



Business License Tax and Fee Payment Deferral
and
A Grant Assisting Businesses During the COVID-19
Pandemic

City Council Meeting | November 17, 2020

CITY OF
LONG BEACH

Businesses are hurting

- City Council request to staff to provide additional options for relief to restaurants and other businesses with regard to business license taxes and fees
- The COVID-19 pandemic has severely impacted a number of businesses, particularly sit-down restaurants, bars, entertainment venues and personal services establishments
- A number of businesses are have difficulty surviving

City is assisting

- The City is offering various assistance and grant programs, emergency loans, technical assistance, unemployment insurance benefit support, special permitting, and payment plans
- Also, the City has deferred business license taxes and business-related fees, including health fees, through November 30, 2020
- Staff is recommending additional assistance to those severely impacted through a grant associated with the business license tax and business fees, even though the grant may impact the City's own financial well-being

City uses business taxes and fees for services

- The City receives and relies on about \$24 million in annual business licenses taxes and fees
- The City relies on the taxes and fees to provide general services to residents and businesses
- This year most business paid their taxes timely even with the City allowing payment to be deferred until November 30, 2020
- Business tax and fee revenue is down only about \$0.8 m in FY 20 (down 4%), but down 10% or \$1.3 m for the February through September pandemic period
- BID revenue, normally about \$1.2 to \$1.5 million a year, was down about 5% for the year and down 13% for the February through September pandemic period. Belmont Shore BID was particularly hard hit - down 23%

Recommendations

- Business license tax and fee bill payment is deferred until March 31, 2021 for those businesses who believe it will help them survive the pandemic
- Implement a Business License Tax and Fee Grant through the Economic Development Department
- Grant is pro-rated based on how long businesses are materially restricted and impacted as a result of the Health Order and meet the general criteria
- Businesses must be severely operationally restricted for at least 30 days and get a 100% grant after 90 days

Eligibility

- Must demonstrate major financial hardship because of the Long Beach Health Order and where customers would normally be served and would stay indoors for 20 minutes or longer
- Examples include restaurants that are primarily sit-down, entertainment venues, and personal services establishments (barbershops, gyms, beauty salons, tattoo parlors, massage, etc.)
- Non-eligible business include retail stores, grocery stores, construction businesses, businesses that use an office environment, and any business that can effectively use telecommuting or conference. Fast food and quick-serve restaurants are not eligible
- Additional restrictions and exclusions may be included when the full grant implementation guidelines are developed

Administration

- The Economic Development Department will oversee the grant program and will determine eligibility and the grant amounts
- Normal billing for business license taxes and fees penalties will begin April 1, 2021 for any unpaid taxes or fees not offset by the grant program
- To the extent a business has deferred payment, the grant will be retained by the City
- The total grant payments would be a maximum of \$1.3 million and will be awarded on a first come, first served basis
- The grants will use equity criteria

Fiscal Impact

- The deferral of business license taxes and fees to March 31, 2021 is not expected to have an impact on City revenues in FY 21
- It is anticipated that most businesses (90%) will continue to pay timely
- The total estimated cost is \$1.4 m, included administrative costs
- It should be assumed that the cost will likely be funded from General Fund emergency reserves – reserves that are only for critical use
- BIDs will benefit from the proposed grant program as the program will ensure that at least some of the deferred fees are paid to them
- To some extent, the grants will be providing revenue to the City from businesses that were not able to pay in the first place, and this grant will help businesses survive. These positive fiscal impacts are not quantifiable and may or may not be significant



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