
Canada Emergency Commercial Rent Assistance

Summary of the rent assistance available from the government

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CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE

OVERVIEW

The Canada Emergency Commercial Rent Assistance (CECRA) program will lower rent by 75% for eligible small businesses that have been affected by COVID-19 for the months of April, May, and June

COVERAGE OF COSTS

The government will cover 50% of that reduction, with the provinces and territories having agreed to share up to 25% of the total cost and the provinces and territories will facilitate the implementation of the program.

Businesses renting their space would still be required to pay up to 25% of their monthly rent.

Breakdown:

25%	To be paid by the tenant
50%	To be paid by the government (federal and provincial)
<u>25%</u>	To be covered by the property owner
100%	Total rent

ELIGIBLE PROPERTY OWNER

Must meet the following criteria:

- Own or be the landlord of the commercial real property which is occupied by one or more impacted small business tenants.

Commercial Real Property is defined as commercial properties with small business tenants. Commercial properties with a residential component and multi-unit residential mixed-use properties would equally be eligible with respect to their small business tenants.

ELIGIBLE TENANT

CECRA for small businesses does not apply to any properties owned by the federal, provincial, or municipal governments. There are certain exceptions where there are long-term commercial leases with third parties to operate the property including:

- Airports
- Post-secondary institutions
- Hospitals
- A pension fund
- First Nation and any indigenous organizations and governments
- Crown corporation with limited appropriations, designated as eligible under CECRA by CMHC

A tenant must meet the following criteria:

- Type of tenant (must have opened prior to March 1, 2020):
 - Small businesses
 - Not for profits
 - Charitable organizations
- Eligible small business tenants who are in sub-tenancy arrangements are also eligible, if these lease structures meet program criteria.
- 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 experienced at least a 70% decline in pre-COVID-19 revenues.
 - Revenue consists of:
 - Revenue earned from ordinary activities in Canada using your normal accounting method and exclude revenues from extraordinary items.
 - For registered charities and non-profit organizations, the calculation would include most forms of revenue, excluding revenues from non-arm's length persons. Can choose to include revenue from government sources as part of the calculation.
 - To measure revenue loss, small businesses can compare revenues in April/May/June to:
 - The same month in 2019
 - The average revenues earned in January and February of 2020

Gross annual revenues:

- are calculated based on your small business tenant's 2019 financial revenue. Your small business tenant would use whatever 12-month period their company used to calculate its financials.

Ultimate parent:

- If the small business tenant or its ultimate owner produces consolidated statements, then the tenant would use revenues reported for the group level of companies.
- Alternatively, if the small business tenant does not produce consolidated statements, then it is the specific revenue of the tenant that applies for the \$20 million test.

Monthly gross rent:

- Is the total gross rent amount payable by the small business tenant as set out under a valid and enforceable lease agreement
- **Included** in gross rent:
 - Net rent / minimum rent / base rent (in a net lease)
 - Regular monthly installments of operating costs (in a net lease)
 - Regular monthly installments of property taxes payable to the landlord (in a net lease)
 - Regular monthly installments of other additional rent amounts payable to the landlord — for example: maintenance costs, repairs, utilities, management fees, etc. (in a net lease)
 - Gross rent (in a gross lease)
 - Percentage of sales rent paid (if included in the lease arrangement)

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- **Excluded** from gross rent:
 - Excluded from Gross Rent
 - Damages
 - Indemnity payments
 - Payments arising due to tenant default / landlord enforcement
 - Payments arising due to landlord exercise of self-help remedies
 - Interest and penalties on unpaid amounts
 - Fees payable for discrete items or special services (for example: fees to landlord for reviewing plans, supervising work, considering requests for consent, performing exceptional tasks at tenant's request)
 - Reconciliation adjustment payments
 - Amounts required under the lease agreement to be paid separately by the tenant to 3rd parties (for example: property taxes, utilities, insurers)
 - Costs of non-monetary obligations (e.g., repairs and maintenance)
 - Insurance proceeds or proceeds from other rent subsidy programs
 - Note: applying for insurance coverage does not remove you from being eligible for the program, but it may adjust the amounts received if you successfully receive payments from insurance claims or other programs to cover rent

CMHC PAYMENTS

CMHC will provide **forgivable loans** to eligible commercial property owners.

