

CANADA EMERGENCY COMMERCIAL RENT ASSISTANCE PROGRAM (CECRA)

On April 24, 2020, the Prime Minister announced that the federal government reached an agreement in principle with all provinces and territories to implement the Canada Emergency Commercial Rent Assistance (CECRA) for qualifying commercial property owners and small business tenants. As part of the federal government's economic response plan to COVID-19, the CECRA is intended to provide much-needed rent relief for small businesses. Over the last several weeks, various tweaks and updates to the CECRA have been implemented. Property owners can now apply for the CECRA through the Canada Mortgage and Housing Corporation (CMHC). The application is available online through the CMHC website as of May 25, 2020. Property owners can apply on a specific day of the week depending on which province their rental property is located.

OWNERS



To qualify for the CECRA, property owners must meet **all** of the following requirements:

1. You own property that generates rental revenue from commercial real property in Canada.
2. You are the property owner of the commercial real property where the impacted small business tenants are located.
3. You have a mortgage loan secured by the commercial real property, occupied by one or more small business tenants. If you don't have a mortgage on your commercial property, you will still qualify for the CECRA.
4. You have entered (or will enter) into a rent reduction agreement for April, May, and June 2020, that will reduce impacted small business tenant's rent by at least 75 per cent.
5. Your rent reduction agreement with impacted tenants includes a moratorium on eviction for April, May and June 2020.
6. You have declared rental income on your tax return (personal or corporate) for the 2018 and/or 2019 tax years.

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

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

*To measure revenue loss, small businesses can compare revenues in April, May and June of 2020 to revenues of the same month of 2019. They can also use an average of their revenues earned in January and February of 2020.

TENANTS



+ MORE



Additional CECRA considerations for owners and tenants:

- The deadline to apply is August 31, 2020.
- It can be applied retroactively.
- The application for the CECRA is now available online through the CMHC website.
- Property owners may still apply for assistance once the three-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.*
- The property owner can use the loaned funds under the CECRA to reimburse impacted tenants for any rent they paid over the 25 per cent during the eligible period of April, May and June 2020 and/or to fund expenses relating directly to the rental property, such as financing, repairs and maintenance obligations, property taxes, insurance and utilities.

*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 three-month period.

Forgivable Loan Structure for Eligible Property Owners

- The CMHC will provide forgivable loans to property owners to cover 50 per cent of the gross rent they would otherwise collect from their small business tenants pre-COVID-19, for the months of April, May and June 2020. These loans will be forgiven on December 31, 2020 as long as the property owner complies with all of the conditions, including entering into the rent reduction agreement with the tenant and ensuring that the attestation and application (including supporting documentation) is accurate and truthful.
- The property owner must agree to reduce the rent charged to the tenant by no less than 75 per cent of the pre-COVID-19 gross monthly rent for April, May and June 2020.
- The small business tenant will be responsible for 25 per cent of the gross rent paid to the property owner.
- Effectively, the CECRA will result in the property owner receiving 75 per cent of its pre-COVID-19 rental revenue in two forms – 25 per cent directly from the small business tenant and 50 per cent by way of a forgivable loan administered by the CMHC.

QUESTIONS?

Your Crowe Soberman advisor is here to help. Visit www.crowesoberman.com to learn more.