

Ontario-Canada Emergency Commercial Rent Assistance Questions and Answers

QUESTIONS AND ANSWERS

What is the Ontario-Canada Emergency Commercial Rent Assistance Program?

Small businesses are experiencing real financial pressures during the COVID-19 outbreak, both due to required closures and general revenue drops associated with social distancing. This makes it challenging to meet some of their fixed costs such as rent payments.

Ontario is committing \$241 million to partner with the federal government and deliver urgent relief to small businesses and their landlords through a new program, the Ontario-Canada Emergency Commercial Rent Assistance Program (OCECRA). The program will provide forgivable loans to eligible commercial property owners experiencing potential rent shortfalls because their small business tenants have been heavily impacted by the COVID-19 crisis.

How would the program work?

The program has been developed to share the cost between small business tenants and landlords. Small business tenants and landlords would each be asked to pay 25 per cent of the before profit costs and the provincial and federal government would cost share the remaining 50 per cent.

For example, say a monthly rent for a small business is \$10,000. In this example, assume the landlord doesn't make a profit. The landlord forgoes \$2,500 (25 per cent of rent). The small business would be responsible for paying \$2,500 (25 per cent of rent). The government would cover the remaining \$5,000, with \$3,750 from the federal government (37.5 per cent of rent) and \$1,250 (12.5 per cent of rent) from the provincial government.

To receive the loan, property owners will be required to reduce the rental costs of small business tenants for April to June 2020 by at least 75 per cent and would be contingent on conditions including a rent forgiveness agreement between impacted tenants and landlords. This would also include a moratorium on evictions for three months.

More details will be released by the Government of Canada.

How long would a commercial property owner have to apply for OCECRA?

The OCECRA would be administered by Canada Mortgage and Housing Corporation (CMHC) and would be available until September 30, 2020. Support would be retroactive to April 1, covering actions from April, May and June 2020.

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Are there any eligibility requirements for commercial property owners?

The OCECRA would apply to commercial properties with small business tenants. Commercial properties with a residential component and residential mixed-use properties with a 30 per cent commercial component would 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 property.

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

What are the eligibility requirements for small businesses?

An eligible small business tenant is one that:

- Pays monthly rent not exceeding \$50,000 in gross rent payments; and,
- A non-essential small business that has temporarily closed or who is experiencing a 70 per cent drop in pre-COVID-19 revenues (determined by comparing revenues in April, May or June to the same month in 2019 or alternatively compared to average revenues for January and February 2020).

Not for profit organizations and charitable entities would also be considered for the program.

Is the eviction moratorium in effect for the April / May / June period or would it be three months from another start date such as the time of the agreement or from the first payment from CMHC?

The OCECRA would cover actions from April, May and June 2020. Further details on the program, including requirements in the agreement between small businesses and property owners, will be provided by Canada Mortgage and Housing Corporation (CMHC), who is expected to administer the program.

With no revenue coming in, what if a small business can't afford to pay 25 per cent of their rent?

Understanding that some small businesses might not be able to afford to pay any rent, under this program, small businesses can still access a range of other government supports at both the provincial and federal level. This includes Ontario's investment of \$10.0 billion in support for people and businesses to improve cash flow including \$6.0 billion in deferred taxes for 100,000 businesses, \$1.9 billion in Workplace Safety and Insurance Board (WSIB) expense deferrals for employers and \$1.8 billion by deferring municipal education property tax payments.

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How many Ontario commercial property owners does the government think will apply for this program?

Commercial property owners including those that house retail, food service, office or other general commercial uses are a vital part of Ontario's economy. A significant number of those commercial tenants have had to close to ensure the health and safety of Ontarians. That is why the government is working with the Federal Government to support commercial property owners impacted by COVID-19 who apply to the program and agree to abide by the terms and conditions laid out by the government.

How does the OCECRA application process work?

It is expected the program will be administered by the Canada Mortgage and Housing Corporation, which will provide more details on application process.

