal Gas Tax Fund and would double the federal government's regular funding for municipalities and First Nations communities in 2020-21."

Recommendation 3: That the Federal government champion entrepreneurship and develop a pilot program for BIAs/SDCs to create local, specific sector training programs/grants in partnership with colleges, universities and the private sector. The full spectrum of skill levels should be eligible for both inside and outside workers.

We recommend a budget of \$200 million be allocated for the development of training and re-training programs which are entrepreneurial-oriented and located in the downtowns and on the main streets of Canada.

Canada Digital Adoption program

Budget 2021 proposes to provide **\$1.4 billion over four years**, starting in 2021-22, to Innovation, Science and Economic Development Canada, to: work with organizations across Canada to provide access to skills, training, and advisory services for all businesses accessing this program. Micro-grants will also be made available to smaller, main street businesses to support costs associated with technology adoption.

- Create training and work opportunities for as many as 28,000 young people to help small and medium-sized businesses across Canada adopt new technology.
- **Budget 2021 proposes to provide \$2.6 billion** on a cash basis over four years, starting in 2021-22, to the Business Development Bank of Canada to help small and medium-sized businesses finance technology adoption.

The nature and skills associated with entrepreneurship have dramatically changed over the past year and we appreciate that funds are being directed to training and re-training. As pointed out in our [Recovery with Resilience](#) brief to Cabinet at the beginning of December 2020, BIA/SDCs stand ready to create local, specific-sector training programs in partnership with local colleges, universities, and the private sector.

Supports for Small Businesses:

It is good news to see that the government is moving forward with the extension of the wage and rent subsidies to September 25th, but with the on-going third wave in much of the country, we believe further consideration should be given to strategically extending the benefits to some sectors beyond this point. The creating of the new *Canada Recovery Hiring Program* is an important update to help businesses begin to hire new employees as they begin to scale up.

Key highlights of the extension of the CEWS, CERS and creation of CRHP

- Extension of the Wage Subsidy until September 25th 2021. There will be a gradual decrease in the subsidy beginning July 4, 2021, in order to ensure an orderly phase-out of the program as vaccinations are completed and the economy reopens. It is estimated that the extension of the wage subsidy will cost \$10.1 billion in 2021-22.
- Canada Recovery Hiring program will be offered as an alternative to the wage subsidy that will be available from June 6th to November 20th 2021. If employers apply for both programs they would get the higher amount they are entitled to between the two programs. The **Government has allocated \$595 million** for this program
- Rent Subsidy program will be extended to September 25th 2021
- Extending the Canada Emergency Business account application deadline to June 30th, 2021

Capital Support for Canada's Small Businesses:

The government is investing **\$450M to enable Canada's venture capital industry** to ensure robust access to capital for the next generation of innovative firms that will emerge and power inclusive growth during the recovery – both broadly across innovation-intensive industries and specifically within the health and biosciences sector.

The government is investing in the start up and scaling up of Canadian businesses.

To do this they need access to financing. They are expanding loans to include start-up costs and intangible assets, increasing the maximum loan for the [Canada Small Business Financing Program](#) to \$500,000 and extending the coverage period to 15 years.

Key Highlights for Tourism Canada

Canada's tourism and hospitality industries are integrally linked with the downtowns and main streets of our country. The charm, character, and appeal of Canada's downtowns and main streets are reinforced by the animation and activities provided by tourism and hospitality sectors. One might say that it is an irrepressible partnership! Tourism has been one of the hardest hit industries during the pandemic. The funding announced in the budget is a critical investment to ensure, when it is safe to do so, that tourism is provided with the funding they need to re-open and contribute to the re-animation of our downtowns and main streets.

- An investment of **\$500 million Tourism Relief Fund**, administered by the regional development agencies. The Fund will support investments by local tourism businesses in adapting their products and services to public health measures and other investments that will help them recover from the pandemic and position themselves for future growth.
- **\$200 million through Canadian Heritage to support local festivals**, community cultural events, outdoor theatre performances, heritage celebrations, local museums, amateur sport events.
- **\$100 Million to Destination Canada for marketing.**

We support these measures, but also note that the environment in which so many of these businesses operate – the downtowns and main streets of Canada – may dramatically change in recovery. As such, we must look at the physical environment and assess how it can be adapted to be safer and more appealing for tourism, hospitality, culture, retail, and social harmony.

Additional Budget Elements: Also included in the budget were two items which were not specifically included in our pre-budget submission, but which are included in our Recovery with Resilience brief. These two initiatives deal with Community Well-Being, the first of five elements we delved into in our brief.

Supporting Child Care

Budget 2021 proposes new investments totaling up to **\$30 billion over the next 5 years for Early Learning and Child Care**. This includes up to \$27.2 billion, starting in 2021-22, targeted to bringing the Federal Government to a 50/50 share of child care costs with provincial and territorial governments, as part of initial 5-year agreements. Future objectives and distribution of funding, starting in year six, would be determined based on an understanding of need and progress achieved as part of this initial plan.

The goal is for a 50% reduction in average fees for regulated early learning and child care in all provinces outside of Quebec, to be delivered before or by the end of 2022 and an average of \$10 a day by 2025-26 for all regulated child care spaces in Canada. The funding will also support an ongoing annual growth in quality affordable child care spaces across the country, building on the approximately 40,000 new spaces already created through previous federal investments and progress in improving and expanding before- and after-school care in order to provide more flexibility for working parents.

In this vein, IDA Canada urges the Federal Government to focus some of the new child care spaces in downtown and main street locations, thereby supporting a return of the workforce to city and town centres.

Rental Housing

\$300 million will be allocated from the Rental Construction Financing Initiative during 2021-22 and 2022-23 to support the conversion of vacant commercial property into housing. As the demand for retail and office space has changed due to COVID, some landlords, particularly in major urban cores, are facing higher vacancies. This is an opportunity for property owners and communities to explore converting excess space into rental housing, enhancing the livability and affordability of urban communities. This allocation will allow the government and industry to explore this new approach to development and target the conversion of excess commercial property space into 800 units of market-based rental housing.

As with other proposals within the budget, IDA Canada would like to see greater specificity on some of the Government's proposals. We specifically call on government to include those agencies and organizations which are closest to and are most knowledgeable in particular fields. We continue to believe that small, but knowledgeable and representative committees should be created to provide this input. BIA/SDCs across Canada stand ready to provide input.

Final Note

We are particularly pleased to see the Prime Minister pledge during President Biden's Earth Day Summit on Climate on April 22nd that the Canadian government will slash emissions 40% - 45% by 2030 compared to 2005 levels – what the media reported to be 'a major increase' from the previous pledge of 30%. In the preface to *Recovery with Resilience*, IDA Canada asked the Federal Government for 'bolder and more decisive actions to address catastrophic climate change' with all pandemic recovery efforts being 'shaped to support a strong, healthy, and environmentally sustainable Canada.