

OPEN LETTER

June 19, 2020

The Hon. William Morneau, P.C. M.P.  
Minister of Finance  
Department of Finance Canada  
90 Elgin Street  
Ottawa, Ontario K1A 0G5

**Subject: Urgent action needed to help tenants and landlords cover fixed costs**

Dear Minister Morneau:

As you know, the Canadian Federation of Independent Business (CFIB) is a non-partisan business association representing 110,000 small- and mid-sized enterprises (SMEs) across Canada.

Today, we are writing with urgency to highlight problems identified with the Canada Emergency Commercial Rent Assistance (CECRA) program and propose fixes based on feedback received from both our tenant and landlord members.

CFIB appreciates the federal government stepping in to provide commercial rent relief, a gap left by the provinces. However, it has quickly become apparent that CECRA must be fixed and the Canada Emergency Business Account (CEBA) be expanded to ensure there is enough support in place for hard-hit businesses to survive.

We cannot emphasize how important this is. Over half of small businesses say meaningful rent relief could make the difference between surviving or having to shut down.<sup>1</sup> Many small business owners are feeling panicked as they head into July still unsure how they will fulfill their rent obligations after three months of significantly reduced sales due to the COVID-19 crisis. While half of businesses are now fully open, only twelve per cent have returned to normal sales and many expect reduced capacity to continue into the fall.<sup>2</sup> It is critical to get rent support to those businesses that need it and don't yet have it, and to ensure that support continues beyond June.

---

<sup>1</sup> CFIB, Your Business & COVID-19 Survey 10, May 15-21, 2020, n=7,493.

<sup>2</sup> CFIB, Your Business & COVID-19 Survey 13, Preliminary Results, June 12-15, 2020, n=4,031.

### **Fix CECRA**

CECRA is working for some, but not others. Our survey results show that 60 per cent of tenants need rent relief, but for various reasons, many are unable to access it.<sup>3</sup> Roughly 20 per cent of those who need relief do not qualify. Of those who do qualify, only 40 per cent are certain their landlord will use the program. Further, relative to other federal support programs, the satisfaction of those who have accessed CECRA is considerably lower (Figure 1 attached).

**Helping eligible tenants who cannot access the program:** As you know, CECRA requires property owners to apply for rent support on behalf of their tenant(s) and agree to a 25 per cent reduction in their rental income. However, some landlords are choosing not to apply. In such cases, **CFIB recommends allowing tenants to apply for and access their portion of CECRA funds directly.**

**Government landlords:** Government landlords are not eligible for CECRA. While there are exceptions such as crown corporations and government agencies, even these are problematic. CMHC has indicated that each of these entities are being reviewed individually, taking a great deal of time, and leaving many tenants uncertain if they will have access to support. **CFIB recommends allowing tenants to directly apply for the program, so government landlords do not act as a roadblock for rent relief. We also recommend government landlords be encouraged to provide rent relief directly (we are somewhat surprised to hear that at least some have not already been doing so).**

**Revenue reduction:** Many SMEs are excluded from accessing CECRA because they do not meet the 70 per cent revenue reduction requirement, a requirement that is significantly higher than the 30 per cent reduction required for the wage subsidy program. Others, with more than one location, are excluded because the combined revenue drop disqualifies them. This leaves many businesses without support. Our survey data shows 46 per cent of businesses have experienced a 50 per cent or greater revenue decline since the start of the pandemic (see Figure 2 attached).<sup>4</sup> **CFIB recommends significantly lowering the revenue reduction criteria to allow more small businesses to access much needed rent relief. CFIB also recommends the revenue reduction requirement apply to either the entity or location level to reduce confusion and allow more businesses to access the program.**

**Three-month averaging period & June forecasting:** Some businesses are being excluded from CECRA because, although they saw extreme revenue losses in April and May, the three-month averaging period disqualifies them. Additionally, many are concerned about applying for the program because they are uncertain what their June revenues will be and are not comfortable attesting to the 70 per cent loss before the end of the month. **CFIB recommends allowing those who qualify for April and May to automatically qualify for June. If the program is extended, we suggest a simpler month-by-month qualification or allowing those who qualify for July to automatically qualify for August.**

**Extend the duration of the program:** July rent is a significant concern for many businesses as revenues continue to be low. To ensure we do not see the permanent closure of these businesses, **CFIB**

---

<sup>3</sup> CFIB, Your Business & COVID-19 Survey 12, June 6-11, 2020, n=6,065.

