



**Council Member Motion
For the Committee of the Whole Meeting of May 7 2020**

To: Committee of the Whole **Date:** May 6 2020
From: Mayor Helps and Councillor Loveday
Subject: Request for Clarity on Rent Relief Measures and Businesses Falling Through the Cracks

BACKGROUND

On April 24th, the federal government announced the Canada Emergency Commercial Rent Assistance (CECRA) program for small business. This program offers forgivable loans to eligible commercial property owners so that they can reduce the rent owed by their impacted small business tenants by at least 75% for the months of April, May and June 2020 and will be administered by the Canada Mortgage and Housing Corporation (CMHC).

According to the CMHC website, to qualify for CECRA for small businesses, the property owner must meet the following requirements:

- Own a property that generates rental revenue from commercial real property located in Canada.
- Are the property owner of the commercial real property where the impacted small business tenants are located.
- Have a mortgage loan secured by the commercial real property, occupied by one or more small business tenants.
- Have entered or will enter into a rent reduction agreement for the period of April, May, and June 2020, that will reduce impacted small business tenant's rent by at least 75%.
- Rent reduction agreement with impacted tenants includes a moratorium on eviction for the period of April, May and June 2020.
- Have declared rental income on tax return (personal or corporate) for tax years 2018 and/or 2019.

For those property owners who do not have a mortgage, an alternative mechanism will be implemented. Further information will be outlined in the near future.

CECRA for small businesses is applicable to commercial property owners with:

- Eligible small business tenants
- Eligible small business subtenants

- Residential components and multi-unit residential properties with commercial tenants (i.e. mixed usage)

Impacted small business tenants are businesses, including non-profit and charitable organizations who:

- Pay no more than \$50,000 in monthly gross rent per location (as defined by a valid and enforceable lease agreement),
- Generate no more than \$20 million in gross annual revenues, calculated on a consolidated basis (at the ultimate parent level),
- Have temporarily ceased operations (i.e. generating no revenues) or have experienced at least a 70% decline in pre-COVID-19 revenues.

It is currently unclear how affected parties will work together to apply for this assistance. This lack of clarity is creating uncertainty for both commercial property owners as well as tenants. This uncertainty makes it difficult for tenants and landlords to work together to come up with appropriate solutions,

It's important for the federal program to be rolled out in such a way to allow commercial property owners and businesses to work together because:

- Nurturing tenant viability is imperative for long term rent continuity and the downstream contributions to vitality and animation that street front retail brings to commercial properties.
- The cost of re-leasing space (downtime prior to releasing and associated lost rent, tenant improvement inducement costs, leasing commissions payable to brokers) likely far exceed near term abatement of rent.
- Forging a spirit of long-term partnership with tenants engenders a sense of mutual interest in reciprocal success and loyalty.
- Deferrals of rent or the expectation that small businesses incur additional debt (even if interest free) is not conducive to long term sustainability / viability and likely just delays the inevitable.

Addressing this pressing issue in a timely way is important for the survival and thriving of our businesses and also for the vibrancy of our downtown and village centres.

In addition, some restaurant and retail operators have expressed a need for more flexibility within the rent relief options being provided to small businesses. Considerations include landlords who are uninterested in pursuing the CECRA and situations where either the small business or their landlord do not meet the criteria of CECRA and are thus ineligible. Greater clarity and flexibility around rent relief options will allow more small businesses to survive these challenging times and continue to contribute to the local economy, and the vibrancy and cohesiveness of our communities.

RECOMMENDATIONS

1. That Council request the mayor to write to the federal government to request clarity on a priority basis on details as to how the Canada Emergency Commercial Rent Assistance (CECRA) program will work, so that tenants and landlords can work together to make plans to take advantage of this important program.
2. That Council request that the mayor write to the federal government to request consideration of financial relief for small businesses who are unable to reach agreement with their landlord or are ineligible for CECRA and for small businesses in the hospitality sector – such as event and wedding planners – who have fallen through the cracks of existing programs and whose services will be required once larger gatherings are permitted in the future.

Respectfully submitted,



Mayor Helps



Councillor Loveday