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COMMERCIAL RENT RELIEF IS HERE . . . FOR THOSE THAT QUALIFY

By: C. Nicole Mangan

The framework of a commercial rent relief program for small businesses has now been announced. The Canada Emergency Commercial Rent Assistance (CECRA) plan, in the form of a forgivable loan, will assist some commercial landlords and tenants with rent relief.

The program will be administered by Canada Mortgage and Housing Corporation. Although the program was announced by the federal government, it is based on an agreement in principle with the provincial and territorial governments to have them cover 25% of the cost of the program. The remaining 75% of the cost will be covered by the federal government.

How much is covered?

Broken down, this plan, for those who qualify, has the government providing 50% of the rent payable for a 3 month period, the tenant paying up to 25% of rent and the landlord waiving 25% or more of the rent payable. The tenant and the landlord are expected to agree on the portion of the rent payment the tenant is required to make, but it must be up to 25% of the monthly rent payment. Rent for the months of April, May and June is covered by this program, although it is unclear whether the “rent” relief applies to gross rent or only base rent. Landlords and tenants can now agree to a retroactive rent relief plan even if an existing plan is in place or the tenant has already paid rent for April.

Who is eligible?

In addition to the criteria above, there are a number of other program requirements, including:

- The landlord must have a mortgage;
- The landlord must agree not to evict the tenant during the months covered by the program;
- The total monthly rent payment must be less than \$50,000; and
- The tenant must have ceased operations or suffered a revenue decrease, compared to pre-COVID-19 revenues, of 70% or more.





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It has been stated that this program is available to “small” businesses and not-for-profit organizations, however, the criteria for a “small” business are not defined. It appears this term is defined by the value of the monthly rent.

When will relief be available?

Relief promised by this program is not expected to be available until mid-May, therefore, commercial landlords, many of whom were not paid for April, are being asked to hold off beyond the first of another month while the government prepares to make these funds available.

Nothing formal has been announced, however, it was suggested a future announcement would be made for larger businesses, presumably those with monthly rents that exceed \$50,000.

If there are any questions on COVID-19 related to commercial tenancy matters, please contact the author of this article and Leader of our Leasing Practice Group, C. Nicole Mangan at cmangan@rbs.ca, or any member of our leasing group found here.



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