How much is Ontario's portion of the OCECRA program funding?

The Government of Canada has estimated Ontario's share of the cost at \$241.2 million.

Would the loan funding come directly from the Ontario government or the federal government?

The OCECRA would be administered by Canada Mortgage and Housing Corporation (CMHC) and would be available until September 30, 2020.

The support program would be retroactive to April 1, covering actions from April, May and June 2020.

Loan amounts would be disbursed directly to the mortgage lender to cover a commercial property owner's principal and interest on their mortgage. Loan amounts are also intended to cover other fixed costs such as utilities, taxes, and insurance, and therefore the total funding amount could exceed monthly principal and interest outstanding on the mortgage, in which case the excess would be applied as a mortgage prepayment.

A mortgage lender would include a CMHC approved mortgage lender, as well as private mortgage lenders who are unaffiliated with the property owner.

If the property owner complies with the terms and conditions of the CECRA, the loan would be 100 per cent forgivable.

Are commercial properties that also have apartments eligible as well?

Commercial properties with a residential component, and residential mixed-use properties that have a 30 per cent commercial component, would be equally eligible for support with respect to their commercial tenants only.

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Does the OCECRA program factor in profits for the commercial property owner through the loan period?

The forgivable loan would be conditional on the property owner and tenant entering into a rent forgiveness agreement (including a moratorium on eviction for three-months) pursuant to which the property owner would reduce the tenant's monthly rent to 25 per cent of rent that relates to fixed costs for three months. The property owner would be responsible for the remaining 25 per cent. For certainty, government funding, and remaining monthly tenant rent payment obligations (i.e. 25 per cent), would not cover the property owner's profits derived from rental income – that is, in applying for this program, the property owner agrees to forego profit for a three-month period.

Are any small businesses excluded from the OCECRA program?

The following exclusions would apply:

1. Entities owned by individuals holding political office;
2. Entities that promote violence, incite hatred or discriminate on the basis of race, national or ethnic origin, color, religion, sex, age or mental or physical disability; and,
3. An entity that was in the Lenders special accounts or Restructuring Group prior to March 1, 2020.

Are there other emergency benefit or relief programs in place for property owners that may face hardship in forgoing three months of profit?

Ontario has made a \$17 billion investment in 2021–21, in new supports as part of its action plan in response to the outbreak of COVID-19, including investing \$10.0 billion in support for people and businesses to improve cash flow announced \$6.0 billion in deferred taxes for 100,000 businesses, \$1.9 billion in Workplace Safety and Insurance Board (WSIB) expense deferrals for employers and \$1.8 billion by deferring municipal education property tax payments.

Is there any recourse or retroactive solutions for any small businesses that closed during the COVID-19 outbreak that were evicted because of unpaid rent?

The program will be delivered by the Canada Mortgage and Housing Corporation. To receive the loan, property owners will be required to, in turn, forgo the rent of small business tenants for April to June 2020 and commit to a moratorium on evictions for three months.

Is the government considering relief for residential landlords and renters as well?

Ontario is grateful for the federal government's leadership on direct income supports for people.

The following Ontario supports are available to residential renters:

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- Halted enforcement, and hearings, of most residential evictions
- Local emergency supports (e.g., rent loans, food supports) delivered by Service Managers and Indigenous Program Administrators (\$148 million)
- Emergency supports under Ontario Works for those who can't access federal assistance (\$52 million)
- Reduced time-of-use electricity rates and increased eligibility for energy cost relief programs
- Support for Families payment, if eligible (\$200/child aged 0-12 years; \$250 for those aged 0-21 with special needs; one time)
- Doubled Guaranteed Annual Income System (GAINS) payment for low-income seniors (to \$5 – \$166/month) for six months
- Deferred student loans for six months
- Targeted supports for vulnerable groups such as Indigenous peoples and communities, people experiencing homelessness, seniors, and those fleeing domestic violence

Residential and commercial landlords can also benefit from other supports, including mortgage payment deferrals and emergency loans.