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June 2, 2020

Municipality of Skagway  
PO Box 415  
Skagway, AK 99840

RE: Including Business Support with Cares Act Funds

Dear Mayor Cremata, Manager Ryan, and Finance Chair Burnham,

As the Municipality prepares for a loss of approximately \$8 million in sales tax revenue, the small businesses of Skagway are preparing for a detrimental loss of over \$160 million. This devastating reality has found minimal grace from the Federal aid programs or the announced State programs. With \$7.4 million available to the community of Skagway to aid in health and economic stimulus, the Skagway Development Corporation requests the Municipality of Skagway allocate up to \$2.5 million to aid the businesses of Skagway. The implementation of this money is outlined below:

#### **(1) Skagway Business Grant Program**

**a. All businesses with a Skagway business license as of June 1, 2020 can apply to receive a single, one-time grant payment of \$4,000/ MOS business license number.**

When the impact mitigation task force conducted their community survey, businesses in Skagway felt one of the biggest help to their business would be property tax relief, rent relief or utility assistance. According to the 2019 property tax roll, commercial properties, with a primary purpose that was not residential, had a property tax cost of an average of \$3813.33/ property. What SDC suggests is that a grant program be established in which businesses that hold a MOS business license as of June 1 can apply to receive a single, one-time payment of \$4,000/ MOS business license. With many of these properties leased to other businesses, the property tax is absorbed into the rent amount. By just relieving property owners of property tax, the MOS is not only reducing the revenue of the MOS but is also failing to ensure renters benefit through rent reduction. Utilizing the route suggested, property owners are receiving an amount equal to the average property tax bill and their tenants are also receiving funds to make rent payment, or to pay other urgent bills. If each business holding a MOS business license were to apply for this program, it would utilize approximately \$1.6 million of the Skagway CARES Act funds.

**b. In addition, through this grant program, Skagway businesses who employed individuals in Skagway (excluding owners) during the 'off-season' are eligible for an additional \$500/ full-time employee and/ or \$250/ part-time employee. The number of employees would be based on the number of employees listed on a 2-week payroll period of the business's choice between November 1, 2019 – March 31, 2020.**

Skagway businesses who committed to Skagway by serving this community through the winter are facing the largest impacts of COVID-19 and the loss of a 2020 tour season. These few businesses are the heart of our winter economic infrastructure and their businesses provide valuable jobs and income to community members. This is why SDC suggests that the importance of these businesses to Skagway be emphasized by further supporting them through this crisis with an increased grant amount. Businesses would pick any two-week payroll period between November 1, 2019 and March 31, 2020 to calculate the

number of full-time and part-time employees they had. Then, based on the number of employees, the business would receive an additional \$500/ full-time employee and/ or \$250/ part-time employee on top of the \$4,000. Based on the unemployment figures and estimated population listed for Skagway by the State of Alaska's Department of Labor and Workforce Development, this program would utilize approximately \$441,000 of the Skagway CARES Act funds.

The use of this grant money should be limited to pay: rent/ mortgage/ property tax, payroll expenses, utilities, existing accounts payables, existing loan payments, and property improvements.

**(2) SDC requests that the MOS waive the \$50 MOS business license fee for 2021.**

As Skagway looks to rebuild and recover from the impacts of COVID-19, we want to encourage businesses to invest in Skagway and thank those businesses who have been here with us through the thick of it. To do so, SDC suggests waiving the \$50 business license fees for 2021. Based on 2020 business license numbers, this program will utilize approximately \$20,000 of the Skagway CARES Act funds.

**(3) Finally, the SDC requests the MOS allow businesses owing property tax, including home (non-commercial) properties that business owners can prove as their primary work location, to opt to defer their 2021 and/or 2022 property tax payments to 2026, interest-free.**

For Skagway's businesses, the reality faced with the loss of the 2020 season and a need to rebuild future travelers' confidence, is the revenue gap and impacts of COVID-19 will last much longer than 1 year. Skagway's businesses will struggle to meet the aggressive payback deadline of the PPP or the burden of debt incurred by the higher interest rate of the EIDL. In addition, all businesses that were approved for a Federal PPP and/or EIDL programs received an amount that fell well beneath the advertised funding caps, leaving many businesses short on the necessary funds to stay afloat until 2021. Property tax deferment for business owning property tax, including residential homes used as the business's primary work location, offers a low-impact means for businesses to access funds to cover urgent costs and/or manage loan payback in a more manageable timeframe. Though this program will act as a microloan program and the MOS will recoup these funds from businesses, Skagway CARES Act funds could potentially be utilized for the staffing needed to process and track these accounts receivables.

Because of our economic activity, Skagway, with just over 1,000 people, is one of the only 19 communities to receive over \$7 million in CARES Act funds. Skagway's economy and the businesses within are valuable to Alaska and the community members of Skagway. As we look toward 2021, we need to ensure Skagway is able to serve the tour industry at the capacity and service standards pre-COVID. This is why a portion of the CARES Act funding should be spent to directly support Skagway businesses.

Through the programs outlined above and one-third of the Skagway CARES Act funds, the MOS will directly assist all businesses with an emphasis on those businesses that employ folks year-round, and those who have made major investments into the infrastructure and economy of Skagway. The Skagway Development Corporation asks you to consider this request in an effort to support Skagway businesses.

Sincerely,



Kaitlyn Jared, Executive Director