

# Emergency Commercial Rent Assistance Update: Applications now being accepted

On April 24, 2020, the federal government announced \$900 million in commercial rent relief to small businesses and their landlords through a new Canada Emergency Commercial Rent Assistance (CECRA) program. This program, provided through the Canada Mortgage and Housing Corporation (CMHC), will provide forgivable loans to eligible commercial property owners experiencing potential rent shortfalls by lowering rent by 75% for small businesses impacted by COVID-19 for the months of April and May retroactively and June.

**Applications for CECRA opened on Monday, May 25, 2020** through a staggered approach by province for the first week. Once registered, the portal will be available 24/7 to upload documents and input data. Applications for the programs, which can only be done through the Landlord, will continue to be accepted until August 31, 2020.

*Eligible property owners* must offer a minimum of a 75% rent reduction for the months of April – June 2020 and will be provided forgivable loans worth 50% of the value of the small business' rent each month. To apply, the Landlord must include several pieces of information, attestations and agreements including a Rent Reduction Agreement, Forgivable Loan Agreement.

*Eligible small businesses* pay no more than \$50,000 in monthly gross rent per location, generate no more than \$20M in gross annual revenue and have experienced at least a 70% decline in pre COVID-19 revenues.

## Key details of the program:

- The program will provide forgivable loans to qualifying commercial property owners to cover 50% of the rent payments for April, May and June for eligible small business tenants who are experiencing financial hardship.
- The loans will be forgiven if the mortgaged property owner agrees to reduce the rent of eligible small business tenants by at least 75% for the three corresponding months under a rent forgiveness agreement. The agreement will include a term not to evict the Tenant while the agreement is in place.
- Small business tenants paying less than \$50,000 per month in rent and who have temporarily ceased operations or have experienced at least a 70% drop in pre-COVID-19 revenues are eligible for the program. This support will also be available to non-profit and charitable organizations.

While this program is a welcomed relief for many small businesses, it may not be applicable to your organization. So what options are available for you? If you aren't eligible for CECRA for small businesses, the Government of Canada is offering other supports for businesses and individuals as part of [Canada's COVID-19 Economic Response Plan](#).

It may also be beneficial to speak with your landlord about options around rent abatement, deferral, or an amendment to your lease. Just be aware of the unintended consequences associated with each of these options.

## Emergency Commercial Rent Assistance - FAQs

### How does the program work?

Example 1: Industrial Tenant leasing 50,000 SF @ \$7.00 Basic Rent + \$4.00 TMI

In this example the monthly rent is \$45,833.33. The Landlord forgoes \$11,458.33 (25% of rent). The Tenant is responsible to pay \$11,458.33 (25% of rent). The government will cover the remaining \$22,916.67

Example 2: Office Tenant leasing 7,500 SF at \$30.00 Net Rent + 18.00 Additional Rents

In this example the monthly rent is \$30,000. The Landlord forgoes \$7,500 (25% of rent). The Tenant is responsible to pay \$7,500 (25% of rent). The government will cover the remaining \$15,000

### How long will a commercial property owner have to apply for CECRA?

The CECRA will be administered by the CMHC and will be available until August 31, 2020. Support will be retroactive to April 1, covering April, May and June 2020.

### Are there any eligibility requirements for commercial property owners?

The CECRA will apply to commercial properties with small business tenants.

Commercial properties with a residential component, and residential mixed-use properties with a 30 percent commercial component, will be equally eligible for support with respect to their commercial tenants.

The property owner must be the registered owner and landlord of the residential or commercial real estate property.

If a property owner does not have a mortgage secured by a commercial rental property, the property owner should contact CMHC to discuss program options, which may include applying funds against other forms of debt facilities or fixed cost payment obligations (e.g. utilities).

## What if I already paid my rent for the eligible months?

If rent has already been collected for the eligible months, a small business can still be eligible for the program. Once the Landlord's application has been approved, the Tenant will be provided an option of a credit, to be used for future month's rent over a flexible 3-month period.

## What if I am a Sub-Tenant?

Eligible small business Tenants who are in Sub-Tenancy arrangements are also eligible, if the lease structures meet the program criteria noted on page 1.

## How Can Cresa Help

While this CECRA program may not be perfect, it is at least a start. Cresa is available to provide support navigating through this relief initiative.

It is important to note that this program is voluntary for commercial landlords. They may choose to take advantage, or simply ignore it. The first step is ensuring that both the Tenant and the Landlord qualify for this program. Assuming that both Tenant and Landlord qualify, willingness from all parties to participate will be required. Cresa will assist our clients in navigating and communicating with their landlord as required. This includes the drafting and review of request documents and formal agreements such as the Rent Forgiveness Agreement.

While this program deals with one component of the impact of the pandemic – rent – many organizations are also thinking about their return to work. As we begin to learn more about British Columbia's re-opening plans, many organizations are working to create their strategy on how to return to work safely. Part of this strategy includes not only re-thinking how organizations use their workspace, but also how to enable work at the best location to maximize productivity, talent and financial return.

We have created a 4-phased approach to help organizations create a customized return to work strategy to address their specific needs. We work with organizations to understand the needs of employees, work with the Landlord to prepare the space for re-entry, develop return to work guidelines to ensure the health and safety of employees, and provide communication and resources to employees to manage expectations.

Whether it's reconfiguring your space to accommodate social distancing guidelines or enhancing your remote work program, we're committed to implementing real estate strategies that work specifically for you.

For more resources to help you navigate the implications of the pandemic on your commercial real estate, be sure to visit: <https://www.cresa.com>