

## Backgrounder

### Recommendations to Help Small Businesses with Lease Payments and Other Fixed Costs

March 30, 2020

With April 1 looming, one of the key worries for many of Canada's small businesses is how to make commercial rent or mortgage payments. Following is a summary of survey results from March 27/28, our policy recommendations to governments and our advice to small business owners as well as commercial landlords.

#### Our survey results show:

- 23 percent of business owners are unable to pay April's lease/mortgage payments, this number is highest for hospitality (44 percent), arts, recreation & information (40 percent), and personal services (29 percent).
- 86 percent believe that governments should give emergency money to hard-hit businesses to help cover lease payments and other fixed costs;
- 51 percent believe landlord is being reasonable, compared to 20 percent who disagree (the rest don't know or it does not apply)
- 68 percent agree that provincial governments should take more action to protect commercial renters from being evicted;
- 42 percent of businesses are worried about having to close their businesses permanently;
- 72 percent agree that tax deferrals are not enough that governments need to shift to tax holidays;
- 57 percent disagree that they can take on more debt to face the current crisis (39 percent strongly disagree and 18 percent somewhat disagree)
- 37 percent report agree that banks are easy to deal with right now and 24 percent disagree

#### Policy Recommendations:

1. Help with rent/fixed costs:
  - The federal government should ensure that \$10,000 of its Canada Emergency Business Account is forgivable to cover rent and other fixed costs and that eligibility criteria are such that businesses hardest hit and most at risk of closing permanently will have access to the money. The money should be made available as quickly as possible.
  - To complement the Canada Emergency Business Account, provincial governments should create a hardship fund with additional emergency money for businesses with significant revenue losses, significant cost increases and/or who are at risk of

permanent closure due to COVID-19 (up to \$5,000 per month for 3 months) to help small businesses pay rent and offset other fixed costs (\$15,000 total). The fund would be available to businesses that may not qualify for the federal Canada Emergency Business Account and/or those that may need additional assistance beyond the federal forgivable portion of the Canada Emergency Business Account. Priority should be given to business that were forced to close. Provincial aid would not require repayment.

## 2. Property tax relief:

- Provincial governments should provide substantial commercial property tax relief for the duration of the crisis. Specifically, we recommend:
- Provinces cover property taxes for the duration of the COVID crisis (a minimum 25 per cent overall reduction in annual property taxes). British Columbia has already moved to cut its school taxes for commercial properties in half, which likely provides around 20 percent relief in overall property taxes for the year. Provinces could either significantly reduce property tax rates on their portion of property tax bills or provide money to municipalities so they can reduce their portion of the taxes.
- Provisions for property tax relief should include that all property tax relief be passed on to tenants (this is automatic for triple-net leases).

## 3. Protection for Commercial Renters:

- Provincial governments should create new, temporary protections to ensure that commercial tenants are not evicted during the COVID-19 crisis.
- Provincial governments should also assist in the creation of a formal agreement tool (like the one Nova Scotia provided) to help landlords and tenants form new written agreements for rent deferrals if necessary.

## 4. Help from Commercial Landlords:

- Pass on any relief provided by governments and Crown Corporations to tenants (property tax, utilities). This will happen automatically with triple-net leases.
- Continue to communicate with tenants, put agreements in writing (template available from Nova Scotia government).
- Be reasonable with your tenants, offer delays/discounts in emergency situations on the net rent portion of the lease.

### **Tools and Advice for Small Business Concerned about Rent Payments**

- When working with your landlords, remember that they are business owner too and many are worried about their own bills (mortgages, utilities, keeping building running etc.) Check your finances and pay what you reasonably can pay as you would want your customers to do.
- If you know you can't make your payment, talk to your landlord. Many are currently renegotiating, and the best scenario is for reasonable people to work out an agreement. Do put any agreements in writing (template from Nova Scotia government available [here](#)—need to add link).

- Work with your bank to get emergency financing. Money may be available from your bank through the Canada Emergency Business Account or and other additional funding that is being backstopped by the federal government. Some of this money may be in the form of interest free loans and some may be in the form of forgivable loans.
- Keep a record of payments your make and discussions you have in this area as this may become important at a later date and will help you keep track.
- Remember that it's in everyone's interests to see your business recover and be able to make full payments again. You cannot legally be evicted without some notice (which varies by province). Check your lease agreement to see the terms but typically at least a few weeks' notice will be required. CFIB is also asking for some temporary provincial protection to prevent renters from being evicted for the duration of the COVID-19 crisis.

**Methodology:**

These findings are from CFIB's latest weekly survey on COVID-19 and small business, a new online survey completed by 9,364 CFIB members between March 27 and March 29, 2020. For comparison purposes, a probability sample with the same number of respondents would have a margin of error of plus or minus 1.0 percent, 19 times out of 20.