<sup>4</sup> CFIB, Your Business & COVID-19 Survey 13, Preliminary Results, June 12-25, n = 4,031.

**recommends the program be immediately extended through to September, with the possibility of further extension if necessary, especially for those business that are still not able to fully re-open.**

**Administrative improvements:** We have heard of countless red tape headaches, such as long helpline wait times, not being able to add tenants to an application once submitted, and large amounts of information required to apply. Another example is the need for a written lease, red tape that could be eliminated by accepting alternatives such as proof of rent payment. **CFIB recommends CMHC continue to improve the administration of CECRA and reduce red tape within the program.**

### **Expand CEBA**

Further to the above recommendations for fixing the CECRA program, CFIB continues to recommend expanding CEBA. Expanding CEBA will ensure all businesses have access to the cash flow they require to cover fixed costs during these extremely challenging times. This becomes particularly important if the government does not change CECRA to allow affected tenants with landlords who are not participating to access support directly. Expanding CEBA provides tenants falling through the cracks of CECRA an alternative route to access the support they need. **CFIB recommends expanding the CEBA loan to at least \$60,000 and increasing the forgivable portion to fifty per cent.**

### **Recommendations & Conclusion**

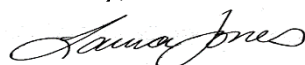
In summary, we recommend:

1. **Allow tenants to access CECRA funds directly, including government tenants**
2. **Significantly lower the CECRA revenue reduction criteria and allow it to apply to either the entity or location level**
3. **Allow those who qualify for April and May to automatically qualify for June and simplify the program going forward to eliminate the need to forecast revenue**
4. **Extend the CECRA program to September, with the possibility of extension if necessary**
5. **Expand the CEBA loan to \$60,000 and increase the forgivable portion to fifty per cent**

In addition, we recommend CMHC continue to improve the administration of CECRA and reduce red tape within the program.

Thank you for your attention. On behalf of our affected members, we want to once again underscore how critical it is that rent relief be addressed before another first of the month comes and goes. If you have any questions, we would be happy to discuss this further. We look forward to your government's response.

