



CECRA for Small Businesses: Considerations

Canada Emergency Commercial Rent Assistance (CECRA) for small businesses provides relief for small businesses experiencing financial hardship due to COVID-19. It offers forgivable loans to eligible commercial property owners.

This program provides welcome relief for Canadian businesses facing an unprecedented crisis. The intent of the following questions for consideration are to ensure fairness and achieve maximum effectiveness of the program to keep small businesses, non-profits and charities solvent across Canada during this crisis.

MNP continues to work with property owners, industry associations and other stakeholders to navigate these evolving programs and provide policy makers with additional considerations to maximize their effectiveness.

How can we ensure most small businesses are eligible for the program?

Consideration

CECRA covers small business tenants that pay no more than \$50,000 in monthly gross rent per location. Using gross rent versus net rent has benefits, as operating costs are covered under the program. However, due to most costs being included in gross rent, some small businesses will be ineligible for the program due to being over the \$50,000 threshold.

Suggested Policy Adjustment

A \$50,000 monthly gross rent threshold is too restrictive. Increasing the threshold would make more small businesses eligible and help them through this crisis.

How can we provide property tax relief to property owners?

Consideration

Many municipalities have implemented deferred property tax agreements in place, which provides short-term relief to property owners. However, a concern is the deferral cliff – when the deferred property tax comes due. Tax deferrals only delay the problem.

Suggested Policy Adjustment

Municipal governments could remove any payment penalties for the 2020 taxation year, which would allow taxpayers to spread out their payments over a reasonable time frame.

The provincial government could assist municipalities by advocating for the removal of penalties and work to implement province-wide tax payment plans.

Federal support must be forthcoming to the provinces to help ensure that the burden does not fall to one order of government alone.



If property owners receive a loan and it is determined later a tenant wasn't eligible, how is the loan amount calculated?

Consideration

Property owners are required to apply for all three months, April to June 2020, at the same time. If a tenant projects a significant drop in revenue for June, but then realizes more revenue than expected they would no longer meet the 70-percent drop in revenue and become ineligible for the program. Additionally, if a property owner applies for multiple tenants and one of the tenants attests they are eligible, but then are not, would the loan need to be fully paid back?

Suggested Policy Adjustment

If it is determined later the loan is required to be paid back due to one of several tenants not being eligible, or a tenant not being eligible for one month due to their revenues, the reduction in the amount of the loan that is forgiven should be pro-rated. There should also be no penalties to the property owner.

How can we make sure property owners apply for the program?

Consideration

Small business owners and property owners might not have the ability or the resources to navigate the complex application process for CECRA program for small businesses. The application process requires several documents to be completed and compliance is equally as complex. This disincentivizes property owners to use the program to help their tenants.

Suggested Policy Adjustment

Streamlining the application process would make it more likely property owners will use the process.

What do property owners need to consider prior to application?

Applications for CECRA open May 25, and the deadline to apply is August 31, 2020.

1. Do property owners have a list of which of their tenants will be eligible for the program?
2. Do property owners have all the documentation required for both the Tenant or Sub-tenant's Attestation and Property Owner's Attestation? This includes:
 - The tenant's revenues for April-June 2020 to prove a 70-percent decline. This will require an estimate for June if you intend to apply. Property owners must apply for all three months at the same time.
3. Do property owners have the documentation required for the Rent Reduction Agreement and Forgivable Loan Agreement?
4. Do property owners have the cash flow to meet the obligations of the program?

MNP is here to help navigate the complexities of the CECRA program and helping businesses access the right mix of support programs for their unique circumstances. For more information contact:

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