

Chambers across AB join the Alberta Chamber of Commerce (ACC) and Canadian Mortgage & Housing Corporation (CMHC) representatives to discuss the Canada Emergency Commercial Rent Assistance (CECRA) program at 11 a.m. on Monday, June 15 via Zoom.

### Program Overview

- CECRA supports Small Commercial Tenants experiencing financial hardship due to COVID-19 and the Property Owners in providing rent reductions to their impacted Tenants while continuing to meet operational obligations.
- The Canada Emergency Commercial Rent Assistance (CECRA) is a **forgivable loan** provided to qualified commercial property owners.
- Property owners are required to set up rental forgiveness arrangements with their small business tenants in addition to meeting other requirements.
- Applications are for the period of April, May and June 2020.
- The application deadline for this program is August 31st, 2020.

### Rent Payment and Funding Breakdown

1 Property Owner is expected to cover 25% of the gross rent for the 3-month period

2 50% of rents are covered in the form of a forgivable loan from the Government (cost shared 75/25 between F/P&T levels of government)

3 The small commercial tenant is expected to pay no more than 25% of required rents

### Program Administration

A third party will be responsible for:

- ✓ Intake and application assessment via a portal customized for the program
- ✓ Providing technical support during the application process
- ✓ Advancing the funds to the Landlord/Property Owner upon the approval

### Property Owner/Landlord Requirements

A Property Owner must:

- **Submit the application - only one application must be made per property for the 3 month period.**
- Owns Commercial Property occupied by one or more Small Commercial Tenants.
- Will be responsible for the reduction of the gross rents by 75% (50% CECRA + Property Owner portion of at least 25%).
- Have rent reduction agreements with impacted tenants, includes a moratorium on eviction for the period of April, May and June (a template will be available).
- Have declared rental income on their tax return (personal or corporate) for tax years 2018 and/or 2019.

### Property Owner/Landlord Requirements

Continuation - A Property Owner must also:

- Confirm that they have availed themselves of any insurance proceeds and rental support programs.
- Confirm prudent cash flow measures for the duration of the program.
- Has agreed to not seek to recover rent abatement amounts after the program is over, including through significant or disproportionate rent increases.
- Provide an attestation signed on their behalf.
- Provide documentation to support their application which may include monthly rent rolls from the Commercial Property.

## Small Commercial Tenant Requirements

- Pays no more than \$50K in monthly gross rent payments (as defined in their lease agreement) per Property
- Generating no more than \$20M in gross annual revenues on a consolidated basis
- The Small Commercial Tenants will be responsible for 25% of the gross rent owed.
- Have been and continue to be committed to lease term and rent reduction agreement.

## Small Commercial Tenant Requirements

- Experiences a significant decline in revenues due to covid-19.
- Experienced a decrease of 70% in revenues for the months of April, May and June. (This can be averaged over the 3 month period).
- Have availed themselves of any insurance proceeds and additional support provided by other rental support programs.
- For Tenants who are struggling to pay their portion (25%) other government programs are available to assist.

## Forgiveness and Repayment

If the Property Owner complies with all applicable terms and conditions, the loan will be 100% forgivable.

In the event of non-compliance with the applicable terms and conditions of the program, the amounts outstanding will immediately become repayable.

## Events of Default

Default may occur when the applicant:

- Fails to comply with the Rent Reduction Agreement
- Fails to maintain prudent cash flow measures
- Seeks to recover rent abatement amounts or applies disproportionate rent increases
- Misrepresents information provided on any of the requested program documents

In case of Default, all necessary measures to recover outstanding amounts will be undertaken, including collection actions.

### FAQS for Property Owners & Tenants:

<https://www.cmhc-schl.gc.ca/en/finance-and-investing/covid19-cecra-small-business>

Questions can be Emailed to: [cecra@cmhc.ca](mailto:cecra@cmhc.ca)