- The loans will cover 50% of the gross rent owed by impacted small business tenants during the 3-month period of April, May and June 2020.
- The property owner will be responsible for no less than half of the remaining 50% of the gross rent payments (paying no less than 25% of the total).
- The small business tenant will be responsible for no more than half of the remaining 50% of the gross rent payments (paying no more than 25% of the total).

For the 50% of costs that are covered by the government, these funds will be received as a forgivable loan. CECRA for small businesses loans will be forgiven if the property owner complies with all applicable program terms and. Forgiveness is dependent upon:

- You 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%.
- Ensure the rent reduction agreement with each impacted tenant includes:
 - a moratorium on eviction for the period during which the property owner agrees to apply the loan proceeds, and
 - a declaration of rental revenue included in the attestation
- CECRA for small businesses loans will be forgiven if the property owner complies with all applicable program terms and conditions — **including to not recover forgiven rent amounts when the program is over.**

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LOAN FORGIVENESS

This interest free loan will be forgiven on December 31, 2020. To ensure loan forgiveness, you must follow the terms and conditions of the loan, including:

- complying with the Rent Reduction Agreement
- ensuring that your attestation and application (including supporting documentation) is accurate and truthful

Repayment may be required when:

- If you file for bankruptcy, restructure, reorganize or dissolve your business, you will need to pay back this loan.
- In the event of default, CMHC has full recourse to recover the CECRA funding from you (the property owner).

LIMITS TO USE OF FUNDS

In order of priority, you can use the funds for:

- reimbursing impacted tenants for any rent paid above 25% during the eligible period unless the tenant chooses to apply the previously paid rent against future rent
- any costs and expenses relating directly to the property, including any financing held by the property owner operation and maintenance and repair obligations (such as costs of common area maintenance, property taxes, insurance and utilities)

APPLICATION:

The Canada Mortgage and Housing Corporation will administer the program, which is set to be operational by the **second half of May 2020**.

There is going to be a staggered approach to applications once it is open:

Day	Who can register
1	Property owners who are located in Atlantic Canada, BC, Alberta and Quebec, with up to 10 tenants who are eligible for the program
2	Property owners who are located in Manitoba, Saskatchewan, Ontario and the Territories, with up to 10 tenants who are eligible for the program
3	All other property owners in Manitoba, Saskatchewan, Ontario and the Territories
4	All other property owners in Atlantic Canada, BC, Alberta and Quebec
5	All

CMHC has engaged MCAP and First Canadian Title (FCT) to deliver CECRA for small businesses. You may be contacted by either MCAP or FCT throughout the applicant validation and funding processes.

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The program offers assistance for the months of April, May and June, 2020.

- It can be applied retroactively.
- Property owners may still apply for assistance once the 3-month period has ended if they can prove eligibility during those months.
- Property owners must **refund** amounts paid by the small business tenant for the period. **ALTERNATIVELY:** If rent has been collected at the time of approval, a credit to the tenant for a future month's rent (i.e. July for April) is acceptable if agreed upon by both the property owner and the tenant. This can be a flexible 3-month period.

As part of your application you must provide:

- Rent reduction agreements
- Landlord and tenant attestations
 - NOTE: You will need an attestation from each tenant included in the application
- Property owner information:
 - Property address
 - Property type
 - Property tax statement
 - Latest rent roll for each property
 - The number of commercial units
- Applicant information:
 - Property owner information:
 - Banking information (including bank statement)
 - Property owner contact information
 - Co-ownership information
 - Contact details for co-owners
 - Tenant information:
 - Tenant contact information
 - Registered business name
 - Lease area
 - Monthly gross rent for the period of April, May and June 2020

The deadline to apply is August 31, 2020

NEW PROPERTY OWNERS

Where the property is newly constructed or recently purchased, you may be still eligible for CECRA for small business, provided the other program requirements are met. This includes having entered into a lease with the eligible tenant on or before April 1, 2020.

BUSINESSES THAT HAVE MULTIPLE LOCATIONS

Each property owner would apply for the program, as such you will need to work with each of your respective property owners.

LANDLORD AND TENANT NOT AT ARM'S LENGTH

CECRA for small businesses is only applicable to commercial property owners **with a valid and enforceable lease agreement** with an impacted small business tenant.

Landlords and tenants who are not at arm's length will be included in the CECRA for small businesses so long as there was a valid and enforceable lease agreement in place prior to April 1, on no greater than market terms.

RENT ASSISTANCE FOR LARGER BUSINESSES

The government has stated that there is more information to come on rent assistance for larger businesses.