Sincerely,



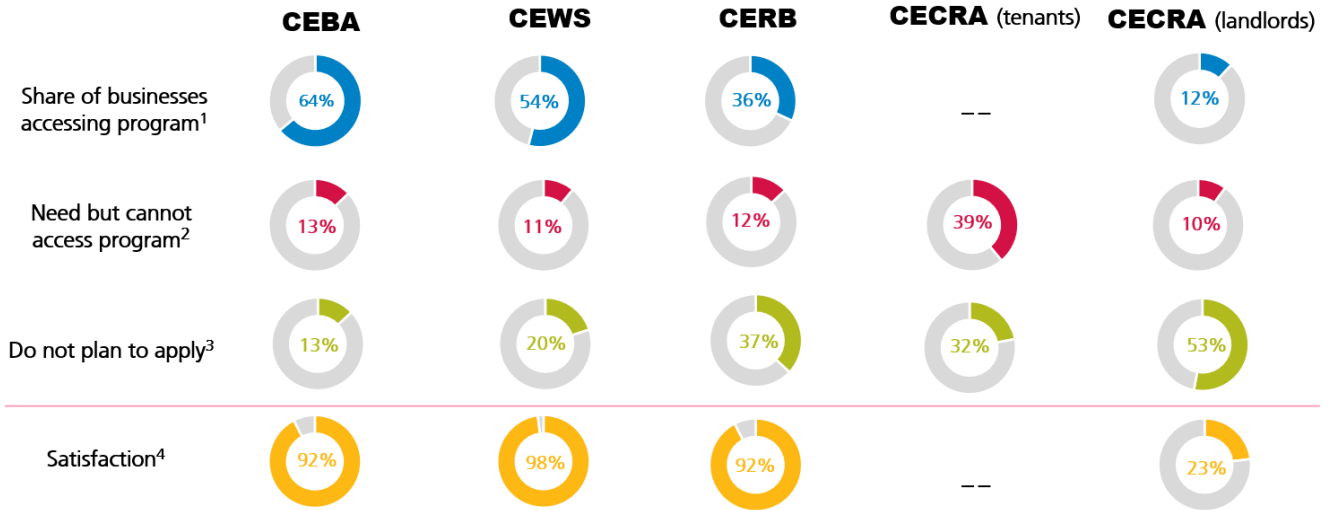
Laura Jones  
Executive Vice-President



Corinne Pohlmann  
Senior Vice-President, National Affairs

CC: Evan Siddall, President & CEO CMHC

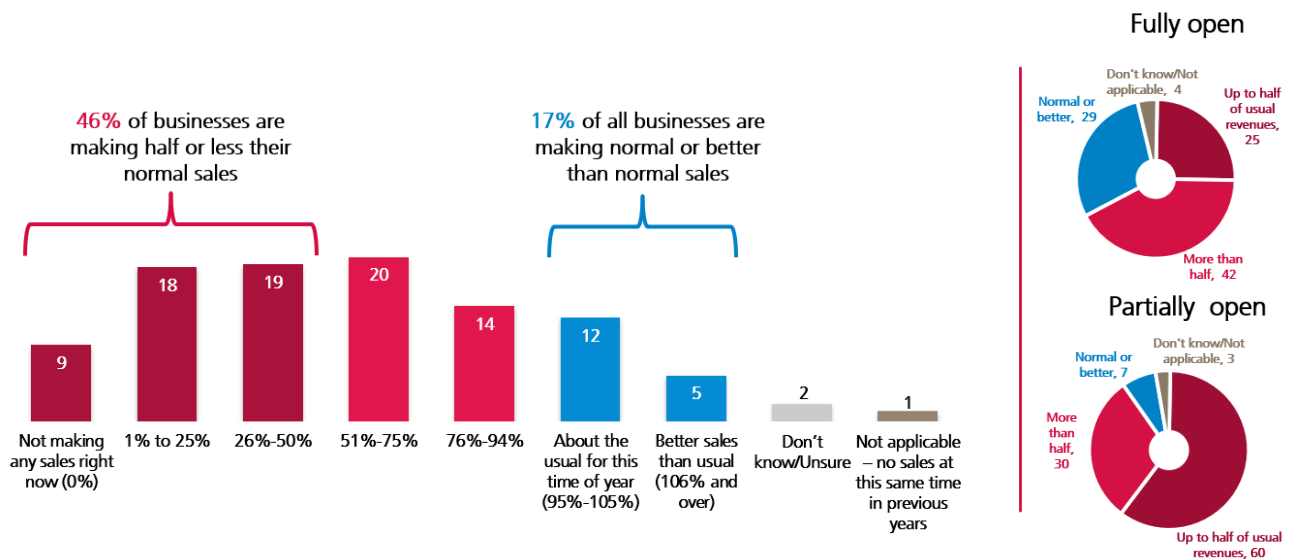
Figure 1: Federal business relief measures



Source: CFIB, Your Business & COVID-19 Survey 12, June 2020, preliminary results, n(CECRA tenants) = 1,338, n(CECRA landlords) = 371, n(CEBA) = 4,466, n(CEWS) = 4,574, n(CERB) = 4,534.

1. Accessing program includes - CEBA, CEWS, CERB: Received funding/Awaiting funding/Plan to apply/Applied decision pending; CECRA: Tenant - landlord has chosen to use CECRA; Landlord - tenant eligible and landlord applied
2. Need but cannot access program - CEBA, CEWS, CERB: Applied rejected/Needed but not eligible; CECRA: Tenant - do not qualify/uncertain about June revenue; Landlord - tenant does not qualify for CECRA
3. Do not plan to apply: CEBA, CEWS, CERB - Not needed/Eligible but do not plan to apply; CECRA - tenants do not need rent relief; tenants qualify but do not intend to apply; alternate agreement was reached.
4. Satisfaction: CEBA, CEWS, CERB - Very helpful/helpful; CECRA - A (excellent), B (good)

Figure 2: How much of your usual revenues for this time of year is your business currently making?



Source: CFIB, Your Business & COVID-19 Survey 13, Preliminary Results, June 12-25, n = 4,031.