## Q&A

- 1. What happens if a tenant meets the 70% revenue decrease for April & May, but not June?**  
The chances are slim, but should they not meet the decrease for any of the qualifying months, they will not qualify for the program. The tenant in good faith makes that attestation of meeting the program requirements.
- 2. What plans does CMHC have to promote this program to landlords?**  
Website, Government, Chambers, Social Media
- 3. What is the Liability on the part of the Landlord, as they must attest to the revenue drop on behalf of the tenant?**  
The Landlord attests that the information is true to the best of their knowledge. The landlord is not responsible for false attestations. The attestation is made on expected estimates prior to the month in question. The tenant cannot predict a spike in sales. If the tenant purposefully makes false attestations the tenant is accountable, the landlord is not.
- 4. Are there plans to adjust the requirement for tenants to disclose financial statements to their landlord?**  
Financial statements are not required. No requirement to provide any financial information to the landlord. It is the property owner relying on the tenant attestation in good faith.
- 5. Does CMHC currently apply to landlords who do not have traditional mortgages – i.e. lines of credit, no mortgage, private lenders?**  
Yes.
- 6. April May June – Number of Businesses who are not open till stage 3, so no revenue for July and Aug. Is the Gov of Can looking at extending this program past June?**  
Gov is constantly evaluating to see if they need to extend each of their programs but at this point there is nothing to share with regards to CECRA
- 7. What happens when the landlord asks for tenant's financials?**  
Tenant could contact the call center for how to handle this. The landlord does not need to investigate the tenant's financial position.
- 8. If someone has only purchased the property in 2020 how can they receive supports to offer their tenants rent relief?**  
The are eligible on behalf of their tenants – reference to tax returns to 2018/2019 – as long as the property owner makes it clear they have acquired the property, they would be able to see that there was tax from previous years on the property. Lease agreements must be signed and in place prior to April 1<sup>st</sup>, 2020.

What if this is a new building, with new lease agreements?  
Small businesses need to be in place prior to April 1<sup>st</sup>, 2020

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9. **What if they were not open last year in April and only part way through May. what do they compare to? what if reduction in sales is 65% would they get a portion?**

Use a different reference period – Looks at Jan-Mar, but still need 70%. Suggest in good faith to sign the tenant attestation as they are close to the 70%.

10. **Can you expand on the rules around tenants that have multiple locations and how this changes their qualification requirements?**

Small business with multiple location, each property owner for each location would need to apply. \$50,000 limit at each location.

**The Q and A sections states that owners of multiple locations must combine the revenue of all locations to meet the 70% sales reduction test. Some owners had locations in malls that were closed with zero revenue. I am wondering if they had other locations still in operations would this exclude that single location from using CECRA? Hope that clarifies a little more?**

70% reduction looks at Business level revenue. Owner has all businesses as one company, then you group them. Must be at a business company level.

**KEN – Can CMHC asked if CMHC will take this back to the Gov for further review because there are many businesses who have structured their business in such a fashion that will make it so specific locations who may be struggling are unable to receive supports. This will be taken back for discussion at the Gov Level with CMHC**

11. **If people enter an agreement in good faith with a revenue decrease in April and May, but then saw an increase in revenue in June that increased that average and where they no longer met the criteria, what would be the penalty to the tenant?**

Tenant attestation in good faith and not purposefully deceptive.

**Further to Lisa's first question, would the tenant/landlord be required to return the loan amount?**

NO

**Are there any penalties or costs associated and if so, what are they and in what circumstances would those be applied?**

No one needs to return the loan amount. No penalties.

12. **Just to confirm, tenants/landlords will qualify for assistance for all three months or not at all.... there are no circumstances where qualification would apply to just one or two months?**

This is an all or nothing program. Must meet the requirement for all three months.

**13. Our office building is owned by our chamber, and we have tenants renting office space.**

**In signing the Property Owner Integrity Declaration, we declare that the items outlined in (a) to (d) as they pertain to each of our directors, officers, members, shareholders, and beneficial owners. With item (a)– it states that we know that all the previous list, including members, have not been convicted of any crime or penal or regulatory offence in relation to any financial matters such as... How do we confidently attest to this?**

This question is sitting with the legal team. CMHC will follow up.

**14. Is there anything in place when the landlord is refusing to apply?**

No

**15. What happens if the tenant lies?**

No impact on property owner. Tenant agreement would be void. Property owner has within their rights to reset the rent and collect the rent that would have been otherwise collected. CMHC will work with the landlord to recovery of rent from tenant.

**16. Has there been any discussion around landlords as small business owners and why they should be expected to accept a loss of 25%? How does one answer tactfully discuss this with a property owner?**

Benefit – retail landscape may go on a fundamental change, and as a property owner there are costs to eviction and re-leasing the space. So, it is in the best interest to accept a small loss in the short term rather than a large loss long term.

**17. is there any indication of time frame from time of application, pre-approval to disbursement of funds?**

Happy Path – 5-7 days from application date. Complete applications = happy path.

**18. There are some property owners that aren't entering into a rent forgiveness agreement with their tenant because they perhaps are looking to force that business out of their lease agreement early so they can repurpose that building/property - Is there any kind of reporting mechanism or options for tenants for a situation like this?**

This is a challenge – Unfortunately there is not mechanism to report on circumstances.

Other Provincial Governments are putting a ban on evictions where the landlord is not applying for the CECRA program

Gov of AB will be announcing a ban on evictions will be announced tomorrow which will help this program.

**19. Is there any conflict to landlords receiving other support funding related to COVID?**

If the program is not specifically rent relief there are no association to the CERCA Application for the landlord or tenant.